



Education & Skills
Funding Agency

Education and Skills Funding Agency

Annual report and accounts

For the year ended 31 March 2021



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For the year ended 31 March 2021

An executive agency of the Department for Education

Ordered by the House of Commons to be printed on 29 November 2021

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 846



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Any enquiries regarding this publication should be sent to us at
Department for Education, Piccadilly Gate, Store Street, Manchester, M1 2WD.

ISBN 978-1-5286-3002-3
E02692374 11/21

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty's Stationery Office.

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Performance Report

Overview

The Education and Skills Funding Agency (ESFA) is an executive agency of the Department for Education (DfE).

The overview section outlines the agency's purpose, objectives and summary of performance in 2020-21.

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 effective market oversight.

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

ESFA funds over **24,700** education and skills providers including:

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

ESFA also works with the Mayoral Combined Authorities and Greater London Authority on the devolved Adult Education Budget.

ESFA distributes **£62 billion** of funding.

ESFA provides assurance that these public funds:

- are spent appropriately
- are correctly accounted for
- represent value for money for the taxpayer
- are used to deliver the policies and priorities set by the Secretary of State

Our core principles:

- Consistently striving for excellence.
- Investing in expertise to develop and deliver high-quality policies, interventions, services and outcomes.
- Always seeking to drive forward improvement, whether our own, or that of the providers and sectors we work with.

2020-21 performance metrics and milestones

2020-21 performance metrics and milestones are indicated throughout this section. These were the key measures set out in the 2020-21 business plan to assess performance against objectives.



Performance summary

These are a selection of the performance highlights, followed by more detailed analysis against each strategic objective.



Funding

- Issued main allocations of over £58 billion ¹ funding to education and skills providers for academic year 2021/22, compared to £56.7 billion in 2020/21. 99% of allocations were issued on time with 100% accuracy.
- Approved 423,082 funding payments ² in 2020-21, with 100% paid accurately and on-time.
- Delivered ³ £842 million of additional funding across 15 funding streams which providers and employers have accessed 115,000 times.



Regulation & Oversight

- Completed 272 School Resource Management Adviser (SRMA) deployments across academy trusts and local authority maintained schools in 2020-21 to offer support and advice, including 81 COVID-specific deployments. In total SRMA deployments identified £124.4 million of potential savings.
- Conducted 438 meetings with further education (FE) providers who were identified as having the highest risk, with the aim of identifying financial and/or quality issues earlier whilst working with the institutions to address them. Whilst this was lower than the originally planned target, measures were reduced due to the impact of COVID-19.
- An average of 81% of academy trusts with serious financial concerns cases were de-escalated within the target time each month, a 9.6 percentage point improvement on performance last year.

1 An allocation is the confirmation of an amount available for a given period – the funding that the DfE will provide to that institution. Main allocations include academies' General Annual Grant, 16-19 and 19+ allocations, non-levy apprenticeships and Dedicated Schools Grant only.

2 Payment is the transfer of the allocated amount to an institution (usually in instalments throughout the funding period).

3 The ESFA can be responsible for either issuing allocations and/or approving payments. Where we say we have delivered this means that we have either issued allocations, approved payments, or both.



Skills

- All new apprenticeships moved to higher quality apprenticeship standards as designed in conjunction with employers (replacing frameworks).
- In September 2020 we introduced the first 3 T Levels in design, surveying and planning for construction; digital production, design and development; and education and childcare. There are 43 providers delivering these first 3 T Levels.
- Published government response to consultation on higher technical education reforms.



Customer Experience & Technology

- Developed automated dashboards, and models on learner attendance and COVID-19-related illness in education settings, which have been used across government to assess the impact of the COVID-19 reproduction rate (known as the R rate) on the wider opening and/or closing of schools.
- 2-day enquiry handling service level target was met for 87.5% of customer⁴ enquiries, rising from 73.9% in 2019 to 2020. The customer service helpdesk has received an overall average customer satisfaction score of 81.1% which is 6.1 percentage points above target and an increase of 10.7 percentage points compared to 2019-2020.
- Coronavirus Helpline handled over 5,000 calls in a single day at its peak from schools, other education providers and parents, with over 150,000 contacts received between March 2020 and February 2021.

More detail can be found in the Performance analysis section.

⁴ 'Customers' refers to all users of the ESFA's services. This is split into three main groups – citizens, employers, and providers.

Forewords

Chief Executive

My predecessor, Eileen Milner, was Chief Executive and Accounting Officer for the period of this annual report and accounts. Eileen has stepped down from ESFA and I was appointed as Interim Chief Executive from July 2021. I have taken assurance from Eileen that there was a sound system of internal controls during the period covered by this annual report and accounts. I know that many across the education and skills sector, ESFA and wider government, have paid tribute to Eileen's commitment and leadership, and we are grateful to have had the benefit and privilege of working with her.

Dame Irene Lucas-Hays' term as our Chair also came to an end in October 2021 when she stepped down from the Board. On behalf of all at the ESFA I would like to thank Dame Irene for her support and dedication to providing strong leadership and governance throughout her time as Chair.

I would like to pay tribute to and thank everyone who has shown flexibility and resilience in supporting the skills and education sector during the challenges of the pandemic. Education and training providers, colleges, schools, academies, early years settings and our people at ESFA have all worked at an incredible pace to keep on delivering. It has been a shared endeavour and we can feel a sense of pride and confidence in our efforts to continue to provide high quality education and skills training opportunities right across the country.

This year ESFA allocated and distributed £62 billion of education and skills funding alongside crucial additional funding of more than £800 million in response to COVID-19 and for Universal Catch-Up.

ESFA has successfully balanced the delivery of business priorities with the additional demands brought about by COVID-19. These include providing funding lifelines to support the sector; managing the Coronavirus Helpline which at its peak handled over 5,000 calls a day; communicating to the sector and public; ensuring that vocational and technical education awards were delivered with the minimum delays possible in summer 2020; using data science to model learner attendance; and playing a key role in supporting the wider re-opening of education settings.

It has been a time of increased pressure and often intense workload and I am impressed by how colleagues have risen to the challenges and contributed to the wider government response to the pandemic.

Other key highlights have been to strengthen our oversight of colleges and training providers, creating a proportionate and robust approach to assuring public spending and investment in skills, and an emphasis on prevention, rather than intervention. This includes the introduction of a new subcontracting standard that requires independent assurance that providers who subcontract have the correct controls in place.

We have extended our SRMA programme to continue supporting schools and academy trusts to plan and manage their financial oversight. This pioneering approach gives schools and trusts access to specialist advice on getting the best value from their available resources and also ensures public money is targeted to activities that improve outcomes for pupils.

As well as a funding organisation, ESFA continues to drive forward the government's ambitions for the future of education and skills. This year saw us reach a key milestone in creating world-class technical education opportunities, as the first two T Levels were launched; shortly to be followed by a further seven programmes.

T Levels are an exciting qualification that will benefit young people and employers and help to build a highly skilled workforce. Alongside apprenticeships and other skills training opportunities, they are crucial to the country's economic recovery following the COVID-19 pandemic.

Apprenticeships continue to be vital in helping employers of all sizes access the skills they need to thrive and give people of all ages and backgrounds the chance to get ahead. Our priority has been to ensure apprentices and employers can complete their programmes, by introducing greater flexibilities, including remote training and assessment, and furlough and redundancy support for apprentices.

We will seek to increase the volume and quality of apprenticeships as all new starts have now been transferred to employer-led standards, and to support more people onto apprenticeships through the largest ever expansion of the traineeships programme. £111 million was made available in 2020-21 to support up to an additional 30,000 places in the 2020/21 academic year. We are supporting the largest-ever expansion of traineeships by providing an additional £126 million to create up to 43,000 places in the 2021/22 academic year, and employers have also been offered incentive payments to host T Level industry placements, offer traineeships work placements and recruit new apprentices.

Looking forward, ESFA will play a part in delivering the ambitions of the 'Skills for Jobs' white paper. The white paper is a key 'moment' for post-16 skills that ESFA has been instrumental in helping to design, and it brings together the advancement of higher level technical education and T levels, the role of employers in the development of skills, and plans to make the funding of education and skills a simpler system for providers.

Ultimately, Skills for Jobs will give everyone the opportunity to access quality, flexible skills training leading to good career prospects and progression in a variety of sectors and will produce the skills that employers require.

I'm delighted that much of this is built on ESFA's work to consult with the sector and employers to collaboratively build a world-class technical and vocational skills system to benefit the whole country.

ESFA is an organisation focused on delivering excellence and fully utilising expertise with an ambition to continue improving its interactions and services with all audiences and customers, becoming increasingly user-friendly through redesigned and improved tools and processes.

This is vital as we look ahead, ensuring that policy focuses on delivery at the highest quality and supports the DfE's goals to provide education and skills training opportunities that improve the skills pipeline and support people to work, and level up education standards for children and young people in every part of the country.

I am immensely grateful and privileged to lead a team of people so thoroughly dedicated to playing our own part in delivery to support those on the education and skills "front line".

John Edwards
Interim Chief Executive
15 November 2021

Board Chair

In my third and final year as Chair of the Management Board I have been especially impressed by the determination and tenacity of the agency in its commitment to achieving the best outcomes for children, young people, learners and apprentices and also in helping employers through the ongoing challenges of the COVID-19 pandemic.

This annual report and accounts sets out the way that ESFA has stepped up its response and support for education and skills providers and employers during the past 12-months, as well as delivering its business priorities by efficiently carrying out its mainstream activity to make sure that funding is allocated with accuracy and on time.

Despite the challenges of the past year, ESFA has moved ahead with the next stages of key skills programmes, including the successful launch of T Levels. There are already 1,300 students studying for a T Level and alongside their providers many have been incredibly enthusiastic about their journey, with examples of the brilliant experiences students have had being shown in the action plan⁵.

Throughout the pandemic, employers have continued to recognise the value apprentices bring to their businesses. ESFA's priority has been to try and minimise disruption and provide greater flexibility alongside cash incentives, to support apprentices and employers to complete their programmes and assessments and to encourage more new apprenticeship starts.

All of this important work has been magnified as the COVID-19 pandemic has intensified the need for people to re-skill and find new careers and employment, whilst employers urgently require talented people to help build back their businesses. As a result, through the new Skills Bill, ESFA has an ambitious agenda for further and technical education as a means for boosting opportunities, businesses and the economy.

With key priorities to deliver for government and the country, it's essential that ESFA as an organisation maintains its efficiency and effectiveness. This year the Board has continued its focus on supporting and challenging colleagues to ensure an effective system of good governance, internal controls and risk management is in place, particularly in response to the increased pressures and risks brought about by COVID-19.

ESFA has certainly risen to the challenges of the past year and I particularly commend the positive results of the People Survey, which show promising progress despite the difficult circumstances. The results of the survey have informed ESFA's latest People Plan which has 3 objectives: to create workforce plans to support future operating models, develop capability and talent, and embed a healthy and inclusive workplace experience.

Whilst the Board was this year unable to continue visiting the agency's offices due to COVID-19 restrictions, senior management and I have focused on providing sustained and clear communications and a connection to all colleagues across the organisation through virtual conferences and seminars.

My term as Chair came to an end on 31 October 2021 and I write this foreword in advance of publication as my final act as the Chair. I remain confident in the ability of ESFA and its people to deliver on the goal of ensuring accurate and timely funding to achieve world class education and skills training.

Dame Irene Lucas-Hays
Chair
31 October 2021

⁵ <https://www.gov.uk/government/publications/t-level-action-plan>

Performance analysis

The performance analysis section initially outlines the agency's activities in response to both COVID-19 and Brexit. The second half of this section focusses on the agency's wider work within the 5 strategic priorities.

COVID-19

Over the past year, ESFA has played a significant role in the government's response to COVID-19. During the first few months of the pandemic, the agency's response sustained business continuity and provided sector support by delivering the agency's funding and communications lifelines outlined below.

Following the end of the first national lockdown and the full return of students and pupils to education settings on 1 June 2020, the agency supported providers financially to make sure learners had continued access to education. In parallel, the agency designed and delivered recovery planning by shaping policy initiatives to support economic recovery.

Throughout the pandemic, the agency provided timely and accurate data to government to support decisions on access to education delivery models, the closure and reopening of education settings and the ongoing impact to providers, students and the general population.

Overall, ESFA has successfully adapted and reacted without compromising the delivery of existing services and vital business as usual activity.

Sustaining lifelines to the sector

ESFA's **first** lifeline focused on ensuring providers had sufficient funds to provide access to education. This included delivering £842 million of additional funding across 18 different funding streams and implementing new grants at pace, including schools funding for exceptional costs (£139 million) and Universal Catch-Up (£376 million)⁶.

ESFA's **second** lifeline focused on providing clear communications to the sector and public as the pandemic progressed. This included:

- Updating 50,000 stakeholders in the sector by email nearly every day for almost a year, covering DfE's key messages to ensure the sector had consistent, up-to-date news and guidance.
- Continuously developing and refreshing advice scripts based on a rapidly evolving policy environment for use on the COVID-19 helpline set up earlier in the pandemic. Designing and implementing an interactive voice recognition flow to speed up call cycle times and reduce the time taken by callers to get their queries answered.
- Establishing the REACT (Regional Educational and Children's Team) framework with the department to manage efficient engagement with local authorities, and regular calls to all further education providers to co-ordinate responses to national and local issues.

⁶ Note 3 provides a more detailed breakdown of the COVID-19 related costs.

Supporting sector capacity

ESFA provided ongoing support to the sector through a combination of adapting existing services and designing new interventions. This support meant that learners had as much access to education as possible for both their development and wellbeing. These included:

- Ensuring school sustainability by providing financial analysis during COVID 'resilience' visits, and supporting those claiming exceptional costs to focus resources on learners and educational outcomes.
- Protecting provision and supporting 32,000 learners and apprentices whose programmes have been disrupted through £11 million of Provider Relief Schemes.
- Providing up to £2,000 of incentive payments (per learner) to employers to encourage the hiring of new apprentices, at the end of March 2021, over 45,000 claims have been submitted with £36 million paid out to employers.
- Traineeship incentives of £1,000 per learner for employers were launched in December 2020, covering placements delivered between September 2020 and July 2021. There have since been over 500 claims for the incentive from over 250 different employers.
- Continuing to deliver targeted support and challenge for providers by rapidly adapting the assurance model for remote working, to make sure public funds represent the best value for money.
- Worked with Ofqual to engage with stakeholders and provide the opportunity for consultation on how to deliver the vocational and technical qualifications assessments.

Building towards economic recovery

The next 12-months will be a crucial time in the country's recovery as the government's roadmap to easing lockdown restrictions continues to roll out, prioritising education and skills recovery for a strengthened economy.

The DfE Skills for Jobs white paper is the blueprint for providing more opportunities for people to access the skills they need to get good jobs. Over the next year, ESFA will support this by involving employers even more closely in the design of training programmes, by transforming higher technical education to raise quality and uptake, and by simplifying and reforming funding and accountability for education and training providers.

ESFA will also work to ensure a range of high-quality technical education and work-based opportunities are available to develop the skills employers need.

This includes the reformed and expanded traineeship programme which will provide more high-quality job placements for young people, and the new 'flexi-job' apprenticeship programme that will provide incentive payments to help organisations to employ apprentices.

Shaping the road to recovery

ESFA will continue to work closely with all providers and sectors to support the COVID-19 recovery, and to highlight all of the tools, advice and expertise that is available.

COVID-19 has affected employers' ability and confidence to be able to offer industry placements, a key component of the new T Level qualification. ESFA is working with T Level providers to help them source the industry placements needed. Interventions include provider and employer support packages, and sourcing of industry placements in the public sector. Supporting the rollout of additional T Levels in September 2021, and continuing to boost provider capacity to source industry placements as the programme scales up.

The National Careers Service will continue to provide tailored careers advice to individuals impacted by the pandemic through the Skills Toolkit, as part of the government's Plan for Jobs package of support.

COVID-19 timeline

The timeline below highlights the key events that occurred throughout the year in relation to COVID-19, showing how educational settings were affected and providing context for the agency's activities in this area.

23 March – 10 May 2020 First national lockdown	First national lockdown begins, attendance at schools and colleges restricted to vulnerable children and children of critical workers.
June – August 2020 Phased return to settings	During the first half of the summer term, primary schools partially reopened to reception, Year 1 and Year 6. For Years 10 and 12, there was some face-to-face provision from settings to supplement remote learning. On 2 July, full opening guidance for schools was issued, including a new system of controls, and settings returned fully in the second half of the summer term.
September – October 2020 New academic year	All settings begin the academic year as normal.
5 November – 2 December 2020 Second national lockdown	National restrictions return but education settings remain open.
3 December 2020 – 4 January 2021 Settings open, preparation for January return	On 17 December, secondary schools and colleges are advised they are to test students from 4 January and follow a phased return until 11 January. On 19 December, Tier 4 was introduced to control the 'Alpha' variant, education is exempt from restrictions. On 30 December, phased return of secondary schools and colleges delayed by 1 week. On 1 January, all London boroughs told to limit primary school attendance until 18 January. On 4 January, schools return briefly but the national alert level is escalated to 4 and national and education restrictions follow.
5 January 2021 onwards Third national lockdown	On-site education provision returns to vulnerable children and children of critical workers.
8 March 2021 Settings reopen	Return to on-site provision.

BREXIT

On 31 January 2021, the UK officially left the European Union (EU). Although our performance goals were not significantly impacted by leaving the EU, the following key areas were affected:

European Social Fund

The current European Social Fund (ESF) programme has been extended until March 2023 while work is being done to develop the UK Shared Prosperity Fund. ESFA colleagues are engaged with Department for Work and Pensions colleagues in delivery and design work to inform the successor arrangements.

Erasmus+ scheme

ESFA supported DfE, building a domestic alternative for the Erasmus+ scheme, which was presented to the Erasmus+ Programme Board within DfE. On balance, ESFA was not selected as the preferred delivery partner and consequently ESFA stopped work on the domestic alternative. The work on ESFA's domestic alternative created an end-to-end service design which will be considered for repurposing grant management and beyond.

In December 2020, a new scheme was launched to replace the UK's participation in Erasmus+ post-EU exit. The Turing scheme, a £100 million scheme enables students to study and work abroad.

ESFA strategic priorities

ESFA has also heavily focussed on meeting its strategic priorities for 2020-21. The five strategic priorities are set out below. This analysis sets out the agency's wider work and, where and how the COVID-19 pandemic impacted the agency's ability to deliver any objectives and commitments for each strategic priority.

In a year of significant national change and challenge, ESFA managed several risks to achieving its goals. The agency monitored key risks and performance through its corporate boards. More detail of this is given in the 'key risks and issues' section on page 34.



Funding

Continue to develop ESFA's digital service, optimising technology, underpinned by sound business processes, user engagement and policy input. Ensure all of ESFA's customers receive timely and accurate funding allocations, implementing government funding policy including COVID-19 policy changes and interventions.



Regulation

Support and improve the health, governance and efficiency of providers in the education sector. ESFA will deliver a framework, setting out principles and behaviours on risk management and assurance for all providers funded by the agency.



Oversight

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. Prevent issues relating to finance, funding and governance at providers and intervene swiftly and proportionately if providers do not meet this standard.



Skills

Contribute to economic recovery, productivity, and delivery of the Skills for Jobs white paper commitments by implementing a coherent national system of technical education, apprenticeships, traineeships and careers advice that meets the needs of young people, adults and employers.



Customer experience and technology

Enhance customer experience by improving ESFA services and investing in a shared and consistent set of customer outcomes, technology and data across all directorates.



1. Funding

ESFA's primary objective is to ensure all education and skills providers receive timely and accurate funding allocations and payments, in line with government funding policy. Throughout 2020-21 the agency responded at pace to multiple government funding policies and interventions in response to COVID-19. ESFA has also successfully calculated the academy and 16 to 19 allocations within the new digital funding service.

Key outcomes

- ESFA allocated £58.8 billion funding to education and skills providers for 2021/22
- 100% of expected allocations were delivered accurately and 99% on time

Funding Operations

ESFA has delivered £62 billion funding accurately and on time to the education and skills sectors in financial year 2020-21.

For academic year 2021/22 ESFA has issued main allocations of over £58 billion⁷ funding to education and skills providers.

Payments 2020-21

2020-21 performance goal: 100% payments delivered accurately and on time.

- ESFA approved 423,082 funding payments in 2020-21
- 100% of these payments delivered accurately and on time

Allocations 2021/22

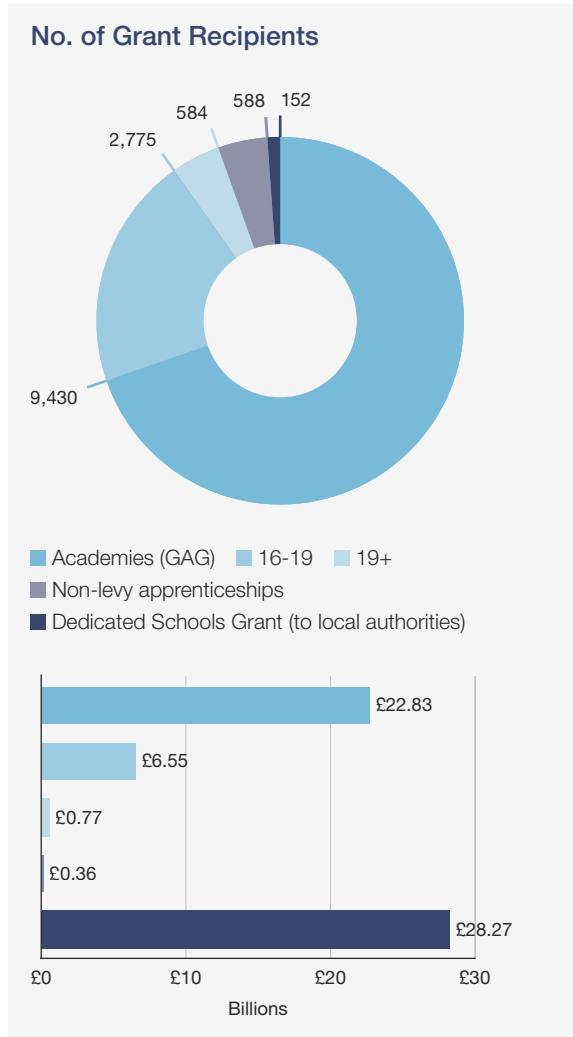
Of expected allocations, 99% were delivered on time and 100% were delivered accurately. The remaining 1% were delivered accurately on 7 April, 3 working days later than expected, as budget figures were being finalised. This was due to the variable impact of COVID-19 on skills delivery this year and last.

Key Milestone

- 2021/22 budgets determined, allocations calculated, assured, and communicated (academy, 16 to 19 and adult providers).

⁷ Main allocations include academies' General Annual Grant, 16 to 19 and 19+ allocations, non-levy apprenticeships and Dedicated Schools Grant only. Further funding will be allocated during 2021-22

Funding allocations for academic year 2021/22⁸



Digital Funding Service

Following on from the successful integration of the Dedicated Schools Grant (DSG) and Primary PE and Sports Premium into the digital funding service, this year ESFA has also successfully calculated the academy and 16 to 19 allocations within the new service. This is a significant milestone, accounting for 93% of the funding calculated via the digital funding service. Going forward, digital statements will be delivered ensuring all funding information is in one place improving customer experience. ESFA will continue user research on digital statements to drive more improvements in the future.

Key Milestone

- academy and 16 to 19 allocations calculated, communicated and able to be paid by the digital funding service by March 2021

93% of funding calculated is now via the new digital funding service.

2020-21 performance goal: 90%.

⁸ Allocations include the General Annual Grant for academies (GAG). This is the term used to describe the revenue funding allocated to academies on an academic year basis.

COVID-19

In response to COVID-19, ESFA delivered £842 million of additional funding across 15 funding streams which providers and employers have accessed 115,000 times, collaborating with DfE colleagues to support and advise on delivery options to implement government policies. ESFA continues to engage with DfE, in response to the impacts of COVID-19 for multiple additional funding streams including Summer Schools, Free School Meals, and with Department for Health and Social Care where we are acting as their agents for Mass Testing. ESFA has implemented multiple new grants at pace in response to policy initiatives for COVID-19 to provide much needed support to the education and skills sectors, including exceptional costs for schools (£139 million), Universal Catch-up (£376 million), National Tutoring Programme academic mentors (£3 million) and Provider Relief fund (£11 million).⁹

Key Milestone

- calculate, update and issue/reissue in year allocations for the education and skills sectors because of COVID-19 interventions

In addition, ESFA has responded quickly to calculate, update and issue/reissue in-year allocations for the education and skills sectors as a result of COVID-19 policy changes and interventions. This has included updating allocations to include the 16 to 19 Tuition Fund in autumn 2020, 16 to 19 High Value Courses in February 2021 and calculating and issuing allocations to ESFA-funded providers allowing adults who want to achieve their first full Level 3 qualification to access 400 fully funded courses. The payments lifeline has continued to deliver £62 billion annual funding to the education and skills sectors as a whole, accurately and on time during the COVID-19 period.

Ways of working

To manage successful delivery of COVID-19 funding ESFA worked closely with DfE colleagues and developed robust delivery plans to ensure providers received additional funding in a timely manner. ESFA also engaged closely with DfE colleagues to manage the complexities of a Spending Round with condensed delivery timescales for 16 to 19 funding and Adult Education Budget.

To support all sectors during the significant uncertainty of COVID-19, ESFA ensured ongoing engagement and adapted its ways of working. This included clear lines of communication providing reassurance and transparency, and hosting and attending a range of virtual forums, meetings and engagement sessions with local authorities which have been mutually beneficial for all parties, enhancing working relationships.

In addition, ESFA set up the new FE Associations Funding Working Group to discuss proposed DfE initiatives and for FE provider associations to discuss areas of concern from their members. ESFA also created the Colleges Funding Working Group for college finance directors, to share information and discuss funding matters of interest.

⁹ Note 3 provides a more detailed breakdown of the COVID-19 related costs.



2. Regulation and

Regulation and oversight are inextricably linked in terms of the work the agency carries out to meet these two priorities. As such they are discussed in tandem throughout this section.

ESFA activities aim to ensure providers have the highest standards of financial management and governance, enabling them to deliver excellent education and skills. The agency:

- provides overarching frameworks for compliance with funding agreements and relevant statutory legislation
- delivers audit and assurance activities
- provides tools, guidance and expertise to support providers
- anticipates, detects and prevents risks related to finance and governance from escalating into significant issues
- supports and intervenes swiftly and proportionately where necessary

Oversight

To facilitate improved financial, governance and assurance arrangements at academy trusts and further education colleges – and to ensure public funds were used properly – ESFA worked with sector steering groups to strengthen further oversight and assurance activities and the provider frameworks that underpin these. These included new editions of the agency's financial governance, audit and financial reporting publications for those sectors.



3. Oversight

As well as continuing to oversee core regulatory functions (such as safeguarding, complaints and ensuring compliance with related party transactions requirements), ESFA also responded to ministerial priorities to drive wider improvements.

For example, for academy trusts the agency:

- responded to the Public Accounts Committee's challenge on monitoring and supporting larger academy trusts with the introduction of enhanced monitoring
- developed and began procurement for a 50-place mentoring pilot for chief financial officers in the most financially vulnerable academy trusts
- developed a support offer to help state boarding schools overcome additional pressures caused by COVID-19
- hosted a virtual finance directors forum, attended by over 1,400 delegates from academy trusts
- played a wider role in shaping future departmental strategy and system reforms

For example, for further education the agency:

- brought together several teams and roles into one place, which enabled a full and co-ordinated response to the recommendations made in the Dame Mary Ney review¹⁰. This allowed us to establish more strategic relationships with colleges and take more supportive and preventative action sooner
- implemented future arrangements on subcontracting from the consultation on *Reforms to subcontracting education for learners over 16*¹¹
- mitigated against a potentially significant increase in provider failure by working across the agency to permit flexibility of funding rules to ease the transfer of learners

Audit and assurance

COVID-19 had a significant impact on our assurance programme, leading to further assurance activity in line with additional COVID-19 grant schemes as well as necessitating flexing our approach to reduce burdens and alleviate pressure on providers by:

- delaying the start of the provider funding audit and governance review programmes from April 2020 until autumn 2020
- replacing on-site audits with remote audits and flexing the timing of audits in response to requests from providers
- extending the deadline for academy trusts and colleges to submit their annual reports and accounts by one month to 31 January 2021
- increasing engagement with academy trusts and colleges through stakeholder groups to better understand their challenges and provide support

Support and improvement

Starting from the premise that it is better to identify and address issues early, ESFA invested more time on improvement activities, working with sectors to support good financial health and encourage robust governance. This included beginning to embed the prevention strategy to baseline and measuring ESFA's performance as it aims to become less reactive and more preventative in its provider engagement.

Having analysed their financial returns, ESFA identified and engaged with 472 academy trusts forecasting declining reserves to understand the issues and whether any additional help was required.

ESFA ran and managed the school resource management (SRM) portfolio on behalf of the department, which brings together a range of tools, resources and support to allow academy trusts and local authority maintained schools to manage their budgets effectively.

A key element of this was the second full year of the SRMA programme. ESFA commissioned 272 SRMA deployments: 228 to academy trusts and 44 to maintained schools, across 34 local authorities to improve their financial and school resource management capability and adapted the programme to meet the demands on the sector caused by COVID-19. ESFA developed both quantitative and qualitative measures to understand fully the impact of the programme. In 2020-21, 82% of those schools visited by an SRMA found their experience good or very good.

Key outcomes

- 272 SRMA deployments completed in 2020-21
- £124.4 million potential savings identified by SRMAs in 2020-21
- 81 COVID-specific deployments commissioned in 2020-21

¹⁰ Report of the independent review of college financial oversight – GOV.UK (www.gov.uk)

¹¹ Consultation: Subcontracting post-16 education and training with Education and Skills Funding Agency (ESFA) funding – Department for Education – Citizen Space; and response: Reforms to subcontracting education for learners over 16 – GOV.UK (www.gov.uk)

The agency established a dedicated Large Provider Team of expert contract managers to work with the 30 largest independent training providers (ITPs). Responsible for a substantial proportion of the total apprenticeship market, these providers submitted additional financial forecasts in September 2020 to provide assurances over their financial stability. This provided an up-to-date view of the overall health and resilience of the ITP sector.

ESFA conducted 438 meetings with the further education providers identified as having the highest risk, with the aim of identifying financial and/or quality issues earlier whilst working with institutions to address them. This was around half of the planned target, but measures were reduced due to the impact of COVID-19.

Intervention

Alongside an increased focus on improvement activities, ESFA remained committed to protecting public money and educational provision. When the need for formal intervention arose, ESFA focused on ensuring that cases were progressed quickly and appropriately, working alongside the regional schools commissioners (RSCs) and the Further Education Commissioner where appropriate.

This approach meant an average of 81% of academy trust serious financial concern cases were de-escalated within the target time each month, a 9.6 percentage point improvement.

ESFA also provided financial advice covering deficits, recovery plans, viability and governance concerns for 216 academy trusts.

The agency conducted 23 assessments of further education colleges. None resulted in formal intervention, 5 endorsed the colleges' plans and the rest continue to work with ESFA to improve their plans.

COVID-19

ESFA has taken into account the additional demands placed on providers during the pandemic and balanced these against the agency's duties to protect and support educational interests and use of public funds. ESFA continued to work closely with providers judged to be of highest risk throughout the pandemic, while slowing or pausing non-critical activities to reduce the burden on providers and help ensure the overall stability of the sector.

This impacted the speed at which ESFA was able to develop and deliver activities and the speed at which intervention activities were carried out, as well as necessitating pushing several milestones back to 2021-22.

Work to support the department's response to COVID-19 has included:

- re-positioning the workforce to support other areas of DfE and government
- collaborating with DfE and RSCs to establish the REACT framework to co-ordinate departmental engagement with academy trusts and local authorities
- offering dedicated COVID-19 SRMA visits to academy trusts and local authorities
- supplying vital sector intelligence on further education attendance patterns, delivery models and preparations for re-opening to drive key Cabinet Office and departmental leadership team decision-making
- launching 5 provider relief schemes to give lifeline funding to providers and supporting learners whose programmes were disrupted; these schemes totalled £11 million of relief funding and have protected provision and supported 32,800 learners and apprentices
- developing and delivering assurance programmes to ensure funds had been used for the purposes intended
- playing a key role in helping develop, support and introduce schemes to help providers with additional costs caused by COVID-19
- undertaking 3 additional cash flow collections, both full-sector and risk based, working with colleges to ensure minimal burden on the sector while generating insight to support decision-making
- enhancing financial monitoring arrangements, introducing new 'light touch' financial returns to facilitate early identification of providers at risk of financial distress and therefore provide support to, and, where necessary, intervene with providers to protect the agency's funds

ESFA has developed a reform programme to absorb the lessons learned during the pandemic into its operational delivery approach and to input into wider strategic departmental policy considerations. It has also developed, and implemented, a rapid response hub to allow greater flexibility and swifter resolution to cases of quick and serious academy trust failure. This team is now established, and work on cases will begin in 2021-22.

Oversight of the sector

Despite the challenges caused by COVID-19, ESFA has maintained a balance between supporting the sector and holding providers to account to assure that public funds are delivering value for money and the best possible outcomes.

ESFA has maintained its oversight of the education and skills sectors by delivering, amongst other things, a comprehensive audit and assurance programme, including:

- 68 academy trust, 33 FE college and 62 ITP funding audits
- 59 financial management and governance reviews at academy trusts
- 530 academy trust and 240 FE college financial statement reviews
- 241 college and 1,937 independent training provider financial health reviews
- in-year monitoring of the finances of 69 FE colleges and 78 ITPs.

Overall, standards of financial management and governance across the academies sector have remained high. The number of academy trusts with an active Financial Notice to Improve (FNti) increased from 36 to 39 but the average time FNtis were open for remained stable. ESFA continued to focus on shifting the balance between improvement and intervention for academy trusts. In 2020-21 79% of new casework has been improvement driven. This mirrored performance in 2019-20.

The financial position of further education colleges is complex: they operate on tight financial margins; some income streams have been put at risk due to the pandemic; and recovery packages were put in place during 2020-21 to help offset the impact of COVID-19. However, there is encouraging evidence from the latest financial returns from colleges that sector specific actions and national initiatives have minimised the initial impact of COVID-19.



4. Skills

In 2020-21, the agency set out to enable all employers in England to recruit and manage apprentices to meet their skills needs through an online service, and complete the programme of reforms to improve apprenticeships that started in 2015.

ESFA aimed to improve the opportunities for learners to move into skilled employment, or progress into further education or training by establishing T Levels as the main technical offer at Level 3, supported by a transition programme.

ESFA also set out to provide learners with high-quality progression routes by reforming higher technical education at Level 4 and 5 and providing learners with simplified choices by streamlining post-16 qualifications at Level 3 and below.

The agency committed to improving the quality of apprenticeships and contributed to the development of the DfE white paper, Skills for Jobs.

2020-21 performance goal

- We achieved our goal to ensure by August 2020 all new apprenticeship starts are on higher quality apprenticeship standards as designed by employers (replacing frameworks)

Apprenticeships

In August 2020, ESFA phased out apprenticeship frameworks in favour of apprenticeship standards that are designed and driven by industry, ensuring that all apprenticeships are delivering training that equips learners to do a specific role and meets the skills needs of employers.

In July 2020, a new quality strategy was created that set out to:

- make expectations of an apprenticeship clearer and higher to all invested parties
- make providers and employers more accountable for meeting them
- invest in provider capacity and capability

In January 2021, ESFA launched the Apprenticeship Workforce Development offer to support staff delivering apprenticeships with skills and knowledge to provide higher quality teaching and overall management.

Introduction of T Levels

The first 3 T Levels were launched in September 2020, with 43 providers with a viable first cohort. There has been positive feedback from providers, young people and employers about these courses. In addition, 34 providers are running T Level Transition programmes (Level 2) supporting young people to be better prepared to study a Level 3 course. A further 7 T Levels were approved for introduction in September 2021.

2020-21 performance goal

- Introduction of the first 3 T Levels, with 43 providers ready to deliver the first 3 T Levels by September 2020 was achieved

Higher technical education

ESFA published the government's response to the consultation on Higher Technical Education Reforms in July 2020 and worked with the Institute for Apprenticeships and Technical Education to develop standards and guidance for approving qualifications at Level 4 and 5. Following this, the approval window for digital Level 4 and 5 qualifications closed on 16 December 2020, with 33 qualifications from 16 awarding organisations.

Qualification reforms

ESFA launched the second stage of the post-16 qualifications review consultation and published the response to the first stage consultation in October 2020, which closed at the end of January 2021.

The agency also launched the Level 2 and below call for evidence in November 2020 which closed in mid-February 2021 and is now in the analysis, planning and implementation phase of qualification reforms.

The agency also contributed to the development of the DfE Skills for Jobs White Paper, published in January 2021, to provide a clear statement of the future role of vocational education in the skills system.

COVID-19 impact

In response to the economic downturn because of COVID-19, the agency launched the 18 to 19-year-olds Skills Recovery Programme to ensure young people had the opportunity to remain in structured education and training and have the option to develop new skills instead of becoming unemployed.

Following the third national lockdown, the agency launched a consultation in January 2021 on Summer Examinations and Assessment in 2021. In February 2021, the Secretary of State announced how vocational and technical qualifications will be awarded this summer.

The agency provided additional support to ensure providers were ready to launch the first set of T Levels and developed a support package for providers to incentivise employers to provide industry placements for students.

2020-21 performance goal

- ESFA achieved its goal to ensure returns from breaks-in-learning were higher in account managed employers than for the rest of the programme

The COVID-19 pandemic contributed to a decline in apprenticeship starts and delays to completions compared with previous years, and a sharp rise in the number of apprentices on breaks-in-learning.

ESFA reacted quickly to support apprentices, employers, and providers in responding to pressures posed by the pandemic by:

- introducing funding rule flexibilities to support training delivery and assessment and enabling providers to support apprentices who are unable to complete their functional skills qualifications
- setting up a redundancy support service for apprentices and supporting account managed employers to resume recruitment

Of those apprentices starting breaks between 23 March and 31 July 2020 with employers that have received dedicated support and account management from ESFA, 66% of apprentices had resumed or completed their apprenticeship by January 2021. For employers without account management the figure was 63%.

ESFA also offered:

- incentive payments and flexibilities for transfers for employers hiring new apprentices
- sector specific support for particularly affected employers
- expanded provision to triple the number of traineeships in 2020-21

Also due to challenges presented by the pandemic, the completion deadline for the transition of non-apprenticeship levy paying employers onto the apprenticeship service was extended from 1 November 2020 to 1 April 2021. After this, all apprenticeship starts will be funded through the service, completing the programme of apprenticeship reforms.

Key Milestones:

- published government response to consultation on Higher Technical Education Reforms
- launched Apprenticeship Workforce Development offer
- launched second stage post 16 qualifications review consultation and published response to the first stage consultation and the Level 2 and below call for evidence



5. Customer Experience & Technology

In 2020-21, ESFA set out to improve the quality and timeliness of its customer service using insight to agree agency-wide outcome and satisfaction measures. The aim was to deliver and improve online tools for the FE sector and redesign processes to improve interactions with all customers, creating efficiency savings in the process. COVID-19 placed a lot of demand on the agency. It had to:

- ensure its customers could access relevant, up to date information and support
- provide information to make informed decisions in times of crisis
- ensure all services are fit for purpose going forward in the recovery phase

ESFA delivered and supported a number of emergency interventions including the introduction of the Coronavirus Helpline, scaling up of the National Careers Service to respond to the economic impact of COVID-19, and implementing vital data collection and analysis to assess the impact education policies are having on the R-rate.

2020-21 performance goal

- The 2-day enquiry handling service level agreement was met for 87.5% of enquiries, rising from 73.9% in 2019 to 2020.
- The customer service helpdesk has received an overall satisfaction increase of 13.6%.

Improving customer service

The customer service helpdesk has seen significant improvements in both enquiry handling time and customer satisfaction; at the same time reducing operational costs by 7.6%.

Responding to gaps in satisfaction and building on best practice has contributed to the customer helpdesk receiving an overall average satisfaction score of 81.1%, which is 6.1% above target and an increase of 10.7% compared to 2019-20.

The 2-day enquiry handling service level commitment was met for 87.5% of enquiries, rising from 73.9% in 2019-20. This rise can be attributed to changes to the way in which ESFA delivers services; enabling the re-deployment of staff and use of outsourced provision to respond to peaks in demand.

The customer service team launched a digital help centre which integrated, improved and replaced the legacy feconnect discussion forum. The forums now have a broadened audience base to include academies and schools, in addition to further education and training providers. The new forum promotes peer-to-peer knowledge sharing between customers and is now known as 'ESFA Communities'.

The help centre has enabled users to successfully self-serve since its launch in August 2020, and has played a role in reducing enquiries to the helpdesk with a 40% reduction overall.

Help Centre Stats:

- over 15,000 users
- 140,000 forum views
- 9,500 views of ESFA knowledge articles

The customer service team adapted to COVID-19 by supporting DfE's coronavirus response to deliver a new dedicated Coronavirus Helpline.

The Coronavirus Helpline was set up in less than 36 hours in March 2020 and at its peak handled over 5,000 calls in a single day from schools, other education providers and parents, with over 150,000 contacts received between March 2020 and February 2021. Feedback from the helpline has informed important decision making and shaped government policy.

Data supporting public policy for UK government's COVID-19 response

From the start of the pandemic, the agency met additional demand to collect user data to inform the UK government's response to COVID-19. End-to-end data journeys, processes and operational analysis tools were created to inform key decisions on the status of the wider opening of educational settings and mass testing.

Automated dashboards, and models on learner attendance and COVID-19-related illness in settings, are being used across government to assess the impact of the COVID-19 R-Rate on the wider opening and/or closing of schools. These tools have enabled DfE statisticians to publish daily attendance data, supported additional/ exceptional funding claims, and the registration of 6,300 settings as testing sites.

Changes to the 'Submit Learner Data', an online tool for training providers to submit information to the ESFA, were made to collect information about furloughed apprentices and the tool successfully met service standards and passed its Government Digital Service assessment to become an official 'live service'.

The 'View your education data' service provides analytical insights to support business intelligence and better decision making for organisations working with ESFA.

ESFA began work on a new tool within 'View your education data' to allow customers working in further education to accurately model their data before submission. User research was undertaken, and a prototype was made. However, the response to COVID-19 pulled resource away from the project and the deployment of the tool has been pushed back to later in 2021.

Both the 'Submit Learner Data' and 'View your Education Data' tools exceeded their target of 95% availability time, with any downtime planned and communicated to users.

Communicating with the sector

Communications staff responded to COVID-19 by working with policy teams to write clear guidance for GOV.UK, contributing to a daily coronavirus email that was sent out to schools and local authorities, and by creating informative social media posts to help educators and the public understand rapidly changing rules around issues such as attendance, funding and testing.

ESFA has improved its engagement with the sector from the previous financial year. The weekly newsletter has seen open rates increase between 5 and 10% across the year when compared to the prior year, and sector communications from ministers were initiated to give insight into how senior government figures were responding to their needs during COVID-19.

Careers advice and skills development during the pandemic

The pandemic resulted in millions of people in England being furloughed from their main source of employment, and others facing reduced hours or redundancy. The National Careers Service secured additional investment to provide careers advice to individuals impacted by the pandemic as part of the government's 'Plan for Jobs' package of support; helping individuals and organisations consider different development programmes including apprenticeships, traineeships, Kickstart and the Sector Based Work Academy.

The National Careers Service further responded to the pandemic by creating the 'Skills Toolkit' – an online platform providing free courses, tools and resources to help develop people's digital and numeracy skills whilst not working or on furlough. There are over 70 courses on the platform from a range of companies.

Between the platform's launch in April 2020, and February 2021, 162,000 people had registered for a course through the platform.

2020-21 key outcome

- 162,000 people had registered for a course through the 'Skills Toolkit' between April 2020, and February 2021

Financial review of the year

This section provides commentary to support the financial statements and our performance during the year. See the notes to the accounts from page 88 for more details.

Budget outturn

The Chief Executive receives a budget delegation from DfE's Permanent Secretary, which principally covers apprenticeships and operational costs. Alongside that, the Chief Executive receives authority to spend on programmes where ESFA is responsible for the operational delivery but the responsibility for the policy and the budget rests with Directors General in DfE. In 2020-21, this resulted in a total budget of £63.0 billion, of which £62.9 billion is for resource expenditure, with the remaining £0.1 billion for capital expenditure.¹²

ESFA was £0.54 billion and 0.9% within its resource budget, with the principal under spend being on apprenticeships (£0.35 billion), as the demand for apprenticeships from employers was lower than expected, partly due to the impact that COVID-19 has had on employers' recruitment plans. Apprenticeships is a demand led programme, with employers choosing which apprenticeships they offer, how many and when.

ESFA was £0.06 billion and 0.91% within its capital budget. The budget primarily covers loans to colleges and academy trusts.

¹² RDEL is programme budgets, which are spent in delivering front-line services such as funding to academies and apprenticeships training providers. It also covers running costs. CDEL is for spending on financial assets such as loans provided to the sector and intangible assets such as software.

Long term expenditure trends

	2020-21	2019-20	2018-19	2017-18
	£m	£m	£m	£m
Income	(110)	(137)	(198)	(256)
Staff costs	101	94	66	79
Resource Programme expenditure	62,293	58,474	56,721	55,909
Capital Programme expenditure	1	36	119	3,999
Operating expenditure	49	53	68	69
Shared service cost (included in the above)	36	31	33	41
Average staff numbers (whole numbers)	1,749	1,694¹	1,852	1,765

¹ 2019-20 staff numbers were restated, removing managed services staff.

Resource grants account for 99.5% of operating expenditure. The biggest element of this are National Funding Formula grants to local authority maintained schools and academies. Operating income totalled £110 million, primarily relating to income from the European Commission to fund various skills programmes.

Resource expenditure increased by £3.8 billion (6.5%) from 2019-20 to 2020-21. This included:

- an additional £2.6 billion for 5-16 year olds as announced in 2019 to level-up education funding, giving all young people the same opportunities to succeed
- an additional £0.8 billion in response to COVID-19, including the School Catch-up Premium, additional free school meals, the 16-19 Tuition Fund and incentive payments to employers of new apprentices
- an additional £0.3 billion for 16 to 19 education relating to the additional funding announced in 2019 for academic year 2020/21

Statement of financial position

There has been a movement in the financial position (movement in total assets less total liabilities) of £74 million, the most significant elements of this were an increase in cash balance of £237 million, a reduction in total receivables by £142 million and a decrease in loans by £62 million. The increase in the cash balance is due to an increased buffer held as a contingency for COVID-19 payments and receipts for European Social Fund (ESF) received in March. The reduction in receivables is due to improvements in ESFA's debt and balance sheet management. Movements in the loans are due to repayments received and impairment of the loan book. The remaining balance is made up of small movements in provisions and financial guarantees.

No pension liability is recognised as ESFA operates an unfunded multi-employer defined benefit pension provided by the Principal Civil Service Pension Scheme (PCSPS) or the Civil Servant and Other Pension Scheme (CSOPS).

Key risks and issues

ESFA operates in a complex environment and its business is subject to a broad range of risks. During 2020-21, the agency took steps to mitigate and manage those risks and decisive action to manage issues that arose. This is a summary of the significant risks and issues managed during this financial year.

Risks and issues	Impact	Mitigation	Direction for year
Unable to deliver business objectives due to resource shortages; greater volumes of work and business as usual operational backlogs driven by COVID-19 response and decreased staff availability.	ESFA lifelines, ministerial priorities and business objectives would not be achieved.	While appropriately responding with the DfE and government to national events, ESFA mitigated impact on core objectives with thorough scenario planning and re-prioritisation in consultation with delivery partners.	Static
Unable to deliver timely and accurate 2021/22 allocations to the education and skills sectors.	Delays to allocations would cause disruption for providers and potential financial instability in the sector, as well as reputational damage to ESFA.	This was mitigated by working closely with delivery partners, including local authorities. Mitigations also included thorough planning with new timescales and prioritising funding operations. Successfully managing the significant challenges, 2021/22 allocations were delivered accurately and on time.	Decreasing
COVID-19 has a detrimental impact on the financial health and stability of the education sector.	Financial impact to the department due to potential additional funding required to support providers. Loss of education provision in the sector which would be difficult and costly to reverse and lead to negative impacts on students.	ESFA implemented numerous initiatives to support providers to take strong action to control costs and protect cash flow. This was coupled with providers drawing down from government-backed support schemes, where appropriate.	Static

Risks and issues	Impact	Mitigation	Direction for year
Failure to fully roll out T Levels as a national Level 3 qualification and as the core technical offer across the 24 subject areas by the academic year 2027/28.	T Levels are not seen as the main technical offer and shortage of industry placements impacts each student's ability to secure a T Level. Reputational damage as a result of government failing to deliver its objectives to reform technical education and loss of confidence in the T Level brand.	ESFA ensured delivery of the first three T Levels in September 2020 was successful and is on track to deliver the next 7 T Levels in September 2021. ESFA continues to mitigate longer term risks to delivery through close working with the Institute and Ofqual to ensure plans remain on track.	Static
Employer and learner take up drops across vocational and technical education in the post-pandemic recovery period.	Decline in employer and learner demand will force change and make it unlikely that programmes will be delivered exactly as planned. Young people will therefore be heavily affected by the loss of opportunity as there is likely to be some drop in learner and employer demand which will lead to a reduction of skills in the wider workforce, obstruct immediate growth and result in a reduction of the future talent pool for the country.	ESFA continues to deploy a range of mitigations including continued close financial planning, delivering support for providers and direct engagement on progress, and offering time-limited programme flexibilities to help learners remain on their programmes. The skills recovery package will also incentivise employers to create apprenticeship and traineeship opportunities, expand advisory support from National Careers Service for people to retrain, and expand for young people Level 3 education and training opportunities which employers value.	Static
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 ESFA. Loss of data could also disrupt effective delivery of services, including distribution of funding, and internal efficiency.	ESFA continues to mitigate this risk, whilst recognising that the sophistication of assault on systems is always increasing and requires even more focus on preventative activities.	Static

Other information

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 2020-21, we were made aware of 8 ESFA-related complaints escalated to the PHSO. All 8 were accepted for investigation but were not upheld.

ESFA is aligned with the Department in respect to the following matters:

Respect for human rights

Under the *Equality Act 2006*, DfE 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
- there is mutual respect between groups based on understanding and valuing diversity, and on shared respect for equality and human rights

Disclosures relating to policies on modern slavery are made within the DfE Group annual report and accounts.

Anti-corruption and anti-bribery matters

ESFA adopts DfE'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. ESFA 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.

DfE regularly reviews whistleblowing arrangements to ensure employees feel able to raise cases and they are handled appropriately. Whilst we have adopted the department's whistleblowing arrangements the ESFA has a dedicated lead who works with staff and the department.

Effectiveness of whistleblowing arrangements

ESFA's whistleblowing policy is entirely integrated into DfE procedures. The effectiveness of these arrangements will be reflected in the DfE Group annual report and accounts.

Sustainability

In response to the COVID-19 pandemic, Her Majesty's Treasury (HMT) have reduced the sustainability reporting requirement for departmental annual reports and accounts (ARA). As well as disclosure in the ARA, Defra publish a cross-government report on sustainability each year - Greening Government Commitments (GGC)¹³. Owing to the reporting duplication HMT has allowed departments to dispense with disclosing GGC for 2020-21.

¹³ <https://www.gov.uk/government/publications/greening-government-commitments-2016-to-2020>

Forward look

Future developments

The ESFA 2021-22 business plan describes our ambitions for the year ahead, how we will monitor progress on our objectives and hold ourselves to account.

The business plan sets out our 5 strategic priorities and how these will be met through delivery of new strategic and local objectives for each directorate.

The business plan outlines how ESFA will continue to be fully engaged with the ongoing government response to COVID-19. Much has been achieved, but it is right to anticipate many more challenges will present themselves in the year ahead as the agency moves to support the recovery effort.

Alongside the business plan objectives, the focus on ESFA's internal 'people' agenda has been, and will continue to be, a key priority for the agency. During 2021-22, the agency will be working with colleagues to talk about "*how we work*" as well as "*where we work*" – including an open conversation about the important role of offices. In tandem with this, the agency will be developing workforce capability, capacity and back-office infrastructure, to ensure the right skills, structure, data and systems for the future.

In line with the Declaration on Government Reform¹⁴ the Cabinet Office commissioned an independent review of the ESFA as an arm's length body. The review is considering the ESFA's operating model, governance, accountability model and impact. The review was launched in July 2021, is expected to run until January 2022, it links closely with the DfE transformation programme.

Strategic objectives 2021-22

To support delivery of our 5 strategic priorities, during 2021-22 the agency has the following 5 strategic objectives (SO):

- SO1 – deliver funding accurately and on time, including additional COVID-19 payments
- SO2 – support and improve the health, governance, and efficiency of providers in the education sector
- SO3 – deliver oversight of public money through provision of financial excellence and expertise to support the education and skills sector
- SO4 – ensure learners have a range of high-quality technical education and work-based opportunities to develop the skills employers need and can access these flexibly in a way that suits them
- SO5 – deliver great customer experience across all engagements with providers, learners, employers, and the community

John Edwards
Interim Chief Executive
15 November 2021

¹⁴ <https://www.gov.uk/government/publications/declaration-on-government-reform>



Accountability report

Accountability report

The accountability report sets out how we meet the key accountability requirements to Parliament. It is broken down into three areas:

- the corporate governance report which provides an overview of the leadership of ESFA and our risk management approach
- Remuneration and staff report which details remuneration and staff expenses and policies
- Parliamentary accountability and audit report which contains Parliamentary accountability disclosures and the audit certificate

Corporate governance report

The corporate governance report explains ESFA's governance structure, the role of the Accounting Officer and contains the governance statement.

The directors' report

Non-executive board members during 2020-21



Dame Irene Lucas-Hays DBE
Chair: Management Board
(until October 2021)



Hunada Nouss OBE
Chair: Audit and Risk Committee
Management Board



Stuart McMinnies
Management Board
Audit and Risk Committee



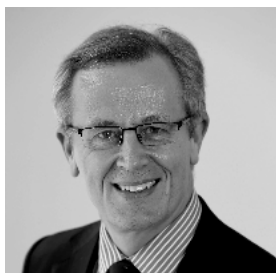
Martin Spencer
Management Board



Ian Hickman
Audit and Risk Committee



Nigel Johnson
Audit and Risk Committee



John Lakin
Audit and Risk Committee

Executive Team members during 2020-21 ¹⁵



Eileen Milner
Chief Executive and
Accounting Officer
(until July 2021)



John Edwards
Director of Funding
(from July 2020
to July 2021)
Interim Chief Executive
and Accounting Officer
(from July 2021)



Mike Pettifer
Director of Academies
and Maintained
Schools
(until July 2020)



Keith Smith
Director of
Apprenticeships
(until April 2020)



Warwick Sharp
Director of Academies
and Maintained
Schools
(from July 2020)



Peter Mucklow
Director of
Apprenticeships
(from May 2020)
Director of Further
Education
(until May 2020)



Charlotte Briscall
Director of Customer
Experience, Digital and
Data



Kirsty Evans
Director of Further
Education
(from May 2020)



Sarah Whitehead
Director of
Finance & People
(maternity leave
from June 2020)



Kate Josephs
Director of Funding
(until July 2020)

¹⁵ Dates sighted in this section indicate the point at which responsibilities were handed to a new director. Actual end dates of employment are included in the remuneration report on “Remuneration and staff report” on page 60.

Executive Team members during 2020-21 (continued) ¹⁶



Stuart Proud (acting)
Director of
Finance & People
(from June 2020)



Sue Lovelock
Director of Professional
and Technical
Education



Matthew Atkinson
Director of Provider
Market Oversight
(PMO)

¹⁶ Register of interests published on GOV.UK www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2020-to-2021/list-of-esfa-board-members-interests

Movement in officials in 2021-22

On 26 July 2021, Eileen Milner stepped down from her role as Chief Executive. John Edwards took over as Interim Chief Executive and Accounting Officer. John has taken assurance from Eileen to enable him to sign this ARA.

Personal data incidents

A personal data related incident is defined as a loss, unauthorised access/disclosure, insecure disposal, or compromise of personal data.

Personal data related incidents could cause harm to the rights and freedoms of an individual. The following personal data held by the organisation falls within the scope of a personal data breach:

- information that links one or more identifiable living person(s) with information about them
- any source of information about identifiable individuals, other than information sourced from the public domain

A total of 26 personal data related incidents were reported in 2020-21 (2019-20: 22), of which one was judged significant enough to be formally reported to the Information Commissioner's Office (2019-20: 1).

Other information

Auditor remuneration

The Comptroller and Auditor General, appointed by statute, audited this ARA. The certificate and report appear in the Parliamentary accountability and audit report section of this ARA. The notional audit fee incurred for the year was £455,000 including an additional £55,000 for 2019-20 in respect of the Covid-19 work. (2019-20: £345,000).

There was no remuneration for non-audit work.

Research and development activities

There was no expenditure on research and development in the current or prior financial 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

There is some credit risk to ESFA from non-payment of recoverable funding. This is usually due to commercial and charitable providers becoming insolvent and unable to provide learning. The position for the financial year is shown in the notes to the accounts in this document.

Political donations

We did not make any political donations during 2020-21 (2019-20: £nil).

Statement of the Accounting Officer's responsibilities

The Accounting Officer's responsibilities

The Accounting Officer of DfE, has designated the ESFA's Interim Chief Executive as the Accounting Officer of ESFA.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding ESFA's assets are detailed in Managing Public Money, published by HM Treasury.

The ESFA Accounting Officer's responsibilities to the department also include:

- day to day operations and management
- aligning ESFA's Business Plan with the department's wider strategic aims and agreed priorities
- informing DfE of progress and how we are meeting policy objectives, and demonstrating how resources are being used to achieve those objectives
- ensuring timely forecasts and information on performance and finance, including any necessary corrective actions and/or significant problems detected by internal audit

Under Section 7 of the Government Resource and Accounts Act 2000, DfE has directed ESFA to prepare a statement of accounts for each financial year, in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ESFA, and of its income and expenditure, Statement of Financial Position, and cash flows for the financial year.

The Accounting Officer's statement

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

- observe the accounts direction issued by DfE, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare ESFA's accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

As the Accounting Officer, I can confirm that I have discharged my responsibilities properly.

I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ESFA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance statement

The purpose of the governance statement

This statement sets out our governance, risk management, the assurances I have received as Interim Chief Executive and Accounting Officer of the ESFA, and our compliance with *Cabinet Office's Corporate governance in central government departments: code of good practice*.

Prior to my appointment on 26 July 2021, this responsibility was held by my predecessor, Eileen Milner. I have taken assurance from her that there was a sound system of internal controls during the period covered by this ARA. I can also confirm that control systems have been in place up to the date of approval of the ARA.

Scope of responsibility

As Accounting Officer, 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 ESFA's work means that total elimination of risk is unlikely to be achieved. Therefore, we operate a system of governance, internal control and risk management that can manage risk to a reasonable level rather than eliminate it completely. ESFA's risk appetite statement was amended in May 2020 to reflect the environment surrounding COVID-19. As defined in this 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
- take reasonable steps to manage risk efficiently and effectively

I am satisfied that effective internal control of risk has been in place from 1 April 2020, up to 31 March 2021 and up to the date of approval of the ARA.

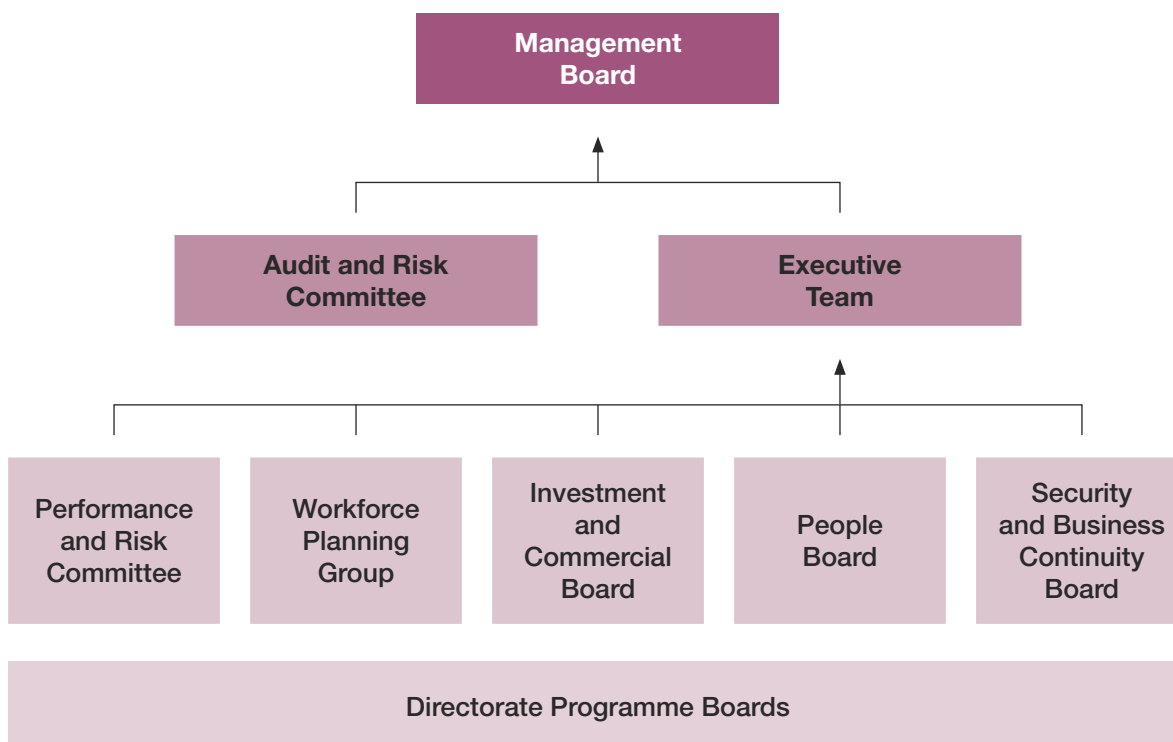
Governance framework

We have planned for good corporate governance, and my predecessor executed her responsibilities to DfE in accordance with the agreed framework document,¹⁷ which details the parameters under which DfE and ESFA will work together. This framework was reviewed and signed off in 2020-21.

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

¹⁷ <https://www.gov.uk/government/publications/esfa-framework-document>

Board and committee structure



Non-executive boards and committees

A summary of board attendance and appointments is contained in Annex 1.

Management Board	
Chair	Dame Irene Lucas-Hays DBE
Frequency	6 per year
Purpose	<p>The board provides strategic direction, support and guidance, to ensure the delivery of the business plan objectives, organisational effectiveness, and alignment with DfE's mission, strategy and purpose.</p> <p>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 ESFA and supports the Chief Executive to discharge obligations set out in <i>Managing Public Money</i> for the proper conduct of business and maintenance of ethical standards. Summaries of meetings are published.¹⁸</p>

The Chair and non-executive members completed an annual declaration of interests to disclose any potential or actual conflicts of interest. At the start of each meeting, members are instructed to declare conflicts of interest related to the agenda. No new conflicts of interest were identified at any meeting during 2020-21. The Register of Interests¹⁹ has been published separately.

¹⁸ <https://www.gov.uk/government/organisations/education-and-skills-funding-agency/about/our-governance>

¹⁹ www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2020-to-2021/list-of-esfa-board-members-interests

Statement from the Board Chair Dame Irene Lucas-Hays DBE

The information the board received for meetings was of good quality and fit for purpose. The board received information on progress against objectives including performance targets, key agency risks and their mitigations, and financial information. As well as receiving routine reports the board held detailed discussions on several key areas of the agency’s activity, including a meeting focussed on activity relating to COVID-19.

The information provided supported the board to operate effectively during the year. It allowed us to better understand the work of the agency and provide effective challenge. The board continued to be supported with weekly updates from the Chief Executive with areas of interest and key developments in between meetings.

The board held an internal review in April 2021 of its effectiveness throughout 2020-21 and concluded that we were operating effectively. This review noted improvements made to business planning and the related information the board received, and the positive working relationships between the non-executive members and the executive directors.

Our governance is compliant, where relevant, with the *Cabinet Office’s Corporate Governance in Central Government Departments: code of good practice*. Following a review of the relevant requirements, no departures from the Code were identified in 2020-21.

Audit and Risk Committee	
Chair	Hunada Nouss OBE
Frequency	Quarterly, additional meetings for key business
Purpose	The Audit and Risk Committee (ARC) supports the Management Board on issues of risk, control and governance, including overseeing internal and external audit activity. ARC is also responsible for giving assurance to DfE’s Board on ESFA audit and risk activity.
Members	At least 5 non-executive members, one of whom is the chair. Others who are normally invited to ARC meetings include: the Chief Executive, DfE’s Operational Finance Director, Finance and People Director, Provider Market Oversight Director, an observer from the National Audit Office (NAO), and an observer from the Government Internal Audit Agency (GIAA). Other officials from ESFA and DfE are invited to attend ARC meetings when necessary.

ARC members completed annual declaration of interests forms. At the start of each meeting, members are instructed to declare conflicts of interest related to the agenda. No conflicts of interest were identified at any meeting during 2020-21.

Statement from the ARC Chair Hunada Nouss OBE

As the ARC Chair, I am a non-executive director of the management board and a member of DfE's ARC, with responsibility for raising any issues in respect of risk, controls, and assurance, as well as progress towards resolution.

This was an unusual year, as the organisation, staff and governance arrangements adapted to the constraints and impact of COVID-19. ARC continued to operate as planned, but all meetings were held virtually. ARC's primary focus continued to be the effective management of risk and operation of controls, recognising the additional complexity of working remotely and the increased demands of the COVID-19 response on delivery.

Collaborating closely with DfE across a range of interventions to support providers and learners, ESFA demonstrated a rigorous yet pragmatic approach to assessing key risks associated with the support interventions and the planning of appropriate assurance activity. Whilst COVID-19 activity was often at the fore of discussions, this was not to the detriment of business-as-usual activity.

Looking forward, as ESFA re-focuses on supporting recovery and building for the future, it remains important that ARC continues to challenge risk and governance arrangements, encourage higher performance, and ensure value for money for the public purse.

Summary of activity in 2020-21 financial year

ARC met 5 times during the 2020-21 financial year. For all its meetings, ARC met virtually, given the circumstances of the pandemic.

The Chief Executive attended all 5 of the meetings, at which they provided an update of the key issues affecting the ESFA at the time, and in particular the work of the agency in supporting learners and providers during the COVID-19 pandemic.

In addition, 3 ARC workshops were held in 2020-21. These additional meetings were introduced during this financial year, with the aim of providing a more enhanced level of support. This year's workshops focussed on regularity assurance and risk management in December 2020, accounting preparations in February 2021 and COVID-19 interventions in March 2021.

Further meetings and workshops were held in July and September 2021 at which ARC continued to review the ongoing regulatory assurance work relevant to the 2020-21 ARA.

During the year, ARC reviewed regular and ad hoc reports provided on key issues and risks identified in connection with the work of the ESFA and provided challenge and advice where required.

ARC received regular reports from the GIAA. It approved the annual audit plan for 2020-21 financial year and it reviewed the progression of audit activity against the plan. Limited audit reports for the T Level programme and DfE provision of shared services were discussed.

ARC received regular reports from NAO on the planning for, and progress of the statutory financial audit and value for money audits. The final audit opinion for 2019-20 was delayed due to COVID-19 related disclosures in the accounts and was given in July 2020.

ARC received regular reports from PMO directorate, responsible for the provision of oversight and assurance around the proper use of funds provided by the ESFA. The COVID-19 pandemic presented significant challenges for PMO in the delivery of its assurance programme and ARC was kept updated about the challenges and the revised plans.

ARC considered ESFA's effectiveness in its management of risk. The Committee reviewed the risk register, including an assessment of the highest risks for escalation to the Management Board and the Department at each meeting. During May 2020, a supplementary risk appetite statement was approved by ARC to be used in conjunction with the existing statement to reflect shifts in appetite in the context of COVID-19.

ARC reviews the work of the Performance and Risk Committee (PaRC) to provide assurance of the exercise of management oversight in the identification and management of risk, which PaRC undertakes on behalf of the Executive Team. PaRC was paused in March and April 2020 due to ESFA's targeted response to the emergence of the COVID-19 pandemic but resumed in May 2020 bringing together all COVID-19 and business as usual risks into one risk summary document.

The Committee held deep dive reviews of specific risks in: cyber security, FE colleges' sustainability, FE reform agenda, and the impact on assurances and controls post COVID-19 supplementary funding to the sector.

ARC received updates from the Finance & People Director on financial performance as well as an update on the 2020-21 plans for improvements to the internal controls and assurance environment and the impact of COVID-19. ARC approved the formal Internal Control Framework in December and were updated on the general grants self-assessment. Non-executives held sessions with one Senior Civil Servant from each directorate within ESFA to challenge and scrutinise the completed Assurance Framework Records.

A number of shared services are provided to the ESFA by DfE. ARC received specific assurances from DfE corporate services on the effective operation of controls over the services provided, in particular Finance, HR, technology and property. ARC was generally content with the quality of assurance received over operational controls, but noted that it would like to see more maturity of reporting for both technology and property in future years.

ARC interrogated the various iterations of the ARA at its meetings suggesting improvements to the layout, content and overall appearance which have been incorporated in the final version.

ARC completed its annual review of effectiveness in April 2021. Performance was largely agreed as good, and was regarded as having continued to be effective whilst operating virtually. It was agreed that ARC non-executive members should continue to engage with the wider business (including related ALBs) and with staff to both inform their understanding of the key delivery challenges in the round, and to provide support to staff.

Executive committees and corporate boards during 2020-21

Executive Team	
Chair	Eileen Milner, Chief Executive
Frequency	Twice monthly
Purpose	The Executive Team assist the Chief Executive, as the Accounting Officer, to discharge her duties and ensure the efficient and effective management of ESFA. The Executive Team is responsible for implementing the strategies agreed by the Management Board and for overseeing operational delivery, performance and risk against the ESFA'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
Purpose	The Performance and Risk Committee (PaRC) is focused on providing collective and corporate operational leadership of ESFA by: <ul style="list-style-type: none"> • 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 • agreeing risks and performance issues to escalate to the Chief Executive, ARC, Management Board and DfE, to provide assurance risks are being managed effectively and to enable scrutiny and challenge of actions and mitigations at the highest level.
Members	Directors
Workforce Planning Group	
Chair	Sarah Whitehead (to June 2020) Stuart Proud (from June 2020), Finance & People director
Frequency	Fortnightly/monthly
Purpose	The Workforce Planning Group's remit is to: <ul style="list-style-type: none"> • provide strategic direction and ensure resources are allocated to key business priorities • ensure resources are affordable and demonstrate good value for money • review future recruitment campaigns, considering if alternative resourcing streams are more appropriate, for example reprioritising existing staff and/or redeployment of future returners
Members	Chief Executive, directors, HR business partners and People team and Finance representatives.

Investment and Commercial Board	
Chair	Sarah Whitehead (to June 2020) Stuart Proud (from June 2020), Finance & People director
Frequency	Monthly
Purpose	<p>The Investment and Commercial Board reviews all programme, project and policy investment above £1 million full lifetime cost, and managed service contracts of all values. Any investment above £20 million is reviewed at the DfE Investment Committee.</p> <p>The board is responsible for scrutinising and challenging business justification, ensuring alignment of investments to ESFA strategic priorities and maximising value for money.</p>
Members	Representation from across ESFA, including the Directors of Customer Experience, Digital and Data, Finance, Funding Directorate and PMO. Experts from Commercial and Finance support the board to reach the required decision.
People Board	
Chair	Sarah Whitehead (to June 2020) Stuart Proud (from June 2020), Finance & People director
Frequency	Monthly
Purpose	<p>The People Board oversees the delivery and focus of the People Plan and priorities.</p> <p>The People Board provides direction and challenge to ensure the key People Plan milestones are delivered, including the agency level learning and development plan, the resourcing strategy and plans to support the health and wellbeing of the workforce. Key workforce data is also reviewed.</p>
Members	Deputy director representation from each directorate. Membership also includes People team members and relevant work leads including HR business partners.
Security and Business Continuity Board	
Chair	Charlotte Briscall, Customer Experience, Digital and Data director
Frequency	Quarterly
Purpose	<p>The Security and Business Continuity Board's (SBCB) purpose is to provide oversight of Information Security and Business Continuity across ESFA including the associated risks and issues.</p> <p>SBCB mitigates security and business continuity risks and issues and enables a clear line of sight between ESFA and DfE on these issues.</p>
Members	Representation from the Senior Information Risk Owner, each ESFA directorates' information asset owners and DfE's representative from the Cyber and Information Security division.

Risk management framework

Chief Executive's assessment

Risk

ESFA has a clear framework and statement of appetite that define the agency's approach to risk. The framework aligns with the DfE's framework and complies with risk management guidance used across government such as the Orange Book.

In April 2020 and in response to COVID-19, we reviewed our agency risk appetite statement and created an amendment to supplement the current version. The COVID-19 version reflected the environment surrounding the pandemic and ensured the agency had sufficient flexibility to approach and respond to subsequent risks effectively.

In June 2020, we reviewed our risk management framework, and in November 2020 we delivered a range of risk management training for all staff.

Directors are accountable for programme delivery and they 'own' risks to support delivery of our strategic objectives. Directors manage risks by promoting and supporting risk management within their projects, programmes, and directorates. The monthly PaRC is responsible for scrutinising ESFA's key risks and supporting improvements.

ARC was sighted on significant risks and issues pertinent to ESFA 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 identified and managed in 2020-21 are in the 'key risks and issues' section of this report on page 34.

Assurance Framework Records

With the support of the Management Board, we have ensured there are robust governance, risk management and internal control arrangements across the whole ESFA.

During the year, every Senior Civil Servant (SCS) working within ESFA was required to complete an Assurance Framework Record (AFR). These records detailed their compliance with DfE's assurance framework and set out the arrangements for risk, control systems and use of resources. They also highlighted any issues which might prevent sufficient, continuous and reliable assurance of cost-effective public services. In 2020-21, ESFA made improvements to the usability of the AFR data collection tool and updates to the contents following GIAA and ARC recommendations to strengthen the level of assurance.

During 2020-21, the AFRs were reviewed to evaluate the effectiveness of management and controls within each SCS's area of responsibility. The AFRs and subsequent validations reviewed the risk, controls and oversight within SCS's area and provided recommendations on how these could be strengthened.

COVID-19 resulted in increased demand on ESFA, with staff and governance arrangements adapting to meet this pressure. ARC recognised the additional complexity of these increased challenges and the need for these to be reflected in comprehensive AFR returns.

Assurance process on management of interests and business appointments

ESFA follows DfE policies for managing conflicts of interest. All ESFA staff must declare potential conflicts, including any outside remunerated employment, directorships, office, profession or activity, unremunerated and miscellaneous positions, and significant shareholding or interest in public or private companies.

Potential conflicts are managed within each business area, through conversations with the individual's line manager to establish whether it represents an actual conflict and establish a plan for its management.

Assurance of funding to providers

PMO Head of Assurance has provided me with their annual report, which incorporates their opinion on whether funds have been used by providers for purposes intended by Parliament. The report is based on PMO's programme of work, covering 'business as usual' and new funding streams in the form of COVID-19 support grants. The Accounting Officer and ARC were regularly updated on progress, risks and emerging findings and issues during the year.

COVID-19 not only caused significant disruption to education and training provision, but also to PMO's programme of work. PMO adapted its approach to minimise audit burdens on the sector, including pausing its work programme at the onset of the pandemic to allow providers to focus on their business operations, and once resumed delivering audits remotely and flexing the timing of its work.

Where there were potential gaps in assurance, alternative approaches were developed. For example, PMO relies on local authority audited financial statements on a 'lagged basis' for assurance on funds paid to local authorities. However, a number of local authorities have yet to finalise their 2019-20 financial statements. Therefore, PMO completed additional work to confirm that funds had been used for the purposes intended. PMO also designed and delivered an additional work programme covering COVID-19 funding. As a result of this extended process work continued until September 2021.

Certain 'claims-based', 'business as usual' and COVID-19 funding streams were dependent on learner data and information collected by providers during the pandemic. PMO identified higher error rates for a number of these funding streams and provided restricted and moderate assurance opinions.

Recognising the issues identified this year, as well as the increasing number, value and complexity of funding streams and amount of funds paid to providers, the ESFA plans to comprehensively map all funding to related assurances, reassess, and where appropriate, further improve the assurance frameworks, to better demonstrate that the funds have been applied to the purposes intended by Parliament.

In arriving at its overall assurance opinions, PMO considered the value of funding and their assurance opinions for each funding stream. Of the three possible opinions (substantial, moderate or restricted), PMO provided a substantial assurance opinion for 'business as usual' funded activity and moderate assurance for funded activity in response to COVID-19. PMO concluded that, in all material respects, providers had applied ESFA funds for the purposes intended by Parliament.

Financial management

As Accounting Officer, I have responsibility for ensuring that effective systems to manage and monitor all funds for which ESFA has responsibility are in place. I am content that processes, controls, risk management and fraud prevention strategies delivered good financial management, propriety, regularity, and value for money during 2020-21. I consider that ESFA's financial management was sound.

DfE implemented clear lines of accountability for administration, programmes and capital expenditure. Each member of the executive team received a delegation of financial authority 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 satisfied that spend managers have received sufficient information and resources to make affordable spending decisions that secured value for money.

Our financial management team provided monthly financial reporting to the executive team. The team also provided a monthly expenditure return to budget holders in DfE and completed monthly consolidation, to ensure ESFA's business was transparent and reported in line with requirements.

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

In 2020-21 reporting was enhanced to separately disclose COVID-19 expenditure from other cost lines, which provides greater transparency of how ESFA has spent taxpayers' funds.

ESFA also revised its purchase-to-pay process in 2020-21 to align with central government best practice and improve the control framework for payment of purchase invoices.

Counter fraud and investigations

This year has presented a number of challenges in respect of the fraud landscape as we seek to anticipate, detect and prevent the misuse of public funds.

Following the 100% assessment rating in July 2019 for compliance against the Cabinet Office Government Counter Fraud Functional Standards, ESFA continues to build on this achievement. The continued commitment to ensure ESFA's counter fraud arrangements are robust and able to respond effectively to the challenges and threats it faces are demonstrated in its response to the COVID-19 pandemic.

COVID-19 has impacted in a number of areas, including the requirement to provide additional support and funding to education providers, the way we investigate allegations and in particular, the increased fraud risks arising during the pandemic.

In April 2020 we issued an ESFA Bulletin²⁰ to advise all sectors of the increased risk of fraud during the pandemic and reminding them of the need to maintain effective financial oversight and internal controls. The bulletin also included a reminder of the increasing risk of cybercrime to all businesses, especially during the pandemic and pointing them to existing guidance on GOV.UK. *The Dear Accounting Officer letter*²¹ issued in July 2020 also included further reminders of the guidance available to help academy trusts manage fraud risks and warn of the increasing cybercrime threat during the pandemic.

Following the announcement of COVID-19 specific funding streams, to support education providers, a programme of fraud risk assessment activity, in conjunction with DfE and ESFA finance team colleagues, was prioritised. The risk assessment activity was designed to ensure that the controls to mitigate fraud risk were operating effectively. This was a valuable contribution to the department's COVID-19 post-event assurance plan, which is monitored by the Cabinet Office.

²⁰ <https://www.gov.uk/government/publications/esfa-update-22-april-2020>

²¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901192/ESFA_letter_to_academy_trust_accounting_officers_July_2020.pdf

In addition to this, the counter fraud team has provided support to the wider government response to COVID-19 funding risks through working with the Cabinet Office to undertake fraud risk assessments across government, and contributing to a number of working groups to improve the counter fraud response.

Counter fraud governance arrangements have continued to evolve throughout the year with the introduction of sector specific working groups at operational level. The primary purpose of the groups is to raise the profile of counter fraud, increase awareness and support an effective counter fraud governance structure and response plan. In turn, the groups facilitate opportunities to share intelligence, best practice arrangements and consider lessons learned whilst also providing an escalation route to an internal Counter Fraud Operations Board for key risks and/or significant issues, including recommendations for resolution.

Cybercrime is becoming increasingly prevalent across the public sector, and this can be seen through the increase of instances in the education sector. In response, the department is prioritising advice on cybercrime and ensuring appropriate expertise is available to support providers through its Information and Security Team. We continue to monitor and highlight the fraud risks to our providers, engaging with the sector to both share and capture relevant information through a range of communication routes.

As part of our proactive counter fraud strategy, we have also undertaken 2 data sharing pilots with HMRC using the Digital Economy Act 2017. The purpose of the pilots was to verify the eligibility of apprentices by comparing the information provided to us (by apprenticeship providers) with PAYE data held by HMRC.

Both pilots, which are nearing completion, identified fraud and error within the Apprenticeship Programme. Results and recoveries to date are included within the reported data at Annex 2, table 5. We are working towards a more permanent data share to verify apprentices' details at the point of entering the scheme. The pilots resulted in ESFA being shortlisted for an award in the Public Sector Counter Fraud Awards.

Investment in our counter fraud and investigations functions continues with resource increasing to 33 FTE in 2020-21 (2019-20: 31.5 FTE). We have also invested in improvements to the efficiency of our service through the procurement of software to manage investigations from referral through to case outcomes. This will facilitate comprehensive reporting ability and data analytics to help drive increased proactive and preventative measures as well as early warnings of increasing fraud risk.

We continue to work closely with our enforcement team colleagues to take action to hold those responsible to account when wrongdoing is identified and provide advice and support in respect of the recovery of ESFA funds.

ESFA investigation work has continued during the pandemic although appropriate action has been taken to comply with recommended safeguards to avoid unnecessary travel where appropriate. Where visits have not been possible owing to lockdown restrictions, we have adopted suitable alternative methods to ensure all relevant information and evidence has been satisfactorily obtained to support any future action that may be necessary and protect public funds. We are also cognisant of the pressures of the COVID-19 pandemic and the additional demand this has placed on the education sector. We have taken this into consideration during our approach to work, for example allowing more time or pausing certain activity for short periods.

At 31 March 2021, we had a total of 80 live investigations and allegations in triage to carry forward into 2021-22. This comprises 12 ongoing academy trust cases at various stages of the investigation cycle and 68 live cases relating to colleges and independent training providers.

The cases carried forward from both sectors continue to reflect the complex nature and longevity of investigation casework. ESFA investment in counter fraud and investigations, and the enforcement team, has ensured an appropriate response to increasing demand whilst also championing continuing improvements to mitigate and prevent future issues arising.

The formation of new academy trusts and mergers continued to rise in 2020-21, with academies increasing by around 450 in-year. Whilst there has been a corresponding decline in the number of allegations received, this is not significant and may be a result of the focus on responding to the pandemic. We will continue to monitor activity during 2021-22 and consider what proactive work can be carried out in parallel to further assess fraud risks.

Through our focus on proactive work to identify fraud risks, through an increased specialist investigations team, we have seen an increase in investigation activity at colleges and independent training providers during 2020-21.

ESFA takes swift action through its PMO Directorate, to identify and investigate fraud allegations. Action is taken to respond to investigation outcomes to protect and recover ESFA funds where appropriate to do so. Where control weaknesses are identified we follow up and implement recommendations to prevent further issues arising.

Counter fraud and investigation data tables are presented in Annex 2.

Internal audit

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

Of the 4 possible opinion ratings (Substantial, Moderate, Limited or Unsatisfactory), the rating given by GIAA for 2021-21 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 rating is made on the basis of the assurance opinions made throughout 2020-21, meetings with senior management, and the provision of advisory work.

I have accepted this assessment and sought to implement the suggested improvements from GIAA's findings. Of the 16 reviews specifically included in the ESFA plan plus 2 added with the transfer of responsibilities from DfE's Early Years and Schools Group, 13 had a 'Moderate' rating, 2 had a 'Substantial' rating, 2 were 'Limited' and one became 'Advisory'. In an Advisory review, the scope is defined by the customer to add value and improve the organisation's governance, risk management and controls processes. GIAA's role in Advisory reviews is to advise on controls implementation rather than give an assurance opinion.

A summary of each audit has been provided to ESFA's ARC. A 'Limited' rating states that there are significant weaknesses in the framework of governance, risk management and control, such that it could be or become inadequate and ineffective. The 'Limited' ratings were in the areas of:

- **Managed services**
GIAA's opinion is that there was a possible risk of non-compliance with HMRC's rules for off-payroll working (IR35).
- **T Levels programme management**
GIAA reported that governance had weakened in risk and programme management mainly due to staff transferring out of the directorate to assist in the management of COVID-19 tasks.

For both areas all recommendations were actioned, and these are subject to follow up work by GIAA in 2021-22.

The executive team has welcomed GIAA representation and contributions across the array of ESFA boards. We see this as offering the agency additional assurance and challenge on our internal control and risk framework. All their reviews have sought to account for our approach in managing the array of COVID-19 risks.

External assurance

The regularity of the ESFA's expenditure is subject to audit and scrutiny by the Comptroller and Auditor General through the NAO. This ARA is prepared with reference to the NAO's good practice Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19.²²

The NAO also undertakes around 60 value-for-money studies each year, which Parliament uses to hold the government to account for how it spends public money.

The NAO published its report into Financial Sustainability of Colleges in England²³ in September 2020 which built upon previous NAO reports on financial sustainability in the further education sector. The report assessed the financial health of further education and sixth form colleges, and the effectiveness of the oversight and intervention arrangements.

This report led to a Public Accounts Committee evidence session in November 2020.²⁴ Susan Acland-Hood, DfE Principal Accounting Officer and Permanent Secretary, was the DfE witness along with Eileen Milner, ESFA Chief Executive. The Public Accounts Committee published its report in January 2021. ESFA is working with teams across DfE to implement the DfE's Skills Reforms and respond to the Public Accounts Committee's recommendations to:

- work with HMT to assess the merits of consistent VAT rules between colleges and schools
- review the assurance arrangements related to the supply of enough work placements for T Levels taking into account the impact of COVID-19 and the use of virtual placements
- consider changes to funding formulae taking account for real time learner numbers
- set out how we place to improve intervention arrangements and assess success
- research how far student services meet students' needs, taking account of the views of students themselves

²² <https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

²³ <https://www.nao.org.uk/report/financial-sustainability-of-colleges-in-england/>

²⁴ <https://committees.parliament.uk/work/729/managing-colleges-financial-sustainability/>

Shared services

The DfE provides ESFA with a number of corporate services, including technology, estates and security, transactional finance, legal and HR. Key monthly metrics are reported to the Executive Team each month on finance services, including payments, cash forecasting and balance sheet transactions. Directors are sent prompt payment data on a monthly basis which is used to improve ESFA's use of finance services. In 2020-21, a formal document setting out the roles, responsibilities and service levels between DfE and ESFA for transactional finance came into force.

DfE brought its provision of Finance, HR, Payroll and Expenses in house from June 2020, resulting in DfE becoming a shared service provider to its Agencies. Prior to this these were outsourced via a shared service arrangement.

In March 2020, in response to the COVID-19 pandemic, the external shared service provider completed a prioritisation exercise to maintain critical service standards in response to business disruption. The provider maintained all critical business activities during the period. The service provider's internal audit plan for 2020-21 was also fully completed.

The service provider's ISAE 3402 auditors gave a qualified opinion, the service provider received a "Major improvement required" and a rectification plan was produced to address findings. The assurance opinion provided by GIAA rates the audit year as 'Moderate'.

The DfE developed a new assurance approach for operational services brought in-house by DfE from June 2020. Services were reviewed with key controls identified, documented and assured by the Financial Controls team.

A controls exception was identified regarding a single SCS bonus payment which was above a threshold but did not have the required Cabinet Office approval prior to payment. The Department's Financial Controls team has issued a recommendation to strengthen the controls regarding In-Year awards, with the exception identified, being formally followed up in 2021-22 to ensure remediation actions have been implemented.

During the year the Department's and ESFA's non-consolidated pay remit outturn was 2.03%, rounded to 2 decimal places against an agreed remit of 2.0%. The Department and ESFA are currently liaising with Cabinet Office and HMT regarding the difference.

The team concluded that controls were operating generally satisfactory with some improvements required. Actions to address findings have been agreed and will be followed up during 2021-22. No impact on the accounts has been identified.

Conclusion

ESFA's governance, controls and assurance arrangements have remained robust during the year despite the challenges faced during the response to COVID-19 and we will continue to strengthen those in 2021-22.

However, during the COVID-19 pandemic, it was necessary to design and deliver some grants at pace to sustain providers' business continuity and provide sector support, ensuring learners had continued access to education. As a result, it was not possible to assure as fully as normal some areas of smaller grant spend. In 2021-22 we will review those areas of limited assurance and seek to improve relevant controls and assurances.

Despite the limited assurance on some smaller grant streams, I conclude that ESFA has a sound system of governance, risk management and internal controls that supported the organisation's aims and objectives during 2020-21.

Remuneration and staff report

Overview

The remuneration and staff report sets out ESFA'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

All Executive Team members, including the chief executive, are senior civil servants whose pay is decided by the department's Senior Civil Servant Pay Committee, chaired by the department's Permanent Secretary, and comprising 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 awards for members of the Senior Civil Service within the framework set by the Cabinet Office. The contractual terms of Executive Team members also comply with requirements set centrally by the Cabinet Office. More on the Cabinet Office's framework and standards can be found on the Civil Service website.²⁵

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 officials 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 find further information about the work of the Civil Service Commission on its website.²⁶

²⁵ Cabinet Office Framework – <https://www.gov.uk/government/organisations/civil-service>

²⁶ <https://civilservicecommission.independent.gov.uk/>

Part B: audited

Remuneration (including salary) and pension entitlements

Official	Salary		Bonus payments		Benefits-in-kind		Pensions benefits		Total	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
	£000	£000	£000	£000	(nearest £100)	(nearest £100)	£000	£000	£000	£000
				(restated)						(restated)
Eileen Milner	150-155	150-155	-	0-5	-	-	58	58	210-215	215-220
Peter Mucklow	105-110	100-105	10-15	10-15	200	-	27	88	145-150	200-205
Mike Pettifer (to 17 July 2020)	35-40 (125-130)	125-130	-	15-20	-	-	17	43	50-55	185-190
Keith Smith (to 14 April 2020)	0-5 (110-115)	110-115	-	10-15	-	-	2	39	5-10	165-170
Matthew Atkinson	135-140	130-135	15-20	5-10	-	-	53	52	200-205	190-195
Sarah Whitehead (maternity leave from 14 July 2020)	85-90	90-95	-	10-15	-	-	43	38	130-135	145-150
Charlotte Briscall	115-120	65-70 (110-115)	0-5	5-10	100	-	45	26	165-170	100-105
Kate Josephs (to 10 July 2020)	35-40 (110-115)	100-105 (105-110)	-	15-20	-	-	17	93	50-55	210-215
Sue Lovelock	90-95	30-35 (90-95)	10-15	0-5	-	-	82	40	185-190	75-80
Kirsty Evans (from 1 May 2020)	85-90 (90-95)	-	5-10	-	-	-	36	-	125-130	-
Warwick Sharp (from 23 July 2020)	75-80 (95-100)	-	5-10	-	-	-	26	-	110-115	-
John Edwards (from 16 July 2020)	90-95 (125-130)	-	10-15	-	-	-	36	-	135-140	-
Stuart Proud (from 29 June 2020)	70-75 (90-95)	-	5-10	-	-	-	-75	-	0-5	-

Figures in (brackets and italicised) are full year equivalent totals for staff who present part-year totals.

Mike Pettifer, Keith Smith, Sarah Whitehead, Charlotte Briscall and Kate Josephs each received a bonus in June 2020 related to performance in 2019-20 which were omitted from the original 2019-20 ARA disclosures. The 2019-20 balances above have been restated to include the bonus. No other disclosures have been restated due to the immaterial size of adjustment.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office 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 provided by the agency and treated by HM Revenue and Customs as taxable emolument. Two board members received benefits-in-kind in 2020-21 (2019-20: none).

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 Service²⁷, and the department's performance management framework for managing and rewarding performance throughout the year.

All performance awards are awarded in the current year.

Non-executive Director fees

The following non-executive directors received a fee for their work.

	2020-21	2019-20
	£000	£000
Dame Irene Lucas-Hays	-	-
Hunada Nouss	10-15	10-15
Martin Spencer	10-15	5-10
Stuart McMinnies	15-20	5-10
Ian Hickman	0-5	0-5
Nigel Johnson	5-10	0-5
John Lakin	0-5	5-10

All Non-executive Directors were in office for the full year.

Dame Irene Lucas-Hays received a fee from the department for her role as a Non-executive Director on the Departmental Board and no additional fees from ESFA for her dual role as Chair of the Management Board.

Nigel Johnson received fees for his dual role as an ESFA Non-executive Director and as an independent member of the Departmental Audit and Risk Committee 2020-21: £5,000-£10,000 (2019-20: £0-£5,000).

²⁷ <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.

	2020-21	2019-20
Band of highest paid director's remuneration (£000)	150-155	155-160
Median (£000)	38	37
Range (£000)	20-155	18-155
Remuneration ratio	4.0	4.2

The banded remuneration of the highest paid director in 2020-21 was £150,000-£155,000 (2019-20: £155,000-£160,000). This was 4 times (2019-20: 4.2 times) the median of the workforce which was £38,179 (2019-20: £37,099). The decrease in ratio was due to a change in the pay award being more favourable to the lower grades, leading to a slight reduction in the gap between the highest and lowest pay bands.

In 2020-21, no (2019-20: none) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 – £155,000 (2019-20: £18,000 – £155,000).

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

	Accrued pension and related lump sum at pension age as at 31 March 2021	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV
	£000	£000	£000	£000	£000
Eileen Milner	10-15	2.5-5	166	112	37
Peter Mucklow	45-50 plus a lump sum of 135-140	0-2.5 plus a lump sum of 2.5-5	1,061	995	28
Mike Pettifer	35-40	0-2.5	609	579	11
Keith Smith	40-45 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0-2.5	708	707	1
Matthew Atkinson	10-15	2.5-5	136	98	24
Sarah Whitehead	15-20	0-2.5	128	104	14
Charlotte Briscall	0-5	2.5-5	47	17	21
Kate Josephs	25-30 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	353	343	8
Sue Lovelock	25-30	2.5-5	318	261	43
Kirsty Evans	25-30 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	465	426	20
Warwick Sharp	15-20	0-2.5	167	149	8
John Edwards	10-15	0-2.5	142	116	19
Stuart Proud	45-50 plus a lump sum of 100-105	0 plus a lump sum of 0	866	919	-84

There are no employer contributions to partnership pension accounts.

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 find details on the scheme at the Civil Service Pensions' website.²⁸

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 is 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.

²⁸ <http://www.civilservicepensionscheme.org.uk/>

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 figure quoted is the combined value of their benefits 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.²⁹

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 figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the PCSPS. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits 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 benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

The agency paid no compensation for loss of office in 2020-21 (2019-20: £nil).

²⁹ <https://www.civilservicepensionscheme.org.uk/>

Staff report Part A: Audited

Staff costs

	Permanently employed staff	Others	2020-21 Total	2019-20 Total
	£000	£000	£000	£000
Wages and salaries	72,005	300	72,305	68,359
Social security costs	8,505	-	8,505	7,588
Pension costs	19,777	-	19,777	18,561
	100,287	300	100,587	94,508
Less recoveries in respect of outward secondments	-	-	-	(108)
	100,287	300	100,587	94,400

Other staff payments are a flat fee 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 whole-time equivalent persons employed during the year is as follows:

	Permanently employed staff	Others	2020-21 Total	2019-20 (Restated) Total
	Number	Number	Number	Number
Directly employed	1,741	8	1,749	1,694¹

¹ 2019-20 staff numbers were restated, removing managed services staff.

Pension schemes

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 defined benefit schemes, but ESFA is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office.

For 2020-21, employer contributions of £19.64 million (2019-20: £18.4 million) were payable to the PCSPS and CSOPS at one of 4 rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The scheme's actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

No individual (2019-20: none) retired early on ill-health grounds, the total additional accrued pension liabilities in the year amounted to £nil (2019-20: £nil).

Partnership pension accounts

Employees can opt to open a partnership pension account which is a stakeholder pension with an employer contribution. Employer's contributions of £134,000 (2019-20: £151,000) 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 earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £5,000 (2019-20: £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 benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £11,000 (2019-20: £15,000). Contributions prepaid at that date were £nil (2019-20: £nil).

One person (2019-20: no persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2019-20: £nil).

Reporting of Civil Service and other compensation schemes

In 2020-21 there were nil (2019-20: 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 ambitious 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 reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*.

Sickness absence

	2020-21	2019-20	2018-19
Total days lost	10,621	6,244	5,427
Sickness absence days per FTE	6.3	3.7	3.8

Sickness has increased in 2020-21, contributed to by the COVID-19 pandemic. The figures disclosed above compare well with the latest published figures across the Civil Service for 2019-20 of 7.4 (2018-19 of 7.0) working days lost per full time equivalents (FTE).³⁰

Staff by grade and gender

The headcount for permanent staff as at 31 March 2021 is as follows:

Grade	2020-21		
	Male	Female	Total
CEO	-	1	1
Director	3	2	5
Deputy Director	21	23	44
Grade 6	77	77	154
Grade 7	191	226	417
Senior Executive Officer	225	281	506
Higher Executive Officer	206	268	474
Executive Officer	70	117	187
Executive Assistant	8	18	26
	801	1,013	1,814

³⁰ <https://www.gov.uk/government/publications/civil-service-sickness-absence>

Staff turnover

	2020-21
Turnover	3%
Agency turnover	5%

Turnover in ESFA has remained steady over the last few years, with most people leaving to transfer to another government department rather than resigning from the Civil Service. Turnover in ESFA is lower than other executive agencies under the Department for Education umbrella, as well as being less than turnover in the core Department.

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
- inclusive culture and behaviours

The strategy is underpinned by 4 key principles:

1. Everyone has a role to play in creating an inclusive culture and making the department a truly great place to work.
2. 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.
3. All of us are able to build successful careers and achieve our potential.
4. 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, an LGBTQ+ network, a disability group and a neurodivergence network. It also takes advantage of mental health first aiders providing first line support.

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

Addressing under-representation

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

Staff policies for disabled persons

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

The agency operates a policy which allows disabled staff to take disability leave rather than sickness absence when they need to attend appointments or have treatment related to their disability. In its recruitment policies the agency guarantees an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

People management

Agency staff are predominantly civil servants. The agency will use contractors where necessary to bring in specialist skills or to support specific projects. ESFA 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 extends to 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

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 agency, 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 officials with significant financial responsibility, during 2020-21. The tables below set out this information.

For all off-payroll engagements as of 31 March 2021, for more than £245 per day

	2020-21
Number of existing engagements as at 31 March 2021:	25
Of which	
less than one year at time of reporting	5
between one and two years at time of reporting	6
between two and three years at time of reporting	2
between three and four years at time of reporting	3
four or more years at time of reporting	9

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. Assessments are completed for a change to contract or when any new contract is agreed.

All temporary off-payroll workers engaged at any point during the year ended 31 March 2021 and earning at least £245 per day

	2020-21
Number of off-payroll workers engaged during the year ended 31 March 2021	29
Of which:	
number determined as in-scope of IR35	1
number determined as out-of-scope of IR35	28
number of engagements reassessed for consistency or assurance purposes during the year	29
number of engagements that saw a change to IR35 status following review	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	2020-21
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-
Total number of individuals on payroll and off-payroll that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both on payroll and off-payroll engagements	20

Trade union facility time

The *Trade Union (Facility Time Publication Requirements) Regulations 2017* require 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. This is collated at department level as union representatives work across the departmental group.

Staff redeployed to COVID-19 and EU Exit

Staff were redeployed from ESFA to the wider department or other government departments in year in response to Brexit and COVID-19 to provide support where deemed necessary. The following table shows the number of staff redeployed in the year.

Grade	OGDs		DfE		Total	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Grade 6	-	1	-	-	-	1
Grade 7	1	-	6	-	7	-
Senior Executive Officer	2	-	4	1	6	1
Higher Executive Officer	1	1	6	1	7	2
Executive Officer	-	-	8	-	8	-
	4	2	24	2	28	4

The average duration of staff redeployments as at 31 March 2021 was 96 days.

The estimated annual cost, based on average staff salaries, to admin and programme budgets.

	OGDs	DfE	2020-21 Total
	£000	£000	£000
Admin	234	1,200	1,434
Programme	0	0	0
	234	1,200	1,434

Parliamentary accountability and audit report

Overview

This section presents the disclosures to support Parliamentary accountability of the Agency. The balances disclosed in this section are subject to additional controls due to their nature and sensitivity. The audit report from the C&AG is also included in this section.

Parliamentary accountability disclosures

Public sector losses and special payments: audited

A1 Losses statement

	2020-21	2019-20
Number of cases		
Cash losses	48	-
Fruitless payments	13	84
Claims waived or abandoned	24	20
	85	104

	2020-21	2019-20
Value	£000	£000
Cash losses	9,490	-
Fruitless payments	2,226	4
Claims waived or abandoned	32,993	24,859
	44,709	24,863

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

A1.1 Cash losses over £300,000

	Value of cash losses
	£000
Un-recoverable grant overpayments	
Accent On Training Ltd	2,466
Positive Outcomes Ltd	2,073
Provident Training Ltd	1,352
Education & Youth Services Ltd	532
AMS Nationwide Ltd	608

Un-recoverable grant overpayments

In certain circumstances, overpayments of grants can occur when payments to educational providers exceed the final funding eligible for that period. The debts arise mainly where providers have overstated funding claims for delivery during a contract, for example where a learner started but did not complete. This results in the funding claim subsequently being reduced or corrected during reconciliation or following an audit. As such, the monies the providers received exceeded the amount which they were entitled to at the end of the contract.

In such circumstances, ESFA seeks to recover the overpayments from providers in cash or from deductions against future payments. In a small number of cases, funds are unable to be recovered due to the failure of the provider. If, after a prolonged period of time, insufficient funds from the provider's receiver or liquidator are received or the provider is dissolved, we abandon the claim.

A1.2 Fruitless payments and constructive losses over £300,000

	Value of fruitless and constructive losses
	£000
Erasmus Domestic Alternative Project	520
HMRC default interest charge	1,594

Sunk costs written off

The Erasmus case involved necessary investigative work to evaluate feasibility of a successor Erasmus+ grant scheme, due to uncertainty surrounding the UK's ongoing negotiations with the EU about its involvement in future programmes. The design and development (including technical solution) may be re-purposed and beneficial in other areas of ESFA's core business.

The HMRC case related to a default interest charge levied by HMRC on a late VAT payment relating to copyright licenses for schools and academies.

A1.3 Claims waived or abandoned over £300,000

	Value of claims £000
Re-brokerage debt forgiveness	
West Kent and Ashford College	20,600
International Academy of Greenwich	559
University of Chester Academies Trust	1,134
Oxford Academy Trust	585
Watford UTC	463
Shrewsbury Academy Trust	4,537
Stratton Upper School	549
Hinckley Academy and John Cleveland Sixth Form	584
The Bridge Alternative Provision Trust	1,855

Re-brokerage debt forgiveness

Balances owed by academies and colleges may in some circumstances be waived to facilitate the re-brokerage of the academy or college to a more sustainable academy trust or college, or support closure.

A2 Special payments

	2020-21	2019-20
Total number of cases	2	11
	£000	£000
Total value of cases	302	1,421

Special payments over £300,000

There were no special payments over £300,000

A3 Gifts and hospitality statement

There were no gifts or hospitality in either year covered by these accounts.

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 Provisions, Contingent Liabilities and Contingent Assets, ESFA 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.

There were no remote contingent liabilities in 2020-21 or 2019-20.

John Edwards
Accounting Officer
15 November 2021

The certificate and report of the comptroller and auditor general to the house of commons

Opinion on financial statements

I certify that I have audited the financial statements of the Education and Skills Funding Agency for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Education and Skills Funding Agency affairs as at 31 March 2021 and of the Education and Skills Funding Agency's net expenditure for the year then ended; and
- have been properly 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 financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Education and Skills Funding Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Education and Skills Funding Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Education and Skills Funding Agency is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Education and Skills Funding Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Education and Skills Funding Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by the Education and Skills Funding Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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 influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Education and Skills Funding Agency's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Education and Skills Funding Agency's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Education and Skills Funding Agency's controls relating to the Government Resource & Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and grant expenditure;
- obtaining an understanding of the Education and Skills Funding Agency's framework of authority as well as other legal and regulatory frameworks that the Education and Skills Funding Agency operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Education and Skills Funding Agency. The key laws and regulations I considered in this context included the Government Resource & Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, and relevant employment law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General
22 November 2021

National Audit Office

157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



Financial Statements



Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

	Note	2020-21	2019-20
		£m	£m
Operating income	2	(110)	(137)
Total operating income		(110)	(137)
Staff costs		101	94
Grants and other funding			
resource	4	62,293	58,474
capital		1	36
Operating expenditure	5.1	49	53
Depreciation, impairments and other non-cash charges	5.2	61	47
Total operating expenditure		62,505	58,704
Net operating expenditure		62,395	58,567
Finance income		4	(5)
Other (gains)/losses		(2)	6
Net expenditure for the year		62,397	58,568
Comprehensive net expenditure for the year		62,397	58,568

All income and expenditure reported in the Statement of Comprehensive Net Expenditure are derived from continuing operations.

The notes on page 88 to page 103 form part of these accounts.

Statement of Financial Position

As at 31 March 2021

		2021	2020
	Note	£m	£m
Non-current assets			
Intangible assets		56	49
Loans	8	88	148
Receivables	9	6	12
		150	209
Current assets			
Loans	8	17	19
Receivables	9	219	355
Cash and cash equivalents	10	304	67
		540	441
Total assets		690	650
Current liabilities			
Payables	11	(709)	(744)
Provisions		(1)	(2)
Financial guarantees		(16)	(4)
		(726)	(750)
Total assets less current liabilities		(36)	(100)
Non-current liabilities			
Financial guarantees		(12)	(22)
Assets less liabilities		(48)	(122)
Taxpayers' equity			
General Fund		(48)	(122)
		(48)	(122)

John Edwards
Accounting Officer
15 November 2021

The notes on page 88 to page 103 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2021

		2020-21	2019-20
	Note	£m	£m
Cash flows from operating activities			
Net expenditure for the year		(62,397)	(58,568)
Adjustments for non-cash transactions		(24)	297
Decrease between receivables	9	142	8
Increase between payables	11	(35)	(13)
Use of provisions		(1)	(11)
Finance income		4	(5)
Financial guarantee movement		(5)	(9)
Other losses		(2)	6
Net cash outflow from operating activities		(62,318)	(58,295)
Cash flows from investing activities			
Purchase of intangible assets		(15)	(21)
Loans:			
academy trusts	8.2	6	(7)
Colleges	8.3	8	(26)
Net cash outflow from investing activities		(1)	(54)
Cash flows from financing activities			
Net parliamentary funding – drawn down		62,556	57,593
Net cash inflow from financing activities		62,556	57,593
Net increase/(decrease) in cash and cash equivalents	10	237	(756)
Cash and cash equivalents at beginning of the year	10	67	823
Cash and cash equivalents at end of the year	10	304	67

The notes on page 88 to page 103 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

	Note	General Fund £m
Balance at 1 April 2019		602
Net Parliamentary funding – drawn down		57,593
Net expenditure for the year		(58,568)
Cost borne by the department:		
salaries		96
other costs		118
Non-cash balances		6
Notional shared service recharges	5.1	31
Balance at 31 March 2020		(122)
Net Parliamentary funding – drawn down		62,556
Net expenditure for the year		(62,397)
Cost borne by the department:		
salaries		16
other costs		(145)
Non-cash balances		8
Notional shared service recharges	5.1	36
Balance at 31 March 2021		(48)

The notes on page 88 to page 103 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2020-21 government Financial Reporting Manual (FRoM) issued by HM Treasury. This is 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 2020*.

The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected.

The particular policies adopted by the agency for 2020-21 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Going concern

As the Departmental Estimate and forward plans include provision for the agency's continuation it is therefore appropriate to prepare the agency's accounts as a going concern.

Whilst ESFA is in a negative equity position at the year end, this is due to Supply funding being provided as cash is required. ESFA carries a number of accruals in respect of transactions outstanding at the year-end which will be met in the following year to enable ESFA to continue its operations.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to consider whether significant judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure need to be made and therefore disclosed. After management consideration there are no such judgements in these accounts.

1.4 Adoption of FRoM amendments

There have been no significant amendments to FRoM for 2020-21.

1.5 Early adoption

ESFA has not early adopted any accounting standards in 2020-21.

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*, ESFA must disclose where it has not applied a new IFRS that has been issued but is not yet effective. 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.

Standard	Effective	FReM Application	Change & Impact
IFRS 16 Leases	Annual periods beginning on or after 1 January 2022	2022-23	<p>Change: The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). 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 financing liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.</p> <p>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, ESFA does not hold any leases so there will be no impact.</p>
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2023	Unknown, the standard has not yet been endorsed by the EU	<p>Change: The standard makes changes to how insurance contracts are accounted for and may in certain circumstances 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.</p> <p>However, before endorsement by the EU and adoption by FReM, the final version for the standard applicable to ESFA has still to be decided. Consequently, ESFA is currently unable to identify the impact of adopting the new standard.</p>

1.7 Segmental reporting

In accordance with IFRS 8: Operating Segments, ESFA has considered the need to analyse its income and expenditure relating to operating segments. 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 Net parliamentary funding drawn down from the sponsoring department

The agency has recorded all draw down of supply by the department as financing, as the agency regards draw down of supply as contributions from the agency's controlling party giving rise to a financial interest. The agency records draw down of supply as financing in the Statement of Cash Flows and draw down of supply to the General Reserve.

1.9 Income

The majority of the income ESFA receives is grant income. Other income is stated net of recoverable VAT where applicable.

1.9.1 Grant income (IAS 20)

ESFA receives grant income from other government bodies (both UK and European) which are accounted for under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (IAS 20) through the non-deferral option. The income relates to programmes which are jointly funded.

European Social Fund income is included within grant income.

European Social Fund

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

1.10 Grant and other funding expenditure

1.10.1 Grants and other funding

Expenditure to support ESFA's aims is delivered in 2 main ways:

1. Grant funding payable under legislation, such as National Funding Formula (NFF) payments funding maintained schools and academies.
2. Contractual payments to providers, such as apprenticeship training providers.

Recognition of the entitlement of grant or other funding varies according to the individual programme.

Grant funding

The majority of grants made by ESFA are recorded as expenditure in the period in which the allocation or claim is paid, as the grant funding cannot always be directly related to activity in a specific period and isn't designed to be, in line with legislation. The allocations or claims are deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient.

Accruals accounting is adopted where timing gaps are known between entitlement and payment, or where entitlements can be quantified with an adequate degree of certainty in a given year. In such circumstances, the grant expense is accrued in the SoCNE and shown as a liability on the SoFP.

Contractual funding

Accruals accounting is adopted for contractual funding owing to the certainty of the agency's obligations. In addition, contractual funding is generally provided on the basis of post-activity claims made by the end user to the agency providing a measure of certainty of outcome.

1.10.2 Recoveries

Grants and other funding may generate overfunding or unspent amounts. ESFA does not recognise a prepayment if the end user has not spent the grant due to timing or delays. However, where recoveries of overfunding or unspent amounts cross a year end a receivable will be recognised.

Overfunding

Sometimes ESFA pays recipients according to a grant payment profile established before the final grant obligation is known. Overfunding can occur when the payment profile based on the initial assessment is larger than the final obligation, which results in accelerated funding.

ESFA will seek to recover overfunding through reprofiling future grant payments, to bring the total grant payments into line with the final obligation. When identification of overfunding is early enough in the grant period recovery will occur within the same grant period. If identification of overfunding is later in the grant period, recovery will occur in the next grant cycle. This approach is suited to annual grants which are paid evenly across a year, such as general annual grant funding academies.

Unspent amounts

Sometimes recipients are unable to apply time bound grants as intended, which means funds may be left unspent within the stipulated timescale. Where ESFA chooses to recover such unspent amounts, a claim will be made to the recipient to recover the funds. This approach is more common for single grant payments where there are no future grant profile payments to reprofile as described above.

1.11 Pensions

ESFA has adopted *IAS 19 Employee Benefits* (IAS 19) to account for its pension schemes.

Where ESFA makes contributions to defined contribution and unfunded defined benefit pension schemes (which do not have underlying assets and liabilities) ESFA recognises contributions payable in the SoCNE.

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

1.12 Intangible assets

Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. For ESFA, the main intangible assets are development of online services including the Apprenticeship Service, National Careers Service and Data Science. 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 range:

Software licences 2 – 5 years or the licence period, whichever is shorter.

1.13 Financial instruments

ESFA applies *IFRS 7 Financial Instruments: Disclosures (IFRS 7)*, *IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments (IFRS 9)*. Financial assets and financial liabilities are recognised when ESFA becomes party to the contractual provisions of the instrument.

1.13.1 Financial assets

Financial assets include cash and cash equivalents, trade and other receivables and loans. ESFA determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. ESFA does not hold derivative financial instruments.

The subsequent measurement of financial assets depends on their classification, as follows:

Amortised cost

Financial assets held at amortised cost include:

- Trade and other receivables where contractual terms give rise to cash flows on specified dates and are solely for payments of principal. They do not carry any interest and are initially recognised at their face value
- Loans comprise loans that are not traded on any active market and expected to be held until maturity
- Cash and cash equivalents which comprise cash in-hand and on-demand deposits

The above asset types are subsequently recognised at amortised cost using the effective interest method. Carrying values are based on initial fair value adjusted for interest charges and repayments. Appropriate impairment allowances for estimated irrecoverable amounts are recognised in the SoCNE. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

1.13.2 Financial liabilities

Financial liabilities are mostly measured at amortised cost. Financial liabilities include trade and other payables and financial guarantees. ESFA determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification, 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. Cost is judged to be similar to amortised cost, so the balances are held at cost as an approximation to amortised cost.

Financial guarantees

Financial guarantees are initially recognised at fair value on the date that the guarantee was given in accordance with IFRS 9. Subsequently measurement is at the higher of:

- the amount of the equivalent IFRS 9 expected credit loss allowance at the reporting date
- the amount initially recognised less cumulative effect of income recognised

1.14 Value added tax

Most of the activities of 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.

1.15 Shared services

The department provides a number of corporate functions as a shared service reflecting the department's operating model. The department has provided the following services to ESFA.

- human resources
- estate and facilities management
- communications
- legal services
- information, communication and technology services
- transactional finance and procurement

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

2. Operating income

	2020-21	2019-20
	£m	£m
Grant income		
EU income	108	135
Other income		
Other income	2	2
	110	137

IAS 20 grant income

The European Commission provides funding for certain projects. This income is matched to the expenditure profile for each project concerned. Income not matched to expenditure at the end of the financial year is transferred to deferred income. Where expenditure exceeds income, an accrual is made to recognise the relevant income. Funding has been agreed until 2023 and projects will be considered in line with funding requirements and policy.

3. COVID-19 response

	2020-21
	£m
Schools	
Wellbeing for education return	8
Universal Catch-up premium	376
National Tutoring Programme	3
Exceptional schools costs	139
Free meals (16+) – COVID-19	7
Free school meals supplementary grant	116
Free school meals additional costs	50
COVID-19 workforce fund	6
Post-16 and Skills	
Plan for Jobs – Apprenticeships incentive	36
Plan for Jobs – Traineeships	6
Plan for Jobs – Support for school and college leavers	18
Plan for Jobs – National Careers Service	7
16-19 tuition fund	56
Year 11 alternative provision	3
Post-16 provider relief scheme	11
	842

This table provides a more detailed breakdown of the COVID-19 costs detailed in note 4.

Wellbeing

A training programme run by mental health experts to help improve schools and colleges response to the emotional impact of the coronavirus pandemic on their students and staff.

Catch-up fund – including National Tutoring Programme (NTP) & 16-19 tuition

A package to directly tackle the impact of lost teaching time. The catch-up premium was a one-off grant to support pupils in state education, recognising that all young people have lost time in education as a result of the pandemic. The NTP and 16-19 tuition fund is to increase access to high-quality tuition for the most disadvantaged young people over the 2020/21 academic year.

Exceptional costs

Funding for additional costs incurred by schools for the period April to July 2020, including increased premises costs and free school meals costs not covered by the national voucher scheme.

Free School Meals (FSM)

The FSM supplementary grant was introduced in 2018 to provide schools with additional funding to help meet the costs of providing more pupils with free meals, before the lagged funding system caught up. The grant was originally set up for 2 years, however as a result of the economic impact of COVID-19, FSM eligibility has continued to increase, therefore the grant will be extended to 2020-21.

Plan for jobs

Funding launched in July 2020 to support the UK's economic recovery while continuing to prioritise people's health. The funding included payments for employers who hire new apprentices, funding for employers who provide trainees with work experience, funding to give all 18-19 year olds in England with limited employment opportunities, the opportunity to study targeted high value Level 2 and 3 courses and individualised advice on training and careers through the National Careers Service.

4. Grants and other funding

	2020-21		2019-20	
	Non-COVID-19	COVID-19	Total	Total
	£m	£m	£m	£m
Schools				£m
National funding formula	36,511	535	37,046	34,984
High needs funding	6,581	-	6,581	5,755
Pupil premium	2,449	-	2,449	2,468
Primary sport premium	325	-	325	312
School improvements	112	-	112	124
Teachers pay grant	506	-	506	427
Teachers' pension employer contribution grant	1,479	-	1,479	931
Universal infant free school meals	617	172	789	704
Early Years				
Entitlements	3,594	-	3,594	3,551
Early years – pupil premium	32	-	32	29
Post-16 and skills				
Core funding	5,509	69	5,578	5,194
Apprenticeships budget grants	1,781	44	1,825	1,871
Adult education budget grants	735	22	757	1,005
Bursary funding	210	-	210	209
High needs (16 to 19)	654	-	654	656
Other post-16 and skills grants	30	-	30	33
Professional and technical education	3	-	3	8
Teachers' pension employer contribution grant FE	137	-	137	-
Operations				
European Social Fund	108	-	108	135
Support funding				
Apprenticeships	32	-	32	48
Other post-16 and skills	46	-	46	30
	61,451	842	62,293	58,474

The NFF is used to allocate funding to mainstream, state-funded schools. Funding is based on pupil numbers and aims to remove discrepancies in funding and ensure that all school budgets are set using the same criteria. NFF payments are processed slightly differently to the two different school sectors: Dedicated Schools Grant payments directly to local authorities to distribute to their maintained schools and General Annual Grant payments directly to academies.

High needs funding supports provision for children and young people with special educational needs and disabilities from their early years to age 25.

Pupil premium is extra funding for state funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.

Early years entitlements: local authorities are provided with 6 relevant funding streams which form their overall dedicated schools grant in addition to NFF funds. They are:

- 15 hours entitlement for disadvantaged 2-year-olds
- universal 15 hours entitlement for all 3- and 4 -year-olds
- additional 15 hours entitlement for eligible working parents of 3- and 4-year-olds
- early years pupil premium
- disability access fund
- maintained nursery school (MNS) supplementary funding

Core funding includes funding for 16- to 19-year-olds to sixth-form colleges, further education colleges, sixth-forms in schools and academies, special schools, special academies, independent training providers, local authorities, special post-16 institutions and some higher education providers. We fund these institutions to provide study programmes for young people.

Support funding costs are not direct delivery costs but are necessary to support the delivery of the service.

Apprenticeships and support funding funds the delivery of the apprenticeships programme for young people and adults.

Adult education budget and support funding aims to engage and provide the skills and learning needed for young people and adults to progress into work, an apprenticeship or other learning. Funding has reduced this year because a proportion of the budget has been devolved to combined authorities and is therefore no longer paid by ESFA.

The Teachers Pay grant and the Teachers' Pension Employer Contribution grant are fully funding the increased costs to schools due to the rise in the employer contribution rate of the Teachers' Pension Scheme (TPS) starting from September 2019. The Teachers' Pay grant provides funding for schools to cover the difference between the 2019 pay award and the 2% award that we assessed schools could, on average, afford at a national level.

European Social Fund expenditure is matched to income for each project concerned.

5. Other expenditure

5.1 Operating expenditure

	2020-21	2019-20 (Restated)
	£m	£m
Shared service recharge	36	31
Staff related costs	1	1
Consultancy and other professional fees	5	4
IT and telecommunications costs	7	3
Travel and subsistence	-	3
EU disallowance	-	11
	49	53

Notional recharges for the shared services provided by the department have been shown as a single expenditure line in 2020-21 and comparative restated for 2019-20.

As a result of a review of claims made against ESF recoveries of none in 2020-21 (2019-20: £11.1 million).

5.2 Depreciation, impairment and other non-cash charges

	2020-21	2019-20
	£m	£m
Amortisation	7	11
Impairment:		
loans	35	26
bad debt	11	-
Provisions net movement	-	1
Financial guarantee net movement	8	9
	61	47

Included within note 5.2 are notional audit fees of £455k for 2020-21 including an additional £55k for 2019-20 in respect of the Covid-19 work. The total audit fees included in 2019-20 amounted to £345k.

6. Financial instruments

6.1 Financial assets by category

		2021	2020
	Note	£m	£m
Amortised cost			
Loans	8	105	167
Receivables	9	51	172
Cash	10	304	67
		460	406

6.2 Financial liabilities by category

		2021	2020
	Note	£m	£m
Amortised cost			
Payables	11	698	733
Financial guarantees		28	25
		726	758

Deferred income is excluded from the payables figure.

7. Financial risk

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

Credit risk

ESFA is exposed to some levels of credit risk, arising from the non-payment of debts with educational providers funded by 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 financial status reviews prior to the agency awarding these providers contracts and monitoring providers' delivery of learning against the value of profile payments made during the term of the contracts.

Liquidity risk

Parliament votes annually on the financing of ESFA resource requirements via the department's Estimate process. ESFA does not consider itself exposed to any significant liquidity risks. ESFA may operate with either a deficit or surplus position.

Interest rate risk

ESFA does not consider itself exposed to any significant interest rate risk.

8. Loans

8.1 Summary

	2021	2020
	£m	£m
Amounts falling due within one year		
Loans to academy trusts	9	11
Loans to colleges	8	8
	17	19
Amounts falling due after more than one year		
Loans to academy trusts	27	31
Loans to colleges	61	117
	88	148

8.2 Loans to academies

	2021	2020
	£m	£m
Opening balance at 1 April	42	65
Loan advances	8	17
Repayments	(14)	(10)
Written-off	(8)	(6)
Impairment allowance movement	8	(24)
Balance as at 31 March	36	42
Gross value	52	66
Closing impairment allowance	(16)	(24)
	36	42
Presented as:		
Current assets	9	11
Non-current assets	27	31
	36	42

Loans to academy trusts

Loans are provided to academy trusts on conversion to settle any local authority deficit 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. Impairment is recognised where management judge the academy to be in financial difficulty.

8.3 Loans to colleges

	2021	2020
	£m	£m
Opening balance at 1 April	125	97
Loan advances	13	35
Effective interest income	(5)	4
Repayments	(21)	(9)
Impairment allowance movement	(43)	(2)
Balance as at 31 March	69	125
Gross value	145	158
Closing impairment allowance	(76)	(33)
	69	125
Presented as:		
Current assets	8	8
Non-current assets	61	117
	69	125

Loans to colleges

Loans are provided to further education and sixth form colleges in England impacted by a substantive area review recommendation that need to make major changes, or to further education colleges who are encountering financial difficulties.

9. Receivables

	2021	2020
	£m	£m
Amounts falling due within one year		
Trade receivables	45	160
VAT receivables	-	4
Other receivables	-	1
Prepayments	7	6
Accrued income	167	184
	219	355
Amounts falling due after one year		
Trade receivables	6	12
	6	12

Trade receivables are stated net of an impairment allowance of £15.9 million (2020: £14.9 million).

10. Cash and cash equivalents

	2021	2020
	£m	£m
Balance at 1 April	67	823
Net change in cash and cash equivalent balances	237	(756)
Balance at 31 March	304	67
The following balances are held at:		
Cash at bank and in hand:		
Government Banking Service	304	65
Cash held with solicitors	-	2
Balance at 31 March	304	67

Cash held by solicitors is held for loan issues in progress at the year end.

11. Current payables

	2021	2020
	£m	£m
Trade payables	15	70
Other payables	-	11
Tax and social security payables	2	-
Accruals	681	652
Deferred income	11	11
	709	744

The most significant accruals include pupil premium £312 million (2020: £298 million) and apprenticeships £213 million (2020: £215 million).

12. Other commitments

The Secretary of State is committed to funding the ongoing provision of education at a wide variety of providers.

12.1 Schools grants

ESFA cannot quantify the commitments as ESFA typically agrees funding for one year even though the Secretary of State's commitment is for a much longer period. The main funding element for maintained schools is the dedicated schools grant³¹ and for academies is the general annual grant.³²

12.2 Post-16 and apprenticeship levy funding

	2021	2020
	£m	£m
Not later than one year	4,322	3,288
Later than one year and not later than five years	1,032	776
Later than five years	13	3
	5,367	4,067

ESFA has commitments to post-16 providers for the remainder of the academic year to July 2021 and to apprenticeship training providers for English apprentices already enrolled on training courses as at the year-end for the full duration of the apprenticeship training course. ESFA's apprenticeship commitments will only crystallise when the training has taken place; it is at this point that the funding becomes due for payment.

31 <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2021-to-2022>

32 <https://www.gov.uk/guidance/academies-general-annual-grant-allocation-guides-2020-to-2021>

13. Related party transactions

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

In addition, ESFA 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). ESFA also makes pension contributions into public sector pension schemes.

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 classified as related party transactions if they occurred during the period the board member named held office.

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.

Further information can be found in the governance statement.

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

- **Dame Irene Lucas-Hays is:**
Chair and owner of Hays Travel Limited
- **Stuart McMinnies is:**
Non-executive director of Voyage Care Limited
- **Martin Spencer is:**
Non-executive director and Chair of Ofsted's Audit and Risk Assurance Committee

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

	2020-21		2019-20	
	Net payments / (receipts)	Receivable / (payable)	Net payments / (receipts)	Receivable / (payable)
	£000	£000	£000	£000
Hays Travel Ltd	462	-	694	-
Voyage Care Ltd	589	-	684	-
Ofsted	1,695	-	4,847	-

Payments to Hays Travel Ltd and Voyage Care Ltd relate entirely to apprenticeship training.

14. Events after the reporting period

14.1 Authorisation

These accounts were authorised for issue by the Accounting Officer on the date they were certified by the Comptroller and Auditor General.



Annexes

Annex 1: Summary of board attendance 2020-21

Management Board attendance

Management board member	Role	Board meetings attended (out of a possible)	Total meetings attended including workshops and away days
Irene Lucas-Hays	Chair, non-executive member	5/6	6/7
Stuart McMinnies	Non-executive member	6/6	7/7
Hunada Nouss	Non-executive member	6/6	7/7
Martin Spencer	Non-executive member	6/6	7/7
Eileen Milner	Chief Executive	6/6	7/7

Executive Team attendance

Executive Team member	Role	Meetings attended (out of a possible, while in role)
Eileen Milner	Chief Executive	18/22
Mike Pettifer	Director	3/5
Warwick Sharp	Director	13/15
Charlotte Briscall	Director	18/22
Sarah Whitehead	Director	5/5
Stuart Proud	Director	16/17
Sue Lovelock	Director	17/22
John Edwards	Director	15/16
Keith Smith	Director	1/1
Peter Mucklow	Director	16/22
Kirsty Evans	Director	19/22
Kate Josephs	Director	6/6
Matt Atkinson	Director	20/22

Audit and Risk Committee attendance

Audit and Risk Committee member	Role	Board meetings attended (out of a possible)	Total meetings attended including workshops and away days
Hunada Nouss	Chair, non-executive member	5/5	8/8
Stuart McMinnies	Non-executive member	5/5	8/8
Nigel Johnson	Non-executive member	5/5	8/8
Ian Hickman	Non-executive member	5/5	8/8
John Lakin	Non-executive member	5/5	8/8

Annex 2: Summary of counter fraud and investigations

Table 1: Investigations: academy trusts

During 2020-21, we brought forward 19 ongoing cases, including 2 in triage (2019-20: 15) and undertook the following new activity in year:

Academy activity	2020-21	2019-20
Allegations received	32	45
Failed triage and/or referred for other action	31	30
Closed	8	11
Carried forward to next financial year	12	19 ³³

Figures above updated to reflect cases for 2019-20 referred after year end

Advice only	2020-21	2019-20
Advice	87	83

Action undertaken in response to triage	2020-21	2019-20
Fact finding	2	1
Financial management and governance review	N/A	4
Formal investigation	1	10

Due to COVID-19 restrictions, no on-site visits took place in 2020-21. Investigations are ongoing via remote meetings and documentary evidence review.

Closed cases -outcomes:	2020-21	2019-20
Irregularity identified	6	8
No fraud/irregularity	-	2
Fraud	2	-

³³ Includes 6 cases brought forward from 2018-19 and 13 cases (2 in triage) arising in-year.

Table 2: 2020-21 financial values: confirmed cases of fraud, irregularity & theft (ESFA fraud loss/recovery figures)

Loss ESFA	2020-21	2019-20
Value of fraud/irregularity	£2,483,916	£5,645,506
Value of recoveries	£476,675	£8,119

The majority of the 2020-21 value of fraud above relates to one specific case and includes fraud and irregularity values which were quantified in 2020-21. These cases are not yet in the public domain.

In accordance with the Academies Financial Handbook's requirements to report instances of fraud exceeding £5,000 either individually or cumulatively in any academy financial year, we received a total of 48 (2019-20: 54) self-reported cases, of which the following were categorised as fraud or theft:

Self-reported cases by Academy Trusts	2020-21	2019-20
Fraud	37	45
Theft	9	2

Table 3: 2020-21 financial values: confirmed cases of fraud, irregularity and theft

(Academy trusts' fraud loss/recovery figures)

Self-reported: loss to trust	2020-21	2019-20
Value of fraud/irregularity	£1,359,037	£1,448,275
Value of recoveries	£799,705	£2,894,456

The academy schools sector consolidated annual report and accounts also reports on instances of fraud, theft and/or irregularity reported to ESFA.

Table 4: Investigations: colleges, charitable and commercial providers, and private providers

During 2020-21, we continued 63 ongoing live cases (49 live investigations + 14 Triage cases) and undertook the following new activity in year:

Colleges, charitable and commercial providers, and private providers casework	2020-21	2019-20
Allegations	182	153
Advice/referral only required	(71)	(34)
Failed triage	(53)	(93)
Cases closed	(25)	(16)
Live investigations and triage carried forward	68	63

The 2020-21 allegations balance above, includes 28 allegations relating to ongoing investigations and triage cases.

Provider reported	2020-21	2019-20
Self-reported cases	5	8

Closed case outcomes	2020-21	2019-20
Error	10	5
Suspected fraud	11	5
No issues identified	4	6
Total closed cases	25	16

Table 5: Financial values: confirmed error/fraud

Identified funds at risk	2020-21	2019-20
Total error/suspected fraud identified in-year (including live investigations)	£15,360,262	£4,415,470
Value of recoveries in year ³⁴	£5,624,083	£1,058,621
Value of prevented error/suspected fraud ³⁵	£11,131,359	Not reported

³⁴ Recovery in-year includes outstanding recoveries for prior years.

³⁵ This is the known value of funds prevented from being lost to error or suspected fraud as a result of investigation work.

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