Education & Skills
Funding Agency

Education and Skills Funding Agency

Annual report and accounts

For the year ended 31 March 2019

An executive agency of the Department for Education

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Ordered by the House of Commons to be printed on 18 July 2019

Presented to the House of Commons pursuant to Section 7 (2) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

HC 2378

This publication is available at www.gov.uk/government/publications
Any enquiries regarding this publication should be sent to us at: www.gov.uk/government/publications
Department for Education, Piccadilly Gate, Store Street, Manchester, M1 2WD.
ISBN 978-1-5286-1528-0
CCS0719608174 07/19
Printed on paper containing 75% recycled fbr e content minimum
Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Offce

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Notes on terminology

ESFA / the agency / we

This refers to the Education and Skills Funding Agency.

The department / DfE

This refers to the Department for Education (DfE), of which the ESFA is an executive agency.

'Financial' versus 'academic' year

ESFA's fnancial year runs fr om 1 April to 31 March. In this report, we distinguish the fnancial year using a dash. For example, we write the fnancial year 1 April 2018 to 31 Mar ch 2019 as 2018-19.

The academic year covers the period 1 September to 31 August for schools and academies, and 1 August to 31 July for all other institutions. We refer to the academic year with an oblique, as 2018/19.

Learners

This refers to the wide range of people covered by our funding, i.e. pupils, students, apprentices and adult learners.

Institute for Apprenticeships and Technical Education (the Institute)

The Institute is a non-departmental public body sponsored by the department. It was created to support the strategic aims of the department and the integrity of the apprenticeships and technical education system.

ESFA is responsible for the development and delivery of apprenticeships and T Levels which is refected in this Annual Report and Accounts. Although linked, the Institute's remit and responsibly for these priorities is different as it oversees the development, approval and publication of apprenticeship standards and assessment plans, as well as the occupational maps for T Levels and apprenticeships. The Institute will produce its own set of Annual Report and Accounts.

Performance report

Performance Report

Forewords

Chief Executive

This year's Annual Report and Accounts sets out the performance of ESFA in its second year of operation. ESFA was formed on 1 April 2017 and since then our focus has been how best to deliver our key areas of business as effciently and effectively as possible. Our second year was one of change and consolidation at a structural and operational level, to make sure we have the right resources, in the right place, to deliver our priorities.

This annual report refects the fundamental role our agency plays in the education and skills landscape. During 2018-19 we saw increases in the number of people using our services, a greater volume of interactions with these users, and an expansion of the scope and reach of our activities. Despite this signifcant challenge, we managed our budget effectively and, where appropriate, made further effciency savings.

Safeguarding proper use of the £57 billion of public funds that we allocate was central to our successful performance. This involved making sure that funding was properly spent, achieved value for money for the taxpayer and met government priorities. We did this by making sure we had the skills, knowledge and expertise needed to work closely with providers to promote good practice in governance, compliance and auditing, and prevent misuse of money.

We continued to work across the agency to identify issues and risks at the earliest opportunity and to prevent them from escalating. This included increasing pre-emptive and preventative action to improve fnancial health and governance.

During the year, policy teams working on apprenticeships, technical education and qualifcations reform transferred to ESFA from the department. This brought policy development and delivery together to ensure end-to-end responsibility of important government priorities that beneft our country and the economy.

In addition, the Capital Directorate, with responsibility for capital funding and building new schools, moved from ESFA into the department. These were signifcant changes to the organisation that have shaped the agency's development and focus through our second year.

Colleagues across the agency responded positively to the organisational and structural changes and rose to the challenge that inevitably came with it. I am personally thankful for their continued dedication and commitment to delivering our key priorities.

Our Management Board was crucial on this journey. I am ever grateful for their challenge and insight which assisted our consolidation and improvement. I extend my thanks to those interim board members who took us through periods of change and to our new board for beginning their terms with such enthusiasm and care.

Taken together this has been an undoubtedly busy and challenging year for the agency, but one where I am confdent that a great deal of progress has been made. I am delighted to be able to share this and look forward to building upon our achievements in the years ahead.

Eileen Milner
Chief Executive

Non-executive board chair

As the new chair of the ESFA board, I am delighted to acknowledge what has been a busy and transformational year. I would like to commend Ian Ferguson and the rest of the interim board for leading the agency from its inception in April 2017, through to the appointment of the full board in September, and for Ian's continued stewardship until the end of January.

The Management Board met three times during the year. These meetings provided scrutiny, challenge, advice and oversight on the effectiveness of the agency. During these meetings, we:

- agreed the strategic aims and business plan objectives of ESFA, ensuring consistency with its overall strategic direction and compliance with the policy and resources framework determined by the Secretary of State for Education;
- oversaw the development and implementation of ESFA's vision, mission and strategic purpose, ensuring alignment with the department's strategy, vision and transformational aims;
- ensured the board reviewed fnancial information about the management of ESFA;
- oversaw the production of ESFA's frst Annual Report and Accounts and Annual Governance Statement, which was published on time and laid in the House of Commons;
- were informed of any concerns about the activities of ESFA in a timely manner, and provided assurance to the department that appropriate action has been taken on any such concerns; and
- demonstrated high standards of corporate governance and used ESFA's Audit and Risk Committee, where appropriate, to address key fnancial and other risks.

Since starting in post, it is clear the agency is central to the country's skills and education agenda. Along with the other board members, I have been keen to understand the challenges the sector faces and impressed with the expertise and dedication of the people in the agency who deliver such crucial programmes and services.

One of our responsibilities is to advise and assure the chief executive on risk management, governance and internal control. Throughout the last year, the Executive Team and the board have strengthened the management and reporting of business performance and risk, and enhanced the counter-fraud and provider assurance activities.

The board conducted a review of its own performance in August 2018, rating the performance as 'satisfactory' to 'good'. We will continue to work with the Executive Team to make more improvements and ensure the right level of challenge to the agency in 2019-20 and beyond.

One of the frst steps the boar d took was to assign members lead areas of responsibility that aligned with ESFA's strategic objectives. This has been an important endeavour: it has enriched the board's collective knowledge of the business and, in turn, enabled a higher level of scrutiny, oversight and infuence on the agency.
Further changes to the landscape in which we operate are expected over the coming year and we cannot be complacent. I have confdence that the governance procedures and practices in place are robust enough to overcome the challenge and change that is yet to come.

Irene Lucas

Chair

Overview

Vision, mission and core principles

Our vision

To support, develop and fund world-class education and skills provision for every learner to reach their potential, regardless of background.

Our mission

To improve education and skills through excellent policy design, operational delivery, expert funding and impactful market oversight.

On behalf of the Secretary of State for Education, we have a responsibility to administer funding to deliver education and skills, from early years through to adulthood.

The providers we fund include:

- maintained schools and early years institutions (through local authorities);
- academy trusts;
- special schools;
- colleges;
- training providers; and
- high needs institutions.

We also work with the Mayoral Combined Authorities: and Greater London Authority on the devolved Adult Education Budget.

We provide assurance that these public funds:
- are spent appropriately;
- are correctly accounted for;
- represent value for money for the taxpayer; and
- are used to deliver the policies and priorities set by the Secretary of State.

Core principles

We have committed to building an agency that structures itself, both strategically and operationally, around our core principles of:

- consistently striving for **excellence** in all we do;
- investing in **expertise** to allow us to develop and deliver high-quality policies, interventions, services and outcomes; and
- always seeking to drive forward **improvement**, whether our own, or that of the providers we work with.

Performance Highlights

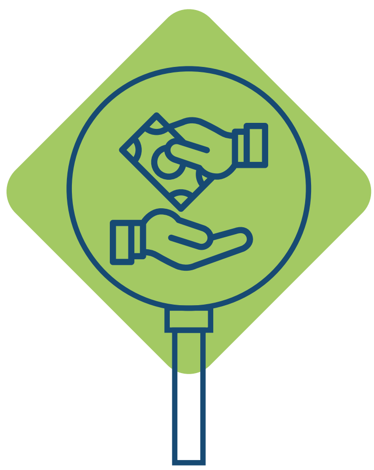
Money spent and agency's key performance outcomes

Allocating **£57 billion** to over 25,000 institutions to support the education of more than 12 million learners.

Completing the final Restructuring Facility and long-term Exceptional Financial Support deals supporting 55 college mergers. The most concentrated period of structural change across the further education sector since 1993.

Reviewing **212 expressions of interest** to deliver T Levels in 2020 and announced the 54 successful T Level providers.

Implementing the **Schools Resource Management Advisers** programme, helping schools direct as much resource as possible to improving educational outcomes.



Challenging the highest highest paid academy executives to ensure their salaries are justifed and represent value for money.

Completing the European Social Fund procurement for the 2019 to 2020 fnancial year. 37 Local Enterprise Partnerships opted to the procurement, with a total commitment of **£360 million**.

Maintaining the National Careers Service (through a major procurement) that delivered inspirational, high quality, impartial careers advice to over 450,000 priority customers.

Winning the **'Digital Public Service Innovation of the Year Award'** which recognised our work in the design of the apprenticeship service.

Producing a single end to end programme with real time feedback for employers to tell us how the apprenticeships system is working for them.

Updating the Register of Apprenticeships Training Providers to drive up quality.

Giving employees the opportunity to make ESFA a great place to work, with staff engagement forum and training networks of volunteers including: Wellbeing champions, Mental health frst aiders, Fair treatment ambassadors.

In April 2018, we set out seven policy and delivery priorities for the agency, including the effective distribution and oversight of £57 billion of public money.[1]

PRIORITY 1 **Empowering our people** by developing and implementing a people plan to ensure that we all have the skills, capabilities, support and confidence to deliver our strategic priorities.	Recruited 254 people, bringing the total number of employees to 1,577[2].	PRIORITY 3 **Funding** by implementing the National Funding Formula and ensuring all our customers receive timely and accurate allocations and payments.	100% of pre-16 and post-16 allocations issued on time.
	71% of our senior managers completed our Future, Engage, Deliver (FED) leadership programme.		Improved systems, such as issuing the frst digital allocation statements for adult education.
	66 apprentices started their apprenticeships, across a range of disciplines to exceed the apprenticeship target of 2.3% across the workforce.		
PRIORITY 2 **Delivering end-to-end** by owning the policy development and delivery for Apprenticeships and T Levels, and providing insight on impact and outcomes.	Brought policy and delivery teams together to ensure employers and apprentices are at the heart of our work.	PRIORITY 4 **Oversight and Improvement** by addressing risks to the sustainability and quality of education and skills provision, with a focus on effective financial management and governance.	Worked with the sector to develop and enhance existing assurance frameworks and strengthen the control environments in which they operate.
	Awarded contracts to develop and deliver the frst ever T Levels.		Introduced a requirement for a 3-year budget forecast return for the whole academy sector to promote good fnancial planning.
	Introduced a feedback service that allows employers registered on the apprenticeship service to leave feedback on their training provider.		Improved the fnancial dashboar ds that we share with college governors, supporting effective fnancial management and governance.

1 https://www.gov.uk/government/publications/esfa-business-plan
2 This includes 4 staff on loan to ESFA and 6 fxed term appointment's.

PRIORITY 5 **Programmes and Services** by designing and adapting our services to refect policy development to meet the growing demand from academies, providers, employers and citizens.	National Careers Service supported customers to develop career skills, using up to date local and national labour market intelligence.
	Re-procured the Student Bursary Support Service to ensure continued value for money for student support funding, young parents receiving Care to Learn and bursaries for vulnerable groups.
	Through research, the National Careers Service identifed six new priority gr oups facing signiciant barriers to work or learning, allowing us to offer more intensive support.
PRIORITY 6 **Being user-centred** by drawing insight from our customers' experience, to create and continuously improve our programmes and services to meet their needs.	Used user feedback to shape delivery improvements, including funding systems.
	Working alongside businesses and the Institute for Apprenticeships and Technical Education to build high quality programmes and capture sector insight.
	Created a division to champion user-centred approach to customer experience.
PRIORITY 7 **Being data-led** by delivering predictive data insight to drive value and innovation and support ourselves and others to make evidence based decisions.	Increased use of in-house analytical tools to support evidence-based decisions and operational tasks.
	Delivered user-centred digital services, including more automation with online collections.
	Built in-house capabilities in data science and data and infrastructure engineering specialisms.

The agency's total outturn was £57.0 billion against a budget of £57.5 billion, a 1% underspend. This included £56.7 billion expenditure on resource funding (2017-18: £55.9 billion) against a budget of £57.4 billion; and £249 million on capital funding, including loans (2017-18: £4.0 billion), against a budget of £184 million.

Performance analysis

Priority 1: Empower our people

...by developing and implementing a people plan to ensure that we all have the skills, capabilities, support and confidence to deliver our strategic priorities.

The agency continues to grow: during 2018-2019 we recruited 254 people, bringing our total number of employees to 1,577 [3]. We developed a People Plan to ensure the workforce has the skills, capabilities and confdence to deliver our strategic priorities. This was launched in September 2018 and set out our offer to staff on career development and skills enhancement to enable us to deliver our business plan. We use the People Survey scores to evaluate the impact of our activity around leadership, career development and wellbeing.

2018-19 measure

We met our target to match or increase our People Survey engagement score.
2018 Survey: 64% (2017: 64%)

Leadership

Underpinning the overall priority to empower our people, we embedded the Future Engage Deliver (FED) leadership programme to help create brilliant leaders who can confdently lead teams to deliver our priorities.

71% of our senior managers have completed FED

Career development

The People Survey helped us identify skills gaps which has shaped our career development approach. The core needs of our business are to develop high skills standards in leadership, customer service, communications and writing skills. In December 2018, we launched a career development gateway. This initiative made learning and development around our core needs more accessible to employees at every stage of their career.

2018-19 measure

We met our target to match or increase our People Survey learning and development score. 2018 Survey: 59% (2017: 59%)

3 This includes 4 staff on loan to ESFA and 6 fxed term appointments.

Workforce

66 We have 66 apprentices across a range of Apprenticeships. ESFA have successfully met the apprenticeship target of **2.3% across the workforce**.

In 2018-19, we established the Workforce Planning Group (WPG) which focused on recruiting staff with the right skills and capabilities to help us deliver ESFA's strategic objectives. WPG helped to:

- increase the number of apprenticeships within the agency across a diverse range of sectors, such as digital, accounting, and leadership and management; and
- ensure the release of staff to volunteer at the Department for Environment, Food and Rural Affairs (Defra) and Her Majesty's Revenue and Customs (HMRC) as part of the EU exit resource campaign.

Mental health and wellbeing

Face-to-Face wellbeing confident leaders training delivered to **112 staff.**

Introduced training in workplace mental health awareness for line managers. We currently have **59 Mental Health First Aiders** (MHFA).

As well as focussing on skills and capabilities, the agency was committed to improving the mental health and wellbeing of our staff by ensuring the right support. We delivered wellbeing confdent leaders training to 112 staff with line management responsibilities and trained 59 mental health frst aiders. We introduced 13 fair treatment ambassadors and took steps to ensure we are an inclusive employer by building a culture where difference is valued and where employees are empowered to bring their whole selves to work.

Priority 2: Deliver end-to-end

...by owning the policy development and delivery for apprenticeships and T Levels and providing insight on impact and outcomes.

Apprenticeships

In September 2018, the apprenticeships leadership and policy functions were brought into the agency to work alongside delivery. By bringing policy and delivery together, we gained a greater understanding of the apprenticeship system, from start to fnish, which helped us to ensure the voice of the employer and apprentice was heard.

We made a number of changes to improve and strengthen the quality of apprenticeships, including:

- making it a legislative requirement for planned 'off-the-job' training hours to be included in the apprenticeship agreement;
- introducing a feedback service that allows employers registered on the apprenticeship service to leave feedback about their apprenticeship training provider; and
- funding Ofsted to carry out monitoring visits on all new apprenticeship providers within 24 months of their funding start date.

We also increased our direct interactions with potential, existing and alumni apprentices through:

- increasing participation in regional and national apprenticeship awards
- recruiting an additional 600 apprenticeship champions
- coordinating 1250 events over National Apprenticeship Week, 400 more than last year and many as direct result of increased activity with schools.

2018-19 measures

Number of advanced level under-19 Science, Maths, Information and Communication Technology, Engineering & Manufacturing Technologies and Construction and the Built Environment (STEM) apprenticeships. 17/18 academic year = 18,240. (16/17 = 18,600)

18,240

T Levels

ESFA are responsible for developing and delivering the government's highest priority post-16 technical education reform programmes, including the new fagship qualifcations 'T Levels'.[4]

> Achieved our 2018-19 milestones:
>
> - Launch Invitation to Tender for 2020 T Levels by September 2018
> - Award contracts to suppliers to develop T level qualifications for 2020 by February 2019

We secured £38 million of capital investment for T Level providers in 2020, those eligible have been invited to bid for funding. We supported teachers to develop their skills and knowledge to deliver T Levels through an £8 million professional development programme and worked closely with suppliers to develop the qualifcations, including designing content based on apprenticeship standards.

> To understand the barriers to delivering industry placements, we have undertaken pilots with over 2,000 students, 1,000 employers and 20 providers, resulting in over 1,100 placements being successfully completed.

Funding will rise by an additional £500 million a year when T Levels are fully rolled out, to refect their mor e stretching requirements. In November 2018, we launched a T Level funding consultation, setting out how we plan to distribute funding to providers. We plan to publish the government's response in June 2019.

We invested £60 million in 2018/19, with a further £74 million to follow in 2019/20, so providers can put dedicated staff and systems in place to deliver placements and build capacity for sustained delivery from 2020. We have worked closely with the frst 50 pr oviders delivering T Levels in 2020 to ensure that they have a bank of employers committed to offering placements.

We continue to develop a roll-out and growth strategy, setting out the expected minimum requirements at certain points to provide us with assurance on our ability to deliver.
From September 2019, we will deliver a communications campaign to promote T Levels, and will continue with a programme of stakeholder engagement to develop understanding about the qualifcations to ensur e support for their smooth delivery.

4 T Levels are two-year courses which have been developed in collaboration with employers and businesses, which will offer students a mixture of classroom learning and 'on-the-job' experience during an industry placement of at least 45 days. These new qualifcations will pr ovide the knowledge, and experience needed to open the door into skilled employment, further study or a higher apprenticeship.

Priority 3: Funding

...by implementing the National Funding Formula and ensuring all our customers receive timely and accurate allocations and payments.

Calculations and allocations

ESFA's role is to calculate allocations accurately through the interrogation of data supplied by academies, local authorities and post-16 providers.

After assurance and contracting processes, payments of **£49.1 billion** were made to academies and local authorities and payments of **£7.38 billion were made to post-16 providers.** [5]

We gave critical information about funding for schools, academies and further education colleges in good time, allowing them to confrm their plans for the new academic year. We also processed 13,780 contracts and variations for post-16 funding in 2018-19.

2018-19 measure	2018-19	2017-18
Percentage of pre-16 allocations issued on time [6]	100%	100%
Percentage of post-16 allocations issued on time	100%	99.9%
Percentage of pre-16 payments authorised on time [7]	99.99% [8]	100%
Percentage of post-16 payments authorised on time	100%	100%
Percentage of pre-16 payments instructed accurately	99.99% [9]	100%
Percentage of post-16 payments instructed accurately	100%	100%

Adult Education Budget

We created combined authority devolved adult education budgets to administer in 2019/20, creating a new funding methodology and making changes to the funding system.

From the adult education budget, we issued:

- 2018/19 funding year allocations for the adult education budget, 16-18 traineeships and advanced learners loans;
- career learning pilot allocations in April 2019; and
- additional community learning allocations to 30 local authorities and apprenticeship carry-in allocations for the 2018/19 funding year in June 2018.

5 Excluding year-end adjustments.

6 An allocation is an amount of funding that we assign to a provider, often calculated based on a number of factors and published on GOV.UK for transparency purposes.

7 A payment is the act of disbursing an allocation to a provider. Payments can be made in a number of instalments, paid to a particular profle to r efect funding need, and adjusted for changes in allocation or r ecoveries. We make education providers aware of the various payment dates through our communication channels.

8 4 late payment authorisations across the fnancial year. Corrective action was taken at the earliest opportunity and system improvements made to ensure the same error does not happen again.

9 0.01% represents 1 payment. Corrective action was taken at the earliest opportunity and system improvements made to ensure the same error does not happen again.

Apprenticeship non-levy

Apprenticeship non-levy allocations commenced during January 2018 and ran until March 2019. In August 2018, we announced we would extend existing contracts for providers delivering apprenticeship training to employers who do not pay the apprenticeship levy. We issued extensions in February 2019, which will run from April 2019 to March 2020.

National Funding Formula

During the transition to the National Funding Formula (NFF), in 2018-19 local authorities provided stability to schools by continuing their responsibility for the local formulae and distributing money between schools in their area. They will continue to determine local formulae in 2019-20 and 2020-2. ESFA distributed allocations to academies under new calculations from September 2018. Academies that converted from April 2018 received payments based on these new calculations from the date of conversion in line with the approach for maintained schools. We will continue to work with local authorities to ensure their funding formulae complies with the School Finance Regulations.

The introduction of the NFF is an historic reform. In 2018-19, for the first time, school funding was distributed where it is needed most based on the individual needs of every school in the country.

The agency considered requests from 38 authorities to move funding from schools to high needs in 2019-20, where the movement was more than 0.5% of the schools block or where the schools forum did not agree the proposal. Of the 38 requests, ministers approved 28 in full and 3 partially.

We conducted consultations and subsequently published guidance for new arrangements, whereby local authorities with a Dedicated Schools Grant (DSG) defcit of gr eater than 1%, must submit a recovery plan.

One Funding Directorate

In 2019-20, pre and post-16 funding teams will come together to form a new funding directorate. This lays the foundation for the agency to align its funding systems, processes and expertise. We expect these changes to deliver signifcant benefts for the education sector.

Priority 4: Oversight and improvement

...by addressing risks to the sustainability and quality of education and skills provision, with a focus on effective financial management and governance.

ESFA's aim is to prevent and address risks to the sustainability and quality of education and skills provision. We focus on:

- effective financial management and governance;
- safeguarding the proper use of public funds through financial assurance; and
- ensuring compliance with funding agreements and relevant statutory legislation.

We endeavour to intervene swiftly and proportionately where necessary by:

- maintaining the accountability framework for academies and colleges;
- analysing and risk assessment of financial data that underpins our assurance work;
- reviewing financial statements, governance returns and financial health assessments;
- undertaking audit visits at providers;
- supporting provider intervention cases;

and

- undertaking provider investigations.

Key improvement activity through 2018-19

Provided more direct support to schools to optimise their use of resources. During 2017/18 we deployed 72 Schools Resource Management Advisers (SRMAs) in a pilot phase. We went out for full tender in August 2018 and 500 deployments are planned for 2018/19.	Emphasised a more rigorous approach to setting and monitoring academy trusts' fnancial plans. This included board engagement on the management accounts and being clear that trusts must respond in an appropriate and timely manner to advice from auditors.	Spent £244 [10] million of restructuring facility funding to support the college sector to restructure.
Launched a new requirement for trusts to report all related party transactions in advance, and to seek approval for those over £20,000.	Introduced a requirement for 3-year budget forecast return for the academy sector and a cash fow model for colleges to encourage institutions to look at fnance over an extended timeframe in more detail.	Improved the fnancial dashboards we share with college governors about the fnancial position of the college, to facilitate a more robust challenge.

Reviewed and published our approach to ESFA oversight of Independent Training Providers. We published 'Support and Intervention' in April 2019, which is operational and intervention guidance, an updated early intervention and prevention strategy and a policy intervention framework for colleges.	Registered every organisation receiving public funds to support the delivery of apprenticeship training and required all providers to deliver apprenticeships within 12 months of acceptance on to the register.	Challenged 213 academy trusts across the country that pay a salary of more than £150,000 and trusts paying two or more staff members over £100,000 to provide clear evidence that senior leaders' pay is proportionate, justifable and clearly documented. Since December 2017, ESFA has engaged with 213 Chairs of academy trusts to discuss pay. Of these, 50 trusts have reduced salaries since submitting their 2015/16 and 2016/17 Accounts Returns.

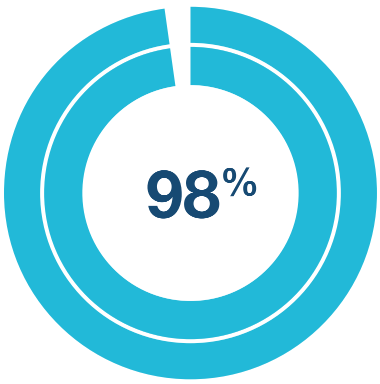
10 Of which £224m was in the form of grants and £20m was loans

Oversight

We worked with the sector to develop and enhance existing assurance frameworks and strengthened the control environments in which they operate. We updated key documents, including the Academies Financial Handbook, Academy and College Accounts Directions, and Audit Codes of Practice. We will continue to work with the audit sector to further strengthen the assurance framework, underpinning the reliance we place upon their work.

Received and analysed 2,977 academy trust fnancial statements out of the 2,986 expected (99.7%)	Received and analysed 265 unqualifed college fnancial statements out of 269 (98.5%)	Received 38 referrals relating to fraud and irregularity and undertook 12 site-visits

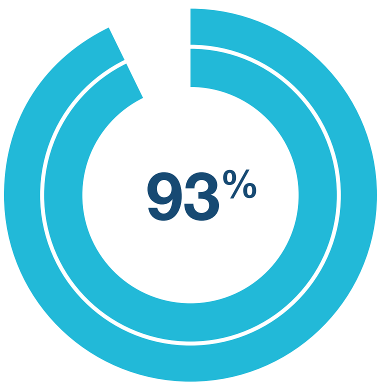
It is important that the funds we provide are used by providers for the purposes intended by parliament. Our diverse range of assurance activities have shown high levels of fnancial compliance across 2016/17 and 2017/18. In addition to this routine audit activity, we use a range of information to understand the fnancial health of the sector.



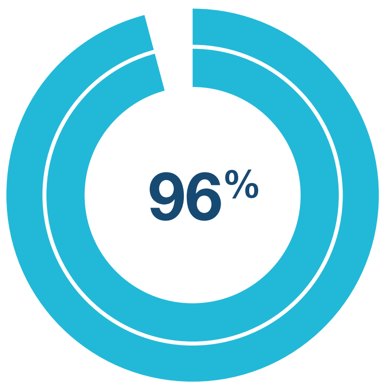
98% of academy trust accounts received unqualifed opinions

100% of college accounts received unqualifed opinions

Auditors concluded that there were no regularity exceptions in accounts for:



93% of trusts



96% of colleges

Priority 5: Programmes and services

...by designing and adapting our services to reflect policy development to meet the growing demand from academies, providers, employers and citizens.

European Social Fund

We offered contract extensions to European Social Fund (ESF) providers to continue delivery up to 31 March 2019 to cover 294 live contracts. Additional ESF funding was secured to support an extension of the programme to 31 July 2021. In August 2018, we launched an open procurement exercise, inviting organisations to submit tenders to deliver a further £308 million of activity across 4 investment priorities and 38 local enterprise partnership areas.

£360 million

We awarded 126 contracts with a total planned expenditure valued at £360m. These activities will operate from 1 April 2019 to 31 July 2021 supporting almost 200,000 individuals.

National Careers Service

The role of the National Careers Service is 'to be the single service that provides careers information and guidance for all citizens'. [11] Moving people into employment, providing better career choices, or guiding them towards learning through upskilling or re-skilling, continued to be an important priority and focus for the service.

We provided high quality, impartial careers information, advice and guidance to help citizens in England aged 13+ gain employment via the largest network of qualifed and accessible careers advisers in the UK. With exceptionally high customer satisfaction levels, the service helped customers to make informed learning and career choices by improving career management skills, providing high quality online support tools and using up to date local and national labour market intelligence to help customers achieve positive outcomes.

2018-19 measure

- Positive customer feedback for National Careers Service = 93% (target: 90%)
- Volume of website users for National Careers Service pages on GOV.UK = 6.7m (target: 7.5m)
- Volume of website visits for National Careers Service pages on GOV.UK = 9.3m (target: 10m)
- Satisfaction levels of website users for National Careers Service pages on GOV.UK = 79% (target: 75%)

11 https://www.gov.uk/government/uploads/system/uploads/attachment_data/fle/664319/Car eers_strategy.pdf

In 2018-19 we:

supported more than **155,000 customers** via our national helpline and local community services

helped 151,400 (39%) out of a total of 400,000 customers to progress in to and in learning and work

launched a further iteration of the service on 1 October 2018, offering a blended service approach to provide a unifed customer experience

The new service transitioned successfully from 12 to 9 geographical areas across England, delivered by 6 prime contractors. Customers accessing the service continued to receive personalised careers information and guidance. Research identifed 6 new priority groups who face signifcant barriers to making progress in work or learning, allowing us to offer more intensive support to them. We introduced a new data sharing service, which streamlines evidence collection used to measure and analyse customer outcomes against targets. This allows the service to ensure a consistent and high-quality customer experience.

Adult Education Budget (devolved element from 2019/20)

Since 2016, the agency has worked collaboratively with the department, Mayoral Combined Authorities (MCAs), the Greater London Authority (GLA) and provider representative bodies to successfully implement the Adult Education Budget (AEB) devolution policy. We have developed a practical, joint approach to operating the frst year of devolution in respect of audit, assurance, fraud and investigation arrangements for providers with whom both our agency and the MCAs/GLA have a funding relationship. This joint approach will offer continuity and help minimise bureaucracy for these providers. We also set out agreed ways of working with MCAs/GLA in a published Memorandum of Understanding. [12]

The agency ensured regular and effective communications with our stakeholders and providers. This included developing the AEB devolution guidance, [13] and delivering a series of sessions on how the agency administers the adult budget education to inform MCA/GLA planning and the development of their supporting systems.

We implemented a technical programme of work to calculate MCA/GLA budgets and implement a new approach to AEB allocations. We invested signifcant r esource in preparing providers for the change in AEB allocations, running two illustrative allocation rounds in June and December 2018 by publishing the data we used to calculate allocations and providing tools and resources to help providers understand how residency funding operates.

The agency issued provider allocations in early March 2019, 3 weeks earlier than in previous years, in a new digital format. We have shared allocations data with MCAs/GLA to inform their planning and commissioning, and will continue to work with them to establish a full picture of provider risks arising from our collective funding decisions.

Student Bursary Support Service

We re-procured the Student Bursary Support Service (SBSS) to ensure value for money for student support funding, young parents receiving Care to Learn and 16-19 bursaries for vulnerable groups. The new contract was awarded in May 2018. The service is in the fnal stage of development and is due to go live in summer 2019. Compared to the previous procurement, the agency estimates the service will save £160,000 per year if the contract runs to its full length of 5 academic years.

WorldSkills UK

In April 2018, ESFA acquired the relationship and grant management of WorldSkills UK. WorldSkills UK manage national and international skills competitions and oversee the country’s largest experiential careers advice event, WorldSkills UK live show.

In 2018, over 3,200 young people registered for skills competitions. WorldSkills UK ran 9 inclusive skills and 6 demonstration competitions to ensure that all young people could take part in a variety of competitive events.

- WorldSkills UK LIVE 2018 participants = 70,005 (target: 70,000)
- Top 10 position at EuroSkills in Budapest = 9th (target: top 10)

12 https://www.gov.uk/government/publications/devolution-of-adult-education-functions-mous
13 https://www.gov.uk/guidance/adult-education-budget-aeb-devolution

Priority 6: Being user-centred

...by drawing insight from our customers' experience, to create and continuously improve our programmes and services to meet their needs.

Customer interaction improvement activity

During 2018-19, ESFA reviewed how we interact with customers across the business and created a customer experience division to implement the fndings. This included implementing a new user-centred approach to customer experience, to free up the time and resource of users that access our services, so they can concentrate on delivering front-line educational services.

The agency has focused on developing and implementing changes to ensure our customers get a great experience, make the most of data and technology and drive effciency.

Our ongoing improvement activity includes:
- designing a digital-frst platform to enable customers to self-serve and access our services more easily;
- centralising existing customer service operational activities into one team to improve governance and control;
- working to understand the impact our cumulative requirements have on particular customer groups, with an aim to rationalise and streamline the asks where possible; and
- replacing our existing contact centre capability as the contract expires in 2020; considering how best to ensure our approach remains user-centred.

We expect this programme of work to improve our key indicators.

2018-19 measures	2018-19 outcome	2018-19 target
Percentage of enquiries resolved within relevant SLA [14]	86% of 63,635 enquiries	85%
Responses to offcial correspondence sent within published timescales [15]	88%	95%
Responses to Freedom of Information requests sent within timescales (20 working days)	84%	90%
Agency complaints resolved within published timescales (15 working days) [16]	67%	95%
New complaint email responses – 3/5 day SLA [17]	77%	N/A

14 Enquiry management is being consolidated into a single directorate. During 2018-19, different categories of enquiry in various directorates were subject to SLAs ranging from 3 to 15 working days. Regardless of the time taken to resolve an enquiry, our primary aim is to provide a frst response (resolution or holding) to email enquiries within 3 working days.

15 For offcial correspondence received directly into the department that is in fact 'general correspondence'. The enquiry is handed over to the appropriate enquiry management team (now within the Customer Experience division) and subject to those SLAs (see note 9 above) which are normally shorter than the Offcial Correspondence deadline. Such correspondence is not included in this statistic. We are working with MPCD to improve response times for other offcial correspondence

16 We follow the department's complaints policy. During the year we have changed our processes and the number of ESFA directorates in scope. The published complaints process states, "We will reply in writing, or by telephone, within 15 working days from when we receive your complaint. If it is not possible for us to fully respond to you within this time, we will let you know and tell you what we are doing to deal with your complaint, when you can expect the full reply and from whom." Complaints that not were resolved within 15 days, were for reasons such as waiting for the complainant to respond to additional questions, or further information coming to light during the investigation. Whilst we endeavour to resolve complaints as quickly as possible, the policy allows complainants to have a right of reply and escalate if they do not feel the complaint was handled appropriately. This inevitably means that resolution times are extended. Whenever it is evident that a complaint cannot be resolved within the timescale, the complainant is contacted within the initial deadline and a new resolution date is agreed.

17 We also changed our complaints SLA for frst response in February 2018, moving from 5 working days to 3 working days.

User-centred approaches through 2018-19

We aim to be user-centred through all strands of our work, from design to implementation. We have included two highlights from 2018-19 below.

Funding system improvements

The Funding Transformation Programme delivered a number of improvements to our services.

The agency has started to develop and implement a new allocation calculation service to improve customer experience. The service will advance further when all allocation calculations are transferred to the service during the next 2 years.

We have used the improved service to successfully calculate and communicate PE and Sport grants totalling £324m to 17,958 providers.

In March 2019, we issued our frst ever digital statements for adult allocations through the online ‘Manage your Education and Skills Funding’ service. Digital statements provide a better user experience and can easily be shaped by provider feedback and to better meet user needs.

We are currently developing a new document exchange to provide a higher quality service for users that is quicker, more stable and user friendly. The customer experience team tested this service in March 2019 and user feedback was positive.

Apprenticeships: end-to-end policy to delivery

The structural changes in ESFA have supported a user-centred approach from policy through to delivery. Throughout the year we engaged with key stakeholders on this commitment. This included:

- engaging with top business groups and individual employers to understand the impact of changes, using this feedback to help improve systems;
- working alongside businesses and the Institute to build high quality apprenticeship programmes and capture sector insight;
- seeking feedback on our priorities from key stakeholders each month; and
- developing a stakeholder management strategy for those stakeholders with the highest impact on the programme.

Priority 7: Be a data-led organisation

...by delivering predictive data insight to drive value and innovation and support ourselves and others to make evidence based decisions.

ESFA has successfully built its in-house capabilities, especially in the data science, data engineering and infrastructure engineering specialisms. As a result, improvements were made to how data fows thr ough systems, in turn allowing people across the agency to access the information they need to do their operation roles earlier and through interactive tools.

2018-19 measure

- Number of analysis dashboards automated: 38 (target: 24)

We continued to deliver better digital services, with users being at the centre of the design. This is particularly true in 'Online Collections', where we have increased the number of automated collections from 4 in 2016-17 to 50 in 2018-19. We have decommissioned 20 data collections as we continue to try to reduce the data burden on providers.

We developed Application Process Interfaces (APIs) which pre-populate forms for users using existing data sources. This makes information collection easier and quicker for our end-users. We will be extending this into more collections next year and are working to identify areas where these can have the biggest impact.

The agency challenged established practices and sought new ways of working such as machine learning. We laid the foundations for the adoption of Robotics Process Automation through a departmental/agency steering group to drive and govern the processes. Achievements so far include Individualised Learner Record (ILR) validation rules chatbot (to support the service desk), an automated pdf reader that reads academy fnancial statements, and a news dashboard which has enabled the supply of analytics for the agency's internal communications team.

2018-19 measure

- % of ILRs made on time: 98.9% average, 98.2% minimum (target: 98% each month)

The agency developed an increased number of self-service analytical tools, including interactive provider maps, quality assurance of funding allocations and key services used to measure accuracy of funding.

The customer experience team built dashboards using Microsoft's Power BI tool which supported colleagues with real time business intelligence and provided early warnings of emerging problems. This included the academies accounts return, budget fnance r eturn and land and buildings collection service.

2018-19 measure

- % accuracy of Academies Budget forecasts – monthly changes averaged at 0.1%, maximum variance at 0.3% (target: monthly changes should be no more than 0.1%)

The increased use of in-house analytics tools enabled effective decision making, infuenced policy making and design, and freed up staff to undertake other analytical and operational tasks.

2018-19 measure

Number of new analysis tools built to either automate or support operational decision making = 26 (target: 24)

Key issues and risks

ESFA operates in a complex environment and its business is subject to a broad range of risks. During 2018-19, we took steps to mitigate and manage those risks and decisive action to manage issues that arose.

Signifcant risks that have been managed during 2018-19 include the following:

Risk	Impact and Mitigation	Direction for year
Provider failure or liquidation, as a result of weak financial management and oversight in the sector.	Provider failure could de-stabilise the sector and negatively affect its reputation. To mitigate, we worked on early identifcation and pr evention of weak fnancial management and oversight.	Increasing
Disrupted educational provision for young people and adults, due to institutional weakness.	Institutional weakness could disrupt provision of high quality education for young people and adults. This was mitigated through judicious use of exceptional fnancial support, facilitated mergers and other structural changes to ensure continuity in provision. We are also strengthening our approach to risk and intervention for colleges and independent training providers to identify weakness earlier and respond quicker.	Static
The first T Level pathways are not delivered in 2020.	This would cause reputational damage by failing to meet a publicly stated commitment and could potentially impact future delivery. We have mitigated this by establishing detailed plans for each stage of the programme, working closely with the Institute as our main delivery partner, to meet our key go / no go point, and by continuing to engage with providers and employers to support delivery. We are working with the Infrastructure Projects Authority to test and assess progress.	Static
Unable to meet increased demand for Apprenticeship funding in future years.	Increased demand for apprenticeship funding in future years has the potential to place pressures on funding provided by the apprenticeship levy. Budget pressures will be explored through the Spending Review process.	Increasing

Risk	Impact and Mitigation	Direction for year
Unable to effectively deliver ESFA activity due to resourcing challenges and expansion of ESFA's remit.	Resourcing and expansion of the ESFA's remit had the potential to impact delivery as there was insuffcient r esources to effectively deliver all of our priorities. To mitigate this, we are reviewing our longer-term operating models to ensure we establish recruitment campaigns to address any skills gaps, particularly around digital skills. We also improved our recruitment processes and continue to focus on building the capacity of current staff.	Static
Unable to meet key objectives if required to divert resources to other departments.	To ensure we are ready to deal with a reduction in workforce, should a no deal EU exit occur and staff are seconded to other government departments, we have established our business priorities and agreed where work could be slowed down or paused.	Static
Unable to deliver core funding allocations due to poor performance of core funding IT systems.	This would mean institutions do not get timely and/or accurate allocations. This would damage effective operation and stability within the sector and the agency's reputation. This has been mitigated by work to develop more robust replacement systems.	Decreasing
Disrupted ESFA services and loss of critical data due to a sustained cyber-attack.	Disruption could mean users are unable to access critical systems, including those needed to obtain information and communicate with the agency. Loss of data could also disrupt effective delivery of services and internal effciency. To mitigate, we carried out robust attack assessments against IT systems through the year to identify cross cutting service and system risks. A programme of work is underway to increase the effectiveness of our 'secure by design' principle, with early engagement in system design and life-development activities to drive improvement in core security capabilities. A vulnerability management system has been established and is running across the estate. While we continue to mitigate this risk, we recognise that the sophistication of assault on system is always increasing and required even more focus on preventative activities.	Static

Complaints to the Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) can investigate complaints against the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf.

In 2018-19, we were made aware of 9 ESFA-related complaints being escalated to the PHSO. Of these, none were accepted for investigation.

Our review of the complaints process means that, in future, all complainants must follow a 2-stage (formerly 3-stage) complaints process before seeking PHSO assistance.

Respect for human rights

Under the Equality Act 2006, the department encourages and supports the development of society in which:

- people's ability to achieve their potential is not limited by prejudice or discrimination;
- there is respect for and protection of an individual's human rights;
- there is respect for the dignity and worth of each individual;
- each individual has an equal opportunity to participate in society; and
- there is mutual respect between groups based on understanding and valuing diversity, and on shared respect for equality and human rights.

Anti-corruption and anti-bribery matters

ESFA adopts the department's policies on anti-corruption, anti-bribery and whistleblowing. We are committed to conducting our affairs in an ethical and honest manner and to implementing systems that ensure bribery is prevented. The agency has zero-tolerance for bribery and corrupt activities and is committed to acting professionally, fairly and with integrity in all business dealings and relationships, wherever in the country we operate.

ESFA will constantly uphold laws relating to anti-bribery and corruption in the jurisdictions in which we operate. We are bound by the laws of the UK, including the Bribery Act 2010.

This year, staff were required to complete mandatory training highlighting their responsibilities in recognising and preventing fraud and bribery. The department also has a Standards of Behaviour policy which sets out its expectations from staff in relation to theft and fraud.

The department regularly reviews whistleblowing arrangements to ensure employees feel able to raise cases and they are handled appropriately. ESFA has a dedicated lead who works with staff and the department.

As an agency within the department, we have adopted their whistleblowing arrangements. The department reviews its procedures to ensure employees feel able to raise cases and they are handled appropriately.

Effectiveness of whistleblowing arrangements

The Department's Leadership Team, of which our Chief Executive is a member, discussed the effectiveness of the whistleblowing arrangements in October 2018's Leadership Team meeting. The outcome of the discussion was that the department and the agency continues to adopt some good practice in whistleblowing and remains committed to supporting whistleblowing.

Evidence of this includes:

- we have implemented the full suite of Whistleblowing policies and procedures introduced by the Cabinet Offce (Civil Service Employee Policy)
- the number of Nominated Offcers to support whistleblowers across the department and agency was increased from two to fve
- an independent, external and confdential whistleblowing helpline continues to operate after being launched in February 2016
- the Whistleblowing Policy was reviewed in December 2018 to support employees, managers and Nominated Offcers to better navigate and implement the policy

We are committed to creating an open culture where employees can raise concerns, complaints and whistleblowing in a number of ways:

- we are adopting a "no wrong door" approach to handling concerns, complaints and whistleblowing, which involves establishing additional points of contact and clear signposting arrangements to ensure employees know how and where access support
- we have taken part in a cross Civil Service campaign to raise awareness of whistleblowing which included news articles and posters
- Nominated Offcers have r eceived training to provide further understanding of the process of whistleblowing under the Civil Service Code and the investigation process.

Sustainability

ESFA adopts the department's policies on sustainability. We aim to manage our business in an environmentally sustainable way and the department's Annual Report and Accounts describes our performance in this.

Forward look

Strategic objectives 2019-20

Published on gov.uk [18]

1. DELIVER VALUE FOR MONEY

Effectively organise, direct and manage the resources at our disposal, maximising value for money for the taxpayer while delivering the policies and priorities set by the Secretary of State.

2. EFFECTIVELY MEET OUR CUSTOMERS' NEEDS

Deliver on our Customer Commitment by valuing and drawing insight from our customers' experience. Create and continuously improve our programmes and services to meet their needs.

3. TIMELY AND ACCURATE FUNDING

Ensure all of our customers receive timely and accurate funding allocations and implement the National Funding Formulae.

4. SUCCESSFUL OVERSIGHT AND IMPROVEMENT

Act on behalf of the Secretary of State to assure the proper use of public funds. Ensure ESFA funded providers are complying with their funding agreements, relevant statutory legislation, and can evidence appropriate and robust governance. Intervene swiftly and proportionately if providers do not meet this standard.

5. SEAMLESSLY DEVELOP AND DELIVER POLICY END-TO-END

Ensure policy development and delivery is fully integrated, whilst adapting to meet the growing demand from providers, employers and citizens. This includes developing and delivering the Government's post-16 technical education reform programmes, as set out as a priority by the Secretary of State.

18 https://www.gov.uk/government/publications/esfa-business-plan

Future developments

In 2019-20, we will continue to respond to key developments in departmental policy, and in the education, training and skills sectors.

The Chancellor wrote to departments on 10 May 2019 asking them to prepare for a multi-year spending review, which was expected to be concluded alongside Autumn budget.

This exercise will set budgets across all spend types and programmes. During 2019-20, ESFA will be supporting the department's preparation for the spending review negotiations and in the second half of the year focusing on implementing the outcomes from the settlement.

Eileen Milner

Chief Executive
4 July 2019

Accountability report

Accountability report

Corporate governance report

The corporate governance report explains ESFA's governance structure. This is compliant, where relevant, with the Cabinet Office's Corporate Governance Code for Central Government Departments. During 2018-19, no departures from the Code have been identifed.

The role of the accounting officer

ESFA's chief executive is the accounting offcer and is responsible for day-to-day operations and management, safeguarding public funds the agency distributes, and ensuring regularity, value for money and feasibility. These duties are set out in HM Treasury's Managing Public Money. The regularity of the agency's expenditure is subject to National Audit Offce (NAO) audit opinion.
The accounting officer's responsibilities to the department also include:

- aligning the ESFA's business plans with the department's wider strategic aims and agreed priorities;
- informing the department of progress and how we are meeting policy objectives, and demonstrating how resources are being used to achieve those objectives; and
- ensuring timely forecasts and information on performance and fnance, including any necessary corrective actions and/or signifcant problems detected by internal audit.

Accounting officer: statement of responsibilities by Eileen Milner, Chief Executive and Accounting Officer of the Education and Skills Funding Agency.

Under Section 7 of the Government Resource and Accounts Act 2000, the department has directed ESFA to prepare a statement of accounts for each fnancial year, 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 in ESFA, its net resource outturn, application of resources, changes in taxpayers' equity and cash fows for the fnancial year.

In preparing the accounts, I am required to comply with the requirements of HM Treasury's Government Financial Reporting Manual, in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures; and
- prepare ESFA's accounts on a going concern basis.

As the accounting officer, I can confirm that I have discharged my responsibilities properly. I can confirm that:

- there is no relevant audit information of which the auditor is unaware;
- I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information; and
- I have taken all the steps that I ought to in order to establish that ESFA's auditor is aware of relevant information.

The Annual Report and Accounts is fair, balanced and understandable, and I take personal responsibility for the judgements required to determine this.

The Principal Accounting Offcer of the Department has appointed me as Accounting Offcer of ESFA. The responsibilities of an Accounting Offcer, including responsibility for the propriety and regularity of the public fnances for which the Accounting Offcer is answerable, for keeping proper records and for safeguarding ESFA's assets, are set out in Managing Public Money published by the HM Treasury.

Board and committee structure

ESFA Directors during 2018-19

Eileen Milner
Chief Executive and Accounting Offcer

Mike Pettifer
Director of Academies and Maintained Schools

Matthew Atkinson
Director of Provider Market Oversight

Jennifer Coupland
Director of Professional and Technical Education

Béatrice Lightfoot
Acting Director for Customer Experience, Digital and Data

Peter Mucklow
Director of Further Education

Kirsty Evans
Associate Director of Adult Education / Deputy Director of Funding Policy Implementation (until 30 September 2018)

Sarah Whitehead
Acting Director of ESFA Finance (from 3 December 2018)

Sue Husband
Director of Employer and Employee Engagement

Keith Smith
Director of Apprenticeships

Management Board members
Biographies in Annex 1

Irene Lucas CBE
Chair: Management Board (from 1 February 2019)

Hunada Nouss
Chair: Audit and Risk Committee (from 1 February 2019)

Non-executive member – Management Board (from 1 September 2018)

John Lakin
Non-executive member: Audit and Risk Committee (from 25 June 2018)

Stuart McMinnies
Non-executive member: Management Board (from 1 September 2018)

Non-executive member: Audit and Risk Committee (from 1 September 2018)

Martin Spencer
Non-executive member: Management Board (from 1 September 2018)

Ian Ferguson CBE
Interim Chair: Management Board (until 31 January 2019)

Mark Sanders OBE
Chair: Audit and Risk Committee (until 31 January 2019)

Non-executive member: Management Board (Until 31 January 2019)

Ian Hickman
Non-executive member: Audit and Risk Committee (from 1 April 2018)
Interim non-executive member: Management Board (until 31 August 2018)

Karen Dukes
Interim non-executive member: Management Board (until 31 August 2018)

Interim non-executive member: Audit and Risk Committee (until 31 August 2018)

Nigel Johnson
Non-executive member: Audit and Risk Committee (from 1 April 2018)
Interim non-executive member: Management Board (until 31 August 2018)

Statement of the accounting officer's responsibilities

Governance statement

The purpose of the governance statement

This statement explains how I, as chief executive and accounting offcer of ESFA, have put robust corporate governance arrangements in place and reviewed the effectiveness of these in complying with the Cabinet Offce's Corporate Governance Code for Central Government Departments.

Scope of responsibility

As accounting offcer, I have responsibility for maintaining a sound system of governance, internal control and risk management, to support the achievement of our objectives while safeguarding public funds and assets.

The scale and complexity of the agency's work means that total elimination of risk is unlikely to be achieved. Therefore, we have designed a system of governance, internal control and risk management that can manage risk to a reasonable level rather than eliminate it completely. As defned in the agency's risk appetite statement, ESFA has a cautious approach to risk and a system of internal control based on a framework designed to:

- identify and prioritise risks to the achievement of our objectives;
- evaluate the likelihood and the impact of these risks being realised; and
- take reasonable steps to manage risk effciently and effectively.

I am satisfed that effective internal control of risk has been in place from 1 April 2018 and up to 31 March 2019.

Governance framework

We have planned for good corporate governance, and I have executed my responsibilities to the department in accordance with the agreed framework document[18], which details the parameters under which the department and the agency will work together. This framework will be reviewed in 2019, with amendments agreed by all parties.

We maintain fnancial information on the delivery of all programmes corporately and, where appropriate, at programme level.

Summary of board attendance and appointments is contained in Annex 2.

18 https://www.gov.uk/government/publications/esfa-framework-document

Non-executive boards and committees

	Management Board
Chair	Ian Ferguson (interim) until 31 January 2019 Irene Lucas CBE from 1 February 2019
Frequency	Quarterly
Purpose	The board provides strategic direction, support and guidance, to ensure the delivery of the Business Plan objectives, organisational effectiveness, and alignment with the department's mission, strategy and purpose. The board advises the chief executive on arrangements that provide assurance on risk management, governance and internal control. It advises how to improve the performance of the agency and supports the chief executive discharge obligations set out in 'Managing Public Money' for the proper conduct of business and maintenance of ethical standards. Summaries of meetings are published on GOV.UK.

The chair and non-executive members completed an annual declaration of interests to disclose any potential or actual confcts of inter est and at the start of each meeting, members declared confcts of interest related to the agenda. No confcts of interests were identifed at any meeting during 2018-19. The Register of Board interests has been published separately.

Statement from the chair

"The information the board received for meetings was of good quality and ft for purpose. Improvements were made to performance and risk reports and director updates.

Communications were enhanced by the addition of weekly updates to the board from the chief executive, strengthening the line of sight of items of importance and interest to the board.

The board reviewed the minutes of the Audit and Risk Committee after each of their meetings and concluded that they were operating satisfactorily.

A formal review of the effectiveness of the Audit and Risk Committee took place in late 2018. The chair accepted and is implementing suggestions for improvement."

	Audit and Risk Committee
Chair	Mark Sanders until 31 January 2019 Hunada Nouss from 1 February 2019
Frequency	Quarterly, additional meetings for key business
Purpose	The Audit and Risk Committee (ARC) was established by the Management Board to support them in their responsibilities for issues of risk, control and governance. The ARC ensured assurances met their and the accounting offcer's needs and reviewed the reliability and integrity of these assurances.

ARC members completed an annual declaration of interests form in December 2018 and were asked to declare any confcts of inter est related to the agenda at each meeting. No potential confcts of interest were raised during 2018-19.

Statement from the chair, Hunada Nouss

"I became the ARC Chair in February 2019 and chaired my first meeting in March 2019. As a recently appointed Chair, this statement builds on advice from the former (Interim) Chair, Mark Sanders, and fellow ARC members.

As chair of the ARC, I can confirm the members and I carried out our role in providing independent scrutiny of the internal control and risk management processes of ESFA during 2018-19. We received the full support of the chief executive and officials in the agency, its internal and external auditors (Government Internal Audit Agency (GIAA), National Audit Office (NAO)), and the department.

ARC met five times in 2018-19. The chief executive attended all these meetings. During the year, two members left the committee and three new members joined, with the former and new members overlapping at the September and December meetings.

Each ARC member was linked to a different area of ESFA's agenda to enhance understanding of the organisation, taking into account their experience and knowledge. ARC will review membership alignment as the agency changes to maintain oversight of priorities as needed.

During the year, ARC reviewed regular and ad hoc reports provided on main issues affecting the agency and provided challenge and advice where required.

ARC agreed the work plan of the GIAA and oversaw progress of their work during the year. This included a discussion of all internal audit reports scored "Limited assurance" and below, as well as monitoring progress on resolution of outstanding actions.

The committee received regular reports from the NAO on the planning for and progress of the annual financial audit. The NAO kept the committee informed on progress of value for money.

ARC oversaw the expansion of the Provider Market Oversight team, whose role is to provide assurance around the proper use of funds provided by ESFA. The committee received and provided challenge to the strategy and the annual assurance plan.

Each quarter, ARC reviewed escalated risks and contributed to a review of the ESFA risk management process and framework.
In response to concerns expressed in the 2017-18 Annual Report and Accounts regarding IT system issues, ARC held a review to confirm sufficient mitigations were in place for core systems risks.

We conducted a risk review into apprenticeships following the publication of NAO's Value for Money report and provided advice to the agency ahead of the Public Accounts Committee. We also held several other deep-dive reviews across the year, including a review into the resilience of the further education sector.

ARC completed its annual self-review in December 2018 and, while satisfied overall with the performance of the committee, agreed on a number of improvements to meeting arrangements. These included a member's forum to discuss and reflect without officials present.

The committee met three times with both internal and external audit without officials present. Overall, based on its work throughout the year, ARC can provide assurance to the chief executive and the Management Board that ESFA's arrangements for risk management, control, governance is adequate and effective.

As a committee, we support the annual governance statement made by the chief executive included in this Annual Report and Accounts."

Executive committees and corporate boards

	Executive Team
Chair	Eileen Milner, Chief Executive
Frequency	Twice monthly
Purpose	The Executive Team assist the chief executive, as the accounting offcer, to discharge her duties and ensure the effcient and effective management of the agency. The Executive Team is responsible for implementing the strategies agreed by the Management Board and for overseeing operational delivery, performance and risk against the agency's business plan. This is a forum in which to hold each other and their programmes to account, along with carrying out forward-looking strategic thinking.
Members	Chief executive and ESFA directors

	Performance and Risk Committee
Chair	Rolling chair between directors
Frequency	Monthly, established December 2018
Purpose	The Performance and Risk Committee (PaRC) is focused on providing collective and corporate operational leadership of the agency by: • reviewing performance and risk management by providing directors with a dedicated forum that ensures there is consistency, clear accountability, and management and mitigation of risks that may jeopardise the achievement of our objectives; • monitoring operational performance against the agreed business plan objectives via key performance indicators, agreeing actions to improve delivery and performance as appropriate; and • agreeing risks and performance issues to escalate to the chief executive, Audit and Risk Committee, Management Board and department, to provide assurance risks are being managed effectively and to enable scrutiny and challenge of actions and mitigations at the highest level.
Members	ESFA directors

People Board	
Chair	Sue Husband, Director
Frequency	Monthly
Purpose	The People Board oversees the direction and focus of the People Plan. The People Board provides direction and challenge to ensure the key People Plan milestones are delivered, including the recruitment and retention of talent across the agency, and by promoting zero tolerance on bullying, harassment, discrimination and misconduct.
Members	Deputy director representation from each directorate. Membership also includes people team members and relevant work leads appointed by the chair.

Security and Business Continuity Board	
Chair	Béatrice Lightfoot [20], acting director and senior information risk owner for the agency
Frequency	Quarterly
Purpose	The Security and Business Continuity Board's (SBCB) purpose is to provide leadership and assurance related to business continuity and protective security (including physical, system, cyber and information security). SBCB mitigates security and business continuity risks and issues and enables a clear link of sign between ESFA and the department on these issues.
Members	Representation from each directorate including the department's chief information security offcer and information asset owners.

Digital, Data and Technology Operations Board	
Chair	Béatrice Lightfoot [21], acting director and senior information risk owner for the agency
Frequency	Monthly
Purpose	The Digital, Data and Technology Operations Board's (DDaT) purpose is to have oversight of digital portfolio of services, projects, resource usage and capability. This includes challenging and streamlining governance and accountability for project and service delivery, developing the direction of DDaT services required by ESFA and approving investments in digital and technology within annual budget constraints.
Members	ESFA service owners and SROs who deliver business critical digital, data and technology programmes and services, as well as representation from relevant teams within the department.

20 From April 2019, David Craig was appointed as acting Director for Customer Experience, Digital and Data and became Chair of SBCB

21 From April 2019, Kate Josephs was appointed as Director of Funding and became chair of DDaT

	Risk, Intervention and Assurance Board
Chair	Matthew Atkinson, Director
Frequency	Monthly
Purpose	The Risk, Intervention and Assurance Board's (RIAB) remit is to oversee and challenge the agency's management of risk, intervention and assurance towards learning and training providers, and to promote improvements in the agency's approach. RIAB reports to our executive team and Audit and Risk Committee.
Members	Provider Market Oversight director and deputy directors, ESFA directors, data science, Government Internal Audit Agency.

	Workforce Planning Group
Chair	Sue Husband, Director
Frequency	Fortnightly
Purpose	The Workforce Planning Group (WPG) was established by the people and executive teams during 2018-19. It is focused on ensuring that we are actively recruiting staff with the right skills and capabilities to deliver the strategic objectives of the agency and the wider department. WPG's purpose is to prioritise existing resources and future recruitment, and ensure effciencies ar e gained through organisational change.
Members	Chief executive, directors, HR business partners and people team representatives.

Other non-financial information

Auditor remuneration for non-audit work

The Comptroller and Auditor General, appointed by statute, audited these accounts. The certifcate and report appear in the Parliamentary and Audit Report section of this Annual Report and Accounts (ARA). The notional audit fee incurred for the year was £330,000 (2017-18: £330,000) and relates to the statutory audit of the ESFA's accounts.

Research and development activities

There has been no expenditure on research and development in the current or prior fnancial years.

Public sector information

ESFA is a holder of public information. We do not charge for any data we provide.

Financial instruments and financial risk management

The most signifcant cr edit risk to the agency arises from non-payment of debts. This is usually due commercial and charitable providers becoming insolvent and unable to provide learning. The position for the fnancial year is shown in the notes to the accounts in this document.

Political donations

We did not make any political donations during 2018-19 (2017-18: £nil).

Important events after 31 March 2019

On 1 April 2019, the agency's new Funding Directorate was launched. This directorate brings together funding allocations activity across the agency including: school and academy funding, high needs funding, student support funding and post-16 funding. This will provide benefts to our internal and external customers and offer maximum value for money for the taxpayer.

Risk management framework

Chief executive's assessment

Risk

ESFA has a clear framework and statement of appetite that defne the agency's approach to risk. The framework aligns with the department's framework and risk management guidance used across government.

A review of the agency's risk management framework and appetite statement is taking place from April to June 2019.

Directors are responsible for the overall success of their programmes and projects and must manage their programmes' risk. Directors manage risks by promoting and supporting risk management within their projects, programmes and directorates.

During 2018-19, responsibility for managing the agency's key risks was transferred from the executive team to the monthly PaRC so that risk was afforded additional due consideration. This strengthened and improved the consistency of our risk management.

The ARC were sighted on signifcant risks and issues pertinent to the agency to ensure they were able to challenge and support their management. Where risks were deemed to have wider departmental impact, these were escalated. The key risks identifed in 2018-19 ar e in the *'key issues and risks'* section of this report.

Chief executive's assurance statement

I, with the support of the Board, have ensured that there are robust governance, risk management and internal control arrangements across the whole agency.

During the year I have required every senior civil servant (SCS) working within the ESFA to complete an Assurance Framework Record (AFR). These detailed their compliance with the department's assurance framework and set out the arrangements for risk, control systems and use of resources, along with issues which might prevent suffcient, continuous and reliable assurance of improved, cost effective, public services. During 2018-19 these AFRs were reviewed to evaluate the effectiveness of management and controls within each senior civil servant's areas of responsibility.

In 2018-19, we produced an annual report which detailed the results of our provider assurance work. At the start of the year, a plan of work was agreed by the ARC which encompassed a wide range of planned and responsive work. The ARC and I received regular reports during the year that detailed progress made and emerging issues which needed to be addressed. The overall opinion of this process is that we have substantial assurance over the funds paid to providers.
In combination, the AFR process and the provider assurance oversight have given me assurance that ESFA has managed its agenda well and will continue to do so whilst continuing to deliver effciencies.

Internal audit

Internal audit and assurance services are provided to us by the Government Internal Audit Agency (GIAA). The GIAA's Head of Internal Audit for ESFA has provided me with his annual report, which incorporates his opinion of our system of governance, risk management and internal control. His opinion has been informed by the internal audit work completed during the year, in line with the internal audit plan agreed by myself, the executive team and ARC.

Of the 4 possible opinion ratings, the rating given by GIAA for 2018-19 was Moderate. A Moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the governance, risk management and control frameworks. The opinion direction is made on the basis of the work and assurance provided during 2018-19, meetings with senior management, and the provision of advisory work.

I have accepted this assessment, and ESFA offcials have implemented, or ar e working to implement, the suggested improvements from GIAA's fndings.

Out of a total of 22 reports in 2018-19, GIAA issued none with assurance rated as Limited. A Limited rating states that there are signifcant weaknesses in the framework of governance, risk management and control, such that it could be or become inadequate and ineffective. Fourteen reviews resulted in a Moderate opinion, fve wer e Substantial and three were advisory, therefore no opinion was given.

My executive team and I accepted the conclusions and recommendations of the assurance reports. The actions arising are either in progress, or complete.

There were four Limited opinions in the internal audit plan within the wider department. These are:
- contingent workers
- information governance
- IT disaster recovery
- GDPR

External assurance: National Audit Office, Public Accounts Committee and Education Select Committee

Academy accounts and performance

In January 2019, the Public Accounts Committee (PAC) published its academies accounts and performance report [22], which examined the second Academies Sector Annual Report and Accounts (SARA) for 2016 to 2017 [23] as well as wider issues around academy trust oversight.

The report made a number of recommendations directed at ESFA. These focused on:
- making fnancial information available to schools and being transparent about governance and decision-making at all levels of the trust;
- publishing inquiries about fnancial and/or governance issues in academy trusts within two months of completion; and
- writing to the committee specifcally about the Bright Tribe Trust investigations.

The report also made recommendations for the department, and for Ofsted.

The government responded to the report and recommendations in the formal Treasury Minute [24], published in April 2019. A letter from the department's permanent secretary to the PAC in March 2019 provided further details of ESFA's response to the report's recommendations.

22 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1597/159702.htm

23 https://www.gov.uk/government/collections/academies-sector-annual-reports-and-accounts

24 https://www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2017-19/Treasury%20MInutes%20Government_Response_Web.pdf

We remain committed to transparency in our approach to oversight of academy trusts. As such, we agreed with all of the report's recommendations that were directly relevant to the agency.

Converting schools to academies

In July 2018, the PAC published its converting schools to academies report [25], which examined: whether conversions to academy schools deliver the right results for students and taxpayers; how the department is addressing regional differences in approach; and what the department will do to ensure further conversions are better rolled-out to underperforming schools.

One of the report's recommendations was that ESFA and the regional schools' commissioners (RSCs) should set out how they will work together more effectively.

The government responded to the report and recommendations in the formal Treasury Minute [26], which was published in October 2018.

The response agreed with the report's recommendation and set out how the agency and RSC teams should work together, as well as providing details of work underway to improve information sharing, and to overhaul current data systems and processes through the academies and free schools systems integration project.

Apprenticeships programme value for money review

The NAO published its report into the apprenticeships programme [27] on 6 March 2019. The NAO acknowledged the reforms to the apprenticeships programme since they last reported on the topic in 2016, shifting the focus towards apprenticeship quality and meeting employers' needs. They recognised that the programme now has a better, more holistic approach to beneft assessment. However, the report concluded that the department 'has some way to go before it can demonstrate that the apprenticeships programme is achieving value for money'.

The PAC hearing [28] related to this report took place on 25 March 2019. The PAC concluded its previous inquiry into apprenticeships in November 2016, making six recommendations, which the government accepted in full [29]. The government's response, in the form of a Treasury Minute [30], was published in February 2017. The government has now fully implemented the Committee's recommendations. The fnal Treasury Minute [31] progress report was published in March 2019. This set out that all apprenticeship starts will be on new high quality standards by 2020/21.

Education Select Committee interest

The Education Select Committee maintained its interest in the apprenticeship programme in 2017-18, having undertaken a number of inquiries that touched on apprenticeships, including:

The apprenticeships ladder of opportunity

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25 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/697/69702.htm

26 https://www.parliament.uk/documents/commons-committees/public-accounts/Treasury-Minutes-Oct-2018-Cm9702.pdf#page=36

27 https://www.nao.org.uk/report/the-apprenticeships-programme/

28 http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/the-apprenticeships-programme-progress-review/oral/98754.html

29 Https://publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/709/709.pdf

30 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/fle/589619/58427 _ Cm_9413_Treasury_Minute_Web_Accessible.pdf

31 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attach

The committee published its report 'Apprenticeships ladder of opportunity: quality not quantity' in September 2018 following its inquiry into the quality of apprenticeships and skills training. The committee found enthusiasm for the opportunities apprenticeships can offer and were in no doubt that apprenticeships work, but concluded that more needed be done to ensure all apprentices, particularly the young and disadvantaged, receive the quality of training they deserve.

The government welcomed the committee's report and published its response[32] in December 2018. ESFA is now responsible for end to end delivery of apprenticeships and is continuing its work to improve quality so that everyone can achieve their full potential.

Value for money in higher education

The committee published its 'Value for money in higher education' report in November 2018. It recommended that degree apprenticeships should be made a strategic priority and that the agency should work more closely with the higher education sector.

The government published its response[33] in January 2019. The government highlighted the agency's good work with the higher education sector as well as actions taken to widen participation in degree apprenticeships.

Nursing degree apprenticeships: in poor health

The committee published its 'Nursing degree apprenticeships; in poor health?' report in November 2018. It concluded that there were too many barriers to accessing nursing degree apprenticeships and that more needed to be done for the NHS to play its part in achieving the public sector target.

The government published its response[34] in February 2019. This set out the targeted work that the agency and the NHS Apprenticeship Oversight Group are doing to support employers in the NHS embed a culture of apprenticeships.

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32 https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/1814/1814.pdf

33 https://www.parliament.uk/documents/commons-committees/Education/Correspondence/Government-response-to-seventh-report-value-for-money-in-higher-education-cp1.pdf

34 https://publications.parliament.uk/pa/cm201719/cmselect/cmeduc/2007/2007.pdf

Counter fraud and investigations

The nature of fraud is constantly changing presenting fresh challenges we need to anticipate, intercept and prevent.

> Between March 2018 and July 2018, the Cabinet Office's assessment rating of our compliance with the cross-government counter fraud functional standards increased by 36% to 89%. This put us in the top tier compared to other agencies.

We are committed to continuously improving our counter fraud arrangements, including the establishment of the Counter Fraud Operations Board.

In-year activity is confrmed below, including comparison with prior year fgur es. The increase in the number of allegations of fraud is indicative of growth in the number of providers and allegations remain low relative to the size of the sector. The signifcant gr owth in concerns relating to other delivery providers (charitable, commercial and private) is refective of the number of new entrants to the Register of Apprenticeship Training Providers.

ESFA has a zero tolerance of fraud and takes appropriate action to ensure responsible individuals are held to account when it is identifed. Swift action is taken to r espond to investigation outcomes to protect and recover funds where appropriate and implement any recommendations to prevent further issues arising.

The number of cases carried forward refects the complex nature and longevity of investigation casework. We are investing in counter fraud and investigations functions to respond to increasing demand, whilst continuing to monitor trends and risks to mitigate and prevent future issues arising.

Investigations: academy trusts

During 2018-19, we continued six ongoing cases and undertook the following new activity in year:

Academy casework	2018-19	2017-18
Allegations	45	34
Failed triage / closed	36 [35]	36
Carried forward	15	6

Advice only	2018-19	2017-18
Advice	92	75

Type of visit	2018-19	2017-18
Fact fnding	6 [36]	5 [37]
Financial management and governance review (FMG)	4	8
Formal investigation	2	4

Case outcomes	2018-19	2017-18
Ongoing	14 (9 nearing report completion)	6
Closed	19	11

Outcomes:	2018-19	2017-18
Irregularity identifed	1	4
No fraud / irregularity	18	7
Fraud	-	-

35 14 allegations deemed business as usual and referred for territorial teams to progress 22 cases closed.
36 2 fact-fnding visits escalated into investigations and 1 fact-fnding visit escalated into FMG.
37 3 fact-fnding visits escalated into investigations.

2018-19 Financial values: confirmed fraud, irregularity & theft cases		
	Value of fraud/Irregularity	Value of Recoveries
Loss ESFA	£nil	£nil

In accordance with the Academies Financial Handbook's requirements to report instances of fraud exceeding £5,000 either individually or cumulatively in any academy fnancial year, we received a total of 62 (2017-18: 40[38]) self-reported cases, of which the following were categorised as fraud or theft:

Self reported	2018-19	2017-18
Fraud	45	19 [39]
Theft	12	17 [40]

2018-19 Financial values: confirmed cases of fraud, irregularity & theft		
	Value of fraud/Irregularity	Value of Recoveries
Self reported: loss to trust	£1,621,532 (£694,573 -2017/18) [41]	£1,071,379 (£494,948 – 2017/18) [42]

Investigations: colleges, charitable and commercial providers, and private providers

During 2018-19, we continued 14 ongoing cases and undertook the following new activity in year:

Colleges, charitable and commercial providers, and private providers casework	2018-19	2017-18
Allegations	101	55
Failed vetting / closed	62	39
Carried forward	53 [43]	14

38 39 reported by 31 March 2018 – one referral relating to 2017/18 received at a later date
39 18 reported 31 March 2018 as all case outcomes not determined
40 16 reported 31 March 2018 as all case outcomes not determined
41 Figures subject to change in-year as amounts updated
42 Figures subject to change in-year as amounts updated
43 Due to the complexity and timing of cases, maturing of the ITP sector and time taken to recruit new staff, the number of cases carried forward has increased vs prior year. As the new recruits and processes come on-stream, we expect to work through these cases.

Investigation type	2018/19	2017/18
Internal assurance	12	7
External assurance	3	4
Responsive audit	1	2
Other action	1	2

Case outcomes	2018/19	2017/18
Closed	13	22
Error	5	9
Irregularity	5	4
Fraud	-	-
No issues identifed	3	9

Financial values: confirmed error / irregularity	Value of error / irregularity	Value of recoveries
Funds at risk	£2,773,208 [44] (£3,101,050 in 2017/18)	£4,614,155 [45] (£905,000 in 2017/18)

44 In-year amount. £4,767,805 outstanding from prior years.
45 Recovery in-year includes outstanding recoveries for prior years

Financial management

As accounting offcer, I had responsibility for ensuring that effective systems to manage and monitor all funds for which the agency has responsibility were in place. I am content that processes, controls, risk management and fraud prevention strategies delivered good fnancial management, propriety, regularity and value for money during 2018-19.

> I consider that ESFA's financial management was sound throughout the process of managing a £57.3 billion budget, including allocating over £56 billion of revenue and (where appropriate) capital funding.

The department implemented clear lines of accountability for administration, programmes and capital expenditure. Each member of my executive team received a delegation of fnancial authority from me in accordance with their respective responsibilities. Financial guidance and policies clearly explained these lines of accountability. This enabled budget holders to ensure payments were regular and proper, and to follow a clear process for seeking agreement for needs-based payments outside of ordinary business. I am satisfed that spend managers have received suffcient information and r esources to make affordable spending decisions that secured value for money.

Our fnancial management team pr ovided fnancial reporting monthly to the executive team and quarterly to the Management Board. This covered a range of information and analysis including the spend to date, full year and future year forecasts. The team also provided a monthly expenditure return to budget holders in the department and completed monthly consolidation, to ensure the agency's business was transparent and reported in line with requirements.

We managed variances in close cooperation with the department, allowing maximum fexibility in the department's management of public funds.

During the year, we continued to strengthen our systems of accountability and control in performance and risk management. Our Audit and Risk Committee and Management Board were provided with risk and performance reports respectively on a quarterly basis, to give assurance that we had identifed and addr essed risks that had the potential to adversely impact the delivery of our key objectives.

Personal data incidents

All departments are required to report personal data related incidents that have occurred during the fnancial year, in accordance with the standard disclosure format issued by the Cabinet Offce.

A 'personal data related incident' is defned as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which the organisation holds whose release or loss could cause harm or distress to individuals, including as a minimum:

- information
- that links one or more identifable living person with information about them whose release would put them at signifcant risk of harm or distress; and
- any source of information about 1,000 or more identifable individuals, other than information sourced from the public domain.

We had one protected personal data related incident that was judged signifcant enough to be formally reported to the Information Commissioner's Offce in 2018-19. The agency had no protected personal data related incidents reported in 2018-19 which did not fall within the criteria for reporting to the Information Commissioner's Offce, but which wer e signifcant enough to be recorded centrally at department level. Smaller, localised incidents are not included.

Shared services

The department provides ESFA with a number of shared services, which deliver many of the agency's business systems to protect business continuity. This includes digital and technology, security, fnance, legal and HR services.

A Memorandum of Understanding (MOU) between the department's Technology Directorate and the agency was developed and implemented in 2018-19. We agreed the updated MOU covering 2019-20 to expand into fnance services provided by the department.

The section on Key Issues and Risks in the performance report sets out key risks and challenges related to core funding IT systems.

Conclusion

ESFA's governance arrangements have continued to evolve during the year and will continue to do so in 2019-20. The scale of our remit means that there will always be multiple risks to manage, but I am satisfed that the gover nance arrangements in place are suffcient to manage them ef fectively.
I conclude that the agency has a sound system of governance, risk management and internal controls that supports the organisation's aims and objectives for 2018-19.

Annex 1:

Board biographies

Irene Lucas CBE joined the Department for Education as a non-executive board member in November 2018. She was appointed as Chair of the agency's Management Board, taking up position from 1 February 2019.

Irene has a range of experience and is the chair of the Hays Travel group, a board member of Sport England and the Academy for Sustainable Communities and was Director General at the Department of Communities and Local Government. She received a CBE for services to local government in 2008.

Hunada Nouss was appointed to the Management Board and Audit and Risk Committee of the agency in September 2018 and became chair of the agency's Audit and Risk Committee from 1 February 2019.

With a broad base of experience across sectors, she works on organisational performance and change. She is currently a council member of City, University of London and chairs their Audit and Risk committee. She has a seat on the board of the Met Offce and chairs its Audit and Risk Assurance Committee.

Until recently she was Chief Operating Offcer for the Childr en's Investment Fund Foundation, an independent philanthropic organisation. Prior to this, she worked for 6 years in Whitehall, as Director General of Finance, latterly for the Department for Work and Pensions.

John Lakin was appointed as a member of the agency's Audit and Risk Committee in June 2018 and has a background in education management and consulting. He previously worked at PricewaterhouseCoopers (PwC) LLP for 23 years, where he was responsible for education and children's services and public policy, research and economics. Prior to this he was a local authority education offcer and an auditor in inner London for eight years.

Since leaving PwC in 2011, he has pursued a portfolio of non-executive positions and independent consulting. He was Chair of the Performance Committee and Vice Chair of the Audit and Risk Assurance Committee at the Children and Family Court Advisory Support Service from 2012 to 2018 and was appointed as a member of the School Teacher's Review Body in 2017.

Martin Spencer was appointed to the agency's board in September 2018. He is also senior vice president at NTT DATA, a Tokyo based professional services business; and is specifcally accountable for NTT DATA's public services business including public policy, strategy, programme delivery and risk and compliance.

He has a background in business consulting and delivery of large infrastructure programmes, having previously worked for Capgemini, KPMG and BAE Systems Detica in global and European leadership roles.

Stuart McMinnies was appointed to the agency's management board in September 2018. He is also a member of the agency's Audit and Risk Committee.

After training as a chartered accountant with KPMG, he has spent the bulk of his career in the private equity industry. He is currently a managing partner at Duke Street LLP, and in that role also sits on the board of Ardent Hire Solutions and Voyage Care. He has been a non-executive director of companies headquartered in the UK, continental Europe and Asia, including Foster + Partners, ABX Logistics and Asia Capital Reinsurance.

He is also a trustee of the UK's leading substance misuse charity, Change Grow Live (CGL) and chairs CGL's Audit and Finance Committee.

Ian Ferguson CBE is a non-executive board member of the Department for Education and chair of the department's Audit and Risk Committee. He was appointed to the department's board in January 2016 and as a non-executive member of the Education Funding Agency (EFA) Advisory Group in July 2012.

Subsequently, Ian was a member of the joint EFA and Skills Funding Agency (SFA) Advisory Group from January 2017 until April 2017, when the two agencies merged to become the ESFA. Ian chaired the ESFA Management Board on an interim basis until the end of January 2019.

Ian is Chairman of Trustees of Metaswitch Networks Ltd, a computer communications and telephony technology company he founded in 1981, after a career with Unilever and IBM. He received a CBE for services to education and training in 2005.

Mark Sanders OBE has an extensive background in public service, with 10 years as Chief Executive of Bury Council. He was a member of the department's Audit and Risk Committee until January 2019 and a board member for fnance of the Norther n Education Trust. Until recently, Mark was the board chairman of a large private health provider company. He also sits on the Lancashire Fusiliers Museum Board. He was awarded an OBE for his service to local government in 2011.

Ian Hickman was appointed as a member of the SFA and EFA Audit and Risk Committees in August 2016.

He spent 15 years of his career at the Audit Commission, including three as associate controller. He has 10 years' previous experience at chief offcer level in education and cultural services departments, working for London boroughs, district and unitary authorities.

He was the chief operating offcer at the Norther n Education Trust, a multi-academy trust of 20 schools, for 3 years until September 2017. He has a career portfolio working in public sector leadership development, and education support service improvement, specialising in fnance and gover nance.

Karen Dukes has spent over 28 years advising corporates, not for proft businesses and charities. For the last 15 years, she has focused on assisting businesses to restructure their operations, improve their cash forecasting, and cut costs whilst maintaining a focus on quality. She is experienced in strategic management, risk management and fnancial for ecasting, review and challenge. She retired from a full-time role as a partner at PwC in June 2018.

She is a trustee and chair of the Audit and Risk Committee at The CareTech Foundation and a trustee of the William Robinson Gravetye Trust.

Nigel Johnson was appointed as a member of the SFA Audit and Risk Committee in September 2014. He is also a member of the department's Audit and Risk Committee.

Prior to his retirement, he was employed most recently at Deloitte, the international professional services frm, holding various senior partner r oles, including staff partner, partner in charge of quality, and lead public sector partner. He was a member of the frm's public sector executive team, representing the audit function and a member of Deloitte's Public Sector Council which oversaw the relationship between the frm and key gover nment and public sector stakeholders, including politicians, government departments and regulators.

Annex 2: Summary of board attendance 2018-19

46 Management board member	Role	Meetings attended (out of a possible)
Ian Ferguson	Chair (until 31 January 2019)	3/3
Irene Lucas	Chair (from 1 February 2019)	1/1
Mark Sanders	Member (until 31 January 2019)	2/3
Hunada Nouss	Member (from 1 September 2018)	2/2
Stuart McMinnies	Member (from 1 September 2018)	2/2
Martin Spencer	Member (from 1 September 2018)	2/2
Ian Hickman	Interim member (until 31 August 2018)	1/1
Nigel Johnson	Interim member (until 31 August 2018)	1/1
Karen Dukes	Interim member (until 31 August 2018)	0/1

47 Audit and Risk Committee member	Role	Meetings attended (out of a possible)
Mark Sanders	Chair (until 31 January 2019)	4/4
Hunada Nouss	As Chair (from 1 February 2019)	1/1
	As Member (from 1 September 2018)	2/2
Ian Hickman	Member	5/5
Nigel Johnson	Member	4/5
John Lakin	Member (from 25 June 2018)	4/4
Stuart McMinnies	Member (from 1 September 2018)	3/3
Karen Dukes	Interim member (until 31 August 2018)	1/2

46 The non-executive membership included 3 interim members (until 31 August 2018), and 1 permanent member whose term ended on 31 January 2019. Therefore the interim chair served 3 meetings compared to interim board members who attended up to 2. Following a public appointments process, 3 new permanent members were appointed from 1 September 2018.

47 Non-executive membership was formed of 2 members and one interim member (until 31 August 2018) in addition to the Chair whose term came to an end on 31 January 2019. Following a public appointments process, 1 new permanent member was appointed on 25 July 2018, and a further 2 permanent members were appointed from 1 September 2019, one of whom would become chair of ARC from 1 February 2019 when the current incumbent's term ended. The NAO and the GIAA also attend ARC along with executives.

Financial commentary

The agency's total outturn was £57.0 billion against a budget of £57.5 billion, a 1% underspend. This included £56.7 billion expenditure on resource funding (£55.9 billion 2018) against a budget of £57.4 billion; and £249 million on capital funding, including loans (£4.0 billion 2018), against a budget of £184 million.

The underspend of £661 million (1%) on resource grants included:

- £489 million underspend on apprenticeships. This is only the second year since the introduction of the new funding mechanism and there has been a lower level of starts than originally anticipated. The budget itself was set in 2015 and given the scale of the change to the programme, variances to the budget were expected; and
- £56 million underspend on adult related education and a £47 million underspend on post-16 core funding education, which are demand led programmes.

The overspend of £65 million (35%) on capital funding included:

- Recoverable long-term fnancial support funding to academies has historically been accounted and budgeted for in resource expenditure. Upon review by the fnancial accounting team, this is now accounted for as loans and therefore has a capital impact. This resulted in £60 million additional costs on capital budgets in 2018-19 as outstanding prior year loans have also been recorded on the balance sheet. Identifying budget cover for this impact was discussed and agreed in advance with the department but as the fnal budget transfer window had passed, the budget has remained in DfE.

Within the losses statement we reported claims waived or abandoned of £63 million for this year, the majority of which related to waiving Exceptional Financial Support loans as part of the college restructuring programme. During 2018-19, we have worked across the sector to implement recommendations from the area reviews of post-16 colleges. As part of restructuring colleges, the affordability of repaying Exceptional Financial Support loans [or conditional grants] is considered alongside the requirement for restructuring funding. In some cases, ministers in the department and HM Treasury agreed to waive the repayment of the Exceptional Financial Support loans [and conditional grants].

The agency is consolidated into the department and further information on the fnancial outcomes are given in the fnancial overview section of the department's Annual Report and Accounts. As such, only a high level analysis is provided here.

All investment cases prepared by the agency are subject to rigorous governance and assurance. ESFA undertakes a detailed investment appraisal of all cases, including an options appraisal to ensure decisions take account of the best use of taxpayers' money. Experts on the Funding Committee and External Advisory Panel review the cases and, once agreed, seek approval from the Chief Executive, ministers and the Chief Secretary to the Treasury.

Statement of comprehensive net expenditure

The total comprehensive net expenditure reported for the year was £57.0 billion.

The operating income totalled £198 million, relating to income from the European Commission to fund various skills programmes.

Resource grants account for the majority of our expenditure, totalling £56.7 billion. The biggest element of this is National Funding Formula grants to maintained schools and academies.

Capital grants total £249 million, including loans, primarily relating to non-repayable Restructuring Facility grants to colleges.

Statement of financial position

The net book value of non-current assets at 31 March 2019 was £163.4 million, a decrease in assets of £760.6 million. Key movements were:

- Decrease in assets under construction and land and buildings of £778.5 million, arising from the transfer of function to core DfE

- Increase in loan balances of £27.5 million, new loans issued in year relate to loans to colleges and academies.

Current assets include:

- The proportion of academy and college loans due to be repaid in the following year; and
- Receivables including accrued income for the European Social Fund
- Cash at bank including £475m received from the European Social Fund, this will be returned to HM Treasury.

Current and non-current liabilities include payables and accruals made during the normal course of business.

No pension liability is recognised as the agency operates an unfunded multi-employer defned beneft pension pr ovided by the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS).

Statement of changes in taxpayers' equity

ESFA is funded by the department and records this as draw down of supply. This year saw comprehensive expenditure less than the draw down of supply, leading the agency to have a surplus in reserves at year-end.

Long-term expenditure trends

In November 2015, the department agreed a settlement with HM Treasury for the next 4 fnancial years, as part of the 2015 spending review [48]. Following this settlement, the single departmental plan [49] was published which is revised annually. The fgur es for the agency are included within the departmental spending plans.

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48 https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents

49 https://www.gov.uk/government/publications/department-for-education-single-departmental-plan/may-2018-department-for-education-single-departmental-plan

Remuneration and staff report

Overview

The remuneration and staff report sets out the agency's remuneration policy for directors and reports on how that policy has been implemented. It sets out the amounts awarded to directors and where relevant, the link between performance and remuneration.

In addition, the report provides details on remuneration and staff that parliament and other users see as key to accountability.

Remuneration Part A: Unaudited

Chief executive and Executive Team members' remuneration policy

The chief executive and all Executive Team members are senior civil servants whose pay is decided by the Senior Civil Servant Pay Committee, chaired by the Permanent Secretary, and comprising of members of the department's Leadership Team and a departmental non-executive board member. The Senior Civil Servant Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body.

As staff employed by an executive agency of the department, the Executive Team's performance management and contractual terms are as described in the department's Annual Report and Accounts. As such, the department manages performance management and non-consolidated performance award for members of the senior Civil Service within the framework set by the Cabinet Offce. The contractual terms of Executive Team members also comply with requirements set centrally by the Cabinet Offce. Mor e on the Cabinet Offce's framework and standards can be found on the Civil Service website. [50]

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the offcials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Readers can fnd further information about the work of the Civil Service Commission on its website. [51]

50 Cabinet Offce Framework - https://www.gov.uk/government/organisations/civil-service
51 Civil Service Commission - http://www.civilservicecommission.org.uk/

Part B: Audited

Remuneration (including salary) and pension entitlements

Official	Salary		Bonus payments		Pensions benefits		Total	
	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000	2018-19 £000	2017-18 £000
Eileen Milner Chief Executive (from 20 November 2017)	140-145	45-50 (140-145)	0-5	-	56	19	200-205	65-70
Peter Mucklow Director of Intervention and Young Peoples Funding Group (from 1 April 2017)	95-100	90-95	10-15	5-10	10	-	115-120	100-105
Mike Pettifer Acting Director of Academies and Maintained Schools Group (from 1 April 2017)	115-120	100-105	10-15	-	42	30	170-175	130-135
Sue Husband Director of National Apprenticeship Service (from 1 April 2017)	105-110	105-110	0-5	-	42	42	150-155	145-150
Keith Smith Director of Funding and Programmes (from 1 April 2017)	110-115	110-115	10-15	5-10	34	26	160-165	145-150
Kirsty Evans Associate Director of Adult Education (left 30 September 2018)	40-45 (90-95)	95-100	-	5-10	17	61	60-65	165-170
Julian Wood Acting Director of Capital Group (left 7 September 2018)	35-40 (90-95)	90-95	-	5-10	14	39	50-55	130-135
Béatrice Lightfoot Acting Director of Central Services and Transformation Group (from 20 April 2017)	90-95	80-85	-	5-10	35	32	125-130	120-125
Matthew Atkinson Director of Transactions Unit (from 1 May 2017)	130-135	120-125 (130-135)	10-15	-	52	47	195-200	165-170
Jennifer Coupland Director of Professional and Technical Education (from 1 September 2018)	55-60 (90-95)	-	10-15	-	22	-	95-100	-
Sarah Whitehead Acting Director of ESFA Finance (from 3 December 2018)	30-35 (90-95)	-	-	-	12	-	45-50	-

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private offce allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the agency and thus recorded in these accounts.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits pr ovided by the agency and treated by HM Revenue and Customs as taxable emolument. No Board members or Leadership Team members received benefits-in-kind in either 2018-19 or 2017-18.

Bonuses

The department awards bonuses as part of the performance management process. The agency sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high quality public services. The agency follows the arrangements for the senior civil servants as set out in the Performance Management Arrangements for the Senior Civil Service [52], and the department's performance management framework for managing and rewarding performance throughout the year.

From 2018-19 all performance awards are awarded in the current year, in 2017-18 performance awards changed from being wholly retrospective to being awarded in year therefore disclosed awards covered both 2016-17 and 2017-18.

From 2018-19 all performance awards are awarded in the current year, in 2017-18 performance awards changed from being wholly retrospective to being awarded in year therefore disclosed awards covered both 2016-17 and 2017-18.

Non Executive Director Fees

The following Non-Executive Directors received a fee for their work.

	Dates in Office	**£000**
Mark Sanders OBE	1 April 2018 to 31 January 2019	10-15
Hunada Nouss	1 September 2018 to 31 March 2019	5-10
Martin Spencer	1 September 2018 to 31 March 2019	5-10
Stuart McMinnies	1 September 2018 to 31 March 2019	5-10
Ian Hickman	1 April 2018 to 31 March 2019	0-5
Nigel Johnson	1 April 2018 to 31 March 2019	0-5
Karen Dukes	1 April 2018 to 31 August 2018	0-5
John Lakin	26 July 2018 to 31 March 2019	0-5

52 https://www.gov.uk/government/publications/senior-civil-service-performance-management

Pay multiples

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

	2018-19	2017-18
Band of highest paid director's remuneration (£000)	145-150	160-165
Median (£000)	37	40
Range (£000)	19-148	19-164
Remuneration ratio	4.0	4.0

The banded remuneration of the highest paid director in 2018-19 was £145,000-£150,000. This was 4.0 times the median of the workforce which was £36,538. The banded remuneration of the highest paid director in 2017-18 relates to Mike Green who has now moved to the Department.

In 2018-19 no employees received remuneration in excess of the highest paid director.

Remuneration ranged from £19,000 to £148,000. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

Civil Service pensions

As an executive agency of the department, ESFA staff are members of the principal Civil Service pension scheme that provides pension benefits. The department's Annual Report and Accounts provides information on these arrangements, so we do not reproduce them here. Readers can fnd details on the scheme at the Civil Service Pensions' website[53].

	Accrued pension and related lump sum at pension age as at 31 March 2019	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	Nearest £100
Eileen Milner Chief Executive (from 20 November 2017)	0-5	2.5-5	61	34	-
Peter Mucklow (from 1 April 2017)	35-40 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0-2.5	864	10	-
Mike Pettifer (from 1 April 2017)	30-35	0-2.5	524	24	-
Sue Husband (from 1 April 2017)	10-15	0-2.5	142	20	-
Keith Smith (from 1 April 2017)	40-45 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0	655	13	-
Kirsty Evans (left 30 September 2018)	20-25 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0	333	7	-
Julian Wood (left 7 September 2018)	20-25	0-2.5	272	5	-
Béatrice Lightfoot (from 20 April 2017)	15-20	0-2.5	233	17	-
Matthew Atkinson (from 1 May 2017)	5-10	2.5-5	62	22	-
Jennifer Coupland (from 1 September 2018)	25-30 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0-2.5	423	11	-
Sarah Whitehead (from 3 December 2018)	10-15	0-2.5	83	3	-

53 http://www.civilservicepensionscheme.org.uk/

Principal Civil Service Pension Scheme (PCSPS)

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 PCSPS. The PCSPS has 4 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.

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 (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 2 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).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 3 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.

Partnership pension

The partnership pension account is a stakeholder pension arrangement. The agency makes a basic employer contribution of between 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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 fgur e quoted is the combined value of their benefts in the 2 schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the Civil Service Pensions' website. [54]

Cash Equivalent Transfer Values

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 cash equivalent transfer value 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 fgur es 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.
The fgur es include the value of any pension beneft in another scheme or arrangement which the member has transferred to the principal Civil Service pension scheme. They also include any additional pension beneft accrued to the member as a result of their buying additional pension benefts at their own cost. Cash equivalent transfer values 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 benefts r esulting from lifetime allowance tax which may be due when pension benefts ar e taken.

Real increase in CETV

This refects the incr ease in cash equivalent transfer value that is funded by the employer. It does not include the increase in accrued pension due to infation, contributions paid by the employee (including the value of any benefts transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

The agency paid no compensation for loss of offce in 2018-19 (2017-18: £nil).

54 https://www.civilservicepensionscheme.org.uk/

Staff report Part A: Audited

Staff costs

	Permanently employed staff	Others	2018-19 Total	2017-18 Total
	£000	£000	£000	£000
Wages and salaries	70,861	295	71,156	61,367
Social security costs	6,396	-	6,396	7,555
Pension costs	12,278	-	12,278	14,011
	89,535	**295**	**89,830**	**82,933**
Less recoveries in respect of outward secondments	(69)	-	(69)	(58)
Transfer to programme	(23,755)	-	(23,755)	(8,030)
	65,711	**295**	**66,006**	**74,845**

The ESFA pays a fat fee for agency staf f which includes social security, holiday pay, pension costs etc. This note discloses the total sum as wages and salaries.

Average number of persons employed

The average number of the whole time equivalent persons employed during the year is as follows:

	Permanently employed staff	Others	2018-19 Total	2017-18 Total
	Number	Number	Number	Number
Directly employed	1,491	361	1,852	1,765
Other	-	-	-	-
	1,491	**361**	**1,852**	**1,765**

Pension schemes

The ESFA operates 2 pension schemes for its employees: Principal Civil Service Pension Scheme (PCSPS) and partnership pension accounts.

Principal Civil Service Pension Scheme

The PCSPS and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defned beneft schemes, but the department is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Offce.

For 2018-19, employers' contributions of £12.1 million (2017-18 £13.9 million) were payable to the PCSPS and CSOPS at one of 4 rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands.

The schemes' actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefts accruing during 2018-19 to be paid when the member retires and not the benefts paid during this period to existing pensioners.

No individuals (2017-18: none) retired early on ill health grounds, the total additional accrued pension liabilities in the year amounted to £nil (2017-18: £nil).

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £141,000 (2017-18 £164,000) were paid to one or more of the panel of 3 appointed stakeholder pension providers.

Employer contributions are age-related and range from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £9,000 (2017-18 £5,000) 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and CSOPS to cover the cost of the future provision of lump sum benefts on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £10,000 (2017-18: £16,000). Contributions prepaid at that date were £nil (2017-18: £nil).

No persons (2017-18: no persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2017-18: £nil).

Staff by grade and gender

The headcount for permanent staff as at 31 March 2019 is as follows:

Grade	2018-19			2017-18		
	Male	Female	Total	Male	Female	Total
CEO	-	1	1	-	1	1
Director	4	2	6	6	1	7
Deputy Director	14	23	37	13	22	35
Grade 6	69	69	138	171	108	279
Grade 7	157	185	342	180	194	374
Senior Executive Offcer	188	232	420	164	178	342
Higher Executive Offcer	159	246	405	137	209	346
Executive Offcer	69	113	182	91	116	207
Executive Assistant	15	21	36	19	28	47
	675	**892**	**1,567**	**781**	**857**	**1,638**

Reporting of Civil Service and other compensation schemes

In 2018-19 there were nil (2017-18 nil) early exit costs.

Part B: Unaudited

Analysis of staff policies and statistics

Our people

Our primary engagement with employees centres around the agency's ambitions People Plan, which we outlined in the performance report and committee structure.

Recruitment practice

The agency has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. The agency's approach to recruitment refects its commitment to equal and fair opportunity for all. All recruitment processes comply with the Equality Act 2010.

Sickness absence

	2018-19	2017-18
Total days lost	5,427	4,937
Sickness absence days per FTE	3.8	3.3

The fgures disclosed above compare well with the latest published fgures across the Civil Service for 2017-18 of 5.9 working days lost per FTE. [55]

Commitment to improving diversity

The agency adopts the department's diversity and inclusion strategy, launched in January 2018. It sets out action that the department will take in 5 areas – leadership; recruitment and attraction; talent and progression; collection, sharing and use of data; and inclusive culture and behaviours.

The strategy is underpinned by 4 key principles:
- everyone has a role to play in creating an inclusive culture and making the department a truly great place to work;
- we are all able to 'be ourselves' at work to be different from each other in many ways and feel supported, empowered, valued, respected and fairly treated;
- all of us are able to build successful careers and achieve our potential; and
- we put openness, honesty, challenge and innovation at the core of what we do.

The agency makes use of the department's active diversity networks, including a BAME network, a LGBT+ network, a disability group and a neurodivergence network. It also takes advantage of the mental health frst aiders providing frst line support.

Unconscious bias training is mandatory for all staff, whilst other diversity and inclusion training includes leading inclusive teams workshops and disability confdent line manager focus groups.

Addressing under-representation

The department's diversity and inclusion strategy includes specifc targets which have been agreed by Cabinet Offce. The agency is working to support representation of BAME and disabled staff at all levels.

Staff policies for disabled persons

The department gained Disability Confdent Leader level 3 status in 2017, which extends to the agency. This means that it is seen as a champion for disability confdence, with a role in supporting other employers to become disability confdent.

The agency operates a policy which allows disabled staff to take disability leave rather than

54 https://www.gov.uk/government/publications/civil-service-sickness-absence

sickness absence when they need to attend appointments or have treatment related to their disability. It also in its recruitment policies guarantees an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

People management

Our staff are predominantly civil servants. We will use contractors where necessary to bring in specialist skills or to support specifc pr ojects. Our civil servants are employed by the department on its terms and conditions. Responsibility has been delegated to me, as Chief Executive, for the recruitment of staff within the parameters provided by the department's policies and procedures.

The department's diversity delivery plan covers the ESFA. This plan sets out the department's objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The department's policies include explicitly the employment of disabled people, women, lesbian, gay, bisexual and transgender people and black and minority ethnic staff.

Consultancy and temporary staff

We engage contractors who are employed on short-term contracts. The cost of these contractors in 2018-19 was £0.8 million (2017-18 £18.4 million) which included specialist capital contractors and other contractors engaged on capital activity where the responsibility has now moved to the Department as part of the transfer of function). There has been the move particularly in IT expenditure to move to managed service contracts where we contract with frms to deliver services rather than engage with individuals. It is the responsibility of the hiring managers to ensure that all contractors comply with their tax obligations. The framework contracts for contingent workers placed by the ESFA, or drawn upon as part of the department, include provision for workers supplied by these companies to meet their obligations.

Review of tax arrangements of public sector appointees

As part of the Review of Tax Arrangements of Public Sector Employees published by the Chief Secretary to the Treasury on 23 March 2012, departments were directed to publish information pertaining to the number of off-payroll engagements, at a cost of over £58,200, that were in place on, or after, 31 January 2012 and any off-payroll engagements of board members, and/or senior offcials with signifcant fnancial responsibility between 1 April 2018 and 31 March 2019. The tables below set out this information.

For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than 6 months

	2018-19	2017-18
Number of existing engagements as at 31 March:	27	54
Of which		
less than one year at time of reporting	2	2
between one and two years at time of reporting	10	9
between two and three years at time of reporting	1	11
between three and four years at time of reporting	7	8
four or more years at time of reporting	7	24

All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax, and where necessary, that assurance has been sought.

All new off-payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than 6 months

	2018-19	2017-18
No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	-	2
Of which:		
No. assessed as caught by IR35	-	-
No. assessed as not caught by IR35	-	2
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	-	-
No. of engagements reassessed for consistency / assurance purposes during the year	-	-
No. of engagements that saw a change to IR35 status following the consistency review	-	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	2018-19	2017-18
No. of off-payroll engagements of board members, and/or, senior offcials with signifcant fnancial r esponsibility, during the fnancial year	-	-
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior offcials with signifcant fnancial r esponsibility", during the fnancial year. This fgur e should include both on payroll and off-payroll engagements	20	11

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations. The Departmental Annual Report and Accounts reports on this information for both the department and executive agencies.

Parliamentary accountability and audit report

Overview

This report includes details of the agency's losses and special payments.

Parliamentary accountability disclosures

Public sector losses and special payments: audited

A1 Losses statement

Value	2018-19 £000	2017-18 £000
Cash losses	162	-
Bookkeeping losses	-	4
Fruitless payments	198	2,582
Claims waived or abandoned	62,162	64,727
	62,522	67,313
Number of cases		
Cash losses	2	-
Bookkeeping losses	-	1
Fruitless payments	116	83
Claims waived or abandoned	27	26
	145	110

A fruitless payment is a payment which cannot be legally avoided because the recipient is entitled to it even though nothing of use to the ESFA will be received in return, including staff travel purchased but unable to be used.

A1.1 Claims waived or abandoned over £300,000

	Value of claims £000
FE sector loans	
Redcar and Cleveland College	3,251
North Shropshire College	6,079
Accrington and Rossendale College	3,475
Cornwall College	6,934
Prospect College and Advanced Technology	1,762
Lambeth College	10,610
Bradford College	9,274
Kirklees College	2,800
Stoke-on-Trent College	4,475
Stockport College	8,350
Coulsdon College	850
	57,860
Overpaid grant recoveries	
Future Tech Studio School	317
Bolton Wanders Free School	353
Robert Owen Academy Trust	662
	1,332
Re-brokerage debt forgiveness	
Heathrow Aviation Engineering UTC	543
UTC Plymouth	451
Rye Academy	889
	1,883

Details of cases over £300,000

FE sector loans

The Group provides exceptional fnancial support and restructuring facility support to colleges when funding is urgently required to meet college liabilities in order to protect education and training provision for learners. The policy intent was to provide funding as a loan wherever possible. Where a loan repayment schedule cannot be agreed immediately, funding is provided as conditional grant with one of the conditions being that it will be converted to a loan subject to the Group's determination. In very exceptional circumstances a non-repayable grant may have been provided. The affordability of repaying exceptional fnancial support loans or conditional grants has been considered alongside the requirement for restructuring funding, and in some cases Ministers in the Department and HMT have agreed to waive the repayment of the exceptional fnancial support in cases wher e it is necessary to implement a long term solution which puts the college on a sound fnancial footing. The list above is of colleges where a repayment over £300,000 has been waived.

Unrecoverable grant over-payments

In certain circumstances over-payments of grants can occur when grant payment profles for educational bodies are based on expected learner numbers which are not supported by actual numbers. One example relates to academies which are funded based on expected pupil numbers that are not matched by actual numbers sourced from the October pupil census. The Group seeks to recover the over-funding across the rest of the funding year.

However, in a limited number of occasions the Group may decide to waive its claim to recover the over-payment to support its wider policy aim to supporting education. One example is to facilitate the re-brokerage of an academy to a better performing multi-academy trust to strengthen the educational outcomes of the pupils.

Re-brokerage debt forgiveness

Balances owed by academies may in some circumstances be waived to facilitate the re-brokerage of the academy to a more sustainable academy trust.

A2 Special payments

Number of cases	2018-19	2017-18
Total number of cases	7	6
Values	£000	£000
Total value of cases	506	2,762

A3 Gifts and hospitality statement

Number of cases	2018-19	2017-18
Total number of cases	24	3
Values	£000	£000
Gifts, Prizes or Hospitality Given	1	15,479

Gifts and hospitality over £300,000

There were no gifts or hospitality over £300,000.

A4 Remote contingent liabilities

This part of the report is subject to audit.

In addition to contingent liabilities reported within the meaning of IAS 37, the agency also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

	At start of year £000	Transferred to the core Department £000	Increase in year £000	Liabilities crystallised in year £000	Obligation expired in year £000	As at 31 March 2019 £000	Sum notified to Parliament by departmental minute £000
In respect of lease arrangement with Church Commissioners for England	5,000	5,000	-	-	-	-	-
Tenant default agreements	2,901	2,901	-	-	-	-	-
In respect of lease arrangement with Tottenham Hotspur Property Company	12,500	12,500	-	-	-	-	-
In respect of commercial lease of Free Schools Norwich	110	110	-	-	-	-	-
Rent deposit deed for Turing House School	470	470	-	-	-	-	-
Conditions of grant aid conditions on a children's centre and playground	359	-	-	-	359	-	-
In respect of the Central Ipswich Free School project	250	250	-	-	-	-	-
In respect of the REAch2 Colchester project	1,100	1,100	-	-	-	-	-
	22,690	22,331	0	0	359	0	0

Eileen Milner
Chief Executive and Accounting Offcer

4 July 2019

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

Opinion on financial statements

I certify that I have audited the fnancial statements of the Education and Skills Funding Agency for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The fnancial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the signifcant accounting policies. These fnancial statements have been pr epared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the fnancial statements give a true and fair view of the state of the Education and Skills Funding Agency's affairs as at 31 March 2019 and of the net operating cost for the year then ended; and
- the fnancial statements have been pr operly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the fnancial statements have been applied to the purposes intended by Parliament and the fnancial transactions recorded in the fnancial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the fnancial statements section of my certifcate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Education and Skills Funding Agency in accordance with the ethical requirements that are relevant to my audit and the fnancial statements in the UK. My staff and I have fulflled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is suffcient and appr opriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast signifcant doubt on the Education and Skills Funding Agency's ability to continue as a going concern for a period of at least twelve months from the date of approval of the fnancial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the fnancial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Offcer's Responsibilities, the Chief Executive as Accounting Offcer is responsible for the preparation of the fnancial statements and for being satisfed that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the fnancial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the fnancial statements suffcient to give reasonable assurance that the fnancial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to infuence the economic decisions of users taken on the basis of these fnancial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the fnancial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is suffcient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Education and Skills Funding Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the fnancial statements, including the disclosures, and whether the consolidated fnancial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and signifcant audit fndings, including any signifcant defciencies in internal control that I identify during my audit.

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

Other Information

The Chief Executive as Accounting Offcer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the fnancial statements and my auditor's report thereon. My opinion on the fnancial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the fnancial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the fnancial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:
- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identifed any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the fnancial year for which the fnancial statements ar e prepared is consistent with the fnancial statements and have been prepared in accordance with the applicable legal requirements.

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 fnancial statements and the parts of the Accountability Report 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 refect compliance with HM Treasury's guidance.

Report

I have no observations to make on these fnancial statements.

Gareth Davies 16 July 2019

Comptroller and Auditor General
National Audit Offce
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Financial statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Other operating income	3	(198,263)	(255,748)
Total operating income		**(198,263)**	**(255,748)**
Staff costs		66,006	74,845
Resource grants	4.1	56,720,548	55,908,646
Capital grants	4.2	119,013	3,999,147
Operating expenditure	5.1	67,967	69,114
Depreciation, impairments & other non-cash charges	5.2	22,004	18,675
Total operating expenditure		**56,995,538**	**60,070,427**
Net operating expenditure		**56,797,275**	**59,814,679**
Finance income		(1,094)	(941)
Finance expense	6	8	48,894
Other (gains)/losses	7	46,145	-
Net expenditure for the year		**56,842,334**	**59,862,632**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs			
Net (gain)/loss on:			
transfer of function - EFA	2.2	-	604,610
transfer of function - SFA	2.2	-	(220,652)
transfer of function - DfE	2.1	160,542	-
Total other comprehensive expenditure		**160,542**	**383,958**
Comprehensive net expenditure for the year		**57,002,876**	**60,246,590**

All income and expenditure reported in the Statement of Comprehensive Net Expenditure are derived from continuing operations.
The notes on pages 102 to 138 form part of these accounts.

Statement of Financial Position

as at 31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	8	409	778,952
Intangible assets	9	37,772	31,395
Loans	12	125,257	98,802
Receivables	13	16	14,825
		163,454	**923,974**
Current assets			
Assets held for sale		-	15,337
Loans	12	36,799	31,172
Receivables	13	374,238	426,210
Cash and cash equivalents	14	823,067	425,590
		1,234,104	**898,309**
Total assets		**1,397,558**	**1,822,283**
Current liabilities			
Payables	15	(757,217)	(807,497)
Provisions	16	(13,387)	(4,931)
Financial liabilities	17	(2,874)	-
		(773,478)	**(812,428)**
Total assets less current liabilities		**624,080**	**1,009,855**
Non-current liabilities			
Payables	15	-	(580,936)
Provisions	16	(372)	(17,854)
Financial liabilities	17	(21,399)	(23,394)
		(21,771)	**(622,184)**
Assets less liabilities		**602,309**	**387,671**
Taxpayers' equity			
General Fund		602,309	387,671
		602,309	**387,671**

Eileen Milner
Chief Executive and Accounting Offcer 4 July 2019
The notes on pages 102 to 138 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Net operating cost		(56,842,334)	(59,862,632)
Adjustments for non-cash transactions		213,787	216,336
Decrease/(increase) between transfers in and receivables	13 & 2.1	18,440	(414,835)
Increase between transfers in and payables	15 & 2.1	31,131	1,362,233
Use of provisions	16	(1,388)	(6,577)
Utilisation of other fnancial liabilities	17	(3,258)	(2,257)
Finance income		(199)	(983)
Other (gains)/losses	7	46,145	-
Financial guarantees	17	-	(4,054)
Net cash outflow from operating activities		**(56,537,676)**	**(58,712,769)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	(534,782)
Purchase of intangible assets	9	(17,829)	(4,563)
Purchase of assets held for sale		-	(14,326)
Proceeds of disposal of property, plant and equipment	8	-	48,711
Loans:			
academy trusts	12	(59,947)	(895)
colleges	12	(47,114)	(76,102)
Net cash outflow from investing activities		**(124,890)**	**(581,957)**
Cash flows from financing activities			
Exchequer supply from sponsor department		56,899,501	60,456,073
Receivables and payables movements through the transfer of function	2	(614,006)	(1,126,800)
Cash acquired through transfer of function (EFA & SFA)	2	-	391,043
Net capital asset transferred to DfE	2	774,548	-
Net cash inflow from financing activities		**57,060,043**	**59,720,316**
Net increase (decrease) in cash and cash equivalents (net of overdrafts)	**14**	**397,477**	**425,590**
Cash and cash equivalents (net of overdrafts) at beginning of the year	14	425,590	-
Cash and cash equivalents (net of overdrafts) at end of the year	**14**	**823,067**	**425,590**

The notes on pages 102 to 138 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	Note	General Fund £000
Balance at 1 April 2017		-
Transfer of function – EFA 1 April 2017	2	(604,610)
Transfer of function – SFA 1 April 2017	2	220,652
Net Parliamentary funding - drawn down		60,456,073
Net expenditure for the year		(59,862,632)
Cost borne by the department:		
Salaries		83,948
Other costs		102,391
Non-cash balances		(49,749)
Auditor's remuneration	5	330
Notional shared service recharges	5	41,268
Balance at 31 March 2018		**387,671**
Day 1 Cumulative adjustments on adoption of:		
IFRS 9	12.2 & 12.3	(34,793)
Revised opening balances as at 1 April 2018		**352,878**
Transfer of function – DfE Capital 1 April 2018	2	(160,542)
Net Parliamentary funding - drawn down		56,899,501
Net expenditure for the year		(56,842,334)
Cost borne by the department:		
Salaries		89,028
Other costs		458,979
Non-cash balances		(228,741)
Auditor's remuneration	5	330
Notional shared service recharges	5	33,210
Balance at 31 March 2019		**602,309**

The notes on pages 102 to 138 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2016. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ESFA for 2018-19 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The ESFA has produced these accounts as set out in a statutory Accounts Direction issued by HM Treasury pursuant to section 7 (2) of the Government Resource and Accounts Act 2000. The ESFA has produced the accounts using accruals accounting.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modifed to account for the revaluation of property, plant and equipment, intangible assets, investments and certain fnancial assets and liabilities.

1.2 Going concern

The Departmental Group's Estimates and forward plans include provision for the ESFA's continuation and it is therefore appropriate to prepare these accounts on a going concern basis.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. Other than for the determination of liabilities and charges, impairments and fnancial guarantees, we made no material accounting estimates or judgements in preparing these accounts.

1.3.1 Consolidation of the Institute

Due to the close working relationship between ESFA and the Institute, management completed a review to assess the existence of accounting control. If control was found to exist the ESFA would have been required to consolidate the Institute into this ARA.

The outcome of the review was that ESFA had no accounting control over the Institute.

1.4 Adoption of FReM amendments

The main changes to 2018-19 FReM have been the adoption of IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue for Contracts with Customers (IFRS 15), the impacts of which are discussed below.

1.4.1 Adoption of IFRS 9

IFRS 9 was issued in July 2014 to replace IAS 39 Financial Instruments: Recognition and Measurement and has been endorsed by the EU. The standard has been incorporated into the FReM and is effective for accounting periods commencing on or after 1 January 2018 with adaptations and interpretations for the public sector. It was adopted by the ESFA on 1 April 2018.

IFRS 9 changes how fnancial instruments are classifed and measured, and amends how impairment provisions are calculated for certain types of fnancial assets, moving to an expected credit loss model from an incurred loss model. As required by FReM, the ESFA applies the change retrospectively but will not restate prior periods. We have recognised the difference between the previous carrying amount of the fnancial instrument and the revised carrying amount at 1 April 2018 in the General Fund's opening balance below.

1.4.2 Adoption of IFRS 15

No signifcant adjustments were identifed following the adoption of IFRS 15.

1.5 Early adoption

The ESFA has not early adopted any accounting standards in 2018-19.

1.6 IFRSs in issue but not yet effective

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the ESFA must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The ESFA has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts: the ESFA has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	Annual periods beginning on or after 1 January 2020	2020-21	Change: The proposed changes simplify the classifcation and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet fnancing) and a fnance lease (on-balance sheet fnancing). The new standard requires recognition of all leases which last over 12 months (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching fnancing liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated fnance cost being recognised. Impact on ESFA: The main effect of the adoption of IFRS 16 will be for lessees; which will result in a number of former operating leases being brought on-balance sheet, however the ESFA does not anticipate that this change will have a material impact. The effect on lessor accounting for the new standard is limited in scale, and remains largely unchanged. In addition, the ESFA does not have signifcant lessor activities. The ESFA is as yet unable to quantify the impact of adopting IFRS 16, more work will continue throughout 2019-20 in readiness for adoption on 1 April 2020.
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2019	Unknown, the standard has not yet been endorsed by the EU	Change: The standard makes changes to how insurance contracts are accounted for and may widen the scope to include arrangements that may not have previously been viewed as insurance contracts. Changes may be more extensive for bodies that have not previously adopted the existing standard IFRS 4 Insurance Contracts. However, prior to endorsement by the EU and adoption by FReM the fnal version for the standard applicable to the ESFA has still to be decided. Consequently, the ESFA is unable presently to scope the impact of adopting the new standard.

1.7 Segmental reporting

In accordance with IFRS 8: Operating Segments, the ESFA has considered the need to analyse its income and expenditure relating to operating segments. The ESFA has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8. Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker and in compliance with the FReM, it has not been produced in the accounts.

See the Performance Report for operational disclosures.

1.8 Income

The ESFA receives the following income streams and accounts for it as follows:

1.8.1 Draw down of supply from the sponsoring department

The ESFA has recorded all draw down of supply by the Department as fnancing, as the ESF A regards draw down of supply as contributions from the Body's controlling party giving rise to a fnancial inter est. The ESFA records draw down of supply as fnancing in the Statement of Cash Flows (SoCF) and draw down of supply to the general reserve.

1.8.2 Operating income

Operating income is income which relates directly to the operating activities of the ESFA.
Income is stated net of recoverable VAT where applicable.

1.9 Grant expenditure

1.9.1 Grants payable

The majority of grants made by the ESFA are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot always be directly related to activity in a specifc period. The claims are deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period but not paid it is accrued in the Statement of Comprehensive Net Expenditure (SoCNE) and shown as a liability on the Statement of Financial Position (SoFP).

1.9.2 Grant recoveries

Grants paid to end users that are unspent at the year-end may be retained to fund future activity. The ESFA does not recognise a prepayment if the end user has not spent the grant due to timing or delays. Some grants will result in recognition of a receivable at the year-end if there has been over-funding or un-spent amounts:

- Where the ESFA pays end users according to a grant payment profle established befor e the fnal grant obligation is known, and the actual spend shows over-funding.
- Un-spent amounts will arise where time bound grants have been provided and not spent within the stipulated timescale.

The accounts will only recognise a receivable when either of the above instances crosses the year-end.

1.10 Pensions

The ESFA has adopted IAS 19 Employee Benefts (IAS 19) to account for its pension schemes. Where the ESFA makes contributions to defned contribution and unfunded defned beneft pension schemes (which do not have underlying assets and liabilities) the ESFA recognises contributions payable in the SoCNE.

Further details of the pension schemes are available in the Remuneration and Staff Report.

1.11 Property, plant and equipment

The minimum level of capitalisation for expenditure on property, plant and equipment ranges between £500 and £10,000. In the case of IT equipment and furniture all items recorded as capital expenditure are capitalised and if they fall below the capitalisation threshold they are grouped together and recorded as bulk assets. The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

Land and buildings are measured initially at cost and are restated to current value (depreciated replacement cost) using external professional valuations in accordance with IAS 16 Property, Plant and Equipment (IAS 16) every 5 years, and in the intervening years by use of appropriate indices supplied by Valuation Offce. The ESF A has stated other property, plant and equipment at existing use value using appropriate indices published by the Offce for National Statistics. Some assets are of short life, of low value and have used depreciated historical cost as a proxy for fair value.

1.12 Depreciation

Depreciation is provided at rates calculated to write off the valuation of buildings and other property, plant and equipment by equal instalments over their estimated useful lives. Land and assets under construction are not depreciated.

Asset lives are in the following ranges:

• Freehold buildings	50 – 60 years
• Furniture and fttings	5 years
• Plant and machinery	5 years
• IT hardware	5 years

1.13 Intangible assets

Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Assets are amortised over their estimated useful economic lives. Development expenditure is not amortised but assessed for impairment annually.

Asset lives are in the following ranges:
- Software licences 2 – 5 years or the licence period, whichever is shorter

1.14 Revaluation and impairment of non-current assets

Increases in value are credited to the Revaluation Reserve, unless it is a reversal of a previous impairment, which is credited to the SoCNE to the extent of the previous impairment and then to the Revaluation Reserve, in accordance with IAS 36 Impairment of Assets (IAS 36).

Impairments of revalued assets that do not result from a clear consumption of economic benefts are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the SoCNE. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

Impairment losses that result from a clear consumption of economic beneft ar e taken directly to the SoCNE. Where the impairment relates to a revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the SoCNE. All non-current assets are reviewed for impairment if circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

1.15 Financial instruments

The ESFA applies IFRS 7 Financial Instruments: Disclosures (IFRS 7), IAS 32 Financial Instruments: Presentation and IFRS 9. Financial assets and fnancial liabilities ar e recognised when the ESFA becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.15.1 Financial assets

Financial assets are classifed where appropriate as loans and receivables; available-for-sale; and fnancial assets at fair value through proft and loss. Financial assets include cash and cash equivalents, trade and other receivables and loans. The ESFA determines the classifcation of its fnancial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of fnancial assets not at fair value through proft or loss, directly attributable costs. Presently, the ESFA does not have any fnancial assets that need to be classifed as fnancial assets at fair value through proft or loss, neither does it have cash equivalents or derivative fnancial instruments.

The subsequent measurement of fnancial assets depends on their classifcation, as follows:

Trade and other receivables

Trade and other receivables have fxed or determinable payments that are not quoted on an active market. They do not carry any interest and are initially recognised at their face value. They are then carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the SoCNE when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Loan and receivable assets

The loans are not traded on any active market and are carried at amortised cost using the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the SoCNE when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in-hand and on-demand deposits.
Where there are restrictions upon the ESFA's ability to access cash, for example through being held in escrow with a solicitor pending a transaction, the ESFA discloses these restrictions separately in the notes to the fnancial statements. However, in accordance with IAS 7 the ESFA continues to present balances as cash in the Statement of Financial Position and Statement of Cash Flows.

1.15.2 Financial liabilities

Financial liabilities are measured at amortised cost. Financial liabilities include trade and other payables and loans. The ESFA does not currently have fnancial liabilities measured at fair value through proft or loss; neither does it have derivative fnancial instruments. The ESFA determines the classifcation of its fnancial liabilities at initial recognition.

The measurement of fnancial liabilities depends on their classifcation, as follows:

Trade and other payables

Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method.

1.16 Contingent liabilities

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are disclosed in the Parliamentary Accountability Report and stated at the amounts reported to Parliament.

1.17 Financial guarantees

Financial guarantees are initially recognised at fair value on the date that the guarantee was given in accordance with IFRS 9. At each year end, they are subsequently re-measured at the higher of the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets (IAS 37), and the amount initially recognised, less when appropriate, cumulative amortisation.

1.18 Provisions

The ESFA makes provisions in the accounts where the following criteria are met in accordance with IAS 37. The criteria are as follows:
- a legal or constructive obligation exists that will result in the transfer of economic beneft;
- the transfer is probable; and
- a reliable estimate can be made.

The provision's value is discounted when the time value of money is considered material. Changes in the discount rate applied will be recognised in the year in which the change occurred. Comparative fgur es are not adjusted as this constitutes a change in accounting estimate.

The ESFA applies HM Treasury's discount rate to discount its provisions and the rates are as follows:
- the real discount rate applied to cash fows of short term (0-5 years) general provisions is (2.70%);
- (1.95%) for medium term general provisions (between 5 and 10 years);
- (0.80%) for long term general provisions (more than 10 years);

and
- early departure costs provisions are discounted at 0.24%

1.19 Value added tax

Most of the activities of the ESFA are outside the scope of VAT. In general, output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.20 Shared services

The Departmental Group provides a number of corporate functions as a shared service refecting the Department's operating model. The Departmental Group has provided the following services to the ESFA's:
- human resources;
- estates and facilities management;
- communications;
- legal services;
- information, communication and technology services; and
- corporate fnance and pr ocurement.

The accounts include a notional recharge from the Department to the ESFA to refect the costs of these shared services. The Department makes direct charges in relation to these services that can be directly apportioned to the ESFA whilst the remainder of the departmental recharge to the ESFA is an apportionment of costs. The departmental calculates the apportionment as a cost per full time equivalent employee within the Departmental Group multiplied by the number of the ESFA's full time equivalent employees.

2. Transfer of function

2.1 2019

As part of organisational changes to better align policy and delivery with Departmental priorities Capital Group has moved from ESFA to the core Department and T Levels and Apprenticeships have moved into ESFA from the core Department. The transfers of responsibility between ESFA and the Department are classifed as transfers of function recognised as transfers by absorption under paragraph 4.2.9. of the 2018-19 FReM. The effective date of transfer is 1 April 2018 and the transactions are judged to be prospective transactions so there is no restatement of prior years' fnancial r eporting.

Statement of Financial Position

	ESFA previously reported £000	Removal of Capital Group £000	ESFA Revised £000
Non-current assets			
Property, plant and equipment	778,952	(778,415)	537
Intangible assets	31,395	-	31,395
Loans	98,802	-	98,802
Receivables	14,825	-	14,825
Total non-current assets	**923,974**	**(778,415)**	**145,559**
Current assets			
Assets held for sale	15,337	(15,337)	-
Loans	31,172	-	31,172
Receivables	426,210	(48,341)	377,869
Cash and cash equivalents	425,590	-	425,590
Total current assets	**898,309**	**(63,678)**	**834,631**
Total assets	**1,822,283**	**(842,093)**	**980,190**
Current liabilities			
Payables	(807,497)	81,411	(726,086)
Provisions	(4,931)	2,184	(2,747)
Total current liabilities	**(812,428)**	**83,595**	**(728,833)**
Total assets less current liabilities	**1,009,855**	**(758,498)**	**251,357**
Non-current liabilities			
Payables	(580,936)	580,936	-
Provisions	(17,854)	17,020	(834)
Financial guarantee	(23,394)	-	(23,394)
Total non-current liabilities	**(622,184)**	**597,956**	**(24,228)**
Assets less liabilities	**387,671**	**(160,542)**	**227,129**
Taxpayers' equity			
General fund	**387,671**	**(160,542)**	**227,129**

The transfer of T Levels and Apprenticeships did not affect the Statement of Financial Position

2.2 2018

On 1 April 2017, the ESFA was formed, replacing both the EFA and SFA. The net assets at that time of both EFA and SFA were transferred to the ESFA. The department views the combination of the EFA and SFA as a merger into a new body; one agency has not 'taken over' the other, they have merged together to become one, more effcient, agency. The 2 agencies will be treated as having ceased on 31 March 2017, with their responsibilities transferred into the ESFA on 1 April 2017, with the carrying value recorded as non-operating gain/loss from the transfer of function through net expenditure with entries in EFA and SFA.

	Note	EFA £000	SFA £000	Total £000
Non-current assets				
Property, plant and equipment	8	294,967	218	295,185
Intangible assets	9	5,693	39,046	44,739
Loans	12	2,684	24,763	27,447
Trade and other receivables	13	15,903	415	16,318
Total non-current assets		**319,247**	**64,442**	**383,689**
Current assets				
Receivables	13	257,353	78,757	336,110
Loans	12	1,932	25,217	27,149
Cash and cash equivalents	14	121,492	269,551	391,043
Total current assets		**380,777**	**373,525**	**754,302**
Total assets		**700,024**	**437,967**	**1,137,991**
Current liabilities				
Payables	15	(777,559)	(183,698)	(961,257)
Provisions	16	(9,104)	(1,269)	(10,373)
Total current liabilities		**(786,663)**	**(184,967)**	**(971,630)**
Total assets less current liabilities		**(86,639)**	**253,000**	**166,361**
Non-current liabilities				
Payables	15	(517,971)	-	(517,971)
Provisions	16	-	(2,643)	(2,643)
Financial guarantee	17	-	(29,705)	(29,705)
Total non-current liabilities		**(517,971)**	**(32,348)**	**(550,319)**
Assets less liabilities		**(604,610)**	**220,652**	**(383,958)**
(Gain)/loss on transfer of function		**604,610**	**(220,652)**	**383,958**

3. Operating income

3.1 Analysis

	2018-19 £000	2017-18 £000
Grant income		
EU funding	197,578	201,811
Joint Programme Income	140	10,394
Adult Skills	-	12,031
Other income		
Capital project contributions from local authorities	-	28,118
Other income	545	3,394
	198,263	255,748

Capital Group moved into the Department from 1 April 2018 and capital project contributions will now be recognised in the core Department. Further detail of the transfer can be found in Note 2.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires reporting entities to recognise revenue from contracts with customers when control over the goods or services transacted through the contract has moved to the customer; which is evidenced through satisfaction of performance obligations. Practically, revenue recognition has been switched from a reporting entity's perspective (unearned income and earned income) to that of their customers – satisfaction of contractual terms. Where income is received prior to satisfaction of performance obligations it is deferred until satisfaction is complete.

The ESFA has assessed the impact of IFRS 15 and has concluded that there were no signifcant impacts in the work which we perform.

IAS 20 grant income

The European Commission provides funding for certain projects. This income is matched to the expenditure profle for each pr oject concerned. Income not matched to expenditure at the end of the fnancial year is transferr ed to deferred income. If expenditure exceeds income, an accrual may be made for the balance of the income.

4. Grant expenditure

The tables below have been re-presented from last year to align better to the ESFA operational structure to enhance visibility to the ESFA corporate objectives. There has been no re-calculation of grant values, the re-presentation has focused on how lower level balances have been aggregated into the revised caption headings below. The totals for resource and capital grants have remained unchanged.

4.1 Resource grants

	2018-19 £000	2017-18 £000
Schools		
Education Services Grant	-	129,819
High Needs Funding	5,632,858	5,331,136
National Funding formula	34,140,113	33,378,759
Pupil Premium	2,445,454	2,439,877
Primary Sport Premium	323,930	256,291
School Improvements	104,281	197,526
Teachers Pay Grant	187,865	-
Universal Free School Meals	710,321	657,253
PFI Special Grant	-	751,050
Early Years		
Entitlements	3,587,585	3,254,464
Post-16 and Skills		
Adult Education Budget & Support Funding	1,445,593	1,746,163
Apprenticeships & Support Funding	1,729,259	1,315,503
Bursary Funding	215,314	218,773
Core Funding	5,326,716	5,410,111
High Needs (16-19)	655,991	619,226
Other Post-16 and Skills Grants	13,929	641
Professional & Technical Education	3,760	-
Operations		
European Social Fund	197,579	202,054
	56,720,548	**55,908,646**

4.2 Capital grants

	2018-19 £000	2017-18 £000
Schools		
Basic Need schools capital grant	-	1,500,914
Maintenance capital grants to local authority and voluntary aided schools	-	760,918
Academy capital grants and Free Schools Programme	-	1,237,892
Priority School Building Programme	-	471,418
Colleges		
Other grants	119,013	28,005
	119,013	**3,999,147**

Capital grants for schools and PFI activities were moved into the Department from 1 April 2018. Further detail of the transfer can be found in Note 2.

5. Other expenditure

5.1 Operating expenditure

	2018-19 £000	2017-18 £000
Staff related costs	765	1,634
Consultancy and other professional fees	7,161	13,547
Premises costs including rates and service charges	6,189	3,413
IT and telecommunications costs	41,539	28,520
Travel and subsistence	2,800	3,929
PF2 service costs	-	3,344
Other expenditure	9,513	14,727
	67,967	**69,114**

Further analysis of staff costs can be found in the Accountability Report.

The costs above include notional recharges of £33.2 million (2017-18: £41.2 million) for the shared services provided by the department. The majority of 'other' expenditure costs are HR and accounting services recharges.

5.2 Depreciation, impairment and other non-cash charges

	2018-19 £000	2017-18 £000
Depreciation	128	93
Amortisation	11,452	17,944
Impairment:		
intangible assets	-	1,163
loans	(5,758)	(2,403)
Loans write off	-	4,150
Auditor's remuneration	330	330
Provisions:		
provided in year	18,437	603
change of discount rate	(2)	-
unwinding of discounts	(14)	-
not required and written back	(2,569)	(3,205)
	22,004	**18,675**

6. Finance expenditure

	2018-19 £000	2017-18 £000
PF2 imputed lease interest	-	48,882
Bank charges and interest	8	12
	8	48,894

PF2 was moved to the core Department from 1 April 2018, further detail of the transfer can be found in Note 2.

7. Other (gains)/losses

	2018-19 £000	2017-18 £000
On de-recognition write-off of FE sector loans	46,145	-
	46,145	-

8. Property plant and equipment

8.1 2019

	Land and buildings £000	Assets under construction £000	Furniture and fittings £000	Plant and machinery £000	IT hardware £000	Total £000
Cost of Valuation						
At 1 April 2018	47,010	731,405	8,329	135	3,421	790,300
Transfer of function (Note 2)	(47,010)	(731,405)	-	-	-	(778,415)
At 31 March 2019	-	-	8,329	135	3,421	11,885
Depreciation						
At 1 April 2018	-	-	(7,832)	(135)	(3,381)	(11,348)
Depreciation charge	-	-	(111)	-	(17)	(128)
At 31 March 2019	-	-	(7,943)	(135)	(3,398)	(11,476)
Carrying value at 31 March 2019			386	-	23	409
Asset financing:						
Owned	-	-	386	-	23	409
	-	-	386	-	23	409

Property, Plant and Equipment were moved to the Department on 1 April 2018 further detail of the transfer can be found in Note 2.

8.2 2018

	Land and buildings £000	Assets under construction £000	Furniture and fittings £000	Plant and machinery £000	IT hardware £000	Total £000
Cost of Valuation						
At 1 April	-	-	-	-	-	-
Transfer of function (Note 2)	3,597	291,370	7,917	135	3,421	306,440
Additions	13,700	277,152	412	-	-	291,264
Transfers from academies	31,924	211,594	-	-	-	243,518
Disposals	(1,011)	(48,711)	-	-	-	(49,722)
Impairments	(1,200)	-	-	-	-	(1,200)
At 31 March	47,010	731,405	8,329	135	3,421	790,300
Depreciation						
At 1 April	-	-	-	-	-	-
Transfer of function (Note 2)	-	-	(7,779)	(135)	(3,341)	(11,255)
Depreciation charge	-	-	(53)	-	(40)	(93)
At 31 March	-	-	(7,832)	(135)	(3,381)	(11,348)
Carrying value at 31 March 2018	47,010	731,405	497	-	40	778,952
Asset financing:						
Owned	47,010	731,405	497	-	40	778,952
	47,010	731,405	497	-	40	778,952

Assets under construction (AuC) represent school building projects under the Free Schools Programme. Where the ESFA does not yet have documentary agreements in place with the academy trust end users, management judge the sites to be the ESFA's as they control the assets. Once the ESFA has an occupation agreement in place with an academy trust, who will operate the free school from the site when operational, the ESFA de-recognises the AuC assets as a disposal. £24.9 million for the Free Schools Programme staff costs were included in the value of AuC as they were directly attributable to these projects. AuC has since transferred to the department on 1 April 2018.

9. Intangible assets

9.1 2019

	Software £000	Development expenditure £000	Total £000
Cost or valuation			
At 1 April 2018	121,954	6,240	128,194
Additions	-	17,829	17,829
At 31 March 2019	**121,954**	**24,069**	**146,023**
Amortisation			
At 1 April 2018	(96,799)	-	(96,799)
Charged in year	(11,452)	-	(11,452)
At 31 March 2019	**(108,251)**	**-**	**(108,251)**
Carrying value at 31 March 2019	**13,703**	**24,069**	**37,772**
Asset financing:			
Owned	13,703	24,069	37,772
	13,703	**24,069**	**37,772**

9.2 2018

	Software £000	Development expenditure £000	Total £000
Cost or valuation			
At 1 April 2017	-	-	-
Transfer of function (Note 2)	158,403	8,399	166,802
Additions	-	4,563	4,563
Impairments	(43,481)	310	(43,171)
Reclassifcations	7,032	(7,032)	-
At 31 March 2018	**121,954**	**6,240**	**128,194**
Amortisation			
At 1 April 2017	-	-	-
Transfer of function	(122,063)	-	(122,063)
Charged in year	(17,944)	-	(17,944)
Impairments	43,208	-	43,208
At 31 March 2018	**(96,799)**	**-**	**(96,799)**
Carrying value at:			
31 March 2018	**25,155**	**6,240**	**31,395**
Asset financing:			
Owned	25,155	6,240	31,395
	25,155	**6,240**	**31,395**

10. Financial instruments

10.1 Financial assets by category

	Note	2019 £000	2018 £000
IFRS 9 asset classifications			
Amortised cost			
Loans to Academy trusts		65,458	-
Loans to Colleges		96,598	
Receivables		157,219	-
Cash		823,067	-
IAS 39 asset classification			
Available for Sale investments			
Cash	14	-	425,590
Loans and receivables			
Loans	12	-	129,974
Receivables	13	-	164,744
		1,142,342	720,308

10.2 Financial liabilities by category

	Note	2019 £000	2018 £000
Amortised Cost			
Payables excluding loans	15	717,704	728,920
PFI imputed lease liability	15	-	647,372
PCDL fnancial guarantee	17	24,273	23,394
		741,977	1,399,686

The PFI imputed lease liability moved to the Department from 1 April 2018, further detail of the transfer can be found in Note 2.

11. Financial risk

11.1 Financial risk management

As the cash requirements of the ESFA are met through the department's Estimate process, fnancial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

Credit risk

The ESFA is exposed to some levels of credit risk, arising from the non-payment of debts with educational providers funded by the ESFA. The main cause of such default is the insolvency of commercial and charitable providers. The agency mitigates its credit risk exposure by subjecting funded providers to quality and fnancial status reviews prior to the agency awarding these providers contracts and monitoring providers' delivery of learning against the value of profle payments made during the term of the contracts.

Prompt payment data for the ESFA is published on GOV.UK. [56]

Liquidity risk

Parliament votes annually on the fnancing of ESFA resource requirements via the department's estimate process. The ESFA does not consider itself exposed to any signifcant liquidity risks.

Interest rate risk

The ESFA fnancial liabilities carry either nil or fxed rates of interest. The ESFA does not consider itself exposed to any signifcant interest rate risk.

56 DfE prompt payment data - https://www.gov.uk/government/publications/prompt-payment-data-for-dfe

12. Loans

12.1 Loan to Academies

	2019 £000	2018 £000
Balance at 1 April	5,511	4,616
Cumulative restatement from adoption of IFRS 9	-	-
Restated opening values	**5,511**	**4,616**
Loan advances	48,177	2,933
Effective interest income	-	-
Repayments received in year	(6,272)	(2,038)
Reclassifcation of debtor to loan	18,042	-
Written off	-	-
Impairment allowance movement	-	-
Amortised cost balance as at 31 March	**65,458**	**5,511**
Gross value	65,458	5,511
Closing impairment allowance	-	-
Balance at 31 March	**65,458**	**5,511**
Presented as:		
Current assets	10,852	1,708
Non-current assets	54,606	3,803
	65,458	**5,511**

Balances previously reported as debtors and some in year grants have been converted to loans in 2018-19.

12.2 Loans to Colleges 2019

	Exceptional Financial Support loans £000	Exceptional Financial Support (Grant) Repayable £000	Restructuring Facility £000	Total £000
Balance at 1 April	36,863	34,793	52,807	124,463
Cumulative restatement from adoption of IFRS 9		(34,793)	-	(34,793)
Restated opening values	36,863	-	52,807	89,670
Loan advances	5,500	30,957	23,984	60,441
Effective interest income	1,008		1,265	2,273
Repayments received in year	(9,384)	-	(3,943)	(13,327)
Reclassifcation	(11,468)	-	11,468	-
Written off	(562)	(34,793)	(10,790)	(46,145)
Impairment allowance movement	-	3,836	(150)	3,686
Amortised cost balance as at 31 March	**21,957**	**-**	**74,641**	**96,598**
Gross value	21,957	30,957	74,791	127,705
Closing impairment allowance	-	(30,957)	(150)	(31,107)
Balance at 31 March	**21,957**	**-**	**74,641**	**96,598**
Presented as:				
Current assets	21,957	-	3,990	25,947
Non-current assets	-	-	70,651	70,651
	21,957	**-**	**74,641**	**96,598**

12.3 Adoption of IFRS 9

IFRS 9 was adopted from 1 April 2018. There has been no signifcant impact since both loans to academies and loans collages remain classifed as amortised cost. EFS Repayable grants have been fully impaired under IFRS9.

Loan impairment has moved from an incurred basis model to an expected loss model, which may accelerate recognition of impairment. The change to an incurred loss model has not been material.

Loan books are either immature and don't exhibit signifcant levels of impairment (academy trusts), or the Group is able to enforce performance through grant funding.

FE sector loans do have signifcant levels of impairment but the majority of the impairment allowance existed under the previous IAS 39 approach.

12.4 Loan to colleges 2018

	Exceptional Financial Support loans £000	EFS (Grant) Repayable £000	Restructuring Facility £000	Total £000
Balance at 1 April	-	-	-	-
Transfer of function (Note 2)	47,130	-	2,850	49,980
Loan advances	-	34,793	45,838	80,631
Loan interest	1,658	-	430	2,088
Repayments received in year	(3,000)	-	(1,529)	(4,529)
Loan write off	(3,707)	-	-	(3,707)
Reclassifcation	(5,218)	-	5,218	-
Balance at 31 March	**36,863**	**34,793**	**52,807**	**124,463**
Presented as:				
Current assets	27,570	-	1,894	29,464
Non-current assets	9,293	34,793	50,913	94,999
	36,863	**34,793**	**52,807**	**124,463**

Loans to academy trusts

Loans are provided to academy trusts on conversion to settle any local authority defcit and repaid by the agency deducting repayments at source from future payments of general annual grant (GAG) over an agreed period of time. This practice is a cash management approach and does not change the agency's liability to academy trusts for their GAG which is unchanged.

Exceptional Financial Support (EFS)

EFS is intended to safeguard learner provision where a further education college declares that it is encountering fnancial, or cash fow , diffculties that put the continuation of provision at risk; and that it cannot resolve from its own resources or through arranging borrowing facilities. A loan is a payment of funds that is expected to be paid over a period of time as set out in a legally binding document. This applies to both EFS Loans and EFS (Grant) Repayable presented in the table above.

Restructuring Facility

The Government's facility is for further education or sixth-form colleges in England who are impacted by a substantive area review recommendation with the exception of becoming an academy or relating solely to VAT, and need to make major changes. If they are unable to fund the change themselves, they can seek from the Government's Restructuring Facility.

13. Receivables

13.1 Analysis

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade receivables	155,670	148,652
Other receivables	1,533	1,267
Prepayments and accrued income	217,035	276,291
	374,238	426,210
Amounts falling due after one year:		
Trade receivables	16	14,825
	16	14,825

Trade receivables amounting to £48.3 million were transferred to the Department on 1 April 2018, further information is included in Note 2.

Trade receivables are stated net of an impairment allowance of £12 million (2018: £12 million).

13.2 Impact of adopting IFRS 9

There were no signifcant changes fr om adopting IFRS 9, all assets retained their amortised cost approach.

14. Cash and cash equivalents

	2019 £000	2018 £000
Balance at 1 April	425,590	-
Transfer of function (Note 2)	-	391,043
Net change in cash and cash equivalent balances	397,477	34,547
Balance at 31 March	823,067	425,590
The following balances are held at:		
Cash at bank and in hand:		
Government Banking Service	818,603	396,398
Cash held with solicitors	4,464	29,192
Balance at 31 March	823,067	425,590

Cash held by solicitors for capital purchases or loan transactions taking place at the year end.

15. Payables

15.1 Current payables

	2019 £000	2018 £000
Trade payables	63,627	22,562
VAT payables	30,945	9,499
PF2 imputed lease liability	-	66,436
Other payables	19,365	18,226
Accruals and deferred income	643,280	690,774
	757,217	807,497

Accruals include amounts due at year end for capital construction £nil (2018: £172 million), Pupil Premium £282 million (2018: £252 million), and apprenticeships £191 million (2018: £140 million).

Payables amounting to £81.4 million were transferred to the department through a transfer of function, further details are included in Note 2.

15.2 Non-current payables

	2019 £000	2018 £000
Other receivables	-	580,936
	-	580,936

The PF2 imputed lease liability was transferred to the department through the transfer of function, further details are included in Note 2.

The liability recognised in 2018 is in relation to the building of 46 schools constructed and operated through the ESFA's PFI arrangement. The liability shown is that recognised under IFRIC 12 and represents the indirect fnance taken on by the ESFA, through the PF2 transaction, to construct the schools.

16. Provisions for liabilities and charges

16.1 Analysis

	2019 £000	2018 £000
As at 1 April	22,785	-
Transfer of function (Note 2)	(19,204)	13,016
Provided in the year	12,769	20,085
Not required written back	(1,187)	(3,739)
Utilised in the year	(1,388)	(6,577)
Unwinding of discount	(14)	-
Discount rate change	(2)	-
Balance as at 31 March	**13,759**	**22,785**
Presented as:		
Current provisions	13,387	4,931
Non-current provisions	372	17,854
	13,759	**22,785**

16.2 Analysis of expected timing of discounted flows

	2019 £000	2018 £000
Not later than one year	13,387	4,931
Later than one year but not later than fve years	372	17,796
Later than fve years	-	58
Balance of provision at 31 March	**13,759**	**22,785**

16.3 Analysis by provision type

	Early departure costs £000	Academy closure £000	PCDL £000	AUC £000	Other £000	Total £000
As at 1 April 2018	276	1,581	777	19,204	947	22,785
Transfer of function (Note 2)	-	-	-	(19,204)	-	(19,204)
Provided in year	87	11,180	1,491	-	11	12,769
Provision utilised in year	(163)	(297)	(928)	-	-	(1,388)
Provision reversed during the year	-	(975)	(19)	-	(193)	(1,187)
Unwinding of discount	-	-	-	-	(2)	(2)
Discount rate change	-	-	-	-	(14)	(14)
Balance as at 31 March 2019	**200**	**11,489**	**1,321**	**-**	**749**	**13,759**
Not later than one year	180	11,489	1,018	-	699	13,386
Later than one year and not later than fve years	20	-	303	-	50	373
Later than fve years						
Balance of provision at 31 March 2019	**200**	**11,489**	**1,321**	**-**	**749**	**13,759**

Other provisions

This includes the ESFA's potential liabilities in relation to its current reorganisation programme and includes elements relating to severance costs and surplus space in ESFA properties. Also, the ESFA's potential liability for costs that may be incurred by suppliers that make individuals redundant as a consequence of the ESFA's supply chain transformation (SCT) work. In line with Government objectives, the ESFA'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 departure

This covers the ESFA's additional pension contributions payable for all early retirements up to October 2010. These paid to the pension scheme administrator for the period up to normal retirement age for individuals that retired early under the former Learning and Skills Council's reshaping programme.

Academy closure

Academy closure provision relates to potential liabilities to academies or their trust towards subsequent closure. The costs of closure include outstanding Pupil Number Adjustment funds owed to the ESFA and pension liabilities, with expected completion in the next 12 months.

Professional and Career Development Loans interest (PCDL)

The ESFA has a liability to cover interest payments that occur under this programme while the learners are in learning. Under the terms of the programme, the ESFA covers the interest charge, arising from support loans, learners incur during the term of the course. The ESFA also has liability for the default of PCDL loans (see Note 17).

17. Financial liabilities

17.1 Analysis

	2019 £000	2018 £000
Opening balance 1 April	23,394	29,705
Provided in year	5,519	-
Utilisation in year	(3,258)	(2,257)
Movement in year	-	(4,054)
Not required written back	(1,382)	-
Balance at 31 March	**24,273**	**23,394**
Presented as:		
Current fnancial liabilities	2,874	-
Non-current fnancial liabilities	21,399	23,394
	24,273	**23,394**

There is no impact on the fnancial liabilities in r espect of IFRS 9.

17.2 Exposure to risk

The PCDL programme operates by securing loans to learners to enable them to complete a course of study. High street banks offer the loans to learners at a rate of interest below what might ordinarily be offered to them in such circumstances. The ESFA 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. The ESFA recognises a provision for its PCDL interest charge obligation due to level of certainty of making payments to the third-party lenders (see Note 16 for more details). The remaining loan default risk is classifed as a fnancial guarantee, in accor dance with IFRS 9, and recognised above.

Credit risk: exposure at end of period

Most of the liability arises from the credit default risk that learners will not repay the loans. The value recognised above is the expected value of this liability remaining at the year-end. The values have been estimated as 12% of the total forecast value of loans outstanding at the year-end. 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 lenders, the maximum value of the guarantee is capped at 15% of the total loan portfolio advanced under the programme. The total potential liability over the duration of the programme is estimated to be £50 million.

Liquidity risk

As an organisation funded by the department, it is unlikely that the ESFA will encounter any diffculty meeting its obligations under this fnancial guarantee.

18. Capital and other commitments

18.1 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below.

	2019 Land and buildings £000	2018 Land and buildings £000
Not later than one year	4,458	4,178
Later than one year and not later than fve years	8,681	12,143
Later than fve years	287	517
	13,426	16,838
Expected receipts from sub-leases	(442)	-
	12,984	16,838

18.2 Capital commitments

The table below shows the agency's commitments for the free school and PSBP programmes including both commitments for grants payable to academies and assets being constructed by the ESFA. These capital commitments did not include the cost of contract workers engaged in the delivery of the Free Schools Programme.

	2019 £000	2018 £000
Free schools	-	2,630,597
Priority School Building Programme	-	195,003
National Colleges	-	337
	-	2,825,937

Capital commitments were transferred to the department through the transfer of function described in Note 2.

18.3 Commitments under private finance initiative contracts

	2019 £000	2018 £000
Not later than one year	-	66,436
Later than one year and not later than fve years	-	270,295
Later than fve years	-	1,404,270
	-	1,741,001

Commitments to the PF2 private fnancing of 46 schools over a 25-year funding agr eement. These were transferred to the department on 1 April 2018, further details can be seen in Note 2.

18.4 Education grant funding commitments

	2019 £000	2018 £000
Not later than one year	496,473	1,181,667
Later than one year and not later than fve years	-	3,008,254
Later than fve years	-	8,249,985
	496,473	12,439,906

The ESFA has commitments for grants to colleges for the remainder of the academic year to July 2019. In 2018 there were also private fnance initiative grants commitments to local authorities and voluntary aided schools. These were transferred to the department on 1 April 2018, further details can be seen in Note 2.

18.5 Apprenticeship Levy funding

	2019 £000	2018 £000
Not later than one year	837,265	454,580
Later than one year and not later than fve years	640,636	277,118
Later than fve years	3,739	2,325
	1,481,640	734,023

Income from the Apprenticeship Levy is accounted for by HMRC, and as such, no Apprenticeship Levy income is shown in the ESFA's ARA. Grants paid by the ESFA to apprenticeship training providers are funded through the Supply Estimates process and are accounted for in line with our grant recognition policy (see Note 1.9).

The ESFA has commitments to apprenticeship training providers for English apprentices already enrolled on training courses as at the year-end. The commitments shown in the table above are for the full duration of the apprenticeship training course. The ESFA's commitments will only crystallise when the apprenticeship training has taken place; it is at this point that the funding becomes due for payment.

18.6 Other education grants

The Secretary of State is committed to funding the on-going provision of education at a wide variety of providers. The ESFA cannot quantify the commitments as the ESFA typically agrees funding for one year even though the Secretary of State's commitment is for a much longer period.

19. Related party transactions

The ESFA regards the Department for Education as a related party. During the year, the ESFA had a number of material transactions with the department and with other entities in the departmental group.

In addition, the ESFA has had a number of transactions with other Government departments and central bodies. Most of these transactions have been with BEIS (Department for Business, Energy and Industrial Strategy) and DWP (Department for Work and Pensions).

The ESFA's senior civil servants are each required to complete an assurance framework record where they declare potential related party relationships, from which the ESFA is able to identify related party transactions. As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24 Related Party Disclosures. Transactions are classifed as r elated party transactions if they occurred during the period the board member named held offce.

Disclosures are split between those individuals who were board members as at the year-end below, and those whose term as a board member ended during the year.

The following are related party disclosures for those board members in post at year end.

Matthew Atkinson:
-his partner is a partner at Weightmans LLP

Sue Husband:
-her partner is the owner and director of Hunky Dory Restaurants Limited.

Ian Ferguson:
-is a director of Metaswitch Networks Limited
-his partner is chief executive of Edmonton Academy Trust and head teacher of the trust's academy, Edmonton County School

Irene Lucas is:
-chair, and family members are directors and joint owners of Hays Travel Limited
-along with family members trustees of Hays Travel Foundation
-a director of Irene Lucas Consulting Limited

Mark Sanders is:
-a trustee and chair of Northern Education Trust

Hunada Nouss is:
-a council member of City University of London

Stuart McMinnies is:
-managing partner of Duke Street LLP
-non–executive director of Ardent Hire Solutions Ltd and Voyage Care Limited
-trustee of Change Grow Live

Martin Spencer is:
-senior vice-president of NTT Data
-non–executive director of the NHS Counter Fraud Authority and the Serious Fraud Offce

Related party disclosures for those board members who were no longer board members as at the year-end are given below. The date individuals ceased to be a board member, and so cease to be included in related party disclosures, is also given below.

Ian Hickman (until 31 August 2018) was:
-director of Hickman Consulting Limited

Karen Dukes (until 31 August 2018) was:
-trustee and chair of Audit and Risk Committee The CareTech Foundation
-trustee of William Robinson Gravetye Trust

The following table shows the value of material related party transactions entered into during the year:

2018-19

	Net payments/ (receipts) £000	Receivable/ (receipts) (payable) £000
Hays Travel Ltd	948	-
Edmonton Academy Trust	11,399	-
Northern Education Trust	63,408	-

All of the above transactions were payments of education and skills grants made in the usual course of business.

20. Events after the reporting period

20.1 Brexit

Brexit has been delayed until October 2019. The issues relating to Brexit are therefore ongoing and will be monitored.

20.2 Authorisation

These accounts were authorised for issue by Eileen Milner (Accounting Offcer) on the date they were certifed by the Comptr oller and Auditor General. With the exception of the above, there have not been any other signifcant post year end events that have required disclosure in the accounts.

Education & Skills
Funding Agency

An executive agency of the Department for Education

CCS0719608174
978-1-5286-1528-0