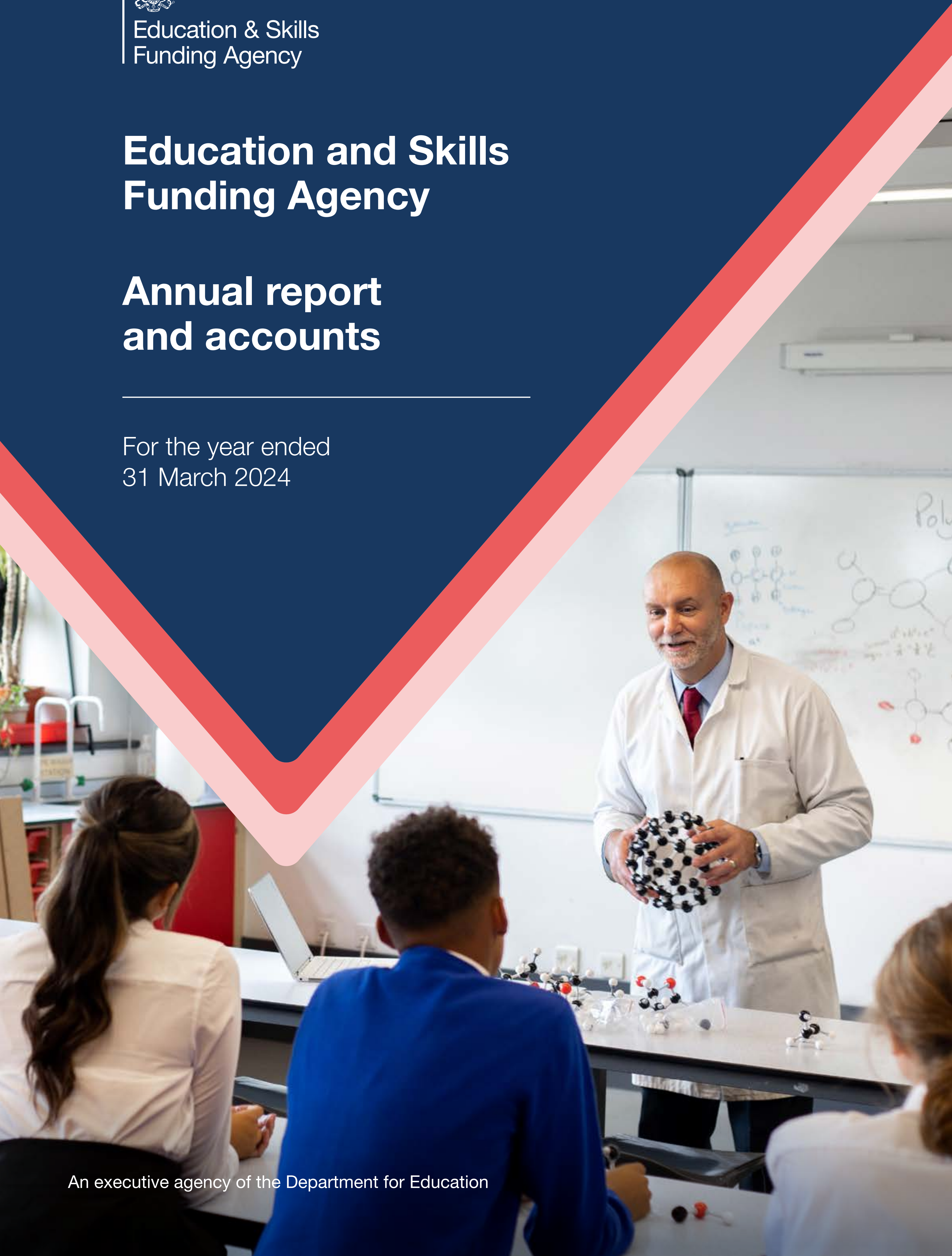
Education & Skills
Funding Agency

Education and Skills Funding Agency

Annual report and accounts

For the year ended
31 March 2024



An executive agency of the Department for Education

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Performance report

Forewords

Chief Executive – David Withey

Welcome to the Education and Skills Funding Agency's annual report and accounts for 2023-24. This was my first full reporting period as Chief Executive, having been appointed part way through the previous year in August 2022.

The period before this reporting year had been a transitional one, following structural changes to the agency after Sir David Bell's review of ESFA in early 2022. During that time we have refocused the strategic direction of the agency around 3 outcomes which are:

- ensuring those we fund have **certainty** in their funding, helping them to plan effectively
- ensuring those we fund have access to high quality **support** and guidance, protecting against financial difficulty
- providing **assurance** that taxpayers' money is used for its intended purpose

2023-24 was the first year in which our business planning and delivery was focused specifically on these 3 outcomes to provide both clear and common direction across all our work streams as well as a framework for measuring and reporting on our performance.

This year we have sought to deliver our first outcome, certainty to our providers, with a reliable funding service that ensured accurate amounts of funding were delivered to schools, colleges and independent training providers in a timely fashion. We achieved a success rate of 99.9% on the accuracy and timeliness of the 571,977 individual payments we made to more than 25,000 providers.

A terrific achievement, it also underpins the wider ambitions we have been undertaking this year to evolve the funding service to be user-friendly and responsive to feedback and the experiences of providers' interactions with us.

We've also given greater certainty to each of the different types of providers we work with, through three important documents that bring clarity and set out our guidance and requirements on financial management, governance and compliance with funding rules.

The latest version of the 'Academy trust handbook' streamlined and simplified our approach to assurance and oversight of the academy sector. We brought together senior leaders from academy trusts across the country and sector representative groups to collaborate and help us to create a product that is clearer and more concise.

Our new ‘College financial handbook’ was developed with valuable insight from the Further Education (FE) sector to make sure that we captured both existing requirements alongside new elements arising from the reclassification of FE into the public sector in 2022, finding solutions to the different aspects that have arisen from this.

We also published the inaugural handbook for independent training providers (ITPs). Designed with the aim of illustrating what good practice looks like, the handbook reflects the diversity of ITPs, from very small to very large, through a tiered approach of requirements depending on the income of providers.

I’m delighted that we have delivered on our promise to publish these significant guidance documents and grateful to all who contributed to make this a collaborative effort.

On our second outcome, we have delivered access to high-quality support and guidance and been responsive to concerns or problems faced by individual schools, academy trusts, colleges and providers, as well as sector-wide issues.

A significant area of our work has included supporting funding requests for school and college buildings identified with reinforced autoclaved aerated concrete (RAAC). Alongside the department, we moved quickly to support requests for necessary resource to minimise disruption to pupils and teachers.

We also continued to provide support to the FE sector, particularly in implementing ‘Managing Public Money’ rules which have impacted colleges’ ability to borrow. To counteract this, we introduced 2 new loan programmes which have provided £109 million to 19 colleges, representing much better interest rates than commercial alternatives and supporting the overall financial health and stability of the sector.

To support schools and academy trusts, our School Resource Management Advisers offer has continued to positively impact financial management and governance capabilities. We increased the number of advisers’ visits this year and had excellent feedback on these with 92% of respondents reporting their experience as good or very good.

We have also delivered strongly against our third outcome – providing financial assurance of the sectors we oversee – by strengthening our internal programme of audits and oversight whilst equipping and advising schools, academies, colleges and independent training providers to take the right approaches to their own assurance.

A highlight in this area was our award-winning Counter Fraud and Prevention team taking effective and strategic approaches to identify and prevent £91 million in fraud and error, £32.4 million more than in 2022-23. This is an important outcome for us and our responsibility in ensuring that all public funding we oversee is spent on its intended purpose. I hope it also sends a very clear message that we will work tirelessly to recognise and remedy fraudulent activity.

I remain grateful to all our colleagues across the agency who have contributed to this year’s strong performance, and I am proud of all our achievements and progress this year towards delivering our 3 outcomes.

My thanks also go to the providers and sectors we work with for their continued engagement and constructive conversations so that together we can go further in creating world-class education and skills opportunities across the country.

David Withey
Chief Executive
9 July 2024

Board Chair – Martin Spencer

Allocating money where it has the most impact on ensuring all learners can realise their potential is at the heart of the purpose of the Education and Skills Funding Agency (ESFA).

As Chair of ESFA's Management Board, I have seen the transformative effects of education and of our work. Therefore, I am delighted to report that this has been a year of consolidation, improvement and development.

Throughout this year ESFA has worked to embed its new Strategic Plan, focused on providing certainty, support and assurance in the education and skills sectors.

The agency has worked with providers to give certainty in funding to allow effective planning; delivered high quality support and guidance to build financial capability in the sector; and provided assurance that funding for learning was used as it was intended.

ESFA continued to operate within a challenging economic environment – not just for the education and skills sector, but also for learners and their families, where the effects of the cost of living and the COVID-19 pandemic continued to be felt. Therefore, I am delighted to be able to report that over the past year ESFA:

- channelled £72 billion across more than 60 different funding streams to more than 25,000 providers
- achieved a 99.9% success rate on the accuracy and timeliness of over half a million individual payments to providers
- increased the number of visits by School Resource Management Advisers that support schools in developing their financial management and governance capabilities
- supported the smooth transition of Further Education providers to new financial arrangements, after the decision to reclassify Further Education into the public sector was endorsed in November 2022

ESFA worked with the department to mitigate challenges faced by schools and colleges where reinforced autoclaved aerated concrete (RAAC) was identified in buildings. As ever, the focus was to support learners and to find solutions so that any interruptions to education were minimal.

I believe that how an organisation acts during challenging times shows the merit and measure of those within it. I know my colleagues at ESFA surpass themselves when times are tough.

I would like to thank each and every one at ESFA for their continued support, allowing us to make such a crucial difference to learners and their lives.

Martin Spencer
Chair
9 July 2024

Overview

This section sets out ESFA's strategic priorities and performance during the year.

ESFA is an executive agency, and as such, an arm's length body (ALB), of the Department for Education (the department, or DfE). On behalf of the Secretary of State for Education (Secretary of State), ESFA is responsible for administering funding to deliver education and skills, from early years through to adulthood.

ESFA is organised into 3 directorates: **Finance and Provider Management Oversight** (renamed Corporate, Assurance and Restructuring Directorate after the reporting year); **Funding;** and **Schools Financial Support and Oversight.** Collectively, these 3 directorates contribute to ESFA's cross-cutting strategic outcomes of certainty, support, and assurance set out below.

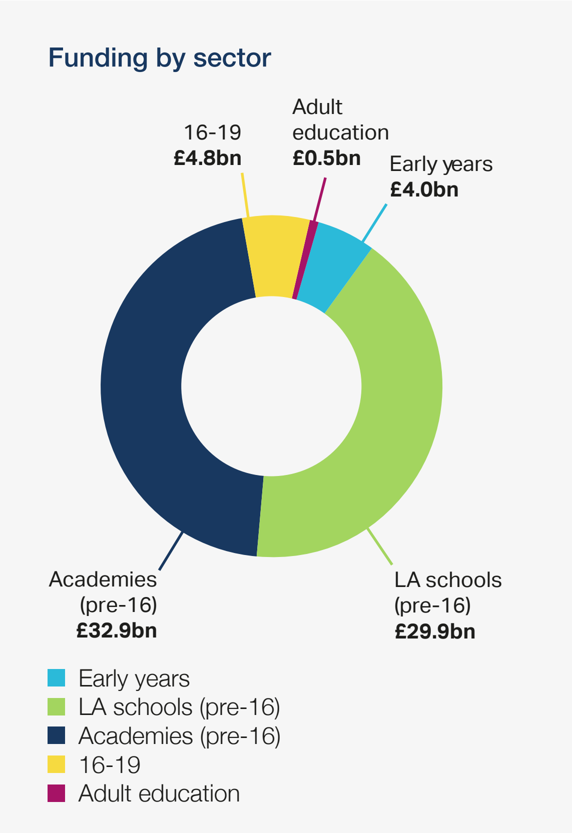
ESFA funds education and skills providers, including:

- maintained schools and early years institutions (through local authorities)
- academy trusts
- special schools
- colleges
- independent training providers (ITPs) (non-college organisations providing post-16 training)
- high needs institutions

ESFA also works with the mayoral combined authorities and Greater London Authority on the devolved adult education budget.

In 2023-24, ESFA distributed £72 billion of funding (up from £67 billion in 2022-23). Most funding is calculated annually based on national funding formulae as determined by the policy for each area and driven by data collected from providers on the numbers of pupils or learners and their characteristics. This approach applies to funding for 16- to 19-year-olds and adults, as well as pre-16 funding such as pupil premium and universal infant free school meals. For adult programmes where there are procured contracts, ESFA calculates funding using the same principles above on a monthly basis.

For most pre-16 funding, ESFA calculates the overall level of funding for local authorities who then set their own formula within a national framework and distribute that funding to the schools and academies within their area. Local authorities submit this local formula to ESFA to issue academies allocations, while the local authorities distribute the funding to maintained schools in their area.



ESFA's vision is that every pound spent on education and skills has the greatest possible impact on ensuring all learners can realise their potential. This is supported by 3 strategic outcomes of certainty, support and assurance, which frame ESFA's delivery activity and are used to measure organisational performance and outcomes.

ESFA provides assurance that taxpayers' money:

- is spent appropriately and correctly accounted for by reviewing provider financial statements and their assurance and controls processes
- delivers the policies and priorities set by the Secretary of State
- is used for its intended purpose by ensuring that robust counter fraud measures are in place

ESFA's assurance outcome is vital to protect public money. It is enabled by the work on certainty and support, together these outcomes provide an integrated and complementary approach.

ESFA increases certainty for providers by ensuring:

- accurate and timely allocations and payment instructions
- providers are clear on their roles and responsibilities and that funding rules are easy to understand and implement
- information on the totality of funding is easy to access, interpret and analyse

ESFA supports providers by:

- publishing clear and timely guidance that enables high standards of delivery, accountability and transparency
- providing programmes and activities to build financial management and governance capability that enhance the management of budgets and prioritise resources
- providing bespoke advice and intervention that is tailored in response to providers' requirements and the circumstances of individual cases
- providing loans to the FE sector following reclassification, to support capital projects and to refinance commercial debt at the end of its term
- promoting and enabling a culture where individuals and organisations take responsibility for high standards of financial management and oversight in order to minimise loss and maximise prevention and detection of fraud and error

Performance summary

Through the year ESFA:

Certainty

Supported funding streams worth more than £72 billion – a £5 billion increase on 2022-23

Made 571,977 individual payments, to more than 25,000 providers

Ensured all key financial management and governance advice could be found in one place, with the revised 'Academy trust handbook' and the new financial handbooks for both colleges and ITPs

Support

Ensured RAAC cases were supported quickly: enabling 108 providers to protect educational provision

Continued to prioritise support in our interactions, with 86% of new engagement cases with academy trusts being improvement focused

Streamlined and simplified the oversight and assurance requirements on academy trusts with our simplification agenda, for example changing the approval thresholds for related party transactions

Assurance

Prevented and detected £91 million of fraud, £32.4 million more than in 2022-23. £19 million of this relates to apprenticeships, which is reported in the 2023-24 DfE Group accounts

Took timely action on fraud and financial irregularity, with fieldwork concluding on 73% of investigations and provisional findings being issued within the 9 month target

Carried out 230 funding audits: successfully completed a programme of funding audits across academy trusts, further education colleges, and independent training providers (including those delivering apprenticeships)

Summary of risks and issues

Risk and uncertainty are actively managed by ESFA, following best practice across government. Work in this area separates out into specific risks and issues. Risks are areas of uncertainty that could potentially materialise as problems. If they do materialise as problems, they are then referred to as issues.

Given the dynamic context within which ESFA operates, a number of new areas of risk were identified during 2023-24. These areas included:

- closely monitoring and managing the potential impact of RAAC on schools
- ensuring the funding service remained responsive, effective and efficient in the context of developing demands and priorities
- carefully considering the potential impact of progressive climate change on providers and, in turn, ESFA (note: this risk was not formally added to ESFA's risk register until after the reporting period)

Finally, prominent risks during 2022-23 continued to be effectively managed: the risk of fraud; the potential impacts of resource decisions and reductions in ESFA headcount; the resilience of critical IT systems that ESFA relies upon; and the risk of academies and local authority schools falling into deficit. No risks that were managed during 2023-24 materialised into issues.

Further information on risks is provided towards the end of the 'Performance report'.

Performance analysis

The performance analysis against the strategic outcomes relates to the reporting year 2023-24.

ESFA strategic outcomes

In 2023-24, for the first time, ESFA's business plan was structured around 3 outcomes:

Certainty

Schools and providers have certainty in their funding, enabling them to plan effectively.

Support

Schools and providers can access high-quality support and guidance, protecting against financial difficulty.

Assurance

Taxpayers' money is used for its intended purpose.

Performance review

Strategic outcome: Certainty

Allocations and payment instruction

An allocation is the confirmed amount of funding available to a provider for a given period – the funding that ESFA will allocate to a provider (usually for a year). A payment is the transfer of the allocated amount to a provider (usually in instalments throughout the funding period).

ESFA aims to issue allocations as soon as possible, to give providers notice ahead of the upcoming academic year, and to provide certainty to plan for the upcoming year.

For the academic year 2023 to 2024, ESFA issued main allocations of over £37 billion to education and skills providers. All were allocated on time with 99.9% accuracy (accuracy in 2022-23 was 99.9%). Main allocations include academies' general annual grant (GAG) [1] (this is the term used to describe revenue funding allocated to academies on an academic year basis), dedicated schools grant (DSG) for local authorities [2] (this is the term used to describe funding for maintained schools on a financial year basis), 16- to 19-year-olds [3] and 19+ allocations [4], non-levy apprenticeships, and pupil premium grant [5] (funding for disadvantaged pupils within schools).

1 https://www.gov.uk/government/publications/academies-general-annual-grant-allocation-guides-2023-to-2024/academy-general-annual-grant-allocation-guide-2023-to-2024-academic-year
2 https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2023-to-2024
3 https://www.gov.uk/guidance/16-to-19-education-funding-guidance
4 https://www.gov.uk/guidance/19-funding-allocations
5 https://www.gov.uk/government/publications/pupil-premium-allocations-and-conditions-of-grant-2023-to-2024

In 2023-24, ESFA approved 571,977 individual payments, to more than 25,000 providers. Payment accuracy and timeliness by number of payments was 99.97% a 0.07% increase on 2022-23 and by value was 99.98% an increase of 0.08% on 2022-23. In real terms this represents over £60 million fewer payment errors.

Digital funding service

Delivering information on funding through the digital funding service is an element of the certainty outcome. In 2023-24 ESFA further developed the digital funding service, including launching new tools to streamline data collection and a new customer portal.

Revised guidance

In 2023-24, ESFA ensured that providers could easily find guidance to support governance and financial management, reporting and audit, with our revised the ‘Academy trust handbook’ and new financial handbooks for colleges and for independent training providers (ITPs).

Strategic outcome: Support

Providing effective support to the sector is central to ESFA’s work. Following the December 2023 coroner’s report into the tragic death of Ruth Perry, ESFA has reflected on what further steps could build on this approach and has provided training to over 320 frontline staff on how to recognise and respond to signs of mental distress through mental health awareness.

Support for schools

Throughout the year ESFA has continued to engage with academy trusts who are or may be financially vulnerable. This includes the provision of financial support to help protect educational outcomes. The total amount of additional financial support given to academy trusts reduced slightly compared to last year.

Where necessary, ESFA has taken action to resolve issues quickly. The speed of intervention resolution remained consistently high throughout the year with 93% of live cases less than 2 years old (2022-23: 81%). Over the course of 2023-24, 5 Notices to Improve were issued alongside Regions Group – this compares to 8 in 2022-23.

To help prevent these sorts of issues in future, ESFA has also supported providers to develop their financial management capability. This included:

- a programme of events to build financial management and governance capability in the sector
- a School Resource Management Summit to 356 school and trust leaders
- 14 'power-hour' training sessions to more than 7,000 academy trust finance professionals, and school resource management training to over 4,600 school leaders
- simplified processes within the 'Academy trust handbook' and reformed reporting for related party transactions (RPTs) by increasing the threshold for approvals from £20,000 to £40,000

This capability building has been an important part of our move towards more supportive, proactive and preventative engagement with academy trusts. 86% of new cases were improvement focused (2022-23: 69%); with 448 school resource management adviser (SRMA) visits (2022-23: 416) part of our work to support providers to improve their financial governance and oversight. 92% of respondents reported their experience of SRMA visits good or very good (2022-23: 92%) and 88% found the recommendations useful (2022-23: 90%).

All of this work took place against the backdrop of significant additional operational pressures resulting from RAAC from the summer of 2023. From September 2023, ESFA supported funding requests from academy trusts and schools to minimise potential disruption to pupils and learners from the impact of RAAC, working closely with responsible bodies to process requests as quickly as possible.

Support for further education (FE)

In November 2022, the Office for National Statistics reclassified colleges[6] into the public sector.

The subsequent implementation of central government parliamentary accountability reporting through HM Treasury's (HMT's) 'Managing Public Money' publication has had a range of consequences, including limitations on new borrowing. As a result, ESFA established 2 new loan programmes to support FE colleges in continuing their critical educational activity. In 2023-24 ESFA provided new loans to 19 colleges totalling £109 million. The sector will pay considerably less interest for this debt than commercial market alternatives.

In addition to these loan schemes, ESFA provides support to the FE sector, together with the Further Education Commissioner and DfE teams, where colleges are at risk of insolvency. In 2023-24, this included work with 10 providers. We regularly receive financial reports and accounts from post-16 providers to determine the financial health of the sector and its providers. This analysis is used to guide our assurance, oversight and intervention work, and wider policy development within the DfE.

Strategic priority: Assurance

Frameworks, audit and assurance

ESFA published a range of documents to support financial reporting and audit. This included:

- updated accounts directions and auditor guides for academy trusts and colleges
- common findings from pre-16 and post-16 funding assurance work
- an updated 'Financial planning handbook' for colleges

ESFA maintained its oversight of the education and skills sectors by delivering a comprehensive programme of funding audits and an assurance programme, including 230 provider funding audits. This included 65 academy funding audits, 48 FE college funding audits, 103 ITP funding audits and 14 higher education institutes.

6 https://www.gov.uk/government/publications/further-education-reclassification

ESFA also updated the post-16 Provider Data Self-Assessment Tool, which enables users to identify potential issues with their data recorded in returns to ESFA and provides indicative reports based on areas of concern and risk.

ESFA continues to audit providers delivering apprenticeships to provide assurances on behalf of the department.

Counter fraud and prevention

As the funding agency responsible for administering over £72 billion of public funds, ESFA understands the necessity of an embedded counter fraud culture and seeks new and effective methods, particularly by using data analytics, to proactively mitigate against fraudulent activity.

During 2023-24, £91 million of fraud was prevented and detected, £32.4 million more than in 2022-23 (£58.6 million). £19 million of this relates to apprenticeships, which is reported in the 2023-24 DfE Group accounts.

ESFA has an effective 4 pillar counter fraud strategy in place, and significant activity this year included:

- **Prevent:** using data analytics and collaborating with other government departments to identify and tackle risks and issues early. During 2023-24 ESFA continued to improve the 'feedback loop' to include outcomes from investigations, Cabinet Office reporting requirements, fraud risk assessments and funding risk compliance activity.
- **Detect:** ESFA's specialist Investigations and Enforcement team drive the counter fraud and prevention strategies through their professional and expert support, undertaking investigations and holding to account those who are found to have misused public funds. Data tables summarising investigation activity are in Annex B.
- **Deter:** Through ongoing cross-departmental working, this year the Secretary of State for Business and Trade issued disqualifications, and accepted disqualification undertakings from 5 directors of training providers. In June 2023, ESFA successfully petitioned for the winding up of a training provider for failing to repay sums owed. This year also saw ESFA being the lead and first pathfinder to sign a Memorandum of Understanding with the Public Sector Fraud Authority (PSFA).
- **Protect:** During the year ESFA increased its focus on collaboration and support for the sector in protecting against the risks and uncertainties brought by fraud. ESFA continues to work in partnership with the PSFA, Functional Leadership Board, Fraud Champions Network and representing the UK on the International Public Sector Fraud Forum, Fraud Risk and Threat Group (with the Five Eyes nations).

Investigations casework

ESFA's investigations casework includes activity on behalf of the department, such as investigating providers delivering apprenticeships. The figures below reflect the full programme of activity carried out by ESFA's Counter Fraud and Prevention team across programmes in ESFA and the department.

In 2023-24, ESFA brought forward 57 ongoing investigations and undertook activity involving 142 new allegations during the year (2022-23: 163), detected £31.6 million of fraud and error and prevented £55.1 million (2022-23: £9.6 million) of error and suspected fraud. A full breakdown of counter fraud and prevention activity in 2023-24 and 2022-23 can be found in Annex B.

Financial review of the year

This section provides commentary to support the 'Financial statements' and performance during the year. See the 'Notes to the accounts' (page 78) for more details.

Budget outturn

ESFA receives a budget delegation from the department, which principally covers operational costs. Alongside that, ESFA receives authority to spend on programmes where it is responsible for the operational delivery of the funding but the responsibility for the policy rests with the department. In 2023-24, this resulted in a total budget of £72.4 billion, which included £0.1 billion budget for loans.

ESFA was £0.1 billion or 0.2% under budget, driven by underspends on:

- FE college loans where the timing and size of loan advances are unknown at budget setting
- adult education budgets, which are demand-led and therefore unpredictable

Long term expenditure trends

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

	2023-24	2022-23	2021-22	2020-21	2019-20
	£m	£m	£m	£m	£m
Income	-	-	(106)	(110)	(137)
Staff costs	46	49	104	101	94
Resource programme expenditure	72,064	67,229	65,347	62,293	58,474
Capital programme expenditure	13	17	110	1	36
Operating expenditure	25	25	47	49	53
Depreciation, impairment and other non-cash charges	(4)	6	(17)	61	47
Net operating expenditure	**72,144**	**67,326**	**65,485**	**62,395**	**58,567**
Shared service costs (included in operating expenditure above)	14	14	33	36	31
Average staff numbers (whole numbers)	714	829	1,779	1,749	1,694

Staff costs, operating expenditure and shared service costs have reduced since 2021-22 due to structural changes and headcount reductions made from 1 April 2022, in line with budget targets set by the DfE.

The majority of expenditure (99.9%) is accounted for by resource funding to providers. The largest element of this is National Funding Formula (NFF) grants to local authority maintained schools (25%) and academies (37%). Post-16 funding represents 7% of resource funding to providers.

Resource programme expenditure increased by £4.8 billion (7.2%) from 2022-23 to 2023-24. This included an additional:

- £3.9 billion for 5- to 16-year-olds, including £1.5 billion additional funding to maintained schools and academies and £0.5 billion to support the teachers' pay award
- £0.3 billion for 16 to 19 education to drive forward skills delivery in the further education sector
- £0.3 billion through the new early years supplementary grant, reflecting the increase in the amount of funding that childcare providers receive

Statement of Financial Position (SoFP)

There was an increase in net assets (total assets less total liabilities) of £158 million, the most significant elements of this were:

- a £98 million increase in loans principally due to providing loans to FE colleges following the reclassification of FE colleges to the public sector which has resulted in limitations on new borrowing
- an £80 million increase in cash and cash equivalents. This is mostly driven by an underspend in cash compared to forecast and drawdown in March 2024 of £65 million, or 1.1%

No pension scheme balance is recognised, as ESFA participates in the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit pension, and the Civil Servant and Other Pension Scheme (CSOPS).

Risks and issues

ESFA operates in a complex and dynamic environment and its work is inevitably subject to a broad range of risk. These are actively and closely managed to ensure that any potential impacts are well understood and effectively addressed. This work is monitored by the Audit and Risk Committee (ARC) and Executive Team (ET) and administered in accordance with the UK Government's 'Orange Book' principles.

The risks for 2023-24 are listed below (no risks materialised into issues during the reporting year), most of which remain on the agency's risk register to the date of this report. During 2023-24, the agency continued to successfully mitigate and manage those risks.

This is a summary of the significant risks managed during the reporting year. More details regarding ESFA's risk management can be found within the 'Governance statement'.

Risk 1: The ability to deliver business-as-usual activity is impacted by the volume and complexity of RAAC cases. This work addresses the possibility that the level of staff resource required to manage RAAC cases could impact on ESFA's other work. Note: since the end of the reporting period, this risk has decreased sufficiently to no longer be considered a significant risk for ESFA.

Potential impact

Business plan objectives (both RAAC and non-RAAC) may not be met, alongside increasing difficulty in monitoring the correct use of funding within the sector.

Mitigation

RAAC work and its potential broader impacts have been managed through a dedicated team focused on the issue, enabled by resource reallocation. While this prioritisation did have some initial impact on business as usual, ongoing RAAC work has now been successfully transitioned to Educational Estates within DfE.

Direction for year

Decreasing

Risk 2: Reduced health and resilience of the funding service leads to increased errors. This work focuses on monitoring and managing the workflow of the funding service, identifying and responding to errors and weaknesses, and ensuring the service is appropriately resourced to deliver critical functions. This risk is assessed as having increased as demands on the service have grown and uncertain timelines and requirements make operational planning more difficult.

Potential impact

Rising errors, late or inaccurate payments and late or reissued guidance results in reduced financial certainty for education and skills providers.

Mitigation

A close working relationship with DfE, monitoring of service performance, tracking and learning from unexpected issues, intelligent resource management, automation and systematisation of processes where possible.

Direction for year

Increasing

Risk 3: Impact of resource decisions and reductions in ESFA headcount. This work is directed at ensuring that ESFA maintains the capacity to meet future years' commitment.

Potential impact

Continual prioritisation within existing resource constraints may increase workloads, impacting on staff resilience and delivery. Business plan commitments may be missed, with consequent reductions in certainty and support for the sector.

Mitigation

Delivery against performance indicators is closely monitored. The agency works closely with DfE in advance of any emerging asks or pressures. The agency works within confirmed budget and workforce targets. Regular budgetary review and control processes.

Direction for year

Stable

Risk 4: Failure to protect ESFA funding and assets from fraud and error. This is a standard operational risk, ensuring that taxpayers' money is used as intended.

Potential impact

ESFA would remain exposed to the risk of fraud and error, potentially causing financial loss, reputational damage and reduced capacity to deliver services.

Mitigation

ESFA has a Counter Fraud Strategy, Counter Fraud Policy and Fraud Response Plan in place, overseen by effective governance arrangements, as well as a standardised process for fraud risk assessments. The counter fraud team is qualified according to Government Counter Fraud Professional Standards and there is ongoing work to raise awareness of counter fraud activity.

Direction for year

Stable

Risk 5: Rising costs lead to higher numbers of academy trusts and local authority maintained schools facing financial pressures. This work addresses the possibility of financial pressures within the sector creating rising demand for ESFA's support work.

Potential impact

Additional financial support may be needed, such as emergency, short-notice payments to providers. This could lead to increased challenges monitoring the use of taxpayers' money and pressure on ESFA's capacity to respond.

Mitigation

ESFA identifies and engages with financially vulnerable academy trusts and local authorities. Financial support is put in place where needed. The agency has completed a formal risk assessment and modelled the impact of rising costs. Mitigations have been planned for the forecasted scenarios.

Direction for year

Stable

Risk 6: Failure of one of ESFA's critical IT systems causes significant disruption, negatively impacting the education sector. This is a standard operational risk, focused on ensuring that critical IT systems remain robust and resilient to cyber-attack.

Potential impact

ESFA's ability to deliver funding in a timely and accurate way could be disrupted, potentially threatening the financial viability of providers.

Mitigation

Critical systems and services are closely monitored with dedicated service teams in place. All critical systems work within DfE processes, platforming and infrastructure. Lessons learnt activity drives continuous improvement.

Direction for year

Stable

Risk 7: Progressive climate change increases the sector's support needs, raising the volume and complexity of ESFA's delivery requirements. This was a new area of work in 2023-24, considering the potential long-term impacts of climate change on the sector and, by consequence, ESFA. Note: the risk was not formally added to ESFA's risk register until after the reporting period.

Potential impact

Supporting providers in financial distress due to climate issues could increase the volume and complexity of casework, create pressure on available funding and impact the overall delivery of ESFA's outcomes, lessening certainty and support for the sector.

Mitigation

The volume and complexity of casework is closely monitored, enabling prioritisation where necessary. Regular engagement across DfE to monitor wider support provided. Accountability for the estates of academy trusts has been strengthened through the 'Academy trust handbook'.

Direction for year

Stable

Other information

Other matters

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 a 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 policies on anti-corruption, anti-bribery, and whistleblowing. ESFA is committed to ethical and honest conduct and to implementing systems that ensure bribery is prevented. ESFA has zero tolerance for bribery and corrupt activities and will act professionally, fairly and with integrity in all business dealings and relationships, wherever in the country it operates.

ESFA will constantly uphold laws relating to anti-bribery and corruption in the jurisdictions in which it operates and is bound by the laws of the UK, including the Bribery Act 2010.

All new starters are required to complete mandatory training highlighting their responsibilities in recognising and preventing fraud and bribery. The department has a standards of behaviour policy, which sets out its expectations of 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. ESFA has adopted the department's whistleblowing arrangements and has a dedicated whistleblowing lead who works with staff and the department.

Effectiveness of whistleblowing arrangements

The DfE and ESFA whistleblowing policy is published on GOV.UK, and explains the process for where and how to make an allegation. The effectiveness of these arrangements will be reflected in the DfE Group annual report and accounts.

The policy is communicated to all staff through the intranet and explains how a concern about something that affects others, such as work colleagues, customers or the general public can be raised.

During 2023-24, one internal whistleblowing case was raised. No further action was taken.

Sustainability

Compliance statement

Where possible, ESFA has reported on climate-related financial disclosures consistent with HMT's Task Force on Climate Related Financial Disclosures (TCFD)-aligned disclosure application guidance which interprets and adapts the framework for the UK public sector.

ESFA has complied with the TCFD recommendations and recommended disclosures around governance.

It is not possible to make disclosures on metrics and targets as sustainability data does not currently disaggregate ESFA from DfE. Sustainability data at departmental group level is available in the DfE Group annual report and accounts. Using average full-time equivalent (FTE) headcount as a comparative measure, ESFA is less than 10% of the size of the departmental group. ESFA plans to make disclosures for strategy, risk management and metrics and targets in future reporting periods in line with the central government implementation timetable.

ESFA's ambition

ESFA is committed to delivering its aims and objectives through environmentally sustainable operations. As part of the wider department group, ESFA recognises its responsibility to reduce environmental impacts and contribute to the Greening Government Commitments. [7]

ESFA is an arm's length body which operates entirely within the DfE's estate and under the DfE's sustainability policies. The department's corporate strategy outlines commitments around office building emissions, waste, water, ICT and digital, travel, nature recovery and climate change adaptation. Data and reporting on these topics (inclusive of ESFA staff, emissions and usage) is included within the Departmental Group annual report and accounts' sustainability reporting annex.

As well as committing to working closely with DfE and other departments, it is the ambition of ESFA to serve as a sustainability leader and role model within the DfE Group and across the civil service.

In 2023-24, ESFA increased its sustainability champions from 1 to 6. The champions, from a range of ESFA office locations and directorates, formed a working group with a nominated senior civil servant supporting them.

The sustainability working group's aim is to identify and consider how the agency can build on the department's commitments and contribute to delivering the agency's primary aims with a focus on sustainability. Part of this aim is to identify and develop trainers within the agency to support delivery of DfE and ESFA's sustainability commitments.

ESFA provided support to schools and academy trusts to help build their resource management capability and obtain best value through the school resource management offer. This includes the 'Good estate management guidance' for schools and supporting providers to build sustainability into their resource management. For example, from 1 September 2024 academy trusts will be able to enter into finance leases, including for LED lighting, where the asset category appears on a DfE-approved list.

7 https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025

Governance

Policy development sits outside of ESFA's remit. ESFA does play a role in operationalising policy and where applicable, complies with the environmental principles duty to ensure sustainability is considered as part of decision making.

Where risks relating to operational work are identified, they are managed in line with the agency's risk management framework and escalated for discussion at Audit and Risk Committee (ARC), Executive Team (ET) and Management Board (MB), as necessary. ESFA's current climate and sustainability risk is listed in the 'Risks and issues' section.

ARC reviewed the full suite of DfE Group reporting on the Greening Government Commitments annually and received advice on how the department's commitments potentially impact agency activity.

Executive Team and Management Board received periodic updates on the sustainability aims listed above, as part of the standard reporting cycle.

Going forward, ESFA is committed to:

- delivering climate and sustainability awareness training to 90% of staff by the end of 2024-25
- building on the climate and sustainability awareness training, by providing further training that is tailored to specific professions, and directly related to ESFA's core remit (for example, finance and digital)
- supporting the department in delivering climate and sustainability awareness training to its own staff
- sharing knowledge via professional networks and programmes and internal communications activity

Through the delivery of this training and additional support provided to staff, ESFA will be better placed to influence behaviours, driving change in relation to its consumption and to provide well informed advice when interacting with stakeholders.

Going concern

HMT has interpreted the going concern principle for the public sector to reflect the non-commercial nature of public sector bodies. Going concern for public sector bodies is referenced back to service potential and delivery. The going concern presumption is only challenged for a public body if the services it provides can be discontinued entirely by the public sector. Transfer of services from one public body to another does not put the going concern presumption at risk in the transferring body even if all of its operations will cease post-transfer.

Under Section 10 of the Education Act 1996, the Secretary of State has a duty to promote the education of the people of England. ESFA enables the Secretary of State to comply with this duty by delivering the revenue funding for education and training for 2- to 19-year-olds (and high needs provision from 0 to 25), further education for those 19 years and older, and professional, technical and apprenticeship training. This provision of services can only be discontinued by subsequent statutory activity causing the operations to cease. ESFA is not aware of any legislation that is planned, in force or in the process of gaining Royal Assent that would cause its activities to cease.

In addition, the department's forward-looking plans, current Estimates and Spending Review settlement with HMT contain funding to cover ESFA's operations for the foreseeable period. Consequently, management do not consider the going concern presumption to be in doubt.

A budget is being set for 2024-25, as part of the department's Estimates process, alongside confirmation of support from DfE for the remaining 12 months' going concern period beyond March 2025 that enables ESFA to deliver its objectives and continued regulatory intent.

David Withey
Chief Executive
9 July 2024

Accountability report

Overview

The ‘Accountability report’ sets out how ESFA meets the accountability requirements to Parliament. It is broken down into 3 areas:

1. Corporate governance report which provides an overview of the leadership of ESFA and its 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 purpose of the ‘Corporate governance’ report is to explain the composition and organisation of ESFA’s governance structures and show how they support the achievement of the agency’s objectives for the 2023-24 financial year and up to the date of approval of the annual report and accounts.

Directors’ report

Non-executive directors (as at 31 March 2024)

Martin Spencer
Chair: Management Board

Management Board appointment:
1 September 2018

John Lakin
Audit and Risk Committee

Management Board appointment:
25 June 2018

Peter Kane
Audit and Risk Committee

Management Board appointment:
1 November 2021

Paul Woodgates
Audit and Risk Committee

Management Board appointment:
1 September 2022

Harjit Sandhu
Chair: Audit and Risk Committee

Management Board appointment:
1 November 2023

Executive Team members (as at 31 March 2024)

David Withey
Chief Executive and Accounting Officer

appointment:
15 August 2022

Andrew Thomas
Chief Operating Officer

appointment:
3 January 2023

Gemma Peck
Director of Funding

appointment:
24 April 2023

Lindsey Henning
Director of Schools, Financial Support and Oversight

appointment:
23 October 2023

Movement in directors and non-executive directors in 2023-24

Changes in officials during the year are given below.

Postholder	Date	Position
Hunada Nouss OBE	To 30 November 2023	Non-executive director Audit and Risk Committee Chair Management Board
Harjit Sandhu	From 1 November 2023	Non-executive director Audit and Risk Committee Chair (from 1 December 2023) Management Board
Owen Jenkins	To 3 April 2023	Interim Director of Funding
Gemma Peck	From 24 April 2023	Director of Funding
Warwick Sharp	To 23 October 2023	Director of Schools Financial Support and Oversight
Lindsey Henning	From 23 October 2023	Director of Schools Financial Support and Oversight

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 interests [8] annually alongside the annual report and accounts.

8 https://www.gov.uk/government/publications/esfa-annual-report-and-accounts-2023-to-2024/register-of-esfa-board-members-interests-for-the-financial-year-2023-to-2024

Report on personal data breaches

The Cabinet Office defines a 'personal data related incident' as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data which could cause harm or distress to individuals if released or lost. As a minimum, this includes:

- information linked to one or more identifiable living person
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain

The number of personal data related incidents that fell within the criteria for reporting to the Information Commissioner's Office are as follows:

Date	2023-24	2022-23
Number of incidents	-	-

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. ESFA falls within the scope of the Ombudsman's activities. PHSO report full data with a year delay and ESFA is not always made immediately aware at the time that a complaint has been made.

ESFA complaints are managed on its behalf by the department, and within the department's complaints process, which commits to responding to complaints within 15 working days. In 2023-24 the departmental team worked on improvements to complaints management, including separate management information reporting for ESFA and DfE complaints. For 2023-24 to identify the number of ESFA complaints we completed a manual exercise. This identified ESFA complaints by excluding those where the topic or policy does not sit in ESFA, or where ESFA are not leads. The manual exercise has identified 1 ESFA complaint for 2023-24, which has been resolved. This was not escalated to the PHSO.

The number of agency related complaints received by the PHSO is as follows:

	2023-24	2022-23
Number of incidents received by PHSO	-	4
Number of complaints accepted for investigation	-	2

Statement of Accounting Officer's responsibilities

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.

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

- observe the accounts direction issued by DfE including 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 FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable

The Accounting Officer of the department has designated the 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 set out in 'Managing Public Money' published by HMT.

Statement regarding disclosure of information to the auditors

As the Accounting Officer, 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.

I also confirm that the annual report and accounts are fair, balanced and understandable, and I take personal responsibility for judgements made to ensure that they are fair, balanced and understandable.

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 ESFA, and our compliance with Cabinet Office's 'Corporate governance in central government departments: code of good practice'.

ESFA's internal control and risk management framework

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance; internal control and risk management to support the achievement of the agency's policies, aims and objectives; whilst safeguarding public funds; and both agency and departmental assets.

I am satisfied that effective internal control of risk has been in place from 1 April 2023, through to 31 March 2024 and up to the date of approval of the annual report and accounts.

The scale and complexity of ESFA's work requires us to operate a system of governance, internal control and risk management that can manage risk to a reasonable level.

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.

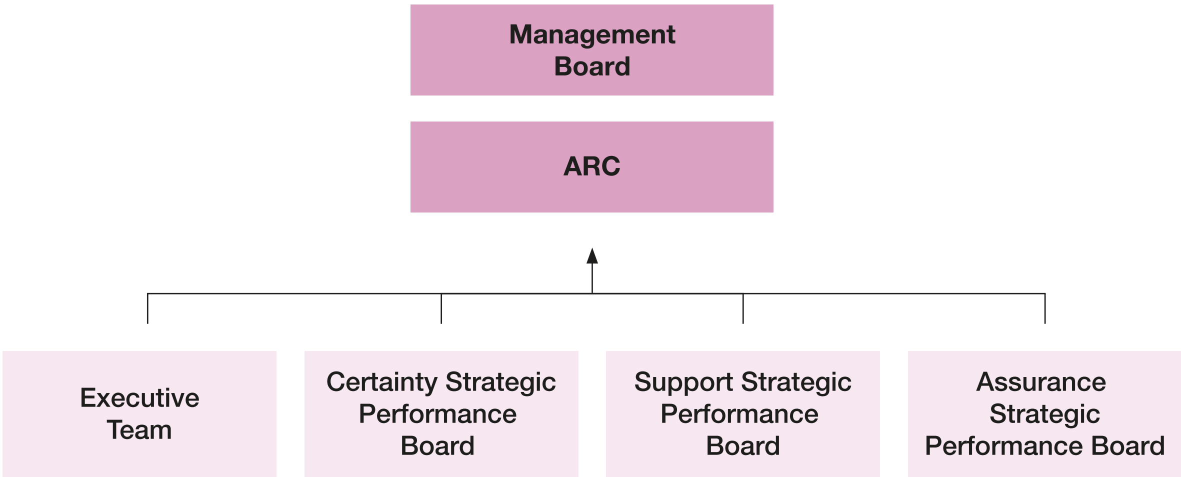
- **First line of defence: management and controls.** The organisation's culture people, processes and systems that drive the day-to-day operation of controls and risk management. Assurance comes directly from those responsible for delivering specific objectives or operations; it provides assurance that performance is monitored, risks are identified and addressed and that objectives are being achieved.
- **Second line of defence: oversight,** including risk oversight and compliance functions which are in place to support, advise and challenge the first line of defence on risk management processes.
- **Third line of defence: independent assurance,** which comes from oversight of the Management Board, Audit and Risk Committee and Government Internal Audit Agency (GIAA).

ESFA also benefits from other independent assurance such as National Audit Office (NAO) and Public Accounts Committee (PAC).

Board and committee structure during 2023-24

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 2023-24. Meeting attendance is detailed on page 39.



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.

The board receives assurance on performance against ESFA's business plan objectives from 3 strategic performance boards (SPBs), each covering one of ESFA's outcomes of certainty, support and assurance.

These SPBs bring together senior stakeholders within ESFA and DfE to review performance against the outcome and give assurance on performance to Management Board. The SPBs are chaired by an ESFA director, supported by a non-executive director. Following the introduction of the SPBs in 2022-23, the board has periodically reviewed its effectiveness as part of this new structure.

Government Internal Audit Agency (GIAA) also conducted a review into the effectiveness of ESFA's governance arrangements which led to further refinements to the activity of the board and its sub-committees. This moved detailed scrutiny of performance closer to operational delivery leads in the SPBs. The SPBs provide more specific assurance to Management Board, allowing the board to focus its time on items of strategic importance. The board is satisfied with the quality of information received.

Chair

Martin Spencer was in post as Management Board Chair for the entirety of 2023-24.

Members

Chair, other non-executive directors, ESFA's Chief Executive. Other executives attend as relevant to the agenda.

Frequency

5 in 2023-24.

Highlights

- Regular updates on activity within ESFA and DfE from the Chief Executive and the Senior Sponsor.
- Development of ESFA's business plan for 2024-25 and regular updates from the deputy director for finance on business planning activity.
- Assurance on the activities delegated to other boards in the agency from the ARC Chair and Chairs of the strategic performance boards.
- An update on the combined work between ESFA and DfE on the regulatory and commissioning review.
- An update on the department's response to reinforced autoclave aerated concrete (RAAC) within the education sector.

The register of interests [9] and summaries of meetings [10] are published online.

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.

Chair

Hunada Nouss OBE, non-executive director was in post until 30 November 2023 and was replaced by Harjit Sandhu who joined from 1 November 2023 and became Chair on 1 December 2023 on Hunada's departure.

Members

Chair (non-executive board member of Management Board) and the other non-executive directors, one of whom should also be a member of the Management Board. The Chief Executive and/or the Chief Operating Officer is also required to attend.

Others who are normally invited to ARC meetings, but are not members, include: DfE's Director of Operational Finance, an observer from the NAO, and an observer from GIAA. Other officials from ESFA and DfE are invited to attend ARC meetings when necessary.

Frequency

At least quarterly, with additional meetings if deemed necessary to discuss particular issues.

9 https://www.gov.uk/government/publications/esfa-annual-report-and-accounts-2023-to-2024/register-of-esfa-board-members-interests-for-the-financial-year-2023-to-2024
10 https://www.gov.uk/government/organisations/education-and-skills-funding-agency/about/our-governance

Highlights

- ARC received regular reports on the agency's performance activities on a range of topics including the Assurance Framework record, internal fraud, error and overpayment, local authority assurance, and FE reclassification.
- ESFA's risk management was discussed frequently at ARC, the risk register was reviewed at every meeting and the Risk Appetite Statement was reviewed by ARC in October 2023.
- ARC also conducted deep dive sessions into the financial health of the school and FE sectors, and into business critical systems from the department's Digital, Data and Technology function.
- ARC reviewed the progress and preparation of the agency's annual report and accounts including updates on ESFA's assurance programme, and year-end assurances on DfE shared services.

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 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.

Chair

David Withey, Chief Executive

Members

Chief Executive and directors

Frequency

Monthly

Highlights

- Regular updates on core areas of work, including finance, communications, people and digital and data.
- Approving policy documents such as the counter-fraud and corruption strategy, and ESFA's wider governance arrangements.
- Business and workforce planning and ESFA's 3 year plan.
- Regular deep dives into risks to ESFA's work.

Meeting attendance during 2023-24

The table below presents attendance at meetings throughout 2023-24. Not all members were in post throughout the year or held different posts with differing committee memberships in the year. To improve transparency, attendance values and the number of meetings available to members to attend are provided, which is presented as "2 of 2". Where individuals are not members of a committee "NM" has been presented which means "non-member".

	Management Board	Audit & Risk Committee	Executive Team
Non-executive directors			
Martin Spencer	5 of 5	NM	NM
Hunada Nouss OBE	3 of 3	2 of 2	NM
Peter Kane	5 of 5	3 of 3	NM
John Lakin	5 of 5	3 of 3	NM
Paul Woodgates	5 of 5	3 of 3	NM
Harjit Sandhu	2 of 2	0 of 1	NM
Executives			
David Withey	4 of 4	3 of 3	14 of 15
Warwick Sharp	NM	1 of 3	6 of 9
Lindsey Henning	NM	2 of 3	6 of 6
Owen Jenkins	NM	nil of nil	nil of nil
Andrew Thomas	NM	3 of 3	12 of 15
Gemma Peck	NM	3 of 3	12 of 13

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 2023-24. ESFA also reviews its approach to risk management annually and ensures compliance with The 'Orange Book', an HMT document which outlines principles and concepts of risk management.

Risk management

ESFA has a clear risk management framework and statement of risk appetite that defines and guides the agency's approach to risk. These documents align with the department's approach and comply with risk management guidance used across government such as HMT's 'Orange Book'.

ESFA reviewed its risk appetite statement in 2023-24. The purpose of this framework is to help teams make informed judgements on how much risk is acceptable in agency operations.

Directors are accountable for programme delivery and they 'own' risks to support the delivery of strategic objectives. Directors manage risks by promoting and supporting risk management within their projects, programmes, and directorates.

The Executive Team meeting is responsible for scrutinising ESFA's risks and supporting improvements. ARC was regularly updated on ESFA risks, enabling effective challenge and oversight of their management. Where risks are deemed to have wider departmental impact, these are escalated to the department's Performance and Risk Committee. The risks identified and managed in 2023-24 are in the 'risks and issues' section of this report.

Financial management

As Accounting Officer, I have responsibility for ensuring that effective systems to manage and monitor all funds for which ESFA has responsibility are in place. I am content that processes, controls, risk management and fraud prevention strategies delivered good financial management, propriety, regularity, and value for money during 2023-24. 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.

All Senior Civil Servants (SCS) received finance training during 2023-24 to ensure that the knowledge of those who are responsible for managing taxpayers' money is kept up to date.

Assurance Framework Record

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.

For the Accounting Officer to take assurance that relevant controls have been implemented, every SCS 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 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 SCSs' compliance with our 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.

The Financial Assurance and Controls Team review and assess responses and support areas to identify future improvements.

Assurance of funding to providers

The agency's Head of Assurance has provided me with their annual report, based upon their full year's programme of work, incorporating their opinion on whether funds have been used by providers for the purposes intended by Parliament. The Accounting Officer and ARC were regularly updated on progress of the programme of work during the year.

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

- analysis and risk assessment of financial data, which 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

A key assurance risk continues to be in relation to grants paid to local authorities. Our assurance approach included a review of a number of sources of evidence, including audited and draft financial statements, schools' forum minutes, audit committee papers, external and internal audit reports, which allowed us to form an overall opinion on the use of funds by local maintained schools and other providers. In recent years, the number of outstanding audited financial statements has increased and this year the trend has continued, with over 60% of local authority 2022-23 audited financial statements outstanding and 47% of local authorities having at least two years of outstanding audited accounts. We understand that the main reason for the outstanding financial statements continues to be finance team and external auditor capacity issues. This has been exacerbated by an ongoing technical accounting issue, unrelated to ESFA funding, and the impact of local government pension scheme valuations on delayed accounts. The lack of independently audited financial statements required us to revisit our risk assessment. For those local authorities assessed as presenting an increased risk, we sought additional assurances to consider whether there was a potential assurance gap. We concluded that, overall, funds allocated to local authorities had been used for the purposes intended, but recognise this will continue to be an area of risk and therefore focus in future years.

In addition to the operational assurance activity, the assurance frameworks team develops and maintains the financial accountability frameworks for providers. This includes producing a suite of documents including handbooks, directions, and good practice guides. One of the key documents is the 'Academy trust handbook'. This year, the Frameworks Team has published two new financial handbooks for the college and independent training provider sectors. Both documents were developed in partnership with stakeholder groups, to help support providers to maintain sound financial management and governance arrangements and to provide the framework for strong governance and financial control environments.

In arriving at its overall assurance opinion, the agency has considered the value of funding and its assurance opinions for each funding stream and provider type. Of the three possible opinions (substantial, moderate, or restricted), the Head of Assurance has concluded an overall substantial assurance opinion for grant funded activity and that, in all material respects, providers had applied ESFA funds for the purposes intended by Parliament.

Counter fraud and prevention

ESFA has its own dedicated Counter Fraud and Prevention team who provide support and guidance to identify and mitigate fraud and financial risk.

ESFA takes the protection of public funds extremely seriously and will investigate where appropriate. Where organisations and individuals are found to have misused public funds, we seek to maximise recoveries and put in place appropriate sanctions. ESFA has an effective 4 pillar counter fraud strategy in place, which is described in more detail in the 'Performance report'

Assurance of shared services functions

ESFA receives several corporate services from the department including technology, estates and security, transactional finance, legal and HR. Service level agreements are in place between ESFA and the department covering these services. Key monthly metrics are reported to the Executive Team each month on finance services, including payments, cash forecasting and financial position. Directors are sent monthly prompt payment data which is used to improve ESFA's use of finance services.

2023-24 is the third full year operational services were provided to ESFA by the department with key controls assured by the Financial Controls Team.

The Financial Controls Team concluded that key controls were operating generally satisfactorily with some improvements required. Actions to address findings were agreed and will be followed up during 2024-25. No impact on the accounts was 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 if so, 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 2023-24, conflicts of interest that were identified were appropriately managed in line with guidance and declared. All SCS chosen for AFR validation confirmed they maintained a register in their areas.

Business Appointment Rules (BARs)

To comply with the BARs, ESFA relies on the department's process which is to provide transparent advice to individual applications for senior staff. To improve transparency the department publishes summary advice regarding specific business appointments [11].

Individuals should discuss with their manager all offers of intended appointments or employment as early as possible and before any commitment or announcement is made. They should then both check the BARs to see if the potential future appointment or employment needs approval, completing the business appointment application form, if necessary.

Although ESFA complies with the department's process, further actions are being taken to strengthen controls in this area for 2024-25.

Internal audit

Internal audit services are provided by the Government Internal Audit Agency (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 the Chief Executive, the Executive Team and ARC. Of the four possible opinion ratings (substantial, moderate, limited or unsatisfactory), the rating given by GIAA for 2023-24 was moderate.

A moderate rating states that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management, control and assurance. I have accepted this assessment and either implemented or put in place plans to meet all the recommendations from GIAA's findings by the timescales agreed.

11 https://www.gov.uk/government/publications/dfe-business-appointment-rules-advice

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 June 2023, the NAO published the Condition of school buildings [12] value for money report which was the topic of a PAC hearing the following month. In August 2023, DfE significantly changed its safety guidance for schools that were confirmed to have reinforced autoclaved aerated concrete (RAAC). In response there was a further PAC hearing in September 2023 with a full report [13] published in November 2023.

Although the recommendations arising in the reports are all directed to the department, ESFA has a role in addressing and implementing some of the recommendations, relating to requests for additional help with revenue costs. More information about ESFA's role in the RAAC programme is detailed in the performance report and the accounts.

ESFA has continued to implement NAO and PAC recommendations from prior years. Updates on progress against recommendations are published by the NAO on the recommendations tracker. [14]

Conclusion on governance, controls and assurance

As Accounting Officer, I have considered the evidence provided in the production of the governance statement, and the independent advice and assurance provided by ARC. I am satisfied that the agency's internal control, risk management and governance arrangements are working effectively.

David Withey
Accounting Officer
9 July 2024

12 https://www.nao.org.uk/reports/condition-of-school-buildings/
13 https://committees.parliament.uk/publications/42186/documents/209660/default/
14 https://www.nao.org.uk/recommendations-tracker/

Remuneration and staff report

Overview

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

Remuneration report: part A (unaudited)

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. The committee is chaired by the department's Permanent Secretary, and comprises members of the department's Leadership Team and a departmental non-executive board member. The 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.

Staff employed by an executive agency of the department have performance management and contractual terms as described in the department's ARA. 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. [15]

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.

Further information about the work of the Civil Service Commission can be found at its website. [16]

15 https://www.gov.uk/government/organisations/civil-service
16 https://civilservicecommission.independent.gov.uk/

Remuneration report: part B (audited)

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the agency's Executive Team. Figures in brackets are full year equivalent values for those members who didn't serve a full year in post. Annualised figures are based on salaries before any applicable benefit-in-kind gross-up, so may not be directly comparable to in-year salary balances (which may contain the gross-up) disclosed for individuals with benefits-in-kind.

					2023-24
	Salary	Bonus	Benefits-in-kind	Pension benefits	Total
	£000	£000	to nearest £100	to nearest £1,000	£000
David Withey [17]	145-150	0-5	11,000	228	390-395
Warwick Sharp to 23 October 2023 annualised value	60-65 (105-110)	-	-	23	80-85
Owen Jenkins to 3 April 2023 annualised value	5-10 (75-80)	-	200	-	5-10
Andrew Thomas	115-120	0-5	-	112	230-235
Gemma Peck from 24 April 2023 annualised value	95-100 (100-105)	5-10	-	46	150-155
Lindsey Henning from 23 October 2023 annualised value	45-50 (95-100)	0-5	-	25	70-75

The movement in David Withey's salary disclosed across both years (actuals this year and annualised last year) has been primarily driven by the current year benefit-in-kind gross-up rather than any significant uplift in salary levels.

17 Actual salary figures for 2023-24 and 2022-23 include any applicable adjustment to reflect benefits-in-kind (shown separately) as a result of multi-site working. The annualised salary band for 2022-23 did not make that adjustment and therefore the 2023-24 salary band is not directly comparable to the prior year annualised salary band.

					2022-23
	Salary	Bonus	Benefits-in-kind	Pension benefits	Total
	£000	£000	to nearest £100	to nearest £1,000	£000
David Withey from 15 August 2022 annualised value	85-90 (125-130)	0-5	5,900	82	175-180
John Edwards to 13 July 2022 annualised value	45-50 (140-145)	-	3,200	16	65-70
Warwick Sharp	95-100	5-10	-	31	135-140
Matthew Atkinson to 31 August 2022 annualised value	55-60 (135-140)	-	-	22	75-80
Owen Jenkins	90-95	5-10	5,200	36	140-145
David Brown from 1 September 2022 to 28 October 2022 annualised value	15-20 (95-100)	-	-	66	80-85
Andrew Thomas from 3 January 2023 annualised value	25-30 (105-110)	-	-	18	45-50

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. Salary values presented are grossed-up to include the impact of benefits-in-kind, where present, to cover the additional tax generated by benefits-in-kind. This report is based on accrued payments made by the agency and thus recorded in this annual report and accounts.

Benefits-in-kind

The monetary value of benefits-in-kind covers any benefits provided by the agency during an individual's period of appointment to their board role and treated by HMRC as a taxable emolument.

During the year 2 Executive Team members received a benefit-in-kind relating to multi-site working (2022-23: 3). Multi-site working describes a situation where an employee regularly travels and works from multiple workplaces across our estate, and the reason for attendance is not a temporary purpose or limited duration.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. SCS bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2023-24 relate to performance in 2023-24 and the comparative bonuses reported for 2022-23 relate to the performance in 2022-23.

For non-SCS, bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2023-24 relate to the performance in 2022-23 and the comparative bonuses reported for 2022-23 relate to the performance in 2021-22.

The agency awards bonuses as part of the performance management process. The agency sees effective performance management as necessary to driving up individual and organisational performance and providing greater value for money to deliver high-quality public services. The agency follows the performance management arrangements for the SCS, and the agency's performance management framework for managing and rewarding performance throughout the year.

Non-executive director fees

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

	2023-24	2022-23 (Restated)
	£000	£000
Hunada Nouss to 30 November 2023 annualised value	5-10 (10-15)	10-15
Martin Spencer	10-15	10-15
John Lakin	5-10	0-5
Peter Kane	5-10	5-10
Paul Woodgates from 1 September 2022 annualised value	5-10	0-5 (5-10)
Harjit Sandhu from 1 November 2023 annualised value	5-10 (10-15)	-
Stuart McMinnies to 31 May 2022 annualised value	-	0-5* (10-15)

Dates of office can be found in the ‘Governance statement’.

* We have restated Stuart McMinnies’ fees for 2022-23 (Previously 10-15) to reflect his move to the DfE Board from 1 June 2022. The revised fee relates to his time with ESFA.

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.

The banded remuneration of the highest-paid director in the agency in the financial year 2023-24 was £160,000 – £165,000 (2022-23: £135,000 – £140,000). This was 4.0 times the median (2022-23: 3.5), the increase in this ratio compared to the previous year, is due to a greater increase in the remuneration of the highest paid director compared to the median (staff). The median remuneration of the workforce was £40,258 (2022-23: £39,208). The pay, reward and progression policies have not changed significantly during the year, which is reflected in the relatively minor change in the median remuneration figure. The small increase is due to a small shift in the grade distribution of staff.

In 2023-24, no employees (2022-23: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000 – £165,000 (2022-23: £22,000 – £140,000).

		2023-24		2022-23
	Salary	Total pay and benefits	Salary	Total pay and benefits
	£	£	£	£
Band of highest paid director (£000)	145-150	160-165	125-130	135-140
Range (£000)	23-150	23-165	22-130	22-140
Upper quartile	53,669	54,251	51,636	52,895
Median	39,774	40,258	38,068	39,208
Lower quartile	33,119	33,588	31,323	32,565
	Ratio	Ratio	Ratio	Ratio
Upper quartile	2.7:1	3.0:1	2.5:1	2.6:1
Median	3.7:1	4.0:1	3.3:1	3.5:1
Lower quartile	4.5:1	4.8:1	4.1:1	4.2:1

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

	2023-24		2022-23	
	Highest paid director	Staff average	Highest paid director	Staff average
	% change	% change	% change	% change
Salary and allowances	15.7%	4.3%	(7.3%)	2.6%
Bonuses	0%	(65.4%)	(66.7%)	16.6%

On average employees, excluding the highest paid director, had a pay and benefits increase of 4.3% (2022-23: 2.6%). In 2023-24 the median pay calculation includes a salary gross up for benefit in kind which has increased the highest paid director salary and allowances figure.

Pension benefits

As an executive agency of the department, the agency's staff are members of the Principal Civil Service Pension Scheme (PSCPS) and Civil Servants and Other Pension Scheme (CSOPS) that provides pension benefits. Readers can find details on the scheme at the Civil Service Pension's website. [18]

	Accrued pension at pension age as at 31/3/24 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/24	CETV at 31/3/23 (Restated)	Real increase in CETV
	£000	£000	£000	£000	£000
David Withey	25-30	10-12.5	473	263	177
Warwick Sharp	25-30	0-2.5	349	304	11
Owen Jenkins	10-15	0-2.5	158	147	-
Andrew Thomas	35-40	5-7.5	650	517	80
Gemma Peck	35-40	2.5-5	557	498	15
Lindsey Henning	25-30	0-2.5	510	467	19

Any members affected by the public service pension remedy [19] were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

18 http://www.civilservicepensionscheme.org.uk/
19 https://www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

Civil Service Pensions

The PCSPS and the 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. A full actuarial valuation was carried out as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.[20]

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three 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 switched into alpha sometime between 1 June 2015 and 1 February 2022.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback".

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

20 https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings 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 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 their 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.

Partnership pension

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic 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 two 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. [21]

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

Cash equivalent transfer values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits, they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment. CETVs are calculated 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 is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the member. It is worked out using common market valuation factors for the start and end of the period.

Compensation on early retirement or for loss of office

The agency paid no compensation on early retirement or for loss of office in 2023-24 (2022-23: £nil).

Staff report: part A (audited)

Staff costs

			2023-24	2022-23
	Permanently employed staff	Other	Total	Total
	£000	£000	£000	£000
Wages and salaries	33,080	407	33,487	35,562
Social security costs	3,912	-	3,912	4,027
Pension costs	8,596	-	8,596	8,937
	45,588	**407**	**45,995**	**48,526**

The agency pays a flat fee for agency staff, which includes social security, holiday pay and pension costs. This note discloses the total sum as wages and salaries in the other column.

Average number of persons employed

The average number of full-time equivalent persons employed during the year is shown in the table below.

			2023-24	2022-23
	Permanently employed staff	Other	Total	Total
	Number	Number	Number	Number
Directly employed	708	6	714	829

Pension schemes

Civil Service pensions

The PCSPS and CSOPS, known as alpha, are unfunded multi-employer defined benefit schemes, but the agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation. [22]

For this financial year, employers' contributions of £8.6 million (2022-23: £8.9 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. It is estimated that employer contributions for the next financial year will be £9.1 million (2022-23: £8.3 million).

The scheme 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 the financial year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

22 https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In this financial year, employers' contributions of £57,000 (2022-23: £80,000) were paid to the appointed stakeholder pension provider.

Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015, and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £2,000 (2022-23: £3,000), 0.8% of pensionable pay up to 30 September 2015 and 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 year-end were £7,000 (2022-23: £5,000). Contributions prepaid at that date were £nil (2022-23: £nil).

Ill-health retirement

No persons (2022-23: two persons) retired early on ill-health grounds.

Reporting of Civil Service and other compensation schemes

			2023-24			2022-23
Exit package cost band	Compulsory redundancies	Other agreed exits	Total exit packages	Compulsory redundancies	Other agreed exits	Total exit packages
	Number	Number	Number	Number	Number	Number
<£10,000	-	-	-	-	2	2
£10,001-£25,000	-	-	-	-	3	3
£25,001-£50,000	-	-	-	-	11	11
£50,001-£100,000	-	-	-	-	12	12
£100,001-£150,000	-	1	1	-	-	-
Total number of exit packages	**-**	**1**	**1**	**-**	**28**	**28**
Total costs (£000)	**-**	**107**	**107**	**-**	**1,381**	**1,381**

Staff report: part B (unaudited)

Analysis of staff policies and statistics

Our people

Staff by grade and gender

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

Grade	Male	Female	2023-24 Total	Male	Female	2022-23 Total
	Number	Number	Number	Number	Number	Number
SCS						
CEO	1	-	1	1	-	1
Director	1	2	3	2	1	3
Deputy Director	7	6	13	10	5	15
Non-SCS						
Grade 6	26	26	52	30	23	53
Grade 7	80	80	160	82	90	172
Senior Executive Officer	117	136	253	122	144	266
Higher Executive Officer	91	125	216	90	116	206
Executive Officer	14	27	41	19	36	55
Executive Assistant	1	1	2	1	2	3
	338	**403**	**741**	**357**	**417**	**774**

Staff numbers in 2023-24 have reduced compared to 2022-23.

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

	2023-24	2022-23	2021-22	2020-21
Sickness absence days per FTE	5.5	6.2	6.6	6.3

The figure disclosed above is lower than the Civil Service average for 31 March 23 of 8.1 days per Full Time Equivalents (FTE). [23]

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

Staff turnover

The figures below show the number of leavers within the reporting period divided by the average staff in post over the reporting period presented as a percentage. Agency turnover and staff leaving the agency, is compared to the Civil Service average.

	2023-24	2022-23	2021-22
Civil Service turnover	11%	9%	4%
Agency turnover	8%	5%	7%

The agency figure does not include staff who transferred within the Departmental Group.

Commitment to improving diversity

ESFA adopts the department's new diversity and inclusion strategy 2022-26, launched in June 2022, with a vision to create an inclusive agency, which nurtures talent and reflects the ever-increasing diversity of our agency, reflecting the country we serve.

The agency strategy has commitments and actions against 3 aims:

- to be diverse
- to be inclusive
- to realise potential in all

We continue to be transparent with diversity data, publishing a quarterly diversity and inclusivity data dashboard, using data to support decision making and accountability. Alongside other characteristics, this dashboard includes data to support us to measure socio-economic background to progress work on social mobility.

ESFA participates in the department's active diversity networks, including an ethnic minorities network, an LGBT+ network, a disability group and a neurodivergence network. We also encourage 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 ethnic minorities and disabled staff at all grade levels.

Staff policies for disabled people

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 that 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.

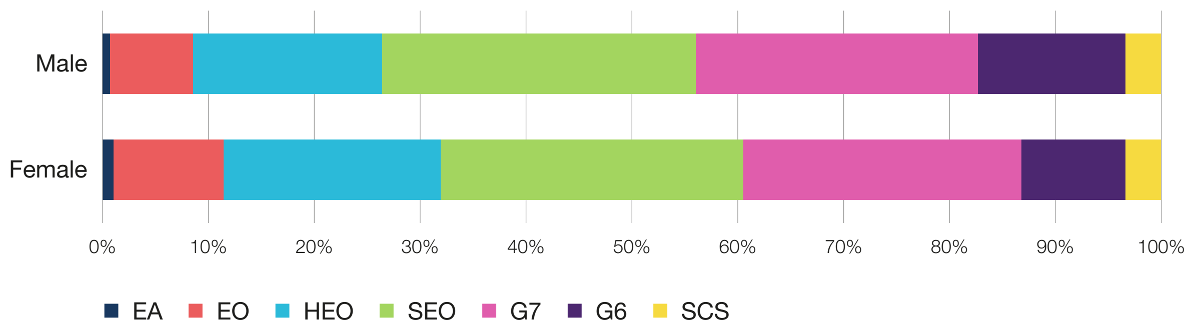
The department's diversity delivery plan extends to ESFA. This plan sets out the department's objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The department's policies include explicitly the employment of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

Gender pay gap reporting

ESFA is included within the department's gender pay gap reporting. The department now has the third lowest gender pay gap across Whitehall. The department's median gender pay gap at March 2023 was 4.1% (2022: 4.9%) the latest date of available data. Analysis has identified that under-representation of females in more senior grades is likely to be a significant contributor to the remaining pay gap.

The 2023 department and agencies graph below shows that whilst both the median male and female salary continue to be within the SEO pay band, the higher proportion of women in EA to HEO grades means the overall female median is closer to the middle of the SEO distribution for females while the median male's pay is closer to the top end of the SEO distribution for males. The value for March 2024 is not available at the time of publication and will be included in the department's 2024-25 annual report and accounts.

Percentage of employees in each grade



Engagement with employees

The department and its agencies work with trade unions engaging with them both formally and informally to promote an open and constructive relationship. The aim is to promote a positive employee relations environment where staff and the trade unions can contribute constructively towards objectives.

The department launched the strategic workforce plan in May 2022. The vision for the future is to create a workforce with world class skills and capabilities, which is flexible and makes the best use of excellent talent by supporting increased diversity and social mobility as well as ensuring colleagues have well-defined development plans, and that clear career paths are set out for all those who want to progress and develop their expertise. The strategic workforce plan is aligned to the Government Reform Agenda and clearly articulates the ambitions for the future workforce.

The agency participates in the annual Civil Service People Survey with the results published each December.

	2023-24	2022-23	2021-22
Engagement index	62%	61%	71%
Response rate	92%	95%	90%

The information from the survey is used to support development of the agency strategies and continually improve levels of employee engagement.

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.

The agency's consultancy expenditure was as follows:

	2023-24	2022-23	2021-22
	£000	£000	£000
Agencies	1,560	345	726

Consultancy expenditure in 2023-24 includes legal consultancy costs in relation to FE loans of £0.4 million (2022-23: nil) and deployment costs for School Resource Management Advisers of £1.2 million (2022-23: £0.8 million were reported as professional fees).

Fire, health and safety

ESFA follows the department's approach to fire, health and safety. Further information can be found in the DfE Group annual report and accounts.

Review of tax arrangements of public sector appointees

As part of the Review of the Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 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 2023-24.

The tables on the following pages set out this information.

Highly paid off-payroll worker engagements as at 31 March 2024, earning £245 per day or greater

	2023-24
Number of existing engagements as at 31 March 2024:	2
Of which the number that have existed for:	
less than one year at time of reporting	1
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	1

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater

	2023-24
Number of temporary off-payroll workers engaged during the year ended 31 March 2024	2
Of which:	
not subject to off-payroll legislation	-
subject to off-payroll legislation and determined as in-scope of IR35	1
subject to off-payroll legislation and determined as out-of-scope of IR35	1
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which: No. of engagements that saw a change to IR35 status following review	-

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024

	2023-24
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 includes both on payroll and off-payroll engagements	12

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations. The Department’s Group annual report and accounts reports on this information for both the department and its executive agencies.

Parliamentary accountability and audit report

Overview

This section presents the disclosures to support Parliamentary accountability of ESFA. The balances disclosed are subject to additional controls due to their nature and sensitivity. The audit certificate from the Comptroller and Auditor General is also included at the rear of this section.

Parliamentary accountability disclosures (audited)

ESFA is a custodian of taxpayers' funds and has a duty to Parliament to ensure the regularity and propriety of its activities and expenditure. The agency manages public funds in line with 'Managing Public Money'.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of the accounting officer whose responsibilities are also set out in 'Managing Public Money'. They include responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable.

To discharge this responsibility, the following activities are in place:

- formal delegation of budgets
- detailed monitoring of expenditure
- monthly management reporting against control totals

In addition, ESFA operates the 3 lines of defence model, which is included in the risk management framework. Details of this are in the Governance Statement.

Public sector losses and special payments

A1 Losses statement

	2023-24	2022-23
Total number of cases	**169**	**32**
Value	**£000**	**£000**
Cash losses	192	2,321
Fruitless payments	1	1
Claims waived or abandoned	12,074	5,796
	12,267	**8,118**

A1.1 Cash losses over £300,000

There were no individual cash losses above the additional disclosure threshold of £300,000.

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

There were no individual fruitless payments and constructive losses above the additional disclosure threshold of £300,000.

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

Counterparty	Value of losses
	£000
Re-brokerage debt forgiveness	
Schools Company Trust	2,465
City College Southampton	1,200
Harefield Academy Trust	915
Chapel Street Community Schools Trust	804
UTC Leeds	327
Insolvency	
Middleton Murray	5,795

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 corporation.

Insolvency

Companies in the Middleton Murray Group are now in liquidation due to insolvency action and the balance owed has been written off.

A2 Special payments

	2023-24	2022-23
Total number of cases	1	-
	£000	£000
Total value of cases	18	-

A2.1 Special payments over £300,000

There were no individual special payments above the additional disclosure threshold of £300,000.

A3 Gifts and hospitality statement

	2023-24	2022-23
Total number of cases	1	-
	£000	£000
Total value of cases	-	-

There were no individual gifts above the additional disclosure threshold of £300,000.

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, ESFA also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the accounting standard's definition of a contingent liability.

Unquantifiable

ESFA contracts with lead suppliers for the delivery of the Early Career Framework and National Professional Qualification and used model government clauses on indemnity limits and since the introduction of the revised data protection legislation under the GDPR it has been standard practice to include unlimited liability relating to data protection fines. Academy trusts form a significant part of this supply chain and are required to accept the unlimited indemnity clause. ESFA deem this to be very low risk as Academy trusts have robust processes in place to ensure against data breaches and any ICO fines to Academies would impact on children's education so are likely to be minimal.

Functional standards (Unaudited)

The functional standard is part of a suite of management standards that promotes consistent and coherent ways of working across government, and provides a stable basis for assurance, risk management and capability improvement. Standard GovS 006 sets out expectations for effective management and use of public funds.

The suite of standards, and associated guidance, can be found at GOV.UK [24].

David Withey
Accounting Officer
9 July 2024

24 https://www.gov.uk/government/collections/functional-standards

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 2024 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 2024;
- 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 2024 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022).* 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 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 requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 issued 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 issued under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements 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 Reports.

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

- adequate accounting records have not been kept 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
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Education and Skills Funding Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; 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 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Education and Skills Funding Agency's accounting policies;
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Education and Skills Funding Agency's controls relating to the Education and Skills Funding Agency's compliance with the Government Resources and Accounts Act 2000, 'Managing Public Money', the Education Act 2002 and other relevant education funding legislation.
- inquired of management, the Education and Skills Funding Agency's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement 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, bias in management estimates and grant expenditure. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Education and Skills Funding Agency's framework of authority and other legal and regulatory frameworks in which the Education and Skills Funding Agency operates. I focused 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', the Education Act 2002 and other relevant education funding legislation.

I considered the susceptibility of the Education and Skills Funding Agency's financial statements to material misstatement and judged there to be a significant risk of irregularity within grant expenditure.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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; and
- I addressed the risk of irregularity within grant expenditure by considering the processes in place to provide regularity assurance; I tested the allocation of grant funding and tested the assurance work undertaken by the Education and Skills Funding Agency to ensure that the grant has been used by recipients in line with the Education and Skills Funding Agency's framework of authorities.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including 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 sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
16 July 2024

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

Financial statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2024

		2023-24	2022-23
	Note	**£m**	**£m**
Staff costs	3	46	49
Policy funding	4.1	72,077	67,246
Operating expenditure	5.1	25	25
Depreciation, impairment, and other non-cash charges	5.2	(4)	6
Total operating expenditure		**72,144**	**67,326**
Net operating expenditure		**72,144**	**67,326**
Finance income		(7)	(2)
Other (gains)/losses		12	7
Net expenditure for the year		**72,149**	**67,331**
Other comprehensive net expenditure			
Net loss on transfer of function	2	-	199
Comprehensive net expenditure for the year		**72,149**	**67,530**

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

The notes on page 78 to page 93 form part of these accounts.

Statement of Financial Position

As at 31 March 2024

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets		31	27
Loans	7	163	65
Receivables	8	2	3
		196	**95**
Current assets			
Loans	7	25	25
Receivables	8	91	78
Cash and cash equivalents	9	103	23
		219	**126**
Total assets		**415**	**221**
Current liabilities			
Payables	10	(526)	(499)
		(526)	**(499)**
Total assets less current liabilities		**(111)**	**(278)**
Non-current liabilities			
Financial guarantees		-	(1)
Assets less liabilities		**(111)**	**(279)**
Taxpayers' equity			
General Fund		(111)	(279)
Total taxpayers' equity		**(111)**	**(279)**

David Withey
Accounting Officer
9 July 2024

The notes on page 78 to page 93 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2024

	Note	2023-24 £m	2022-23 £m
Cash flows from operating activities			
Net expenditure for the year	SoCNE	(72,149)	(67,331)
Adjustments for non-cash transactions		138	14
(Increase)/decrease in receivables	8	(13)	7
Increase/(decrease) in payables	10	27	(76)
Finance income		(7)	(2)
Other losses		12	7
Net cash outflow from operating activities		**(71,992)**	**(67,381)**
Cash flows from investing activities			
Purchase of intangible assets		(10)	(7)
Loans – issued	7	(118)	(12)
Loans – repayments	7	19	28
Net cash (outflow)/inflow from investing activities		**(109)**	**9**
Cash flows from financing activities			
Net parliamentary funding – drawn down		72,999	69,399
Transfer to DfE and spent on behalf of DfE		(818)	(2,160)
Net cash inflow from financing activities		**72,181**	**67,239**
Net increase/(decrease) in cash and cash equivalents	9	**80**	**(133)**
Cash and cash equivalents at beginning of the year	9	23	156
Cash and cash equivalents at end of the year	9	**103**	**23**

The notes on page 78 to page 93 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

	Note	General Fund £m
Balance at 1 April 2022		**(412)**
Transfer of function to DfE		199
Revised opening balance		**(213)**
Net Parliamentary funding – drawn down		69,399
Comprehensive net expenditure for the year	SoCNE	(67,331)
Cost borne by the department		(2,165)
Non-cash adjustments		
Non-cash transactions		17
Notional shared service recharges	5	14
Balance at 31 March 2023		**(279)**
Net Parliamentary funding – drawn down		72,999
Comprehensive net expenditure for the year	SoCNE	(72,149)
Cost borne by the department		(818)
Non-cash adjustments		
Non-cash transactions		122
Notional shared service recharges	5	14
Balance at 31 March 2024		**(111)**

The General Fund represents total assets less liabilities, to the extent that the total is not represented by other reserves and financing items for the agency.

The notes on page 78 to page 93 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2023-24 government Financial Reporting Manual (FReM) issued by HMT, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000.

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 this financial year are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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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

The department's estimates and forward plans include provision for ESFA's continuation. Therefore, it is appropriate to prepare ESFA's accounts as a going concern.

Whilst ESFA is in a negative equity position at the year end, this is due to supply funding being provided as cash 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 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 and underlying assumptions are based on historic and other factors that are reviewed on an ongoing basis and are believed to be reasonable.

Management has specifically made such judgements on accruals estimation which requires application of judgement for the existence and valuation of liabilities at the reporting date. More detail about the accounting policy for grant accruals is available in note 1.9.

1.4. Adoption of FReM amendments

There have been no significant amendments to FReM for 2023-24.

1.5. Early adoption

ESFA has not early adopted any accounting standards in 2023-24.

1.6. IFRSs in issue but not yet effective

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.

1.6.1. IFRS 17 Insurance Contracts (IFRS 17)

Effective central government bodies for annual periods beginning on or after 1 April 2025. The 2024-25 FReM will present adaptions and interpretations.

The standard makes changes to how insurance contracts are accounted for and may in certain circumstances, widen the scope of which financial positions are judged to be in-scope for the standard than those previously caught by IFRS 4 Insurance Contracts (IFRS 4). ESFA does not expect any significant impact from adopting the new standard since it does not issue insurance contracts.

1.6.2. IFRS 18 Presentation and Disclosure in Financial Statements

This standard was issued on 9 April 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so as yet there is no effective date for central government bodies.

The objective of the standard is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses.

Until the standard is adopted into FReM, with adaptations and interpretations for the public sector context decided, it is not possible for the agency to assess the impact on its reporting.

1.6.3. IFRS 19 Subsidiaries without Public Accountability: Disclosures

This standard was issued on 9 May 2024 with an effective date for the private sector of reporting periods beginning on or after 1 January 2027. The standard has not yet been adopted by FReM, so as yet there is no effective date for central government bodies.

This standard, as issued, addresses how subsidiaries of IFRS-applying entities present their own IFRS-compliant financial statements. As an executive agency of a government department, the agency has significant public accountability. As such, we do not expect this standard to have any significant impact on our reporting. However, until the standard is adopted into FReM with public sector context adaptations and interpretations, the position cannot be fully determined.

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 is not reported to the chief operating decision-maker, it has not been produced in the accounts.

1.8. Draw down of Supply from sponsoring department

ESFA has recorded all draw down of Supply from the department as financing, as it 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 Fund.

1.9. Policy 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 local authority maintained schools and academies
2. contractual payments to providers, such as training providers

Recognition of the entitlement of policy funding varies according to the individual programme.

1.9.1. 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 is not 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 are required 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.

1.9.2. Contractual funding

Accruals accounting is adopted for contractual funding owing to the certainty of the agency's obligations.

1.10. Policy funding recoveries

Policy funding may generate overfunding or unspent amounts. ESFA does not recognise a prepayment if the end user has not spent the funding 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 payment profile established before the final 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 funding payments, to bring the total payments into line with the final funding obligation. When identification of overfunding is early enough in the funding's period, recovery will occur within the same programme period. If identification of overfunding is later in the funding period, recovery will occur in the next grant cycle. This approach is suited to annual funding payments which are paid evenly across a year, such as general annual grant funding academies.

Unspent amounts

Sometimes recipients are unable to apply time bound funding 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 funding payments where there are no future 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 digital services. 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 for 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.

1.13.1. Financial assets

Financial assets include cash and cash equivalents 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:

- 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 based on expected losses for a particular asset, or group of assets. The impairment allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

1.13.2. Financial liabilities

Financial liabilities relate to financial guarantees. ESFA determines the classification of its financial liabilities at initial recognition.

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

Financial guarantees

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

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

1.14. Value added tax

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

1.15. Shared services

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

- human resources
- estate and facilities management
- 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. Estate costs are based on the number of desks occupied by ESFA.

2. Transfer of function

The net transfer of functions between the agency and DfE at 1 April 2022 was £199 million, as disclosed in 2021-22 ARA (note 12.1.1).[25] There was no transfer of function in 2023-24.

3. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and staff report on page 55.

25 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1115611/ESFA_Annual_Report_2021-22_final.pdf)

4. Policy funding

4.1. Summary

		2023-24	2022-23
			Re-presented
	Note	£m	£m
Schools & Early Years funding	4.2	66,721	62,041
Post-16, Skills and Support funding	4.3	5,343	5,188
Capital funding	4.4	13	17
		72,077	**67,246**

4.2. Schools & early years funding

			2023-24			2022-23
						Re-presented
	Academy	Local Authority	Total	Academy	Local Authority	Total
	£m	£m	£m	£m	£m	£m
Schools						
National Funding Formula (NFF)	26,728	17,894	44,622	24,350	17,607	41,957
High needs funding*	898	9,094	9,992	829	8,358	9,187
Pupil Premium	1,555	1,311	2,866	1,416	1,268	2,684
Primary sport premium	137	188	325	131	194	325
Bursary funding (schools)*	40	8	48	37	8	45
School improvements	41	20	61	38	20	58
Teachers' pay grant	305	243	548	18	13	31
Core funding schools*	2,804	679	3,483	2,607	735	3,342
Teachers' pension employer contribution grant*	87	58	145	104	43	147
Universal infant free school meals	261	365	626	230	345	575
Early years						
Entitlements	-	3,966	3,966	-	3,651	3,651
Early years – Pupil Premium	-	39	39	-	39	39
	32,856	**33,865**	**66,721**	**29,760**	**32,281**	**62,041**

* Various prior year values (£460 million in total) are re-presented to move some Post-16 spend with school sixth forms from note 4.3, to improve the consistency of reporting school sixth form expenditure.

In prior year, funding which was presented separately as COVID-19 response (£742 million), is now included in the core funding schools line. The response to COVID-19 has now ended and any continuing activities are considered to be business as usual. No values are changed, only the presentation has changed.

4.2.1. Policy funding streams

Mainstream schools National Funding Formula (NFF)

All mainstream state schools providing education to 5–to 16-year-olds receive funding via either DSG or GAG. Actual payments are processed slightly differently in the 2 sectors:

- local authorities receive a DSG allocation from ESFA. They use this to pay the maintained schools in their area.
- academies receive funding directly from ESFA through the GAG.

The NFF allocates funding based on standard criteria.

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 NFF also includes the Mainstream Schools Additional Grant (MSAG). This was £1.6 billion in 2023-24.

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 (but not necessarily the same factor values) as 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. From 2023-24, local authorities were required to start moving towards NFF values in their local formulae.

Local authorities can also use part of their DSG funding to fund pupil growth due to basic need at both maintained schools and academies.

High needs funding

High needs funding supports provision for children and young people with special educational needs and disabilities from their early years to 16- to 19-year-olds across pre-16 providers (including sixth forms in schools and academies, special schools and local authorities).

The high needs NFF allocations (separate from the schools NFF above) use pupil number data from the school census, alongside other demographic data.

Pupil Premium

Pupil Premium is extra funding for state-funded schools to help them improve the attainment of their disadvantaged pupils. This is calculated separately from the schools NFF above, but uses school census data.

Teachers' pay and pension employer contribution grants

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 will be incorporated into the NFF during 2025-26.

Universal Infant Free School Meals (UIFSM)

UIFSM provides funding for all government-funded schools to offer free school meals to pupils in reception, year 1 and year 2.

Core funding

Core funding includes funding for 16- to 19-year- olds across pre-16 providers including: sixth forms in schools and academies, special schools, special academies and local authorities and early careers framework payments to support the development of newly-qualified teachers. This also includes funding which was previously reported as COVID-19 response (such as the National Tutoring Programme).

Reinforced autoclaved aerated concrete

New measures to minimise the impact of RAAC [26] in education settings were published on 31 August 2023.

Although building maintenance is the duty of local authorities and academy trusts, new RAAC cases reduced the department's confidence that school and college buildings with confirmed RAAC should remain open without mitigations in place. As a result, the department changed its approach to RAAC in education settings, including schools, ahead of the start of the 2023/24 academic year.

The programme of additional measures provided to education settings spans both ESFA and the department. ESFA's responsibility is to provide eligible settings with resource funding, such as rental costs for emergency accommodation or additional transport costs to reach alternative sites. Meanwhile, the department's responsibility is to provide eligible settings with capital funding, such as rebuilding projects or smaller-scale refurbishments like roof replacements.

ESFA recognised RAAC programme costs of £3.8 million this year, of which, £3.7 million is accounted for in the school improvements line in note 4.2 and £0.1 million is accounted for in the core funding line in note 4.3. The total cost of the programme in 2023-24 (resource and capital) will be disclosed in the DfE Group annual report and accounts.

Early years entitlements

Local authorities are provided with 6 relevant funding streams which form their overall DSG in addition to NFF funds. They are:

- 15-hour entitlement for disadvantaged 2-year-olds
- universal 15-hour entitlement for all 3- and 4-year-olds
- additional 15-hour entitlement for eligible working parents of 3- and 4-year-olds
- early years Pupil Premium
- disability access fund
- maintained nursery school supplementary funding

26 https://www.gov.uk/government/news/new-guidance-for-schools-impacted-by-raac

4.3. Post-16, skills and support funding

	2023-24	2022-23
		Re-presented
	£ million	£ million
Post-16 and skills		
Core funding*	4,071	3,980
Adult education	528	554
Bursary funding*	164	154
High needs (16 to 19)*	363	310
Free School Meals (16 to 19)	37	34
Other post-16 and skills	16	6
Teachers’ pension employer contribution grant FE*	147	133
Support funding		
Other post-16 and skills	17	17
	5,343	**5,188**

* Various prior year values (£460 million in total) have been re-presented to move some Post-16 spend with school sixth forms to note 4.2, to improve the consistency of reporting school sixth form expenditure.

In the prior year, funding which was presented separately as COVID-19 response (£111 million) is now included in Core funding (£68 million) and Adult education (£43 million). The response to COVID-19 has now ended and any continuing activities are considered to be business as usual. No values are changed, only the presentation has changed.

4.3.1. Policy funding streams

Core funding

Core funding [27] includes funding for 16- to 19-year-olds across providers including: sixth-form colleges, FE colleges, ITPs, special post-16 institutions and some higher education providers. We fund these institutions to provide study programmes for young people.

Adult education

Adult education funding aims to engage adults and provide the skills and learning they need to progress into, or within, work; or equip them for an apprenticeship or other learning. It enables more flexible tailored programmes of learning to be made available, which may or may not require a qualification, to help eligible learners engage in learning, build confidence, and enhance their wellbeing.

High needs

High needs funding supports provision for young people (from 16- to 25-year-olds) with special educational needs and disabilities across providers including sixth-form colleges, FE colleges, ITPs, special post-16 institutions and some higher education providers.

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

4.4. Capital

	2023-24	2022-23
	£m	£m
Investment in colleges	11	8
Other capital grants	2	9
	13	**17**

5. Expenditure

5.1. Operating expenditure

	2023-24	2022-23
	£m	£m
Shared service recharge	14	14
Staff related costs	1	-
Consultancy and other professional fees	4	3
IT and telecommunications costs	6	7
Travel and subsistence	-	1
	25	**25**

5.2. Depreciation, impairment, and other non-cash charges

Included in non-cash values are audit fees of £436,000 (2022-23: £428,000), amortisation charges of £6 million (2022-23: £5 million) and a net impairment credit of £9 million (2022-23: charge of £2 million).

6. Financial instruments

6.1. Financial assets by category

		2024	2023
			Restated
	Note	£m	£m
Amortised cost			
Loans	7	188	90
Cash	9	103	21
		291	**111**

Last year's disclosures are restated by removing the receivables balance of £76 million because it was non-contractual, relating to recoveries of grant policy funding through pupil number adjustments.

6.2. Financial liabilities

Last year's disclosures have been restated by removing the payables balance of £499 million from this disclosure as this related to grants based non-contractual amounts owed. There were £1 million of financial guarantee liabilities in 2022-23 and none in 2023-24.

6.3. Financial risk

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

6.3.1. 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.

6.3.2. Liquidity risk

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

6.3.3. Interest rate risk

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

7. Loans

7.1. 2024

	Academy sector	FE sector	Total
	£m	£m	£m
Opening balance at 1 April 2023	20	70	90
New lending	4	114	118
Repayments	(8)	(11)	(19)
Effective interest	-	1	1
Impairment movement in year	6	(3)	3
Write-offs	(4)	(1)	(5)
Balance as at 31 March 2024	**18**	**170**	**188**
Gross value	25	220	245
Closing impairment allowance	(7)	(50)	(57)
	18	**170**	**188**
Presented as:			
Current loans	6	19	25
Non-current loans	12	151	163
	18	**170**	**188**

7.2. 2023

	Academy trusts	Colleges	Total
	£m	£m	£m
Opening balance at 1 April 2022	31	65	96
New lending	3	9	12
Repayments	(9)	(16)	(25)
Impairment movement in year	(1)	14	13
Write-offs	(4)	(2)	(6)
Balance as at 31 March 2023	**20**	**70**	**90**
Gross value	33	117	150
Closing impairment allowance	(13)	(47)	(60)
	20	**70**	**90**
Presented as:			
Current loans	14	11	25
Non-current loans	6	59	65
	20	**70**	**90**

7.3. Additional information

7.3.1. Loans to the academy sector

Loans are provided to academy trusts on conversion to settle any local authority deficit. The agency actions loan repayments by deducting them at source from future payments of 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.

7.3.2. Loans to the FE sector

Loans are provided to further education providers 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. Following the reclassification of the FE sector to central government, colleges are no longer able to borrow at commercial interest rates and new loans have been established to support FE colleges in continuing their critical educational activity.

7.3.3. Impairment

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

8. Receivables

	2024	2023 Re-presented
	£m	£m
Amounts falling due within one year		
Trade and other receivables	86	73
Prepayments	5	5
	91	**78**
Amounts falling due after one year		
Trade receivables	2	3
	2	**3**

Last year's disclosure has been represented by combining Trade receivables (£16 million) and Other receivables (£57 million) as a single balance because the underlying transactions are similar policy funding recoveries.

Trade receivables are shown net of impairment of £19 million (2022-23: £25 million). Receivables are mostly policy funding recoveries.

9. Cash and cash equivalents

	2024	2023
	£m	**£m**
Balance at 1 April	**23**	**156**
Transfer of function	-	(2)
Revised balance at 1 April	**23**	**154**
Net change in cash and cash equivalent balances	80	(131)
Balance at 31 March	**103**	**23**
The following balances are held at:		
Cash at bank and in hand:		
Government Banking Service	103	22
Cash held with solicitors		1
Balance at 31 March	**103**	**23**

10. Current payables

	2024	2023
	£m	**£m**
Trade payables	8	9
Other payables	1	1
Tax and social security payables	1	1
Accruals	516	488
	526	**499**

Accruals includes £398 million for Pupil Premium grants where the allocation is updated in year and so the last instalment is paid after year end (2023: £361 million).

11. Other commitments

11.1. Post-16 funding

	2024	2023
		Restated
	£m	**£m**
Not later than one year	2,036	1,877
	2,036	**1,877**

Prior year values have been restated to remove Post-16 balances of £771 million for academy schools which are not funded under a contractual basis.

12. Related party transactions

As well as the disclosures in the Remuneration and staff report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24 related party disclosures. Transactions are classified as related party transactions if they occurred during the period the board member named held office.

The agency regards the department as a related party. During the year, the agency had a number of material transactions within the Departmental Group.

In addition, the agency has had a number of transactions with other government departments and central bodies. Most of these transactions have been with HMRC, PCSPS and CSOPS.

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

	2023-24		2022-23	
	Net payments /(receipts)	Receivable /(payable)	Net payments /(receipts)	Receivable /(payable)
	£000	£000	£000	£000
Ofsted	143	-	320	-
Broad Horizons Education Trust	3,212	-	41,880	-
De Montfort University	249	-	150	-
Twyford Church of England Academies Trust	30,526	-	-	-

Payments to:

- Ofsted relate to inspections
- Broad Horizons Education Trust and Twyford Church of England Academies Trust are schools' funding payments
- De Montfort University are adult education and 16-19 funding payments

13. Events after the reporting period

13.1. Authorisation

These accounts were authorised for issue by the Accounting Officer on the date they were certified by the Comptroller and Auditor General. There have not been any other significant post year end events that have required disclosure in the accounts.

Annexes (not subject to audit)

Annex A – Glossary of terms

Acronym	Full name
AFR	Assurance Framework Record
ALB	Arm’s length body
ARA	Annual report and accounts
ARC	Audit and Risk Committee
BARs	Business Appointment Rules
CEO	Chief Executive Officer
CETV	Cash equivalent transfer value
CSOPS	Civil Servant and Other Pension Scheme
DfE, department	Department for Education
DSG	Dedicated school grant
ESFA, agency	Education and Skills Funding Agency
ET	Executive Team
Five Eyes nations	An intelligence alliance comprising Australia, Canada, New Zealand, United Kingdom and United States of America
FE	Further education
FTE	Full time equivalents
FReM	Financial Reporting Manual
GAG	General annual grant
GDPR	General Data Protection Regulation
GIAA	Government Internal Audit Agency
GPA	Government Property Agency
HMT	HM Treasury
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
ISA	International Standards on Auditing
ITP	Independent training provider
LA	Local authority
LGBT+	Lesbian, gay, bisexual, transgender and other minority sexual orientations and gender identities
MB	Management Board
NAO	National Audit Office
NFF	National Funding Formula
PAC	Public Accounts Committee
PCSPS	Principal Civil Service Pension Scheme
PHSO	Parliamentary and Health Service Ombudsman
PSFA	Public Sector Fraud Authority
RAAC	Reinforced autoclaved aerated concrete
RPT	Related party transaction

Acronym	Full name
SCS	Senior Civil Servant(s)
SoCNE	Statement of Comprehensive Net Expenditure
SoFP	Statement of Financial Position
SPB	Strategic performance board
SRMA	School resource management advisers
TCFD	Task Force on Climate Related Financial Disclosures
VAT	Value added tax

Throughout this report, financial years are written as, for example, ‘2023-24’ and run from 1 April to 31 March.

Academic years are written as, for example, ‘2023/24’. Academy and school academic years run from 1 September to 31 August. College academic years run from 1 August to 31 July.

Annex B – Counter Fraud and Prevention activities

ESFA's investigations casework includes activity on behalf of the department, such as investigating providers delivering apprenticeships. The figures below reflect the full programme of activity carried out by ESFA's Counter Fraud and Prevention team across programmes in ESFA and the department.

Case activity	2023-24	2022-23
Total cases brought forward	57	59
New allegations:		
Academy trusts [28]	47	50
FE colleges	20	28
Independent training providers	75	85
Action taken:		
Did not meet threshold for investigation and/or	(21)	(36)
referred to other teams/bodies for information/action	(100)	(89)
Advice cases [29]		
Cases closed in year	(34)	(40)
Live casework and triage carried forward:	44	57
Academy trusts	6	12
FE colleges	6	8
Independent training providers	32	37

Financial outcomes: error / suspected fraud	2023-24	2022-23
	£m	£m
Total error/suspected fraud [30]	35	43
Total recoveries in year [31]	28	5
Total prevented error/suspected fraud [32]	56	10

28 2022-23 only: Academy trust allegations include self-reported issues.
29 Advice cases relate to casework which has not met the threshold for investigation but where ESFA advises colleagues on how to manage or resolve potential risks to funding.
30 Includes £4 million of detected error relating to non-investigation casework.
31 Includes amounts recovered from prior year cases.
32 Prevented losses are now reported for all investigations relating to post-16 funding. ESFA secured Public Sector Fraud Authority (Prevention Panel) ratification of its official methodology for calculating and reporting prevented losses (as a result of investigation work) in September 2023.

Education & Skills
Funding Agency

An executive agency of the Department for Education

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