



Young People's  
Learning Agency

# Young People's Learning Agency Annual Report and Accounts 2011-12

*July 2012*

Championing Young  
People's Learning

**The Young People's Learning Agency's  
Annual Report and Accounts  
for 2011-12**

**Presented to Parliament pursuant to paragraphs 14 and 15 of Schedule 3  
to the Apprenticeships, Skills, Children and Learning Act 2009**

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# Chair's Statement

I am very pleased to introduce the second – and final annual report of the Young People's Learning Agency. Change has been our watchword. When we started in April 2010, the larger part of our remit was to fund education and training for young people aged 16-19 and up to 24 for those with learning difficulties and disabilities, who were subject to a formal learning difficulty assessment. That remained a major strand of our work in 2011-12 but at the same time, our responsibilities for Academies grew considerably as the number grew from 206 in April 2010 to 1665 at the end of March 2012.

This change, managed within existing staffing levels, meant that much of the first part of 2011-12 was spent reshaping our organisation to better meet the changing demands on the business. We navigated through a successful reorganisation which saw significant numbers of staff reallocated to Academies roles, a boost to our central data and systems capacity and provided more resource in financial assurance expertise.

In the latter half of the year our focus was firmly on the allocations for academic year 2012/13. We have successfully, and for the first time, delivered all Academies' allocations before the end of March 2012, a remarkable achievement given the significant number of new Academies. All allocations for young people's education and training were also made in March, including grants for learner support. This has given all local authorities, Academies, colleges and other providers more time to plan their support for their pupils and students.

All this was achieved in the context of the transition to the Education Funding Agency (EFA). Together with the Executive, the Board has taken leadership responsibility for transferring to the EFA. The Board has been both positive and proactive in supporting such a significant change in direction and has worked with the Department for Education and Partnerships for Schools to ensure a smooth transition.

At the last Board meeting, the final act was to pass a resolution to commend all YPLA staff for their outstanding contribution to the YPLA. The Board have been immensely impressed by the achievements of our staff, especially given the challenge of our changing remit and transition programme. We all feel hugely privileged to have been part of the YPLA. We have tried our very best to operate as an efficient and effective Board, which also listens to and respects those we have the privilege to serve.



**Les Walton**  
**Chair**  
**Young People's Learning Agency**  
10 July 2012

## Chief Executive's Review

The Young People's Learning Agency has had a short life – two years exactly from vesting date to dissolution – and as my Chair has commented, the predominant feature of that two year life was the ever-present and fundamental nature of change.

At the start of 2011-12, I drew up plans for a major organisational change to reshape the YPLA to provide effective support for the rapidly growing number of Academies. In our first year, I had asked everyone to work flexibly within existing structures but I concluded that we needed to make a more fundamental change in our second year, with the expectation that our new structure would then be transferred en bloc to the EFA.

The key changes involved stripping out work that was no longer required in the light of the coalition Government's emphasis on streamlined systems and delegating responsibility to front-line providers. As a result we were able to reallocate around 160 staff, about one in three of our total, to work on Academies, while maintaining rigour and effective management of funding for young people's learning. I was also able to boost the senior leadership of the Academies work, organised in four territories but within national teams to make sure that our systems were clear, transparent and robust.

YPLA staffing was set at around 580 but we operated below that level for our first year and the first part of 2011-12 as well. By the summer of 2011, however, it had become clear that we were at the limits of the efficiency gains we had been making for 18 months and we were short of skills in finance and analysis and data management which we needed to source from the external labour market. I was grateful for support for the need to recruit, both from my Board and from Departmental Ministers, and we planned an increase in our staff number up to the original design figure of around 580.

There is rightly a very sharp focus on efficiency and effectiveness at times of austerity and I am pleased to report that the YPLA's administrative overhead reduced from 0.5% of our programme spend in 2010-11 to 0.4% in 2011-12 – an improvement of 20%, meaning that we spent 39.7p on administration for every £100 of funding for education and training. This is considerably better than predecessor organisations and it is a benchmark that we need to continue to improve. Value for money in the way we distribute public money is a key priority.

We took two key steps to improve our effectiveness. The first was to simplify our funding systems. We continued to develop how we allocated funding for 16-19 year olds, which we had started the previous year, to make funding allocations on clear and simple rules and on lagged learner numbers. For Academies, we introduced a simpler 'roll-over' funding for many converter Academies, although we still funded some 600 Academies on a precise replication of their home local authority's school funding model, collecting the

data for each Academy and applying separate factors for minimum funding guarantees and local authority equivalent funding. We expect that the Government's new plans for simplifying school funding will lead to significant further simplification and greater transparency in the allocations made in spring 2013 for the 2013/14 academic year.

The second step was to improve our systems. We want to establish a core system where our funding data and models are held on secure data bases and we deal with our customers – local authorities, Academies, colleges, and business and charitable providers – through an information management portal, which provides a secure means of gathering the data we need and for sending out allocations. We made some good progress in 2011-12 but there is considerably more work to do in 2012-13 in the EFA.

In the latter period of the YPLA, we also planned significant further changes in the system for accountability for academies and these are described further in the main body of the annual report. The establishing of a large scale national system for directly funding academies brings new challenges to make sure that there are clear accountability arrangements that all academies can follow; and that these arrangements provide a light touch system, rather than a bureaucratic imposition.

As my Chair has noted, it was pleasing to end 2011-12 by sending out allocations on time for the 2012/13 academic year for some 2500 providers of education and training for 16-19 year olds and for some 1665 Academies and Free Schools. Other achievements during the year were: the development of a new allocation method for the 16-19 Bursaries, also allocated on time at the end of March for 2012/13, considerably earlier than the previous year; the secure management of around £100 million capital for maintaining and improving the condition of sixth form colleges' buildings and for funding extra capacity for local growth in numbers of learners aged 16-19 years; close partnership working with local authorities to tender for additional places for learners aged 16-19 years where there were market gaps and for young people with learning difficulties aged 16-24; and the tender at the end of the year for the element of the new Youth Contract to support unemployed 16-17 year olds.

The story of the YPLA is inevitably one of unfinished business as many issues will now be taken forward by the EFA. But I and my senior team are proud of what we have been able to achieve in two years and very grateful for the support we have had from our Board and for the dedication, professionalism and flexibility of all our staff.



**Peter Lauener**  
**Chief Executive, Education Funding Agency,**  
**and Accounting Officer for the Young People's Learning Agency**

10 July 2012

# Our work and our accountability

The Young People's Learning Agency for England (YPLA) was a non-departmental public body (NDPB) of the Department for Education, established under the Apprenticeships, Skills, Children and Learning Act 2009 and in remit letters and grant letters from the Secretary of State.

Our main aim was to fund the education and learner support of:

- all young people in open Academies as well as City Technology Colleges, Studio Schools, Free Schools and University Technical Colleges
- 16-19 year olds in a variety of settings including:
  - School sixth forms
  - General further education colleges
  - Specialist FE colleges
  - Sixth form colleges
  - Independent training providers
- Young people aged up to the age of 25 who are subject to a learning difficulty assessment and for young people aged 10-18 in youth custody.

Our priorities were as follows:

**Funding and Programme Development:** supporting the Department for Education to simplify the funding system for the future, undertaking the associated modelling to identify the impact on types of institutions.

**Allocations:** ensuring that funding allocations were accurate, understood, and communicated on time. This included allocations for school sixth forms, colleges, independent training providers and other providers (such as independent specialist providers and young offender institutions), and grant calculations pre-16 and post-16 for Academies.

**Funding Agreements and Payments:** ensuring that funding agreements were in place and payments made accurately and on time. This included funding agreements with Academies and financial memoranda and contracts with other providers, and payments in respect of school sixth forms, colleges, local authorities and business and charitable providers; payments to those providing goods or services to the YPLA; and payments to young people receiving financial support from the YPLA.

**Assurance and Compliance:** ensuring that the providers who received funding for education and training used it for the purpose for which it was provided. This included ensuring compliance with Academies' funding agreements (to ensure the Academy itself, and the YPLA on behalf of the Secretary of State were fulfilling their obligations) and compliance by other providers with their contracts or financial memoranda.

**Data and modelling:** ensuring that data was used effectively and transparently to drive funding decisions and inform self-improvement. This included making data available to providers and local authorities, to inform their planning, to inform their understanding of the funding implications of choices they were making, and to enable them to compare their performance with that of others. Data, analysis and modelling played an important role in ensuring value for money and we published data to improve transparency across the system as a whole.

**Monitoring and intervention:** working with providers, proportionate to need, to protect the interests of learners and to ensure the proper use of public funds and the financial stability of providers. This included working with all providers where there were concerns about financial health. In September, monitoring the educational performance of open Academies was transferred to the Department for Education.

As well as having priorities for service delivery, we had priorities for leadership, governance and system change to improve value for money.

These included:

**Managing transition:** preparing for the proposed transition from the YPLA to the Education Funding Agency.

**Effectiveness:** ensuring the effectiveness of the YPLA as an organisation in delivering its objectives. This includes the transparency and accountability of the YPLA, governance arrangements, the management of central and shared services and a robust approach to risk management.

**Simplification:** simplifying, wherever possible, all YPLA systems, to reduce the burden on providers and to deliver efficiency savings for the YPLA. This included working with the Skills Funding Agency to align our processes and minimise bureaucracy for providers in the further education sector. Simplification was an important factor in delivering value for money provision.

Significant progress has been made since the annual report for 2010-11 and a number of points left open in that report have been addressed including getting Academy allocations out on time and the effective implementation of Bursaries (the replacement for EMA). Effectively managing the challenges of the increase in academies will require continued attention by the EFA. The transition to the EFA was successfully completed.

## Key Organisational Performance Measures

We set out to be an effective and efficient organisation with low overheads. We maintained a 'scorecard' to monitor our performance and key metrics from this are set out below.

Key Metric	What we aspired to achieve	Outcome 2011-12
The number of payments made to providers in a timely manner and in accordance with normal payment schedules	100%	100%
The accuracy of payments made to providers.	100%	99.9%
Freedom of Information requests responded to within the deadline	100%	89.9%
Budgetary control: percentage variance to budget	1%	Overall: 0.16% under spend 16-18 participation budget:- 0.19% under spend Capital budget = 3.05% under spend Administration budget = 0.06% under spend
Ratio of administration costs to programme budget	Less than 0.5%	0.4%
Staff turnover	Fewer than 5%	6.2%
Vacancy rate	Fewer than 15%	18%
Average working days lost to sickness per employee	Fewer than 7 days a year	6.12 days

# The YPLA as an Organisation

Our 540 staff operated out of four national offices, in Coventry, Sheffield, Darlington and London and offices in the regions. In August 2011, we re-organised nine regions into four territories to re-align management capacity around the growth in Academies. The territories covered:

- North (North West, North East and Yorkshire and the Humber regions)
- West (South West and West Midlands regions)
- East (East Midlands and Eastern regions)
- South (London and South East regions).

Staff development and training was given high priority within an organisation going through change – notable areas were external assurance and finance, and across the organisation as a whole mandatory training in information security.

A strong emphasis was placed on personal accountability through a scheme of delegation, registers of interest, risk ownership and CRB checks on staff.

## **Equality and diversity**

In March 2011 we published our single equality scheme, setting out our commitment to inclusion, equality and diversity. The previous individual duties (race, gender and disability) are now subsumed within the public sector Equality Duty. The scheme operated within a legislative framework. The legislative frameworks are:

- Apprenticeships, Skills, Children and Learning Act 2009; and
- Equality Act 2010; public sector Equality Duty.

We described four objectives for inclusion, equality and diversity:

- To recruit and retain an inclusive and diverse workforce which is appropriately developed to ensure each individual has the opportunity to reach their full potential.
- To make data available on Academies' performance to brief school improvement partners to support awareness and to help Academies improve their performance in inclusion, equality and diversity.
- To have in place comprehensive and transparent equality impact assessment arrangements, integral to the business cycle and the governance structure. This would be a key aspect of monitoring proposals to inform decision making and ensure that those making decisions were mindful of the impact on inclusion, equality and diversity.
- To improve the analysis and availability of data on protected groups and their inclusion within YPLA funded activities and to support the identification of gaps and challenge performance.

## **Local accountability and assurance**

We enhanced our focus on local accountability for the funds we distributed to providers. Local authorities are the strategic commissioners of provision and prior learner numbers are the basis for determining funding. We increased the focus on the quality of provision and financial stability in the funding methodology. The quality of provision was monitored against a series of national thresholds. A notice to improve based on Ofsted inspection outcomes, published minimum levels of performance and financial health was used to ensure quality standards were maintained.

## **Sustainability**

HM Treasury published guidance in June 2010 on *Sustainability Reporting in the Public Sector* which sets out the requirements for reporting.

As we were not directly responsible for any of the premises we occupied, we worked on sustainability issues through shared services agreements. The Skills Funding Agency led on the development of a five-year carbon management plan, concentrating on five offices shared by the YPLA, including our national office in Coventry. The plan aims to reduce carbon emissions by 25 per cent by April 2016. Projects initiated, included awareness-raising campaigns and adopting new technologies, such as changing to LED bulbs in some areas and installing movement-sensitive lighting.

As part of changing our organisational arrangements and working practices, we actively promoted the foundations for improved sustainability. We committed to use modern technologies and reduced the amount of travel undertaken by staff, by better management of meetings and by increased use of telephone and video conferencing. We encouraged staff to reduce the travel associated with getting to and from their workplace, through car-sharing, cycling, using public transport and, where appropriate, working from home. Our communication with providers and partners was developed to have substantial electronic capability with an information portal as our primary means of communication. Nevertheless, our greenhouse gas emissions increased. The reasons for this was inefficiencies in facilities, increased business travel and a more dispersed organisation working with more education providers who were also widely dispersed.

GREENHOUSE GAS EMISSIONS <sup>1</sup>		2010-11	2011-12	Graphical Analysis of CO <sub>2</sub> emissions from business travel
Non-Financial Indicators (tCO <sub>2</sub> e)	Scope 2: Indirect emissions from office buildings' energy consumption <sup>2</sup>	608.57	847.62	
	Scope 3: Business Travel	288.18	366.74	
	<b>Total</b>	<b>896.75</b>	<b>1214.36</b>	
	Per annual average FTE	1.80	2.32	
Related Energy Consumption (KWh)	Electricity (kWh)	945,596	1,284,367	
	Gas (kWh)	511,786	809,391	
	Business Travel (km)	3,008,777	3,482,940	
Financial Information (£)	Total energy expenditure	127,399	173,995	
	Total business travel expenditure	761,105	867,029	

<sup>1</sup> All energy data for 2011-12 is based on information received up to 5 April 2011.

<sup>2</sup> All YPLA offices are provided via either a shared services agreement with the Skills Funding Agency or Memoranda of Terms of Occupation with the Department for Education and the Department for Communities and Local Government. CO<sub>2</sub> emissions have been calculated pro rata based on headcount for offices occupied by the YPLA as part of the shared services agreement with the Skills Funding Agency where energy consumption figures are available. CO<sub>2</sub> emissions and consumption figures for the YPLA's shared occupancy of Mowden Hall, the Government Office for the South East and Sanctuary Buildings were not available and so are not included in the figures.

The YPLA occupies buildings with The Skills Funding Agency. The Agency do not have accurate Scope 1 emissions data split between the two organisations.

## Social and community issues

We promoted the YPLA as an active corporate citizen. We encouraged staff to engage as volunteers in a broad range of initiatives in the communities in which they live and work.

We supported employees to be involved in community or charitable activities connected to our business objectives including:

- Working in schools or organisations that are involved in learning and skills activities.
- Working with third sector organisations that are involved in raising the profile of learning and skills within communities or client groups.

Employees were encouraged to undertake voluntary work by supporting flexible working arrangements. For some staff, up to five days of their learning and development time was spent on this. Staff raised money for Barnardo's, Cancer Research UK, Children in Need, CRY (Cardiac Risk in the Young) and Guide Dogs for the Blind.

## The future

In October 2010 the white paper *The Importance of Teaching* announced the intention, subject to legislation, to close the Young People's Learning Agency (YPLA) and set up a new executive agency in the Department for Education. The EFA would have responsibility for the direct funding of the growing number of Academies and Free Schools and all provision of learning by young people aged 16-19 years in further education colleges, sixth form colleges and other providers. The EFA would also fund local authorities for them to pass on, as now, funding to the schools they maintain.

In June 2011, in a written statement to Parliament, the Secretary of State for Education announced that, following Sebastian James's proposals for a new system for managing capital expenditure and the wider reform of arms' length bodies, he had decided to bring together, in a single agency, the allocation and management of revenue and capital funding, including the delivery of capital programmes. The announcement confirmed that Partnerships for Schools would also close in March 2012, with its staff and functions also moving to the EFA.

The Secretary of State also announced that I, as the YPLA's chief executive, would become chief executive of the EFA. This new executive agency is to be responsible for funding the education system for 3-19 year olds and for managing the school and sixth form college estate. The EFA is to be responsible for the allocation and distribution of approximately £50 billion of funding each year, as well as the delivery of capital investment in schools.

## **Management Commentary**

### **Report on personal information breaches**

In the report *Data Handling Procedures in Government*, published by the Cabinet Office in June 2008, the Government committed to report on information breaches in summary form in annual reporting.

I am pleased to state that my SIRO has assured me that there were no instances where the YPLA was required to report on an information breach.

### **Financial commentary**

#### **Accounts direction and statutory background**

1. These accounts have been prepared under an accounts direction issued by the Department for Education in accordance with the Apprenticeships, Skills, Children and Learning Act 2009 and the framework document between the DfE and the YPLA dated 2 June 2010.

#### **Going Concern**

2. The Education Act 2011 which received Royal Assent on 15 November 2011 provides for the dissolution of the YPLA on 31 March 2012 and the transfer of its functions, staff and property to the EFA on 1 April 2012.
3. Under the terms of the transfer, the assets and liabilities of the YPLA are to be transferred to the EFA at fair value on 1 April 2012. Therefore, these accounts have been prepared for the YPLA as a going concern as set out

in paragraph 2.2.15 of the 2011-12 government Financial Reporting Manual issued by HM Treasury.

4. The commitments presented in note 13 will not be borne by the YPLA; from 1 April 2012 they will become commitments of the EFA. Similarly, the provisions presented in note 10 will become provisions of the EFA.
5. The YPLA has accrued £153,215 to cover closure costs incurred after 31 March 2012, predominantly staff costs related to the production of the 2011-12 annual report and accounts, and are included in administration accruals in note 9a.
6. The Statement of Financial Position at 31 March 2012 shows net assets of £139.4 million (2010-11: £20.2 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the EFA's other sources of income, may only be met by future grant-in-aid from the Department for Education. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grant-in-aid may not be issued in advance of need.
7. The net book value of YPLA's non-current assets at 31 March 2012 is zero as the YPLA does not own any non-current assets; instead they are provided as part of the shared service agreement with Skills Funding Agency. The shared service agreement with the Skills Funding Agency is an operating lease, as the risks and rewards of ownership lie with the Skills Funding Agency.
8. At 31 March 2012, the YPLA had receivables of £68.4 million (2010-11: £20.6 million). The increases relate to claw backs in both the Academy and further education programmes, together with a prepayment for the Bursary programme.
9. At 31 March 2012, the YPLA held cash balances of £141.2 million (2010-11: £55.2 million). This represents only 1.12 per cent (2010-11: 0.58 per cent) of the YPLA's annual resource budget. DfE authorises a working balance of 2 per cent of the annual resource budget throughout each financial year.
10. At 31 March 2012, the YPLA had payables of £64.9 million (2010-11: £49.6 million). The main reasons for the increase are the expansion of the Academies programme and the need to accrue administration expenditure related to the closure of the YPLA and transition to the EFA.
11. A credit risk to the YPLA arises from the non-payment of debts owed by business and charitable providers that are funded to provide learning. The likelihood of such an eventuality is mitigated by assessing the provider's financial standing in advance of and during funding, and through an in-year reconciliation of providers' entitlement to funding and subsequent amendment to future funding. The credit risk is largely attributable to

provider insolvency and the overall financial impact is currently not material – see note 17 of the accounts on losses.

## **Development and performance**

- 12 The accounts cover the period from 1 April 2011 to 31 March 2012.
- 13 The majority of the YPLA's funding is grant-in-aid from government. In 2011-12, this was £12,736.8 million (2010-11: £9,499.6 million).
- 14 The largest source of income was from the Skills Funding Agency in respect of the shared services arrangement, which contributed £0.4 million (2010-11: £1.5 million).
- 15 Net expenditure for 2011-12 was £12,617.6 million (2010-11: £9,460.4 million). This is derived from the comparison of expenditure against income for the period. The total expenditure for 2011-12 was within the resource budget set by Department for Education of £12,637.5 million. Total reserves in the same period increased by £119.2 million.
- 16 The YPLA had no capital expenditure in the year and no research and development expenditure during the year.
- 18 During the year the YPLA spent £6.1 million (2010-11 £19.2 million) with trade suppliers and the outstanding balance at the 31 March 2011 is £0.05 million (2010-11 £0.1 million); this equates to an average of 2.94 (2010-11 1.89) creditor days.
- 19 The Late Payment of Commercial Debts (Interest) Act requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services, or the date on which invoice was received. The target set by the Treasury for payments to suppliers within 30 days is 95 per cent. In 2011-12, the YPLA paid 95.9 per cent (2010-11: 92.1 per cent) of its invoices within 30 days and 88.2 per cent (2010-11: 80.3 per cent) of its invoices within 10 days. It incurred £nil in interest charges in respect of late payments for 2011-12.

## **Main trends and factors underlying development and performance**

- 21 This is the final set of accounts for YPLA.
- 22 The Academies programme which includes Free Schools, UTCs and Studio Schools is set to expand further in 2012-13 as all schools in England may now voluntarily convert to Academy status. The YPLA was funding 203 Academies at 1 April 2010 and 1665 by 31 March 2012. The programme has grown by 820 per cent in two years.

## **Main trends and factors likely to affect future development and performance**

- 23 By the end of the Academy academic year the trajectory is for a further 600 Academies to open. Taking the total number of open up to c2,200 Academies. The continuing growth in the number of Academies will increase the need for the EFA to secure direct assurance over funds spent, rather than securing indirect assurance through local authorities.
- 24 The proportion of young people aged 16-19 years participating in education and learning is expected to continue increase with the implementation of legislation to raise the participation age to 17 in 2013 and 18 in 2015.
- 25 The YPLA worked with DfE to ensure a smooth transition to the EFA so there is no impact on learners and the funding of providers.
- 26 On 7 June 2011 the closure of Partnership for Schools (PfS), a non-departmental public body, was announced with its functions transferring to the Department for Education policy directorates and the EFA. The responsibility for maintained schools funding will also transfer from DfE to the EFA at 1<sup>st</sup> April 2012. The YPLA worked with PfS and DfE on a successful merger.

## **Auditor**

- 27 The accounts are audited by the Comptroller and Auditor General, who is appointed by statute, and whose Certificate and Report appears on pages 50 and 54. Total audit fee expenditure is expected to be £175,000 which relates to the statutory audit of the YPLA's accounts. No other services were provided by the external auditors during the year.
- 28 As Accounting Officer I confirm that:
- there is no relevant audit information of which the auditors are unaware;
  - I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information; and
  - I have taken all the steps that I ought to in order to establish that the YPLA's auditors are aware of the information.



**Peter Lauener**  
**Chief Executive, Education Funding Agency,**  
**and Accounting Officer for the**  
**Young People's Learning Agency**  
10 July 2012

# Remuneration Report

The Organisational Development and Remuneration (ODR) Committee formed an important part of our governance structure and process, providing informed and independent decisions on reward policy and practice. Its role and remit were however limited in practice by the operation of a national pay freeze (apart from low paid staff) which affected the YPLA for its two years of operation).

The role of the Organisational Development and Remuneration Committee was to:

- consider and advise on ways of embedding organisational mission, vision and values, including developing partner relationships;
- consider and advise on communication and employee engagement strategies;
- consider and advise on ways of working, organisational structure including organisational and job design, resource planning and business readiness;
- approve an equality and diversity HR action plan, and monitor and evaluate its implementation and impact;
- review and advise on the framework and policy for the appointment, pay and performance of staff of the YPLA;
- subject to any determination relating to the Chief Executive's appointment made by the Secretary of State, to review and make recommendations to the Chairman on any revisions to the Chief Executive's terms and conditions of employment, including remuneration;
- assist the Chairman in monitoring annually the performance of the Chief Executive against the annual performance plan and, in light of that performance appraisal to advise the Chairman on any performance-related pay increase or bonus to be paid; and
- approve frameworks for managing performance, career development, establishing performance and conduct standards, expectations and organisation competencies.

## Components of remuneration

The Chairman of the YPLA and members of the YPLA Board received a salary (Chairman) or an honorarium. There was no bonus payment attached to any of these appointments.

The Chief Executive and members of the management group (the national and the territory directors) received a total reward package made up of base salary, annual bonus, flexible benefits and a defined benefit pension. Bonus payments were not guaranteed; and no bonus payments were made to YPLA staff during the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012.

## **Relationship between base salary and variable reward**

### **General**

Base salaries were set at the market median and exceptional achievement was rewarded through the non-contractual bonus scheme.

Salaries for national, territory and other senior directors were benchmarked using a range of appropriate data sources including the Association of Colleges' Principal Salary survey, Hay Group management consultants and Senior Civil Service pay scales. If an individual's salary fell below 90 per cent of the pay benchmark, an adjustment would normally be made to bring it to that minimum level.

### **Chief Executive**

The reward package for the Chief Executive involved two key elements (base salary and bonus), determined by the Secretary of State for Education after considering proposals from the Chairman, the bonus being assessed on achievement against corporate and personal targets. During the twelve months ending 31<sup>st</sup> March 2012 the Chief Executive did not receive a pay increase. The Chief Executive also declined to be considered for a bonus award in 2011-12.

Due to the nature of his role, the Chief Executive does not receive an automatic salary progression award.

### **Base pay changes 2011-12**

Base staff pay did not rise in the twelve months ending 31<sup>st</sup> March 2012 with the exception of staff whose full time equivalent earnings were below £21,000 per annum. Full time staff within this category qualified for an increase of £250 per annum from 1<sup>st</sup> July 2011. Part time staff within this category received a pro-rata increase on the same basis.

## **Duration of contracts, notice periods and termination arrangements**

### **Members of the YPLA Board**

Members of the Board did not have service contracts and were appointed by the Secretary of State for Education. Their appointment was for a fixed term,

reduced from three years to two years following the passage of parliamentary legislation closing the YPLA on 31<sup>st</sup> March 2012 and transferring its duties to a new EFA. Appointments were on a part-time basis and generally, members could expect nine Board meetings per year.

An honorarium was offered for these appointments, normally of £4,000. Benefits in kind consisted of travel, subsistence and other expenses paid in line with the current terms for YPLA executive staff. There were no bonus payments for these appointments.

One member of the Board was appointed by the Secretary of State to be the Chairman. This appointment was for a fixed term, on a part-time basis. At least two days a week were expected to be devoted to the work of the YPLA. The Chairman's salary for the year to 31<sup>st</sup> March 2012 was £40,000 with no bonus payments.

Salary was reviewed in accordance with guidance provided by the Cabinet Office covering pay of statutory office holders (their salaries were linked to movements in the senior civil service pay bands). Travel, subsistence and other expenses were payable in line with the current terms for YPLA's executive staff.

The Chairman and other members may have resigned from office at any time by giving written notice to the Secretary of State. The Secretary of State may remove a member from office on either of the following grounds:

- a. inability or unfitness to carry out the duties of the office; or
- b. absence from the YPLA's meetings for a continuous period of more than six months without the YPLA's permission.

If the Chairman ceased to be a member, the person also ceased to be the Chairman.

### **YPLA Management Group members and other senior staff**

Appointment was by service contract, which could be ended by either party giving 12 weeks written notice.

The Chief Executive, Peter Lauener, was appointed on a fixed term contract. The appointment could be ended by either party giving three months written notice.

There were no specific termination clauses in management group member service contracts. The YPLA held no contracts with a notice period greater than 12 months.

### **Chairman and Chief Executive emoluments**

The chief executive, chairman and national board were appointed by the Secretary of State for Education.

## Audited Information

### Chairman and Chief Executive

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
The emoluments of the Chairman (Les Walton) for the period:		
Salary	40,000	40,000
Taxable benefit in kind	516	769
<b>Total</b>	<b>40,516</b>	<b>40,769</b>

The emoluments of the Chief Executive (Peter Lauener) for the period:		
Basic salary and other emoluments <sup>(1)</sup>	140,600	140,600
Taxable benefit in kind	0	0
Bonus	0	0
<b>Total</b>	<b>140,600</b>	<b>140,600</b>

#### Notes

<sup>(1)</sup> The Chief Executive's emoluments for the 12 months ended 31st March 2011 have been restated to include flexible benefits.

## National Board Members

The non-executive members of the National Board are appointed by the Secretary of State for Education.

	Date commenced/ reappointed or Extended	Current term (Years)*	Emoluments year ended 31 March 2012 £	Benefits in kind year ended 31 March 2012*** £	Emoluments year ended 31 March 2011 £	Benefits in kind year ended 31 March 2011*** £
<b>Non-executive members</b>						
Emma Pearson- Winstone	01/04/2010	2	4,000	530	4,000	368
Pete Birkett	01/04/2010	2	4,000	1,863	4,000	1,179
John Merry	01/04/2010	2	4,000	382	4,000	226
Mark Sanders	01/04/2010	2	4,000	1,132	4,000	1,109
Peter Box	01/04/2010	2	4,000	0	4,000	209
Helen Sexton	01/04/2010	2	4,000	314	4,000	840
Gareth Dawkins	01/04/2010	2	4,000	1,923	4,000	3,340
Michele Sutton	01/04/2010	2	4,000	1,062	4,000	196
Dexter Hutt	01/04/2010	2	4,000	675	4,000	181
David Wootton**	01/04/2010	2	0	0	0	0
David Pearmain	01/04/2010	2	4,000	2,420	4,000	0
		Total:	40,000	10,301	40,000	7,648

\* On 1 April 2012, the YPLA will be replaced by a new Education Funding Agency (EFA) as an executive agency of the Department for Education

\*\* Opted not to be paid for his services to the YPLA board

\*\*\* Travel subsistence and related costs for attendance at meetings

## Senior management group emoluments

	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2012	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011
	Salary	Benefits in kind (to nearest £100)	Bonus	Total	Salary	Benefits in kind (to nearest £100)	Bonus	Total
	£'000	£100)	£'000	£'000	£'000	£100)	£'000	£'000
<b>David Russell</b> Strategic Director Finance, Funding and Corporate Services (until 30 April 2011)	10-15  (125-130 full year equivalent)	0	0	10-15	125-130	0	0	125- 130
<b>Rob Wye</b> <sup>(1)</sup> Director of Strategy and Implementation	N/A	N/A	N/A	N/A	90-95	0	0	90-95
<b>Neil Flint</b> <sup>(3)</sup> Director of Academies (in post from 1 June 2010 to 31 January 2012)	85-90  (100-105 full year equivalent)	0	0	85-90	85-90	0	0	85-90
<b>Sue Samson</b> <sup>(4)</sup> Interim Strategic Director of Strategy and Implementation (in post from 1 January 2011 to 30 August 2011)	35-40  (95-100 full year equivalent)	0	0	35-40	20-25  (90-95 full year equivalent)	0	0	20-25
<b>Sue Baldwin</b> <sup>(2)</sup> Strategic Director of Academies	95-100	0	0	95-100	N/A	N/A	N/A	N/A
<b>Jane Cowell</b> <sup>(6)</sup> Interim Strategic Director Young People (in post from 16 January 2012)	20-25  (105-110 full year equivalent)	0	0	20-25	N/A	N/A	N/A	N/A
(A) Band of Highest Paid Director's Total Remuneration	140-145			140-145				
(B) Median Total Remuneration	39,800			38,726				
Ratio of A to B	3.6			3.7				

### Notes

(1) Figure quoted is for the period 1 April 2010 to 31 December 2010. Rob Wye left the YPLA on 31 December 2010 his full year equivalent salary would be £120,000 to £125,000.

(2) Strategic Director of Academies from 16 January 2012, prior to this served as Strategic Director for Young People.

## **Ratio of the highest-paid director and the median remuneration of the YPLA's workforce**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the YPLA in the financial year 2011-12 was £140,000 to £145,000 (2010-11 140,000 to £145,000). This was 3.6 times (2010-11 3.7) the median remuneration of the organisation's workforce, which was £39,800 (2010-11 £38,726).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value pensions.

The total remuneration of the YPLA's highest paid director has not changed between the 2010-11 and 2011-12 financial year due to the civil service pay freeze. The make-up of the YPLA's workforce has altered slightly in 2011-12 with a number of higher earners leaving as a result of natural staff turnover. Replacement staff have tended to be recruited at a lower pay scale.

An increase in the External Assurance workload driven by the growth in Academies has resulted in a large number of highly qualified additional staff being recruited above the median remuneration. The net effect of these two workforce movements has seen the median remuneration increase by £1,074 with a subsequent reduction in the ratio of the highest-paid director and the median remuneration of the YPLA's workforce.

### **Salary**

'Salary' includes gross salary; overtime; holiday pay; flexible benefit allowance; salary sacrificed for childcare vouchers/green travel & additional payments.

### **Benefits in kind**

In the year ending 31<sup>st</sup> March 2012 the YPLA made benefit in kind payments totalling £10,817 to the chairman and non-executive members of the YPLA National Board (2010-11: £8,417). The YPLA provided no taxable benefits in kind in the twelve months to 31<sup>st</sup> March 2012 for any other YPLA staff.

### **Bonuses**

No bonuses were paid to YPLA staff for the twelve months ended 31<sup>st</sup> March 2012.

## Chief Executive and Senior Management Group pension entitlements

	Accrued pension and related lump sum at age 60 as at 31 March 2012 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31 March 2012 £'000	CETV at 31 March 2011 £'000	Real increase in CETV £'000
<b>Peter Lauener</b> Chief Executive	60-65 & lump sum 190-195	0 & lump sum 0	1,356	1,280	76
<b>David Russell</b> Strategic Director Finance, Funding and Corporate Services	60-65 & lump sum 190-195	0 & lump sum 0	1,472	1,469	3
<b>Neil Flint</b> Director of Academies	40-45 & lump sum 120-125	0-2.5 & lump sum 2.5-5	857	780	77
<b>Sue Samson*</b> Interim Director of Strategy and Implementation	50-55 & lump sum 0	0-2.5 & lump sum 0	1,014	952	62
<b>Sue Baldwin</b> Strategic Director of Academies	5-10 & lump sum 0	0-2.5 & lump sum 0	139	109	30
<b>Jane Cowell</b> Interim Strategic Director (Young People)	10-15 & lump sum 0	0-2.5 & lump sum 0	200	194	6

Notes:

\* Opted to join the premium scheme



**Peter Lauener**  
Chief Executive, Education Funding Agency  
and Accounting Officer for the  
Young People's Learning Agency  
10 July 2012

## Statement of the YPLA's and Chief Executive's responsibilities

I confirm that I have discharged my responsibilities properly.

Under paragraph 15 of Schedule 3 of the Apprenticeships, Skills, Children and Learning Act 2009, it falls to me to ensure that the YPLA prepares a statement of accounts for the financial year as determined by the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the YPLA and of its income and expenditure for the financial year.

In preparing the accounts, I am required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements for the YPLA as a going concern.

I was designated as Accounting Officer of the YPLA by The Accounting Officer for the Department for Education. As such I was responsible for the propriety and regularity of public finances, for keeping proper records and for safeguarding the YPLA's assets, as set out in the Framework Document for Executive NDPBs at annex 7.4 of *Managing Public Money*, published by HM Treasury, and in particular items 5 and 6 under Governance and Accountability. I have discharged these responsibilities properly.

# Governance Statement

## Statement

As Accounting Officer of the YPLA I had personal responsibility for maintaining a sound system of governance, internal control and risk management within my area of responsibility to support the achievement of the YPLA's policies, aims and objectives, whilst safeguarding public funds and departmental assets.

## Management and Governance

I worked with my Chairman to put in place strong and grounded management and governance arrangements. The YPLA Board, which included representatives from our major stakeholder groups, oversaw our work. The delivery of our objectives was monitored by our Executive Management Board.

The Board's work was underpinned by the principles of good corporate governance. We complied with the five areas of leadership, effectiveness, accountability, remuneration and relationship with partners set out in the governance code UK. A strong focus was placed on value for money.

I put in place a scheme of delegation from the Board to the Chief Executive and in turn from me to my direct reports and beyond.

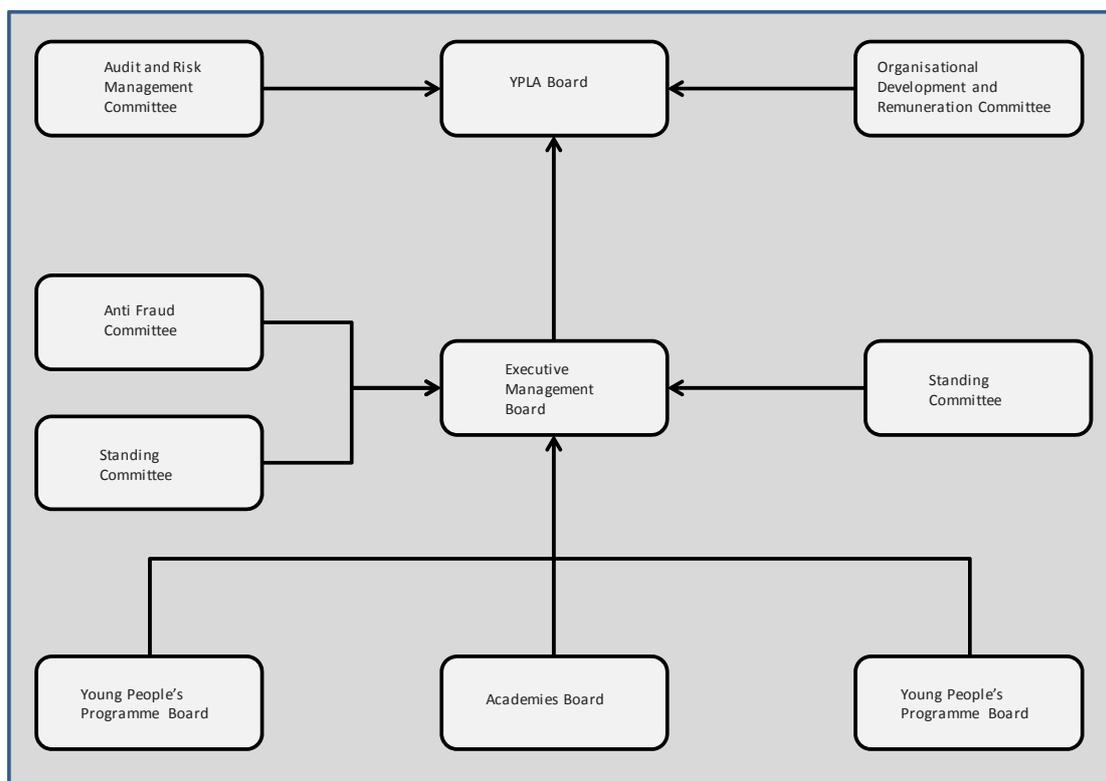
Programme boards, for the national directorates of Academies and Young People, reported to the Executive Management Board. Divisions reported to the Executive Management Board, either directly or through a monthly corporate performance report.

My governance structure incorporated executive responsibilities for business delivery, oversight of risk management and the internal control framework. Non-executive oversight was from the YPLA Board and committees for Audit and Risk Management, Organisational Development and Remuneration - all working to agreed and approved terms of reference.

I reshaped the organisation during 2011-12 to better align management responsibilities to a revised remit, with the YPLA operating out of four national offices in Coventry, Sheffield, London and Darlington and four territories (rather than the previous nine regions) with each territory managed by a Territorial Director for Academies and a Territorial Director for Young People. The structure was underpinned by two directorates and three divisions. Each directorate reported to a programme board that in turn reported to the Executive Management Board. All directorates and divisions had senior management teams.

During 2011-12, I established a Data and Systems Board which I chaired, it reported into the Executive Management Board. This board had system

development and the effective use of ICT as key priorities, particularly to support the development of systems to support the growth of academies.



Sponsorship of the YPLA was by the Department for Education (DfE). The Department for Education's expectations were set out in the YPLA's Grant Letter, Remit Letter and Financial Memorandum, in addition to my appointment letter as Accounting Officer.

### The YPLA Board

The YPLA Board comprised a Chair, appointed by the Secretary of State, and 12 ordinary members, including me as YPLA Chief Executive. In addition, a number of observers attended Board meetings. In 2011-12, the Board met nine times. Each of these meetings was quorate. An analysis of member's attendance shows the following:

Date	Attended	Apologies	Total
13 April 2011	9 (69%)	4	13
8 June 2011	11 (85%)	2	13
13 July 2011	8 (62%)	5	13
6 October 2011	7 (54%)	6	13
9 November 2011	8 (62%)	5	13
14 December 2011	10 (77%)	3	13
11 January 2012	12 (92%)	1	13
8 February 2012	11 (85%)	2	13
14 March 2012	11 (85%)	2	13
	Average = 75%		

The Board received information in a variety of forms including formal written reports, sent to members at least 10 days in advance of the meeting, and presented to the Board by the Executive or other senior YPLA staff. The Board also had in-depth discussion of specific items at pre-meetings held on the evening before the formal Board meeting, attended by expert witnesses (such as college principals) from outside the board and the YPLA. A number of Board meetings were held at Academies, colleges or other providers, and included a tour of the premises and discussion with senior staff from the institution.

Where business did not fit neatly into board meeting schedules, a group of board members was delegated specific responsibilities to work with officers. An example of this was the 16-19 funding statement. This enabled the statement to be delivered on time and with the required level of governance.

We maintained regular agenda items such as updates by the Chair, and me as the Chief Executive. Reports from the Academies and Young People's programme boards led to key decisions being made in relation to the funding of provision and the Audit and Risk Management Committee provided scrutiny of risk management, delivery performance and financial management.

Board minutes were published on the YPLA Web site.

During the previous year we benefited from being part of a study by the National Audit Office (NAO) into "Performance Frameworks and Board Reporting". This study included a survey of Board members, analysis of Board papers, self-assessment and collection of metrics.

The NAO presented their findings in January 2011. Throughout the 2011-2012 year we continued to develop the maturity of our performance framework. Strengths included data rich performance reports which covered all main areas of performance and that reports were well structured. Areas to improve included the need for the YPLA to benchmark itself and to focus more on value for money measures. I was pleased to take these findings forward and to increase focus on financial data.

The Audit and Risk Management Committee and the Board received a number of reports throughout the year evaluating progress against the NAO report:

- comparisons of the YPLA's back office operations against government benchmarks;
- value for money and measures to be assessed; and
- interdependencies between the YPLA's high level objectives and its organisational practices.

The external evaluation by the NAO, and its follow-up by staff, gave the Board and me a high level of assurance on the quality of the information it received to inform decision making about funding and allocations.

We operated rigorous performance management. The Chair appraised board members, who in turn, undertook a 360 degree appraisal of the Chair. I appraised the Chair of the Audit and Risk Management Committee. Performance management was operated consistently across the YPLA.

The Chair's update to the Board in March 2012 included an assessment of the Board's performance against key objectives and the areas where the Board was asked to pay particular focus. These areas included:

- Holding the Executive to account.
- Leading the migration from the YPLA to the EFA.
- Continuing to build upon and improve relationships.
- Continuing to develop and apply high standards of corporate governance.

I was pleased to receive the feedback that, despite the changing demands we remained constant to our values. Positive features of our work included: our approach to leadership; our desire to improve the climate within which we worked and the balance of support and challenge in our relationship with the Board, Ministers and the Department for Education. The Board was positive and proactive in supporting the significant change in direction in transferring to the EFA. Rigorous challenge and insightful support was provided thought.

The arrangements that the Board put in place to handle the transition to the new organisation and at the same time continue to focus on running the business were enormously appreciated.

### **The Audit and Risk Management Committee**

The Audit and Risk Management Committee operated to approved terms of reference developed from best practice standards and HM Treasury guidance. There were five members, who were either YPLA Board members (one of whom was appointed as Chair) or co-opted members recruited for their expertise. Officials from the National Audit Office (NAO) and the Department for Education attended as observers.

Meetings of the Audit and Risk Management Committee took place in May, June, September and November 2011 and January and February 2012. These meetings provided the Board and I with scrutiny of reports on; finance; performance and risk; external assurance; and internal audit findings. Special meetings or agenda items focussed on: assurance; academies; shared service arrangements; 16-19 funds in FE; back office performance measures; and risk management. The committee maintained a focus on risk appetite.

The Audit and Risk Management Committee had further meetings after March 2012 to consider the annual report and accounts. The Chair of the committee will provide a formal handover to the new Audit Committee set up within the EFA.

## **The Organisation Development Group**

The YPLA Board's organisational development group advised on people related processes and policies and made recommendations to the Executive Management Board. It focussed on: the YPLA as a learning organisation; ensuring that mission, vision and values were central to the way we work and the way we communicate, internally and externally; and advising the Executive Management Board on policies that would affect staff development and organisational culture.

## **Governance, Internal Controls and Risk Management**

Our system of governance, internal control and risk management was designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide high and not absolute assurance of effectiveness.

I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility. The governance of the agency I led had many strengths and relatively few weaknesses. Continual improvement was made.

My review of the effectiveness of the system of internal control has been informed by the work of the executive managers within my area who had responsibility for the development and maintenance of the internal control framework, internal audit reports and other sources of information.

Throughout the two years of the YPLA's existence, I was pleased to see continuous improvement in governance, internal control and risk management. This was greatly aided by the work of the YPLA Board, the audit and risk management committee and the reshaping of management arrangements. Risk management was a sound feature of corporate governance and risks were managed effectively.

### **Overall internal assurance**

Provision of professional and independent internal audit was provided throughout the year enabling the delivery of the audit plan as agreed by my audit and risk management committee. Our internal audit annual assurance statement points to sound systems with substantial levels of assurance and no qualifications with regard to weaker areas. The overall opinion of my Head of Internal Audit is as follows:

*Taking into account our work this year together with relevant assurance from prior periods, assurance available through other sources and assuming that agreed management actions to address identified weaknesses are implemented, it is my professional opinion that the YPLA has in 2011-12 maintained basically sound systems of*

*governance, internal control and risk management sufficient to give a substantial level of assurance. Given that this is the second year of YPLA operations with a significant level of continuing change, including closure, and the on-going expansion of the Academies programme, considerable progress had continued to be made by the YPLA to evolve and establish an effective control framework. During the year a number of weaknesses in control were identified which put the achievement of some YPLA objectives at risk. The Accounting Officer should have regard to these matters in preparing his governance statement. I have not qualified my assurance statement in regard to these issues.*

Statement by the Head of Internal Audit

The early identification of issues by internal auditors enabled risks to be better managed and better controls to be put in place. Internal audit operated from a risk based audit plan designed to identify and address potential issues early on. During the year I received 27 internal audit reports and management letters. Most of the areas that were subject to an internal audit review during the year received substantial assurance. Some areas were identified as having limited assurance. These audits proved effective in prompting improvements in the control environment.

The Head of Internal Audit's annual report drew my attention to issues likely to put at risk endeavours to embed developing systems, provide a stable platform for transition to the EFA and put secure, modern business systems in place. Transition to the EFA, academies expansion and the capacity to meet the increasing demand adversely effected the control environment. These will require continued attention by the EFA.

These issues had also been captured in-year by risk management processes and discussed at the Audit and Risk Management Committee. We actively and continually pursued the resolution of these and managed risk accordingly.

In managing these issues I am pleased to say that the business continued to be delivered normally. Positive responses were received from management to the issues raised within the internal audit reports and management letters and internal audit confirmed on the good progress made in implementing recommendations. All recommendations due to be addressed by March 2012 were implemented. This led to a good overall position. Management were commended by internal audit for their efforts in this respect especially during the busy period of the transition to EFA.

The annual general control health check provided me with assurance over each directorate's and division's control environment.

## **Executive Management Board (EMB)**

The EMB comprised me as the Chief Executive, two tier two national directors and eight tier three directors. The post covering corporate/central services reporting directly to me was vacant throughout most of the year. The functions of finance, assurance, business performance, communications, risk management and data and systems were covered by three tier three appointments reporting directly to me.

The EMB, which met monthly, had overall responsibility for managing corporate performance, finance and risk across all YPLA programmes. It was the key interface with the YPLA Board. The Senior Management Team, comprising all directors, met every two months to provide advice. It covered all functions and locations. The Young People's Programme Board, the Academies' Programme Board and other direct reports to me all reported into the EMB through a monthly performance report.

## **Transparency**

Both I and my board promoted openness and transparency as key values. In line with the Governments' commitment to hold public bodies to account, we published details on our public website of all our monthly expenditure, including invoices, grant and expenses payments.

We published organisation charts to demonstrate the groups of people that senior staff were responsible for and the costs of those groups.

Information on provider funding for 16-19 was made available in August 2011 on the YPLA website and plans have been drawn up for information on academy funding allocations for the 2012/13 year to be publicly available in August 2012.

## **Risk management**

Given the level of change in the YPLA, high quality risk management was of critical importance. We continually developed our risk management framework, aligned to HM Treasury's approach and best practice. Our risk management policy was published on the YPLA web site. We determined and reviewed our risk appetite through workshops with the YPLA Board and members of the Audit and Risk Management Committee.

Risk management was a key focus in programme board meetings. An escalation process provided the avenue for risks to be given a higher profile and increased scrutiny at executive management board and the Audit and Risk Management Committee.

Agreed corporate risks were reported monthly to EMB and to the Department for Education. Risks were reported to the Audit and Risk Management Committee and detailed in quarterly performance reports to the Board.

Over the year, twenty six corporate risks were managed. The risks associated with funding of Academies and YPLA capacity remained matters of concern throughout the year. At any one time, between five and ten risks were on the corporate risk register.

Academies' risks were on the corporate risk register for the longest period with concerns over:

- Funding Academies.
- The financial health of Academies on conversion based on any brought forward deficit leading to poor financial performance.
- The integration of Academies' finances within the Whole of Government Accounting.

Until November 2011 information security was a significant risk. It improved and an assessment of substantial assurance was given. Improvements continued until the closure of the YPLA.

YPLA capacity was a substantial risk throughout the year with the growth in the number of Academies continually challenging growth in staffing and systems capability.

I was reassured by a final report on corporate governance and risk management provided by internal audit in March 2012. The opinion provided substantial assurance, that the systems were basically sound, but there was still some room for improvement. The areas evaluated in relation to risk management were the risk management framework, including embedding the framework and assurance mapping.

Risks remaining at the end of the YPLA were transferred to the EFA in respect of: controls for sub-contractors; finalising young people funding formula details for 2013-14; issuing contracts on transition to the EFA; issuing capital allocations and the financial health of academies and capacity to meet the growth of responsibilities.

## External assurance

As Accounting Officer, I was required to be satisfied that organisations in receipt of YPLA funds operated in an appropriately controlled environment. I ensured that progress reports on assurance were presented to each meeting of the Audit and Risk Management Committee and overall assurance for the year was summarised in an annual assurance report and assurance statement.

I established the external assurance function, to provide me with the required assurances across all YPLA funded activity. Keeping pace with the increasing number of Academies required an expansion of assurance staff and improved information systems. We initially had insufficient skilled and qualified resource to deliver the assurance plan in its original form. The risk of non-delivery was successfully mitigated by inward secondments from major audit firms.

We maintained a Joint Audit Code of Practice with the Skills Funding Agency and local authorities which assigned lead responsibility for assurance over all funding paid to providers by the funding bodies. In our role in funding Academies, we worked to the financial framework established by the Department for Education for Academies in their funding agreements and the Academies Financial Handbook which had been in place since 2006. The YPLA as the Department's agent was charged with implementing the framework and proposing amendments for 2012-13 for the Department's approval..

My external assurance function covered sixth form colleges, Academies, independent specialist providers for learners with learning difficulties and disabilities, and those charitable and private providers which receive a higher proportion of funding for young people aged 16-19 years than for adults. Assurance was provided through a combination of field work and review of financial returns; both statutory and those required by the funding bodies. Furthermore, my team received assurances from the Chief Executive of Skills Funding and from local authorities over the providers on which they have lead responsibility. In planning and conducting their work my external assurance function liaised closely with the NAO so that the NAO could place reliance on the work.

Securing the necessary assurance over Academies' funding is critically dependent on Academies themselves making financial returns to the YPLA for review. Academies are required under their funding agreement to submit their audited financial statements by 31 December each year. By mid-January 83% of the accounts due had been received, by mid April this had increased to 97%, and as at 27 June 2012, all 435 sets of accounts had been received.

Academies were also asked to self assess their arrangements for financial management and governance. By mid January only 56% of the first tranche had been received by the YPLA, but the overall return rate improved to 80% in April, and by 29 June 2012 only 13 out of 1,293 due in the year were still

outstanding.

In cases where an academy had not submitted a FMGE self-assessment and no accounts were due, there was therefore no assurance over regularity in that academy but I am satisfied that the level of funds involved is not material to the overall level of assurance. The 13 academies which had not submitted a return as at 29 June 2012 will be subject to a validation visit during the second half of the year.

We have not required academies to seek prior HM Treasury approval for the special transaction types set out in Managing Public Money. A number of cases were discussed with Treasury, and their retrospective approval was secured after the year end for the specific cases identified. There will however be a number of other cases of which the YPLA was not aware, because we conducted the financial assurance in accordance with the financial framework established since Academies were first established, which does not make provision for such payments to be approved by HM Treasury. More detail on this issue is in note 3f to the Accounts.

There were very few cases of allegations of impropriety and mismanagement of public funding by the providers that the YPLA funds. But the YPLA did receive allegations of impropriety and irregularity in relation to an Academy Trust (the Priory Federation of Academies in Lincolnshire). We carried out investigations that substantiated a number of the allegations and the report of the investigation was placed in the public domain in April 2012. The EFA as the YPLA's successor is reviewing what financial recovery should be made from the Federation and how the Federation can improve its internal control over the use of public funds. The nature of the improprieties and irregularities is such that I do not consider they represent a more systematic failure of control by Academies over the proper use of public funds and that current assurance arrangements are appropriate – and will be strengthened further by a number of changes already planned for 2012-13.

The Director of External Assurance has provided me with substantial assurance over all YPLA funding as below..

*As YPLA's Director of External Assurance, I am required to report to you on the outcomes of assurance work carried out by the YPLA's External Assurance (EA) team and others, in relation to funding covering the period 1 April 2011 to 31 March 2012.*

*Except for those Academies which have not yet submitted a Financial Management & Governance Evaluation (FMGE) return, the EA team has had all necessary access to records and explanations concerning providers.*

*The amount of assurance work undertaken as part of the YPLA's EA team audit plan for 2011-12 has provided reasonable levels of assurance to me for the period 1 April 2011 to 31 March 2012. The EA*

*team gives assurance in accordance with risk and materiality for work conducted during this period, which forms part of a continuing assurance process across financial years. However, such assurances cannot be absolute; they reflect my professional opinion, based upon the evidence I have reviewed.*

*Based on the findings and conclusions that the EA team has reported to me, and having regard to the other sources of evidence available to me, I have substantial assurance that providers have in all material respects applied YPLA funds for the purposes intended by the YPLA and in accordance with the terms and conditions of funding.*

Statement by Director of External Assurance

Looking ahead to the Education Funding Agency, I will be working with Academies to ensure more timely returns of Academy financial statements, which form a key part of assurance about Academy spending. My financial assurance team has also developed proposals, working closely with Academy representatives, to introduce an enhanced regularity audit, based on processes already established in the college sector. This will involve greater reliance on audited accounts, augmented by relevant statements by the Academy Trust's Accounting Officer concerning their personal responsibility for use of public funds.

### **Business continuity planning**

Our business continuity planning in the YPLA was complicated by dependence on shared services and being a tenant in every premises we occupied. Nevertheless, we showed that we were able to maintain the continued delivery of critical activities in the event of a number of significant disruptions. Whilst I regarded the business continuity plan for transition to the EFA as being sound, it proved to have some shortcomings.

My staff developed premises based business continuity plans in partnership with other bodies which, in the event, proved effective. The plans identified roles and responsibilities of individuals and teams and a communication strategy. We had a national call-tree, so that, in the event of a disaster, we could alert staff quickly about the nature of the disaster and any actions they need to take. In October 2011, the call-tree was tested, shortcomings identified and policy and practice was amended accordingly.

An external assessment of a joint business continuity plan with the Skills Funding Agency to ascertain alignment with BS25999 was to be completed by March 2012. This assessment has been delayed. Any issues raised will be shared with and addressed by the EFA.

### **Special Investigations Unit**

The Special Investigations Unit is part of the Skills Funding Agency and provided a shared service to the YPLA for the period 1 April 2011 to 31 October 2011 for all allegations relating to external providers and for internal investigations for the whole of 2011-12.

Of the four cases brought forward into 2011-12, two were closed after further action, one was closed after vetting and one was closed after investigation.

During the year a further twelve cases were referred to the unit. Of the twelve:

- One was investigated by the college and closed.
- Eleven investigations were “vetted out” as they were considered to be outside of the unit’s remit, or not possible to take forward in any practical manner.

Arrangements were changed towards the end of 2011 with the Department for Education internal audit investigations team (IAIT) taking over responsibility for delivery of new external investigation cases. Thirteen cases were referred to the IAIT between November 2011 and 31 March 2012 where YPLA funds were considered to be at risk. The cases received were subject to a triage process to determine whether they should be investigated.

In total, eight of these cases have been closed and five remain under investigation.

### **Anti-fraud committee**

My anti-fraud committee met for the first time in July 2011 and continued to meet monthly, reporting to my Executive Management Board. The committee had the role of tackling fraud and financial irregularity and impropriety within the YPLA and its service providers. It worked collaboratively to challenge and monitor activity by the YPLA and its service providers to reduce opportunities for fraud and irregularity. The committee operated across the YPLA and was chaired by a strategic director. It had representatives from the across the organisation - young people, academies, finance, programme management and external assurance. The Head of Internal Audit and IAIT manager were also committee members. This committee will continue into the EFA.

The responsibilities and functions of the Audit and Fraud Committee were to:

- create and maintain an anti-fraud culture through awareness raising in the YPLA;
- measure fraud, financial irregularity and impropriety and report to the EMB;
- set standards for tackling fraud, financial irregularity and impropriety and maintain the oversight of cases accordingly;
- monitor the fraud and irregularity risk assessments carried out by the YPLA to make sure areas most vulnerable to fraud and irregularity are fraud proofed and new operations and systems are fraud proofed; and
- learn lessons from cases and share good practice in combating fraud and irregularity with service providers.

### **Shared Services**

I have relied on a number of functions being provided through shared service agreements with the Skills Funding Agency. The YPLA Head of Internal Audit met regularly with the Skills Funding Agency's Head of Internal Audit to facilitate the sharing of assurance over these services. The services covered were:

- Human Resources
- Information Management
- Estates and Facilities Management
- Finance: Accounting Services
- Finance: Investigations Unit
- European Social Fund

The Chief Executive of Skills Funding (the Chief Executive) is required to ensure that appropriate systems of governance, risk management and internal control operate for the above services. In accordance with the Shared Services Agreement we have received an appropriate statement for this annual report.

As Chief Executive of the YPLA I noted that the Skills Funding Agency's Head of Internal Auditor in his report for the year ending 31 March 2011 concluded that basically sound systems of governance, internal control and risk management sufficient had been maintained, sufficient to give a substantial level of assurance in relation to these shared services.

The Skills Funding Agency's Head of Internal Audit reported to me that:

*As the Chief Executive's Head of Internal Audit, I am satisfied that the [Skills Funding] Agency has operated appropriate and effective systems of governance, risk management and internal control within the above services for the period ending 31 March 2012.*

*This has been based on our review of the effectiveness of the system of internal control, a significant element of which is the Agency's health check work. I can confirm that we have had full access to the Agency's systems, people, and data, and that our recommendations have been substantially agreed. Where control weaknesses have been identified, action has been taken to manage risks and improve internal control.*

Skills Funding Agency's Head of Internal Audit

## **Transition**

During my time as Chief Executive of the YPLA, I was appointed as Chief Executive of the EFA from April 2012.

I put in place a range of processes to ensure a smooth transfer of functions from the YPLA to the EFA. These included:

- Regular staff bulletins.
- Discussions in our staff consultative forum.
- An interactive internal website.

- Engagement between the trades union and HR.
- Chief Executive “road shows” across the YPLA estate.
- Culture workshops in preparation for transition.

Internal audit undertook a review of EFA readiness in late 2011/early 2012. Two stage reviews were designed to identify the key risks as they related to EFA readiness. Reviews were also conducted on functions within the Department for Education and Partnerships for Schools (PFS) that were to transfer to the EFA. These were undertaken by Department for Education and PFS internal audit. An opinion given of substantial assurance was given.

Key points were that:

- Work-streams reporting to the Department for Education Funding Agency Sub-Programme board met monthly and received progress reports comparing progress to milestone plans.
- Work-streams were achieving their milestone goals.
- Contingency plans were addressing key issues.
- Assurance work of the three sets of internal audit teams was delivering positive findings.

An improvement plan was agreed with a number of recommendations being carried forward into the EFA for completion. It proved necessary to invoke a contingency for ICT transition and linkage to business systems.

### **Public Account Committee (PAC) hearings**

HM Treasury wrote to me on 28 June 2011 and to all other Departmental Accounting Officers to confirm that, in future, we would need to assemble for publication consolidated lists of activities to implement outstanding PAC and NAO recommendations. Twice a year, HM Treasury publish these lists in a stewardship Treasury Minute, detailing progress in addressing outstanding recommendations in all PAC reports since the general election of May 2010.

I ensured that we established a process for following up any actions that we are responsible for, and to monitor recommendations that, whilst not our responsibility, might impact on our work. As PAC recommendations are usually influenced by NAO reports, we recorded NAO recommendations for information and treated them as pending until considered by a PAC hearing. If no PAC hearing took place in respect of a particular NAO report, we reported progress on implementing the NAO recommendations. Recommendations were tracked to the point of closure.

Summaries of the following PAC recommendations and updates were considered in the course of the year by the YPLA Board: ‘The Academies Programme’; ‘Getting value for money from the education of 16-18 year olds’; ‘Information and Communications Technology in Government’; and ‘Oversight of special education for 16-25 year olds’.

## Operational policy development and delivery

My review of the arrangements for governance, internal control and risk management provided me with assurance that these arrangements were adequate to ensure policies met ministerial intent. Policies were evidence-based, used sound methodologies, were developed in conjunction with stakeholders and partners, and were subject to robust deliverability testing.

I believe that operational policy development and delivery was a strong feature of the YPLA. Continual improvement was made in line with the government's change agenda. Good progress was made in simplifying the funding of learning for young people aged 16-19 and the new bursary arrangements. The main challenge was to ensure that each and every Academy complied with their funding agreement. I resolved the challenges in a realistic time-frame with fit for purpose solutions. Our business continued effectively and risks to me as Accounting Officer were managed satisfactorily.

Our policies provided guidance and direction and were linked to our core values and objectives. Governance processes were in place to guide the initiation of new developments, their sign off, timetable for adoption and review. All reasonable options to meet Ministerial intentions were investigated.

Wide consultation took place both internally within the YPLA and externally with partners and stakeholders. There was a formal 'pairing' of directors which brought together national and territorial (regional) perspectives.

Data analysis and modelling, where necessary, ensured that policies took account of all options considered and assumptions made.

The finance division was a key function and effectively delivered according to my priorities, providing budgetary advice, reconciliation of allocations to budgets, reporting of spend against budgets and on regularity of spend; they also advised on procurement of provision as part of formulating policy in the few instances where competitive procurement was needed.

I was pleased with how the Academies Directorate staff worked closely with colleagues within the Department for Education when developing options for funding policy or delivery of the Academies Programme. Policy proposals with financial implications were cleared with YPLA Finance and the Department for Education Finance where appropriate, before Ministerial approval was sought.

The Academies Directorate had responsibility for ensuring compliance with Academy funding agreements. Compliance issues increased during the year, with the expansion of the programme. We worked closely with the Department for Education to agree an approach which increased clarity and developed appropriate processes and guidance, so that our staff, Academies and parents were better informed about the routes for raising and resolving compliance issues. The Directorate fed into work led by the Department on the approval and development of individual new Academy projects, at different stages prior to the opening of a new Academy.

## **Programme and Project Management**

I made sure we had robust programme and project management for the full range of change, reform and acquisition work that was led and managed by the YPLA. Inputs to programmes and projects, including skill requirements were included in delivery plans. Benefits realisation was actively sought in ICT systems. Programme management linked into wider performance, risk, planning and decision making processes through the Executive Management Board. Arrangements in the Young People's programme were strong. Data and systems programmes and projects were well managed and in Academies, arrangements were considerably strengthened through reshaping. The practices of Academies and external assurance were priorities for development throughout the year. Improvements were aided by an internal audit review of the governance of the Academies programme. Recommendations have been implemented.

The structure of the YPLA's Academies programme management reflected the Department for Education programme structure, to facilitate joint working. YPLA Academies Directorate staff were represented on the department's Academies programme boards. Similarly, the department's staff attended YPLA Academies' Programme Board. Both programme delivery and the financial position were monitored effectively through monthly reviews at senior management team and programme board level, with progress properly documented.

Comprehensive delivery plans were articulated. These were managed through monthly delivery and risk reporting to programme boards, with progress tracked against milestone goals. Each sub-programme had a senior reporting officer and a territorial lead, with clear roles and appropriately trained staff.

Systems development was one of my top priorities, especially for Academies. My central services team led these developments supported by IM Shared Services conforming to Cabinet Office requirements.

## **Financial Management**

I am content that processes, controls, risk management and fraud prevention strategies delivered good financial management and appropriate levels of propriety, regularity and value for money. I consider that financial management was sound. It was, however, complicated by the transfer of funds from local authorities to the YPLA.

Clear lines of accountability were in place for all programme and administrative expenditure with support from YPLA Finance. Budget holders were enabled to make affordable spending decisions that secured value for money, within the YPLA's limited scope to influence either. They ensured that payments made were regular and proper, advising management on needs

based payments outside the ordinary, particularly payments of earmarked annual grants to Academies.

Delegated financial authority was in place based on powers delegated by the YPLA Board. Delegations were revised to reflect changes arising from reshaping in late 2011. We updated and published financial guidance and policies in line with the latest legislation and made these widely available.

We produced annual accounts in accordance with accounting guidelines and in line with published deadlines. Our administrative expenditure was set as a percentage of overall expenditure by the Department for Education.

We reported monthly to the Department for Education sponsor team on the outturn position, including year-end forecast, and through the YPLA monthly performance reporting framework. A review was carried out on a monthly basis of variances to budget in order to provide advice and/or to implement management actions to mitigate the financial (and performance) implications of forecast under/over spending. Completion of the monthly expenditure return was in line with the transparency agenda.

Budgets were monitored regularly and realistic financial forecasts were reported. Grants were operated in line with YPLA processes and best practice.

Expenditure on pre-16 Academies was close to budget for the 2011-12 financial year. Overall, payments were timely (100% on time) and accurate (99.9% correct). In December 2011, some errors were made in payments, as a result application of a level of Local Authority Central Spend Equivalent Grant (LACSEG) protection, and by data input error into the payments system. Prompt action was taken. We worked with Academies to agree repayment schedules and requested additional data where needed. Quality assurance processes were updated and improved. Developments to ICT systems were made to reduce the risk of incorrect payments. By the end of the year a secure information management portal was in place and an industrial strength link was built between contract management and payments for Academy grant replication.

I was charged, as Accounting Officer, with producing a consolidated financial return for Academies as part of the UK-wide Whole of Government Accounts prepared by HM Treasury for financial year 2010-11 for the whole public sector. This exercise raised a capacity issue for both academies and YPLA. The YPLA agreed with HM Treasury that smaller and more recently opened Academies need not complete a return and that the remaining Academies need only complete a very much simplified return compared to that used by other government bodies. Securing high quality returns from Academies was made difficult by delayed decisions on what should be in the returns leaving both Academies and the YPLA very little time to act. An interim management draft report from the NAO has raised significant criticisms of the consolidated return that the YPLA, and now EFA, have worked through with HM Treasury

and the NAO to address for Academies' inclusion in the Whole of Government Return for 2011-12.

## **Delivery Arrangements and Achievement against Business Plan**

There were a number of strong features in the approach we took. An annual business plan was developed, approved and published setting out nine YPLA priorities up to July 2012 across a range of headings covering objectives relating to service delivery and those relating to leadership, governance and system change. The priorities were broadly achieved to my satisfaction.

The annual plan was underpinned by the YPLA remit letter, grant letter, statement of priorities, Government white papers and delivery plans from management units. Our risk management framework linked YPLA business objectives and the risks that could prevent their achievement. The work of third party partners and providers of systems and processes was managed to achieve the effective delivery of business objectives.

Regular performance reporting to the Executive and Non-Executive Management Boards was focussed on key objectives, priorities and risk. There were regular Department for Education reviews of performance. From these reviews, priorities for action were agreed.

The Young People's programme for 16-19 year olds was delivered effectively, with adequate and appropriate control, governance, risk and information management systems in place, which operated consistently and effectively. The key objective of delivering allocations accurately and on time was met. Management interventions were effective in identifying and rectifying errors and failures promptly. The changes in arrangement for learner support were managed effectively.

The Academies' Directorate achieved the key objective of issuing final academic year 2012/13 funding letters to open Academies and Free Schools by the end of March 2012. All allocations were made by the March deadline. Our track record on making payments on time was 100%. Errors were proportionately few and were detected and rectified promptly and effectively. Capacity enhancements were made and new and improved systems were put in place to support the rapid growth in Academies, Free Schools and studio schools.

## **Information: ICT Management and Data Safeguarding**

Throughout the year I took a strong personal interest in ICT by chairing our Data, Analysis and Systems Management Board. We focussed on putting in place fully supported and industry strength systems with a good and transparent range of management information available to the sectors we

served. We made considerable strides forward in the provision of electronically available information through an information management portal, a customer relationship management system (CRM) and an SQL environment for data management.

As part of re-shaping, I put in place a central team, supported by the Data, Analysis and Systems Management Board, to ensure the effective commissioning and delivery of ICT and related systems. The Skills Funding Agency IM Services was contracted to provide business systems and information security through a shared service agreement.

A major focus for the central team was to build on the strengths of the Young Peoples (16-19) systems. I put in place an academy systemisation programme to overcome the shortcomings in central academy systems. This will be taken forward by the EFA.

### **Information security**

Our approach to information security was based on Her Majesty's Government's security policy framework.

As YPLA Chief Executive and Accounting Officer, I had overall responsibility for assessing and mitigating information risks, leading and fostering a culture within the organisation to value, protect and use information for the public good.

My Senior Information Risk Owner (SIRO) was a member of the Executive Management Board with a primary focus for the management of information risk within the organisation.

Information Asset Owners (IAOs) were appointed by, and accountable to the SIRO – these were national and territorial directors as key managers holding and using information within their business areas.

Information Asset Leads (IALs) provided support and undertook day-to-day responsibilities on behalf of the IAOs.

All the above staff received specialist training in their roles. Support was provided by:

- The Accreditor, who provided an internal independent assessment to the SIRO on whether an information system met the organisation's security requirements.
- An information services security team, providing a single point of contact for the IALs, to co-ordinate help, advice and guidance. This team maintained a central information asset risk register on behalf of the SIRO.
- The Information Security Working Group, which ensured that the organisation's information security policies met legal and regulatory requirements and were current and effective. The group also reviewed,

supported and aided the implementation of the security education, training and awareness programme.

A Security Risk Management Overview for 2011/12 was undertaken and submitted to the Cabinet Office by the SIRO.

Data was safeguarded against loss, corruption and unauthorised disclosure or destruction. A description/log of security incidents including any data loss arising in the year and progress to resolution was maintained. Business continuity including ICT was considered and practised. Physical resources were safeguarded.

Data were securely handled and safeguarded with regular staff training, some of it mandatory, to reinforce standards and to remind staff of their responsibilities. This was supported by pages on our intranet. IT governance was developed and kept up to date through a specific team charged with this responsibility. Policies were in place as part of the overall information risk management arrangements covering data sharing, information security, data protection and information security classification and labelling.

Physical assets were security marked and subject to periodical checking. In addition, there was guidance on potential risks to loss of both assets and data and steps that should be taken to reduce these. We moved towards a clear-desk policy with appropriate space provided for securely storing assets and data/information. Laptops were encrypted and the use of encrypted memory sticks was allowed only where a business case was accepted.

My internal auditors provided me with an opinion of substantial assurance on information security. The resultant management letter provided an improvement plan against which progress will be monitored. The Skills Funding Agency, on which we depended for the information security of our business systems, confirmed that appropriate and effective systems of governance, risk management and internal control were provided.

## **People Management**

In my term as Chief Executive of the YPLA, my staff and my communication with them was at the top of my priorities. I put in place arrangements for planning and securing the appropriate number of people with the right skills, and in the right locations to deliver key business objectives. These arrangements were supported by systems and processes to encourage people to develop and perform well in a healthy and secure environment.

Whilst staff surveys gave positive feedback on people management, maximising and developing staff capacity was crucial to delivering a continually extending remit.

As the number of Academies increased significantly, month by month, I reshaped the organisation to suit. External assurance, in particular, lacked capacity. Additional resource was secured from audit firms to ensure that we

could undertake financial assessments of academies and proposals for new Free Schools. Further capacity was sought for academy assurance through new recruitment.

A number of YPLA staff transferred to finance during the year. Training in accountancy, procurement or fraud investigation was, and continues to be provided.

Staff numbers at the end of March 2012, including contingent workers, totalled 540. For much of the year we were subject to a government freeze on recruitment. We moved staff according to changing priorities. Almost one in five of staff made expressions of interest to change their role; many moved to new areas of work. This boosted academy staffing. Towards the end of 2011, we were given permission to recruit to vacancies, mainly in external assurance. Making these appointments took much longer than could have reasonably been expected. Capacity in this function remained a problem.

My management team enjoyed good relationships with staff. A staff consultative forum met monthly and enabled employees to discuss important issues. It considered a wide range of issues including: organisational review; harmonisation of terms and conditions; locations; and data transfer.

There was on-going engagement between the trades union and HR.

Staff had one-to-one meetings with their line managers to set personal objectives, Mid-year and end of year reviews took place and led to training and development plans.

A learning and development prospectus was available to staff. Some activities were mandatory, for example equality and diversity and information security training. Many internal staff training sessions were delivered locally. These were supplemented with external specialists as required. Staff had access to a wide range of e-learning opportunities. Individual staff attended a number of the Executive and Senior Management Team meetings, as part of their personal development. Much benefit was derived from this.

Members of the Board, including the Chair, have led open discussion forums for staff, at which they have talked about their role and that of the Board. These sessions were highly interactive, and well received.

A weekly staff update was issued to ensure staff were kept informed of items of interest both within the YPLA and across the sector

A transition section of the YPLA Intranet invited staff to post questions and concerns. Transition updates were provided for both staff and external stakeholders with a facility for questions to be emailed to the transition inbox. I undertook road shows across the YPLA estate to hear the views of staff.

Culture workshops to consider differences and areas of commonality in preparation for transition to the EFA were held in late 2011, led by the Department for Education.

Owing to the tight time frame involved and the need to adhere to formal recruitment processes, it was not possible to recruit and train all the staff resources required to meet the significant increase in workload for external assurance. The level of resourcing within external assurance therefore remains a key risk.

Capacity within the Academies Directorate was raised as a significant risk to the YPLA Board and to Ministers, and kept under continual review. The position in the period January – March 2012 improved. Recruitment activity took place to fill vacancies in the Directorate, and the number of vacancies reduced from 40 to approximately 19. A mix of internal recruitment, external recruitment and the appointment of 'priority movers' from within the wider DfE was used in order to fill vacancies and strengthen resource. Temporary staffing resources were also used where appropriate and necessary to ensure delivery of key objectives.

### **Sickness absence**

During the year, 3,334 days (2010-11: 3,615 days) were attributable to sickness absence. Using the average number of staff employed over the year (per note 4c of the accounts) this equates to approximately 6.4 days (2010-11: 7.3 days) sickness per employee per year.

Period: 01-Jan-2011 to 31-Dec-2011

TOTAL STAFF EMPLOYED IN PERIOD (HEADCOUNT)	TOTAL STAFF EMPLOYED IN PERIOD WITH NO ABSENCE (HEADCOUNT)	% STAFF WITH NO SICK LEAVE
526	218	41%

SUMMARY	DAYS LOST (SHORT TERM)	DAYS LOST (LONG TERM)	TOTAL DAYS LOST (12 month period)
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<b>TOTAL</b>	<b>1,770.6</b>	<b>1,563.6</b>	<b>3,334.2</b>
<b>ABSENCE REASON</b>			
Congenital Anomalies			0
Blood & Blood Forming organs			0
Neoplasms (Cancers)	5	298	303
Endocrine, Nutritional & Metabolic			0
Skin & Subcutaneous Tissues			0
Circulatory System	12		12
Pregnancy Complications	18.28	40.5	58.78
Genitourinary Systems	68.34		68.34
Infections & Parasites	77.43		77.43
Injury & Poisoning	116.81	17	133.81
Mental Disorders	152.81	817.3	970.11
Musculoskeletal System	81.53	25	106.53
Nervous System (inc. Headaches)	92.94		92.94
Digestive System (inc. Food Poisoning)	261.76		261.76
Respiratory System (inc. Colds)	543.23	5	548.23
Diseases of the eye and adnexa	4.98		4.98
Diseases of the ear and mastoid process	44.74		44.74
Swine Flu			0
Symptoms ill-defined	290.74	360.82	651.56
Unknown			0
<b>TOTAL</b>	<b>1770.6</b>	<b>1563.6</b>	<b>3334.2</b>



**Peter Lauener**  
**Chief Executive, Education Funding Agency**  
**and Accounting Officer for the**  
**Young People's Learning Agency**  
 10 July 2012

## **Management Group**

Peter Lauener	Chief Executive
Sue Baldwin	Director of Young People (1 April 2011 to 31 January 2012) Director of Academies (from 1 February 2012)
Jane Cowell	Interim director of Young People (from 1 February 2012)
Neil Flint	Director of Academies (until 31 January 2012)
David Russell	Strategic Director, Finance, Funding and Corporate Services (until 30 April 2011)
Sue Samson	Interim Strategic Director, Strategy and Implementation (until 31 July 2011)

## **National Board**

### **Chair**

Les Walton                      Founder, Northern Education

### **Members**

Peter Birkett                      Chief Executive, Barnfield Federation  
Peter Box                          Leader, Wakefield City Council  
Gareth Dawkins                  Principal, Bradford Academy  
Sir Dexter Hutt                    Executive Leader, Hastings Federation of Schools  
Peter Lauener                      Chief Executive, Young People's Learning Agency  
John Merry                         Leader, Salford City Council  
David Pearmain                  Head teacher, Kenton School, Newcastle  
Emma Pearson-Winstone        Legal Executive, Mills & Reeve  
Mark Sanders                      Formerly Chief Executive, Bury Council  
Helen Sexton                      Formerly Chief Executive and Principal,  
National Star College  
Michele Sutton                    Principal, Bradford College  
David Wootton                    Chief Executive, The Emmanuel Schools Foundation

### **Observers**

Jo Thomas                         Department for Education  
Lesley Davies                      Assistant Chief Executive and Director of Policy,  
Association of Colleges  
Ian Ferguson                        Chairman of Metaswitch Networks, representing  
employers and independent learning providers  
David Igoe                         Chief Executive, the Sixth Form Colleges' Forum  
Helen Johnston                    Local Government Association (until August 2011)  
Donald Rae                         Local Government Association (from September 2011)  
Frankie Sulke,                      Executive Director for Children and Young People,  
London Borough of Lewisham  
Malcolm Trobe                      Representing the Association of School and  
College Leaders

## **Other committees**

The Audit and Risk Management Committee was chaired by Mark Sanders and its members were Ian Ferguson, Michelle Sutton, David Igoe and Dexter Hutt

The Organisation Development and Remunerations Committee was chaired by Peter Birkett and its members were Gareth Dawkins, Malcolm Trobe, Lesley Davies and David Pearmain.

The Transition Committee was chaired by Les Walton and its members were Pete Birkett, Gareth Dawkins, Mark Sanders, Ian Ferguson, and Peter Lauener

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of Young People's Learning Agency for the year ended 31 March 2012 under the Apprenticeships, Skills, Children and Learning Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the YPLA, Chief Executive and auditor**

As explained more fully in the Statement of YPLA's and Chief Executive's Responsibilities, the YPLA and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Apprenticeships, Skills, Children and Learning Act 2009. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Young People's Learning Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Young People's Learning Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial

statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Basis for Qualified Opinion on Regularity**

The YPLA provides funding to Academy trusts for their activities. As central government bodies, academies are required to comply with HM Treasury's Managing Public Money and therefore YPLA need to obtain assurance that the funds provided are spent in line with those requirements. YPLA's control framework is not designed to provide assurance that HM Treasury's Managing Public Money has been complied with by academies. Accordingly, I have been unable to confirm that, in all material respects, grants to academies are in conformity with the authorities which govern them and have been applied for the purposes intended by Parliament. For this reason I am qualifying my opinion on regularity.

### **Qualified Opinion on regularity**

In my opinion, except for the matter described in the basis for qualified opinion on regularity paragraph, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My report on pages 54 to 58 provides further detail of my qualified opinion on regularity.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Young People's Learning Agency's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Apprenticeships, Skills, Children and Learning Act 2009 and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Apprenticeships, Skills, Children and Learning Act 2009; and
- the information given in management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not obtained all the information and explanations that I considered necessary for the purpose of our audit;
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date 13 July 2012**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# The Report of the Comptroller and Auditor General to the Houses of Parliament

## Introduction

1. Under Schedule 3 section 15 (4a) of the Apprenticeships, Skills and Learning Act 2009, I am required to examine, certify and report on the financial statements of the Young People's Learning Agency (YPLA). This involves satisfying myself that, in all material respects, the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and conform to the authorities which govern them (regularity).
2. The YPLA provided £6.1 billion in grant to 1660 academies in 2011-12. A funding agreement between the Secretary of State for Education and each academy trust controls how this grant funding can be used. These funding agreements impose compliance with the provisions set out in the Academies Financial Handbook. As central government bodies, academies are also required to comply with the requirements of HM Treasury's 'Managing Public Money', although this requirement has not been explicitly built into the funding agreements.
3. Under the Education Act 2011, on 1 April 2012, the YPLA was abolished with all of its functions, staff, assets and liabilities transferring to the Department for Education and the newly formed Education Funding Agency.
4. I have qualified my opinion on the YPLA's 2011-12 financial statements because the YPLA's control framework is not adequately designed to provide sufficient, appropriate assurance that academies have complied with all aspects of HM Treasury's Managing Public Money.
5. This report describes the control framework operated by the YPLA over grants to academies, and the weaknesses in that framework that led to the qualification of my opinion on regularity in respect of the requirement to seek approval for specific transactions, as required by Managing Public Money.

## **YPLA are accountable for the regularity of funds paid to academies**

6. YPLA is responsible for the funding and support of academies, including the payment of grant and oversight of the sector on behalf of the Department for Education. The YPLA Accounting Officer is responsible for the regularity of grant expenditure, and is accountable to Parliament for the proper use of those funds.

## **The assurance framework covers compliance with the funding agreement**

7. YPLA has established a framework to gain assurance that academies are applying the grant for the purposes intended. The framework was designed specifically to evaluate compliance with the Academies Financial Handbook and individual funding agreements.
8. The framework can be summarised as:
  - Obtaining audited financial statements from academies, including an opinion on whether the grants from YPLA have been applied for the purposes intended. These accounts are the financial statements academies are required to prepare under Companies Act legislation, reflecting their constitution as charitable companies limited by guarantee;
  - Assessment of academies' annual Financial Management and Governance Evaluation (FMGE) self-assessments. These are signed off by the Accounting Officer of the academy. YPLA perform a desk-based review of these returns, in the first instance, to consider whether the academies' self-assessment is supported by the explanations provided;
  - Inspection visits to a sample of academies to validate FMGE returns and the data used for grant allocations; and
  - The work of investigation teams and academy liaison offices which can include assessments of academies' financial health and investigation of whistleblowing or other similar reports on academies.
9. The YPLA concluded that this framework provided substantial assurance that academies were complying with their funding agreements and I was able to rely on this work in support of my regularity opinion.
10. This effectiveness of this assurance framework is highly dependent on academies delivering requested returns and audited accounts. A significant proportion of returns or accounts were submitted late:
  - Accounts: of the 435 academy trusts required to prepare their audited financial statements to 31 August 2011, 21 per cent had not been received by the YPLA's deadline of 31 December 2011. All were received by the end of June 2012.
  - FMGE: academies are given different deadlines for their FMGE returns depending on when they opened. In 2011-12, 54 per cent of all returns were submitted late. All but 13 returns were received prior to my certification of these accounts.
11. Whilst the auditors of academies are required to give an opinion on the use of grant funds, the YPLA has not set guidance for auditors to follow when reaching that opinion. Audits of this nature within the public sector are normally governed by the Auditing Practices Board's Practice Note 10, *Audit of Financial Statements of Public Sector Bodies*, but this covers

wider parliamentary and HM Treasury authorities and it is not clear to what extent auditors have used this framework in reaching their opinion on academies. The audit opinions on regularity provide some assurance to YPLA, but this could be strengthened to ensure that auditors and the YPLA have a common understanding of the work required. YPLA have set out plans to strengthen the regularity assurance gained from academy accounts by working with auditors to develop the framework.

**The assurance framework does not cover the full requirements for regularity set out in Managing Public Money.**

12. Regularity in the central public sector is defined and governed by HM Treasury's Managing Public Money, which establishes the principles for propriety and regularity. HM Treasury have confirmed that Managing Public Money applies to academies because they consider academies to be central government entities.
13. In particular, Managing Public Money requires each body to have delegated authority before it can spend public funds. However, there are certain transactions and actions that HM Treasury do not delegate because they are potentially repercussive or of a novel or contentious type. These special payments include:
  - severance payments in excess of the employer's contractual commitment;
  - extra statutory payments in settlement of legal disputes out of court;
  - certain private expenses of employees made necessary because of their public duties;
  - non-standard payments in kind; and
  - unusual financing transactions, especially those with lasting commitments.
14. YPLA were aware of 14 instances at 9 academies where severance payments had been made by academies in excess of employers' contractual commitments, and submitted these cases, with an aggregate value of £227,832, to HM Treasury in June 2012 relating to the 2011-12 financial year. All were approved by HM Treasury.
15. Eleven of these cases were identified through the YPLA's external assurance inspection visits. The remainder were identified through discussions on funding with the academies.
16. YPLA has informed me that it interpreted the regularity requirements for the academy sector to stem from the funding agreements. Academies are charitable companies, and charities guidance sets different parameters for considering ex-gratia and other such payments. In particular, according to the Charity Commission<sup>1</sup> the responsibility generally rests with trustees to

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<sup>1</sup> Charity Commission guidance note 7 ex gratia payments by charities

consider whether they can justify the payment as being in the interests of the charity, whereas public sector entities require HM Treasury approval.

17. YPLA's external assurance team inspected 135 academies in support of YPLA's 2011-12 financial statements and governance statement, representing 8 per cent of the 1660 academies opened before the year end. It is unclear how many other special payments were made in the academy sector in this financial year, but the frequency of occurrence of payment requiring HM Treasury approval in this sample suggests that there were a number of other cases of severance payments over and above those submitted for approval. YPLA has not required academies to notify them of severance cases or any other payments which require Treasury approval and so I have concluded that the assurance framework YPLA had in place for the financial year was not capable of identifying and managing all cases.
18. Accordingly, I have been unable to confirm that, in all material respects, grants to academies conform with the authorities which govern them, and have been applied for the purposes intended by Parliament. For this reason I have qualified my opinion on regularity.

#### **Actions for the Education Funding Agency**

19. The number of open academies has grown significantly during 2011-12 (from 440 academies in March 2011 to 1660 by 31 March 2012), and this growth is forecast to continue. There are a number of areas of the control framework over academies that the Education Funding Agency (EFA) should consider improving in order to manage the future expansion of the sector more effectively:
- *Compliance with Managing Public Money*: The EFA should discuss with HM Treasury how best to ensure compliance with the provisions of Managing Public Money set out above. Unless resolved, this issue is likely to result in a qualified audit opinion for the Education Funding Agency's 2012-13 financial statements;
  - *Lateness of academy returns*: As noted above, a significant proportion of academies have been missing deadlines to submit returns to YPLA. The lateness of these returns has resulted in an assurance gap, although this gap did not require me to modify my opinion this year. However with the growing number of academies, there is potential that this assurance gap may become more significant in 2012-13. The EFA should consider how to ensure academies comply with submission deadlines; and
  - *Academy audited financial statements*: The Academies Financial Handbook requires academies to engage their auditors to provide an opinion on whether 'the grants made by the YPLA have been applied for the purposes intended'. This opinion, designed to cover the regularity of grant spent by an academy, is not in a format

applied elsewhere in government. The opinion only covers whether the academies have complied with the funding agreement, without considering other regularity concerns, such as Managing Public Money. In addition, there is no framework as to what procedures the auditor should carry out to provide this opinion. The EFA should consider whether to require a standard regularity opinion, supported by a robust audit code, which would provide better assurance to the EFA Accounting Officer.

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>Expenditure</b>			
Programme expenditure	2		
School sixth forms (local authority maintained)	2	1,585,466	2,184,262
Sixth forms (Academies)	2	829,128	225,887
Further education for young people aged 16-19	2	4,069,611	3,977,931
Participation by young people aged under 16 (Academies)	2	5,288,992	1,782,669
Learners with learning difficulties and/or disabilities	2	274,773	260,246
Learner support for young people aged 16-19	2	134,850	87,771
Education maintenance allowance	2	243,907	554,811
14-19 reform	2	13,653	51,292
Free childcare for training and learning at work	2	0	5,051
Capital	2	99,471	230,337
Other expenditure funded by other government departments	2	27,508	51,449
Other programme expenditure	2	0	58
Administration costs			
Staff costs	4a	29,855	27,425
Other costs	5	20,778	22,765
<b>Total expenditure</b>		<b>12,617,992</b>	<b>9,461,954</b>
<b>Income</b>			
Other income	6	(429)	(1,544)
<b>Total income</b>		<b>(429)</b>	<b>(1,544)</b>
<b>Net expenditure</b>		<b>12,617,563</b>	<b>9,460,410</b>

All activities are continuing.

There are no other gains or losses other than net expenditure for the year.

The notes on pages 63 to 94 form part of these accounts

# Statement of Financial Position

as at 31 March 2012

	Note	As at 31 March 2012 £'000	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000
<b>Current assets</b>				
Trade and other receivables	7a	68,411	20,625	18,862
Cash and cash equivalents	8	141,783	55,157	0
<b>Total current assets</b>		<b>210,194</b>	<b>75,782</b>	<b>18,862</b>
<b>Total assets</b>		<b>210,194</b>	<b>75,782</b>	<b>18,862</b>
<b>Current liabilities</b>				
Trade and other payables	9a	(64,916)	(49,614)	(37,831)
<b>Total assets less current liabilities</b>		<b>145,278</b>	<b>26,168</b>	<b>(18,969)</b>
<b>Non-current liabilities</b>				
Provisions	10	(5,905)	(5,987)	0
<b>Assets less liabilities</b>		<b>139,373</b>	<b>20,181</b>	<b>(18,969)</b>
Represented by				
<b>Reserves</b>				
General reserve		139,373	20,181	(18,969)
<b>Total reserves</b>		<b>139,373</b>	<b>20,181</b>	<b>(18,969)</b>

The notes on pages 63 to 94 form part of these accounts.



**Peter Lauener**  
**Chief Executive, Education Funding Agency,**  
**and Accounting Officer for the**  
**Young People's Learning Agency**  
 10 July 2012

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	As at 31 March 2012 £'000	As at 31 March 2011 £'000
<b>General reserve balance at 1 April</b>	<b>20,181</b>	<b>(18,969)</b>
Total Comprehensive Net Expenditure	(12,617,563)	(9,460,410)
<b>Total recognised income and expense for the year</b>	<b>(12,617,563)</b>	<b>(9,460,410)</b>
Grant-in-aid funding from sponsor Departments	12,736,755	9,499,560
<b>General reserve balance at 31 March</b>	<b>139,373</b>	<b>20,181</b>

## Statement of Cash Flows

for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>Cash flows from operating activities</b>			
Net expenditure		(12,617,563)	(9,460,410)
(Increase)/Decrease in receivables - excludes capital receivables	7a	(47,786)	(1,763)
Increase/(Decrease) in payables - excludes capital payables	9a	15,302	11,783
Increase/(Decrease) in provisions for liabilities and charges	10	(82)	5,987
<b>Net cash outflow from operating activities</b>		<b>(12,650,129)</b>	<b>(9,444,403)</b>
<b>Cash flows from investing activities</b>			
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid funding from sponsor departments		12,736,755	9,499,560
<b>Net cash inflow from financing activities</b>		<b>12,736,755</b>	<b>9,499,560</b>
Net increase in cash and cash equivalents in the period		88,626	55,157
Cash and cash equivalents at 1 April 2010	8	55,157	0
<b>Cash and cash equivalents at 31 March 2011</b>	<b>8</b>	<b>141,783</b>	<b>55,157</b>

# Notes to the Accounts

## 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by the Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the YPLA for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the YPLA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### Going Concern

The Education Act 2011 which received Royal Assent on 15 November 2011 provides for the dissolution of the YPLA on 31 March 2012 and the transfer of its functions, staff and property to the Education Funding Agency (EFA) on 1 April 2012. The EFA is an executive agency of the Department for Education.

Under the terms of the transfer, the assets and liabilities of the YPLA are to be transferred to the EFA at fair value on 1 April 2012. Therefore, these accounts have been prepared as a going concern as set out in paragraph 2.2.15 of the 2011-12 FReM.

The commitments presented in note 13 will not be borne by the YPLA; from 1 April 2012 they will become commitments of the EFA. Similarly, the provisions presented in note 10 will become provisions of the EFA.

The YPLA has accrued £153,215 to cover closure costs incurred after 31 March 2012. These closure costs are predominantly staff costs related to the production of the 2011-12 annual report and accounts and are included in administration accruals in note 9a.

### Accounting Convention

These accounts are prepared under the modified historical cost accounting convention so property, plant and equipment, intangible assets and inventories are reflected at current values where the impact of doing so is material.

### Property, Plant and Equipment

As a consequence of the Machinery of Government changes, on the 31 March 2010 the Learning and Skills Councils (LSC) closed and all property, plant and equipment assets transferred to the Skills Funding Agency under the property transfer order. The YPLA had a shared service agreement with the Skills Funding Agency which stated that they provided the YPLA with a

working environment which allowed the YPLA to conduct its day to day business. This agreement included furniture, IT hardware and computers.

If the YPLA purchased any property, plant and equipment outside the shared service agreement with the Skills Funding Agency it is carried at fair value. The minimum level for capitalisation of a property, plant and equipment asset is £2,500. All assets falling into the following categories are capitalised:

- Individual assets which are capable of being used for more than one year, and have a cost equal to or greater than £2,500
- Groups of assets that individually may be valued at less than £2,500 but taken together form a single collective asset because the items fulfil all of being:
  - a) Functionally interdependent;
  - b) Acquired at about the same date and planned for disposal at about the same date;
  - c) Under single managerial control.

For the financial year 2011-12 the YPLA had no expenditure which met the capitalisation criteria as set out above.

### **Intangible Assets**

As a consequence of the Machinery of Government changes, on the 31 March 2010 the LSC closed and all property, plant and equipment assets transferred to the Skills Funding Agency under the property transfer order. The YPLA had a shared service agreement with the Skills Funding Agency which stated that they provided the YPLA with a working environment which allowed the YPLA to conduct its day to day business. This agreement included software.

For the financial year 2011-12 the YPLA had no expenditure on intangible assets.

### **Leases**

The YPLA had a yearly shared services agreement with the Skills Funding Agency and there was no transfer of assets at the end of the agreement. For this reason the YPLA treated the shared services agreement with the Skills Funding Agency as an operating lease.

Operating leases and the rentals were charged straight-line to the Statement of Comprehensive Net Expenditure over the lease term.

### **Provisions**

Provisions were recognised when it is probable that the YPLA would have been required to settle a present obligation and a reliable estimate could be

made of that obligation. The obligation is normally the sum that the YPLA would pay to settle the obligation at the Statement of Financial Position date or to transfer it to a third party at that time. Where the impact is material, expected future cash flows are discounted using an appropriate discount rate.

### **Financial Instruments**

The YPLA was party to many contracts in the course of providing programme funding and in the course of its own operation that gave rise to assets and liabilities in its Statement of Financial Position. Where such financial instruments were deemed to have a significant impact on the medium to long term financial risk profile of the YPLA, they have been recognised in the financial statements in accordance with IAS 39 and details are disclosed in accordance with the provisions of IFRS 7.

### **Grant-in-Aid from the Sponsoring Department**

All grant-in-aid has been recorded as financing as it was a contribution from the YPLA's controlling party giving rise to a financial interest. It is recorded as financing in the Statement of Cash Flow and credited to the general reserve.

### **Programme Accounting Basis**

Under *Managing Public Money*, payment according to need is a fundamental expectation of grant paying bodies such as the YPLA. The YPLA's standard accounting policy for the funding of teach providers (colleges, local authority maintained schools with sixth forms, Academies, and commercial and private charitable providers) was to recognise expenditure at the time when the payment is made. The YPLA applied this policy by paying learning providers at a time and sum that as far as possible matched their known need for funds.

#### Local Authority Maintained Schools with Sixth Forms

The YPLA allocates funding to local authority maintained schools with sixth forms on an academic year to 31 July. Funding was paid in equal monthly instalments and was accounted for according to cash paid.

#### Learning Participation

Funding was allocated to FE colleges and independent private providers on an academic year from 1 August to 31 July. The payment profile was based on approximated need as evidenced by research commissioned by the Learning & Skills Council. The YPLA paid 60.56 per cent of the academic year allocation in August to March and 39.44 per cent in April to July and payments were accounted for as cash paid.

#### Academies

Funding was allocated to Academies on an academic year to from 1 September to 31 August. The payment profile was 12 per cent in September and 8 per cent in the remaining 11 months. Academies' programme expenditure is recognised in the accounts when the grant is paid to academies.

The model funding agreement for Academies states that an Academies Trust may carry forward unspent General Annual Grant (GAG) from previous academic years amounting to 12 per cent of the total GAG payable in the year just ended. This carry forward is not recognised as an asset in the YPLA's accounts as it does not crystallise until 31 August and therefore it is not considered to be prudent to recognise an asset at 31 March.

#### Learners with Learning Difficulties and/or Disabilities

Learners with learning difficulties and/or disabilities placements are funded on an individual level against a matrix using different support bands and split between residential and day provision. An assessment is carried out to determine the total number of hours required to complete their education and training programme over a defined time period. The total hours required equates to a support band which identifies the funding for that learner. Placements are commissioned by the learner's home local authority which must complete and return specific paperwork for each learner to enable the EFA to release funding to the provider. Where there are delays in payment, accruals are made for the cost of learning provision delivered within the financial year.

#### 16-19 Bursary Fund

The 16-19 bursary fund is the only programme budget where the payment profile is not considered to be representative of the consumption of resources. The standard payment profile is 50 per cent in August and 25 per cent in both December and March. YPLA guidance to providers was to administer payments to learners over the course of the academic year to enable standards such as attendance to be taken into account.

Accounting for expenditure to occur evenly across the year involves prepaying part of the funding issued in December and all of the funding issued in March. This reflects that although 100 per cent of allocations have been paid to providers by March, it is expected that only two thirds of the grant resource provided has occurred by this point, with the final third taking place across the remaining academic term. Therefore, prepayments have been posted to reflect that one third of resource is consumed in the next financial year.

#### Education Maintenance Allowance (EMA)

Grant payments were made to the Helpline and Payments Body to match EMA payments made to students in respect of certified attendance during the financial year. The costs of administering EMA are charged to the accounts according to activity completed by the end of the financial year.

#### Capital Funding

Devolved formula capital funding for Academies and sixth form colleges (SFCs) for 2011-12 was based on a formula allocation and covers the period from April 2011 to March 2012. Funding was paid in a single instalment to each Academy and SFC and is accounted according to cash paid.

All funds allocated to providers under the sixth form college building condition improvement fund and the demographic growth capital fund had to have been spent in the financial year to 31 March 2012. The funding was paid to in two instalments of 45 per cent and a final instalment of 10 per cent and is accounted for according to cash paid.

### **Receivables: Programme Expenditure**

Programme receivables derive from various learning programmes the YPLA funds learning providers to deliver. Programme receivables mostly reflect part of the normal operation of the reconciliation process of the respective programmes to ensure that only sums earned by providers' actual delivery are paid and recorded in the YPLA's accounts.

Where relevant, clawbacks for overpayment are recognised when they are virtually certain and can be reliably measured. These clawbacks are recognised as reductions in in-year expenditure.

In the vast majority of cases, programme receivables are offset against and recovered from future payments to providers

### **Employee Benefits**

#### Pension and superannuation costs

The YPLA's employees were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS and the YPLA was unable to identify its share of the underlying assets and liabilities. The cost of pension cover provided for the staff employed by the YPLA was met by payment of charges calculated according to accruing cost. The accruing cost of providing for future benefits for current employees was charged to the Statement of Comprehensive Net Expenditure so as to spread the total cost over the estimated remaining service lives of employees in each scheme. For unfunded schemes such as the PCSPS this is achieved by charging the actuarially calculated accruing superannuation liability charges paid by each individual body.

There is a separate scheme statement for the PCSPS as a whole.

#### Early retirement costs

Where the YPLA was required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early, provision has been made in full for this cost when the early retirement programme has been announced and is binding. In certain circumstances, settlement of some or all of the liability may have been made in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote.

#### Other Employee Benefits

This includes the value of untaken holiday leave at the financial year-end which is recognised as accrued leave.

## VAT

Irrecoverable VAT has been charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the sums are stated net of VAT.

## Segmental reporting

Under HM Treasury guidance in the FReM, the YPLA was expected to meet the requirements of IFRS 8 to report information concerning operating segments where the criteria under IFRS 8 are met.

All lines of operation fall within the same geographical location and regulatory environment. The segmental reporting information disclosed in note 2 reflects the significant programme streams under the remit of the YPLA as detailed in the YPLA's 2011-12 grant letter from the Department of Education, and as such were reviewed regularly by the YPLA's chief operating decision maker, the Chief Executive.

Assets and liabilities were accounted for centrally and were not reported to management at programme level. The YPLA adopted the amendment to IFRS 8 published in April 2009 which clarifies that segmental information for assets and liabilities are reported only if such sums are regularly reported to the chief operating decision maker.

Administration expenditure was not reported to management at programme level as segmental information. It was not considered to have a material influence on managerial decisions and so is not disclosed in the annual accounts.

## Accounting Judgments and Estimates

Other than for the determination of provisions for liabilities and charges, no material accounting estimates or judgements were made by the YPLA in preparing these accounts.

## Accounting developments

### Accounting standards: issued but not effective

At the end of the reporting period, the accounting standards and interpretations detailed in Table 1 were in issue but were not yet effective and these have not been applied to these accounts by the YPLA.

**Table 1: Accounting standards**

Standard	Issued date	Future effective	Impact on YPLA
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		<b>date</b>	
<b>IAS 1:</b> Presentation of financial statements	June 2011	Annual periods beginning on or after 1 July 2012	Requires items of other comprehensive income (OCI) to be grouped on the basis of whether or not they might at some point be reclassified from OCI to profit.  No significant impact
<b>IAS 12:</b> Income taxes	December 2010	Annual periods beginning on or after 1 January 2012	Introduces a presumption that recovery of the carrying amount of an asset will normally be through sale rather than asset use, affecting the measurement of deferred tax relating to an asset.  No significant impact
<b>IAS 19:</b> Employee benefits	June 2011	Annual periods beginning on or after 1 January 2013	Eliminates the option to defer the recognition of gains and losses resulting from defined benefit plans and requires improved disclosures on the characteristics of and risks arising from these.  Modifies the accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment.  Some impact on the timing of the recognition of liabilities relating to termination benefits.
<b>IFRS 7:</b> Financial Instruments: Disclosures	October 2010	Annual periods beginning on or after 1 July 2011	Requires more disclosure on transfer transactions involving financial assets, including the extent of any risks which may remain with the entity following the transfer.  No significant impact
<b>IFRS 7:</b> Financial Instruments: Disclosures	December 2011	Annual periods beginning on or after 1 July 2013	Requires enhanced disclosures about the offsetting of financial assets and liabilities.  No significant impact
<b>IFRS 7:</b> Financial Instruments: Disclosures	December 2011	Annual periods beginning on or after 1 July 2015	Amendments requiring disclosures about the initial application of IFRS 9.  No significant impact
<b>IFRS 9:</b> Financial instruments	November 2009	Annual periods beginning on or after 1 January 2015	Covers the classifications and measurements of financial assets. (intended to replace IAS 39)  No significant impact.

<b>IFRS 9:</b> Financial instruments	October 2010	Annual periods beginning on or after 1 January 2015	New requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for de-recognition of financial assets and financial liabilities.  No significant impact
<b>IFRS 10:</b> Consolidated Financial Statements	May 2011	Annual periods beginning on or after 1 January 2013	Identifies control as the single basis for consolidation for all entities and provides additional guidance on the definition of control. The full implications of IFRS 10 and its impact on the consolidation boundary of the EFA are still being assessed.
<b>IFRS 11:</b> Joint Arrangements	May 2011	Annual periods beginning on or after 1 January 2013	Provides a principles-based definition of joint arrangements and removes the option of proportional consolidation.  No significant impact.
<b>IFRS 12:</b> Disclosure of interest in other entities	May 2011	Annual periods beginning on or after 1 January 2013	Requires more disclosure of the financial effects on, and risks to, the consolidating entity. May impact disclosures in the EFA's accounts, depending on the conclusion of the review into the implications of IFRS 10.
<b>IFRS 13:</b> Fair value measurement	May 2011	Annual periods beginning on or after 1 January 2013	Requires a single framework for measuring fair value.  No significant impact.
Various minor amendments to IFRS and IFRICs in the 'Annual Improvements Process'		On-going, effective date of 1 January each year	No significant impact

## 2. Programme expenditure

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>2.01 School sixth forms (local authority maintained)</b>		
School sixth form	1,331,464	1,870,961
School sixth form - teachers' pay grant	56,116	74,797
School sixth form pensions	14,168	50,056
Special education needs	183,598	188,294
Learner Achievement Tracker	120	154
<b>Total school sixth forms (local authority maintained)</b>	<b>1,585,466</b>	<b>2,184,262</b>
<b>2.02 Sixth form (Academies)</b>		
Sixth form (Academies)	829,128	225,887
<b>Total sixth form (Academies)</b>	<b>829,128</b>	<b>225,887</b>
<b>2.03 Further education for young people aged 16-19</b>		
Further education for young people aged 16-19/Foundation Learning	3,809,956	3,731,267
Further education for young people aged 16-19/Additional Learner Support	259,655	246,664
<b>Total further education for young people aged 16-19</b>	<b>4,069,611</b>	<b>3,977,931</b>
<b>2.04 Participation by young people aged under 16 (Academies)</b>		
General Annual Grant	5,181,781	1,717,002
Insurance	63,593	28,141
Annual per capita grant	15,661	15,111
National challenge advisers	4,750	6,931
Miscellaneous programme costs (inc SIPs)	277	714
TUPE, staff restructuring and other	7,855	7,568
Deficit funding	15,075	6,967
City Challenge	0	235
<b>Total Participation by young people aged under 16 (Academies)</b>	<b>5,288,992</b>	<b>1,782,669</b>
<b>2.05 Learners with learning difficulties and/or disabilities (LLDD)</b>		
LLDD Placements	209,801	222,196
LLW Development Fund	0	312
LLDD Forensic Units	6,212	6,212
Higher Discretionary Support in FE for 19-24 Year Olds	58,760	31,526
<b>Total LLDD</b>	<b>274,773</b>	<b>260,246</b>

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>2.06 Learner support for young people aged 16-19</b>		
16-19 School Sixth Form Hardship	871	3,429
16-19 Further Education Hardship	6,116	22,230
LEA Transport Partnership	3,799	11,746
16-18 Bursary Fund	77,235	0
16-19 Residential Bursaries	5,494	5,146
Care to Learn	33,603	31,579
Dance And Drama Awards	14,195	13,641
16-19 Recycling of funds	(6,463)	0
<b>Total Learner support for young people aged 16-19</b>	<b>134,850</b>	<b>87,771</b>
<b>2.07 Education Maintenance Allowance (EMA)</b>		
EMA – Student Payments	239,941	529,154
EMA – Contract Compliance	3,966	25,657
<b>Total EMA</b>	<b>243,907</b>	<b>554,811</b>
<b>2.08 14-19 reform</b>		
Education Business Partnerships	0	24,862
Learning Agreement Pilots	0	(834)
Young Apprenticeships	13,653	26,970
Entry to Employment Youth Community Action Capacity	0	83
JACQA	0	98
Online Learner Panel	0	113
<b>Total 14-19 reform</b>	<b>13,653</b>	<b>51,292</b>
<b>2.09 Free childcare for training and learning at work</b>		
Free childcare for training and learning at work	0	5,051
<b>Total free childcare for training and learning at work</b>	<b>0</b>	<b>5,051</b>
<b>2.10 Capital</b>		
LLDD Capital	0	4,995
16-19 Joint Capital Fund	25,762	212,371
Academies Devolved Formula Capital	12,621	12,971
Building condition improvement fund	57,072	0
School Sixth Forms Devolved Formula Capital	4,016	0
<b>Total capital</b>	<b>99,471</b>	<b>230,337</b>

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>2.11 Other expenditure funded by other government departments</b>		
Adult Learner Grant (BIS)	12,789	30,217
Residential Support Scheme (BIS)	1,132	3,350
Sixth Form College Childcare Costs (BIS)	0	1,509
Education in Youth Custody (MoJ)	13,587	16,373
<b>Total other expenditure funded by other government departments</b>	<b>27,508</b>	<b>51,449</b>
<b>2.12 Other programme expenditure</b>		
Other Ministry of Justice programmes	0	37
Other non-departmental programmes	0	21
<b>Total other programme expenditure</b>	<b>0</b>	<b>58</b>
<b>Total programme expenditure</b>	<b>12,567,359</b>	<b>9,411,764</b>

#### Notes

The classifications of entry to employment and learner achievement tracker have been changed in 2011-12 to reflect the YPLA's grant letter and the reporting requirements of DfE.

Entry to employment expenditure is now included within further education for young people aged 16-19 and learner achievement tracker expenditure has been removed from 14-19 reform and reclassified as school sixth forms (local authority maintained).

Comparatives for 2010-11 have been amended so as to ensure consistency. There is financial impact as the change represents a re-analysis of the same programmes.

### **3. Assurances on Learner Providers' Entitlement to, and their Proper Use of, YPLA Funding**

Under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCL Act 2009), from 1 April 2010 the Chief Executive of Skills Funding, the Young People's Learning Agency (YPLA) and local authorities (the funding bodies) took responsibility for commissioning and funding further education.

The respective roles of the funding bodies for assurance over learning providers' use of public funds are set out in Part 1 of the Joint Audit Code of Practice (JACOP), issued by the funding bodies and effective from 1 April 2010. These relationships are based around mutual exchanges of assurance between the funding bodies and establish the principle of 'one provider, one funding assurer'. This avoids overlapping and duplicated assurance arrangements in order to minimise burdens on learning providers.

Under JACOP, the YPLA is responsible for the assurance of provision to young people aged 16-19 at sixth form colleges, Academies, independent specialist providers for learners with learning difficulties and disabilities, and some commercial and charitable providers. The assurance of local authorities' own provision and funding provided for local authority maintained school sixth forms remains with local authorities, who are required to make a grant return and use of funds statement to the YPLA.

In order to gain assurance over the proper use of public funds by learning providers, the YPLA has established an External Assurance (EA) team. As set out in the Accounting Officer's Governance Statement within the YPLA's Annual Report for 2011-12, the EA team are responsible for planning, co-ordinating and delivering a programme of audit work to secure this assurance. Audit plans and the outcomes of audit work are scrutinised by the YPLA's Audit and Risk Management Committee.

The approaches used to obtain assurance depend on the risks associated with providers and funding streams, and the approaches are designed to minimise bureaucracy on providers. In broad terms, where grant funding is provided to other public bodies such as sixth form colleges, the YPLA relies on audit work carried out by the public bodies' auditors, currently working to standards agreed with the YPLA. For many commercial and charitable providers funded under contract, the YPLA's EA team undertakes its own audit work to ensure that funds have been properly applied in the delivery of those contracts.

Where the Skills Funding Agency has lead assurer responsibility (for all FE colleges and for the majority of commercial and charitable providers) reliance is placed on an assurance statement provided to the YPLA by the Chief Executive of Skills Funding.

### **3a. School Sixth Forms**

During financial year 2011-12 the YPLA paid local authorities £1,585 million (2010-11: £2,184 million) for provision to young people aged 16-19 attending local authority maintained schools with sixth forms (school sixth forms) .

During May 2010 and October 2010 all school sixth forms were required to make two census returns to the DfE through their respective local authority. The YPLA calculated funding for each school sixth form in the year ending 31 July 2012 using data from the May and October 2010 census return. In accordance with JACOP, local authorities are the lead assurers over the funding provided to the schools with sixth forms the local authorities maintain. It is the responsibility of each local authority to carry out a risk assessment to determine the level of assurance work required to enable their respective Chief Financial Officer to sign off a 2011-12 Grant Return and Use of Funds Statement, which was required to be submitted to the YPLA by 30 April 2012. The YPLA received all 152 Grant Returns and Use of Funds Statements. Reviews of the Statements have been carried out and no material qualifications have been found.

### **3b. Further Education**

During financial year 2011-12, the YPLA paid £4,070 million (2010-11: £3,978 million) for learning by young people aged 16-19 to sixth form and general further education colleges, local authorities as learning providers and commercial and charitable providers.

The YPLA's payments included in these financial statements relate to the academic year ended 31 July 2011 (four months) and the academic year ending 31 July 2012 (eight months).

Sixth form and general further education colleges receive the very large majority of further education funding included in the sum above. The primary sources of assurance over colleges' use of funds are regularity audit opinions on colleges' financial statements for the academic year ended 31 July 2011. In addition the YPLA receives and reviews sixth form colleges' internal audit annual reports, financial statements audit management letters and financial management control evaluation questionnaire returns. The YPLA in collaboration with the Skills Funding Agency commissioned a sample of 82 funding audits of colleges (including five sixth form colleges) and other education providers.

The YPLA mitigates the mis-match between the 31 July 2011 reporting date for colleges' formal assurances and the YPLA's own financial year-end by requiring sixth form colleges to notify the YPLA if there are any changes to the college's controls over regularity and propriety in the use of public funds for the period 1 August 2011 to 31 March 2012. FE colleges are similarly required to notify the Skills Funding Agency.

### **3c. Academies**

During financial year 2011-12 the YPLA paid Academies £6,118 million (2010-11: £2,009 million) for learning by young people. These payments were in

respect of five months of Academy academic year ended 31 August 2011 and seven months in respect of Academy academic year ending 31 August 2012.

The YPLA obtained assurance on Academies' entitlement to and their proper use of YPLA funds by the EA team's receipt and review of Academies' audited financial statements and audit reports for the year ended 31 August 2011. The YPLA further required all Academies to self-assess their financial management and governance arrangements and make a return to the YPLA. In addition to performing desk based reviews of these returns, the EA team have conducted a programme of visits to a sample of Academies to validate their self- assessments. The YPLA also carried out a programme of funding audit visits to a sample of Academies in order to gain assurance over a number of areas including pupil existence, eligibility and data accuracy.

### **3d. Learners with Learning Difficulties and/or Disabilities (LLDD)**

During financial year 2011-12 the YPLA paid providers of learning to learners with learning difficulties and/or disabilities £275 million (2010-11: £260 million). The EA team delivers assurance over providers' use of funds through a risk based cycle of funding audits. In addition a number of providers were required to submit a self-assessment of their financial management and control for review by the EA team.

### **3e. Education Maintenance Allowance (EMA), 16-19 Bursary, and other Learner Support Funds**

During financial year 2011-12 the YPLA paid Education Maintenance Allowances (EMA) worth £244 million (2010-11: £555 million), and 16-19 Bursary funds worth £77 million (2010-11: £0). The EA team undertakes a programme of assurance work on this expenditure.

Assurance is obtained through direct audit work carried out by the EA team on the contractor responsible for processing and paying EMA applications. Further direct assurance work as appropriate by the EA team and the Skills Funding Agency's Provider Financial Assurance team takes place or is commissioned at colleges, Academies and commercial and charitable providers and other learning providers. Additional audit work has been undertaken on 16-19 Bursary Funds as part of the EA team's existing programme of funding audits at Academies, commercial and charitable providers and other learning providers.

During financial year 2011-12 the YPLA paid £58 million of other youth Learner Support funds (2010-11: £88 million). The EA Team gains assurance on use of these funds by direct assurance work or by placing reliance on the work of other auditors.

### **3f. Novel and Contentious Payments in Academies**

Since the establishment of City Technology Colleges in 1988 and then in the Academies programme, the Government has taken the view that the

relationship between it and Academies is set out in the relevant Funding Agreements and accounts have been prepared every year on that basis. The requirement for such an agreement has been set out in successive Acts of Parliament, most recently in Section 1 of the Academies Act 2010. Section 1(5) of the Academies Act 2010 sets out that Academies are independent.

In late 2011, as part of a wider discussion of Academy finances, the Treasury queried the fact that Academies had not referred any payments relating to severance to the Treasury for approval in line with the provisions of Chapter 2 of Managing Public Money. Section 37 of the Education Act 2002 enables the governing bodies of maintained schools to make these payments without seeking the approval of the local authority. This is consistent with the Funding Agreements that the Department has with Academies, which do not require such payments to be referred to the Department, or to the Treasury. The Young Peoples' Learning Agency has now identified 14 of these payments relating to 2011-12, totalling £227,832. The Treasury has confirmed that all of these payments are reasonable and meet its standards for approval.

The cases I have referred to the Treasury do not represent the total of all such payments across the Academies sector but are representative. Over the course of 2012-13 the Education Funding Agency will work with colleagues in the Department for Education and the Treasury to agree an approach for severance payments, which reflects the independent nature of Academies, the approach taken in maintained schools and Academies' status as Public Sector bodies within the Central Government boundary.

#### 4a. Staff costs

Information in respect of Board Members' and Senior Employees emoluments and pension entitlements is provided in the Remuneration Report on pages 15 to 22.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
The aggregate payroll costs for the YPLA were as follows:		
Permanent staff		
YPLA board members' emoluments	89	88
Salaries	21,810	21,037
Social security	2,021	1,848
Pension costs	4,147	4,144
Redundancies and payment in lieu of notice*	697	1
	<b>28,764</b>	<b>27,118</b>
Other staff (includes agency/contract/seconded staff)	1,596	481
	<b>30,360</b>	<b>27,599</b>
Less recoveries in respect of outward secondees	(505)	(107)
Less staff costs related to programmes	0	(67)
<b>Total staff costs</b>	<b>29,855</b>	<b>27,425</b>

\* Redundancy costs include the release of £504,000 of provision made in the 2010-11 accounts.

#### 4b. Pension costs - Principal Civil Service Pension Scheme employer contributions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit Scheme but the YPLA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2011-12, employers' contributions of £4,146,860 were paid to the PCSPS (2010-11: £4,096,231) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay (2010-11: 16.7 per cent to 24.3 per cent), based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full Scheme valuation.

The contribution rates were set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £19,345 (2010-11: £16,689) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions were age related and

range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,175 (2010-11: £2,041) representing 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement.

No contributions were outstanding to the partnership pension providers at the statement of financial position dates of 31 March 2012 and 31 March 2011.

#### 4c. Average number of staff employed

##### (i) 12 months to 31 March 2012

	Senior management staff number	Payroll staff number	Inward seconded staff number	Outward seconded staff number	Agency/ Temporary staff number	Total staff number
The average number of staff employed during the year, including the Chief Executive was:						
Chair and Chief Executive	1	3	1	0	1	6
Central Services	1	126	16	0	5	148
Academies	1	170	13	1	6	191
Young People's	1	177	0	1	0	179
<b>Total</b>	<b>4</b>	<b>476</b>	<b>30</b>	<b>2</b>	<b>12</b>	<b>524</b>

##### (ii) 12 months to 31 March 2011

	Senior management staff number	Payroll staff number	Inward seconded staff number	Outward seconded staff number	Agency/ Temporary staff Number	Total staff number
The average number of staff employed during the year, including the Chief Executive was:						
Chair and Chief Executive	1	2	1	0	1	5
Central Services*	2	144	1	0	10	157
Academies	1	32	31	0	0	64
Young People's**	1	266	0	3	1	271
<b>Total</b>	<b>5</b>	<b>444</b>	<b>33</b>	<b>3</b>	<b>12</b>	<b>497</b>

#### Notes

\* Central Services was formed through the amalgamation of Finance, Funding and Corporate Services and Business Performance and Communications which were classified separately in the Annual Report & Accounts for 2010-11

\*\* Young People's directorate classified as Strategy and Implementation in Annual Report & Accounts for 2010-11

#### 4d. Staff costs by type

(i) 12 months to 31 March 2012

	Total Staff £'000	YPLA board members £'000	Payroll staff £'000	Inward secondees £'000	Other staff £'000
Emoluments	89	89	0	0	0
Wages and salaries	23,406	0	20,927	883	1,596
Social security costs	2,021	6	1,938	77	0
Other pension costs	4,147	0	3,967	180	0
Redundancy and payment in lieu of notice	697	0	697	0	0
Costs related to inward secondees	(505)	0	(505)	0	0
Staff costs related to programmes	0	0	0	0	0
<b>Total</b>	<b>29,855</b>	<b>95</b>	<b>27,024</b>	<b>1,140</b>	<b>1,596</b>

(ii) 12 months to 31 March 2011

	Total Staff £'000	YPLA board members £'000	Payroll staff £'000	Inward secondees £'000	Other staff £'000
Emoluments	88	88	0	0	0
Wages and salaries	21,518	0	20,051	986	481
Social security costs	1,848	0	1,769	79	0
Other pension costs	4,144	0	3,958	186	0
Redundancy and payment in lieu of notice	1	0	1	0	0
Costs related to inward secondees	(107)	0	(107)	0	0
Staff costs related to programmes	(67)	0	0	0	(67)
<b>Total</b>	<b>27,425</b>	<b>88</b>	<b>25,672</b>	<b>1,251</b>	<b>414</b>

#### 4e. Reporting of Civil Service and other compensation schemes – exit packages

##### Exit package cost band

	2011-12 Number of compulsory redundancies	2011-12 Number of other departures agreed	2011-12 Number of compulsory redundancies	2011-12 Number of other departures agreed
<£10,000	0	3	0	1
£10,000 - £25,000	0	4	0	0
£25,000 - £50,000	0	9	0	0
£50,000 - £100,00	0	2	0	0
£100,000 - £150,000	0	0	0	0
£150,000 - £200,000	0	0	0	0
<b>Total number of exit packages</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>1</b>
<b>Total cost (£)</b>		<b>1,200,517</b>		<b>501</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 5. Administration (other costs)

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
National and regional council members' associated travel and subsistence costs	0	2
Travel and subsistence – staff	1,470	1,229
Recruitment and training	221	248
Furniture and office equipment	26	4
IT and computer maintenance	1,164	2,339
Telecommunications and postage	161	86
Publications, printing and publicity	209	152
General administration expenditure	260	246
Premises*	213	239
HR shared service	628	993
Estates and Facilities shared service	243	162
Information management shared service	9,828	14,565
Accounting services shared service	473	501
Investigations Unit shared service	113	110
External audit fee	175	175
Legal fees and other audit fees	235	410
Transition costs	5,359	1,307
	<b>20,778</b>	<b>22,768</b>
Non pay costs related to programmes	0	(3)
<b>Total</b>	<b>20,778</b>	<b>22,765</b>

\*£2.2 million is top-sliced by DfE from YPLA's administration budget and paid direct to the Skills Funding Agency in respect of office costs for those premises that are jointly occupied by both organisations and for YPLA office space in DfE Sanctuary Buildings

## 6. Other Income

	Year ended 31 March 2012 £'000	Restated Year ended 31 March 2011 £'000
Other funding for activities		
Education in Youth Custody programme income	0	37
Other programme income	0	21
	<b>0</b>	<b>58</b>
Income from activities		
Shared Service Income	402	1,484
Other activities income	27	2
	<b>429</b>	<b>1,486</b>
<b>Total other income</b>	<b>429</b>	<b>1,544</b>

## 7a. Trade and other receivables

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000
<b>Amounts falling due within one year</b>			
<b>Trade and other receivables</b>			
Advances and other FE college receivables	221	431	1,686
School sixth form receivables	0	11	60
Academy receivables*	14,954	0	0
Commercial and charitable provider receivables*	12,875	2,798	(806)
Trade receivables	822	497	6
Other receivables	208	772	948
	<b>29,080</b>	<b>4,509</b>	<b>1,894</b>
<b>Prepayments and accrued income</b>			
FE college prepayments	1,300	7,567	12,807
Academy prepayments	0	4,750	0
Bursary programme prepayments	37,391	0	0
Other prepayments	640	3,799	4,161
	<b>39,331</b>	<b>16,116</b>	<b>16,968</b>
<b>Total receivables and other current assets</b>	<b>68,411</b>	<b>20,625</b>	<b>18,862</b>

Receivables include a provision for doubtful debts of £0.534 million at 31 March 2012 (£0.13 million 2010-11).

\* Academy receivables includes a clawback of £14.95 million Academy funding to be offset against future payments. No clawback was included in the 2010-11 accounts as the clawback had not been confirmed as at the publication date.

\*\*Commercial and charitable receivables includes a clawback of £11.78 million of 2010/11 academic year funding to be offset against payments in April to July 2012. The full value of the 2009/10 academic year clawback was recovered in the period January to March 2011 and was accounted for in full in the 2010-11 accounts.

## 7b. Trade receivables and other current assets: Analysed by type of organisation

The following note provides an analysis of the receivables, accrued income and prepayments detailed above by type of organisation:

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	As at 31 March 2010 £'000
<b>Current receivables</b>			
Local authorities	7,231	5,436	4,971
NHS trusts	0	7	7
Other central government bodies	44,052	12,479	11,412
<b>Balances with other government bodies</b>	<b>51,283</b>	<b>17,922</b>	<b>16,390</b>
Balances with non-governmental bodies	17,128	2,703	2,472
<b>Total receivables by organisation type</b>	<b>68,411</b>	<b>20,625</b>	<b>18,862</b>

## 8. Cash and cash equivalents

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Cash held at other banks and in hand	141,783	55,157	0
	<b>141,783</b>	<b>55,157</b>	<b>0</b>

DfE authorises a working balance at 31 March of 2% of the total resource budget agreed for the financial year.

The YPLA does not hold any cash equivalents.

The performance against the DfE working balance target is detailed below:

	As at 31 March 2012 £'000	As at 31 March 2012 £'000	As at 141,783 31 March 2011 £'000
Total resource budget	12,637,508	9,473,059	0
2% thereof	252,750	189,461	0
<b>Account balance for DfE funding</b>	<b>141,783</b>	<b>55,157</b>	<b>0</b>

## 9a. Trade and other payables

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	As at 31 March 2010 £'000
<b>Amounts falling due within one year</b>			
Trade payables	(49)	(100)	(412)
FE college payables	0	(898)	(761)
Commercial and charitable provider payables	(241)	(72)	0
Academies payables	0	(782)	0
School sixth form payables	0	0	(28)
Tax and social security	(110)	19	0
Other payables	(29)	(76)	(2,410)
	<b>(429)</b>	<b>(1,909)</b>	<b>(3,611)</b>
Academy accruals	(31,949)	(17,728)	0
Administration accruals	(16,370)	(2,196)	0
Other programme accruals	(16,168)	(27,781)	(34,220)
	<b>(64,487)</b>	<b>(47,705)</b>	<b>(34,220)</b>
<b>Total payables and other current liabilities</b>	<b>(64,916)</b>	<b>(49,614)</b>	<b>(37,831)</b>

## 9b. Trade payables and other current liabilities: analysed by type of organisation

The following note provides an analysis of the payables, deferred income and accruals detailed above by type of organisation:

	As at 31 March 2012 £'000	As at 31 March 2011 £'000	As at 31 March 2010 £'000
Local authorities	(606)	(2,069)	(1,578)
Public corporations and trading funds	0	(3)	(2)
Other central government bodies	(51,550)	(25,276)	(19,273)
<b>Balances with other government bodies</b>	<b>(52,156)</b>	<b>(27,348)</b>	<b>(20,853)</b>
Balances with non-government bodies	(12,760)	(22,266)	(16,978)
<b>Total payables by organisation type</b>	<b>(64,916)</b>	<b>(49,614)</b>	<b>(37,831)</b>

## 10. Provisions for liabilities and charges

	Education Maintenance Allowance closure	EFA transition	Sixth Form College Dissolution	Total
	£'000	£'000	£'000	£'000
Provision balance at 1 April 2010	0	0	0	0
Additional charge in year	4,680	1,307	0	5,987
Provision utilised in year	0	0	0	0
Unwinding of discount	0	0	0	0
Provision unused and reversed during the year	0	0	0	0
<b>Balance of provision at 31<sup>st</sup> March 2011</b>	<b>4,680</b>	<b>1,307</b>	<b>0</b>	<b>5,987</b>

Provision balance at 1 April 2011	4,680	1,307	0	5,987
Additional charge in year	759	3,105	1,500	5,364
Provision utilised in year	(3,658)	(901)	0	(4,559)
Unwinding of discount	0	0	0	0
Provision unused and reversed during the year	(481)	(406)	0	(887)
<b>Balance of provision at 31<sup>st</sup> March 2012</b>	<b>1,300</b>	<b>3,105</b>	<b>1,500</b>	<b>5,905</b>

### Indicative timing of outflows required to settle obligation

Within 1 year	1,300	3,105	1,000	5,405
Between 2 - 5 years	0	0	500	500
Greater than 5 years	0	0	0	0
<b>Balance of provision at 31<sup>st</sup> March 2012</b>	<b>1,300</b>	<b>3,105</b>	<b>1,500</b>	<b>5,905</b>

## Education Maintenance Allowance Closure

The Government announcement on the closure of the Education Maintenance Allowance programme has resulted in clause 21 of the Capita contract being implemented. The provision covers the redundancy and associated systems costs in closing the programme.

## EFA Transition

The Importance of Teaching – The Schools White Paper 2010 - set out the Government's intention to abolish the YPLA and set up a new Education Funding Agency (EFA) as an executive agency of the Department with responsibility for a number of functions currently undertaken by the YPLA - direct funding of Academies and Free Schools and 16–19 education and training. The necessary legislative provisions to effect this change are set out in Part 7 of the Education Bill introduced in January 2011.

The EFA transition provision recorded in the YPLA's accounts recognises the resultant constructive obligations (e.g. severance/compensation and logistical costs) that can be reliably estimated at this time.

## Sixth Form College Dissolution

Under the remit of the Further and Higher Education Act 1992, as subsequently amended, this provision covers the redundancy, pensions, due diligence and other associated costs involved in the college dissolution and ensuring that existing learners provision and examination is not disrupted.

## 11. Operating lease commitments

Total future minimum lease payments due under operating leases are given in the table below within each of the following periods:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Obligations under operating leases at 31 March comprise:		
Buildings		
Not later than one year	89	92
Later than one year and not later than five years	201	290
Later than five years	0	0
	<b>290</b>	<b>382</b>

## 12. Capital commitments

The YPLA has not entered into any commitments for capital expenditure in the 2011-12 financial year.

## 13. Commitments to make grants to colleges and schools

Commitments to make grants to colleges and schools at 31 March 2012 for FE participation, school sixth forms and Academies' funding related to the remaining period of the academic year for colleges and school sixth forms April to July and for Academies April to August, together with capital commitments were as follows:

	As at 31 March 2012 £'000	As at 31 March 2011 £'000
<b>Payable within one year</b>		
FE participation	1,561,144	1,345,279
School sixth forms	425,959	610,618
Academies	3,058,278	1,090,308
FE capital project support	690	1,775
	<b>5,046,071</b>	<b>3,047,980</b>

There is also an on-going commitment to make grants to colleges and schools for the 2012/13 academic year.

## 14. Contingent liabilities

The YPLA had no contingent liabilities as at 31 March 2012.

## 15. Financial instruments

International Financial Reporting Standard (IFRS) 7 requires the YPLA to disclose information on the significance of financial instruments to its financial position and performance.

The YPLA is exposed to credit risk resulting from the non-payment of debts relating to private sector provision of training services, and this is most usually attributable to insolvency. Private sector training providers are subject to quality and financial status reviews prior to being awarded contracts. Provision of funding is reconciled to earned values on a monthly basis with future payments adjusted to ensure the risk of building up debt is minimised. The overall financial impact of such instances is not material, as shown in notes 7 and 17.

The table below shows the value of debts overdue by category:

	<b>As at 31 March 2012 £'000</b>
<b>Overdue debts</b>	
<30 days overdue	151
30 – 60 days overdue	2
60 – 90 days overdue	0
90 – 180 days overdue	475
>180 days overdue	145
<b>Total overdue debts</b>	<b>773</b>

As a non-departmental public body (NDPB) almost wholly funded by DfE and with no borrowings, the YPLA is not exposed to any market or liquidity risk.

The YPLA has no material deposits in interest bearing accounts and as all material assets and liabilities are denominated in sterling, it is not exposed to any significant interest rate or currency risk

## 16. Related party transactions

The YPLA is a non-departmental public body of the DfE. DfE is regarded as a related party. During the year, the YPLA has had a number of material transactions with the DfE and with other entities for which the DfE is regarded as the parent department.

In addition, the YPLA has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Skills Funding Agency, Department for Communities and Local Government, Children's Workforce Development Council and Qualifications and Curriculum Development Agency.

During the twelve months to 31 March 2012, YPLA Board members, key managers or other related parties also entered into the following material transactions:

YPLA board member / director / close family member	YPLA role / relationship	Related organisation role / relationship	Related organisation	Transaction(s)	Value (£'000)	Amounts owed to related party (£'000)	Amounts owed by related party (£'000)	Bad Debts (£'000)
Les Walton	Chairman	Governor	Kearsley Academy	YPLA provided funding allocations	3,514	0	0	0
Les Walton	Chairman	Member of Advisory Board	Skills Funding Agency	YPLA made payments for services	15,387	0	616	0
				YPLA received payments for services	1,658	0	187	0
Peter Birkett	Board member	Chief Executive	Barnfield Federation	YPLA provided funding allocations	28,190	0	0	0
Peter Box	Board member	Leader	Wakefield Council	YPLA provided funding allocations	5,612	0	0	0
Gareth Dawkins	Board member	Executive Principal	Bradford Academy	YPLA provided funding allocations	8,954	0	0	0
Sir Dexter Hutt	Board member	Chief Executive (until 31 August 2011)	Ninestiles Plus (Ninestiles School)*	YPLA provided funding allocations	3,422	0	0	0
Michele Sutton	Board member	Principal	Bradford College	YPLA provided funding allocations	19,453	0	0	0
Michele Sutton	Board member	Governor	Appleton Academy Trust	YPLA provided funding allocations	5,562	0	0	0
David Wootton	Board member	Chief Executive	Emmanuel Schools Federation	YPLA provided funding allocations	31,306	0	0	0
Amanda Daniels, spouse of Geoff Daniels	Related to Senior Management Director	Chief Educational Psychologist	Birmingham City Council	YPLA provided funding allocations	35,357	0	0	0
Anna Wright, spouse of Bob Walding	Related to Senior Management Director	Director of Children's Services	Reading Borough Council	YPLA provided funding allocations	1,716	0	0	0

\*Sir Dexter Hutt ceased to act in his role at Ninestiles Plus on 31 August 2011, and a further £4,840,265.20 of transactions took place with this party between this date and 31 March 2012.

## 17. Losses statement

The YPLA incurred the following material losses in the period to 31 March 2012. The losses have been charged to the relevant programme in Note 2.

Description	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
<b>Programme Provision</b>		
Cases above £250,000 individually	0	1,234
Cases below £250,000 individually	225	0
	<b>225</b>	<b>1,234</b>
<b>Administration expenditure</b>		
Cases above £250,000 individually	0	0
Cases below £250,000 individually	0	0
	<b>0</b>	<b>0</b>
<b>Total cash losses</b>	<b>225</b>	<b>1,234</b>

The Chief Executive of the YPLA has delegated authority to approve write-off of cash losses with an item value of up to £1,000 and subject to a limit of £10,000 in any one year. The YPLA has requested DfE approval to write off the cases above, within their respective delegated authorities as summarised below:

Authority	Item value	31 March 2012 Number of cases	31 March 2012 Loss £'000
YPLA	Up to £10,000	1	1
DfE	Over £10,000	2	224
	<b>Total Losses</b>	<b>3</b>	<b>225</b>

## 18. Machinery of Government Changes

As a consequence of Machinery of Government changes, the Young People's Learning Agency closed on 31 March 2012, but its functions and responsibilities have subsequently transferred to the Department for Education and the Education Funding Agency from 1 April 2012.

The table below details how the assets, liabilities and reserves of the closing Young People's Learning Agency Statement of Financial Position transferred to those bodies responsible on the basis of a property transfer order.

**Table 1: Statement of Financial Position as at 31 March 2012**

	YPLA Year ended 31 March 2012 £'000	Transferred to DfE £'000	Transferred to EFA £'000	Total Transferred As at 1 April 2012 £'000
<b>Current assets</b>				
Trade and other receivables	68,411	0	68,411	68,411
Cash and cash equivalents	141,783	141,783	0	141,783
<b>Total current assets</b>	<b>210,194</b>	<b>141,783</b>	<b>68,411</b>	<b>210,194</b>
<b>Total assets</b>	<b>210,194</b>	<b>141,783</b>	<b>68,411</b>	<b>210,194</b>
<b>Current liabilities</b>				
Trade and other payables	(64,916)	(1,201)	(63,715)	(64,916)
<b>Total assets less current liabilities</b>	<b>145,278</b>	<b>140,582</b>	<b>4,696</b>	<b>145,278</b>
<b>Non-current liabilities</b>				
Provisions	(5,905)	0	(5,905)	(5,905)
<b>Assets less liabilities</b>	<b>139,373</b>	<b>140,582</b>	<b>(1,209)</b>	<b>139,373</b>
Represented by				
<b>Reserves</b>				
General reserve	139,373	140,582	(1,209)	139,373
<b>Total reserves</b>	<b>139,373</b>	<b>140,582</b>	<b>(1,209)</b>	<b>139,373</b>

**Table 2: Impact of Machinery of Government Change on Net Expenditure**

The table below lists the Young People's Learning Agency's functions and shows which part of the DfE organisation will be responsible for performing these functions from 1 April, and which functions will cease.

	<b>YPLA Year ended 31 March 2012 £'000</b>	<b>Transferred to DfE £'000</b>	<b>Transferred to EFA £'000</b>	<b>Total Transferred As at 1 April 2012 £'000</b>
<b>Expenditure</b>				
<b>Programme expenditure</b>				
School sixth forms (local authority maintained)	1,585,466	0	1,585,466	1,585,466
Sixth forms (Academies)	829,128	0	829,128	829,128
Further education for young people aged 16-19	4,069,611	0	4,069,611	4,069,611
Participation by young people aged under 16 (Academies)	5,288,992	0	5,288,992	5,288,992
Learners with learning difficulties and/or disabilities	274,773	0	274,773	274,773
Learner support for young people aged 16-19	134,850	0	134,850	134,850
Education maintenance allowance	243,907	0	243,907	243,907
14-19 reform	13,653	0	13,653	13,653
Capital	99,471	0	99,471	99,471
Other expenditure funded by other government departments	27,508	0	27,508	27,508
<b>Administration costs</b>				
Staff costs	29,855	549	29,306	29,855
Other costs	20,778	191	20,587	20,778
<b>Total expenditure</b>	<b>12,617,992</b>	<b>740</b>	<b>12,617,252</b>	<b>12,617,992</b>
<b>Income</b>				
Other income	(429)	(108)	(321)	(429)
<b>Total income</b>	<b>(429)</b>	<b>(108)</b>	<b>(321)</b>	<b>(429)</b>
<b>Net expenditure</b>	<b>12,617,563</b>	<b>632</b>	<b>12,616,931</b>	<b>12,617,563</b>

## 19. Events after the reporting period

On 1 April 2012 the YPLA ceased to exist and its functions, staff and property transferred to the Education Funding Agency.

The accounts were authorised for issue by the Accounting Officer on 13 July 2012. Events after that date have not been considered.



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