Skills Funding Agency

Annual Report and Accounts 2015 to 2016

Our vision:

To enable learners, employers and providers in England to respond to local and national skills priorities.

Skills Funding Agency Annual Report and Accounts 2015 to 2016

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Our mission:

As an executive agency of the Department for Business, Innovation and Skills (BIS) we will contribute to the government's priorities of driving economic productivity through technical and professional skills and achieving 3 million apprenticeship starts.

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Performance Report

1.A Overview

Chief Executive's Review

The Skills Funding Agency (SFA) has over this last year continued to make progress on the government's skills priorities. We have responded well to the demands of the government's devolution agenda, the changing vocational skills landscape and the Civil Service reform agenda.

At the top of this list is the government's commitment to three million apprenticeship starts by the end of 2020. Our focus on delivering more high-quality apprenticeship opportunities to meet the challenging government target is well underway; 708,900 funded apprentices participated on an apprenticeship in the first two quarters of the funding year 2015 to 2016. We have also made real progress on the traineeships programme. This highlights our continued success in funding apprenticeships, giving people the skills they need to succeed and supporting businesses of all sizes to develop their staff.

Area Reviews have already identified considerable differences in efficiencies across the further education (FE) sector, and scope for FE to be delivered, which is both higher quality and lower cost.

We have also simplified the funding of adult skills. As devolution agreements are reached, employers are exerting greater local influence in prioritising skills needs and training organisations are receiving block grants. All of which is working towards full devolution of the Adult Education Budget (formerly the Adult Skills Budget, Community Learning and Discretionary Learning Support).

When necessary we intervened, either when training provision failed to meet our requirements or to support colleges in financial difficulty. Working with the Department for Business, Innovation and Skills (BIS), the Education Funding Agency (EFA) and the FE Commissioner where appropriate, we handled 116 intervention cases last year.

In the management and delivery of European Social Fund (ESF) provision our ESF Compliance and Audit Team reduced the error rate to 2.05% error rate (2014 to 2015: 5.39%), in the context of stringent European Union regulations.

Alongside the changes to the FE sector, the SFA is undergoing its own restructure to ensure that our resources are focused on the government's priorities. As the Chief Executive of both the SFA and the EFA, I have increased the closer working of the two organisations. A crucial part of this has been the establishment of the Funding Agencies Shared Service team (FAS^{2}T) – a full shared service functionality for finance, audit and IT. The joint SFA/EFA work on the Area Reviews has already demonstrated to me that this can work very successfully alongside contributing to savings highlighted in the Autumn Statement.

This puts the SFA in the best position to support the FE sector and to deal with the growing demands on our intervention capacity. It has also reduced our internal support costs, delivering immediate savings.

I want to thank all of my staff for their continued professionalism and commitment throughout the year.

Peter Lauener
Chief Executive
Skills Funding Agency

01 July 2016

What We Do

We fund skills training for FE in England. We support over 1,000 colleges, other training organisations and employers, with more than £3.7 billion of funding each year.

The SFA funds higher education institutions (HEIs), employers, colleges and other training organisations to deliver high-quality apprenticeships, traineeships, qualifications and skills. This will equip people of all ages with the qualifications and skills that employers need to compete locally, nationally and globally.

Apprenticeships

Traineeships

The SFA supports the development of new employer-led standards for apprenticeships. We provide an integrated service to support apprenticeship and traineeship vacancy posting and filling.

The SFA manages the face-to-face and telephone service of the National Careers Service. The National Careers Service provides advice and guidance on learning and work through professional advice and making the right choices.

National Careers Service

Together, FE and vocational training create skills that contribute to growth and prosperity. We are responsible for giving colleges, other training organisations and employers, the funding to help adults, young people, the unemployed and people with low skill levels, achieve the skills they need for employment. This can be through high-quality apprenticeships, traineeships, or other qualifications and skills that enable individuals and employers to be competitive locally, nationally and globally.

We operate nationally but have a local reach that supports individual employers, local stakeholders (such as Local Enterprise Partnerships) and those areas with devolved skills budgets.

Background and Objectives

The SFA is one of two successor organisations that emerged from the closure of the Learning and Skills Council (LSC). The LSC was established in April 2001 under the Learning and Skills Act 2000. It replaced the 72 Training and Enterprise Councils and the Further Education Funding Council for England.

In April 2010, the LSC was replaced by the SFA and the Young People's Learning Agency (YPLA). The YPLA then became the EFA.

The office of the Chief Executive of Skills Funding was established in law by the Apprenticeships, Skills, Children and Learning (ASCL) Act 2009. The Deregulation Act 2015 received Royal Assent in March 2015, which ensured that the SFA became an executive agency of BIS.

Our job is to fund and promote adult FE and skills training in England, including high-quality apprenticeship and traineeship opportunities, raising standards across vocational training.

During the financial year 2015 to 2016 we had five strategic objectives:

1. To deliver more high-quality apprenticeship and traineeship opportunities and to champion and encourage participation in apprenticeships and traineeships.
2. To use our simplified funding arrangement to fund the best quality provision and deliver the government's policy imperatives (including the focus on English and maths).
3. To provide financial assurance that we can properly manage and account for over £3.7 billion of public money spent on FE and skills. This includes working with BIS to monitor and support the financial health of the sector.
4. To support employers and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs and local priorities.
5. To deliver excellent business performance through our people.

Principal Risks and Uncertainties

For more detail on these risks, please refer to the Governance Statement on page 32.

Significant Risk 1: **Declining health of the FE sector leading to greater demand for intervention and growing pressure for exceptional financial support, resulting in an unfunded pressure on the Adult Skills Budget.**

One of the most significant risks that we have had to manage is the deteriorating financial health of the sector delivering the training provision we fund. We will need to manage this continually over the coming years.

Early intervention and prevention for general further education and sixth-form colleges was introduced during the summer of 2015. We put this in place to strengthen the SFA's and EFA's intervention approach, identifying and responding to potential issues at an earlier stage, where agency data, analytics and/or intelligence gave a clear indication of future risk. The thresholds for undertaking early intervention and prevention activities were developed across both funding agencies and shared with the relevant provider associations.

We will continue to mitigate the risks arising from this by analysing early the financial plans of colleges most at risk to establish whether they are sufficiently robust. We will monitor potential cases for intervention by scrutinising college management accounts and other management information. When there are signs of financial weakness we will intervene early to support those colleges to bring about recovery and any appropriate structural changes.

The programme of area reviews in post-16 education and training institutions in every area will provide an opportunity for institutions and localities to consider the structure of their provision to ensure it meets the need of local communities. The objective of the area reviews is to enable a transition towards fewer, larger, more resilient and efficient training providers, and more effective collaboration across a range of institution types. A critical aspect will be to create greater specialisation, with the establishment of genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines. This will also support excellence in other fundamental areas such as English and maths.

Significant Risk 2: **Not meeting the expectations of the apprenticeship growth delivery plans assigned to us, as well as maintaining the current level of apprenticeships. This would have an adverse impact on the achievement of the government target of three million apprenticeships by the end of the current parliament.**

We will mitigate this risk by communicating funding decisions early, allowing colleges, other training organisations and direct grant employers to respond accordingly and maintain the recruitment momentum. We will continue to promote apprenticeships through supporting major campaigns, including the positive move from frameworks to standards.

We will also develop, with support from BIS and HMRC, a fit-for-purpose digital apprenticeship service. The digital apprenticeship service is the digital interface to services designed to support the uptake of apprenticeships. The service is aimed primarily at employers, with information coming from a range of different sources, including learning providers and apprenticeship assessment organisations.

We will continue to develop the National Apprenticeship Service (NAS) operating model and maximise the impact of our Apprenticeship Ambassador Network and the Apprenticeship Delivery Board.

Significant Risk 3: **Plans to devolve skills funding to local areas could result in high levels of inefficiency for the SFA and a risk that existing systems are not fit for purpose.**

As we move towards local commissioning and devolution, commissioners will expect more resources to be deployed in their local areas. The SFA will support those areas to take control of the AEB and become local commissioners.

We award contracts to training organisations to deliver training and support through the ESF, instead of making annual allocations. We award these contracts to training organisations that are successful in an open and competitive tendering procurement exercise. The contracts are valid until 2017, after which time the SFA will no longer be the contracting authority.

We will continue to mitigate this risk by continuing to work as planned with Local Enterprise Partnerships (LEPs), areas with devolved skills budgets and with BIS to understand the resource implications of the increase in local devolution deals.

Our Achievements in 2015 to 2016

Established a new delivery network of **21** **Higher Education Institutions** to deliver **higher apprenticeships.**

Over **4.2 million GCSE results** and **1.7 million A/AS-level results** were loaded into LRS a **13% increase** on last year.

Through the 2007-2015 ESF Programme supported **5.7 million learners** including supporting over **500,000** people to gain a level 2 or higher qualification.

We carried out over **2,500 assessments** on colleges and other training organisations to **assess** their **financial stability** to **deliver SFA funding.**

32,000 provider queries **responded to by our service centre,** with increasingly positive feedback from the sector.

The National Careers Service gave more than **770,000** individuals **careers information** and **advice** to help them enter learning and work.

30,084 new apprenticeships were pledged by **employers** as part of **National Apprenticeship Week 2016** (14 to 18 March).

In the funding year 2015 to 2016, we designated **over 2,400 qualifications** as eligible for an **Advanced Learner Loan.**

1.B

Performance Analysis

Business Review

This section covers progress against strategic objectives, development and performance.

1. To deliver more high-quality apprenticeship and traineeship opportunities, and to champion and encourage participation in apprenticeships and traineeships.

Data indicates that there were 251,100 people who started on apprenticeships in the first half of the academic year 2015 to 2016. Provisional data shows an increase in the number of people starting higher apprenticeships with more than 11,000 people starting higher apprenticeships between August 2015 to January 2016.

A recent Ofsted report into FE outlined that 50% of apprenticeship provision in colleges inspected last year was good or better. Even more encouraging is that Ofsted judged 81% of apprentices learning under an employer direct grant as good or outstanding. We continue to support the Apprenticeship Ambassador Network, which encourages private and public sector employers to recruit apprentices.

We have supported the reform of apprenticeships, with 216 apprenticeship standards now approved and more than 160 in development. We have supported the employer-led ‘trailblazer’ groups to develop and design these new standards, with more than 1,200 employers now involved. As these new apprenticeship standards become ready for delivery we are also supporting the ‘trailblazers’ with this stage of their work.

We have changed and simplified rules and systems to support degree apprenticeships, so that prescribed higher education can be funded as part of apprenticeship schemes. Since April 2015 we have allocated a funding cap to 68 new apprenticeship standards and these are now available for delivery; 40% of these standards are at higher/degree level.

We met the target of 20,000 new higher apprentices before the July 2015 deadline. We established a new delivery network of HEIs for higher apprenticeships and continue to expand this.

We have developed traineeships, the programme to support learners who need more help before starting an apprenticeship or other work. Figures for August 2015 to January 2016 indicate that were 12,400 traineeships starts in the first two quarters of the academic year 2015 to 2016.

The Employer Ownership Programme budget forecast for the funding year 2015 to 2016 indicates that at least £20 million will contribute to apprenticeship growth.

The Apprenticeships Business Support Team now offers a fully integrated service which covers the following:

- referral of employers to colleges and other training organisations
- quality assurance activities on advertised apprenticeship vacancies and traineeship opportunities
- national helpdesk
- personalised service to unsuccessful applicants

With all activities based in one location we are able to make a much more cohesive offer to employers, candidates, colleges and other training organisations. Continued collaborative working with contractors will see the service further developed throughout the funding year 2016 to 2017 to ensure that it meets consistently high standards.

From 1 April 2015 to 31 March 2016, the National Careers Service gave more than 770,000 individuals careers information and advice to help them enter learning and work. In addition the National Careers Service website receives an average of 23.4 million visits a year.

We commission regular research through Ipsos Mori, an independent research company. Their final annual report of the 2014 to 2015 National Careers Service customer satisfaction and progression surveys indicated that most customers are satisfied by the service provided: 93% of face-to-face and telephone customers agreed that the overall quality of the service was good.

The survey also asked customers whether they had progressed in employment or learning in the six months since they had spoken to a National Careers Service adviser. The results were very positive: 96% of customers reported a positive benefit after using the service, including ‘personal added value’ such as increased motivation, confidence, developing skills and increasing their ability to make career decisions; 41% had progressed into new employment.

The Customer Data Service now provides for a more integrated National Careers Service, through an improved lifelong learning registration process. Customers who have received careers advice have the ability to review and update their action plans online. The Customer Data Service also allows the National Careers Service Contact Centre and area-based contractors to share data, which has improved customers’ experience.

We exhibited at Skills London (13 to 14 November 2015) and at The Skills Show (19 to 21 November 2015), engaging with approximately 3,000 young people interested in apprenticeships. Over 14,000 people visited the ‘careers hubs’, with a further 900 teachers and advisers taking advantage of the ‘Staff Room’ support sessions and lectures.

2. To use our simplified funding arrangements to fund the best-quality provision and deliver the government’s policy imperatives (including the focus on English and maths).

Converting government policy into practice means ensuring that learners are able to access the right level and type of skills that employers need to help the economy grow. This also includes a role for us in providing advice on how policy affects employers, colleges and other training organisations.

In preparation for devolution of the skills budget in England, which will start in the funding year 2018 to 2019, we have established the Adult Education Budget (AEB). This combines all SFA participation and support funding (excluding loans, ESF and apprenticeships). Its principle purpose is to engage adults and provide the skills and learning they need to equip them for work, an apprenticeship or further learning.

In line with open data standards, we collected and published information to improve learner choice and strengthen colleges’ and other training organisations’ accountability. Additionally, we have developed interactive business intelligence solutions for presenting key metrics to our partners, such as colleges and other training organisations, LEPs and Ofsted. This supports the transparency agenda and encourages reusing FE data.

We use digital channels for colleges and other training organisations as the preferred method of sharing information in the publication of allocations. Delivering Funding and Contracting Transformation is the new contracting and funding system, which delivers better value for money. We have used it in the funding year 2015 to 2016 for contracting and payments.

We are undergoing a major digital transformation. Our ‘Find an Apprenticeship’ digital service is one of 25 major services that have been redesigned to meet the Government Digital Service (GDS) digital by default service standard. Our service helps people to search and apply for apprenticeships online and will replace the existing ‘Apprenticeship vacancies’ service.

The ‘Find an Apprenticeship’ digital service passed our live assessment, allowing us to go fully live with the service to candidates in May 2015. The proportion of users who complete their registration currently stands at 91% and the service has handled more than one million apprenticeship applications. We are now working to provide employers with search facilities that will enable them to identify appropriate apprenticeship standards and the colleges and other training organisations that offer the relevant training – expected to deliver in July 2016.

During 2015 to 2016, we started work on the digital apprenticeship service to provide an end-to-end service for employers, colleges and other training organisations and prospective apprentices. It builds on Find an Apprenticeship. The digital apprenticeship service will support employers with choosing the right apprenticeship and training provider and accessing funding, including the apprenticeship levy when it is introduced in 2017.

The Central Delivery Service (CDS) is the first point of contact for organisations that contract with us. This service centre supports the sector to become more self-reliant and gives them better access to digital resources such as e-contracting.

During the funding year 2015 to 2016, CDS has delivered and embedded an end-to-end contract management service for colleges, other training organisations and employers. The service incorporates contract administration, contract compliance, robust performance management, operational procurement and risk management. From August 2014 to December 2015 this service centre handled more than 32,000 queries; the current steady state indicates approximately 2,000 calls each month.

We continue to fund Trailblazer apprenticeship standards and have withdrawn the first batch of apprenticeship frameworks. We are working closely with employers, colleges and other training organisations to prepare for more use of standards and the changes that will come with the introduction of the apprenticeship levy.

To support simplification and changes to the AEB, we significantly simplified the funding rules for all provision for the 2016 to 2017 funding year. This change also enables colleges and other training organisations to access a tailored version of the rules, for example all the information on apprenticeships. For the first time, we published funding rules for HEIs that are delivering higher and degree apprenticeships.

In relation to Advanced Learner Loans (loans), the SFA is responsible for determining the colleges and other training organisations that are eligible to deliver loans-funded training provision. We also designate the eligible qualifications and set the maximum amount of loan available for those qualifications.

In the funding year 2015 to 2016, we designated over 2,400 qualifications as eligible. At the start of the year we issued loans funding agreements to 742 colleges and other training organisations. We have since agreed 90 increases to funding agreements for those expanding their delivery and have brought a further 25 colleges and other training organisations into scope to broaden the offer.

We also monitor the performance of colleges and other training organisations in respect of loan-funded training provision, which includes a programme of assurance and budgetary controls and complaints management. For the academic year 2015 to 2016, our activities contributed to the Student Loans Company handling 56,950 applications up to January 2016.

We developed and published resources for colleges and other training organisations to enable them to build their capacity and capability to offer training provision funded with a loan. We launched a new Advanced Learner Loans prospectus along with a loans catalogue for learners. To support the growing Advanced Learner Loans programme we have enabled colleges and other training organisations to request additional funds at any point during the year. We reply within five working days, so that they can respond to demand quickly.

In 2012 the SFA successfully negotiated with awarding organisations to ensure that achievements for learners with a Unique Learner Number (ULN) are loaded directly to the Learning Records Service system (LRS) within 10 days of award. This enables colleges and other training organisations to verify prior learning and a learner's funding eligibility by checking their Personal Learning Record (PLR) without needing paper certificates or other evidence.

As the ULN is now mandated in state-funded schools across England, Wales and Northern Ireland, the volume of qualification results loaded has consequently increased each year. The most substantial and important subset of achievements that colleges and training organisations view the PLR for are the general qualification results. During the awarding period in August 2015 awarding organisations loaded 6.3 million GCSE and A/AS-level results into the LRS.

This is an improvement of approximately three million records from the first year that uploads began in the academic year 2012 to 2013. Further investigation estimates that the latest totals now constitute roughly 89% of all general qualification results from state-funded schools. The accurate and timely processing of such a huge volume of results in such a short period is a great success for the service, although additional work is still underway to further improve coverage.

This increase in achievement data has also had a positive effect on the use of the PLR. The latest statistics show that colleges and other training organisations viewed the achievements of approximately 1.7 million unique learners during 2015. A recent study by the Higher Education Data and Information Improvement Programme (HEDIIP) has shown that 4.5 days of administration time are required to verify the achievements of every 1,000 learners. Applying this estimate to the volume of PLRs viewed in the FE sector would suggest a saving of 7,650 days or 21 years' administrative work.

In partnership with the Department for Employment and Learning in Northern Ireland (DELNI) we have successfully piloted the adoption of the ULN in Northern Ireland. This was mandated for all post-primary schools from September 2015. The LRS is now fully embedded in secondary schools and FE in England, Wales and Northern Ireland, and early stage discussions have been held with Scotland. Work is ongoing with the higher education (HE) sector to embed the ULN as part of the HEDIIP project. This will simplify the collection of data in the HE sector and enable learners to collate in one place all of their educational achievements, from school and FE through to HE.

Our ESF compliance function works with colleges, other training organisations and employers to ensure that they have an in-depth understanding of their ESF contracts. This means they are able to evidence their claims effectively, as well as supporting the colleges, other training organisations and employers selected for match funding. This work is a critical element of risk management within the SFA. Its primary focus is to minimise the error rate identified at the external audits carried out by the managing authority.

During 2015 we ran our fifth annual college and training organisation survey, which generated 469 responses, representing nearly 43% of our contracted colleges and other training organisations. Overall, the results from the survey are very positive. We have consolidated our approval ratings in nearly all areas, while seeing increases in some. We have increased our approval rating for our progress in reducing the bureaucratic burden on the sector through a simplified funding system.

3. To provide financial assurance that we can properly manage and account for £3.7 billion of public money spent on FE and skills.

We managed more than £3.7 billion of public money to a generally high standard. However, my Governance Statement sets out the circumstances which led to some £50 million of funding for college capital payments being made in advance of need. This resulted in the qualification of our accounts for the financial year 2014 to 2015. This area was reviewed during 2015 to 2016 and appropriate actions taken, including improved monitoring of expenditure and progress of schemes.

Against our total budgets of £3.6 billion, the SFA underspent by 3.3% (£120 million). We also provided assurance to the government and the public that we generally spent this money appropriately and achieved value for money. In addition, we have managed successfully the closure of our £1.6 billion 2007 to 2013 ESF programme and the start of activity for the £1 billion 2014 to 2020 ESF scheme. Both programmes support individuals not funded by the Adult Skills Budget (ASB).

With the EFA we have reviewed our financial health assessment model and developed a new counter-fraud policy. We completed 100% of our audit plan.

We recovered £1.2 million identified as being at risk and carried out over 2,500 assessments on colleges and other training organisations to assess their financial stability to deliver SFA funding.

Monitoring has ensured that funds are spent as intended and we redirected over £15 million of funding to eligible provision. We developed a new model to assign caps to apprenticeship standards to support long-term affordability of the programme. We improved the efficiency of the Apprenticeship Grant for Employers (AGE) programme, reducing the volume of manual payments by over 80%.

We increased our internal efficiency by raising sales invoices in 1.6 days (target three days); standing data changes made in 1.8 days (target two days); and paying 99.3% of invoices in less than 30 days (target 95%).

Full details of our financial controls and accounts are available in the accounts section of this report.

4. To support businesses, local priorities and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs.

We have supported LEPs in developing plans for delivering the new ESF programme. We have also helped them to deliver their capital plans and their influence over skills provision through briefings, expert input and guidance and audit liaison. As the localism agenda and devolution of budget control accelerates, we expect this area of work to be a key aspect of how we commission and manage skills delivery.

Development of the Employer Ownership Programme continues to shape skills to meet employers' needs. The first round of Employer Ownership projects finished in July 2014; two further rounds of Employer Ownership projects have now started. Overall the Employer Ownership Programme has supported 62 projects. Of the new round 2 projects, there are a number of industrial partnerships (networks of employers) working to identify and solve skills issues related to the key industrial strategy sectors of the economy.

In addition, the Employer Ownership Fund has delivered £10 million of skills investment across five invitations to submit an application for funding. We have opened three invitations to the engineering sector and two for the automotive supply chain sector, supporting 51 employers.

5. To achieve excellent business performance through our people.

Since the SFA was created in April 2010, the government has changed, skills policy has changed, our customers and stakeholders have changed, and our ways of working have changed. What has remained constant is our desire to improve what we do and how we do it. The responsiveness, commitment and dedication of our staff remains our strongest asset, particularly in our constantly evolving arena.

As highlighted in the Civil Service People Survey, our areas of focus include the following:

- leadership and management
- embedding a performance management process
- implementing our pay and reward strategy for the financial year 2015 to 2016 in line with BIS and Civil Service requirements

We have re-established our Staff Consultative Committee and developed clear policies relating to our people that conform to the standards of best practice.

We have designed a new, leaner, structure for the SFA, which we implemented during the financial year 2015 to 2016 and will continue to do so throughout 2016 to 2017. This new structure will help us to respond to both the Civil Service reform agenda and BIS 2020. The restructure included running a voluntary exit scheme during 2015 to 2016.

The new structure is based on the following principles:

- simplifying and improving what we do and the way we do things
- improving efficiency
- developing and enhancing shared services.

The new structure is designed using the Civil Service gradings, supporting the SFA's move to an executive agency.

Position at the end of the year

Strategic Objective 1 – to deliver more high-quality apprenticeship and traineeship opportunities and to champion and encourage participation in apprenticeships and traineeships.	We have achieved this objective.
Strategic Objective 2 – to use our simplified funding arrangements to fund the best-quality provision and deliver the government's policy imperatives (including the focus on English and maths).	We have achieved this objective. However, the general deterioration in colleges' financial health is of concern, as is the correspondingly increased demand on our resources.
Strategic Objective 3 – to provide financial assurance that we can properly manage and account for over £3.7 billion of public money spent on FE and skills.	We have achieved this objective.
Strategic Objective 4 – to support businesses, local priorities and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs.	We have achieved this objective.
Strategic Objective 5 – to deliver excellent business performance through our people.	We have achieved this objective.

Forward look

The SFA continues to face considerable challenges that will be increased with further risks arising in particular from:

- working to further enhance the role of employers and in particular leading on the development of the apprenticeship levy, one of the key Ministerial priorities. The SFA is also expected to play a lead role in delivering the digital apprenticeship service, a significant part of implementing the apprenticeship levy by 2017; and
- implementing the outcome of the recent Spending Review settlement, which included a flat cash settlement for the Adult Education Budget. Over the previous Spending Review period, further education budgets were reduced by 25%. There was a further 10% cut in 2015 to 2016 financial year; and
- managing the programme of, and outcomes from, the Area Reviews that are currently taking place and planned for the near future

To achieve these goals, the SFA will continue its internal restructuring and the simplification of its processes. It will achieve greater efficiency and effectiveness by developing further its close working relationships with the EFA and the core Departments, BIS and DfE.

The SFA is also working closely with colleges, employers and providers to further understand the implications of the Spending Review settlement and implementing the apprenticeship levy.

Financial Commentary

Accounts direction and statutory background

1. We have prepared these accounts under an accounts direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

Going concern

2. The statement of financial position at 31 March 2016 shows net assets of £159.6 million (31 March 2015: £162.1 million net assets).

3. Funding from BIS and the Department for Education (DfE), taking into account the amount required to meet the SFA's liabilities falling due in the year, has already been included in the Departments' estimates for that year. Parliament has approved these estimates, and there is no reason to believe that the Departments' future sponsorship and future parliamentary approval will not be forthcoming.

4. Therefore, it is appropriate under the government's Financial Reporting Manual (FReM) to prepare this set of accounts on a going concern basis.

Year-end position

5. The SFA underspent by £120 million (3.3%) against its total budget. This crystallised after the SFA mid-year budgets were agreed. This resulted from a combination of underperformance in the sector, decisions to close programmes or delayed announcements and a general expectation in the sector of further cuts post Spending Review.

6. The net book value of non-current assets at 31 March 2016 was £45.3 million. The decrease of £8 million on last year is because investment during the year in new IT systems was less than the value consumed in the year.

7. The SFA's receivable balances decreased significantly to £167.9 million (31 March 2015: £324 million). At the end of last year funding due in support of our ESF programme was higher than usual as a result of final claims on the 2007 to 2013 ESF programme, which ended this year.

8. At 31 March 2016, the SFA held cash balances of £268.5 million (31 March 2015: £97.9 million), including funds drawn down from the ESF. This reflects the cash inflow as a consequence of the 2007 to 2013 programme coming to an end.

9. At 31 March 2016, the SFA had payable balances of £281.4 million (31 March 2015: £272.0 million). Funding is allocated to some colleges and other training organisations on an estimated basis, with final entitlement for a period dependent upon the outcome of agreed deliverables in that period. The March balance includes the recovery of funds payable following the settlement of final claims.

10. International Financial Reporting Standard (IFRS) 7 requires organisations to disclose information on the significance of financial instruments to their financial position and performance. We show this in note 8 to the accounts.

11. The most significant credit risk to the SFA arises from the failure of learners to repay loans provided to them under the Professional and Career Development Loan (PCDL) programme. In such circumstances, the SFA has an obligation to the bank that provided the loan to reimburse the loss arising from the default. The position for the financial year

2015 to 2016 is shown in note 13 to the accounts.

12. Another credit risk to the SFA arises from the non-payment of debts owed by private sector training organisations contracted to provide training services. The financial impact of this is largely attributable to training organisations' insolvency. The overall financial impact is currently not material. See 'Losses and special payments' on page 51.

13. The SFA operates an unfunded multi-employer defined benefit pension provided by the Principal Civil Service Pension Scheme (PCSPS). We paid employer contributions of £7.56 million during the year (financial year 2014 to 2015: £7.87 million) but we are unable to identify our share of the underlying assets and liabilities. Further information is available in the Remuneration Report on pages 43 and 44 and at civil service-pensions.gov.uk.

Development and performance

14. The accounts cover the period from 1 April 2015 to 31 March 2016.

15. BIS funds the SFA and in the financial year to March 2016 it provided £3.47 billion (financial year 2014 to 2015: £4.27 billion). The main source of other income was the ESF, which contributed £204.5 million (financial year 2014 to 2015: £248.6 million).

16. The results for the financial year to 31 March 2016 show net expenditure (expenditure less other income) of £3.46 billion (financial year 2014 to 2015: £4.18 billion).

17. The total value of capital assets used in the delivery of the SFA's services at 31 March 2016 was £45.3 million compared to £53.3 million at 31 March 2015. Capital spend in the year of £11.3 million was mainly on computer systems. The total value of capital assets decreased during the year because investment in new assets was less than the value consumed in the year.

18. The Late Payment of Commercial Debts (Interest) Act 1998 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 the invoice was received. The target set by the Cabinet Office for payment to suppliers within 30 days is 95%. In the financial year to March 2016, we paid 99.3% of our invoices within 30 days (financial year 2014 to 2015: 98.9%) and 92.9% of our invoices within three days (financial year 2014 to 2015: 93.7%). We incurred no interest charges in respect of late payments for the financial year to March 2015 (2014 to 2015: £nil).

19. The SFA paid no political or charitable donations in the financial year to March 2015 (financial year 2014 to 2015: £nil).

20. Note 18 to the accounts shows the related party interests of the SFA and its senior staff, the most significant of which is the EFA, as we share the same Chief Executive, Peter Lauener.

Main trends and factors underlying development and performance

21. Between the financial years 2011 to 2012 and 2014 to 2015 we saved over £130 million on administration costs against a target for the same period of £120 million. In this financial year we have continued to make progress on identifying and delivering savings: administration costs were £90.4 million for the 12 months to March 2016, compared with £98.2 million for the same period last year.

22. Overall programme expenditure was £3.58 billion, which is lower than the previous financial year total of £4.34 billion. This reflects a reduction in the delivery of recurrent programmes in line with the reduction in funding available from BIS. It also reflects the transfer of responsibility for funding capital projects

at FE colleges from the SFA to Local Enterprise Partnerships (LEPs).

23. The government is committed to delivering three million apprenticeships by 2020 and to continue to drive forward reforms with the introduction of the apprenticeships levy from April 2017. This enables employers to influence the design and delivery of apprenticeships.

24. From the financial year 2016 to 2017, the availability of Advanced Learner Loans will be extended from those aged 24 and above to those aged 19 to 23. The continuing diversification of funding routes will lead to fairer cost sharing and give service-users greater control of funding decisions.

25. The government has announced its support of the establishment of five National Colleges. The colleges will deliver higher-level technical skills in industries and sectors that are vital to economic growth and productivity.

26. We will continue to pursue simplification and efficiency in our operations. We will achieve some of this through closer working with the EFA, in particular shared services for common functional areas such as finance and digital services will be operational by 1 April 2016.

27. The SFA expects to receive £532 million in ESF funding spread over the next two financial years, with the larger share expected to be claimed in 2017 to 2018. It is not thought this level of funding will change significantly until at least when the negotiations to complete the UK's exit from the European Union are finalised.

Auditor

28. The accounts are audited by the Comptroller and Auditor General, who is appointed by statute and whose Certificate and Report appears on page 53. The notional audit fee is £150,000 (financial year 2014 to 2015: £150,000) and no other services were provided during the year.

29. As Accounting Officer I confirm that:

- there is no relevant audit information (as defined) 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
- I have taken all the steps that I ought to in order to establish that the SFA's auditors are aware of the audit information

Peter Lauener
Chief Executive
Skills Funding Agency

01 July 2016

Programme Assurance

This section explains how we make sure that colleges and other training organisations use the public funding we give to them properly.

Assurances on entitlement to, and the proper use of, Skills Funding Agency funds

1. To gain assurance about the proper use of public funds that colleges and other training organisations receive, the SFA has a provider financial management and assurance (PFMA) team. As set out in the Accounting Officer's Governance Statement, the PFMA team is responsible for planning, co-ordinating and carrying out audit and other work to secure this assurance. The SFA's audit and risk committee scrutinises the outcomes of this work.

Overview

2. The approaches we use to obtain assurance depend on the risks associated with colleges, other training organisations and funding streams. We have designed these approaches to minimise bureaucracy.

3. The PFMA team, the EFA and local authorities, working with us under the Joint Audit Code of Practice (JACOP), carry out reviews and audits that provide us with assurance.

4. The Higher Education Funding Council for England (HEFCE) funds higher education institutions (HEIs) that are often significant providers of 16 to 18 and adult learning. HEFCE provides assurance to the SFA on HEIs' funding as part of the mutual assurance arrangements between HEFCE and the SFA.

5. Where we provide grant funding to organisations, such as to FE colleges, the SFA places assurance on the audit work that those organisations' auditors and reporting accountants carry out. The SFA's PFMA team reviews the findings of external auditors and reporting accountants alongside other returns required from those organisations to ensure that they provide the required assurance.

6. For private sector and other training organisations funded under contract, the PFMA team undertakes direct assurance work. This consists of reviews to ensure that funds have been claimed properly in accordance with our Funding Rules.

7. The SFA's PFMA audit team carries out reviews under our funding assurance approach. We carry out these reviews on a sample of FE colleges and other training organisations. This allows us to understand the most likely underlying level of errors across our key funding streams, and the nature of those errors. In addition, the PFMA audit team carried out responsive work to cover known risk areas.

Assurance on grants: further education colleges and other training organisations

8. Included in these financial statements are grants to FE colleges and other training organisations that the SFA has paid for during the academic years ending 31 July 2015 (four months) and 31 July 2016 (eight months).

9. The mismatch between financial and academic year accounting means we only receive certain formal assurances on entitlement and the proper use of funds from these colleges and other training organisations after the financial year end.

10. During the financial year 2015 to 2016, the SFA paid grants of £1.25 billion (2014 to 2015: £1.85 billion) to FE colleges and

other training organisations. All colleges are required to return a year-end funding claim certified by the principal. A total of 54 colleges received a review of their funding claim for the academic year 2014 to 2015, which our PFMA team completed jointly with a number of contracted audit firms. As a result of the reviews, two colleges received qualified opinions on their funding claims because of control weaknesses and have agreed improvement plans to rectify the underlying issues.

11. For most colleges, the primary sources of assurance for the SFA's financial statements for the financial year 2015 to 2016 are the external auditors' opinions on each college's financial statements for the academic year ended 31 July 2015, and their regularity reports as reporting accountants. The regularity assurance engagement at colleges provides limited assurance about whether they have applied expenditure and income for the purposes intended by parliament. This takes place alongside the financial statements audit. In addition, colleges provide the SFA with a statement on regularity, propriety and compliance, signed by the chair and principal on behalf of the governing body

12. Table 1 below shows the position in respect of the academic year 2014 to 2015: Colleges provide the SFA with an audited statement on regularity, propriety and compliance, signed by the Chair and Principal on behalf of the governing body.

Table 1: Position of FE colleges in the academic year 2014 to 2015, representing £1.79 billion in grant funding (2013 to 2014: £1.97 billion)

	Due	Received	Outstanding
Audited final funding claims	54	54	0
Financial statements audits	241	237	4
Final regularity opinions	241	237	4

13. There are four colleges that have their final financial statements audit opinion outstanding; four of those also have their regularity report outstanding. We are pursuing the outstanding returns.

14. The SFA takes assurance from the EFA under the JACOP and from HEFCE on grant funding paid to institutions within their financial oversight arrangements.

Assurance on funding under contracts: private sector and other training organisations

15. For the financial year 2015 to 2016 our PFMA team has carried out audits at a sample of private sector and other training organisations. This is to ensure that they have properly claimed the funds we provided under their contracts. We selected our sample of reviews using random sampling and targeted (responsive) reviews of known risk areas. Where we have identified errors from those reviews, we have taken action to recover the funds.

Statistical sampling and extrapolation methodology

16. We seek assurance that colleges and other training organisations claim funding in accordance with our Funding Rules. We gain assurance through our systems and processes, including contract and performance management and data analysis. We also carry out a programme of direct audit/assurance reviews and,

where appropriate, rely on the work of other auditors.

Sampling methodology for direct assurance work

Provider level

17. We select colleges and other training organisations for review on mainstream funding on both a random and a risk basis. As part of the agreed simplification and bureaucracy reduction programme the selection of colleges is biased more towards a risk-based sample. This takes into account the other information we hold and other assurance available.

18. The selection of other training organisations is biased more towards a random sample but with coverage of those identified as at higher risk.

19. Carrying out random sampling of colleges and other training organisations allows us to estimate the underlying error. This assumes that the results of the sample are representative of the whole population.

Learner level

20. The work carried out at each college or other training organisation includes the following:

    a. A review of data exception reports and testing arising from that review.

    b. Testing of a random sample of individual learner files and transactions to ensure that there is evidence that the funding has been claimed correctly.

21. Where we find errors, we seek to establish whether they are isolated or systematic. Where errors are systematic we carry out further work to identify the full extent of that type of error at the college or training organisation.

Extrapolation methodology

22. The extrapolation methodology aims to estimate the full extent of the error across all colleges and other training organisations. We extrapolate isolated errors at the college or other training organisation and across others; systematic errors are known at a particular college or training organisation, but are extrapolated across others. We treat errors found from examining exception reports as ‘known errors’ and do not extrapolate them.

23. The results of the testing at colleges and other training organisations also produces a recovery of funding that we use to adjust the total estimated level of error.

24. The SFA tests a sample of colleges and other training organisations and a sample of learner files and transactions within them. Using statistical techniques we estimate the most likely level of error, as well as confidence intervals associated with the volume of testing undertaken.

The nature of errors

25. Almost all of the errors from testing relate to misapplication of our Funding Rules or insufficient evidence to support the application of the funding rule. It is unusual for colleges and other training organisations to claim funding for ineligible learners or where there is no learner.

26. We have improved the understanding of our funding rules within the sector by clarifying both the rules and evidence requirements. We expect this to reduce the incidence of misapplication errors. We also provide a data self-assessment toolkit to enable colleges and other training organisations to review their data and correct errors. We also monitor funding to highlight areas of risk to investigate further as part of our contract management and assurance processes.

Intervention

27. We review the performance of colleges and other training organisations regularly. This is to assess the risk of them failing to

provide training that makes efficient and effective use of public funds.

28. The document Rigour and Responsiveness in Skills (BIS, 2013) sets out the policy for intervention with colleges, other training organisations and other bodies that we fund.

29. If formal intervention is triggered in an FE college, local authority maintained institution, or specialist designated institution, we will issue a 'Notice of Concern'. The notice will set out the matters that need rectifying, the timescale to remedy them, the conditions under which we would lift the notice and any additional conditions of funding during the notice period. Failure to comply with the terms of a notice may lead to further intervention.

30. We will consider whether to refer cases to the FE Commissioner for review and advice at any point where intervention has been triggered.

31. The triggers for formal intervention are:

- notification to the college or other training organisation of failure to meet Minimum Standards
- notification to the college or other training organisation of failure to meet our criteria for financial health or control
- notification to the college or other training organisation from Ofsted of an inadequate grade at inspection

31. With training organisations funded under a contract for services, we may terminate the contract with three months' notice. In exceptional circumstances we will issue a 'Notice of Breach', setting out the conditions the training organisation must meet to continue to receive public funds. Failure to meet the conditions in the notice may lead to termination of the contract.

Number of FE colleges and other training organisations currently under a notice of concern or serious breach from the Skills Funding Agency on 31 March 2016	
FE college, local authority maintained institution, or specialist designated institution	58
Training organisation funded under a contract for services	1
Total	59

Social, Community and Human Rights Issues

FE and training create skills which contribute to growth and prosperity. Our role is to deliver the government's skills priorities: to deliver more high-quality apprenticeship and traineeship opportunities, and raise standards across vocational training, with a particular focus on English and maths. These skills are essential for people to be productive citizens as well as in the workplace. In the academic year 2014 to 2015, 905,600 learners participated in basic English and maths learning.

We support government, employers and learners by developing informed users of skills and learning provision, through the National Apprenticeship Service, the National Careers Service and the provision of education and skills information.

As part of the government's commitment to support unemployed people into work, we fully fund learning for people in receipt of employment-related benefits. We also give colleges and other training organisations the discretion to fully fund learners in receipt of other state benefits who are looking for work.

The government intends to start devolving the AEB from the funding year 2018 to 2019. We are supporting the transition to a devolved arrangement so that local areas can effectively commission and deliver the skills provision to support learners in their own area. This is at the heart of the changes we are introducing to the skills system from the funding year 2016 to 2017. These changes include the creation of a single AEB and a more simplified funding system. This will provide greater flexibility, enabling colleges and other training organisations to respond to commissioners, to deliver a learning offer that meets local priorities.

We are committed to playing our part as an active corporate citizen by sharing our expertise, skills and resources and creating partnerships which have a positive impact on our wider communities. Accordingly, we encourage our staff to engage as volunteers in a broad range of social, environmental and economic initiatives in the communities in which they live and work. Where this work is recorded on, and supports their personal development plan, colleagues may take a reasonable amount of paid time off each year.

In the academic year 2014 to 2015 we supported the following specific groups:

463,300

unemployed learners.

609,700

learners through Community Learning to improve the social and economic well-being of individuals, families and communities.

101,600

offenders, through the Offenders' Learning and Skills Service (OLASS), which enables offenders in prisons and those supervised in the community to learn skills and achieve qualifications they need to gain and maintain employment and have a productive role in society.

Sustainability Report

Summary of strategy

1. The BIS Property Asset Management shared service provides the estate management function. The SFA's environmental policy objectives and environmental improvement projects align with those of BIS, which has a single estates strategy.

2. Increasingly, the SFA's staff are co-located in premises that are occupied together with BIS staff and those from other BIS partner organisations, such as the Advisory, Conciliation and Arbitration Service (ACAS), The Insolvency Service (INSS) and other government bodies. Our estate also comprises many types of occupancy: some are shared and some are leased as part of multi-occupancy buildings, where the landlord provides services for a service charge. As management of the estate is now devolved, the SFA does not have direct management of its utilities (Scope 2 indirect emissions).

3. The main direct impacts for the SFA are in its electricity and gas consumption and business travel. No greenhouse gas emissions occur from sources we own or control.

Targets and direction of organisation

4. We had a target to reduce our CO_2 emissions by 25% by 2016. We achieved this target in the financial year ending 31 March 2015.

5. We will continue to work with our landlords and tenants to achieve the minimum environmental impact and support opportunities for improvement.

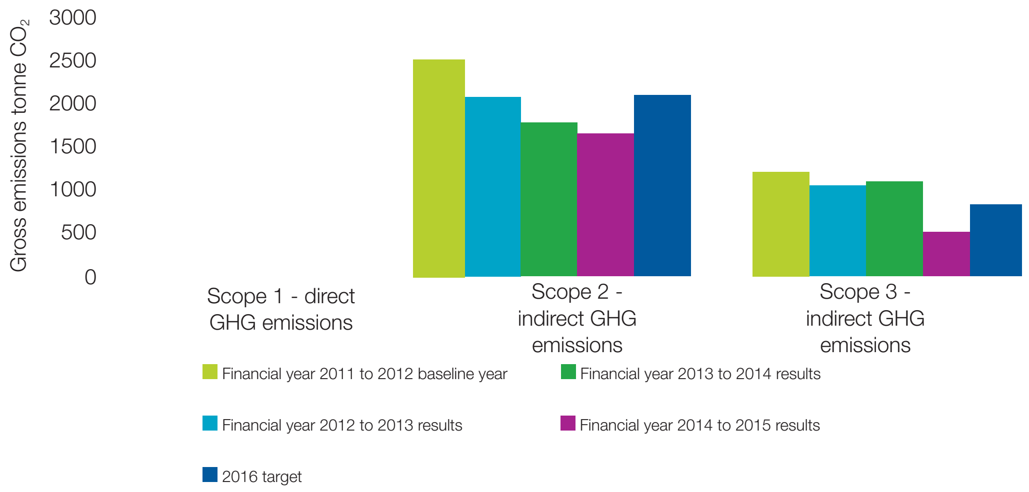
6. We will continue to monitor and manage Scope 3 indirect emissions from business travel that we pay for directly.

Performance

Table 1: Performance data GHG emissions		2015 to 2016	2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Gross emissions tonne CO_2	Scope 1 – direct GHG emissions (including sources that the SFA controls).	Nil	Nil	Nil	Nil	Nil
	Scope 2 – indirect GHG emissions (including electricity supply and gas consumption).	*	1,696	1,768	2,100	2,475
	Scope 3 – indirect GHG emissions (including business travel that we pay for directly).	450	589	1,063	1,048	1,124

* As the estate is now devolved we no longer report Scope 2 emissions.

Table 3: SFA performance against CO_2 reduction target



7. We promote the use of video and telephone-conferencing facilities to minimise the need to travel for internal and external meetings. In the five years since the baseline year of 2011 to 2012, business kilometres travelled has decreased by 50%.

Table 3: Business travel	2015 to 2016	2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Total km travelled	5,053,905	6,271,325	9,544,067	9,567,932	9,965,401
Business km travelled for each full-time equivalent member of staff	5,691	6,553	7,527	7,600	7,285
Expenditure on business travel	£1,339,418	£2,135,550	£2,967,863	£2,899,122	£2,511,998

Biodiversity action planning

8. The SFA has a minimal external estate and therefore has not been involved in biodiversity action planning.

Sustainable procurement

9. There are national contracts covering the following areas:

   a) rail, air and accommodation

   b) car hire

   c) conferencing

   d) desktop stationery

   e) government procurement card

10. All the national contracts were awarded through centralised, pre-tendered frameworks owned by the Crown Commercial Service. Therefore, all aspects of sustainability were considered as part of the tender exercises.

11. We have implemented the use of 'closed loop' copier paper through our facilities management programme. We receive recycled paper, which is recycled back into reusable paper after use and then put back into the paper supply chain.

12. We have also implemented a range of 'free to use' meetings and events facilities, which are free to use for public sector entities; we also offer our in-house meeting rooms on the same basis for general use when available.

Notes

1. We used conversion rates from the Department for Environment, Food and Rural Affairs (Defra) to account for carbon.

2. We have estimated the number of kilometres travelled and the cost for the final month of the year, as not all costs were known before we compiled this report. We made estimates on a on a straight-line basis using the SFA's actual data for all other periods in the year.

2

Accountability Report

2.A Corporate Governance Report

Our Management Team

Executive Officers of the Skills Funding Agency

Peter Lauener
Chief Executive of the Skills Funding Agency

Sue Husband
Director of the National Apprenticeship Service

Keith Smith
Director of Funding and Programmes

Simon Parkes
Managing Director of Funding Agencies Shared Services Team
(From 1 December 2015)

Peter Mucklow
Director of Intervention
(From 11 December 2015)

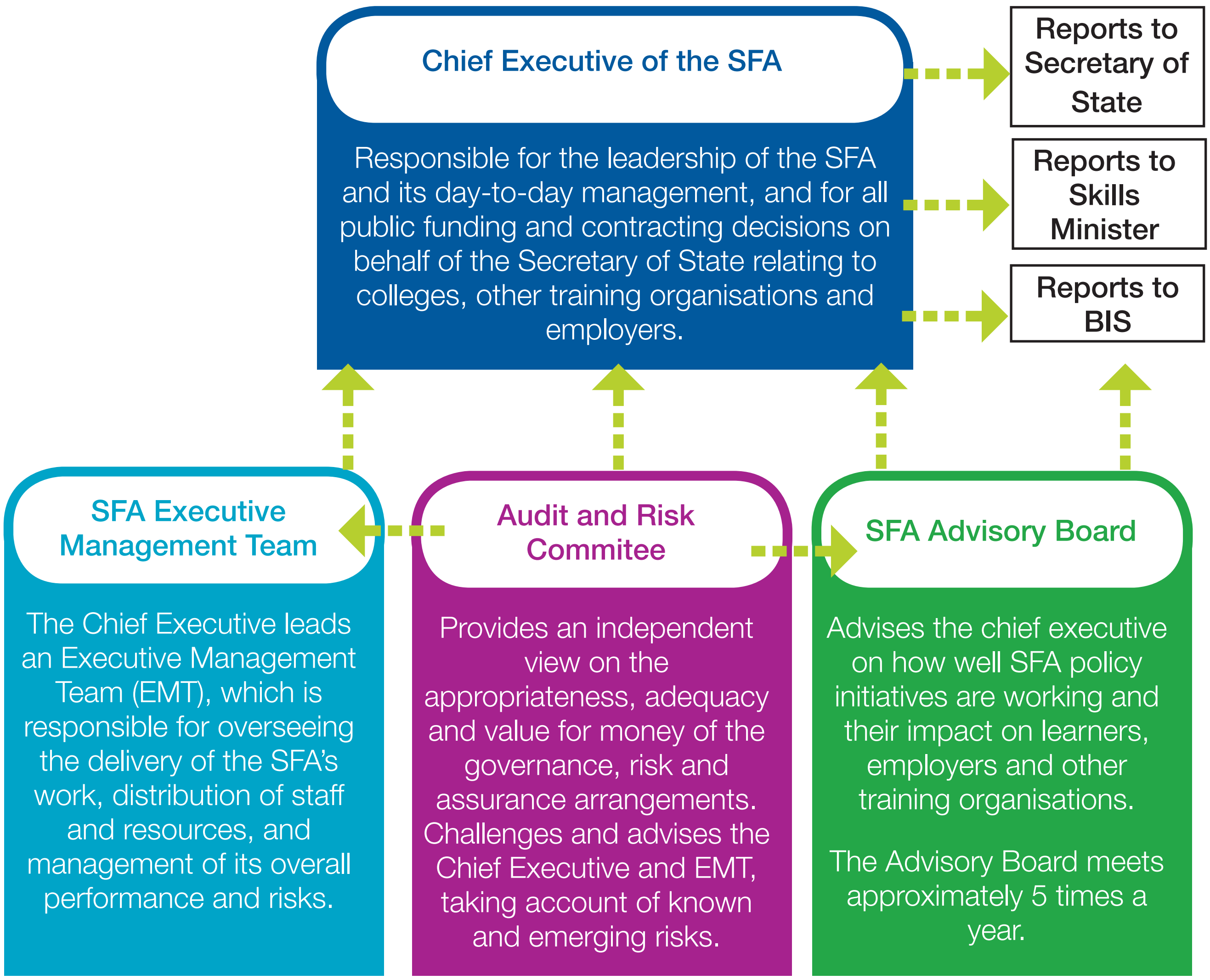
Paul McGuire
Chief Operating (and Financial) Officer
(until 30 November 2015)

Kirsty Evans was appointed to the EMT on 21 March 2016 to cover the temporary secondment of Keith Smith to BIS, where he is working on the apprenticeship levy.

As far as the Executive Officers of the Skills Funding Agency (SFA) are aware, at the time the annual report is approved:

- there is no relevant audit information of which the auditor is unaware
- they have taken all the steps that they ought to have taken as a director to make themselves aware of audit information and to establish that the auditor is aware of that information

Accountability structure of the Skills Funding Agency



Members of the Skills Funding Agency Advisory Board

The Advisory Board ensures that the SFA has direct input from customer groups in shaping and influencing its work. It advises on the implementation of key policy initiatives and on the effectiveness of their delivery, as well as providing a feedback mechanism for employers, learners and stakeholders.

The Advisory Board met five times in the financial year 2015 to 2016 (2014 to 2015:

five times) and minutes from each meeting are available on GOV.UK.

Paul Drechsler remained Chair of the Advisory Board until September 2015. Since then Mark Farrar has been acting Chair of the Advisory Board. A full list of members for the year is below:

Member	Role	From	To
Paul Drechsler CBE	Chairman, Teach First and Chairman, Bibby Line Group		9 September 2015
Peter Lauener	Chief Executive, SFA		
Michael Davis	Chief Executive, UK Commission for Employment and Skills		4 February 2016
Martin Doel CBE	Chief Executive, Association of Colleges		
Mark Farrar	Chief Executive, Association of Accounting Technicians		
Jon Graham	Chief Executive, JTL Training		4 February 2016
Ian Kinder	Chief Executive, UK Commission for Employment and Skills (UKCES)	13 April 2016	
Rachel Sandby-Thomas	Solicitor and Director General, Enterprise and Skills, BIS		
Stewart Segal	Chief Executive, Association of Employment and Learning Providers		
Joe Vinson	Vice-president for Further Education, National Union of Students		9 July 2015
Rob Wall	Head of Education and Skills, Confederation of British Industry		9 July 2015
Les Walton CBE	Chair, Northern Education Trust and EFA		
Tim Ward	Chief Executive, Third Sector National Learning Alliance		
Tom Wilson	Director, unionlearn, Trades Union Congress		5 November 2015

Members of the Audit and Risk Committee

The committee met four times during the financial year 2015 to 2016 (2014 to 2015: three times) and currently comprises three independent non-SFA employees drawn from the Advisory Board, including an independent chair. Two of the members have been drawn from the SFA Advisory Board, including an independent chair, and one member has been drawn from the BIS Audit and Risk Committee:

Member	Role	From	To
Mark Farrar (Chair)	Chief Executive, Association of Accounting Technicians		
Martin Doel CBE	Chief Executive, Association of Colleges		
Jon Graham	Chief Executive, JTL Training		4 February 2016
Nigel Johnson	BIS-appointed member	11 September 2015	

Other attendees are: the Chief Executive of the Skills Funding Agency, Deputy Director of Financial Management, Planning and Performance, the Chief Operating (and Financial) Officer, the Chief Internal Auditor, an observer from BIS and an observer from the National Audit Office (NAO).

Other information

Pension liabilities

Most pension benefits to Skills Funding Agency (SFA) staff are provided by the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded, multi-employer defined benefit scheme. We pay employers' contributions based on pensionable pay for members of the scheme.

We account for benefits of the scheme in line with our policy in note 1.13 on page 64. More information is available in the Our Staff section on page 46 and in the remuneration report for our most senior staff.

We are unable to identify our share of the underlying assets and liabilities of the PCSPS. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation at civilservicepensionscheme.org.uk.

Related parties

Note 18 to the accounts on page 77 shows that the EFA is a related party because Peter Lauener is Chief Executive of, and Simon Parkes and Peter Mucklow are directors of, both organisations. No other directors of the SFA hold posts or have significant interests in addition to their role at the SFA that could be viewed as conflicting with their management responsibilities.

Auditor remuneration for non-audit work

The NAO charged a notional fee of £150,000 to audit our accounts for the financial year 2015 to 2016. The NAO undertook no further work on our behalf during this time.

Public sector information

The SFA is a holder of public sector information but we do not charge for any data we provide.

Political donations

We made no political donations during the financial year 2015 to 2016 (2014 to 2015: £nil).

Financial instruments and financial risk management

We are exposed to significant credit risk from two main sources: the Professional and Career Development Loans (PCDL) programme (as a result of our obligation to fund the cost of student defaults on loans) and, to a lesser extent, private sector training organisations that become insolvent. For a more comprehensive explanation, please refer to paragraphs 10 to 11 on page 15.

Important events after 31 March 2016

There have been no events between 1 April 2016 and the date the accounts were signed that would have a material impact on the SFA.

Future developments

There will be further pressure on the availability of funds to support other FE and adult skills programme areas.

We expect further reductions in our administration budget, so we will continue our drive to operate with simplicity while still being efficient and effective. We anticipate closer collaboration with our colleagues at the EFA to help us achieve this aim.

Research/development activities

There has been no expenditure on research and development in the current or previous financial year.

Employee sickness absence

We include details of employee sickness absence in the Our Staff section on page 46.

Personal Data-related Incidents

We have prepared the following tables in response to Cabinet Office guidance on reporting personal data-related incidents in the management commentary section of departmental resource accounts.

Table 1: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office in 2015 to 2016

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No protected personal data-related incidents were formally reported to the Information Commissioner's Office.				
Further information on information risk	The Chief Executive of the Skills Funding Agency continues to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Table 2 below sets out incidents recorded centrally within the Department but that the Data Controller considers not to fall within the criteria for reporting to the Information Commissioner's Office. We do not record small, localised incidents centrally and we do not cite them in these figures.

Table 2: Summary of other protected personal data-related incidents in 2015 to 2016

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises.	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises.	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	Nil

Statement of Accounting Officer's Responsibilities

The Chief Executive of the Skills Funding Agency is the Accounting Officer for the activities of the SFA. The SFA became an Executive Agency on 26 May 2015, under Section 64, Deregulation Act 2015. Before this date the post of the Chief Executive of Skills Funding existed as a Corporation Sole, established by the Apprenticeships, Skills, Children and Learning (ASCL) Act 2009.

Under an Accounts Direction given by HM Treasury on 12 April 2016, in accordance with section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury, through the Secretary of State for BIS, has instructed the Chief Executive of the SFA to prepare one set of accounts for the financial year 2015 to 2016. These financial statements have been prepared on the basis that the SFA has been an Executive Agency for the entire year because its functions have not changed with its change in administrative status.

The Secretary of State for BIS has directed the SFA to prepare for the financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SFA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the government's Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HMT, 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's FReM have been followed, and disclose and explain any material departures in the financial statements, and
- prepare the financial statements on a going concern basis

The Secretary of State for BIS has appointed the Chief Executive as Accounting Officer of the SFA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the SFA's assets, are set out in Managing Public Money published by the HM Treasury.

Governance Statement

The purpose of the Governance Statement

This statement explains how I, as Chief Executive of the Skills Funding Agency (SFA) have put in place arrangements for good corporate governance and reviews of the effectiveness of these arrangements to ensure compliance with HM Treasury's 'Corporate Governance Code'. During the year I have reviewed and maintained these arrangements, including seeking assurance from my Executive Management Team (EMT) that our arrangements for corporate governance have been in operation throughout the whole year.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the SFA's policies, aims and objectives, while safeguarding the public funds and SFA assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in HM Treasury's publication 'Managing Public Money' and the requirements of the 'Corporate Governance Code'.

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure, to achieve policy aims and objectives. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the SFA's policy aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- take reasonable steps to manage them efficiently, effectively and economically

The system of internal control has been in place in the SFA for the financial year ending 31 March 2016 and up to the date of approval of the 'Annual Report and Accounts', and accords with HM Treasury's guidance.

The organisation's governance framework

In May 2015 the statutory post of Chief Executive of Skills Funding was abolished and its functions transferred to the Secretary of State. The Skills Funding Agency is now an executive agency of BIS, exercising functions on behalf of the Secretary of State in relation to procuring funding and managing providers of education and training.

The Chief Executive of the Skills Funding Agency is responsible for the direction and management of the SFA. The SFA has established an Advisory Board with external non-executive members to provide support and challenge in respect of how it carries out its functions on behalf of the Secretary of State. The organisation has also established an Audit and Risk Committee, drawn from members of the Advisory Board plus a member who sits on the BIS Audit Committee. The Advisory Board has met five times since 1 April 2015 and the Audit and Risk Committee has also met on four occasions.

The risk and internal control framework

Risk management

Risk management is not a separate function, but rather is embedded within the SFA's management processes; EMT has reviewed and agreed a risk-management policy.

Consistent with risk being the responsibility of all managers, there is no separate post of corporate risk manager. EMT members have each nominated staff to support the recording and dissemination of risk information.

The SFA's key management document, the 'Performance and Risk Report', is the means by which EMT reports progress against our objectives and risks. The 'Protective Security Risk Register' also supports this. We share these documents with BIS, ministers and our Advisory Board. Specific management arrangements support these reporting arrangements within each functional area, with each EMT member responsible for escalating risks from their area of responsibility to the 'Performance and Risk Report'. Furthermore, I review risks as part of my one-to-one reviews with each member of EMT.

Significant risks and mitigation

Significant Risk 1: Declining health of the FE sector leading to greater demand for intervention and growing pressure for exceptional financial support, resulting in an unfunded pressure on the Adult Skills Budget.

One of the most significant risks that we have had to manage is the deteriorating financial health of the sector delivering the training provision we fund. We will need to manage this continually over the coming years.

Early intervention and prevention for general further education and sixth-form colleges was introduced during the summer of 2015. We put this in place to strengthen the SFA's and EFA's intervention approach, identifying and responding to potential issues at an earlier stage, where agency data, analytics and/or intelligence gave a clear indication of future risk. The thresholds for undertaking early intervention and prevention activities were developed across both funding agencies and shared with the relevant provider associations.

We will continue to mitigate the risks arising from this by analysing early the financial plans of colleges most at risk to establish whether they are sufficiently robust. We will monitor potential cases for intervention by scrutinising college management accounts and other management information. When there are signs of financial weakness we will intervene early to support those colleges to bring about recovery and any appropriate structural changes.

The programme of area reviews in post-16 education and training institutions in every area will provide an opportunity for institutions and localities to consider the structure of their provision to ensure it meets the need of local communities. The objective of the area reviews is to enable a transition towards fewer, larger, more resilient and efficient training providers, and more effective collaboration across a range of institution types. A critical aspect will be to create greater specialisation, with the establishment of genuine centres of expertise, able to support progression up to a high level in professional and technical disciplines. This will also supporting excellence in other fundamental areas such as English and maths.

Significant Risk 2: Not meeting the expectations of the apprenticeship growth delivery plans assigned to us, as well as maintaining the current level of apprenticeships. This would have an adverse impact on the achievement of the government target of three million apprenticeships by the end of the current parliament.

We will mitigate this risk by communicating funding decisions early, allowing colleges, other training organisations and direct grant employers to respond accordingly and maintain the recruitment momentum. We will continue to promote apprenticeships through supporting major campaigns, including the positive move from frameworks to standards.

We will also develop, with support from BIS and HMRC, a fit-for-purpose digital apprenticeship service. The digital apprenticeship service is the digital interface to services designed to support the uptake of apprenticeships. The service is aimed primarily at employers, with information coming from a range of different sources, including learning providers and apprenticeship assessment organisations.

We will continue to develop the National Apprenticeship Service (NAS) operating model and maximise the impact of our Apprenticeship Ambassador Network and the Apprenticeship Delivery Board.

Significant Risk 3: **Plans to devolve skills funding to local areas could result in high levels of inefficiency for the SFA and a risk that existing systems are not fit for purpose.**

As we move towards local commissioning and devolution, commissioners will expect more resources to be deployed in their local areas. The SFA will support those areas to take control of the AEB and become local commissioners.

We award contracts to training organisations to deliver training and support through the ESF, instead of making annual allocations. We award these contracts to training organisations that are successful in an open and competitive tendering procurement exercise. The contracts are valid until 2017, after which time the SFA will no longer be the contracting authority.

We will continue to mitigate this risk by continuing to work as planned with LEPs, areas with devolved skills budgets and with BIS to understand the resource implications of the increase in local devolution deals.

Audit and Risk Committee

We have a properly constituted Audit and Risk Committee, which has met four times during the year. It consists of non-executive Advisory Board members and other attendees, including a representative from BIS, the Government Internal Audit Agency (GIAA) and from the NAO. Its terms of reference reflect best practice and we review them regularly. In addition the committee has during the year assessed its own effectiveness using a questionnaire from the NAO.

The committee has considered reports from GIAA on the system of internal control, risk management and governance, and from the PFMA team on the systems of control and use of public funds in colleges and other training organisations. The committee also considered reports on the SFA's hard-close final accounts and on counter-fraud, as well as reports from our external auditors, the NAO. The committee provided robust challenge and valuable support during the year and I wish to record my appreciation for that service.

The committee has recommended to the Chief Executive that this statement is an appropriate report on the risks the SFA faces and the processes and controls around them to manage those risks.

Executive Management Team

EMT comprised the Chief Executive and three senior SFA officers up until December 2015. As a result of restructuring, EMT expanded to the Chief Executive and five senior officers during the last quarter of the financial year 2015 to 2016. The EMT meets weekly by telephone conference call and formally each month, which includes considering:

- corporate and operational performance and monitoring corporate risks that face the SFA
- progress in taking these matters forward
- mitigating and/or corrective action, where necessary
- compliance with statutory and regulatory obligation

Internal audit

We maintain a professional and independent internal audit service, which since the 1 November 2015 has been provided through the Government Internal Audit Agency (GIAA) using the existing SFA Internal Audit team. The Internal Audit team has direct access to the Chief Executive, and the Chief Internal Auditor has met regularly with the Chief Executive during the year. The team provided regular reports to the Chief Executive on audit findings, including progress against the internal audit plan and confirmation that all internal audit recommendations have been followed up and/or implemented. Internal audit work was targeted towards the higher-risk areas.

The Chief Internal Auditor also has direct access to the Chair of the Audit and Risk Committee as well as the BIS Chief Internal Auditor. The Internal Audit team may also conduct audits jointly with BIS Internal Audit. The Chief Internal Auditor receives, or has access to, any SFA documents on request and may attend any EMT meeting.

I received an Annual Internal Audit Report from the Chief Internal Auditor on findings, which included a professional opinion as to the level of control assurance that was applicable to the SFA.

For the financial year 2015 to 2016 the Chief Internal Auditor gave Moderate Assurance, and concluded that, overall, the SFA has maintained sound systems of governance, internal control and risk management, but that there were some weaknesses to rectify and significant issues facing the SFA.

The significant issues facing the SFA are the demands to carry out and meet the Area Reviews timetable and the consequential implications, if mergers and restructuring do not take place, on the SFA maintaining the on-going financial stability of the FE Sector. Also there is the latest restructuring of the SFA and loss of staff and the consequential loss of significant skills and knowledge with the potential to impact on internal checks and internal controls in many parts of the organisation as colleagues depart. These are risks that I am monitoring.

In a review at my request the Chief Internal Auditor was able to confirm the SFA had sought to address the issues which caused the 2014 to 2015 financial statements qualification. Reviews have been undertaken to seek answers to reasons for the qualification and these reports were presented to the SFA's Audit Committee. All colleges in receipt of funds in 'advance of need' were required to complete their capital projects within the financial year 2015 to 2016 or be subject to the funds being recovered. One college is known not to be able to do this and where funds to be recovered could potentially cause financial instability alternative solutions were found to limit this risk.

Through his reports, all of which I have read, the Chief Internal Auditor alerted me to where improvements were necessary. I took a personal interest in the implementation of improvement plans. I take into consideration the findings in internal audit reports when assessing the performance of EMT members.

During the year there were two reviews which resulted in an amber/ red opinion:

College Resilience – the review concluded that whilst progress has been made to address the concerns of the NAO and to support colleges, significant risks remained. Internal audit are carrying out a further review in spring 2016.

Staff Expenses – the review found a mixed picture as regards compliance with the staff expenses policy. Work Based Categorisations have not been changed, which results in some staff being paid to travel to their main place of work. Internal audit are carrying out a further review in autumn 2016.

The Internal Audit team's evaluation informed each of the personal 'Statements on Internal Control' that each of the EMT members submitted, and I have reviewed these.

Counter-fraud strategy

The aim is to reduce risk of loss to the public purse from fraud and error in the services we provide on behalf of government and, over the longer term, joining up our approach across government to reduce the risk of wider financial loss. This includes an NAO review and comparison of the SFA's and EFA's approach to investigations.

The SFA continually reviews its counter fraud approach and has continued to work closely with the NAO, Cabinet Office, BIS and its partners during the year to share best practice in this area of work. The nature of fraud is itself constantly changing, presenting fresh challenges we need to anticipate, intercept and prevent.

Our participation in the BIS Fraud Working Group, fraud challenge panels and our close working with other government departments and agencies allows us to access information about the latest fraud trends and to influence emerging solutions in the public sector. We are implementing wider cultural and organisational development which is a long-term ongoing objective involving organisation-wide education and awareness development.

The SFA categorises activity as fraudulent when an investigation establishes that an individual or organisation provided information or documents that they knew to be false in order for them to make gain for themselves or another. Where a mistake or misunderstanding results in the individual or organisation claiming and receiving an incorrect amount, this is classed as error.

As Accounting Officer, I have a duty to safeguard public funds and ensure the SFA complies with HM Treasury's requirements in its publication 'Managing Public Money'. In support of this the SFA has in place the following:

- a senior director at board level with the lead on counter-fraud
- a deputy director responsible for the co-ordination of the strategy and delivery of its objectives
- an internal investigations function
- an internal audit function
- further development for all staff on identifying potential fraud and error

During the period 1 April 2015 to 31 March 2016, the SFA received 74 allegations of financial irregularity: 41 entered into our vetting process and we launched 27 investigations. We brought forward 23 cases from the financial year 2014 to 2015 (15 were live investigations). At 31 March 2016, we had 16 live cases and we are vetting a further four cases. During the year NAO carried out a follow up review of their previous report on the SFA's investigation capability. This identified further improvements in our processes which we will implement in 2016 to 2017.

Financial management

As Accounting Officer I had responsibility to ensure that there were effective systems to manage and monitor all funds granted to me. I have received assurances from all of my direct reports that effective systems are working in their individual areas of responsibility.

I can confirm that there were generally effective systems to manage and monitor the funds I was responsible for in line with BIS financial rules and procedures, and that we maintained accurate financial records.

I also confirm that funds were spent on achieving the outputs and outcomes detailed in my funding letter from the Secretary of State for Business, Innovation and Skills. In addition, the SFA has complied with all Cabinet Office spending controls, receiving the appropriate approvals whenever required.

The SFA underspent by £120 million (3.6%) against its total budget. This crystallised after the SFA mid-year budgets were agreed. This resulted from a combination of underperformance in the sector, decisions to close programmes or delay announcements and a general expectation in the sector of further cuts post Spending Review. The SFA continues to work closely with FE colleges and other providers to understand the implications of implementing the Spending Review settlement to maximise outcomes.

Provider Financial Management and Assurance Team

As Accounting Officer I am required to be satisfied that those organisations that the SFA funds make proper use of public money. The SFA has established a PFMA team, whose responsibility includes co-ordinating and carrying out a programme of audits designed to gain assurance over colleges' and other training organisations' use of public funds.

The scope of the PFMA team's work also covered EFA funding at colleges and other training organisations for which the SFA has a lead assurance role. The latter was in accordance with the JACOP, where it was agreed with the EFA that, with the exception of ESF funding, just one government agency will normally audit a training organisation and give assurance over both SFA and EFA funds.

In the financial year 2015 to 2016, the PFMA team's work included sampling across key funding streams in their entirety. The results of such work include, but are not biased towards, higher-risk areas, and therefore provide a statistically representative picture of the level of error in training organisations' funding data. The PFMA team's work also included audits at higher-risk organisations and areas based on known risks.

The result of this work is that the residual error rate within most of the SFA's funding remains around 1%. Errors are mainly data error and are not indicative of fraud. We refer any suspected fraud to the SFA's Investigations Unit.

The PFMA team's work considers further sources of assurance for colleges funded under a financial memorandum, including the results of work carried out by their external auditors.

Subcontracting

In the later part of 2015 to 2016, we have analysed the compliance of our providers with SFA policy on the management of subcontracting. This is where our prime contractors for the provision of education and training engage with other partners, on a subcontract basis to deliver learning. We are concerned to ensure that quality is maintained throughout our supply chain of provision. Our initial findings indicate that overall compliance with our policy on the management of subcontracting may be less than we would expect. Further work is required to validate these findings, with a view to the necessary action to ensure compliance.

Tax compliance

As required by the 'Alexander Tax Review' the SFA has reviewed the tax arrangements of individuals who provide it with services at a cost of £58,200 each year or more, but do not have PAYE and national insurance contributions deducted at source. Such individuals are described as 'off payroll' and at 31 March 2016, 37 individuals fell within the parameters for review (31 March 2015; 38). All these individuals have either provided detailed records to demonstrate their tax arrangements or they have provided the SFA with assurance from a suitably qualified person, such as an accountant, that they comply with tax legislation.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the SFA's system of governance, risk management and internal control. My review of the effectiveness of our systems is informed by:

- the work of the GIAA
- EMT (which is responsible for the development and maintenance of the internal control framework)
- the NAO (our external auditor), in its management letters and other reports

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Committee, EMT and the Internal Audit team, and we have a plan to rectify weaknesses and ensure continuous improvement of the system.

Internal control issues

As Accounting Officer I am satisfied that the SFA's governance, risk management and internal control were compliant with 'Managing Public Money' requirements during the financial year 2015 to 2016.

During the previous financial year 2014 to 2015 an issue emerged late in the year where HM Treasury agreement should have been secured in advance for payments made for profiled capital funding to colleges which turned out to be in advance of need. These payments did not comply with HM Treasury's requirements in its publication 'Managing Public Money' and were therefore irregular payments, which resulted in the qualification of the SFA's accounts for the financial year 2014 to 2015. Subsequently, I arranged a review of this area. This review, and a follow-up review by the NAO, are now complete and appropriate actions have been taken, including improved monitoring of expenditure and progress of schemes.

Information assurance and protective security

Our Protective Security team has two dedicated staff (plus four further staff in other teams, covering data sharing, records management and business continuity). Additionally the SFA has added an Operational Security role in the Central Technology Office and that individual has completed requisite training courses during the financial year 2015 to 2016. All are permanent members of staff. We have not had cause to report any data losses to the Information Commissioner's Office during the financial year 2015 to 2016. The current Senior Information Risk Owner (SIRO), who has been in place since May 2014, is a member of EMT and continues to chair the SFA's Protective Security Governance Board (PSGB) which oversees protective security arrangements.

The SIRO chairs a meeting of the PSGB, which meets every two months. This is supported by a variety of lower-level divisional security working groups, which deal with lower-level risk and escalate issues to the PSGB when required. The SFA sought to improve the robustness of the governance this delivered and revisited the terms of reference and restructured the attendance and agenda to mirror the eight categories of the Security Compliance Framework. Governance and visibility of risk have improved as a result of these changes.

The SFA completed a Supply Chain Transformation (SCT) programme during 2015 to 2016, which involved re-tendering a wide range of ICT-based contracts. The wider range of suppliers involved in delivering our services has prompted us to revisit our governance arrangements, and our major suppliers now provide a high level monthly return on security aspects to the protective security team to ensure that the SIRO is aware of all of the risks facing the SFA.

A round of physical surveys at SFA sites took place in 2015 to 2016 and reports have been completed. These reports confirmed that security arrangements are commensurate with the data the SFA handles and senior field staff manage the low-level risks identified. Two offices have changed locations since the last inspections and the temporary reduced assurance has been reflected in the annual Departmental Security Health Check to BIS.

The SFA will undergo change during the financial year 2016 to 2017 with the security aspects of the SFA being delivered by a joint EFA/SFA shared services team, with a new joint EFA/SFA SIRO in post. (The individual is currently EFA SIRO). The SFA will maintain a Deputy SIRO role which will ensure that the governance controls are maintained under this new arrangement.

Conclusion

I believe that the risks the SFA faced in the financial year 2015 to 2016 were managed effectively. I do not believe that there were any material adverse effects on our learners or the taxpayer. The SFA's processes and practices have been enhanced but, as always, there is more still to do and change and improvement continues.

Peter Lauener
Chief Executive
Skills Funding Agency

01 July 2016

Remuneration and Staff Report

2.B

Remuneration Report

Introduction and components of remuneration

1. The Chief Executive and members of the Executive Management Team (EMT, which comprises the directors) receive a total reward package made up of base salary, annual bonus, online benefits and a defined benefit pension scheme. Bonus payments are contractual but not guaranteed and are subject to affordability and successful performance.

2. Where we may pay a bonus, the bonus plan is structured to focus on encouraging and rewarding team-based, as well as individual achievement, at both the national and the divisional level, as assessed against agreed targets.

General

3. We set base salaries at the market median and recognise achievement through the bonus scheme (subject to affordability). As an executive agency we have regard to the Senior Salaries Review Body.

4. We use a range of methods to assess the performance of our EMT, which include (but are not necessarily limited to) the following:

   - Business Performance and Corporate Risk Management – to improve operational performance through achieving the business plan measures.
   - Change Leadership – to provide strong and effective leadership in implementing, communicating and embedding the organisation's change activities.
   - People Management – to manage the performance of individuals robustly.

5. The Chief Executive of the Skills Funding Agency is responsible for assessing performance over the course of the year.

6. We do not operate a remuneration committee; the Chief Executive of the Skills Funding Agency has statutory authority to determine the remuneration of the SFA's staff. When setting individual executive pay and bonuses, the SFA will consider guidance issued by Cabinet Office, HM Treasury, BIS and relevant information from external market data (for example Hay Group and Towers Watson) relating to pay and bonus levels.

7. We have not paid any expenses to our directors other than reimbursement of costs incurred wholly in the discharge of their duties for the SFA.

Chief Executive of the Skills Funding Agency

8. The former Skills and Enterprise Minister, Matthew Hancock, appointed Peter Lauener as permanent Chief Executive of Skills Funding on 3 November 2014. From 25 May 2015, Peter Lauener was appointed Chief Executive of the Skills Funding Agency.

9. The reward package for our Chief Executive contains two key elements (base salary and bonus), which are determined by the BIS Permanent

Secretary. Any potential bonus payment is assessed on achievement against corporate and personal targets. The role does not attract an automatic salary progression award.

10. During the financial year 2015 to 2016 Peter Lauener did not receive a pay increase or a bonus payment as Chief Executive of the Skills Funding Agency.

Base pay changes for the financial year 2015 to 2016

11. Base pay for directors of the SFA has not increased in the year.

Executive Management Team members and other senior staff

12. All members of the EMT and other senior staff are employed under contracts of employment requiring 12 weeks' written notice by either party.

13. There are no specific termination clauses in EMT members' employment contracts.

Highest-paid director and relation to median pay

Audited information

14. The annualised remuneration of the highest-paid director was £141,000 for financial year 2015 to 2016 (financial year 2014 to 2015: Peter Lauener, £140,578). This is 3.8 times (2014 to 2015: 3.7 times) greater than £37,476 (2014 to 2015: £38,270), which is the median remuneration of SFA employees at the end of March 2016.

15. No SFA employee received remuneration in excess of the highest-paid director in either the financial year 2015 to 2016 or the previous financial year. Remuneration ranged from £14,200 to £141,000 (financial year 2014 to 2015: £12,500 to £140,000).

16. Total remuneration includes salary, bonus and benefit in kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions.

Chief Executive's Emoluments

Audited information

	Year ended 31 March 2016				Year ended 31 March 2015			
	Salary £'000	Bonus* £'000	Pension benefits £'000	Total remuneration £'000	Salary £'000	Bonus* £'000	Pension benefits £'000	Total remuneration £'000
Peter Lauener*								
Chief Executive from 3 November 2014	140 - 145	0	30 - 35	170 - 180	29	0	3	32
Full-year equivalent salary					140			
Keith Smith**								
Chief Executive from 24 August 2014 to 2 November 2014	0	0	0	0	23	0	4	27
Full-year equivalent salary					121			
Kim Thorneywork CBE								
Chief Executive from 1 August 2012 to 31 July 2014	0	0	0	0	27	0	267	294
Full-year equivalent salary					117			
Barbara Spicer CBE								
Chief Executive from 25 November 2013 to 24 August 2014	0	0	0	0	56	0	21	77
Full-year equivalent salary					140			

* As Peter Lauener is also Chief Executive of the EFA his costs are shared equally with the EFA from the time he was appointed.

** As Keith Smith was also Director of Funding and Programmes throughout the year, we have apportioned his emoluments, including pension, between the two roles.

Senior management emoluments

Audited information

	Year ended 31 March 2016				Year ended 31 March 2015			
	Salary	Bonus*	Pension benefits	Total remuneration	Salary	Bonus*	Pension benefits	Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
National Directors								
Sue Husband								
Director of the National Apprenticeship Service (from 12 May 2014)	105 - 110	0	25 - 35	130 - 145	90 - 95	0	35 - 40	125 -135
Full-year equivalent					110 - 115			
Paul McGuire								
Chief Operating (and Financial) Officer (until 30 November 2015)	80 - 85	0	15 - 20	95 - 105	110 - 115	0	15 - 20	125 -135
Full-year equivalent	110 - 115							
Peter Mucklow								
Director of Intervention (from 11 December 2015)	90 - 95	0	20 - 25	110 - 120	90 - 95	0	15 - 20	105 - 115
Simon Parkes								
Chief Operating (and Financial) Officer from 1 December 2015.	135 - 140	10 - 15	30 - 35	175 - 190	135 - 140	0	40 - 45	175 - 185
Keith Smith**								
Director Funding and Programmes (from 1 April 2014 to 23 August 2014 and from 3 November to 31 March 2015))	110 - 115	10 - 15	25 - 30	145 - 160	85 - 90	10 - 15	15 - 20	110 - 125
Full-year equivalent					110 - 115			

* Bonus payments relate to previous year, unless stated otherwise.

** As Keith Smith was also Director of Funding and Programmes throughout the 2014 to 2015 financial year, we have apportioned his emoluments, including pension, between the two roles.

NOTE 1: Simon Parkes was appointed from 1 December 2015 as Acting Chief Operating (and Financial) Officer of the SFA. He is also Managing Director designate of FAS²T, a joint operation with the EFA. Simon is an employee of the EFA and does not receive remuneration from the SFA. His time is split equally between EFA and SFA roles. The remuneration shown is the total received for working for both agencies.

NOTE 2: Peter Mucklow was appointed from 11 December 2015 with responsibility for Intervention. Peter is an employee of the EFA and does not receive remuneration from the SFA. His time is split equally between EFA and SFA roles. The remuneration shown is the total received for working for both agencies.

NOTE 3: No member of the EMT received any benefits in kind in the financial year 2015 to 2016 (2014 to 2015: £nil).

NOTE 4: Paul McGuire left under a voluntary exit scheme and received £95,000 in compensation.

Senior management group pension entitlements

Audited information

	Accrued pension and related lump sum at pension age as at 31 March 2016 £'000	Real increase in pension and related lump sum at pension age earned in the year £'000	CETV at 31 March 2016 £'000	CETV at 31 March 2015**** £'000	Real increase in CETV £'000
Chief Executives					
Peter Lauener*					
Chief Executive of the Skills Funding Agency from 3 November 2014.	70 - 75 and lump sum 210 - 215	0 - 2.5 and lump sum 5 - 7.5	1607	1611	(34)
National Directors					
Sue Husband					
Director of the National Apprenticeship Service (from 12 May 2014)	0 - 5	0 - 2.5	47	21	15
Paul McGuire**					
Chief Operating (and Financial) Officer until 30 November 2015.	35 - 40	0 - 2.5	558	511	18
Keith Smith					
Director of Funding and Programmes and from 24 August to 2 November 2014 Interim Chief Executive.	30 - 35 and lump sum 90 - 95	2.5 - 5 and lump sum 0 - 2.5	480	414	15
Peter Mucklow					
Director of Intervention (from 11 December 2015)	30 - 35 and lump sum 100 - 105	0 - 2.5 and lump sum 2.5 - 5	674	597	23
Simon Parkes					
Chief Operating (and Financial) Officer from 1 December 2015.***	25 - 30	2.5 - 5	416	349	24

* Peter Lauener is also Chief Executive of the EFA. These values reflect the full pension benefits due to him. It is not possible to determine what portion of the pension, lump sum and the CETV relate to the SFA or EFA. These values are also reported in full in the EFA's 'Annual Report and Accounts 2015 to 2016'.

** Opted to join the premium pension scheme.

*** Simon Parkes is also Managing Director (Designate) of FAS²T.

**** The actuarial factors used to calculate CETV changed this year to reflect changes in demographic assumptions and the move to the Consumer Prices Index (CPI); there may be slight differences between last year's reported closing figures and this year's opening figures.

Salary

17. For the purposes of analysis, 'salary' includes the following, where applicable:

    - gross salary payable
    - other allowances
    - overtime payable

18. We report bonuses and compensation or redundancy payments separately.

Benefits in kind

19. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

Civil Service pensions

20. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

21. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

22. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos,

except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

23. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

24. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

25. Further details of the Civil Service pension arrangements are available at civilservice.gov.uk/pensions.

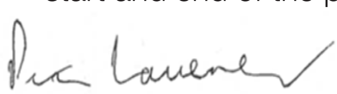
Cash equivalent transfer values

26. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

27. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

28. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Peter Lauener
Chief Executive
Skills Funding Agency

01 July 2016

Our Staff

Audited information

Numbers, costs and composition of staff

1. As at 31 March 2016, we employed 883 staff (31 March 2015: 893). We have three divisions to enable us to focus on our priorities: Apprenticeships and Delivery Service, Funding and Programmes, and Operations. Tables 2, 3, 4 and 5 show further detail.

2. As shown in table 1 below, the SFA spent £63 million on staff costs in the year, of which £56.3 million was on permanent staff.

3. Of the total spend £18.3 million was chargeable to programmes as it related to frontline activity. The remaining £44.7 million related to administration.

Table 1: Analysis of permanent and other staff costs

	Year ended 31 March 2016	Year ended 31 March 2015
	£'000	£'000
Salaries	36,480	38,804
Social security	3,162	3,522
Pension costs	7,596	7,815
Redundancies and payment in lieu of notice	9,051	0
Permanent staff costs	56,289	50,141
Other staff (includes agency/contract/seconded staff)	6,799	8,259
Recoveries in respect of outward secondments	(113)	(107)
Gross staff costs	62,975	58,293
Staff costs related to programmes	(18,287)	(18,247)
Total net staff costs	44,688	40,046

Table 2: Headcount as at 31 March 2016

Band	Senior Civil Service	Female	Male	Total
Business Support	No	64	30	94
Adviser	No	208	121	329
Managerial	No	178	167	345
Senior Managerial	No	48	42	90
Deputy Director	Yes	13	7	20
Executive Director*	Yes	1	3	4
Chief Executive**	Yes	0	1	1
Total		512	371	883

* Two Executive Directors are employed by the Department for Education but their role is shared between the EFA and SFA.

** Employed by the Department for Education but role is shared between the EFA and SFA.

Table 3: Headcount as at 31 March 2015

Band	Senior Civil Service	Female	Male	Total
Business Support	No	71	18	89
Adviser	No	207	119	326
Managerial	No	184	166	350
Senior Managerial	No	52	50	102
Deputy Director	Yes	11	11	22
Executive Director	Yes	1	2	3
Chief Executive*	Yes	0	1	1
Total		526	367	893

* Employed by the Department for Education but role is shared between the EFA and SFA.

Table 4: Average number of staff employed as at 31 March 2016

	Permanent		Other		Year ended 31 March 2016
The average number of staff employed during the year including the Chief Executive was:	Senior Management Staff	Payroll Staff	Inward Seconded Staff	Agency / Temporary Staff	Total Staff
Apprenticeships and Delivery Service	1	243	1	1	246
Chief Executive's Office	1	32	0	0	33
Funding and Programmes	1	225	0	0	226
Operations	1	368	0	14	383
Total	4	868	1	15	888

Table 5: Average number of staff employed as at 31 March 2015

	Permanent		Other		Year ended 31 March 2015
The average number of staff employed during the year including the Chief Executive was:	Senior Management Staff	Payroll Staff	Inward Seconded Staff	Agency / Temporary Staff	Total Staff
Apprenticeships and Delivery Service	1	385	1	1	388
Chief Executive's Office	1	50	0	0	51
Funding and Programmes	1	165	0	0	166
Operations	1	341	0	10	352
Total	4	941	1	11	957

Pension costs: Principal Civil Service Pension Scheme employer contributions

4. Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. The SFA is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

5. For the financial year 2015 to 2016 employers' contributions of £7.6 million were paid to the PCSPS by 31 March 2016 (2014 to 2015: £7.9 million) at one of four rates in the range 20% and 24.5% of pensionable pay (2014 to 2015: 16.7% and 24.3%), based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation.

6. The contribution rates are set to meet the cost of the benefits accruing during the financial year 2015 to 2016 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

7. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £45,585 (financial year 2014 to 2015: £49,941) were paid to one or more of a panel of three appointed stakeholder pension providers. Employers contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015 (financial year 2014 to 2015 3% to 12.5%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employers' contributions of £1,782 (financial year 2014 to 2015: £3,636), representing 0.8% 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.

8. No contributions were outstanding to the partnership pension providers at the Statement of Financial Position dates of 31 March 2016 and 31 March 2015.

Sickness absence

9. Table 6 shows average sickness absence for each employee over the last three financial years.

Table 6: Average sickness absence

Financial Year	2015 to 2016	2014 to 2015	2013 to 2014
Total days lost to sickness	4,349	4,822	8,550
Average number of staff	884	945	1,257
Average days lost for each staff member	4.9	5.1	6.8

Staff policies

10. We are committed to being an exemplar in terms of our approach to equality and diversity. In our approach to recruitment, staff development and reward we go further than the duties outlined in the Single Equality Scheme. By better reflecting the diversity of the community, we serve learners and employers better. We support staff who suffer ill-health or changes to any medical conditions by putting reasonable adjustments in place to ensure they are able to continue working.

Employee engagement

11. Successful employee engagement is key to maximising our performance in light of continuing pressures on the administration budget and the pressure to reduce our average salary. Table 7 shows how we will continue to build employee engagement.

Consultancy and off-payroll engagements

12. The SFA spent £nil on consultancy in the year to 31 March 2016 (financial year 2014 to 2015: £nil).

13. As well as our permanent staff, we employ a small number of individuals by means of contracts for services as opposed to contracts of employment. As of 31 March 2016, there were 37 such individuals (31 March 2015: 38).

Exit packages

14. The SFA spent £10.6 million in the year to 31 March 2016 (financial year 2014 to 2015: £4.4 million). These amounts relate to specific change programmes. We do not expect to repeat this level of expenditure every year.

SFA change programme and Funding Agencies Shared Services

15. We are working through a new change programme to ensure we can meet the challenges and opportunities of the coming years.

16. The Funding Agencies Shared Services programme will establish shared services between the SFA and EFA for finance, IT and data. The SFA change programme will cover the functions remaining solely in the SFA: funding and apprenticeships.

17. Both change programmes will simplify operations and processes to ensure they are as simple as possible while retaining maximum effectiveness.

Table 7: Building employee engagement

What we will do	How we will do it
Provide employees with information on matters that concern them.	Through the internal staff bulletin, the intranet and through regular team meetings and Business in Brief sessions (which are a regular internal update for staff).
Consult employees /representatives regularly so that we take into account their views.	Through the Civil Service People Survey and the Staff Consultative Committee, as well as through formal consultation with the SFA's recognised union, the Public and Commercial Services Union.
Encourage involvement in organisational performance.	By linking organisational objectives to personal objectives and by incentivising good performance through staff recognition vouchers and the annual performance award.
Achieve common awareness for all employees of the financial and economic factors affecting organisational performance.	Primarily through Business in Brief and the Chief Executive's weekly newsletter, and through team meetings.

Table 8: Civil Service Compensation Scheme analysis

	Compulsory redundancies		Other departures		Total departures	
Value	2015 to 2016	2014 to 2015	2015 to 2016	2014 to 2015	2015 to 2016	2014 to 2015
< £10,000	0	0	15	6	15	6
£10,000 to £24,999	0	9	37	25	37	34
£25,000 to £49,999	4	46	80	19	84	65
£50,000 to £99,999	0	9	89	11	89	20
Total number of exit packages	4	64	221	61	225	125
Total resource cost of exit packages (£'000)	119	2,526	10,435	1,897	10,554	4,423

The figures above include actual and agreed departures up to 31 March 2016.

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 we have agreed early retirements, the SFA meets the additional costs, not the PCSPS. The PCSPS meets the costs of ill-health retirements, which are not included in the table above.

Losses and special payments

Audited information

Losses statement

Table 1 shows the material cash losses we incurred in the period to 31 March 2016. The losses have been charged to the relevant programme or other administration cost.

Table 1: Material cash losses.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Description		
Workplace training and apprenticeships, including Train to Gain		
Cases above £300,000 individually	1,034	986
Cases below £300,000 individually	580	259
	1,614	1,245
ESF provision		
Cases below £300,000 individually	0	173
	0	173
Administration expenditure		
Cases below £300,000 individually	2	0
	2	0
Total cash losses	1,616	1,418

At 31 March 2016 there were 15 cases, of which one was above the reporting threshold of £300,000 individually.

	£'000
Van Hee Transport	1,034

Most of these losses are the result of errors found following an audit of programme funding. The losses listed above relate to cases where the SFA has been unable to recover these overpayments, usually as the private training organisations have gone into liquidation. These losses are subject to approval from the relevant authority.

The Chief Executive has delegated authority to approve write-off of cash losses with an item value of up to £10,000, with no limit to the total amount in any one year (financial year 2014 to 2015: no limit). BIS has approved the other cases within their respective authorities as summarised in Table 2.

Table 2: Write-offs approved by BIS.

Authority	Item value	31 March 2016 Number of cases	31 December 2016 Loss £'000
SFA	Up to £10,000	6	2
BIS	£10,000 to £300,000	8	580
BIS	£300,000 to £2,000,000	1	1,034
Total losses		15	1,616

Special payments

The SFA made three special payments in the period to 31 March 2016 (31 March 2015: four payments). HM Treasury approved all of these special payments.

Fruitless payments

The SFA incurred no fruitless payments in the period to 31 March 2016 (31 March 2015: nil).

Constructive losses

The SFA incurred one constructive loss in the period to 31 March 2016 (nil to 31 March 2015). This involved the impairment of an intangible asset. This was previous expenditure (£1.2 million) on an IT proof-of-concept project, where a change in government policy meant that expenditure incurred was no longer necessary for future development. This constructive loss, given delegation limits outlined above, was approved by BIS.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Skills Funding Agency for the year ended 31 March 2016 under Section 5(2) of the Government Resources and Accounts Act 2000. 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 and Staff Report and the Parliamentary Accountability Disclosures that are described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is 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 Government Resources and Accounts Act 2000. 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 Skills Funding Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Skills Funding Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability reports within the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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.

Opinion on regularity

In my opinion, 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Skills Funding Agency's affairs as at 31 March 2016 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report which include information which has been audited including the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report 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:

- 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 parts of the Accountability Report including the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

05 July 2016

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

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Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015 to 2016 £'000	2014 to 2015 £'000
Administration costs			
Staff costs	2	44,688	40,046
Other costs	3a	26,451	33,668
Depreciation, impairment and losses on disposal	3b	19,263	24,476
Total administration costs		90,402	98,190
Programme costs			
ASB	4.01	1,878,838	2,303,798
Employer Ownership Programme	4.02	40,650	47,963
Community Learning	4.03	214,907	210,228
Offender Learning	4.04	142,104	134,674
Learner Support Funds	4.05	132,561	159,737
National Careers Service	4.06	60,526	84,817
Skills infrastructure	4.07	31,253	48,108
Capital	4.08	59,326	296,022
DfE-funded programmes	4.09	813,385	801,261
ESF programmes	4.10	204,594	248,153
Other non-BIS-funded programmes	4.10	3,423	4,335
Total programme costs		3,581,567	4,339,096
Income			
EU income	5	(204,474)	(248,556)
Other income	5	(4,399)	(10,199)
Total income		(208,873)	(258,755)
Net expenditure		3,463,096	4,178,531

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

The notes on pages 60 to 77 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Non-current assets			
Property, plant and equipment	6	600	567
Intangible assets	7	44,707	52,710
Total non-current assets		45,307	53,277
Current assets			
Trade and other receivables	9	167,933	323,972
Cash and cash equivalents	10	268,524	97,946
Total current assets		436,457	421,918
Total assets		481,764	475,195
Current liabilities			
Trade and other payables	11	(281,356)	(271,981)
Total assets less current liabilities		200,408	203,214
Non-current liabilities			
Provisions	12	(9,018)	(11,436)
Financial guarantee	13	(31,750)	(29,648)
Total non-current liabilities		(40,768)	(41,084)
Assets less liabilities		159,640	162,130
Represented by			
Taxpayers' equity			
General fund		159,640	162,130
Total taxpayers' equity		159,640	162,130

The notes on pages 60 to 77 form part of these accounts.

Signed:

Peter Lauener
Chief Executive
Skills Funding Agency

01 July 2016

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015 to 2016 £'000	2014 to 2015 £'000
Cash flows from operating activities			
Net expenditure		(3,463,096)	(4,178,531)
Notional audit fee	3a	150	150
Depreciation charges	3b	17,187	20,333
Loss on disposal of non-current assets	3b	0	0
Loss on impairment	3b	2,076	4,143
Decrease/(Increase) in receivables - excludes capital receivables	9	156,039	(143,398)
Increase in total payables - excludes capital payables	11	9,375	5,077
(Decrease) in use of provisions for liabilities and charges	12	(2,418)	(14,685)
Increase in use of financial guarantees	13	2,102	647
Net cash outflow from operating activities		(3,278,585)	(4,306,264)
Cash flows from investing activities			
Purchase of property, plant and equipment		(324)	(136)
Purchase of intangible assets		(10,969)	(16,684)
Net cash outflow from investing activities		(11,293)	(16,820)
Cash flows from financing activities			
Financing from BIS		3,466,987	4,271,146
Loans funding from BIS		(6,531)	0
Net cash inflow from financing activities		3,460,456	4,271,146
Net increase in cash and cash equivalents in the period		170,578	(51,938)
Cash and cash equivalents at the beginning of the period	10	97,946	149,884
Cash and cash equivalents at the end of the period		268,524	97,946

The notes on pages 60 to 77 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Balance at 1 April		162,130	69,365
Retained deficit		(3,463,096)	(4,178,531)
Reversal of notional audit fee	3a	150	150
Total recognised income and expense for the year		(3,462,946)	(4,178,381)
Financing from BIS		3,466,987	4,271,146
Loans funding from BIS		(6,531)	0
Balance at 31 March		159,640	162,130

The notes on pages 60 to 77 form part of these accounts.

Notes to the Financial Statements

1. Statement of accounting policies

We have prepared this set of financial statements under an accounts direction issued by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000 and in accordance with the government's 'FReM' issued by HM Treasury for the financial year 2015 to 2016. The accounting policies contained in the 'FReM' apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the 'FReM' permits a choice of accounting policy, we have selected the accounting policy judged most appropriate to the particular circumstances of the SFA for the purpose of giving a true and fair view. The particular accounting policies we have adopted have been applied consistently in dealing with items considered material to the accounts and they are described below.

1.1 Going concern

The SFA is an executive agency of BIS and the Department's estimates and forward plans include provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

On 25 May 2015 the SFA became an executive agency of BIS. This change did not have any impact on the status of the SFA as a going concern

1.2 Accounting convention

We have prepared these accounts under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets where material.

1.3 Property, plant and equipment

Property, plant and equipment is carried at fair value. Depreciated historical cost is used as a proxy of fair value for the following classes of assets because we consider this to be the best reflection of fair value:

- furniture and fittings
- plant and machinery
- computers and other IT hardware

Costs comprise purchase price and those costs that are directly attributable to making the asset capable of operating in the manner intended by our management.

The minimum level for capitalisation of a property, plant and equipment asset is £5,000. 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 £5,000
- groups of assets that individually may be valued at less than £5,000 but taken together form a single collective asset because the items fulfil all of the following criteria:

  a. They are functionally interdependent.

  b. They are acquired at about the same date and are planned for disposal at about the same date.

  c. They are under single managerial control.

  d. Each individual asset thus grouped has a value of more than £1,000.

1.4 Intangible assets

Intangible fixed assets are carried at fair value that is determined by reference to an active market where possible. Where there is no active market, we use depreciated replacement cost as a proxy for fair value.

Most intangible fixed assets comprise computer software systems that have been developed exclusively for the SFA. Expenditure on research of such systems is recognised as expenditure when incurred.

Where separately identifiable, development expenditure to support the creation of a software system is capitalised where we can demonstrate all of the following criteria:

a. Completion of the system is technically feasible and adequate resources are available to do so.

b. An intention to complete the system for use.

c. Ability to use the system.

d. How the system can generate future economic benefits.

e. Attributable development expenditure can be reliably measured.

Computer software licences are capitalised if they are capable of being used for more than one year and have an initial cost, individually or as a group, equal to or greater than £5,000.

1.5 Depreciation – property, plant, equipment and intangibles

The depreciation methods that best reflect the pattern of the consumption of economic benefits and the periods over which such benefits are expected to be consumed by the SFA are summarised in the table below:

Summary of depreciation methods

	Category	Component (if applicable)	Method	Useful life
Property, plant and equipment	IT	Desktop IT	Straight line	Three years
		Other IT	Straight line	Five years
	Plant and machinery		Straight line	Five years
	Furniture and fittings	Furniture	Straight line	Five years
		Fitting out	Straight line	Lower of 10 years or the length of the building lease
Intangible assets	Internally developed systems		Straight line	Five years
	Software licences		Straight line	Life of the licence or three years where none given

For property, plant and equipment we review the residual values, depreciation methods and useful life assumptions described above at least annually by each financial year-end. We review intangible assets, amortisation periods and methods described above at least annually by each financial year-end. We account for any changes arising from these reviews as changes to accounting estimates.

1.6 Impairment – property, plant, equipment and intangibles

Property, plant and equipment and intangible assets are subject to impairment reviews at least once in each financial year. This ensures they are carried at no more than their recoverable amount, which is the higher of selling price less costs of sale and their value in use.

1.7 Leases

Operating lease are charged to the statement of comprehensive net expenditure on a straight-line basis over the lease term.

1.8 Receivables – programme expenditure

Programme receivables derive from various programmes. They mostly reflect part of the normal operation of the reconciliation process of the respective programme. This ensures that we pay only amounts earned on the basis of actual delivery to colleges and other training organisations and record these in the SFA's accounts. In most cases these amounts are offset against future payments to colleges and other training organisations, so we recover them over the short term.

The SFA also has receivables that are the result of assurance work that may determine either:

- an actual amount that needs recovering from a college or other training organisation
- a data error that is extrapolated across the data population to determine an amount to recover

These amounts are only included in the accounts when a reliable value for their recovery is known. In most cases the debts are recovered through in-year data adjustments that result in reduced future payments to the college or other training organisation.

1.9 Provisions

Provisions are recognised when it is probable that we will be required to settle a present obligation as a result of a past event and we can make a reliable estimate of that obligation. The obligation is normally the amount that we 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 HM Treasury's real discount rate of 1.5%.

1.10 Financial instruments

The SFA is party to many contracts in the course of providing programme funding, and in the course of its own operation that give rise to assets and liabilities in its statement of financial position. Where such financial instruments are deemed to have a significant impact on the medium- to long-term financial risk profile of the SFA, they are recognised in the financial statements in accordance with IAS 39 and details are disclosed in accordance with the provisions of IFRS 7.

1.11 Administration and programme expenditure

The statement of comprehensive net expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as 'administration' or as 'programme' reflects the determination of administration costs in HM Treasury's 'Consolidated Budgeting Guidance'.

Administration costs reflect the costs of running the SFA and include staff costs such as wages, salaries and other administrative costs, including travel, subsistence, IT maintenance and office expenditure.

Programme costs reflect the costs of programme delivery and may include staff and other costs where these relate to activities associated with frontline service delivery.

1.12 Programme accounting basis

The main groups of programme expenditure are recurrent programmes and capital programmes. Recurrent programmes include teaching and learning (incorporating the ASB) and recurrent support elements. The policies for the most significant elements of expenditure are described below.

Recurrent programmes

Teaching and learning: Adult Skills Budget

Freedoms and flexibilities

As part of the continuing effort to simplify funding arrangements, all organisations now receive a single ASB encompassing the elements described below. They then have the freedom and flexibility to vire amounts between programme strands to reflect their individual pattern of delivery.

Overall college allocations across the ASB are reconciled at the end of each academic year. Other training organisations are paid on an actual basis over the year.

Classroom-based

Classroom-based programme expenditure is recognised in the accounts when the grant is paid to colleges in line with agreed profiles, which are periodically updated throughout the academic year. Expenditure by other training organisations is recognised on an actual basis.

Sometimes, we pay advances of funding to colleges that experience cash flow difficulties. These are repayable, usually over a short term, through profiled deductions from future payments. Where they have not been recovered by the year-end, the balances are included within ‘advances and FE college receivables’. During 2015 to 2016 the SFA has worked with BIS to implement a system of loans to FE colleges that will over time replace the larger advances of funds transactions. Funds initially paid as grants to FE colleges are accounted for in the financial statements of the SFA until they are converted to loans. These loans are accounted for in the financial statements of BIS.

The SFA is advised of its total funding in the annual grant letter from the Secretary of State. As well as setting out the details of the funding made available to the SFA the letter outlines the main policy areas and strategic objectives within which the SFA is expected to operate. In March 2016 BIS provided the SFA with an additional £30 million of recurrent funding, which is included in the figures for programme expenditure. As a consequence, recurrent grants for 2016 to 2017 to colleges has been reduced by £30 million. Over the two financial years the changes in funding cancel each other out, so there is no impact on the funding provided to colleges in the 2015 to 2016 academic year.

Apprenticeships

For training providers other than colleges, apprenticeships programme expenditure is accounted for on the basis of actual training delivered, subject to contract value, in the financial year concerned. For colleges it is recognised in the accounts when the grant is paid to the college in accordance with the agreed payment profile for the academic year. 16 to 18 apprenticeship funding is all paid on actual training delivered.

Other workplace training

Spend under the workplace training programme is recognised when payments are made in accordance with an agreed profile for colleges and on actual training delivered for other training organisations.

Other teaching and learning

Offender Learning

Offender Learning spend is recognised when payments are made in accordance with an agreed profile for delivery.

Community Learning

Community Learning expenditure is recognised on the basis of the use of funds paid to local authorities. A receivable is recognised at each year-end representing the amount of unspent funds based on use of funds statements submitted by local authorities for the academic year ending in the SFA financial year. Unspent funds are either recovered or carried over and used to reduce payment of funds due in the following year.

Recurrent support programmes

Discretionary learner support funds

These programmes provide grant payments to support learners either directly, or indirectly through the private training organisation they attend. Payments made for a particular academic term are accounted for in the period to which they relate and specific grant payments are accounted for when they are paid.

Capital programmes

Expenditure on FE capital buildings is recognised in line with agreed profiles that reflect the underlying delivery and costs of the project. Projects are subject to quarterly reconciliation reviews to ensure profiles continue to keep pace with the colleges’ own expenditure on the project.

A prepayment is recognised where actual expenditure is less than the grant paid to the end of the financial year.

The SFA reserves the right to recover funds and change profiles where costs are materially less than profiled. Also, the conditions of funding allow the SFA to bring forward profiled payments where they are based on evidenced capital expenditure. This will only be where we have the funds available to do so.

1.13 Employee benefits

Pension and superannuation costs

Present and past employees are covered by the provisions of the 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 SFA is unable to identify its share of the underlying assets and liabilities.

The cost of pension cover provided for staff employed by the SFA is met by payment of charges calculated on an accruing basis. The accruing cost of providing for future benefits for current employees is 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 we are required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of staff who retire early, provision is 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 Government Banking Services (GBS) Citibank for the credit of the civil superannuation vote. The prepayment and provision are disclosed separately.

Other employee benefits

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

1.14 Value-added tax

Irrecoverable value-added tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. When input tax is recoverable, the amounts are stated net of VAT. Income is stated net of VAT when output tax is charged.

1.15 Other income: European Social Fund

The European Commission provides funding for certain projects. This income is matched to the expenditure profile for each project concerned. Income not matched to expenditure at the end of the financial year is transferred to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

1.16 Segmental reporting

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

We managed our assets and liabilities at the single entity level during the year and therefore we have not disclosed the distribution of assets and liabilities to those programmes and administration.

1.17 Accounting judgements and estimates

Other than for the determination of provisions for liabilities and charges, and financial guarantees, we made no material accounting estimates or judgements in preparing these accounts.

1.18 Accounting developments

Accounting standards: issued but not effective

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and interpretations with an effective date after the date of these financial statements. Where the changes are relevant to the SFA's circumstances we will adopt them at the effective date. Those detailed below have not been adopted early and the table indicates whether we consider that adoption will have an impact on our financial statements.

Standard affected	Issued date	Future effective date	Impact on the SFA
IFRS 9 Financial Instruments.	December 2011.	1 January 2018.	No impact expected.
IFRS 15 Revenue Contracts with Customers. Provides a principles-based model to be applied to all contracts with customers.	May 2014.	1 January 2017.	Possible impact on recognition process but no impact expected on overall values.
IFRS 16 Leases. Will require that lessees recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	January 2016.	1 January 2019.	May result in recognition of liabilities for larger leases where the SFA is the lessee, particularly in relation to properties.

2 Staff costs

The Our Staff section on pages 46 to 50 provides information in respect of employees' emoluments and pension entitlements.

3a Other costs

Some of the expenditure is incurred in the administration of the SFA and some is incurred in providing a shared service to the EFA. Some costs are programme in nature because, in addition to funding provision in the sector, the SFA also provides some programmes directly.

The 'Total SFA administration costs' line at the foot of the table shows the actual cost of administration for the SFA.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Staff expenditure – travel, training and other	2,734	3,150
Publications, printing and publicity	771	1,034
Telecoms	1,885	1,263
Audit costs (non-cash)*	150	150
Computing	54,751	94,814
Premises**	6,024	(1,694)
General administration, professional services and other costs	2,628	2,846
Total other costs	68,943	101,563
Non-pay costs to programmes	(42,492)	(67,895)
Total SFA administration costs	26,451	33,668

* The SFA was charged a notional audit fee of £150,000.

** The previous year value reflects the reversal of provisions relating to properties transferred to BIS.

3b Depreciation, impairment and losses on disposal

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Property, plant and equipment (note 6)		
Depreciation charge for period	288	545
Loss on impairment	3	372
Intangible assets (note 7)		
Amortisation charge for period	16,899	19,788
Loss on impairment	2,073	3,771
Total charged for period	19,263	24,476

4 Programme costs

Overall, programme expenditure has remained at a similar level to last year. ASB expenditure (4.01) has fallen over the year in line with the government's comprehensive spending review. Capital expenditure has fallen significantly relative to last year because responsibility for the main elements of this programme now lies with the LEPs.

Expenditure within this note contains staff costs for the financial year 2015 to 2016 of £18.3 million (2014 to 2015: £18.2 million) in relation to staff involved in the delivery of programmes (as shown in note 2a). It also contains for the financial year 2015 to 2016 £42.5 million (2014 to 2015: £67.9 million) of other expenditure, mostly IT systems related (as shown in note 3a).

		Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
4.01	**ASB**		
	Adult skills programmes excluding apprenticeships	1,139,900	1,531,911
	Apprenticeships	710,978	731,079
	Apprenticeship Grant for Employers (19 to 24)	27,960	40,808
	Total ASB	1,878,838	2,303,798
4.02	**Employer Ownership Programme**		
	Employer Ownership Programme	40,650	47,963
	Total Employer Ownership Programme	40,650	47,963
4.03	**Community Learning**		
	Community Learning	214,907	210,228
	Total Community Learning	214,907	210,228

4 Programme costs (continued)

		Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
4.04	**Offender Learning**		
	Offender Learning	132,353	125,236
	National Careers Service in custody	9,751	9,438
	Total Offender Learning	142,104	134,674
4.05	**Learner Support Funds**		
	Discretionary Learner Support	86,317	97,991
	PCDL*	2,449	3,293
	Dance and drama	8,314	7,757
	Advanced Learner Loans Bursary	35,481	50,696
	Total Learner Support Funds	132,561	159,737
4.06	**National Careers Service**		
	Telephone Helpline	5,859	10,611
	Operation	2,019	648
	Development	441	4,330
	Face-to-face	35,992	51,330
	Infrastructure	4,067	5,858
	Young People's helpline (formerly part of DfE-funded programmes)	2,037	3,369
	IM Revenue	5,214	1,140
	Learning Records Service	4,897	7,531
	Total National Careers Service	60,526	84,817
4.07	**Skills infrastructure**		
	Apprenticeships BIS non-participation	7,772	8,183
	Digital and Technical	3,174	21,307
	FE Choices	972	908
	Equality and diversity	74	663
	Learning Records Service	0	1,207
	Data services	18,758	16,687
	National Skills Academies	177	1,098
	EFA recharge (revenue)	(2,563)	(3,228)
	VES	1,710	1,283
	Apprenticeships Funding Reform	1,179	0
	Total skills infrastructure	31,253	48,108

4 Programme costs (continued)

		Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
4.08	Capital		
	FE capital buildings	48,166	289,419
	Local education authority loan liabilities	2,922	3,029
	PCDL default expenditure **	6,078	6,746
	PCDL receipts	(3,095)	(3,546)
	City Deals – capital	0	497
	National Careers Service systems development	0	(123)
	National Colleges Capital	5,255	0
	Total capital	59,326	296,022
4.09	DfE-funded programmes		
	16 to 18 apprenticeships	730,337	703,429
	Apprenticeships DfE non-participation	1,495	1,495
	Apprenticeship Grant for Employers (16 to 18)	53,253	66,461
	16 to 18 Employer Ownership Programme	7,211	13,308
	16 to 18 traineeships	20,398	15,269
	16 to 18 traineeships marketing	441	1,299
	EFA ICT Contribution	250	0
	Total DfE-funded programmes	813,385	801,261
4.10	ESF and other non-BIS-funded programmes		
	ESF	196,113	244,507
	Train to Gain ESF response to redundancy	0	(745)
	Next Step ESF response to redundancy	8,481	4,391
	Other funding	3,423	4,335
	Total ESF and other non-BIS-funded programmes	208,017	252,488
	Total programme costs	3,581,567	4,339,096

Grants to the private sector totalling £1.1 billion (financial year 2014 to 2015: £1.4 billion) are included in the values above.

* The current year total contains £2.0 million (financial year 2014 to 2015: £1.8 million) relating to the additional and unused elements of the provision, as shown in note 12.

** The current year total contains £5.8 million (financial year 2014 to 2015: £5.1 million) relating to the additional and unused elements of the Financial Guarantee balance, as shown in note 13.

5 EU and other income

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Other funding for activities		
ESF academic years 2007 to 2013*	204,474	248,556
Other programme income**	3,540	4,335
	208,014	252,891
Income from activities		
Sub-letting of part of premises	496	576
Other activities income**	363	5,288
	859	5,864
Total EU and other income	208,873	258,755

Note: Included above is £1.9 million (financial year 2014 to 2015; £5.3 million) relating to income from the EFA for shared services.

6 Property, plant and equipment

as at 31 March 2016

	Furniture and fittings £'000	Plant and machinery £'000	Computers and other IT £'000	Total £'000
Cost or valuation				
At 1 April 2015	8,467	143	3,334	11,944
Additions	0	0	324	324
Disposals	0	(9)	(22)	(31)
Impairment	(234)	0	0	(234)
At 31 March 2016	8,233	134	3,636	12,003
Depreciation				
At 1 April 2015	(8,130)	(127)	(3,120)	(11,377)
Disposals	0	9	22	31
Charge for period	(62)	(12)	(214)	(288)
Impairment	231	0	0	231
At 31 March 2016	(7,961)	(130)	(3,312)	(11,403)
Net book value (NBV)				
At 1 April 2015	337	16	214	567
Total NBV tangible non-current assets at 31 March 2016	272	4	324	600

as at 31 March 2015

	Furniture and fittings £'000	Plant and machinery £'000	Computers and other IT £'000	Total £'000
Cost or valuation				
At 1 April 2014	10,844	143	3,334	14,321
Additions	136	0	0	136
Disposals	(100)	0	0	(100)
Impairment	(2,413)	0	0	(2,413)
At 31 March 2015	8,467	143	3,334	11,944
Depreciation				
At 1 April 2014	(9,862)	(112)	(2,999)	(12,973)
Disposals	100	0	0	100
Charge for period	(409)	(15)	(121)	(545)
Impairment	2,041	0	0	2,041
At 31 March 2015	(8,130)	(127)	(3,120)	(11,377)
Net book value (NBV)				
At 1 April 2014	982	31	335	1,348
Total NBV tangible non-current assets at 31 March 2015	337	16	214	567

7 Intangible assets

as at 31 March 2016	IT AUC £'000	IT systems £'000	IT software £'000	Total £'000
Cost or valuation				
At 1 April 2015	7,595	144,372	920	152,887
Transfer from 'assets under construction' (AUC)	(13,857)	13,857	0	0
Additions	10,868	0	101	10,969
Impairment	(1,358)	(1,035)	0	(2,393)
At 31 March 2016	3,248	157,194	1,021	161,463
Amortisation				
At 1 April 2015	0	(99,262)	(915)	(100,177)
Charge for period	0	(16,892)	(7)	(16,899)
Impairment	0	320	0	320
At 31 March 2016	0	(115,834)	(922)	(116,756)
Net book value (NBV)				
At 1 April 2015	7,595	45,110	5	52,710
Total NBV intangible non-current assets at 31 March 2016	3,248	41,360	99	44,707

as at 31 March 2015	IT AUC £'000	IT systems £'000	IT software £'000	Total £'000
Cost or valuation				
At 1 April 2014	9,040	138,743	920	148,703
Transfer from AUC	(12,848)	12,848	0	0
Additions	13,991	0	0	13,991
Disposals	0	(6)	0	(6)
Impairment	(2,588)	(7,213)	0	(9,801)
At 31 March 2015	7,595	144,372	920	152,887
Amortisation				
At 1 April 2014	0	(85,520)	(905)	(86,425)
Disposals	0	6	0	6
Charge for period	0	(19,778)	(10)	(19,788)
Impairment	0	6,030	0	6,030
At 31 March 2015	0	(99,262)	(915)	(100,177)
Net book value (NBV)				
At 1 April 2014	9,040	53,223	15	62,278
Total NBV intangible non-current assets at 31 March 2015	7,595	45,110	5	52,710

8 Financial instruments

IFRS 7 requires the SFA to disclose information on the significance of financial instruments to its financial position and performance.

The risks associated with the financial guarantee relating to the PCDL programme are shown in note 13. The SFA is also exposed to credit risk resulting from the non-payment of debts relating to private sector provision of training services. This is most usually attributable to insolvency. Private sector training organisations are subject to quality and financial status reviews before receiving contracts. Provision of funding is reconciled to earned values on a monthly basis, with future payments adjusted to minimise the risk of accumulating debt. The overall financial impact of such instances is not material, as shown in notes 9 and 19.

As a partner organisation of BIS and with no borrowings, the SFA is not exposed to any market or liquidity risk.

The SFA 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.

9 Trade receivables and other current assets

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Amounts falling due within one year		
Advances and other FE college receivables	83,673	59,197
Workplace training receivables	21,767	1,503
Trade receivables	87	191
Tax and social security	2,535	0
ESF and other receivables	52,987	67,340
	161,049	128,231
Prepayment and accrued income		
ESF and other accrued income	5,751	144,766
FE college prepayments	0	49,877
Administration cost prepayments	1,133	1,098
	6,884	195,741
Total trade receivables and other current assets	167,933	323,972

Receivables include a provision for doubtful debts of £5.0 million at 31 March 2016 (£4.4 million at 31 March 2015).

10 Cash and cash equivalents

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Balance at 1 April	97,946	149,884
Net change in cash and cash equivalent balances	170,578	(51,938)
Balance at 31 March	268,524	97,946
The following balances at 31 March were held at:		
Government Banking Service	268,524	97,946
Balance at 31 March	268,524	97,946

11 Trade payables and other current liabilities

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Amounts falling due within one year		
Trade payables	44	250
FE college payables	1,058	1,574
Workplace training payables	2,895	1,106
Tax and social security	0	31
ESF and other payables	237	952
	4,234	3,913
ESF and other deferred income	129	470
Workplace training accruals	168,824	139,934
ASB, programmes and administration accruals	106,886	126,381
	275,839	266,785
Sub-total payables, deferred income and accruals	280,073	270,698
Capital payables	1,283	1,283
Total trade payables and other current liabilities	281,356	271,981

12 Provisions for liabilities and charges

	Reorganisation £'000	SCT £'000	Early retirement £'000	PCDL interest £'000	Property £'000	Total £'000
Provision balance at 1 April 2014	10,599	582	6,183	2,380	6,377	26,121
Additional charge in year	0	1,861	0	1,793	0	3,654
Provision used in year	(5,211)	(443)	(2,220)	(1,876)	(474)	(10,224)
Provision unused and reversed during the year	(2,212)	0	0	0	(5,903)	(8,115)
Balance of provision at 31 March 2015	3,176	2,000	3,963	2,297	0	11,436
Provision balance at 1 April 2015	3,176	2,000	3,963	2,297	0	11,436
Additional charge in year	1,647	0	0	1,957	0	3,604
Provision used in year	(1,027)	(188)	(1,149)	(2,387)	0	(4,751)
Provision unused and reversed during the year	(459)	(812)	0	0	0	(1,271)
Balance of provision at 31 March 2016	3,337	1,000	2,814	1,867	0	9,018
Indicative timing of outflows required to settle obligation						
Within one year	2,470	400	1,000	1,000	0	4,870
From two to five years	867	600	1,814	867	0	4,148
Balance of provision at 31 March 2016	3,337	1,000	2,814	1,867	0	9,018

Reorganisation

This covers the SFA's liabilities in relation to its current reorganisation programme that are charged against administration expenditure and includes elements relating to severance costs and surplus space in SFA properties.

Supply chain transformation

This relates to the SFA's liability for costs chargeable to administration that may be incurred by suppliers that make individuals redundant as a consequence of the SFA's supply chain transformation (SCT) work. In line with government objectives, the SFA's SCT programme is reforming the way we use our ICT. One aspect of this work is to provide opportunities for SMEs to support and deliver ICT services to achieve value for money through competition and innovation.

Early retirement

This covers the SFA's additional pension contributions for all early retirements up to October 2010 that are charged against programme expenditure. These are defined by and paid to the scheme administrator for the period up to normal retirement age for individuals that retired early under the former LSC's reshaping programme.

Professional and Career Development Loans

The SFA has a liability to cover interest payments that occur under this programme while the learners are in learning. This provision reflects the probable outflow of funds in relation to the cost of covering interest-driven liabilities while the recipients of the loans complete their course.

13 Financial Guarantee: Professional and Career Development Loans (Defaults)

	Professional and Career Development Loans (Defaults) £'000
Opening balance at 1 April 2014	29,001
Increase in the year	5,104
Expenditure in the year	(4,457)
Balance at 31 March 2015	29,648
Opening balance at 1 April 2015	29,648
Increase in the year	5,760
Expenditure in the year	(3,658)
Balance at 31 March 2016	31,750

Exposure to risk

The PCDL programme operates by providing loans to learners to enable them to complete a course of study. High street banks provide the loans to learners at a rate of interest below what might ordinarily be offered to them in such circumstances. The SFA has a liability for the cost of default on such loans and for the interest costs of the loans while the learners are in learning. Most of the liability is for the default on the loans that is classified as a financial guarantee, in accordance with IAS39.

Credit risk: exposure at end of period

Most of the liability arises from the credit risk that learners will not repay the loans. The values above show the expected value of this liability at the end of the reporting period. The values have been estimated as 12% of the total forecast value of loans outstanding at the end of the reporting period.

The exposure to credit risk is mitigated by the application of credit and other checks by the commercial banks operating PCDL schemes, before the loan is granted.

In accordance with the terms of the agreement with the banks, the maximum possible value of the guarantee to cover the cost of defaults is capped at 15% of the total loan portfolio advanced since the beginning of the programme. The total potential liability is estimated to be £48 million.

Liquidity risk

As a partner organisation funded by BIS, it is unlikely that the SFA will encounter any difficulty meeting its obligations under this financial guarantee. The rate of interest on the loans is fixed (currently at 9.9%), so it is unlikely that the future cash flows to settle the obligation will change as a result of changes in the market interest rate.

Market risk

The rate of interest on the loans is fixed (currently at 9.9%), so it is unlikely that the future cash flows to settle the obligation will change as a result of changes in the market interest rate. Changes in the general level of market prices or changes in foreign exchange rates are unlikely to impact on the value of the outstanding liability.

14 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 2016 £'000	Year ended 31 March 2015 £'000
Obligations under operating leases at 31 March comprise:		
a) Land and buildings		
Not later than one year	2,857	3,375
Later than one year and not later than five years	8,532	10,125
Later than five years	2,738	5,682
	14,127	19,182
b) Others		
Not later than one year	62	148
Later than one year and not later than five years	0	62
	62	210

15 Capital commitments

The SFA had no commitments for capital expenditure as at 31 March 2016 (31 March 2015: £nil).

16 Commitments to make grants to colleges

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Payable within one year		
Adult skills (colleges) to July 2016*	485,597	583,738
FE capital 2016 to 2017	33,544	0
FE capital 2017 to 2018	16,006	0
	535,147	583,738

* Commitments to make grants to colleges at 31 March 2016 for adult skills relate to the remaining period of the academic year April 2016 to July 2016.

17 Contingent liabilities

The SFA had £6 million of contingent liabilities as at 31 March 2016 (31 March 2015: nil). The contingent liabilities for the current year relate to payments for the AGE grant, which will be due up to June 2016 as apprentices complete three months of employment. .

18 Related-party transactions

The SFA is an executive agency of BIS, which is regarded as a related party.

During the financial year 2015 to 2016 the main entities with which the SFA has had material transactions within government and the BIS group are the following:

- BIS (provision of grant funding to the SFA)
- Department for Work and Pensions (provision of ESF funding to the SFA)
- ConstructionSkills (provision of funding by the SFA)
- EFA (provision of shared services by the SFA)

During the year, none of the SFA's executive directors or their close family members has undertaken any material transactions with organisations that can be considered as a related party.

As Peter Lauener is Chief Executive of the EFA, the EFA is a related party. Additionally Simon Parkes and Peter Mucklow are directors of both the EFA and the SFA.

SFA Director	SFA Role	Related Organisation Role	Related Organisation	Transaction(s)	Value (£'000)	Amounts owed to related party (£'000)	Amounts owed by related party (£'000)	Bad Debts (£'000)
Peter Lauener	Chief Executive and Accounting Officer	Chief Executive and Accounting Officer	EFA	Programme grants	9,148	653	594	0
				Shared services provided	2,963			
				Other costs	304			

As explained on page 27 and 28, the SFA has various advisory members. Some are related parties of organisations that receive funding from the SFA. As these members are employed in an advisory capacity, they have no influence over the SFA's funding decisions and allocations. Compensation for key management personnel is disclosed in the Remuneration Report on page 39.

19 Events after the date of the Statement of Financial Position

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

There have been no other events between the statement of financial position date and the date the accounts were authorised for issue requiring an adjustment to the financial statements.

The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

4 Glossaries

Glossary of Financial Terms

The definitions that follow are simplified. They are not a comprehensive statement of the full accounting meaning and nor do they fully reflect accounting policy within the SFA. The definitions are not a substitute for accounting standards, practices, laws and government guidelines as relevant to the SFA. For further information, please refer to a suitably qualified finance professional or to the SFA directly.

Asset
Asset has a broad but specific meaning in accounting terminology. An asset is something that the SFA has control over that it can use as part of the process of delivering its objectives. It may be tangible such as an item of office equipment or it may be intangible such as a computer system. Receivable balances and cash balances are also assets.

Cash equivalent transfer value
A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

Closing carrying value
This is the same as the net book value (NBV) at the end of the year.

Consumer Prices Index
The Consumer Prices Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their proportionate value of the basket.

Contingent liabilities
Contingent liabilities are liabilities that are not yet certain because their existence can only be confirmed by a future event outside of the SFA's control.

Default expenditure
Expenditure incurred as a consequence of students failing to repay loans under the PCDL programme.

Deferred income
This is income that the SFA has received in the current financial year but relates to a future period.

Depreciation
Depreciation is an estimate of the value of an asset consumed in its use during the reporting period. For example, if the SFA bought a computer system for £1 million and expected it to be used for five years, the depreciation charge would be £200,000 each year.

Depreciation, impairment and losses on disposal
Depreciation is explained above. Impairment is where the value of an asset has permanently fallen below its current recorded value. A loss on disposal refers to the situation where an asset is disposed of before it has been fully depreciated and any sales proceeds do not outweigh the remaining value.

Depreciated historical cost
Depreciated historical cost is the depreciation charge worked out on the historical cost.

EFA recharge
This refers to the recharge of costs to the EFA. There are both revenue and capital elements to this recharge.

Financial guarantee
This is a type of liability but it is characterised by being less certain than other liabilities. The SFA has a liability under the PCDL programme to cover the cost of loans provided to students that default. At the time of preparing the accounts, we do not know with certainty how much this will be, so we have estimated it.

Financial Reporting Manual
The government's 'Financial Reporting Manual' ('FReM') is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The manual is prepared following consultation with the Financial Reporting Advisory Board and it is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland.

General fund
This is also known as the 'general reserve'. It is best thought of as the value held in the SFA that the taxpayer owns.

Historical cost
Historical cost is the purchase cost of an item. For example, if the SFA bought a computer system for £1 million two years ago, its historical cost would be £1 million.

Historical cost convention
This is the convention that all costs are quoted on a consistent basis using historical cost.

Intangible asset
Intangible asset has a specific meaning in accounting. It is an identifiable asset under the control of the SFA that is not money and does not have physical substance. An example of an intangible asset is computer system software.

International Accounting Standards Board
The independent, accounting standard-setting body of the IFRS Foundation.

International Financial Reporting Standards
International Financial Reporting Standards refer to the rules and practices as issued by the International Accounting Standards board. These have been adapted for use by government bodies in the UK, as explained in the government's 'FReM' and it is these rules that the SFA applies in the preparation of its accounts.

Liabilities
Liabilities have a broad but specific definition in accounting terms. A liability is an obligation the SFA has that arises from past transactions or events. For example, if the SFA agrees to occupy a building for a certain period of time, it will have a liability to pay the rent. Liabilities are linked to the expenditure the SFA incurs and the value of liabilities in the accounts represents amounts that we have not yet paid. Payable balances, provisions and financial guarantee balances are all liabilities.

Net assets
This refers to the total assets, less the total liabilities under the SFA's control.

Net book value
The net book value (NBV) of an asset is the original cost of the asset, less any depreciation that has been charged against it. For example, a computer system bought for £1 million and expected to last five years will have a net book value of £800,000 after the first year.

Non-current assets
Non-current assets are assets that the SFA expects to use over more than one accounting period. For example, a computer system expected to last five years is a non-current asset.

Non-current liabilities
Non-current liabilities are liabilities that are expected to be paid more than one year beyond the end of the financial year. For example, the SFA has an obligation to fund loan defaults in relation to the PCDL programme. This obligation is already in existence but not expected to require payment until sometime in the future.

Payables
Payables refer to the SFA's liabilities to pay colleges and other training organisations, suppliers and others. For example, where the SFA owes money to colleges and other training organisations for work they have delivered.

Provisions
Provisions are a type of liability but they have the characteristic of being less certain than other liabilities, so they are disclosed separately.

Receivables
Receivables refer to the amounts due to the SFA. For example, where the SFA has sent an invoice to the Department for Work and Pensions for it to provide funding to cover the costs of delivering the ESF programme.

Workplace training balances
These are the amounts the SFA recovers from and pays to training organisations in relation to delivering the ASB.

Year-end
The end of the financial year, which for the SFA runs from 1 April to the following 31 March.

Glossary of Further Information

16 to 18 apprenticeships
Apprentices earn a wage and work alongside experienced staff to gain job-specific skills. Off the job, usually on a day-release basis, apprentices receive training to work towards nationally recognised qualifications. Anyone living in England, over 16-years-old and not in full-time education can become an apprentice.

16 to 18 Employer Ownership Programme
Funding available in a bid to design the vocational training programmes needed to grow and create tens of thousands of opportunities for young people.

24+ Advanced Learning Loans
24+ Advanced Learning Loans (previously known as FE Loans) were introduced during the academic year 2013 to 2014 and provide support for learners aged 24 and over to access skills provision at Levels 3 and 4 (including advanced and higher apprenticeships).

Adult apprenticeships
Each year tens of thousands of adults gain the skills and qualifications they need to progress and increase their earning power by becoming an adult apprentice.

Adult Education Budget
The Adult Education Budget (AEB) combines all SFA participation and support funding that is not European Social Fund (ESF), Advanced Learner Loans or apprenticeships.

Adult Skills Budget
As part of the new streamlined funding system for adult skills, a single ASB is allocated to fund the delivery of education and training services. The single ASB provides the freedoms and flexibility for colleges and other training organisations to meet the needs of learners and employers.

Advanced Learner Loans
Advanced Learner Loans (formerly 24+ Advanced Learning Loans and previously known as FE Loans) provide support for learners aged 24 and over to access skills provision at Levels 3 and 4 (including advanced and higher apprenticeships).

Apprenticeship Ambassador Network
The Apprenticeship Ambassador Network (AAN) is a group of employers whose main aim is to spearhead the drive to engage new employers to commit to apprenticeship delivery in England.

Apprenticeship Delivery Board
The new Apprenticeship Delivery Board brings together some of the country's leading businesses. With members from top employers, including Channel 4 and Barclays, the Board will encourage more businesses to develop quality apprenticeships. Members will act as apprenticeship champions within their sector, working with employers of all sizes to increase both the number of apprenticeship places on offer and the supply of talented candidates.

Apprenticeship levy
This legislation provides for the charging of the apprenticeship levy from April 2017, as announced at the Chancellor's Autumn Statement on 25 November 2015. The levy will help to deliver new apprenticeships.

Apprenticeship standards
The standards show what an apprentice will be doing and the skills required of them, by job role. Employer groups known as 'trailblazers' develop the standards.

Apprenticeship training
An apprenticeship is a work-based training programme, designed around the needs of employers, which leads to nationally recognised qualifications.

Area reviews
Local training providers and stakeholders carry out area reviews of the post-16 education and training sector, working with the Further Education and Sixth Form College Commissioners, the Education Funding Agency and Skills Funding Agency.

Each area review aims to establish a set of institutions that are financially resilient and able to offer high-quality education and training based on the needs of learners and employers within the local area.

Association of Colleges
The Association of Colleges (AoC) is a not-for-profit organisation that represents and promotes the interests of colleges and provides members with professional support services. The membership includes general and tertiary, FE colleges, sixth-form colleges and specialist colleges in England.

Association of Employment and Learning Providers
The Association of Employment and Learning Providers (AELP) is a national membership organisation and the recognised voice of independent training organisations that engage in government-funded skills

training and employability programmes throughout England.

Autumn Statement
The Chancellor of the Exchequer delivers his Autumn Statement to parliament to announce the government's economic strategy for the coming year.

Cabinet Office
The Cabinet Office is a department of the government of the United Kingdom responsible for supporting the Prime Minister and Cabinet of the United Kingdom.

Carbon reduction commitment allowances
Organisations that decrease their emissions can lower their costs under the carbon reduction commitment (CRC).

Central Delivery Service
We have established a Central Delivery Service (CDS) to deliver and embed an end-to-end contract management service for colleges, other training organisations and employers, incorporating contract administration, contract compliance, robust performance management, operational procurement and risk management. The CDS core function is the first point of contact for colleges, other training organisations and employers that contract with the SFA.

Civil Service Compensation Scheme
The Civil Service Compensation Scheme sets out the level of compensation that departments can pay their staff if they leave under voluntary or compulsory redundancy.

Civil superannuation vote
The civil superannuation vote covers the payment and associated non-cash items of pensions and other benefits to those covered by the PCSPS. It also covers certain other statutory schemes, including schemes for civil servants made under the Superannuation Act 1972.

Comprehensive Spending Review
The Comprehensive Spending Review is the HM Treasury-led process that allocates public expenditure.

ConstructionSkills
ConstructionSkills are tasked by government to ensure that the UK's construction industry has the skilled workforce it requires.

Contract for Services – Education and Training
The annual update of the main terms and conditions of agreements for colleges and other training organisations.

Corporate governance
Corporate governance is the system of rules, practices and processes by which a company is directed and controlled.

Digital Apprenticeship Service
The new digital apprenticeship service is an online portal, allowing employers to select the most appropriate apprenticeships, choose a training provider and pay for apprenticeship training and assessment.

Digital by default
The UK's Government Digital Strategy identifies a list of principles and actions to ensure the digital transformation of government to one that is 'digital by default'. The Cabinet Office defines digital by default as, "digital services that are so straightforward and convenient that all those who can use them will choose to do so, whilst those who can't are not excluded."

Education Funding Agency
Under the Education Act 2011, the responsibilities of the former Young People's Learning Agency (YPLA) transferred to the EFA on 31 March 2012.

Employer Ownership Fund
The Employer Ownership Fund operates through targeted calls for innovative projects, which tackle clearly identified skills problems. Funding is targeted directly to employers, who will submit proposals for co-financing that demonstrate added value in addressing key skills shortages.

The Department for Business, Innovation and Skills (BIS) manages the fund, working with the UK Commission for Employment and Skills (UKCES) to identify skills demand, and with the Skills Funding Agency to negotiate contract arrangements and monitor delivery.

European Social Fund
The ESF is the European Union's main financial instrument for supporting employment in its member states.

FE Choices
A publication of four performance indicators published as part of the FE Public Information framework, previously published under the Framework for Excellence. It updates the information available on 'success rates', 'learner satisfaction' and 'employer satisfaction'.

Funding Agencies Shared Service
The Funding Agencies Shared Service team (FAS^{2}T) is a full shared service functionality for finance, audit and IT between the SFA and EFA.

Further education
There are two streams of education for people over 16: further education (FE) and higher education (HE). FE covers learning opportunities up to A-level and NVQ Level 3 standard.

Government Digital Service Transformation Programme
In January 2013, the government gave itself 400 days to transform 25 major services, making them digital by default and simpler, clearer and faster to use. This is the GDS Transformation Programme.

With help from the Government Digital Service, eight departments across government set about redesigning these digital exemplars based on the needs of users, not the needs of government. The SFA is reviewing all of its services to ensure that they are digital by default.

Government Internal Audit Agency
The Government Internal Audit Agency (GIAA) is an executive agency, sponsored by HM Treasury. The GIAA helps ensure government and the wider public sector provide services effectively.

Government procurement card
Purchasing cards and corporate cards designed to satisfy government efficiency targets.

Higher education
Higher education (HE) includes courses above A-level or NVQ Level 3 standard, such as Higher National Diplomas (HNDs) and degree and postgraduate courses.

Higher Education Funding Council for England
The Higher Education Funding Council for England (HEFCE) distributes public money for teaching and research to universities and colleges. It aims to promote high-quality education and research that meet the needs of students, the economy and society.

Intervention notices
Intervention notices ensure that where learners' and employers' needs are not being met and/or performance is poor, the government will intervene quickly and effectively to restore high-quality provision.

Jobcentre Plus
A government agency that supports people of working age to progress from welfare into work and helps employers to fill their vacancies.

Joint Audit Code of Practice
The Joint Audit Code of Practice (JACOP) outlines changes to simplify the 16 to 19 funding and allocations system.

Learning Records Service
The Learning Records Service (LRS) supports learners at all levels to access, manage and use their own achievement information as they progress through education, training and lifelong learning.

Local authorities
Local authorities are responsible for meeting the learning needs of all young people up to the age of 18. They develop strategic commissioning plans for their area, working with neighbouring authorities, assessing demand for and required supply of 16 to 18 provision, including the academic route, Diplomas, apprenticeships and the Foundation Learning Tier.

Local Enterprise Partnerships
LEPs are led by local authorities and businesses across natural economic areas. Currently there are 39 agreed partnerships across England and they provide the vision, knowledge and strategic leadership needed to promote sustainable private sector growth and job creation in their area.

National Apprenticeship Service
The National Apprenticeship Service (NAS) focuses on increasing the number of apprentices in England. NAS works with employers to help them introduce apprentices into their businesses, helps those looking to start their careers find an apprenticeship job opportunity, and contributes towards the costs of the training and qualifications within an apprenticeship.

National Careers Service
The National Careers Service (formerly Next Step) provides information, advice and guidance to help make decisions on learning, training and work opportunities. The service offers confidential, helpful and impartial advice, supported by qualified careers advisers.

National Colleges
Five national colleges specialising in industries and sectors that are considered vital to economic growth and productivity: digital skills, high-speed rail, nuclear power, onshore oil and gas, and creative industries.

National Skills Academies
National Skills Academies are employer-led organisations with a leading role in developing the infrastructure needed to deliver specialist skills for key sectors and sub-sectors of the economy.

Personal Learning Records
Personal Learning Records (PLRs) offer access to verified participation and achievement records of individual learners.

Principal Civil Service Pension Scheme
The PCSPS is a voluntary pension scheme, which members can join at any time during their employment within the Civil Service.

Professional and Career Development Loan
The PCDL programme offers financial assistance to improve prospects, and the government pays the interest.

Protective security
Government departments and agencies are responsible for protecting their information, personnel

and physical assets in accordance with protective security policies that Cabinet Office issue.

Provider Financial Management and Assurance team

The PFMA team ensures that colleges and other training organisations use SFA funds for the intended purposes.

Register of Training Organisations

The Register of Training Organisations is a list of organisations eligible for funding from the Chief Executive of the Skills Funding Agency to deliver education and training services in England. gov.uk/government/collections/sfa-register-of-training-organisations

Trailblazers

Groups of employers ('trailblazers') have been leading the way in carrying out changes to apprenticeships. They have been working together to design apprenticeship standards and improve assessment approaches.

Train to Gain

Government-funded initiative to deliver vocational training to employed individuals in the UK, primarily those over 25 years old.

UK Commission for Employment and Skills

The UK Commission for Employment and Skills (UKCES) is a non-departmental public body that provides strategic leadership on skills and employment issues in the four nations of the UK.

Workplace training

Workplace training bridges the skills gap between education and employment.

Young People's Learning Agency

The YPLA funded the FE provision for 16- to 19-year-olds in England, including education delivered by academies, FE colleges and sixth-form colleges. Under the Education Act 2011, the YPLA ceased to exist on 31 March 2012. As a result, the responsibilities of the YPLA have transferred to the EFA.

Corporate member of
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