

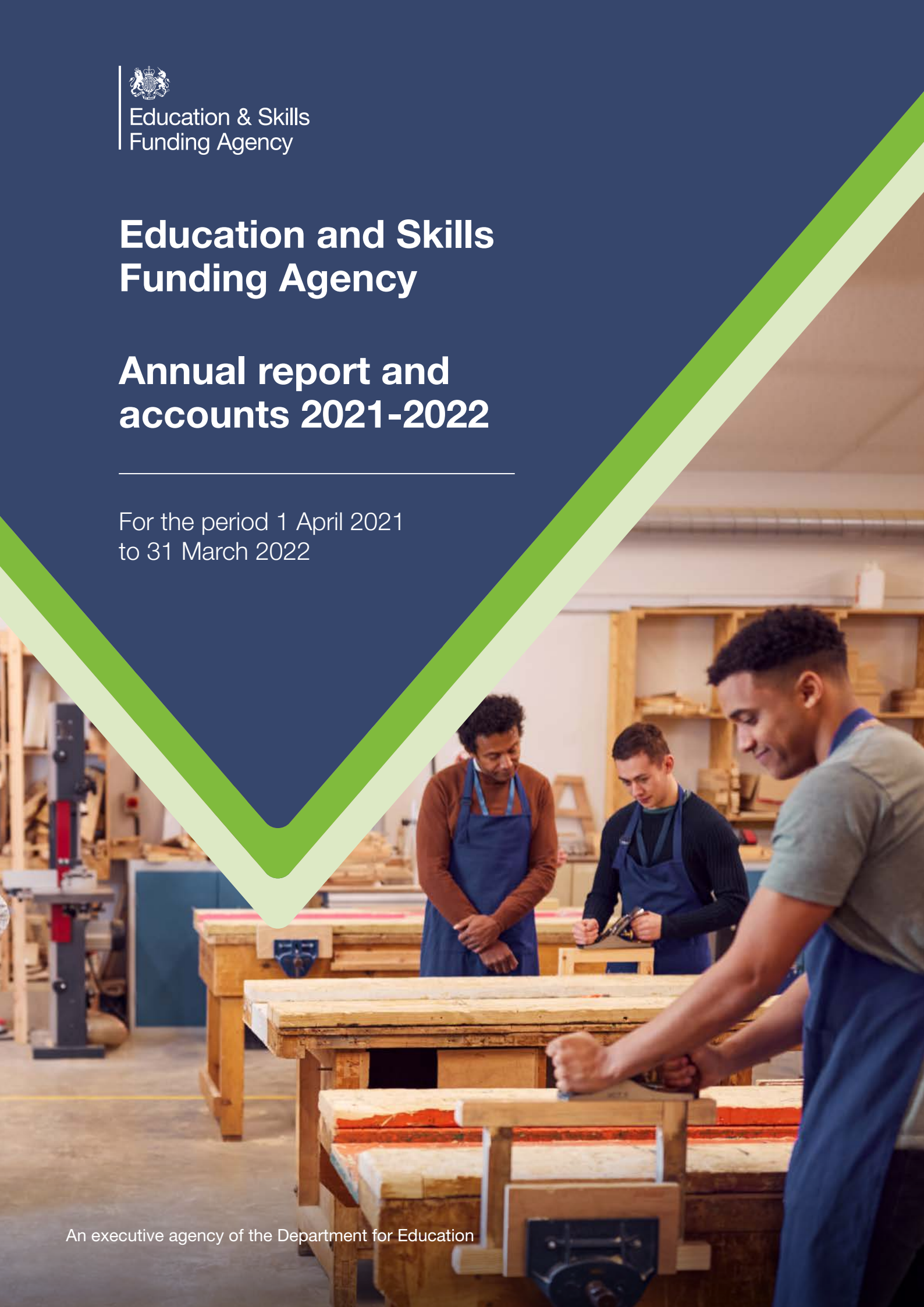


Education & Skills
Funding Agency

Education and Skills Funding Agency

Annual report and accounts 2021-2022

For the period 1 April 2021
to 31 March 2022



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For the period 1 April 2021
to 31 March 2022

An executive agency of the Department for Education

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Forewords

Chief Executive

I am pleased to present the Education and Skills Funding Agency's Annual Report for 2021-22. This report showcases the many ways in which ESFA has supported the education and skills sector to ensure excellent provision for every learner, while managing the continuing challenges of the pandemic.

The report covers the period from April 2021 to March 2022. During this time a review of the agency was undertaken by Sir David Bell, as part of the Cabinet Office's public bodies reform program. The recommendations of the review have since been implemented, resulting in a change to the agency's remit to ensure a clearer focus on our core responsibilities for funding and assurance. As such this report includes activity and areas of work that no longer sit within ESFA. It also touches on key events that have occurred outside this reporting period, including the work we are doing to reflect our priorities for 2022 to 2023 and beyond, including supporting the proposals set out in The Schools White Paper 'Opportunity for all'.

I was delighted to be appointed as the new Chief Executive of ESFA from 15 August 2022. As my appointment came after the end of this reporting period, I have taken assurance from the interim CEOs John Edwards and Warwick Sharp that there has been a sound system of internal controls for this report. I want to thank John and Warwick immensely for their strong leadership throughout this year and for their support and guidance since I started the role.

In 2021-22 ESFA successfully distributed £65 billion of funding to education and skills providers. This included new funding streams to help mitigate the impacts of the COVID-19 pandemic, contributing to a total of £1.145 billion of educational recovery funding, helping learners catch up on lost learning.

We did so accurately and on time – for 100% of allocations and 99.9% of payments. Just as importantly, the agency's audit and assurance programmes have helped to ensure that the public is receiving value for money by monitoring how the funds are spent within sectors.

Other key highlights are the continuing work of the schools resource management advisers which continues to both support schools and academy trusts to plan and manage their financial oversight. We've also seen successes in the Further Education (FE) sector where the agency has taken a more collaborative and supportive approach with colleges and 2021-22 saw a reducing number of colleges entering intervention.

This provides an important foundation for our work in 2022-23 and beyond. ESFA has a critical role in maintaining the provision of a quality service in what is likely to be an increasingly challenging fiscal environment given inflationary pressures on the system. While our regulatory-type functions will continue to play an important part in supporting effective assurance, I am also keen to build more effective partnerships with the sector that can enable early support for providers under financial stress.

We are here to support providers, and I want to thank the sector for working with us to ensure that we continue delivering the best provision and outcomes for learners. Finally, I would like to pay tribute to our dedicated staff. It has been a pleasure to join an organisation full of people with such passion and commitment to realising better outcomes for children and learners. This reporting period coincided with a pandemic that put additional stresses on individuals and families and I would like to thank every member of the team for all of their hard work and commitment to excellence during this time. I look forward to continuing that good work in 2022-23 and beyond.

David Withey
Chief Executive
31 October 2022



Board Chair

I am very pleased to have been appointed as Chair midway through the period covered by this report, taking over from Dame Irene Lucas-Hays. I would like to thank Dame Irene for her support and leadership of the Board throughout her tenure.

The Board and I would also like to thank John Edwards and Warwick Sharp for their leadership as interim Chief Executive Officer which helped steer the Agency through the ALB review and the subsequent implementation of the review's recommendations and re-alignment of the agency's remit. I would like to welcome our new CEO, David Withey, and I look forward to working with David as we continue to develop ESFA into an agency that is efficient, focused and delivers for our customers.

We continued to perform strongly in 2021-22 thanks to the dedication of our people, and strong partnership with sector stakeholders including colleagues in the Department for Education. At the heart of our core purpose remains providing £65 billion of timely and accurate funding to our education and skills sectors, which this year we achieved with a 100% success rate for allocations and 99.9% for payments.

The Board is extremely proud of the way our colleagues within ESFA have risen to the demands of this year and supported each other to deliver for our stakeholders. As we strive for excellence now, and in the future, we can only do this if our people continue to feel valued, respected and supported. We have therefore stepped up our efforts this year to make sure we have a range of mechanisms at our disposal that enable this.



Our new People Plan includes a programme that encourages staff at all grades to make sure their views are heard. I'm particularly proud of the introduction of Agency Ambassadors and new guidance on how to support disabled and neurodiverse colleagues in their return to the office, post COVID-19. The Board and I will continue to work with the executive team to promote a positive and inclusive culture across the agency.

Following the implementation of the ALB review recommendations we felt it was important to take the time to reflect on our high-level governance arrangements to ensure that we maintain appropriate oversight across all aspects of the refocused remit. As a board we will continue to work closely with the executive, offering our support whilst the agency continues to refine its functions and strategy.

Martin Spencer
Chair
31 October 2022





Performance Report

Overview

The Education and Skills Funding Agency (ESFA) is an executive agency, and as such an ALB, of the Department for Education (the department). On behalf of the Secretary of State for Education (Secretary of State), ESFA has a defined role and responsibility to administer funding to deliver education and skills, from early years through to adulthood.

ESFA funds 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 **£65 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

Context of this report

In July 2021, as part of the Cabinet Office's public bodies reform programme, the ALB review of ESFA was launched. The review was completed in January 2022 and recommendations were published in February 2022¹.

The review recommended that ESFA remain an ALB, with a refocussed remit around its core funding delivery role. This comprises the funding delivery cycle in its entirety, including allocations, payments, financial management, compliance and assurance. The review recommended that functions not relating directly to this remit, including post-16 skills policy and implementation, and non-financial regulatory and governance functions relating to schools, should move back to the department.

The review recommendations were implemented in April 2022 and July 2022. As a result, this annual report covers activities reported against priorities within the performance report which no longer sit within ESFA.

Further details of the changes to ESFA's remit and strategic priorities are given within the Forward Look section of the report.

¹ <https://www.gov.uk/government/publications/review-of-the-education-and-skills-funding-agency>



Performance summary

Below is a selection of performance highlights. More detail is provided against each strategic objective within the performance analysis section of the report.



Funding

- Delivered allocations 100% accurately and on time, and payments with 99.9% accuracy and timeliness.
- Successfully calculated all in-scope funding grants within the new digital funding service, an increase from 93% the previous year.
- Delivered £1.145 billion of additional funding related to COVID-19 and Education Recovery.



Regulation & Oversight

- 366 schools resource management adviser visits, identifying £292 million of potential savings for reinvestment, an increase of nearly 20% from the previous year.
- Provided diagnostic assessments and support activities through 53 visits to further education (FE) providers, undertaken by the FE Commissioner team; 3 FE Commissioner led intervention assessments and 33 visits to a reducing number of colleges in intervention.
- Finalised 1,195 financial and governance concerns cases, with 83% closed within initial target time.



Skills

- Launched 2 rounds of incentive payments to encourage take-up of new starts on apprenticeships and traineeships.
- Launched additional T Level Pathways in September 2021 with 10 T Levels being offered across 102 providers of all types.
- Developed and launched occupational traineeships in 2021 to support learners' progression into targeted apprenticeships and occupations in sectors including construction and manufacturing.



Customer Experience & Technology

- Supported cross-government work on critical sector vacancies, including helping over 2,000 eligible customers to register interest in skills bootcamps for Heavy Goods Vehicle (HGV) driving, through the National Careers Service.
- Designed and delivered the 2021 Exam Results Helpline campaign; implementing new Interactive Voice Response options and routes that met the needs of 40% of helpline callers without going on to speak to an adviser.
- Created 'mini-information service' to allow employers to compare the various government-funded skills training schemes, which by March 2022 was receiving over 30,000 visits a week.

Performance analysis

The performance analysis section initially outlines the changing nature of the agency's response to COVID-19 before focussing on the agency's wider work within strategic priorities.

The performance analysis against the strategic priorities is entirely backwards looking, focussing on the reporting year 2021-22. Each section explains whether the activities mentioned have since moved out of ESFA's remit.

COVID-19

While COVID-19 continued to influence ESFA's work in 2021-22, the agency has successfully adapted since the start of the pandemic and has incorporated support to sectors and providers into business-as-usual processes and objectives.

Due to this, there was less of a centrally organised response to pandemic developments during 2021-22. Where COVID-19 did impact on the performance and activity of the ESFA to meet its priorities it is covered within the narrative of each strategic priority below.

During 2021-22, ESFA continued to provide crucial expert input and support to the wider department by contributing to key planning products such as sector readiness and Variant of Concern assessments.

ESFA strategic priorities

Each year the ESFA develops its business plan based on a set of objectives designed to meet its strategic priorities. In 2021-22 the ESFA's strategic priorities were: Funding, Regulation, Oversight, Skills, and Customer Experience and Technology.

These strategic priorities provided the focus for ESFA's work throughout 2021-22. The below 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.

The agency monitored key risks and performance through its corporate boards. More detail of this is given in the '*key issues and risks*' section on page 29.



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

2021-22 remit

Ensuring all education and skills providers receive timely and accurate funding is a key aspect of ESFA's purpose. As well as this core business as usual funding, throughout 2021-22 the agency continued to respond at pace to multiple government funding policies and interventions in response to COVID-19 and contributing towards education recovery.

Key achievements

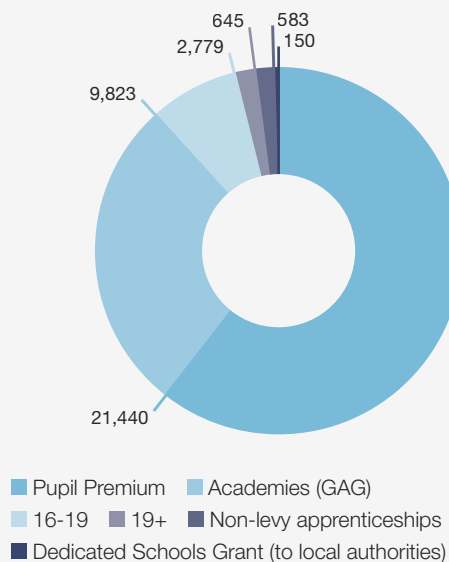
- Over **£65 billion** allocated to education and skills providers for 2022/23.
- **100%** accuracy and timeliness for allocations, and **99.9%** for payments.

Allocations

An allocation is the confirmation of an amount available for a given period – the funding that ESFA will provide to a customer (usually for a year). ESFA conducts this work well in advance of the upcoming academic year, usually between January and March, to allow education providers to plan appropriately. For the academic year 2022/23 ESFA has issued main allocations of over £65 billion funding to education and skills providers. 100% were allocated on time with 100% accuracy. Main allocations include academies' general annual grant (GAG) (this is the term used to describe revenue funding allocated to academies on an academic year basis), 16 to 19 year olds and 19+ allocations, non-levy apprenticeships, dedicated schools grant for local authorities and pupil premium grant (funding for disadvantaged pupils within schools) only. Further funding will be allocated during 2022-23.

The chart on the right shows the volume of allocations made by ESFA.

No. of Grant Recipients



Payments 2021-22

Payment is the transfer of the allocated amount to a customer (usually in instalments throughout the funding period).

ESFA approved 502,607 funding payments in 2021-22, with 99.95% paid accurately and 99.96% on-time.

Digital Funding Service

ESFA also successfully calculated all in scope funding grants within the digital funding service, an increase from 93% the previous year.

In 2021-22 ESFA built capability to deliver all suitable grants within the digital funding service. We also designed and delivered two grant management features in collaboration with DfE: Plan Your Grant and digital forms. Plan Your Grant is a new online tool that will support policy teams in the department to set up new grants. The tool simplifies the administration process and ensures information about grants is stored in one place. Plan Your Grant will also connect policy teams with the right grants experts who will provide advice and support to policy teams at the right time. The digital forms builder is a service that allows Government Digital Service style forms to be built at pace, so that requests for data from recipients can be dealt with more efficiently.

Grant management

The new grant management features will enable our delivery of DfE grants, improving grant administration and consistency across ESFA and DfE.

COVID-19/education recovery

In response to COVID-19 and to assist education recovery, ESFA delivered £1.145 billion of additional funding across 14 funding streams, which providers and employers have accessed 156,000 times.

ESFA continued to deliver funding at pace and has worked with other government departments to implement multiple new grants, in response to policy initiatives for COVID-19 including **Universal Catch-up**² (£270 million), **Recovery Premium**³ (£153 million), and **National Tutoring Programme**⁴ (£217 million). ESFA's expertise in providing funds to the education and skills sectors has also helped deliver grants such as mass testing⁵ (£197 million) where the funds are drawn down from HM Treasury (HMT) and passed to the relevant education providers and are therefore not listed in ESFA's accounts.

There has been no impact to the delivery of key objectives within the funding strategic priority due to COVID-19.

2022-23 remit

ESFA continues its core focus of allocating funding to education and skills providers.

The agency's work to develop new grant management features will enable our delivery of DfE grants, improving grant administration and consistency across ESFA and the department, and strengthen ESFA's ability to take on additional grants in future.

2 Universal catch up – <https://www.gov.uk/government/publications/coronavirus-covid-19-catch-up-premium-provisional-allocations>

3 Recovery Premium Funding – <https://www.gov.uk/government/publications/recovery-premium-funding>

4 National Tutoring Programme – <https://www.gov.uk/government/publications/school-led-tutoring-grant>

5 Mass Testing – <https://www.gov.uk/government/publications/coronavirus-covid-19-mass-testing-funding-for-schools-and-colleges>



2. Regulation and Oversight



3. Oversight

2021-22 remit

ESFA has a role in ensuring the public money we provide to sectors is spent well and appropriately. We do this by ensuring providers have the highest standards of financial management and governance, building strong, meaningful and trusted relationships with providers to ensure they have the tools and support necessary to deliver to the highest standards, and monitoring funding throughout the sectors we fund through comprehensive audit and assurance programmes.

Regulation and oversight are inextricably linked in terms of the work the agency carries out to meet these 2 priorities. As such, they are discussed in tandem throughout this section.

Key achievements

- **£1.1 billion** of COVID-19 educational recovery funding assured by ESFA.
- **£292 million** of potential savings for reinvestment identified through School Resource Management Advisors (SRMA) visits.

Frameworks, audit and assurance

In line with established good practice, ESFA published new editions of the agency's financial governance, audit and financial reporting publications for the sectors we fund. ESFA has also maintained its oversight of the education and skills sectors by delivering, amongst other things, a comprehensive **funding audits**⁶ and assurance programme.

We have also provided assurance for 14 COVID-19 and educational recovery grants covering £1.1 billion of funding to providers. This has been delivered through funding audits and detailed grant claim reviews.

On top of these vital but routine activities, ESFA has:

- implemented the outcomes of the further education subcontracting consultation and resulting subcontracting reforms, including publishing information for providers
- given providers more information about their subcontracting arrangements, including a new functional standard and guidance for due diligence checks
- published and, in May 2021, implemented the new conditions of acceptance for the Register of Apprenticeship Training Providers which will help ensure only active, high quality, financially stable, skilled, and experienced apprenticeship providers are included on the Register
- concluded a successful procurement exercise for a further £11.8 million of education and training delivery, on behalf of 8 local enterprise partnerships, for the European Social Fund (ESF)
- responded to the Public Accounts Committee's recommendations by ensuring details about academy trusts' reserves were included in the budget forecast return

⁶ Funding audits are carried out on a statistically based sample that provides an acceptable level of assurance (at a 95% confidence level) taking into account the size of the population and history of error.

Funding Audits and Assurance Programme

- **78** academy trust, **33** FE college and **32** ITP, where we test the accuracy and completeness of the data driving funding allocations
- **57** financial management and governance reviews at academy trusts where we look at a trust's financial oversight and internal control arrangements, ensuring compliance with the mandatory requirements of the Academy Trust Handbook
- **521** academy trust and **233** FE college financial statement reviews
- **233** college and **2,031** ITP financial health reviews
- **63** financial forecast reviews for ITPs
- in-year monitoring of the finances of **31** FE colleges and **92** ITPs

Support for schools

ESFA continued to invest time and resources on improvement activities that look to anticipate and prevent issues at providers we fund rather than being reactive when financial or governance issues have materialised.

For academy trusts and local-authority-maintained schools, the agency continued to develop and expand its schools resource management programme. Working closely with the providers, the programme has:

- completed 366 schools resource management adviser visits, supporting providers to improve their financial governance and oversight
- identified £292 million of potential savings for reinvestment through those visits, an increase of nearly 20% from the previous year
- continued to shift the balance of ESFA's work towards support, with 78% of cases being improvement focused – a level of performance which is consistent with the previous two years.

The National Audit Office's report on the *Financial sustainability for schools in England* noted some issues with the completeness and accuracy of SRMA data. More information can be found on page 56. We have made substantial improvements to our data since last year. The information presented here reflects that and is therefore inconsistent with the figures reported in the 2020-21 ESFA annual report and accounts.

Feedback on schools resource management adviser visits has been positive: 87.8% of survey respondents rated their experience of the visit good or very good and 79.3% found the recommendations useful.

The agency provides additional financial support to academy trusts facing short- to medium-term financial difficulties to help to protect the education of pupils by ensuring trusts can continue to operate. Less than one third of the amount of additional financial support was given to trusts compared to last year.

The agency also ran learning and development sessions for finance professionals in schools. Over 750 people attended events, with 82% of all attendees both finding the events extremely or somewhat useful and saying they would recommend the events to their colleagues.

Support for further education

ESFA has reflected the **recommendations made by Dame Mary Ney**⁷ and increasingly taken a preventative approach. Through annual strategic conversations and opening up access to a wide range of support tools, the agency has taken a more collaborative and supportive approach with colleges.

53 visits to FE providers were undertaken by the FE Commissioner team, providing diagnostic assessments, follow up visits and active support activities reflecting the shift towards a broader support focussed offer.

⁷ <https://www.gov.uk/government/publications/report-of-the-independent-review-of-college-financial-oversight>

We aim to complete a full complement of Annual Strategic Conversations (ASC) with FE colleges within the academic year. By the end of 2021-22 reporting year, we had completed 72%, with the remainder being carried out in the summer term. These conversations give us greater clarity on the issues faced by colleges, both individually and collectively. A small number of colleges have not had an ASC for operational reasons surrounding ongoing mergers and structural changes.

Intervention

Despite the increased focus on support, intervention activities remain an important aspect of the agency's work, protecting both public money and educational provision. ESFA worked alongside the Regional School Commissioners and FE Commissioner to ensure that we were responding appropriately and efficiently where necessary.

For academy trusts, 1,195 financial and governance concerns cases were closed with 83% of these within initial target time, an 11-percentage-point improvement. Numbers of trusts of concern have reduced over the course of the year: numbers of trusts of most significant concern and in active intervention both reduced by around one third; and the number of active Notices to Improve fell from 37 in April 2021 to 29 in March 2022.

In the FE sector, the number of FE Commissioner led intervention assessments and visits has reduced – only 3 assessments took place, supplemented by 33 visits to a reducing number of colleges in intervention.

2022-23 remit

Providing assurance over the proper use of public funds within the education and skills sectors remains a key priority for the ESFA following the ALB review. We will maintain strong links with the department to continue to provide support and improve the health, financial governance and efficiency of providers.

The department's March 2022 *Schools White Paper, Opportunity for all: strong schools with great teachers for your child*⁸, sets out how our education system can deliver on the government's priority to level up across the country. It also details the economic benefits of meeting the White Paper's ambitions, and the case for a fully trust led system.

ESFA has a vital role working alongside the department to implement the White Paper ambitions. In particular, we will be working closely alongside colleagues on the upcoming regulatory review⁹, ensuring the agency's role in regulation continues to provide the right approach for the schools sector alongside our partners as we look towards a fully trust-led system.

8 <https://www.gov.uk/government/publications/opportunity-for-all-strong-schools-with-great-teachers-for-your-child>

9 <https://www.gov.uk/government/groups/academies-regulation-and-commissioning-review-advisory-group>



4. Skills

2021-22 remit

In 2021-22 ESFA had a responsibility to work to drive up the quality of apprenticeships and traineeships, to offer learners the best opportunity to achieve their goals and to offer further flexibilities to employers, contributing to the department's Skills priority.

ESFA continued to provide learners with high-quality progression routes in higher technical education through continuing the development and roll out of T Levels and higher technical qualifications (HTQs).

Key achievements

- **2 rounds of incentive payments** to encourage take-up of new starts on apprenticeships and traineeships, accessed **108,000** times.
- **10 T Levels** being offered across **102 providers** of all types following new pathways launched in September 2021.

Apprenticeships

ESFA has strengthened quality measures by publishing new guidance on what high quality means for providers, assessment organisations, and employers, extending Ofsted inspection to cover apprenticeships at all levels and publishing a new risk-based provider accountability policy. ESFA has also provided bespoke support to employers with low achievement rates to help them improve their performance.

In August 2021, we increased functionality on the Apprenticeship Service to provide more visibility of the expectations and accountabilities of employers and providers, prioritising the quality of experience for apprentices.

The levy transfer pledging service launched in September 2021, making it easier for apprenticeship levy paying employers to transfer levy funding to other businesses, further extending flexibilities to how employers can use their levy funds.

In March 2022, ESFA completed procurement of a second phase of the Apprenticeship Workforce Development offer, which delivers professional development courses to training providers, supporting them to deliver apprenticeship training with developing the skills and knowledge they need to benefit learners.

Occupational traineeships

ESFA developed and launched occupational traineeships in 2021 to support learners' progression into targeted apprenticeships and occupations, and these are now being delivered within sectors including construction and manufacturing.

The sector has delivered pilots in occupational traineeships in bricklaying, steel fixing, rail, barbering and hairdressing. Many of the young people taking part have progressed from these pilots into apprenticeships, employment or Further Education at the end of their traineeship.

Further occupational traineeships are being developed in a wide range of occupations.

Recovery and growth

In 2021/22, ESFA launched a series of incentive payment schemes to help employers take on apprentices and trainees, supporting the recovery of the apprenticeships programme following the COVID-19 pandemic. The number of people starting apprenticeships had fallen significantly in 2020.

In April 2021, incentive payments were made available to employers to take on apprentices and trainees. Over 108,000 claims were submitted for a value of over £315 million (£219 million paid out).

Supporting recovery and growth in starts by small and medium-sized enterprises (SMEs) and priority sectors has been a key focus in 2021-22. The 'Join the Skills Revolution' communications campaign launched in January 2022, encouraging SME employers to find the right training or employment scheme for their business through a dedicated website. In autumn 2021, ESFA commissioned research on SMEs in the adult social care and digital SME sectors. The recommendations have informed the development of the Sector Growth Campaign and the Technical Education Messaging Framework, ensuring that the key messages respond to identified barriers for SMEs in engaging with apprenticeships.

Priority sectors engagement: manufacturing, construction, shipbuilding and SMEs

ESFA launched a new cross-industry and government Apprenticeships in Manufacturing group. Nine of the largest manufacturing stakeholders have pledged action to drive up apprenticeship starts, including UK Fashion and Textiles, the UK Metals Council, the Engineering and Machinery Alliance, and the National Skills Academy for Food and Drink.

Through partnership with the government/industry Construction Skills Delivery Group, the group and ESFA are actively encouraging the sector to take advantage of new and adapted training offers. ESFA set up a new sub-group to co-ordinate communication of these offers to the sector.

ESFA delivered the first phase of a sector growth campaign to inspire, inform and engage SMEs in 4 priority sectors to grow their apprenticeship programmes, achieving over 1,000 post-email engagements.

T Levels

The Transition Programme was first delivered in September 2020 with 37 providers. From September 2021 a total of 67 providers are delivering the programme. The T Level Transition Programme guidance and materials for providers for implementation in September 2022, were published in December 2021.

In November 2021, we introduced further flexibilities for the first cohort of students in response to the COVID-19 measures, which included a request by the government for all people to work from home wherever possible. The flexibilities include 100% remote placements and allowing students to complete employer-led activities and projects in lieu of a placement with an employer.

The T Level Action Plan was published in December 2021 with an initial list of over 70¹⁰ higher education providers committed to opening up opportunities for T Level students.

As part of the continued development of the T Level Service, the Results and Certification Service launched in January 2022, which gives new functionality to awarding organisations enabling users to extract student data reports from the service.

Also in January, the ‘Skills for Jobs’ campaign for young people and parents ‘Get the Jump’ launched and includes career options for young people interested in taking vocational or technical courses at Level 2 and below, T Levels and HTQs at Levels 4 and 5. Level 4 and 5 refer to certain skill levels and includes qualifications such as apprenticeships, ‘technical education’, Higher National Certificates, National Vocational Qualifications, foundation degrees and the first 2 years of an undergraduate degree.

Higher technical education

The first approved digital HTQs were launched and are being taught as of September 2022¹¹.

Through the £18 million growth fund, ESFA has supported around 100 further and higher education providers across the country to offer industry standard facilities and engage employers in the development and expansion of higher technical courses.

The HTQs provider delivery toolkit, published in October 2021, is available to help providers increase demand for their higher technical courses.

ESFA is delivering a demand strategy to raise the profile and prestige of higher technical education and HTQs. For 2021-22, this has included: communication campaigns launched in January (including the ‘Get the Jump’ campaign mentioned above); launch of a Higher Technical Qualifications quality kite mark to signal and promote these flagship courses; engagement with employers on a sector-by-sector basis to support and champion reforms; and delivering improved information advice and guidance for learners and parents.

In 2021-22, ESFA delivered 2 pilots that test an approach to boosting employer demand for the skilled to adopt cutting-edge technologies. The pilots have developed short training units that cover cutting-edge technologies such as advanced composite materials, additive manufacturing, electrification and industrial digital technologies; trainers that can deliver these units; and newly upskilled employees.

Qualifications reform

In March 2022, ESFA published the first list of qualifications available for the new funding/academic year 2022/23 across 14 to 16-year-olds. These are qualifications with a funding approval end date of 31 July 2023, and this now allows education and training providers to confirm their offers for the new academic year.

2022-23 remit

At the end of 2021-22 ESFA’s skills priority transferred into the department. The delivery and assurance of skills funding has however continued to form part of ESFA’s core remit following the ALB review.

¹⁰ This number has since increased to 120 providers committed to opening opportunities for T Level students.

¹¹ Higher Technical Qualifications – <https://www.gov.uk/guidance/htqs>



5. Customer Experience & Technology

2021-22 remit

In 2021-22 ESFA had a focus on improving the experiences of our external stakeholders when interacting with ESFA and the department, and to raise the profile of options for learners across the sector.

Key achievements

- **90%** of calls to National Careers Service telephone helpline and webchat advisers responded to in an average waiting time of **5 seconds**.
- **Over 2,000** eligible customers registered interest in Skills Bootcamps in HGV driving.

Customer Experience Transformation Programme

ESFA began the Building Excellence Programme (BEP) as part of the ESFA Customer Experience Transformation Programme. The programme's vision was to enable ESFA to deliver great customer experiences across all customer interactions, which deepen relationships through greater trust, whilst improving value for the taxpayer.

Although the key milestones have been met, full completion of the programme deliverables has not been achieved due to other pressing high-level priorities (such as, additional activity on campaigns, moving from one service provider to another). We were not able to mitigate this risk by bringing in contingent labour leaving us unable to spend the programme budget. Following the ALB review and Future DfE changes the decision was made to close the programme until the new Digital, Data and Technology (DDaT) operating model was in place across the DfE. The uncompleted objectives have been carried over into the department for 2022-23, including establishing consistent KPIs across services.

2021 Exam Results helpline

ESFA responded to previous concerns about exam results helpline waiting times by creating a range of interactive voice response information options and routes that callers could follow while waiting. This resulted in up to 40% of helpline callers having their needs met without going through to talk to a careers adviser. This in turn enabled the National Careers Service telephone helpline and webchat advisers to respond to more than 90% of callers in an average waiting time of 5 seconds.

Single Student ID

The single student ID project has 2 distinct programme objectives, decentralised ID (digital identity), and Enter Learning Data (ELD), updating an existing digital learner entry service.

For decentralised ID, we have designed a basic user journey using available technology so we can begin user research. This allows individuals to access their own digital ID and then use this to apply to an FE sector provider, pre-populating the provider's system with data already available to the department. ELD will allow providers to simplify enrolment, reduce dependency on management information system suppliers, allow validation rules and funding calculations to be done at source and for the data to be stored direct into DfE cloud services. Those who choose to use this approach will no longer have to make formal Individualised Learner Record data returns each period, saving time and money, and improving the quality and timeliness of the data.

Supporting multiple campaigns

The National Careers Service (part of the ESFA until April 2022) responded to support cross-government colleagues including the National Skills Fund and the Driver and Vehicle Standards Agency to deliver Skills Bootcamps in HGV driving.

The Service helped over 2,000 eligible customers to register interest in Skills Bootcamps in HGV driving. It offered careers advice to approximately 1,000 more people, helping them to understand wider opportunities within the logistics sector.

ESFA created a 'mini-information service' for employers to see and compare the various government-funded skills training schemes (such as apprenticeships, T Level placements, and Skills Bootcamps, among others). This service was designed based on user needs and evidence. It makes it easier for employers to get the information they need in one place. The service is being used as part of the Plan for Jobs campaign and in March 2022 was getting over 30,000 visits a week, with around 4% of users taking up a 'call to action', such as starting the process to offer an apprenticeship.

ESFA created a new service to support the Skills for Life campaign. The aim being to present education and training options for young people to help them make informed choices about their futures. In its first 2 months, the service has had over 80,000 users.

ESFA also provided service design and customer insight to support the creation of a similar service for adult learners.

Financial control, assurance and data collection

ESFA successfully delivered a suite of financial collections from the academy sector that are essential to the department's consolidation of the academy sector. This includes the Accounts Return, Budget Forecast Return and Land and Buildings Collection Tool. The data from these collections are used widely from contributing to the sector annual report and accounts, reporting the academy programme expenditure to HMT to analysis of high pay in academy trusts, to name but a few. As part of our enhanced automation offering for academy trusts, ESFA successfully delivered a tool which automatically generates information required for their Accounts Return.

The Provider Financial Forecasting Programme enables us to collect and analyse financial information from FE providers for use across the department. This includes the financial statements return which collects various documents on an annual basis, and a financial forecast and cashflow forecasts collected periodically throughout the year.

We are continuously improving the technical solution that covers the end-to-end journey from the data collection to the outputs in the form of analysed business intelligence. Alongside this we have a focus on improving the user experience, undertaking user research in the sector and making improvements to make it as easy as possible for users to return this data to us.

Proactive social content

Our Corporate Communications team has helped the agency reach over 38.6k Twitter followers, 120k LinkedIn followers and over 2.5k YouTube subscribers, to ensure they have the latest news and updates. We've developed a new social listening dashboard to gather audience insights for all ESFA social accounts.

COVID-19

COVID-19 response and recovery work has continued to impact our Data Science division who have had to pause or delay, and even stop planned projects, in particular work to automate internal processes to enable re-investment savings across the agency and department. The team has continued to collect data to influence government decisions, implementing automated dashboards and models on learner attendance and COVID-19 related illness in education settings. These were used across government to assess the impact of the COVID-19 reproduction rate (known as the R rate) on schools.

2022-23 remit

Customer experience and DDaT programmes all moved out of ESFA following the ALB review. Department for Education DDaT teams have been embedded back into ESFA Funding Directorate to ensure there is a strong working relationship in place to deliver the services which ESFA's new remit is reliant upon.

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 for more details.

Budget outturn

ESFA receives a budget delegation from the department, which principally covers apprenticeships and operational costs. Alongside that, ESFA 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 the department. In 2021-22, this resulted in a total budget of £65.8 billion.

ESFA was £0.4 billion and 0.6% within the budget, with the principal underspend being on Further Education (£0.3 billion) which includes COVID-19 related programmes, such as Traineeships, where demand was uncertain and lower than budgeted.

Long term expenditure trends

These are taken from the Statement of Comprehensive Net Expenditure (SoCNE)

	2021-22	2020-21	2019-20	2018-19	2017-18
	£m	£m	£m	£m	£m
Income	(106)	(110)	(137)	(198)	(256)
Staff costs	104	101	94	66	79
Resource programme expenditure	65,347	62,293	58,474	56,721	55,909
Capital programme expenditure	110	1	36	119	3,999
Operating expenditure	47	49	53	68	69
Shared service costs (included in operating expenditure above)	33	36	31	33	41
Average staff numbers (whole numbers)	1,779	1,749	1,694	1,852	1,765

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

Resource grants account for 99.6% of expenditure. The biggest element of this are National Funding Formula grants to local authority maintained schools and academies. Operating income totalled £106 million, relating to income from the European Commission to fund various skills programmes.

Resource expenditure increased by £3.1 billion (4.9%) from 2020-21 to 2021-22. This included:

- an additional £2.3 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 £0.6 billion on Apprenticeships, supporting the recovery of the apprenticeships programme following the COVID-19 pandemic. This included £0.2 billion of incentive payments to employers of new apprentices.
- an additional £0.3 billion for 16 to 19 education relating to the additional funding announced in 2020 for academic year 2021/22.

Statement of Financial Position (SoFP)

There has been a decrease in net assets (total assets less total liabilities) of £364 million, the most significant elements of this were:

- an increase in payables of £221 million primarily due to an increase in accruals for COVID-19 response programmes that are paid in arrears.
- a reduction in cash and cash equivalents of £148 million due to a reduction in the contingency held for COVID-19 payments and the 2021 balance including receipts for European Social Fund (ESF).

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

The key risks and issues listed below are entirely backwards looking, focussing on the reporting year 2021-22. ESFA has worked closely with the department to ensure that where necessary, risks reported against areas no longer within ESFA's remit have formally transferred into the department.

ESFA operates in a complex environment and its business is subject to a broad range of risks. During 2021-22, 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.

More details regarding ESFA's risk management can be found within the Governance Statement.

Risks and issues	Impact	Mitigation	Direction for year
Risk that the first cohort(s) of T Level students will not gain the necessary industry placement, skills, knowledge and competence from their T Level to progress on to employment or further study/training.	The first cohort of learners are unable to complete their programme of study and lose out on the opportunity to secure further training, employment or study. Reputational damage from fail-ing to deliver objectives to reform technical education and loss of confidence in T Levels.	ESFA ensured delivery of T Levels and implemented contingency measures and flexibilities such as blended or remote placements, lasting until July 2023. ESFA continues to mitigate longer term risks to delivery through close working with the Institute and Ofqual to ensure plans remain on track.	Static

Risks and issues	Impact	Mitigation	Direction for year
Structural change flowing from the ALB review and Future DfE project could impact our ability to deliver business plan commitments.	Negative impact on wellbeing or productivity could decrease capacity and capability, increased churn, and lower engagement scores. Lack of clear accountability for work areas could hamper operational performance and delivery success.	ESFA has closely collaborated with DfE to identify interdependencies and agreed future operating arrangements resulting from the ALB review, successfully moving directorates into DfE with completion of staff moves in July 2022.	Improving
COVID-19 and education recovery grants are not used by providers for the purposes intended (and such amounts are material to the agency).	Potential significant misuse of funds by providers; potential qualified opinion on ESFA (and department) annual report and accounts; National Audit Office and Public Accounts Committee criticism, resulting in reputational damage to ESFA.	ESFA has ensured appropriate controls are established in business areas for new grant schemes. Assurance mapping has ensured appropriate lines of defence for budgets and mitigated weaknesses in the ESFA controls framework.	Static
Inability to deliver ministerial priorities and business plan objectives due to pressures on demand and resources (people and pounds).	ESFA lifelines, ministerial priorities (such as delivering apprenticeships programme and T-Levels roll-out), business objectives and statutory obligations would not be achieved.	ESFA engaged in scenario and re-prioritisation planning with increased scrutiny of new roles, business cases and spend. Requests for further resource co-ordinated centrally in ESFA by the People team. ESFA core team worked with DfE to get early insight on emergent asks.	Worsening
There is an issue that customer service may fail or suffer a serious decline in the out-sourced contact centre due to the new supplier not meeting contractual requirements.	Customer calls are not handled with the speed or quality expected by our customers, which is having a negative impact on the reputation of ESFA, service lines and wider Contact Engagement Centre programme.	A recruitment campaign was implemented by the supplier to improve service delivery and ESFA Customer Service Division improved stakeholder engagement with Arvato (an external contact centre provider) to address the issues.	Static

Risks and issues	Impact	Mitigation	Direction for year
There is an issue that the Apprenticeships Programme is exposed to fraud in a variety of ways.	Inappropriate use of government funds leading to reputational damage to the Apprenticeships Programme and ESFA.	ESFA has invested staff resource into tackling fraud and raised its profile through governance forums. Preventative measures against non-compliant activity continues to be a key focus for fraud and investigations teams, with robust measures taken to tackle fraudulent activity when it is identified.	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 2021-22, we were made aware of 6 ESFA-related complaints escalated to the PHSO, who declined to investigate 5.

The remaining complaint is undergoing PHSO investigation to determine whether or not it will be accepted for full investigation.

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

Respect for human rights

Under the *Equality Act 2010*, 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*.

Staff are 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, 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

ESFA adopts the DfE group policy on sustainability. Due to the level of shared workspace for ESFA, the department and other executive agency staff it is not possible to separate out ESFA from the overall sustainability data which is presented in the sustainability section of the DfE consolidated annual report and accounts 2021-22.

DfE has been unable to collect financial information for the sustainability disclosures for 2021-22. The department continues to work with the third party suppliers who manage the department’s sustainability activities with a view to provide the disclosures for 2022-23.

Forward look

Following the implementation of the ALB review recommendations in April 2022 and July 2022, the agency has adapted its operational structures in line with the refocussed remit.

Effective from 1 April 2022, the refocussed agency now consists of 3 directorates carrying out its refocussed tighter remit (more details of which are available in the director’s report):

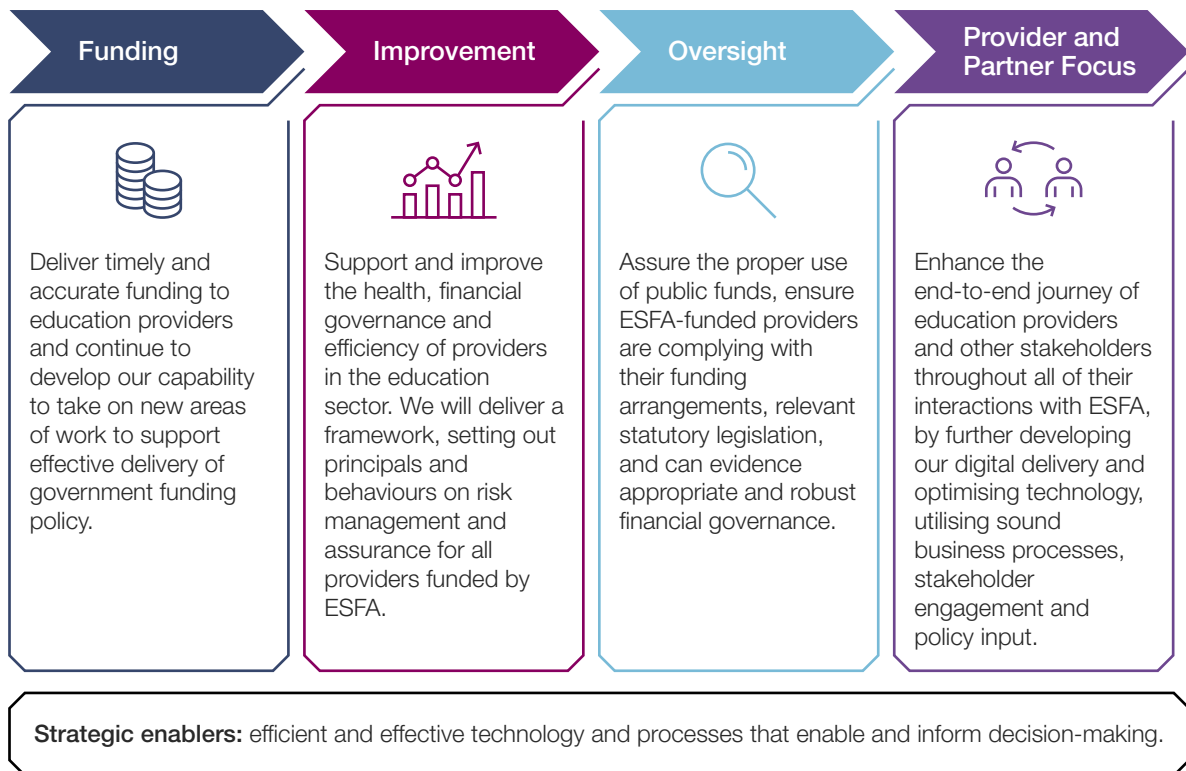
- Funding directorate
- Schools Financial Support and Oversight directorate
- Finance & Provider Market Oversight directorate

The ALB review recommendations fed into the wider Future DfE programme. The implementation of the ALB recommendations happened simultaneously alongside Future DfE.

Future strategic priorities

Due to the timing of the ALB review and to avoid impacting on the implementation of the recommendations, the Executive Team and Management Board approved the use of an interim business plan for the period start April 2022 to end June 2022. This business plan contained relevant objectives and performance metrics from 2021-22, focussing on the strategic priorities deemed still to be relevant to ESFA's refocussed remit.

The interim business plan allowed for a comprehensive and appropriate business planning activity to take place following the implementation of the ALB review recommendations. In July 2022, ESFA launched a new internal business plan for 2022-23, focussed on meeting a new set of cross cutting strategic priorities which all three directorates contribute towards:



CEO appointment and senior leadership changes

In August 2022 David Withey joined ESFA as the new permanent Chief Executive Officer. Following David's arrival, the executive team have continued to refine agency strategy and the agency is working closely with the department to ensure effective collaboration towards meeting ministerial priorities.

Further details surrounding changes of senior leadership are provided in the directors' report.

David Withey
 Chief Executive
 31 October 2022



Accountability Report

Accountability Report

The accountability report sets out how we meet the key accountability requirements to Parliament. It is broken down into 3 areas:

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

Corporate governance report

The corporate governance report details the composition and organisation of ESFA's governance structures and explains the role of the Accounting Officer. It sets out our risk management, internal control arrangements and how our governance supports the achievement of ESFA's objectives for the financial year 1 April 2021 to 31 March 2022 and up to the date of approval of the annual report and accounts (ARA).

The directors' report

Non-executive directors (as at 31 March 2022)



Martin Spencer
Interim Chair:
Management Board



Hunada Nouss OBE
Chair: Audit and
Risk Committee
Management Board



Stuart McMinnies
Audit and Risk Committee
Management Board



John Lakin
Audit and Risk
Committee



Peter Kane
Audit and Risk
Committee

Executive Team members (as at 31 March 2022)



John Edwards
Interim Chief Executive
and Accounting Officer



Matthew Atkinson
Director of Provider
Market Oversight



Kirsty Evans
Director of Further
Education



Owen Jenkins
Interim Director
of Funding



Sue Lovelock
Director of Professional
and Technical Education



Peter Mucklow
Director of
Apprenticeships



Warwick Sharp
Director of Academies
and Maintained Schools



Sarah Whitehead
Director of Finance
and People and
interim Director of
Customer Experience,
Digital and Data

Movement in officials in 2021-22 and 2022-23

On 15 July 2021, Eileen Milner stepped down from her role as Chief Executive although she remained employed until 30 September 2021. John Edwards took over as Interim Chief Executive and Accounting Officer from 26 July 2021 up to 13 July 2022.

From 13 July 2022, John Edwards took up a new role as Director General for Regions Group in DfE and Warwick Sharp was appointed Interim Chief Executive and Accounting Officer to 15 August 2022.

On 15 August 2022, David Withey joined ESFA as Chief Executive and Accounting Officer on a permanent basis.

Throughout all changes in officials, assurances have been provided by predecessors to enable David Withey to sign this ARA. There is more information about the Accounting Officer handovers and continuity at director level in the Impact of ALB review on page 41.

Dame Irene Lucas-Hays came to the end of her tenure as board chair in October 2021 with Martin Spencer being appointed as interim chair. Martin was subsequently appointed permanent chair on 1 August 2022.

Dates officials commenced or departed roles during 2021-22 are detailed in the meeting attendance table on page 50.

Register of interests

ESFA maintains a register of interests to ensure that potential conflicts of interest are identified and appropriate mitigations are put in place. Executive and non-executive board members are required to declare details of company directorships and other significant interests on appointment to the board and on an annual basis. ESFA publishes the register of interests¹² annually alongside the ARA on gov.uk.

Compliance with the Corporate Governance Code

Following a review of the relevant areas of the *Cabinet Office's Corporate Governance in Central Government Departments: code of good practice*, no major departures from the code were identified in 2021-22.

ESFA also reviews its approach to risk management annually and ensures compliance with *The Orange Book*, a HM Treasury document which outlines key principles and concepts of risk management. More information on ESFA's management of risk is available on page 29.

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

One personal data related incident was formally reported to the Information Commissioner's Office in 2021-22 (2020-21: 1).

¹² <https://www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2021-to-2022/register-of-esfa-board-members-interests-for-the-financial-year-2021-to-2022>

Statement of Accounting Officer's responsibilities

The Accounting Officer's responsibilities

The Accounting Officer of DfE has designated ESFA's 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 HMT.

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 Resources 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

This report covers the 2021-22 financial year and therefore pre-dates my appointment. I have received assurances from my predecessors and discussed the report with Management Board, staff across the agency, and our auditors.

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 are fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable

I have received assurances from my predecessors that they have discharged their responsibilities properly and that they have taken all steps to make themselves aware of any relevant audit information and to establish that the ESFA's auditors are aware of that information.

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 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*.

This report covers the 2021-22 financial year and therefore pre-dates my appointment. I have received assurances from my predecessors regarding the effectiveness of the system of the organisations' governance, risk management and internal control up to the date of starting my role. I have also discussed this report with Management Board, staff across the agency and our auditors.

I can confirm that control systems have been in place up to the date of approval of the ARA.

Impact of ALB review

The ALB review, which was effective from 1 April 2022, has resulted in governance structure and leadership changes in ESFA. More detail can be found about the ALB review in the Performance Report.

ESFA now consists of 3 directorates carrying out a revised remit refocused on core funding delivery. Governance structures have adapted accordingly, with a reduction in the number of sub-committees and boards to reflect a smaller organisation with a more focused remit. However, the Management Board, ARC and Executive Team continue to provide leadership and direction to ESFA. There is good continuity of the Board and ARC Chairs, albeit changes in the CEO post, which are detailed on page 38.

There has been continuity in Funding, Schools Financial Support & Oversight, and Finance & Provider Market Oversight Directorates, functions, delivery, and leadership at directorate level.

ESFA has worked closely with the department to ensure an efficient and effective transfer of functions. Appropriate documentation and formalisation of roles and responsibilities are in place following the changes, such as an Accounting Officer remit letter, budget delegations and service level agreements.

Controls and assurance activities have continued to operate effectively, with no significant weaknesses identified. This governance statement details the control systems in place during 2021-22 and notes any impact of the ALB review on the main features that support regular risk management, monitoring, review and assurance.

ESFA's internal control and risk management framework

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.

For all types of risk, we adopt the '3 lines of defence' approach to effective management, supported by strong governance arrangements employed by our boards and committees.

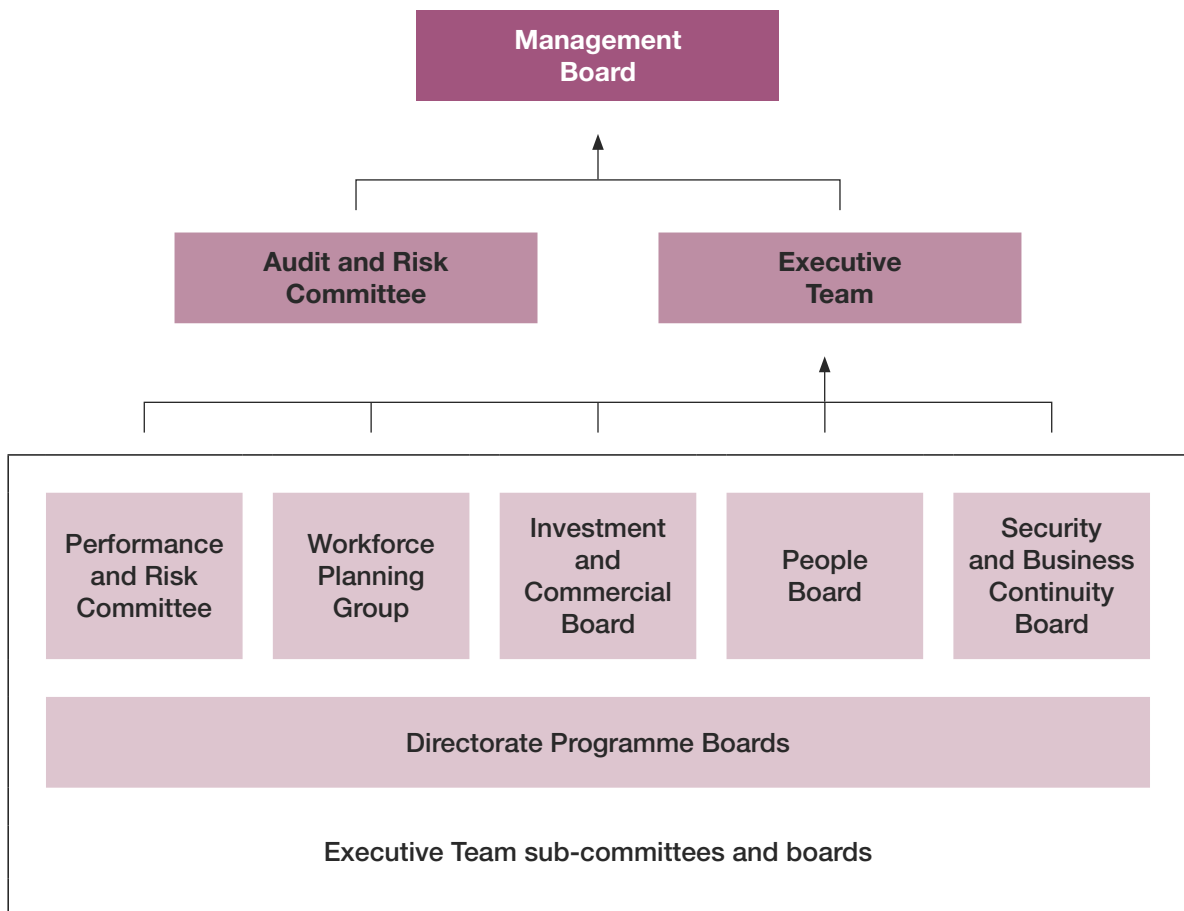
Line of defence	Description	Governance Detailed in the board and committee structure (page 43)	Examples
First line of defence: management and controls	The organisation's culture, people, processes, systems, and controls that drive the day-to-day operation of controls and risk management.	<ul style="list-style-type: none"> Executive Team Sub-committees and boards 	<ul style="list-style-type: none"> Risk management (page 51) Financial management (page 51)
Second line of defence: oversight	Risk management and compliance functions which are in place to support, advise and challenge the first line of defence on risk management processes	<ul style="list-style-type: none"> Management Board 	<ul style="list-style-type: none"> Assurance Framework Record (page 52) Assurance of funding to providers (page 52) Counter fraud and investigations (page 53) Assurance of shared services functions (page 54) Assurance of interests and business appointments (page 55)
Third line of defence: independent assurance	Internal audit functions which provide independent and objective assurance over the effectiveness of risk management and compliance processes.	<ul style="list-style-type: none"> Management Board Audit and Risk Committee 	<ul style="list-style-type: none"> Summary of Government Internal Audit Agency (GIAA) activity (page 55)
Other sources of external assurance	Independent assurance provided by an external organisation.		<ul style="list-style-type: none"> Summary of National Audit Office (NAO) and Public Accounts Committee (PAC) reports (page 56) The Comptroller and Auditor General (C&AG)'s audit certificate (page 74)
Overall			<ul style="list-style-type: none"> Conclusion on governance, controls and assurance (page 56)

Following the assurances I have received, I am satisfied that effective internal control of risk has been in place from 1 April 2021, through to 31 March 2022 and up to the date of approval of the ARA.

Board and committee structure during 2021-22

ESFA's governance structure enabled the Executive Team to undertake effective and transparent decision making and provided appropriate support, challenge, and assurance by non-executives.

The organisational structure presented below was in place throughout 2021-22. From 1 April 2022 post-ALB review changes, only the Executive Team, Audit and Risk Committee and Management Board continue to provide leadership and direction. Sub-committees and boards were disbanded to reflect a smaller organisation with a more focussed remit.



Management Board

The board provided strategic direction, support and guidance, to ensure the delivery of the business plan objectives, organisational effectiveness, and alignment with the Department’s mission, strategy and purpose.

The board advised the Chief Executive on arrangements that provided assurance on risk management, governance, and internal control. It advised how to improve the performance of ESFA and supported the Chief Executive to discharge obligations set out in *Managing Public Money* for the proper conduct of business and maintenance of ethical standards.

Management Board	
Chair	Martin Spencer (interim)
Members	Lead non-executive, non-executive board members, ESFA’s Chief Executive. Other executives attend as relevant to the agenda.
Frequency	6 per year
Highlights	Regular performance updates and activity reports from directorates Regular updates against ESFA’s People Plans Specific updates on: <ul style="list-style-type: none"> • School Resource Management Adviser Programme • T Level programme, including from T Level students • Progress of the ALB review and Agency Change and Transition Programme

The board received regular briefings on key risks and mitigations, financial information, progress against objectives and achievement of performance targets. Across the year, detailed discussions were held on several key areas including the ALB review. There was a continued focus on COVID-19 related activity.

The reports received throughout the year included data on business planning and performance. These reports were of high quality and fit for purpose to effectively support the board. The Interim Chief Executive continued with fortnightly updates to board members to provide detail on key developments between formal board meetings, including updates on the ALB review from December 2021, and held fortnightly meetings with the Interim Chair.

An external review of the board was conducted in September 2021 and concluded that the board displays many attributes of an effective board. Strengths cited in the report included the wealth of experience and insight of board members, their dedication to the role, and the focus on board values, ways of working and priorities. Improvements noted included undertaking a skills assessment for future appointments, refining board debate and increasing board engagement with the organisation now that the impact of the pandemic has declined. Reporting to the board could be further refined to provide additional insight from the customer perspective. At present this is partly reliant on the availability of data to supplement current reporting, although greater use could also be made to include direct customer feedback in line with good practice in other sectors.

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 2021-22.

The register of interests¹³ and summaries of meetings¹⁴ are published online.

13 <https://www.gov.uk/government/publications/education-and-skills-funding-agency-esfa-annual-report-and-accounts-2021-to-2022/register-of-esfa-board-members-interests-for-the-financial-year-2021-to-2022>

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

Audit and Risk Committee

The Audit and Risk Committee (ARC) supported the Management Board on issues of risk, control and governance, including overseeing internal and external audit activity. ARC was also responsible for giving assurance to DfE's Board on ESFA audit and risk activity.

Audit and Risk Committee	
Chair	Hunada Nouss OBE, non-executive director
Members	<p>Chair (non-executive board member of ESFA Management Board)</p> <p>Three additional non-executive directors, one of whom should also be a member of the Management Board.</p> <p>Others who are normally invited to ARC meetings include: Chief Executive, Finance and People Director, Provider Market Oversight Director, DfE's Operational Finance Director, an observer from the NAO, and an observer from GIAA. Other officials from ESFA and DfE are invited to attend ARC meetings when necessary.</p>
Frequency	Quarterly, additional meetings for key business
Highlights	<ul style="list-style-type: none"> • Risk management effectiveness, reviewing the agency risk register, including highest risks for escalation to Management Board and the Department, and review of risk management framework and appetite statement. • Monitored the work of Performance and Risk Committee and held deep dives of specific risks over the year, including counter fraud, impacts of spending review settlement, agency change, financial sustainability of schools and risks transitioning to the future agency. • Regular reports on the oversight and assurance around the proper use of funds provided by ESFA, including activity related to COVID-19 funding. • Regular reports on GIAA activity throughout the year against the 2021-22 audit plan and reviewed the proposed audit plan for 2022-23. • Reports from NAO on the planning for and progress of the annual financial audit, and updates on the progress of and plans for new NAO value for money audits. • Two additional ARC workshops were held focussing on the regularity timetable and plan of work around counter fraud in September 2021, and planning for, and accounting judgments review in relation to, the 21-22 annual report and accounts in February 2021. • Updates on ESFA's financial performance and plans for improvements to internal controls and assurance environment and impact of COVID-19. • Non-executive directors provided challenge and scrutiny over a cross-section of 6 Assurance Framework Record (AFR) returns, testing the AFR process and the overall controls in place to manage risks across the ESFA. • Received assurances from DfE on the provision of shared services, including Finance, HR, technology and property.

Executive Team

The Executive Team assisted the Chief Executive, as the Accounting Officer, to discharge his duties and ensured the efficient and effective management of ESFA. The Executive Team was 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.

Executive Team	
Chair	Eileen Milner, Chief Executive (to July 2021), John Edwards, Interim Chief Executive (from July 2021)
Members	Chief Executive, ESFA directors, HR Business Partner
Frequency	Twice monthly
Highlights	<ul style="list-style-type: none"> • Reviewed and agreed important people-centric plans, such as the Diversity & Inclusion Strategy and People Statement to ensure ESFA is an inclusive and positive place to work for all colleagues. • Interrogated monthly finance dashboards to effectively and efficiently manage public money and achieve value for money for the taxpayer. • Discussed and coordinated agency-wide change initiated by the ALB review to achieve a smooth and successful transition into Future DfE. • Reviewed and discussed wider DfE policy, such as the SEND review, and its impact on ESFA and the education sector.

Performance and Risk Committee

The Performance and Risk Committee (PaRC) focused on providing collective and corporate operational leadership of ESFA by:

- reviewing performance and risk management by providing directors with a dedicated forum that ensures there is consistency, clear accountability, and management and mitigation of risks that may jeopardise the achievement of our objectives
- monitoring operational performance against the agreed business plan objectives via key performance indicators, agreeing actions to improve delivery and performance as appropriate
- 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

Performance and Risk Committee	
Chair	Rolling Chair between directors
Members	ESFA directors
Frequency	Monthly
Highlights	<p>As well as its regular functions to review directorate performance against the business plan, review the ESFA risk register, spotlight specific risks and/or performance metrics for discussion at each meeting and discuss any risks for escalation to the department, PaRC:</p> <ul style="list-style-type: none"> • held spotlight into agency strategic risks; • reviewed the risk management framework and risk appetite; • reviewed the effectiveness of the ESFA's relationships; and, • reviewed and approved proposals for business planning in the context of the ALB review.

Workforce Planning Group

The Workforce Planning Group's remit was to:

- provide strategic direction and ensure resources were allocated to key business priorities
- ensure resources were affordable and demonstrated good value for money
- review future recruitment campaigns, considering if alternative resourcing streams were more appropriate, for example reprioritising existing staff and/or redeployment of future returners

Workforce Planning Group	
Chair	Stuart Proud, director (to September 2021), Sarah Whitehead, director (from September 2021)
Members	Chief Executive, directors, HR business partners and People team and Finance representatives.
Frequency	Fortnightly/monthly
Highlights	<p>Discussion and agreement on:</p> <ul style="list-style-type: none"> • ESFA's approach to changes in recruitment and headcount controls • ESFA's contribution to DfE's emergency COVID-19 resourcing requests • recruitment timescales and agency specific measures • budget and business planning resource implications

Investment and Commercial Board

The Investment and Commercial Board reviewed all programme, project and policy investment above £1 million full lifetime cost, and managed service contracts of all values. Any investment above £20 million was reviewed at the DfE Investment Committee.

The board was responsible for scrutinising and challenging business justification, ensuring alignment of investments to ESFA strategic priorities and maximising value for money.

Investment and Commercial Board	
Chair	Stuart Proud, director (to September 2021) Sarah Whitehead, director (from September 2021)
Members	Representation from across ESFA, including the Directors of Customer Experience, Digital and Data, Finance, Funding Directorate and Provider Market Oversight. Experts from Commercial and Finance support the board to make decisions.
Frequency	Monthly
Highlights	Discussion and agreement on: <ul style="list-style-type: none"> • approval for business cases to continue to the next stage, specifically from financial and commercial perspectives • caveats for approval of cases • strategic direction of investments made, acting as a central oversight function and ensuring alignment with priorities • quality of business cases

People Board

The People Board oversaw the delivery and focus of the People Plan and priorities.

The People Board provided direction and challenge to ensure the key People Plan milestones were 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 was also reviewed.

People Board	
Chair	Stuart Proud, director (to September 2021) Sarah Whitehead, director (from September 2021)
Members	Deputy director representation from each directorate. Membership also includes People team members and relevant work leads including HR business partners.
Frequency	Monthly
Highlights	<ul style="list-style-type: none"> • apprenticeships strategy • people survey results and action plans • learning and development and wellbeing proposals in response to the ALB review • ESFA Line Manager Development programme • ESFA diversity and inclusion pilots

Security and Business Continuity Board

The Security and Business Continuity Board's (SBCB) purpose was to provide oversight of information security and business continuity across ESFA including the associated risks and issues. The SBCB also provided assurance on the ESFA's compliance with data protection law, and departmental policies for security, information and records management.

SBCB mitigated data privacy, security, records management and business continuity risks and issues and enabled a clear line of sight between ESFA and DfE on these issues.

Security and Business Continuity Board	
Chair	David Craig, ESFA Senior Information Risk Owner
Members	Representation from the ESFA's Data Protection and Security team, each of the ESFA directorates' information asset owners and DfE representatives from the Senior Security Advisor's team, the Office of the Data Protection Officer and the Cyber and Information Security division.
Frequency	Quarterly
Highlights	<p>With the SBCB's oversight, support, challenge and decision-making, the following highlights were achieved in 2021-22:</p> <ul style="list-style-type: none"> • developed the ESFA's business continuity plan and drafted the Department's business continuity policy. • developed a tool to collect and manage ESFA's Record of Processing Activity entries more easily. This enabled the agency to meet its statutory obligations and resolved one of the Information Commissioner's Office's recommendations. • developed a centralised Subject Access Request enquiry management service, improving the agency's compliance with Data Protection law. • oversight of ESFA's security incidents and personal data breaches, including lessons learnt.

Meeting attendance by executives and non-executives during 2021-22

Attendance records for members, but not attendees, are given below:

	Date started or left role if in 2021-22	Management Board	Audit & Risk Committee	Executive Team
Non-executive directors				
Dame Irene Lucas-Hayes	Chair to 31 October 2021	4/4		
Martin Spencer	Interim chair from 31 October 2021, permanent chair from 1 August 2022	5/6		
Hunada Nouss OBE		6/6	6/6	
Stuart McMinnies		6/6	6/6	
Ian Hickman	To 31 August 2021		4/4	
Nigel Johnson	To 31 August 2021		4/4	
John Lakin			6/6	
Peter Kane	From 1 November 2021		4/4	
Executive team members				
Eileen Milner	CEO to 15 July 2021	2/2		6/6
John Edwards	Interim CEO from 26 July 2021	6/6		20/23
Matthew Atkinson				19/23
Charlotte Briscall	To 31 January 2022			14/18
Kirsty Evans				20/23
Owen Jenkins	From 17 August 2021			13/14
Sue Lovelock				18/23
Peter Mucklow				20/23
Warwick Sharp				17/23
Sarah Whitehead	Returned from maternity leave 1 June 2021			17/23
Stuart Proud	To 30 September 2021			10/12

Risk management

ESFA has a clear risk management framework and statement of risk appetite that define and guide 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*.

ESFA reviewed the risk management framework which was then endorsed by the ARC in June 2021. The COVID-19 risk appetite statement was also updated in August 2021. The purpose of this framework is to help teams make informed judgements on how much risk is acceptable in agency operations, allowing greater flexibility for both pace and innovation to manage COVID-19 impact.

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 effective challenge and oversight of their management. Where risks were deemed to have wider departmental impact, these were escalated to the Department's Performance and Risk Committee. The key risks identified and managed in 2021-22 are in the 'key risks and issues' section of this report on page 29.

As part of the formal transfer of some ESFA directorates and teams into the department on 1 April 2022, there was a need for a total of 4 risks and 2 issues managed at agency level to transfer into DfE.

To facilitate the smooth transition of these risks, Director General led groups in the department were positioned to receive the risks/issues and feed them into their governance processes effective from 1 April.

The ownership of the risks remained unchanged following the transition, ensuring that background knowledge was maintained and therefore continuity of effective risk management.

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. Following assurances received from my predecessors, I am content that processes, controls, risk management and fraud prevention strategies delivered good financial management, propriety, regularity, and value for money during 2021-22. I consider that ESFA's financial management was sound.

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.

In 2021-22, a new finance data structure was implemented across the departmental group to provide enhanced financial insights as well as greater consistency of data across systems, providing further opportunities to bring financial, workforce and contracting data together, across the department.

ESFA has continued to separately disclose COVID-19 expenditure from other cost lines to provide transparency of how ESFA has spent taxpayers' funds.

Assurance Framework Record

ESFA Senior Civil Servants (SCS) are responsible for maintaining effective systems and processes across their areas of responsibility to ensure cross-departmental control frameworks are appropriately upheld and monitored. With the support of the Management Board, we have ensured there are robust governance, risk management and internal control arrangements across the whole ESFA.

For the Accounting Officer to take assurance that relevant controls have been implemented, every SCS working within ESFA is required to complete an Assurance Framework Record (AFR) on an annual basis. This acts as an area-specific assessment of the effectiveness of the control framework, covering a range of areas including governance, risk management, financial management, business strategy and planning, project and programme management, commercial and grant management, and people, capacity and capability. These records detail SCS' compliance with DfE's assurance framework and set out the arrangements for risk, control systems and use of resources. SCS also communicate any issues which might prevent sufficient, continuous, and reliable assurance of cost-effective public services.

ESFA compiled AFR responses and supported areas to identify future improvements. In 2021-22, 46 individual AFRs, and subsequent sample validations, were assessed to evaluate the effectiveness of management, controls, risk and oversight within each SCS's area of responsibility and provided recommendations on how these could be strengthened.

Staff and governance arrangements adapted to meet pressures and challenges caused by the ALB review, recruitment, and the return to office stance taken across the Civil Service. ARC recognised the complexity of these challenges and the need for these to be reflected in comprehensive AFR returns. It is expected that next year, AFR returns will reflect further challenges due to the new agency and its structures, and different ways of working.

Assurance of funding to providers

The Finance and Provider Market Oversight (FPMO) directorate's 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 FPMO's programme of work, covering 'business as usual' and new funding streams in the form of education recovery and continuing COVID-19 support grants. The Accounting Officer and ARC were regularly updated on progress, risks, emerging findings and issues during the year.

The programme of work includes a wide range of routine planned and responsive activity including:

- maintaining the accountability framework for academies and colleges
- analysis and risk assessment of financial data, that underpins our assurance work
- reviews of audited financial statements, governance returns, financial health assessments
- funding audits and other assurance reviews of providers and their funding claims

The impact of COVID-19 was less significant on our assurance work this year. Although the level of related funding was greater than in 2020-21, with new and continuing schemes, there was less operational impact, as schools, colleges and training providers remained open over the periods of lockdown. FPMO and its sub-contractor firms delivered audits, including remotely, where appropriate, focusing on the key assurance requirements to minimise audit burdens placed on providers.

A key assurance risk this year was in relation to grants paid to local authorities. Our assurance approach includes a review of a number of sources of evidence, including audited financial statements, audit committee papers, external and internal audit reports, that allow us to form an overall opinion over the use of funds by local maintained schools. In recent years, the number of outstanding audited financial statements has increased and this year the increase was significant, with just under half of all local authority 2020-21 audited financial statements outstanding at the point of completing our assurance work. We understand that one of the main reasons for the outstanding financial statements has been finance team and external auditor capacity issues. This has been exacerbated this year by a technical accounting issue, unrelated to ESFA funding. The lack of independently audited financial statements required us to revisit our risk assessment and seek more detailed assurance for those local authorities assessed as presenting an increased risk, considering whether there is a potential assurance gap. We were able to conclude that overall funds had been used for the purposes intended but recognise this will continue to be an area of risk and therefore focus in 2022-23 and for, at least, the medium term.

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

Counter fraud and investigations

The 2021-22 financial year continued to present challenges in respect of the fraud landscape as we sought to anticipate, detect, and prevent the misuse of public funds. We approached those challenges by evolving and adapting our ways of working to establish a hybrid of desk-based investigation and on site working, and through our increasing use of data analytics. This has further supported our focus on fraud prevention and how we identified and targeted risk areas, including supporting the ongoing development of associated rules and frameworks through learning from case outcomes.

We continued to work with enforcement colleagues as we sought to hold organisations and individuals who are found to have misused public funds to account. We also increased our work with other agencies and government departments to support the recovery of ESFA funds.

In relation to our proactive work, we continued with our commitment to ensure ESFA's counter fraud arrangements are robust and able to respond effectively to the challenges and threats we face with the ongoing unprecedented times. As part of that commitment, this year we have further strengthened our effective ESFA counter fraud governance structure through increasing the number of Counter Fraud professionals and officers who have successfully completed the Cabinet Office training in fraud risk assessment.

Following a requirement and guidance from the Cabinet Office, ESFA worked with the department to develop a COVID-19 post event assurance plan. Criteria for identifying COVID-19 grants that required a Fraud Risk Assessment (FRA) were agreed and approved by the Cabinet Office. The majority of ESFA's COVID-19 support was paid to providers through changes to existing funding rules, as opposed to the creation of new grants. Because of this, four new grants were identified as requiring FRAs. These were included in the department's post event assurance plan which was submitted and approved by the Cabinet Office.

The Counter Fraud & Prevention Division were involved in identifying and completing FRAs for four COVID-19 funds that were identified as being in scope. These funds were:

- Traineeship Incentive Payment
- Apprenticeship Incentive Payment (phase 1)
- Provider Relief Scheme (phases 1 & 2)
- Apprenticeship Incentive Payment (phase 2)

After reviewing the department's post event assurance plan, the Cabinet Office selected the Apprenticeship Incentive Payment (phase 2) FRA for an in-depth review. This involved working with the Apprenticeships Incentive Team to analyse the work being undertaken to manage the fraud risks.

COVID-19 related fraud and error was captured as part of the consolidated data returns, but not broken down by each fund. The values for the financial year 2021-22 are:

- Detected £4,995,680
- Prevented £2,262,500
- Recovered £4,533,927

We do not hold comparative data for COVID-19 related fraud and error in 2020-21. This is because the mandatory recording and reporting for Cabinet Office did not require distinguishing COVID-19 related fraud and error from all other types in 2020-21.

Counter fraud and investigation data tables are presented in Annex 1.

Assurance of shared services functions

ESFA receives several corporate services from the department 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 monthly prompt payment data which is used to improve ESFA's use of finance services.

2021-22 is the first full year operational services were provided by the department with key controls identified, documented, and assured by the Financial Controls Team. Since the ALB review was implemented on 1 April 2022, service level agreements between the department and ESFA have been redrafted and finalised.

In the course of carrying out assurance activity, the Financial Controls Team identified that around a third of the controls tested were not operating effectively. Those controls exceptions were given a rating of critical, high, medium or low in terms of the impact on operations, finance, departmental reputation or statutory compliance. Most controls exceptions were deemed to be low or medium. None of the controls exceptions were found to have a significant impact on the financial statements.

In December 2021, an unexpected issue was reported when a payment of £2.1 million was erroneously paid to a wrong vendor. The issue related to the creation of a new vendor on the finance system using an incorrect UK Provider Reference Number (UKPRN) supplied during set-up. The erroneous payment was fully recovered and re-issued to the correct vendor. Actions taken to mitigate the risk of a reoccurrence include removing the option to provide a UKPRN as part of the vendor on-boarding process, regularly reporting duplicate UKPRN data and removing any errors identified before payment runs.

The team concluded that most key controls were operating generally satisfactorily with some improvements required. Actions to address findings were agreed and will be followed up during 2022-23. No significant impact on the accounts has been identified.

Assurance 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.

For assurance purposes, as part of their AFR, each SCS in ESFA is asked to confirm whether any conflicts of interest were identified in their areas and, if so, confirm that they are appropriately managed in line with departmental policy. For 2021-22, conflicts of interest that were identified were appropriately managed in line with guidance and declared. A sample of those returns was subject to further validation. All SCS chosen for validation confirmed they maintained and periodically updated a register in their areas.

A link to the register of interests is on page 38.

Summary of Government Internal Audit Agency (GIAA) activity

Internal audit services are provided by the GIAA. The GIAA's Head of Internal Audit has provided a summary of each audit to ARC and an annual report, which incorporates an opinion on the system of governance, risk management and internal control. The opinion is 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 2021-22 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. I have accepted this assessment and sought to implement the recommendations from GIAA's findings.

Of the 17 reviews included in the ESFA plan, 12 had a moderate opinion, 2 were substantial and 2 were limited. One review on levy transfer was incorporated into a DfE payments review and therefore did not result in a specific audit opinion.

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:

- *Cyber security governance*
GIAA's opinion was that there is a need for joined up working across the departmental group with a clearer focus on cyber security oversight so that ESFA is resilient to disruption and threats.
- *Apprenticeships: employer incentives and fraud assurance*
GIAA highlighted the need for the fraud prevention measures to be appropriate and proportionate. This recommendation transferred to DfE on 1 April 2022 as part of the ALB review reorganisation.

The recommendations from both reviews are being addressed even if some are more challenging to implement given the organisational changes as a result of the ALB review.

Summary of National Audit Office (NAO) and Public Accounts Committee (PAC) reports

The regularity of the ESFA's expenditure is subject to audit and scrutiny by the Comptroller and Auditor General, through the NAO. 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.

In 2021, NAO published a report on *School Funding in England*¹⁵ and a second related report *Financial Sustainability of Schools in England*¹⁶. These reports followed on from the 2016 NAO report focussing on school cost pressures after the 2015 Spending Review. The first of the 2 NAO follow up reports, published in early July 2021, focused on how schools are funded and whether the department is distributing funding in line with its objectives. A subsequent PAC evidence session was held in mid-July and the report for this was published in October 2021¹⁷.

The second NAO report, published in November 2021, assessed the financial health of schools and whether the Department has effectively supported schools to improve financial sustainability. This report was the basis of a PAC evidence session in December 2021¹⁸. The PAC published its report in March 2022. ESFA and the department are taking forward the PAC's recommendations to:

- investigate why some academy trusts have built up substantial reserves and establish whether the reserves are justified
- assess the impact on provision of the various measures adopted by schools in response to financial pressures
- establish why maintained secondary schools are under particular financial pressure and investigate the geographical variation in the financial health of maintained schools

Conclusion on governance, controls and assurance

I have considered the evidence provided by my predecessors, staff across the agency and the independent advice and assurance provided by ARC. Although there were significant changes in the holder of the CEO post over the period, and governance and structural changes because of the ALB review from 1 April 2022, there has been good continuity in the remaining 3 directorates of the agency, functions, delivery and leadership at directorate level. ESFA's governance, controls and assurance arrangements have remained robust during the year and up to the date of signing the accounts.

In 2020-21, we reported limited assurance on some areas of COVID-19 grant spend. The impact of COVID-19 was less significant on the assurance activity in 2021-22 and we were therefore able to increase the overall level of assurance obtained for this financial year.

However, we have faced challenges with undertaking our usual assurance activity in relation to grants paid to local authorities, primarily because the number of outstanding audited financial statements has increased significantly compared to the prior year. We responded to this by seeking more detailed assurance for those local authorities assessed as presenting an increased risk. We were able to conclude that overall funds had been used for the purposes intended but recognise this will continue to be an area of risk and therefore focus in 2022-23.

Despite the increased risk around the local authority assurances, I conclude that ESFA has a sound system of governance, risk management and internal controls in place with effective plans to ensure continuous improvement.

15 <https://www.nao.org.uk/wp-content/uploads/2021/07/School-funding-in-England.pdf>

16 <https://www.nao.org.uk/wp-content/uploads/2021/11/Financial-sustainability-of-schools-in-England.pdf>

17 <https://committees.parliament.uk/publications/7577/documents/79574/default/>

18 <https://committees.parliament.uk/publications/9103/documents/159388/default/>

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 report 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.¹⁹

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.²⁰

¹⁹ Cabinet Office Framework – <https://www.gov.uk/government/organisations/civil-service>

²⁰ <https://civilservicecommission.independent.gov.uk/>

Remuneration report part B: audited

Remuneration (including salary) and pension entitlements

	2021-22				
	Salary	Bonus	Benefits-in-kind	Pension benefits	Total
	£000	£000	(nearest £100)	£000	£000
John Edwards	135-140	0-5	3,900	54	195-200
Eileen Milner	75-80 <i>(150-155)</i>	-	-	29	105-110
Peter Mucklow	105-110	5-10	4,200	6	120-125
Matthew Atkinson	135-140	5-10	-	53	195-200
Sarah Whitehead	100-105	5-10	-	41	145-150
Charlotte Briscall	95-100 <i>(115-120)</i>	0-5	500	45	145-150
Sue Lovelock	90-95	5-10	-	25	125-130
Kirsty Evans	90-95	0-5	-	25	120-125
Warwick Sharp	95-100	10-15	-	38	145-150
Stuart Proud	45-50 <i>(90-95)</i>	0-5	-	34	80-85
Owen Jenkins	60-65 <i>(90-95)</i>	0-5	1,900	23	85-90

	2020-21				
	Salary	Bonus	Benefits-in-kind	Pension benefits	Total
	£000	£000	(nearest £100)	£000	£000
Eileen Milner	150-155	0-5	-	58	215-220
John Edwards	90-95 <i>(125-130)</i>	10-15	-	36	135-140
Peter Mucklow	105-110	10-15	200	27	145-150
Matthew Atkinson	135-140	15-20	-	53	200-205
Sarah Whitehead	85-90	-	-	43	130-135
Charlotte Briscall	115-120	0-5	100	45	165-170
Sue Lovelock	90-95	10-15	-	82	185-190
Kirsty Evans	85-90 <i>(90-95)</i>	5-10	-	36	125-130
Warwick Sharp	75-80 <i>(95-100)</i>	5-10	-	26	110-115
Stuart Proud	70-75 <i>(90-95)</i>	5-10	-	-75	0-5

Figures in (brackets and italicised) are full year equivalent totals for staff who present part-year totals. Dates of office can be found in the Governance Statement on page 50.

John Edwards was appointed as Interim CEO from July 2021.

Eileen Milner received a bonus for 2020-21 which was paid early in 2021-22 and the table has been restated to include this payment.

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 emoluments. Four directors received benefits-in-kind in 2021-22 (2020-21: 2).

Bonuses

The department awards bonuses as part of the performance management process. ESFA 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. ESFA follows the arrangements for the senior civil servants as set out in the Performance Management Arrangements for the Senior Civil Service²¹, 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.

	2021-22	2020-21
	£000	£000
Dame Irene Lucas-Hays	-	-
Hunada Nouss	10-15	10-15
Martin Spencer	5-10	10-15
Stuart McMinnies	15-20	15-20
Ian Hickman	0-5	0-5
Nigel Johnson	5-10	5-10
John Lakin	5-10	0-5
Peter Kane	0-5	-

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. Her tenure as board chair came to an end in October 2021.

Nigel Johnson received fees for his dual role as an ESFA non-executive director and as an independent member of the Departmental ARC: £5,000-£10,000 (2020-21: £5,000-£10,000).

Dates of office can be found in the Governance Statement.

²¹ <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 lower, median and upper quartile remuneration of the organisation's workforce.

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.

	2021-22		2020-21	
	Salary £000	Total pay and benefits £000	Salary £000	Total pay and benefits £000
Band of highest paid director's remuneration	135-140	145-150	150-155	155-160
Range	21-140	21-150	20-155	20-160
Upper quartile	50	52	-	-
Median	37	38	-	38
Lower quartile	30	31	-	-

The median pay has remained unchanged from 2020-21 to 2021-22 as there was a civil service pay freeze during this period with only those earning below £24,000 receiving an uplift. Changes to board membership have affected the highest paid director's remuneration.

In 2021-22, no employees (2020-21: nil) received remuneration in excess of the highest paid director. Remuneration ranged from £21,000 – £150,000 (2020-21: £20,000 – £160,000).

Percentage change in the total salary and bonuses of the highest paid director and the staff average

	2021-22	
	Highest paid director % change	Staff average % change
Salary and allowances	(9.8%)	(0.2%)
Bonuses	(20%)	(12.1%)

The average bonus paid has reduced with a reduced bonus award with the pay freeze.

Ratio between highest paid director's total remuneration and the lower quartile median and upper quartile for staff pay

	2021-22		2020-21	
	Salary	Total pay and benefits	Salary	Total pay and benefits
	Ratio	Ratio	Ratio	Ratio
Upper quartile	2.7:1	2.9:1	-	-
Median	3.7:1	3.9:1	-	4.1:1
Lower quartile	4.6:1	4.7:1	-	-

If everyone is put into salary order the person 25% up from the lowest paid is the lower quartile and a ratio of 4.7:1 means that for every £1 earned by that person the highest paid earns £4.70.

The individual 75% up from the lowest paid is the upper quartile and 2.9:1 means for every £1 they earn the highest paid earns £2.90.

Pension benefits

	Accrued pension and related lump sum at pension age as at 31 March 2022	Real increase in pension and related lump sum at pension age	CETV at 31 March 2022	CETV at 31 March 2021	Real increase in CETV
	£000	£000	£000	£000	£000
John Edwards	15-20	2.5-5	184	142	29
Eileen Milner	10-15	0-2.5	189	166	18
Peter Mucklow	45-50 plus a lump sum of 135-140	0-2.5 plus a lump sum of 0	1,121	1,061	(6)
Matthew Atkinson	15-20	2.5-5	174	136	25
Sarah Whitehead	15-20	0-2.5	152	128	13
Charlotte Briscall	5-10	2.5-5	79	47	22
Sue Lovelock	25-30	0-2.5	345	318	6
Kirsty Evans	30-35 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0	503	465	10
Warwick Sharp	20-25	0-2.5	191	167	12
Stuart Proud	45-50 plus lump sum 105-110	0-2.5 plus a lump sum of 2.5-5	904	866	25
Owen Jenkins	5-10	0-2.5	94	77	9

There are no employer contributions to partnership pension accounts.

Civil Service Pensions

As an executive agency of the department, ESFA staff have access to Civil Service pension arrangements that provide 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 Pension's website.²²

Civil Service Pension arrangements

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*.

²² <http://www.civilservicepensionscheme.org.uk/>

Partnership pension

The partnership pension account is a stakeholder pension arrangement. ESFA 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.²³

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 2021-22 (2020-21: £nil).

²³ <https://www.civilservicepensionscheme.org.uk/>

Staff report Part A: audited

Staff costs

	Permanently employed staff	Others	2021-22 Total	2020-21 Total
	£000	£000	£000	£000
Wages and salaries	75,282	390	75,672	72,305
Social security costs	8,549	-	8,549	8,505
Pension costs	20,062	-	20,062	19,777
	103,893	390	104,283	100,587
Less recoveries in respect of outward secondments	(39)	-	(39)	-
	103,854	390	104,244	100,587

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	2021-22 Total	2020-21 Total
	Number	Number	Number	Number
Directly employed	1,774	5	1,779	1,749

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 2021-22, employer contributions of £19.9 million (2020-21: £19.6 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 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

No individual (2020-21: none) retired early on ill-health grounds, the total additional accrued pension liabilities in the year amounted to £nil (2020-21: £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 £149,000 (2020-21: £134,000) 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 (2020-21: £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 £15,000 (2020-21: £11,000). Contributions prepaid at that date were £nil (2020-21: £nil).

No individual (2020-21: one person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2020-21: £nil).

Reporting of Civil Service and other compensation schemes

In 2021-22 there were nil (2020-21: nil) early exit costs.

ESFA did not access any COVID-19 pandemic support schemes.

Staff report Part B: unaudited

Analysis of staff policies and statistics

Our people

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

Recruitment practice

ESFA has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. ESFA'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

	2021-22	2020-21	2019-20
Total days lost	11,600	10,621	6,244
Sickness absence days per FTE	6.6	6.3	3.7

Sickness has increased compared to pre-COVID-19 levels. The figures disclosed above are slightly higher than the Civil Service average for 31 March 2021 of 6.1 working days lost per full time equivalents (FTE).²⁴

Staff by grade and gender

Grade	2021-22			2020-21		
	Male	Female	Total	Male	Female	Total
CEO	1	-	1	-	1	1
Director	3	3	6	3	2	5
Deputy Director	21	15	36	21	23	44
Grade 6	77	78	155	77	77	154
Grade 7	205	237	442	191	226	417
Senior Executive Officer	258	316	574	225	281	506
Higher Executive Officer	203	291	494	206	268	474
Executive Officer	64	115	179	70	117	187
Executive Assistant	7	14	21	8	18	26
	839	1,069	1,908	801	1,013	1,814

Table showing headcount for permanent staff at their substantive grade, as at 31 March.

²⁴ <https://www.gov.uk/government/publications/civil-service-sickness-absence>

Staff turnover

	2021-22	2020-21
Civil Service turnover	4%	3%
Agency turnover	7%	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

ESFA adopts the department's diversity and inclusion strategy, launched in January 2018 and revised in 2022. 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.

ESFA 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.

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 are agreed by Cabinet Office. ESFA 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 ESFA. This means that it is seen as a champion for disability confidence, with a role in supporting other employers to become disability confident.

ESFA 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 ESFA guarantees an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

People management

ESFA staff are predominantly civil servants. ESFA 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 ESFA, or drawn upon as part of the department, include provision for workers supplied by these companies to meet their obligations.

Review of tax arrangements of public sector appointees

As part of the Review of *Tax Arrangements of Public Sector Employees* published by the Chief Secretary to the HMT 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 2021-22. The tables below set out this information.

Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater

	2021-22
Number of existing engagements as at 31 March 2022:	6
Of which the number that have existed for:	
less than one year at time of reporting	6
between one and 2 years at time of reporting	-
between 2 and 3 years at time of reporting	-
between 3 and 4 years at time of reporting	-
4 or more years at time of reporting	-

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 highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater

	2021-22
Number of temporary off-payroll workers engaged during the year ended 31 March 2022	6
Of which:	
Not subject to off-payroll legislation	-
Subject to off-payroll legislation and determined as in-scope of IR35	3
Subject to off-payroll legislation and determined as out-of-scope of IR35	3
No. of engagements reassessed for compliance or assurance purposes during the year	3
Of which: No. of engagements that saw a change to IR35 status following review	3

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

	2021-22
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	19

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	-	2	1	-	1	2
Grade 7	-	-	1	1	1	1
Senior Executive Officer	3	-	-	-	3	-
Higher Executive Officer	-	-	1	1	1	1
Executive Officer	-	-	-	-	-	-
	3	2	3	2	6	4

The average duration of staff redeployments as at 31 March 2022 was 128 days. (2020-21: 96 days).

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

	OGDs	DfE	2021-22 Total
	£000	£000	£000
Admin	54	69	123
Programme	-	-	-
	54	69	123

Parliamentary accountability and audit report

Overview

This section presents the disclosures to support Parliamentary accountability of ESFA. 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

	2021-22	2020-21
Number of cases		
Cash losses	78	48
Fruitless payments	40	13
Claims waived or abandoned	12	24
	130	85
Value	£000	£000
Cash losses	4,710	9,490
Fruitless payments	2,648	2,226
Claims waived or abandoned	5,808	32,993
	13,166	44,709

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
Overpaid grant recoveries	
CCP Graduate School Ltd	317
Ingeus UK Limited	731
SCL Security Limited	429

Overpaid supplier grant – Further Education

In certain circumstances, over-payments of grants can occur when payments to educational bodies exceed the final funding eligible for that period. For 16-19 funding, this could relate to funding which was initially based on expected pupil numbers that exceed the actual numbers from the pupil census. For adult skills funding and apprenticeships, it could result from updated data returns from the training provider or an audit of the funding claimed by the training provider.

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

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

	Value of fruitless and constructive losses
	£000
HMRC	2,540

A late submission of a VAT reclaim for contracted out services, resulting in a loss of £2.5 million. This is not a loss to the public sector as whole. A review of controls has been carried out to prevent recurrence.

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

	Value of claims
	£000
Re-brokerage debt forgiveness	
Cheadle and Marple Sixth Form College	2,273
ELUTEC	1,007
Sexeys School Trust	700
Scarborough UTC	465
Bristol Technology and Engineering Academy	452

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

	2021-22	2020-21
Total number of cases	2	2
	£000	£000
Total value of cases	3,220	302

A2.1 Special payments over £300,000

	Value of claims
	£000
PCDL Cooperative settlement	2,990

Negotiated amount to end early a contract with Cooperative Bank for the Professional and Career Development Loans (PCDL) programme.

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 (IAS 37)*, 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 2021-22 or 2020-21.

David Withey
Accounting Officer
31 October 2022

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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Education and Skills Funding Agency's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Education and Skills Funding Agency's affairs as at 31 March 2022 and its net operating 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 (UK) (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 Financial 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 financial statements nor my auditor's certificate and report. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000: .

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Education and Skills Funding Agency 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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 Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Education and Skills Funding Agency's accounting policies,
- 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 Skill Funding Agency's controls relating to the Education and 's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and relevant education funding legislation.

- discussing among the engagement team and involving relevant internal specialists, including IT audit specialist and the Analytical Methodology team, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Education and Skills Funding Agency for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions, and grant expenditure. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Education and Skills Funding Agency's framework of authority as well as other legal and regulatory frameworks in which the Education and Skills Funding Agency operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Government Resources and Accounts Act 2000, Managing Public Money and relevant education funding legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- 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.

Other auditor's responsibilities

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
1 November 2022

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 2022

	Note	2021-22	2020-21
		£m	£m
Operating income		(106)	(110)
Total operating income		(106)	(110)
Staff costs		104	101
Policy funding	2.1	65,457	62,294
Operating expenditure	3	47	49
Depreciation, impairment, and other non-cash charges		(17)	61
Total operating expenditure		65,591	62,505
Net operating expenditure		65,485	62,395
Finance income		1	4
Other (gains)/losses		7	(2)
Net expenditure for the year		65,493	62,397
Comprehensive net expenditure for the year		65,493	62,397

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

The notes on page 84 to page 103 form part of these accounts.

Statement of Financial Position

As at 31 March 2022

		2022	2021
	Note	£m	£m
Non-current assets			
Intangible assets		55	56
Loans	5	68	88
Receivables	6	4	6
		127	150
Current assets			
Loans	5	28	17
Receivables	6	208	219
Cash and cash equivalents	7	156	304
		392	540
Total assets		519	690
Current liabilities			
Payables	8	(930)	(709)
Provisions		-	(1)
Financial guarantees		-	(16)
		(930)	(726)
Total assets less current liabilities		(411)	(36)
Non-current liabilities			
Financial guarantees		(1)	(12)
Assets less liabilities		(412)	(48)
Taxpayers' equity			
General Fund		(412)	(48)
		(412)	(48)

David Withey
Accounting Officer
31 October 2022

The notes on page 84 to page 103 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2022

	Note	2021-22	2020-21
		£m	£m
Cash flows from operating activities			
Net expenditure for the year		(65,493)	(62,397)
Adjustments for non-cash transactions		22	(24)
Decrease in receivables	6	13	142
Increase in payables	8	221	(35)
Use of provisions		-	(1)
Finance income		1	4
Financial guarantee movement		(2)	(5)
Other losses		7	(2)
Net cash outflow from operating activities		(65,231)	(62,318)
Cash flows from investing activities			
Purchase of intangible assets		(17)	(15)
Loans	5	24	14
Net cash outflow from investing activities		7	(1)
Cash flows from financing activities			
Net parliamentary funding – drawn down		65,076	62,556
Net cash inflow from financing activities		65,076	62,556
Net increase/(decrease) in cash and cash equivalents	7	(148)	237
Cash and cash equivalents at beginning of the year	7	304	67
Cash and cash equivalents at end of the year	7	156	304

The notes on page 84 to page 103 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

	Note	General Fund £m
Balance at 1 April 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	3	36
Balance at 31 March 2021		(48)
Net Parliamentary funding – drawn down		65,076
Net expenditure for the year		(65,493)
Cost borne by the department		17
Non-cash balances		3
Notional shared service recharges	3	33
Balance at 31 March 2022		(412)

The notes on page 84 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 2021-22 government Financial Reporting Manual (FReM) issued by HMT. 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 FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected.

The particular policies adopted by ESFA for 2021-22 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 department's Estimate and forward plans include provision for ESFA's continuation it is therefore appropriate to prepare the ESFA's accounts as a going concern.

The outcome of the ALB review, which completed in February 2022, was that the agency should continue as an executive agency of the department albeit with a slightly amended role. However, there are no proposals for activities to cease, responsibilities will transfer back to the department and continue. Government accounting rules frame going concern in light of continuing provision of services to the public across all government bodies. The outcome of the review will not lead to a cessation of services, provision will continue within the departmental group. Accordingly, we do not consider that the going concern presumption is undermined.

Whilst ESFA is in a negative equity position at the year end, this is due to supply funding being provided as cash as 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 make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis.

Management has specifically made such judgements on:

1.3.1. Accruals estimation

Management has applied judgement in two main areas:

- to identify the existence of accruals arising from unsettled entitlements, or timing gaps between underlying grantee performance and payment
- to quantify the gaps to value the accruals recognised as at the reporting date

1.4 Adoption of FReM amendments

There have been no significant amendments to FReM for 2021-22.

1.5 Early adoption

ESFA has not early adopted any accounting standards in 2021-22.

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* (IAS 8), 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.

IFRS 16 Leases (IFRS 16)

Effective for annual periods beginning on or after 1 January 2022.

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.

ESFA does not lease assets so there is no impact on ESFA's financial reporting for the adoption of IFRS 16 on 1 April 2022.

IFRS 17 Insurance Contracts (IFRS 17)

Effective for annual periods beginning on or after 1 January 2023. It has not yet been decided when FReM will adopt the new standard.

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 (IFRS 4)*.

However, before endorsement by the EU and adoption by FReM, the final version for the standard applicable to ESFA has still to be decided. ESFA does not expect any significant impact from adopting the new standard.

1.7. Segmental reporting

In accordance with *IFRS 8: Operating Segments* (IFRS 8), 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

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

1.9. 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. 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

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 to 5 years or the licence period, whichever is shorter

1.13. Financial instruments

ESFA applies IFRS 7 Financial Instruments: *Disclosures*, 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.

1.14. 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.

1.15. 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

1.16. 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.

1.17. 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 recharge to ESFA is an apportionment of costs. The 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. Policy funding

This section was previously titled Grants and other funding and has been renamed Policy funding in line with the Group. The section has also been reorganised, but overall totals have not changed.

2.1. Policy funding summary

	Note	2021-22	2020-21
		£m	£m
Schools & Early Years funding	2.2	56,702	54,395
Post-16, Skills and Support funding	2.3	7,500	7,056
Capital funding	2.4	110	1
COVID-19 response	2.5	1,145	842
		65,457	62,294

2.2. Schools & Early Years funding

	2021-22			2020-21		
	Academy	Local Authority	Total	Academy	Local Authority	Total
	£m	£m	£m	£m	£m	£m
Schools						
National funding formula (NFF) ¹	21,892	17,233	39,125	19,814	16,697	36,511
High needs funding ²	689	6,872	7,561	630	5,951	6,581
Pupil premium ³	1,296	1,211	2,507	1,215	1,234	2,449
Primary sport premium	126	200	326	120	205	325
School improvements	48	46	94	62	50	112
Teachers pay grant ⁴	140	16	156	277	229	506
Core funding schools ⁵	1,977	395	2,372	1,814	375	2,189
Teachers' pension employer contribution grant ⁴	402	-	402	797	682	1,479
Universal infant free school meals	222	356	578	226	391	617
Early Years ⁶						
Entitlements	-	3,547	3,547	-	3,594	3,594
Early years – pupil premium	-	34	34	-	32	32
	26,792	29,910	56,702	24,955	29,440	54,395

1. NFF for schools allocates funding initially to local authorities based on standard criteria. For all mainstream state schools for the core 5-16 provision this is paid as Dedicated Schools Grant (DSG) to local authorities and General Annual Grant (GAG) to academies.

The majority of funding that goes through the schools NFF is 'pupil-led'. This funding is calculated based on the number of pupils in the school and their characteristics. All schools get a basic amount for each pupil (with different amounts for different ages), and extra funding for pupils with additional needs.

Schools also receive 'school-led' funding, based on the characteristics of the school itself. This includes a lump sum for every school, and extra funding for schools with certain characteristics, such as a school that operates across more than one site, or a school that is small and remote.

The school-level allocations are added up to create a total allocation for each local authority. Local authorities then set their own local formulae, based on the same factors in the NFF, but with more up-to-date pupil characteristics, to distribute their total allocation between all the schools in their area. Schools receive their funding based on their local authority's formula. This means that while the NFF determines how much money each local authority receives, it is the local authorities' own formulae that determine how much each of their maintained schools finally receives.

Actual payments are processed slightly differently in the 2 different school sectors; the ESFA pays academies directly through the GAG. The remaining DSG is then paid to local authorities to pay their maintained schools' formula funding from the balance. The remaining schools block DSG for local authorities can also be used by them to fund pupil growth due to basic need at both maintained schools and academies.

The government has announced its intention to move to a 'direct NFF' whereby there would be a single national formula for all schools in the country. Consultations on detailed implementation are continuing, and local authorities will be required to start moving towards NFF values in their local formulae from 2023-24.

2. High needs funding supports provision for children and young people with special educational needs and disabilities from their early years to age 25.
3. Pupil premium is extra funding for state funded schools and early years providers to help them improve the attainment of their disadvantaged pupils.
4. Teachers pay and pension employer contribution grants support schools and local authorities with the cost of teachers' pay awards and the increase in employer contributions to the teachers' pension scheme. These payments have been incorporated into the NFF during 2021-22.
5. Core funding includes funding for 16-19 year olds across pre-16 providers including: sixth forms in schools and academies, special schools, special academies and local authorities.
6. 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 supplementary funding.

2.3. Post-16, skills and support funding

	2021-22	2020-21
	£m	£m
Post-16 and skills		
Core funding ⁶	3,493	3,320
Apprenticeships ⁷	2,187	1,781
Adult education	555	735
Bursary funding	192	176
High needs (16 to 19) ⁸	654	654
Free School Meals (16 to 19)	33	34
Other post-16 and skills	30	30
Professional and technical education	5	3
Teachers' pension employer contribution grant FE	166	137
Operations		
European Social Fund	106	108
Support funding		
Adult Education	36	46
Apprenticeships	33	32
Professional and technical education	6	-
Other post-16 and skills	4	-
	7,500	7,056

6. Core funding²⁵ includes funding for 16 to 19-year-olds across all providers including: sixth-form colleges, FE colleges, independent training providers, special post-16 institutions and some higher education providers. We fund these institutions to provide study programmes for young people.
7. Apprenticeships spend relates to grant funding (paid to training providers and employers) to cover Apprenticeships training, assessment and certification, together with associated additional costs to support the apprenticeship (e.g. English and maths requirements).
8. High needs funding supports provision for children and young people with special educational needs and disabilities from their early years to age 25.

²⁵ <https://www.gov.uk/guidance/16-to-19-funding-how-it-works>

2.4. Capital

	2021-22	2020-21
	£m	£m
T Level Technology Enhancement	71	-
Investment in Colleges	35	-
Other capital grants	4	1
	110	1

2.5. COVID-19 response

	2021-22	2020-21
	£m	£m
Schools		
Wellbeing for education return	17	8
Universal Catch-up premium	270	376
National Tutoring Programme	217	3
Exceptional schools costs	228	139
Free School Meals	-	173
Workforce fund	13	6
Education recovery package	14	-
Alternative provision	4	-
Tuition Fund	13	-
High Value Courses	9	-
Exam support	2	-
Post-16 and Skills		
Plan for Jobs – Apprenticeships incentive	219	36
Plan for Jobs – Traineeships	26	6
Plan for Jobs – Support for school and college leavers	10	18
16 to 19 tuition fund	81	56
Year 11 alternative provision	1	3
Post-16 provider relief scheme	-	11
Support Funding		
Plan for Jobs – National Careers Service	21	7
	1,145	842

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) and tuition fund

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 tuition fund are providing access to high-quality tuition for the most disadvantaged young people.

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. During 2021-22 these were costs of summer schools which delivered a blend of academic education and enrichment activities and Recovery premium funding to support pupils whose education has been impacted by COVID-19.

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 continued to increase, and the grant was extended for one more year to 2020-21. The one-year extension provided additional funding to schools for the increase in the number of free school meals they needed to provide in 2020-21, until those increases were reflected in their core budgets from 2021-22. Now that the core funding does cover those additional eligible pupils, the grant has been repealed.

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 to 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.

3. Operating expenditure

	2021-22	2020-21
	£m	£m
Shared service recharge	33	36
Staff related costs	4	1
Consultancy and other professional fees	3	5
IT and telecommunications costs	6	7
Travel and subsistence	1	-
	47	49

Included in non-cash values of (£17 million) are audit fees of £400,000 (2020-21: £455,000) and a release of impairment of (£17 million).

Staff costs detail can be found in the Staff report section of the Accountability report on page 64.

4. Financial instruments

4.1. Financial assets by category

	Note	2022	2021
		£m	£m
Amortised cost			
Loans	5	96	105
Receivables	6	101	51
Cash	7	156	304
		353	460

4.2. Financial liabilities by category

	Note	2022	2021
		£m	£m
Amortised cost			
Payables	8	909	698
Financial guarantees		1	28
		910	726

Deferred income is excluded from the payables figure.

4.3. 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 ESFA 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.

5. Loans

	2022	2021
	£m	£m
Amounts falling due within one year		
Loans to academy trusts	14	9
Loans to colleges	14	8
	28	17
Amounts falling due after more than one year		
Loans to academy trusts	17	27
Loans to colleges	51	61
	68	88

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.

Loans to colleges

Loans are provided to further education and sixth form colleges in England that were impacted by a substantive area review recommendation and needed to make major changes, or to further education colleges who are encountering financial difficulties to support the continuation of education provision.

Impairment

Impairment is recognised where management judge the academy trust or college to be at risk of non-repayment of the outstanding loan balance.

5.1. Loans 2022

	2022		
	£m	£m	£m
	Academy	College	Total
Opening balance at 1 April	36	69	105
New lending	3	-	3
Repayments	(10)	(17)	(27)
Impairment movement in year	4	15	19
Write-offs	(2)	(2)	(4)
Balance as at 31 March	31	65	96
Gross value	43	126	169
Closing impairment allowance	(12)	(61)	(73)
	31	65	96
Presented as:			
Current loans	14	14	28
Non-current loans	17	51	68
	31	65	96

5.2. Loans 2021

			2021
	£m	£m	£m
	Academy	College	Total
Opening balance at 1 April	42	125	167
New lending	8	13	21
Effective interest	-	(5)	(5)
Repayments	(14)	(21)	(35)
Impairment movement in year	8	(43)	(35)
Write-offs	(8)	-	(8)
Balance as at 31 March	36	69	105
Gross value	52	145	197
Closing impairment allowance	(16)	(76)	(92)
	36	69	105
Presented as:			
Current loans	9	8	17
Non-current loans	27	61	88
	36	69	105

6. Receivables

	2022	2021
	£m	£m
	College	Total
Amounts falling due within one year		
Trade receivables	30	45
VAT receivables	1	-
Other receivables	66	-
Prepayments	5	7
Accrued income	106	167
	208	219
Amounts falling due after one year		
Trade receivables	4	6
	4	6

Trade receivables are stated net of an impairment allowance of £21.3 million (2021: £15.9 million).

7. Cash and cash equivalents

	2022	2021
	£m	£m
Balance at 1 April	304	67
Net change in cash and cash equivalent balances	(148)	237
Balance at 31 March	156	304
The following balances are held at:		
Cash at bank and in hand:		
Government Banking Service	155	304
Cash held with solicitors	1	-
Balance at 31 March	156	304

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

8. Current payables

	2022	2021
	£m	£m
Trade payables	21	15
Other payables	6	-
Tax and social security payables	2	2
Accruals	880	681
Deferred income	21	11
	930	709

9. Other commitments

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

9.1. 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 grant²⁶ and for academies is the general annual grant.²⁷

9.2. Post-16 funding

	2022	2021
	£m	£m
Not later than one year	2,725	4,322
Later than one year and not later than five years	-	1,032
Later than five years	-	13
	2,725	5,367

ESFA has commitments to post-16 providers for the remainder of the academic year to July 2022. In 2021 ESFA had commitments to fund apprenticeship training which have moved to the Department in 2022. Commitments for COVID-19 elements of this funding are also included.

10. Contingent liabilities disclosed under IAS 37

The agency has the following contingent liability: proceedings have formally commenced in an employment tribunal against ESFA (in the name of the department). They are expected to conclude in the financial year 2023-24. The assessment of damages in case the decision is made against ESFA is £50,000 for loss of earnings and injury to feelings and costs are estimated to be up to £25,000 (2020-21: nil).

²⁶ <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2022-to-2023>

²⁷ <https://www.gov.uk/government/publications/academies-general-annual-grant-allocation-guides-2021-to-2022>

11. Related party transactions

ESFA regards DfE 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 Department for Business, Energy and Industrial Strategy and 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.

A link to the published register of interests can be found in the governance statement.

The following are related party disclosures for board members during the year:

- Dame Irene Lucas-Hays is:
 - Chair and owner of Hays Travel Limited
- Stuart McMinnies is:
 - Non-executive director of Voyage Care Limited
- Hunada Nouss is:
 - Non-executive director of Met Office and Chair of the Met Office Audit and Risk Committee
- Martin Spencer is:
 - Non-executive director and Chair of Ofsted's Audit and Risk Assurance Committee
 - Non-executive director and Chair of Achieving for Children's Audit and Risk Assurance Committee
- Peter Kane is:
 - Non-executive director and Chair of St Georges NHS Foundation Trust's Audit and Risk Assurance Committee
 - Non-executive director and Chair of Epsom & St Helier NHS Trust's Audit and Risk Assurance Committee
- Owen Jenkins is:
 - Trustee of Yare Education Trust

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

	2021-22		2020-21	
	Net payments / (receipts)	Receivable / (payable)	Net payments / (receipts)	Receivable / (payable)
	£000	£000	£000	£000
Hays Travel Ltd	233	-	462	-
Voyage Care Ltd	468	-	589	-
Ofsted	3,778	-	1,695	-
Achieving for Children	220	-	-	-
Met Office	5	-	-	-
St Georges NHS Foundation Trust	6	-	-	-
Epsom & St Helier NHS Trust	2	-	-	-
Yare Education Trust	10,727	-	-	-

Payments to Ofsted relate to apprenticeship provider monitoring visits or evaluation of the roll out of T Levels, to Yare Education Trust are schools funding payments and all other payments relate entirely to apprenticeship training.

12. Events after the reporting period

12.1. ALB review

As discussed in the annual report the department completed its periodic review into the continued operation of ESFA in February 2022. The findings resulted in the transfer of certain activities between the department and ESFA from 1 April 2022. The transfers will be accounted for as a machinery of government change in 2022-23 ARA, under the absorption approach as set out in FReM.

The table below identifies the activities transferred out of ESFA.

12.1.1. 2022 Statement of Financial Position

	Retained by ESFA	Transferred to the department	Total
	£m	£m	£m
Non-current assets			
Intangible assets	24	31	55
Loans	68	-	68
Receivables	4	-	4
	96	31	127
Current assets			
Loans	28	-	28
Receivables	84	124	208
Cash and cash equivalents	154	2	156
	266	126	392
Total assets	362	157	519
Current liabilities			
Payables	(575)	(355)	(930)
Provisions			
Financial guarantees			
	(575)	(355)	(930)
Total assets less current liabilities	(213)	(198)	(411)
Non-current liabilities			
Financial guarantees	(1)	-	(1)
Assets less liabilities	(214)	(198)	(412)
Taxpayers' equity			
General Fund	(214)	(198)	(412)
	(214)	(198)	(412)

In 2021-22 the transferring functions were responsible for all operational income, £46 million of staff costs and programme expenditure of £2.7 billion.

12.1.2. Programme expenditure impact from transferring functions

	2021-22
	£m
Apprenticeships	2,406
Other Post-16 and Skills	34
European Social Fund	106
Programme support funding	98
Capital funding for T Levels and College investment	97
	2,741

12.2. 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 counter fraud and investigations

Academy trusts casework

During 2021-22, we brought forward 12 ongoing cases, including 2 in triage, our initial assessment of allegations, (2020-21: 19) and undertook the following new activity in year:

Academy trusts casework	2021-22	2020-21
Cases brought forward from prior year	12	19
New allegations	27	32
Failed triage and/or referral for other action	(21)	(31)
Cases closed	(5)	(8)
Live casework and triage carried forward	13	12

Action taken in response to triage	2021-22	2020-21
Fact finding	1	2
Investigation	1	1

Advice cases	2021-22	2020-21
Advice	79	87

Advice cases also include trust self-reported issues, where the Counter Fraud and Investigations team provide significant support to territory colleagues.

Closed cases outcomes	2021-22	2020-21
Irregularity identified	2	6
No fraud or irregularity	3	0
Suspected fraud	0	2
Total closed cases	5	8

Loss to ESFA	2021-22	2020-21
Value of suspected fraud/irregularity	£1,502,393	£2,483,916
Recoveries	£244,132	£476,675

In accordance with the Academy Trust 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 53 (2020-21: 48) self-reported cases.

Loss to trusts (self-reported cases)	2021-22	2020-21
Value of suspected fraud/irregularity	£548,383	£1,359,037
Recoveries in year	£981,243	£799,705

Colleges, charitable and commercial providers casework

During 2021-22, we continued 68 ongoing live cases (investigations and triage) and undertook the following new activity in year:

Colleges, charitable and commercial providers casework	2021-22	2020-21
Cases brought forward from prior year	68	63
New allegations	118	154
Advice/referral only required	(66)	(71)
Failed triage	(35)	(53)
Cases closed	(39)	(25)
Live casework and triage carried forward	46	68

Closed cases outcomes	2021-22	2020-21
Error	12	10
Suspected fraud	14	11
No issues identified	13	4
Total closed cases	39	25

Financial values: confirmed error/fraud	2021-22	2020-21
Total error/suspected fraud	£20,677,893	£15,360,262
Value of recoveries in-year	£5,057,447	£5,624,083
Value of prevented error/suspected fraud	£15,094,901	£11,131,359

Total error/suspected fraud includes amounts identified in year (including live investigations).

The value of recoveries in-year includes outstanding recoveries from prior years.

The value of prevented error/suspected fraud is the known value of funds prevented from being lost to error or suspected fraud because of investigation work.

Annex 2: Glossary of key terms

Acronym	Full name
AFR	Assurance Framework Record
ALB	Arm's Length Body
ARA	Annual Report and Accounts
ARC	Audit and Risk Committee
ASC	Annual strategic conversation
BAME	Black, Asian, minority ethnic
BEP	Building Excellence Programme
CEO	Chief Executive Officer
CETV	Cash equivalent transfer value
CSOPS	Civil Servant and Other Pension Scheme
C&AG	Comptroller and Auditor General
DDAT	Digital, Data and Technology
DfE, Department	Department for Education
DSG	Dedicated School Grant
ELD	Enter Learning Data
ESF	European Social Fund
ESFA	Education and Skills Funding Agency
FE	Further Education
FPMO	Finance and Provider Market Oversight
FRA	Fraud Risk Assessment
FTE	Full time equivalents
FReM	Financial Reporting Manual
FSM	Free School Meals
GAG	General Annual Grant
GIAA	Government Internal Audit Agency
HGV	Heavy goods vehicle
HMRC	HM Revenue and Customs
HMT	HM Treasury
HR	Human Resources
HTQ	Higher Technical Qualification
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
ISA	International Standards on Auditing
ITP	Independent Training Provider

Acronym	Full name
LGBTQ+	Lesbian, gay, bisexual, transgender, queer and other minority sexual orientations and gender identities
NAO	National Audit Office
NFF	National Funding Formula
NTP	National Tutoring Programme
PAC	Public Accounts Committee
PaRC	Performance and Risk Committee
PCDL	Professional and Career Development Loans
PCSPS	Principal Civil Service Pension Scheme
PHSO	Parliamentary and Health Service Ombudsman
SBCB	Security and Business Continuity Board
SCS	Senior Civil Servant(s)
SEND	Special educational needs and disabilities
SMEs	Small and medium-sized enterprises
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SRMA	Schools Resource Management Advisors
UKPRN	UK Provider Reference Number
VAT	Value added tax

Throughout this report, financial years are written as, for example, '2021-22' and run from 1 April to 31 March.

Academic years are written as, for example, '2020/21'. Academy and school academic years run from 1 September to 31 August. College academic years run from 1 August to 31 July.

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