# Education and Skills Funding Agency

# Annual report and accounts

Year ended 31 March 2025

An executive agency of the Department for Education

HC 967

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# Performance Report

# Foreword

Welcome to the final Annual Report and Accounts for the Education and Skills Funding Agency (Agency or ESFA). At the end of this reporting year the functions of the Agency transferred back to the Department for Education (the Department). The important work that has been undertaken by ESFA continues and is delivered by teams who are now based within the Department.

Centralising these functions back in the Department has created the opportunity to realise the benefits of an even more joined-up approach. This includes integrated funding services, unified regulatory and oversight functions, as well as a simplified way to support and interact with schools, academy trusts, colleges, providers and the wider sectors.

Inevitably, this report provides an opportunity to reflect on the impact of the Agency during 2024-25 but also over the lifetime of the Agency since its creation in 2017.

Over the past few years, our work has refocused around our core mission of the delivery and assurance of funding to the 25,000 schools, trusts, colleges and training providers with whom we work. This refocus helped to realise our vision, that every pound spent on education and skills should have the greatest possible impact on ensuring all learners can realise their potential.

Since 2022 we have focused on delivering our mission through our Strategic Plan centred around 3 clear outcomes of certainty, support and assurance. In doing so, we brought the Agency closer to the work of the Department, meaning we were well-placed to fully integrate our functions into the Department when we ceased to operate as an executive agency.

In 2024-25 we have had another successful year delivering strongly against our performance metrics which demonstrate strong progress towards the delivery of our three outcomes.

Over the year:

1. we made more than 550,000 individual payments to nearly 13,000 providers, with an accuracy of 99.99%
2. we supported all providers in the education and skills sectors in challenging economic times, with our emergency and supporting funding protecting the education of 61,000 Further Education (FE) learners
3. we made sure taxpayers' money was well spent, with our counter fraud team protecting and preventing £92.4 million of fraud

As an organisation, ESFA has always had the benefit of a clear strategic focus and strong leadership, with high standards set by those who have had tenures as Chief Executive, and the Leadership Teams they have worked with. Guided and overseen by its Management Board, the Agency has successfully delivered one of the largest funding operations anywhere in government.

These achievements were made possible by the terrific commitment from staff across the Agency. We are exceptionally proud to have overseen this part of ESFA's journey and the far-reaching impact we have had in helping to deliver government's priorities. Following the closure announcement, staff have been diligent and responsive during a year of change. Our thanks and gratitude also go to everyone who has worked for and with ESFA since its inception in 2017. We know that colleagues take the best of the Agency with them, which is a credit to the civil service and a huge asset to the Department.

10 July 2025

**Susan Acland Hood**
Permanent Secretary of the Department for Education

**Martin Spencer**
Chair of the Management Board

**David Withey**
Chief Executive

# Overview

This section sets out ESFA's organisational context, strategic priorities and performance highlights from the year.

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

In September 2024, the Secretary of State announced that ESFA would close on 31 March 2025. At that point, ESFA was organised into three directorates

- Corporate, Assurance and Restructuring Directorate (CARD)
- Funding Directorate
- Schools Financial Support and Oversight (SFSO)

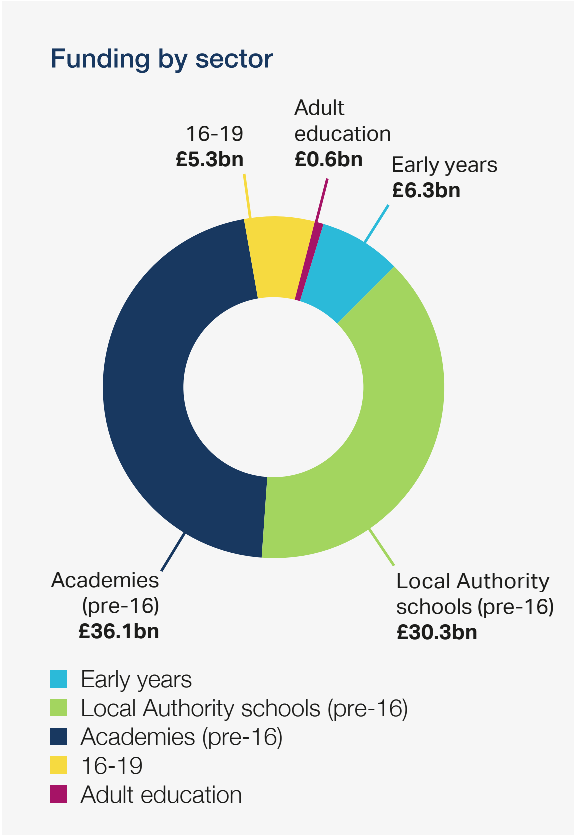
The Secretary of State announced that SFSO would move into DfE on 1 October, with Funding Directorate and CARD joining on 1 April 2025. Accordingly, this report sets out the performance of SFSO whilst it was part of the Agency from 1 April to 30 September 2024. Post-transfer SFSO performance is included in the Department's consolidated annual report and accounts (ARA).

ESFA funded education and skills providers, including:

- local authority maintained schools and early years institutions (through local authorities)
- academy trusts (taxpayer-funded, non-profit companies overseeing one or more schools with academy status)
- special schools (for students with special educational needs)
- further education (FE) colleges (post-16 provision)
- independent training providers (ITPs) (non-college organisations providing post-16 training)

In 2024-25, ESFA distributed £79 billion of funding (up from £72 billion in 2023-24).

**Figure 1: Funding by sector**




ESFA's vision was that every pound spent on education and skills had the greatest possible impact on ensuring all learners could realise their potential. This was supported by three strategic outcomes of certainty, support and assurance. These outcomes framed ESFA's delivery activity and were used to measure organisational performance and outcomes.

Throughout the year, we focused on increasing certainty for the sector by providing:

- certainty on what will be paid and when
- confidence they will be paid the accurate amount at the right time
- services that are accessible and easy to use

We supported providers by:

- building financial management, school business and governance capability
- working with providers facing financial challenges
- recognising that some providers needed more active support

Finally, we provided assurance that taxpayers' money was protected by:

- supporting our sectors with clear guidance and frameworks, and by sharing lessons learnt from funding audits and investigations
- ensuring that robust counter fraud measures are in place
- delivering a robust assurance programme to demonstrate that our funding was used as intended

# Performance summary

**Figure 2: Performance through the year**

## Certainty

This year, we made more than 550,000 individual payments to nearly 13,000 providers.

We did so with an accuracy of 99.99%

We also launched our first sector survey to understand the customer experience for all our users.

## Support

80.6% of academy trusts took up our offer of support with resource management – higher than in 2023-24.

93% of trusts rated their experience of our school resource management advisers as good or very good – again higher than in 2023-24.

In FE, our emergency and support funding protected the education of 61,000 learners.

## Assurance

We delivered a comprehensive programme of funding audits, covering 258 providers.

Our counter fraud team detected and prevented £92.4 million of fraud, higher than in 2023-24.

These investigations were conducted to the highest standards, with 100% of providers rating our teams' professionalism as good or very good.

## Summary of risks and issues

All complex work is subject to risk and uncertainty. To manage this risk and uncertainty the ESFA followed best practice across government, as set out in HMT's Orange Book[1]. This distinguishes between risks and issues. Risks are areas of uncertainty that could materialise as actual problems. If they do materialise, they are referred to as issues.

Given the dynamic context within which ESFA operated, new risks and issues were identified and managed during the year. These arose from the ESFA closure announcement and focused on ensuring a successful transition.

Prominent risks from the previous year continued to be effectively managed.

The principal risks and issues managed in 2024-25 were as follows:

- ensuring the resilience of the funding system
- protecting against fraud and error
- protecting critical IT systems
- supporting FE financial health
- ensuring sufficient resource is available for ESFA's work
- managing the potential impact of progressive climate change
- protecting critical specialist roles
- maintaining staff engagement
- maintaining staff wellbeing
- effective transition of the Funding Service
- maintaining distinct accounting boundaries
- business-critical roles during ESFA's transition and closure

Risks and issues managed by SFSO transferred into the Department along with the directorate on 1 October 2024. On 31 March 2025, ESFA risks and issues were either closed or transferred into the Department, as appropriate.

More detailed information is provided in Risks and issues.

1 https://www.gov.uk/government/publications/orange-book

# Performance analysis

This analysis shows how well we met our strategic outcomes. The ESFA Business Plan 2024-25[2] outlined these outcomes and the metrics we used to measure them.

As the year unfolded, external events shaped the context we worked in. The timing of the general election in July 2024 and the subsequent spending review in October impacted our normal delivery timetables.

Internally, we also worked towards revised KPIs in our 2024-25 business plan, incorporating more challenge to raise the bar on delivery. For example, our new approach to assessing the accuracy of our funding allocations included all activity over the whole year rather than large allocations issued in March. This resulted in us setting more challenging KPIs than previous years.

We also prioritised gathering feedback from the sector, to develop our understanding of how well our outcomes of certainty and support were being achieved. For the first time, our sector survey sought to capture wider perceptions of the funding service. In addition, providers having direct interaction with our teams were also asked to feedback on our professionalism.

Throughout, our teams worked in partnership with providers and local authorities to deliver the performance set out in this section.

## Strategic outcomes

ESFA's vision was that every pound spent on education and skills had the greatest possible impact on ensuring all learners could realise their potential.

To deliver this, our business plan continued to be structured around three outcomes:

### Outcomes

**Certainty**

Those we fund have certainty in their funding, enabling them to plan effectively.

**Support**

Those we fund can access high quality support and guidance, protecting against financial difficulty.

**Assurance**

Taxpayers' money is used for its intended purpose.

2 https://assets.publishing.service.gov.uk/media/669501d8fc8e12ac3edafc84/14.446_DfE_ESFA_Business_Plan_2024_to_2025.pdf

## Performance review

### Strategic outcome: Certainty

Ensuring that funding is both timely and accurate is essential, providing the education sector with the certainty they need to plan effectively.

#### Allocations and payments

An allocation is the confirmed amount of funding due 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, although often an academic year).

ESFA aimed to issue allocations as soon as possible, to give providers notice ahead of the upcoming academic year, and to provide them with certainty enabling effective planning. We performance measure if allocations were timely and accurate:

- if we issued them within the published timetable
- if we did not need to correct them for reasons outside of the provider's control (for example, data errors within DfE or ESFA)

During 2024-25, ESFA issued allocations of over £151.7 billion to education and skills providers. Allocations can cover different years, as allocations for the previous year may be updated alongside current and future years being calculated. This results in more allocations than payments. The largest allocations include:

- academies' general annual grant (GAG) [3]
- dedicated schools grant (DSG) for local authorities [4]
- 16 to 19-year-olds [5]
- 19+ allocations [6]
- pupil premium grant [7]

Our timeliness performance this year was 97.35%. A delay to the pupil premium allocations for 2024-25, which was caused by a data issue being identified, was a key factor in the timeliness performance level. Delayed decisions on budgets for 16 to 19 and 19+ allocations also impacted timeliness. In instances like this, we prioritised accuracy over timeliness to provide certainty to those we fund.

Our timeliness performance is lower than the 100% reported in 2023-24. However, we have changed how we measure this KPI between the two years and so it is not possible to directly compare the two performance levels. The KPI for 2024-25 measured all allocations throughout the year, making it a more challenging target than in previous years where the KPI only included the large allocation exercises completed in March.

Our accuracy performance this year was 99.99%. Inaccurate allocations were corrected, and these provided an opportunity for us to learn and strengthen our processes.

Last year we reported 99.9% performance for allocation accuracy. As with allocation timeliness, the KPI this year was wider and more demanding, measuring all allocations throughout the year. As such, performance cannot be directly compared with previous years.

This year, we approved 555,034 individual payments, to 12,777 providers directly.

The total value of payment errors reduced significantly in 2024-25, with a value of £14.8m compared to £23.3m for 2023-24.

3 https://www.gov.uk/government/publications/academies-general-annual-grant-allocation-guides-2024-to-2025/academy-general-annual-grant-allocation-guide-2024-to-2025-academic-year
4 https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2024-to-2025
5 https://www.gov.uk/guidance/16-to-19-education-funding-guidance
6 https://www.gov.uk/guidance/19-funding-allocations
7 https://www.gov.uk/government/publications/pupil-premium-allocations-and-conditions-of-grant-2024-to-2025

This year we successfully reduced errors by scrutinising the underlying issues, conducting lessons learned reviews, and taking corrective actions to drive improvements in our processes. Standard operating procedures were implemented across all payment instruction processes, with ongoing reviews and updates carried out in response to unexpected issues or near misses. Also, using Information Technology we have introduced automated checks which has strengthened our quality assurance.

In addition to allocations timeliness and accuracy, there were improvements in our payment instruction accuracy and our payment instruction timeliness performance remained high. This is shown below, percentages have been disclosed to 3 decimal places to show the movements in performance.

The accuracy of payment instruction this year was 99.992% with an estimated error value of £6.6 million. This is an improvement on 2023-24, when accuracy was 99.971% with an error value of £21.1 million.

The timeliness of payment instructions this year was 99.990% with an estimated value of £8.2 million being late. This is higher than in 2023-24, when timeliness was 99.996% and the value was £3.2 million.

### Provider satisfaction with funding service tools

For the first time this year, we asked providers to rate their experience of using our funding service products. This feedback data was drawn from responses to surveys on our Digital Forms and MYESF tools. 75% of respondents reported themselves as satisfied or very satisfied, in line with the target.

### Sector survey

We also had an objective to improve customer experience for all users of the funding service. As a starting point we created a user experience survey to measure performance against 5 key themes below.

- Certainty: 62% of respondents agreed that they had certainty on what we would pay providers and when
- Confidence: 69% of respondents had confidence that providers would be paid the accurate amount at the right time
- Clarity: 62% of respondents agreed they had clarity on how to comply with the funding rules
- Accessibility/ease of use: 46% of respondents agreed that services that were accessible and easy to use
- Confidence: 32% of respondents agreed they had confidence that we will resolve provider queries quickly

The survey was sent out to c3,000 providers in November 2024 and was completed by 245 providers.

These results provided a useful benchmark and will form part of a broader set of data we use to improve our services going forward. It is important to recognise common survey limitations, such as response bias, where feedback is often skewed towards highly positive or negative experiences.

### Accessibility

We also sought to ensure that our services were inclusive and accessible, with a goal of ensuring that each product met UK accessibility legislation and was inclusive and well-designed. This was a new metric for 2024-25.

We began by focusing on provider-facing services, creating accessibility statements and a plan for improvement. By October 2024, assessments were completed for these services, and fixes were prioritised based on user impact and risk. By April 2025, a compliance backlog had been created, and automated accessibility tests were in place to support ongoing monitoring.

### Service improvement

During the 2024/25 academic year, we launched new digital GAG allocation statements. Instead of downloading a .pdf statement, over 11,000 academies can now view their allocations online in an improved format, developed through extensive user research. The move also means that, for the first time, trusts can see the allocations for all their academies in one place through a single login. The launch was successful, and online digital allocations are now being used as the primary communication from the outset of the 2025/26 academic year.

As well as bringing an immediate improvement to the communication of GAG allocations, this development paves the way for us to display more funding information (for example payments) and include more funding streams (for example, the pupil premium), delivering on our objective of improving user certainty by making funding information clear and accessible in one place.

### Revised guidance

We made sure that providers could easily find guidance to support their governance and financial management, reporting and audit. Our Academy Trust Handbook was reissued in July 2024, alongside guidance on the local government pension scheme (LGPS), and operational guides and guidance on funding rules and formulae.

## Strategic outcome: Support

We worked to ensure that those we fund could access high quality support and guidance, protecting against financial difficulty. We understood that the education and skills sector would only secure good learning outcomes for children, young people and adults, if finances were well managed, funding was spent efficiently and effectively, and financial challenges were tackled quickly.

### Support for schools

Key parts of ESFA's support offer were delivered by SFSO directorate. These measures are only reporting up to SFSO's move into DfE on 1 October.

SFSO supported schools and academy trusts in developing their financial management through capability-building programmes, including:

- delivery of 37 School and Trust Business Professional Mentoring deployments with the aim of developing more effective school business professionals, compared to only 18 at the same point in 2023
- planned provision of funding bursaries to support 58 school business professionals in attainment of formal qualification in School Financial and Operational Leadership
- planned delivery of school resource management (SRM) webinars to 4,000 attendees
- delivery of 5 face-to-face training workshops for school business professionals, out of a planned delivery of 80, delivered through local sector partners (this was a new initiative for 2024/25)

We set challenging targets for capability-building during 2024-25, aiming at 85% of academy trusts taking up our offer of ESFA-led SRM support measures, compared to 79.5% in 2023-24. At 30 September, performance on this metric had already exceeded the previous year's level and stood at 80.6%.

Building financial management capacity continued to be an important part of our programme of supportive, proactive and preventative engagement with academy trusts. In the period covering April to September 2024, 234 school resource management adviser (SRMA) visits were commissioned (compared to 177 by September 2023) consolidating our work to support providers to improve their financial governance and oversight.

ESFA continued to seek feedback on SRMA visits: by 30 September, 93% of respondents reported their experience of SRMA visits good or very good (the comparable prior figure for 2023-24 was 92%). 91% found the recommendations useful, compared to 88% in 2023-24.

### Support for further education

In the FE sector, our specialist restructuring team provided expert financial advice and supported complex college restructurings.

Direct financial support was provided where this protected the interests of learners. This year 9 colleges received emergency funding or loans totalling £25 million, protecting 61,000 learners. Our loan schemes provided a further £91 million to 24 providers, supporting provision to 244,000 learners, while receiving £44 million in repayments. For 3 colleges, payments totalling £6 million, were made earlier than originally scheduled to support with short term cash flow issues.

We also worked with providers to support mergers where this supported the provision of education. For example, the merger this year of Kingston Maurward College with Weymouth College protected learners in Dorset.

From the 16 customer feedback surveys sent out to providers by specialist restructuring, 14 were returned, with 100% of respondents rating our professionalism as good or very good, exceeding our target of 75%. This feedback is an improvement from 2023-24, when 80% of providers rated their experience with us as good or very good.

### LGPS guarantee

In November 2024, DfE provided a Crown guarantee to the LGPS funds for FE bodies operating in the statutory sector.

The guarantee allows LGPS's individual pension funds to apply low-risk funding strategies, similar to those used for academies and local authorities. The change is expected to reduce employer contributions by £20–£30 million annually. ESFA supported the sector by ensuring recognition of the guarantee by pension funds and actuaries. This support enables significant savings, allowing more investment in front-line education.

### Improving the provider experience

We know technology can help make life easier for providers. We introduced new methods to improve data returns from the FE sector and reduce costs:

### Understand Your Funding Reports

Available on the Submit Learner Data platform, these reports provide detailed feedback on data submissions. Providers can respond to feedback faster and use DfE calculations in real time.

### Enter Learning Data

Currently being piloted, this tool will replace the Learner Entry tool to allow providers to submit learner data. It simplifies data collection with instant validation and links to tailored online guidance, making self-service easier.

### Education Record

Piloted with some schools and FE colleges, this mobile app lets learners share their educational data, including prior attainment. It aids applications and enrolment into FE provision, reduces data checking and speeds up decision-making, lowering administration for learners and providers.

### Supporting enquiries

We recognised that providers needed issues resolved in a timely way. For the first time we set targets for responses to enquiries. Performance is set out in the table below.

| Target | Actual |
|---|---|
| Tier 1 enquiries – answered directly by customer success team | |
| 80% in 3 working days | 81% |
| 90% in 5 working days | 88% |
| Tier 2 enquiries – referred to specialists in ESFA to answer | |
| 80% in 10 working days | 78% |
| 90% in 20 working days | 90% |
| Tier 3 enquiries – referred to specialists in ESFA to investigate | |
| 80% in 12 weeks | 78% |
| 90% in 15 weeks | 85% |

Performance improved over the course of the year, and by the end of the year all targets were being met in month. When looking cumulatively over the year, we met or exceeded two of our targets and were just below the target level for the other four.

We have taken several steps to improve response times during the reporting period: enquiry agents have been reallocated to topics with the highest volumes and received additional training in complex areas, we have trained more staff to work on specific types of casework, we introduced the customer help portal to improve user journeys and we improved our internal governance and management information to better monitor performance.

## Strategic outcome: Assurance

Our strategic outcome is to assure taxpayers that their money has been used for its intended purpose.

### Frameworks, audit and assurance

This year, we published a range of documents to support financial reporting and audit. These included:

- updated accounts directions and auditor frameworks for academy trusts, colleges and their auditors
- an updated financial planning handbook for colleges
- common findings from pre-16 and post-16 funding assurance work

ESFA maintained its oversight of the education and skills sectors by delivering a comprehensive programme of funding audits and an assurance programme, including 258 provider funding audits. This comprised:

- 76 academies
- 79 FE colleges
- 91 ITPs
- 12 higher education institutes

ESFA also audited providers delivering apprenticeships to provide assurances on behalf of the Department.

Understanding the importance of timely assurance audits, this year we published targets for the first time. We aimed to complete 75% of our pre-16 funding audits in 28 working days. Our actual performance was 82%. For post-16 audits, we aimed to complete 75% within 100 working days. Our actual performance was 90%.

For the first time this year we also measured the perception within the sector of our assurance teams. We aimed that providers rated team professionalism as good or very good in 75% of cases. Our teams achieved 98%, based on 134 responses.

### Counter fraud and prevention

As a funding agency responsible for administering £79 billion of public funds, ESFA understands and acknowledges the necessity of an embedded counter fraud culture. We are proud to champion collaboration and continuous improvement, and through the continued use of data analytics we have continued to evolve and adapt our ways of working to proactively mitigate against new and emerging risks to public funds. We have delivered year 2 of our Counter Fraud Strategy, with key activity around our 4 pillars:

- **Prevent:** We have continued to focus on fraud prevention through our use of data analytics and collaboration with other government departments to identify and tackle risks and issues early. We have continued to embed lessons learnt from investigations, Cabinet Office reporting requirements, fraud risk assessments and funding risk compliance activity, to embed our culture of continuous improvement throughout ESFA and also the wider Department. We have further developed our Enterprise Fraud Risk Assessment and agreed a fraud and error reduction plan to mitigate these strategic risks.
- **Detect:** We take the protection of public funds extremely seriously and will investigate where it is appropriate and proportionate to do so. 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 our investigation activity is at Annex B.

- **Deter:** Cross-departmental working continued in the year through our relationships with Public Sector Fraud Authority (PSFA) and the Insolvency Service which are formalised through memorandums of understanding. The main purpose of these relationships is to ensure that following ESFA investigations, appropriate sanctions are pursued against individuals identified as potentially responsible for the misuse of public funds.
- **Protect:** During the year we continued our focus on collaboration and support for the sector in protecting themselves against the risks and uncertainties brought by fraud. We developed sector working groups and processes to allow us to share alerts and risks. We continue to use our expertise to support across government through our increased partnership with the PSFA, Functional Leadership Board, Community of Practice and representing the UK on the International Public Sector Fraud Forum, Fraud Risk & Threat Group. We successfully benchmarked against the Government Counter Fraud Functional Standard[8] to assess our counter fraud maturity.

This year our counter fraud team have detected £20.5 million of fraud, above the target of £20 million. We also prevented £71.9 million of fraud, significantly exceeding the target of £40 million. Combined, £92.4 million detected and prevented exceeds the previous year's £90.9 million.

It was also important that our teams conducted their investigations in a timely way. Our counter fraud team aimed for 75% of investigations to be completed with provisional findings reported within 9 months. We achieved 75%. We also aimed for 75% of investigations being fully concluded within 3 months of provisional findings being issued. We exceeded this, achieving 92%.

For the first time this year we also measured the perception within the sector of our counter fraud teams. We aimed that providers rated team professionalism as good or very good in 75% of cases. Our teams achieved 100%, based on 38 returns.

8 https://www.gov.uk/government/publications/government-functional-standard-govs-013-counter-fraud

# 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 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 the year, this resulted in a total budget of £78.6 billion, which included £0.1 billion budget for loans.

ESFA was £0.02 billion or 0.02% above budget due to some funding being demand led.

## Long term expenditure trends

**Table 1: Expenditure reported in the Statement of Comprehensive Net Expenditure (SoCNE) for the last five years**

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Income | - | - | - | (106) | (110) |
| Staff costs | 38 | 46 | 49 | 104 | 101 |
| Resource programme expenditure | 78,545 | 72,064 | 67,229 | 65,347 | 62,293 |
| Capital programme expenditure | 8 | 13 | 17 | 110 | 1 |
| Operating expenditure | 21 | 25 | 25 | 47 | 49 |
| Depreciation, impairment and other non-cash charges | (15) | (4) | 6 | (17) | 61 |
| **Net operating expenditure** | **78,597** | **72,144** | **67,326** | **65,485** | **62,395** |
| Shared service costs (included in operating expenditure above) | 12 | 14 | 14 | 33 | 36 |
| Average staff numbers (whole numbers) | 604 | 714 | 829 | 1,779 | 1,749 |

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 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 (22%) and academies (36%). Post-16 funding represents 7% of resource funding to providers.

Resource programme expenditure increased by £6.5 billion (9.0%) from 2023-24 to 2024-25. This included an additional:

- £3.7 billion for 5- to 16-year-olds, including £1.0 billion additional funding to maintained schools and academies for the NFF, £1.5 billion for the teachers' pay grant and £1.1 billion for the teachers' pensions employer contribution grant
- £2.3 billion for early years due to the expansion in the entitlements
- £0.4 billion for 16 to 19 education to drive forward skills delivery in the further education sector

## Statement of Financial Position (SoFP)

There was an increase in net assets (total assets less total liabilities) of £4 million, the main movements were:

- a £72 million increase in loan assets principally due to providing loans to FE colleges following the reclassification of FE colleges to the public sector
- a £41 million increase in receivables due to grant recoveries
- a £102 million reduction in cash and cash equivalents due to the closure of the Agency

No pension scheme balance is recognised because ESFA participates in the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), which are unfunded multi-employer defined benefit pensions. ESFA cannot identify its shares of the scheme assets and liabilities.

# Risks and issues

Risk is an inevitable result of the complex and dynamic environment the ESFA operated in. Risks and issues were closely managed to ensure that any potential impacts were understood and addressed. This work was overseen by the Audit and Risk Committee (ARC) and Executive Team (ET), in line with the HMT's 'Orange Book' principles.

The closure of ESFA led to significant movement on ESFA's risk register, as risks were transferred and others arose. Below is a summary of the risks and issues managed during the year and live at the end of the year. More details regarding ESFA's risk management can be found within the Governance statement.

A direction for each risk or issue is included below, indicating whether they were stable, increasing or decreasing over the year. Directions marked with an asterisk signify that the risks or issues were raised in year, because of the announcement of ESFA's closure. Their direction should be read as reflecting their stability (or otherwise) from their raising until year end, rather than throughout the whole year.

## Risk 1: Ensuring the resilience of the funding system

This work focused 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.

### 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

Stable

## Risk 2: Protecting against fraud and error

This was an 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 had a counter fraud strategy, counter fraud policy and fraud response plan in place. The Counter Fraud and Prevention Division were assessed against the Government Counter Fraud Functional Standards, as a high performing function across Government, meeting 160 of 189 standards (3 standards were not applicable). There was an Implementation Plan in place to meet any standards that would add value to the counter fraud response.

### Direction for year

Stable

## Risk 3: Protecting critical IT systems

This was an operational risk, focused on ensuring that critical IT systems remain robust and resilient, including to cyber-attack.

### Potential impact

A failure of one of our critical IT systems would have disrupted our ability to deliver funding in a timely and accurate way, potentially threatening the financial viability of providers.

### Mitigation

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

### Direction for year

Stable

## Risk 4: Supporting FE financial health

This was an operation risk, focussed on the ability of the Agency to deliver support to FE colleges experiencing financial difficulties.

### Potential impact

Financial difficulties could have impacted on the quality and quantity of education provided by colleges, as well as increasing the risk of fraud and error.

### Mitigation

Financial Health data and modelling to identify and engage with colleges and close resource monitoring.

### Direction for year

Stable

## Risk 5: Ensuring sufficient resource is available for ESFA's work

This was an operation risk, focussed on ensuring that ESFA maintained the capacity to meet future years' commitments.

### Potential impact

Business plan commitments may have been missed, with consequent reductions in certainty and support for the sector and assurance provided.

### Mitigation

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

### Direction for year

Stable

## Risk 6: Managing the potential impact of progressive climate change

This risk reflected a cross-government priority, considering the potential long-term impacts of climate change on the sector and, by consequence, ESFA.

### Potential impact

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

### Mitigation

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

### Direction for year

Stable

## Risk 7: Protecting critical specialist roles

This was an operation risk, focussed on ensuring the ESFA had the right skills and experience to support its work, particularly in insolvency, digital and data.

### Potential impact

If specialist roles were not filled, delivery could have been at risk and existing staff placed under increasing pressure.

### Mitigation

Workforce and succession planning and talent management were closely managed, alongside ongoing engagement with senior leaders. Critical specialist roles were prioritised within recruitment controls.

### Direction for year

Stable

## Risk 8: Maintaining staff engagement

This was an operation risk, focussed on ensuring high levels of staff engagement with ESFA's work, particularly in light of the closure announcement.

### Potential impact

Lower staff engagement could have resulted in missed opportunities for learning and development, rising rates of attrition and ultimately impacted on the delivery of ESFA's priorities.

### Mitigation

Consistent leadership commitment to staff consultation and feedback, including Civil Service People Survey, regular pulse surveys and engagement with staff networks. Staff development objectives reflected ESFA priorities. Closure and transition work sat within a regular process of communication and updates, in line with ESFA's change commitment.

### Direction for year

Stable

## Risk 9: Maintaining staff wellbeing

This was an operation risk, focussed on ensuring that the ESFA remained a positive and productive workplace with excellent career development and collaboration, reflecting ESFA's commitment to values-based leadership, diversity and inclusion.

### Potential impact

Lower staff wellbeing could have led to decreases in job satisfaction and productivity, and increases in absenteeism and staff turnover, impacting on ESFA's ability to deliver its priorities.

### Mitigation

Professional development networks available for all staff. Line management community structured to provide peer support and learning. Line manager focus on staff wellbeing.

### Direction for year

Stable

## Risk 10: Effective transition of the Funding Service

This was a transition risk, focussed on ensuring that the transition of the Funding service from ESFA to DfE did not result in any disruption to the timeliness or accuracy of payments to the sector.

### Potential impact

An unsuccessful transition could have impacted on the timeliness and accuracy of payments to the sector, reducing certainty for the sector.

### Mitigation

Transition project managed within DfE's Business Central function, drawing on expertise from previous machinery of government changes, including those directly impacting the work of ESFA.

### Direction for year

Stable

## Risk 11: Maintaining distinct accounting boundaries

This was a transition risk, focussed on ensuring that as ESFA staff began to move into DfE prior to the closure of ESFA on 31 March, accounting boundaries were clearly maintained for audit and assurance purposes.

### Potential impact

Should clarity around accounting and financial reporting have decreased, this could have impacted on ESFA's ability to produce accounts in a timely way.

### Mitigation

Our Transition Board maintained oversight of the closure and transition process, guided by clear and transparent accounting principles.

### Direction for year

Stable

## Issue 1: Business-critical roles during ESFA's transition and closure

This was a transition issue, focussed on ensuring that ESFA could continue to deliver against its commitments, in the event that key staff moved on from business-critical roles.

### Potential impact

Loss of expertise could have impacted on the time needed to complete business-critical tasks, increasing pressure on remaining staff and leading to the reprioritisation of other work.

### Mitigation

Business continuity planning was regularly reviewed and a minimum viable service protected. Where appropriate, staff transferring to other roles within DfE could provide ongoing support until closure.

### Direction for year

Stable

# Other information

## Inclusion, engagement and human rights

ESFA aligned with DfE on matters relating to inclusion, engagement and human rights.

On staffing matters, we were guided by the Department's Diversity and Inclusion Strategy 2022-26. A wide range of staff networks and groups, representing the diversity of our workforce, supported senior leaders in creating an inclusive environment. Furthermore, staff were supported and encouraged to volunteer for good causes in their community.

We recognised our obligations under the Equality Act 2010, contributing to 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 ARA.

## Anti-corruption and anti-bribery matters

ESFA adopted DfE policies on anti-corruption, anti-bribery and whistleblowing. ESFA was committed to ethical and honest conduct and to implementing systems that ensured bribery was prevented. ESFA had zero tolerance for bribery and corrupt activities and acted professionally, fairly and with integrity in all business dealings and relationships, wherever in the country it operated.

ESFA constantly upheld laws relating to anti-bribery and corruption in the jurisdictions in which it operated and was bound by the laws of the UK, including the Bribery Act 2010.

All new starters were 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 adopted the Department's whistleblowing arrangements and a dedicated Nominated Officer is also available for support and advice.

## Whistleblowing arrangements

ESFA's whistleblowing facility was operated by the Department on behalf of all employees, past or present, whether working in the Department itself or its arm's length bodies. The policy is communicated to all staff through the intranet and explains how a disclosure can be made. It is also published on GOV.UK. The effectiveness of these arrangements will be reflected in the DfE Group ARA.

During 2024-25, 1 internal whistleblowing case was raised. The concern was upheld and resolved within the line management chain.

## 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 was unable to fully comply with TCFD recommendations and recommended disclosures around governance and risk management, following the announcement of its closure. However, some progress was made prior to the announcement, this is detailed below.

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 ARA. Using average full-time equivalent (FTE) headcount as a comparative measure, ESFA is less than 5% of the size of the departmental group.

### Risk Management

As part of ESFA's overall approach to risk management, climate related risks have been considered and where appropriate escalated through ESFA's governance boards.

More detail on ESFA's exposure to climate related risks and governance of risk management more generally can be found in the Risks and Issues section and Governance Statement.

### Sustainability activity and governance

ESFA was an executive agency operating entirely within DfE's estate and under 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 DfE Group ARA.

As part of the wider departmental group, ESFA recognised its responsibility to reduce environmental impacts and contribute to the Greening Government Commitments. [9]

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

A sustainability group, with Senior Civil Servant (SCS) sponsorship, was established in 2023-24, focusing on how the Agency could build on the Department's commitments and contribute to delivering the Agency's primary aims with a focus on sustainability.

Alongside this governance, ESFA committed to a number of actions around sustainability awareness and knowledge sharing. The headline commitment was to deliver climate and sustainability awareness training to 90% of staff, via an ESFA away day, by the end of 2024-25. However, this was impacted by the closure announcement and subsequent cancellation of the planned ESFA away day.

Instead, training sessions were delivered by the sustainability group. It is estimated that these sessions reached 30% of staff.

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

# 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.

ESFA ceased to exist as an organisation after 31 March, but its primary statutory functions and activities to fund the education sector in England will continue for the foreseeable future by the Department from 1 April. This is demonstrated by the Department’s forward-looking strategies, Estimate and the Spending Review outcome. Therefore, the accounts have been prepared on a going concern basis.

**Susan Acland-Hood**
Department for Education Accounting Officer
10 July 2025

# Accountability report

# Overview

The Accountability Report sets out how ESFA met the accountability requirements to Parliament. It is broken down into three areas:

- corporate governance report which provides an overview of ESFA's leadership and its risk management approach
- remuneration and staff report which details remuneration, staff expenses and policies
- 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 supported the achievement of the Agency's objectives for the year.

## Directors' report

### Non-executive directors

**Martin Spencer**

Chair: Management Board
Management Board

Appointment: September 2018
Termination: 31 March 2025

**John Lakin**

Audit and Risk Committee
Management Board

Appointment: June 2018
Termination:
30 September 2024

**Peter Kane**

Audit and Risk Committee
Management Board

Appointment: November 2021
Termination: 31 March 2025

**Paul Woodgates**

Audit and Risk Committee
Management Board

Appointment: September 2022
Termination: 31 March 2025

**Harjit Sandhu**

Chair: Audit and
Risk Committee
Management Board

Appointment: November 2023
Termination: 31 March 2025

### Executive Team members

**David Withey**

Chief Executive and
Accounting Officer

Appointment: August 2022
Termination: 23 March 2025

**Andrew Thomas**

Chief Operating Officer

Appointment: January 2023
Termination: 31 March 2025

**Gemma Peck**

Director of Funding

Appointment: April 2023
Termination: 31 March 2025

**Lindsey Henning**

Director of Schools, Financial
Support and Oversight

Appointment: October 2023
Termination:
30 September 2024

## Movement in directors and non-executive directors in the year

John Lakin's term of office as non-executive director finished on 30 September 2024. Lindsey Henning transferred with SFSO to DfE on 1 October 2024. David Withey left ESFA on 23 March 2025 and accounting officer responsibilities were transferred to Susan Acland-Hood.

All other directors ceased in their roles on 31 March 2025, in line with the decision to close the Agency and transfer its activities to the Department.

## Register of interests

We maintained a register of interests to ensure that potential conflicts of interest were identified, and appropriate mitigations were put in place. Executive and non-executive board members were required to declare details of company directorships and other significant interests on appointment to the board and on an annual basis. ESFA published the register of interests [10] annually alongside the annual report and accounts.

## Report on personal data breaches

A 'personal data breach' is defined as a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed. Personal data breaches are required by law to be reported to the Information Commissioner's Office where there is a likely risk to data subjects as a result, within 72 hours of discovery.

**Table 2: Number of personal data related incidents reported to the Information Commissioner's Office**

| Date | 2024-25 | 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 was within the scope of the Ombudsman's activities. PHSO report full data with a year delay and ESFA was not always made immediately aware at the time that a complaint was made. For 2024-25 there have been 8 contacts from PHSO notifying us they have received a complaint, none of which have been accepted for investigation.

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.

For 2024-25, there were no complaints.

10 https://www.gov.uk/government/publications/esfa-annual-report-and-accounts-2024-to-2025/register-of-esfa-board-members-interests-for-the-financial-year-2024-to-2025

**Table 3: Number of agency related complaints received by the PHSO**

| | 2024-25 | 2023-24 | 2022-23 |
|---|---|---|---|
| Number of incidents received from PHSO | 8 | - | 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, HMT 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 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 HMT 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 Permanent Secretary as Principal Accounting Officer designated the Chief Executive as the Accounting Officer of ESFA. On the Chief Executive’s departure (23 March 2025), these responsibilities were transferred back to the Permanent Secretary.

The responsibilities of an Accounting Officer are set out in ‘Managing Public Money’ published by HMT. These include 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.

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

## Internal control and risk management framework

As Principal 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 2024, through to 31 March 2025. I received a letter of assurance from ESFA's Chief Executive before his departure. This included a review of effectiveness of ESFA's governance, risk management, and internal control systems.

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

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

### First line of defence: management, controls and culture

The first line of defence was the effective direct management of risks by people who were clear on their role, involved within the processes themselves, and supported to identify and manage risks and issues. This work took place within the directorates. Assurance came directly from those responsible for delivering specific objectives or operations; it provided assurance that performance was monitored, risks were identified and addressed and that objectives were being achieved.

### Second line of defence: oversight

The second line of defence relates to the oversight arrangements in line with set policies and standards, providing support for direct management. It ensured the first line was operating as it should. Within ESFA, oversight came from our ET.

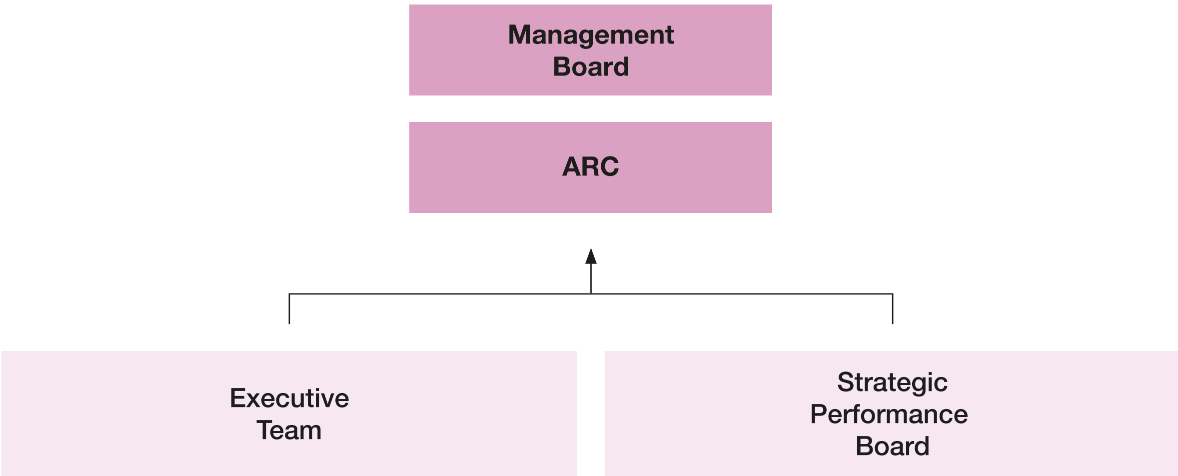
### Third line of defence: independent assurance

The third line of defence brought in independent challenge and assurance from people outside the executive decision-making structures to ensure the whole system was functioning effectively. Within ESFA, this came from ARC, Management Board and the Government Internal Audit Agency (GIAA).

## Board and committee structure

Our governance structure enabled ET 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 the year.




## Management Board

The board provided strategic direction, support, and guidance to achieve business plan goals, ensure organisational effectiveness, and alignment with the Department's mission and strategy.

The board advised the Chief Executive on arrangements that provided assurance on risk management, governance, and internal controls. It advised how to improve performance 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 received assurance on performance against business plan objectives from strategic performance boards (SPBs), covering the outcomes of certainty, support and assurance. Following the transfer of SFSO into the Department, the remaining work of Support Board was incorporated into the Assurance and Certainty Boards.

The SPBs brought together senior stakeholders within ESFA and DfE. They reviewed performance against their outcome and gave assurance on performance to the management board. The SPBs were chaired by a director, with support and challenge from a non-executive director. By providing detailed assurance to the board, the SPBs allowed it to focus its time on items of strategic importance. The board was satisfied with the quality of information received.

The management board periodically reviewed and assessed its own effectiveness. A new board effectiveness review began in the summer of 2024, alongside a skills audit of non-executive directors to inform future recruitment priorities. At the time of the ESFA closure announcement in September 2024, results had been analysed in preparation for reporting back to the board. The announcement meant this work was stopped and oversight of transition work was prioritised.

### Chair

Martin Spencer

### Members

Chair, other non-executive directors and Chief Executive.

Other executives attended as relevant to the agenda.

### Frequency

5 in 2024-25

### Highlights

- regular updates on activity within ESFA and DfE from the Chief Executive and the Departmental Senior Sponsor
- assurance on the activities delegated to other boards in the Agency from the ARC Chair and chairs of the SPBs
- updates on key areas of work, such as the development of the funding service strategy and from the People team
- updates on the closure of ESFA and the transition of work into the Department

The register of interests [11] and summaries of meetings [12] are published.

## Audit and Risk Committee (ARC)

ARC supported 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 ARC on ESFA audit and risk activity.

### Chair

Harjit Sandhu

### Members

Chair and other non-executive directors. The Chief Executive or the Chief Operating Officer were also required to attend.

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

### Frequency

7 in 2024-25

### Highlights

- reports on a range of topics including counter-fraud, shared services with DfE, finance and budgets, and customer services
- regular updates from NAO and GIAA stakeholders
- risk management, including regular reviews of the risk register
- reviewed the progress and preparation of the Agency's ARA including endorsing the finished report

11 https://www.gov.uk/government/publications/esfa-annual-report-and-accounts-2024-to-2025/register-of-esfa-board-members-interests-for-the-financial-year-2024-to-2025
12 https://www.gov.uk/government/organisations/education-and-skills-funding-agency/about/our-governance

## Executive Team (ET)

ET assisted the Chief Executive, as the Accounting Officer, to discharge his duties and ensure the efficient and effective management of ESFA. The Executive Team was responsible for implementing the strategies agreed by the Management Board and for overseeing operational delivery, performance and risk against the business plan. It was a forum for directors 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

11 in 2024-25

### Highlights

- regular updates on core areas of work, including finance, people and digital and data
- regular deep dives into risks to ESFA's work and outcomes
- discussing wider topics of interest such as business transformation, fraud and error, and sustainability

## ESFA closure and additional governance arrangements

On 11 September 2024, the Secretary of State announced that ESFA would close on 31 March 2025, with its functions transferring to the Department.

As a result, SFSO transferred into DfE's Regions Group on 1 October 2024. This ensured that financial improvement was central to school improvement and supported the launch of Regional Improvement for Standards and Excellence (RISE) teams in January 2025.

Funding Directorate and CARD moved into the Department on 1 April 2025, centralising the Agency's centres of excellence together with related functions in the Department. Together they formed a new, single directorate, Funding and Financial Oversight.

An ESFA Transition Delivery Board was established, composed of directors and key DfE stakeholders in the change. The delivery board was responsible for overseeing the transfer of our work and people into the Department with minimal disruption to the sector, as well as ensuring the formal closure of ESFA.

The board reported into a Senior Steering Group, comprised of Jane Cunliffe (DfE Director General, Operations and Infrastructure Group), John Edwards (DfE Director General, Regions Group) and David Withey. The group reviewed and approved the activity and decisions of the transition board.

The closure of ESFA also meant that ARC would not be able provide oversight of the ARA process beyond 31 March. Formal responsibility passed to DfE ARC with the closure of ESFA. To support DfE ARC in this work, an oversight group was established, comprising the Management Board chair, ESFA ARC chair and DfE Operations and Infrastructure Group (OIG) ARC sponsor. From April 2025, this group reviewed this ARA in detail and provided assurance to DfE ARC.

## Meeting attendance

The table below shows meeting attendance during 2024-25. Not all members were in post throughout the year (for more details, see Directors' Report, above). Both attendance and the number of meetings available to members to attend are provided, presented as "X/X". NM indicates non-member.

**Table 4: Meeting attendance for the year**

| | Management Board | Audit and Risk Committee | Executive Team |
|---|---|---|---|
| **Non-executive directors** | | | |
| Martin Spencer | 5/5 | NM | NM |
| Harjit Sandhu | 5/5 | 7/7 | NM |
| Peter Kane | 5/5 | 6/7 | NM |
| John Lakin | 3/3 | 2/4 | NM |
| Paul Woodgates | 4/5 | 7/7 | NM |
| **Executives** | | | |
| David Withey | 4/5 | 6/7 | 10/11 |
| Lindsey Henning | NM | 3/4 | 5/5 |
| Andrew Thomas | NM | 7/7 | 10/11 |
| Gemma Peck | NM | 5/7 | 10/11 |

## Compliance with the Corporate Governance Code

ESFA governance was regularly reviewed to ensure it remained compliant with the relevant areas of the Cabinet Office's 'Corporate Governance in Central Government Departments: code of good practice' and the HMT's Orange Book guidance on risk management. No major departures were identified in the year.

## Risk management

ESFA's risk management work was aligned to the Department's approach and complied with risk management guidance used across government, such as the Orange Book. Within that architecture, ESFA had its own risk management framework and statement of risk appetite, defining and guiding the Agency's approach to risk.

ESFA reviewed its risk management framework in 2024-25 to ensure it still reflected best practice. This framework informed the risk management work of teams and individuals, helping us to achieve consistency and effectiveness across the Agency. ESFA's statement of risk appetite was updated in 2023-24.

Individually, directors were accountable for programme delivery and they owned risks to the delivery of strategic objectives. Collectively, ET was responsible for scrutinising risks and supporting improvements. ARC was regularly updated on risks, enabling effective challenge and oversight of their management. Where risks were deemed to have wider departmental impact, these could be escalated to the Department's Performance and Risk Committee. Risks identified and managed in during 2024-25 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 the year. I consider that our 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 the year 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.

The AFR 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.

A new Sustainability strand was added to the AFR process this year. It received 'limited' or 'moderate' ratings, indicating a need for focus and improvement in this area. Overall, the AFR for 2024-25 demonstrates continuous improvements in most areas compared to 2023-24, with 'substantial' assurance ratings, indicating the framework of governance, risk management and control is adequate and effective.

The Financial Assurance and Controls Team review and assess responses. Results and conclusions from the AFR exercise have been shared with the Department.

## Assurance of funding to providers

The Agency's Head of Assurance has provided 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 grants paid to local authorities. This year there have been two main considerations, the historical delays in local authorities publishing their financial statements and the expansion of the Early Years Childcare Programme, which forms part of the Dedicated Schools Grant (DSG) and is paid directly to local authorities.

To tackle the backlog of unaudited local authority accounts, the Ministry of Housing, Communities and Local Government (MHCLG) amended the Accounts and Audit Regulations 2015 and, in August 2024, introduced backstops, requiring local authorities to publish all audited accounts for all years up to and including 2022-23 by 13 December 2024, and for 2023-24 by 28 February 2025. Whilst the majority of local authorities have met these deadlines, it has led to a number of accounts with disclaimed audit opinions, where the auditors have been unable to complete sufficient work to provide a full opinion. At the time of our assurance report, of the 153 expected sets of accounts, 41% had unqualified opinions, 47% had a disclaimed opinion, 3% had a qualified opinion and 9% remained outstanding. For those local authorities assessed as presenting an increased risk due to their accounts position and other identified control weaknesses, we sought additional assurances by reviewing and assessing other audit evidence.

The significant expansion of the Early Years Childcare Programme, with the introduction of new age groups of young children, new childcare entitlement criteria for working parents and therefore significantly increased funding, has led us to consider this to be an area of potential risk. In response to this risk, we have significantly increased our assurance work in this area, focusing on local authorities' controls arrangements over early years provision and carrying out additional testing through our funding audit work.

We concluded that, considering both areas of assurance activity, funds allocated to local authorities had been used for the purposes intended. However, we recognise that this will continue to be an area of risk and therefore focus in future years, given the future further expansion in early years funding.

In addition to the operational assurance activity, the Frameworks Team develops and maintains the financial accountability frameworks for providers. This includes producing a suite of documents including financial handbooks, accounts directions, auditor frameworks and good practice guides.

Framework documents are developed in consultation with stakeholder groups, to provide the framework for strong governance and financial control environments, and therefore to help support providers to maintain sound financial governance and management arrangements.

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 had its own dedicated Counter Fraud and Prevention team providing support and guidance to identify and mitigate fraud and financial risk.

ESFA took the protection of public funds extremely seriously and investigated where appropriate. Where organisations and individuals were found to have misused public funds, we sought to maximise recoveries and put in place appropriate sanctions. ESFA had an effective four pillar counter fraud strategy in place. More detail can be found in the Performance Analysis, above.

## Assurance of shared services functions

ESFA received several corporate services from the Department including technology, estates and security, transactional finance, legal and HR. Service level agreements were in place between ESFA and the Department covering these services. Key monthly metrics were reported to the Executive Team. Directors were sent monthly prompt payment data which was used to improve our use of finance services.

GIAA carried out the financial controls testing for the Department previously performed by the Department's own Financial Controls Team. GIAA's review resulted in a Moderate opinion with recommendations for improvement covering aspects of debt management and line managers taking timely actions where required. Actions to address the findings have been agreed.

## Assurance of interests and business appointments

ESFA followed DfE policies for managing conflicts of interest. All staff had to 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. All staff completed an annual return. It was the responsibility of staff to update their line managers in-year, as appropriate.

Potential conflicts were managed within each business area, through conversations with the individual's line manager to establish whether it represented an actual conflict and if so, to put in place a management plan.

For assurance purposes, as part of their AFR, each SCS was asked to confirm whether any conflicts of interest were identified in their areas and, if so, confirm that they were appropriately managed in line with departmental policy. For the reporting year, conflicts of interest that were identified were appropriately managed in line with guidance and declared.

### Business appointment rules (BARs)

To comply with the BARs, ESFA relied 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. [13]

The process requires individuals to discuss with their manager all offers of intended appointments or employment as early as possible and before any commitment or announcement was 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.

In 2024-25 we strengthened controls in this area. This included incorporating BARs in monthly workforce commissions, a central team contacting individuals leaving to confirm BAR processes have been followed and increasing awareness of BARs via communications.

## Internal audit

Internal audit services were provided by GIAA.

GIAA's Head of Internal Audit provided a summary of each audit and an annual report, which incorporated an opinion on the system of governance, risk management and internal control. The opinion was informed by the internal audit work completed during the year in line with the internal audit plan agreed by the Chief Executive, ET and ARC. Of the four possible opinion ratings (substantial, moderate, limited or unsatisfactory), the rating given by GIAA for 2024-25 was substantial.

A substantial rating means that GIAA recognise that the framework of governance, risk management and control is adequate and effective.

13 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 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.

ESFA 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 also received a letter of assurance from ESFA's Chief Executive before his departure. This included a review of effectiveness of ESFA's governance, risk management, and internal control systems.

I am satisfied that the Agency's internal control, risk management and governance arrangements were working effectively.

**Susan Acland-Hood**
Department for Education Accounting Officer
10 July 2025

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 Service Remuneration 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.

| | | | | | 2024-25 |
|---|---|---|---|---|---|
| | Salary | Bonus | Benefits-in-kind | Pension benefits | Total |
| | £000 | £000 | to nearest £100 | to nearest £1,000 | £000 |
| David Withey<br>to 23 March 2025<br>annualised value | 150-155<br>(150-155) | - | 10,400 | 70 | 230-235 |
| Andrew Thomas | 120-125 | 0-5 | - | 70 | 190-195 |
| Gemma Peck | 110-115 | - | - | 56 | 165-170 |
| Lindsey Henning<br>to 30 September 2024<br>annualised value | 50-55<br>(100-105) | - | - | 75 | 125-130 |

| | | | | | 2023-24 |
|---|---|---|---|---|---|
| | Salary | Bonus | Benefits-in-kind | Pension benefits | Total |
| | £000 | £000 | to nearest £100 | to nearest £1,000 | £000 |
| | | | | restated | restated |
| David Withey | 145-150 | 0-5 | 11,000 | 228 | 390-395 |
| Warwick Sharp<br>to 23 October 2023<br>annualised value | 60-65<br>(105-110) | - | - | 23 | 80-85 |
| Owen Jenkins<br>to 3 April 2023<br>annualised value | 5-10<br>(75-80) | - | 200 | - | 5-10 |
| Andrew Thomas | 115-120 | 0-5 | - | 112 | 230-235 |
| Gemma Peck<br>from 24 April 2023<br>annualised value | 95-100<br>(100-105) | 5-10 | - | 6* | 110-115 |
| Lindsey Henning<br>from 23 October 2023<br>annualised value | 45-50<br>(95-100) | 0-5 | - | 25 | 70-75 |

* This figure has been recalculated by the pension scheme administrator due to a retrospective update to salary data.

### 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, which means ESFA provides the necessary allowance to cover the tax impact of benefits-in-kind, where present. This report is based on accrued payments made by the Agency and thus recorded in this ARA.

### 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 one Executive Team member received a benefit-in-kind to cover the cost of multi-site working (prior year: 2). 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. ESFA covers the cost of these expenses as a benefit-in-kind, as permitted by the Civil Service Management Code.

### 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 2024-25 relate to performance in 2024-25 and the comparative bonuses reported for 2023-24 relate to the performance in 2023-24.

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 2024-25 relate to the performance in 2023-24 and the comparative bonuses reported for 2023-24 relate to the performance in 2022-23.

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.

### Pensions

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

The pension benefits of any members affected by the public service pensions remedy which were reported in 2022-23 based on alpha membership for the period between 1 April 2015 and 31 March 2022 have been reported since 2023-24 based on Principal Civil Service Pension Scheme (PCSPS) membership for the same period.

## Non-executive director fees

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

| | 2024-25 | 2023-24 |
|---|---|---|
| | £000 | £000 |
| Martin Spencer | 10-15 | 10-15 |
| John Lakin<br>to 30 September 2024<br>annualised value | <br>0-5<br>(5-10) | <br>5-10 |
| Peter Kane | 5-10 | 5-10 |
| Paul Woodgates | 5-10 | 5-10 |
| Harjit Sandhu<br>from 1 November 2023<br>annualised value | <br>10-15 | <br>5-10<br>(10-15) |
| Hunada Nouss<br>to 30 November 2023<br>annualised value | <br>- | <br>5-10<br>(10-15) |

Dates of office can be found in the Directors' report. Where non-executive members joined or left the board during the year, annualised remuneration is presented in brackets.

## 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. These calculations are based on directors and employees in post at year-end.

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 at year end was £160,000 – £165,000 (prior year: £160,000– £165,000). This was 3.8 times the median (prior year: 4.0). The median remuneration of the workforce was £42,544 (prior year: £40,258). 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 increase is due to the annual pay review.

In the year, no employees (prior year: none) received remuneration in excess of the highest-paid director. Remuneration ranged from £26,000 – £165,000 (prior year: £23,000 – £165,000).

**Table 5: Pay multiples for the last two years**

| | | 2024-25 | | 2023-24 |
|---|---|---|---|---|
| | Salary | Total pay and benefits | Salary | Total pay and benefits |
| | £ | £ | £ | £ |
| Band of highest paid director (£000) | 150-155 | 160-165 | 145-150 | 160-165 |
| Range (£000) | 25-155 | 26-165 | 23-150 | 23-165 |
| Upper quartile | 56,353 | 57,083 | 53,669 | 54,251 |
| Median | 42,109 | 42,544 | 39,774 | 40,258 |
| Lower quartile | 35,738 | 36,163 | 33,119 | 33,588 |
| | Ratio | Ratio | Ratio | Ratio |
| Upper quartile | 2.7:1 | 2.8:1 | 2.7:1 | 3.0:1 |
| Median | 3.6:1 | 3.8:1 | 3.7:1 | 4.0:1 |
| Lower quartile | 4.3:1 | 4.5:1 | 4.5:1 | 4.8:1 |

**Table 6: Percentage change in the total salary and bonuses of the highest paid director and the staff average**

| | 2024-25 | | 2023-24 | |
|---|---|---|---|---|
| | Highest paid director | Staff average | Highest paid director | Staff average |
| | % change | % change | % change | % change |
| Salary and allowances | 3.4% | 5.4% | 15.7% | 4.3% |
| Bonuses | (100%) | 35.8% | 0% | (65.4%) |

On average employees, excluding the highest paid director, had a pay and benefits increase of 5.4% (prior year: 4.3%). These are in line with the Civil Service pay guidance.

## 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. [17]

| | Accrued pension at pension age as at 31 March 2025 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2025 | CETV at 31 March 2024 (Restated) | Real increase in CETV |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| David Withey | 30-35 | 2.5-5 | 544 | 473 | 43 |
| Andrew Thomas | 40-45 | 2.5-5 | 728 | 650 | 45 |
| Gemma Peck | 35-40 | 2.5-5 | 568 | 509* | 32 |
| Lindsey Henning | 30-35 | 2.5-5 | 587 | 510 | 67 |

* This figure has been recalculated by the pension scheme administrator due to a retrospective update to salary data.

David Withey and Lindsey Henning's CETV is at their dates of leaving, 23 March 2025 and 30 September 2024 respectively, not 31 March 2025.

Accrued pension benefits included in this table for any individual affected by the public service pensions remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The public service pensions remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

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

## Cash equivalent transfer value (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

## Real increase in CETV

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

## Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the PCSPS, which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes and ESFA cannot identify its share of the scheme assets and liabilities. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the pensions increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HMT. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

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 (the "McCloud judgment").

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 [18] 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.

The accrued pension benefits, CETV and single total figure of remuneration reported for any individual affected by the public service pensions remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The public service pensions remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General master trust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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 earnings (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).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk. [19]

### Compensation on early retirement or for loss of office

The Agency paid no compensation on early retirement or for loss of office in the year (prior year: £nil).

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

# Staff report: part A (audited)

## Staff costs

| | | | 2024-25 | 2023-24 |
|---|---|---|---|---|
| | Permanently employed staff | Other | Total | Total |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 27,059 | 243 | 27,302 | 33,487 |
| Social security costs | 3,109 | - | 3,109 | 3,912 |
| Pension costs | 7,699 | - | 7,699 | 8,596 |
| **Total** | **37,867** | **243** | **38,110** | **45,995** |

In the table above, Other includes costs for agency staff.

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, this does not include agency staff.

| | | | 2024-25 | 2023-24 |
|---|---|---|---|---|
| | Permanently employed staff | Other | Total | Total |
| | Number | Number | Number | Number |
| Directly employed | 603 | 1 | 604 | 714 |

In the table above, Other relates to an employee seconded to the Agency.

## Pension schemes

### Civil Service pensions

The PCSPS and Civil Servant and Other Pension Scheme (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. [20]

This year, employers' contributions of £7.7 million (prior year: £8.6 million) were payable to the PCSPS and CSOPS at 28.97% of pensionable earnings. Employer contributions for the next year will be the responsibility of DfE, following ESFA's closure. These are estimated to be £7.0 million. (prior year: £9.1 million).

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

20 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 year, employers' contributions of £63,000 (prior year: £57,000) were paid to one or more of the panel of three appointed stakeholder pension providers.

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 (prior year: £2,000), 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 £6,000 (prior year: £7,000). Contributions prepaid at that date were £nil (prior year: £nil).

### Ill-health retirement

No persons (prior year: none) retired early on ill-health grounds.

## Reporting of Civil Service and other compensation schemes

| | | | 2024-25 | | | 2023-24 |
|---|---|---|---|---|---|---|
| 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 | - | 3 | 3 | - | - | - |
| £10,001-£25,000 | - | - | - | - | - | - |
| £25,001-£50,000 | - | - | - | - | - | - |
| £50,001-£100,000 | - | - | - | - | - | - |
| £100,001-£150,000 | - | - | - | - | 1 | 1 |
| **Total number of exit packages** | **-** | **3** | **3** | **-** | **1** | **1** |
| **Total costs (£000)** | **-** | **5** | **5** | **-** | **107** | **107** |

Two exit packages in 2024-25 are additional costs relating to previous exit schemes.

Other agreed exit costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972.

The table above shows the total cost of exist packages agreed and accounted for in 2024-25 (2023-24 comparative figures are also given). £5,000 exit costs were paid in 2024-25 (2023-24 £107,000 was paid).

# Staff report: part B (unaudited)

## Analysis of staff policies and statistics

## Our people

### Staff by grade and gender

**Table 7: Headcount for permanent staff at their substantive grade**

| Grade | 2024-25 | | | 2023-24 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| | Number | Number | Number | Number | Number | Number |
| **SCS** | | | | | | |
| CEO | - | - | - | 1 | - | 1 |
| Director | 1 | 1 | 2 | 1 | 2 | 3 |
| Deputy Director | 4 | 4 | 8 | 7 | 6 | 13 |
| **Non-SCS** | | | | | | |
| Grade 6 | 20 | 12 | 32 | 26 | 26 | 52 |
| Grade 7 | 58 | 46 | 104 | 80 | 80 | 160 |
| Senior Executive Officer | 81 | 82 | 163 | 117 | 136 | 253 |
| Higher Executive Officer | 54 | 79 | 133 | 91 | 125 | 216 |
| Executive Officer | 10 | 8 | 18 | 14 | 27 | 41 |
| Executive Assis-tant | - | 1 | 1 | 1 | 1 | 2 |
| **Total** | **228** | **233** | **461** | **338** | **403** | **741** |

Table is based on headcount at 31 March.

### 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

**Table 8: Staff absence for the last five years**

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Sickness absence days per FTE | 7.1 | 5.5 | 6.2 | 6.6 | 6.3 |

The figure disclosed above is lower than the Civil Service average for 31 March 24 of 7.8 days per Full Time Equivalents (FTE), [21] which is the most recent data available.

21 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.

**Table 9: Staff turnover for the last five years**

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Civil Service turnover | 5% | 11% | 9% | 4% | 3% |
| Agency turnover | 4% | 8% | 5% | 7% | 5% |

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 three 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.

We participate 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.

We operate 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 our recruitment policies, we guarantee an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

### People management

Our staff are predominantly civil servants. ESFA will use contractors where necessary to bring in specialist skills or to support specific projects. Civil servants are employed by the Department on its terms and conditions. Recruitment of staff is within the parameters provided by the Department’s policies and procedures.

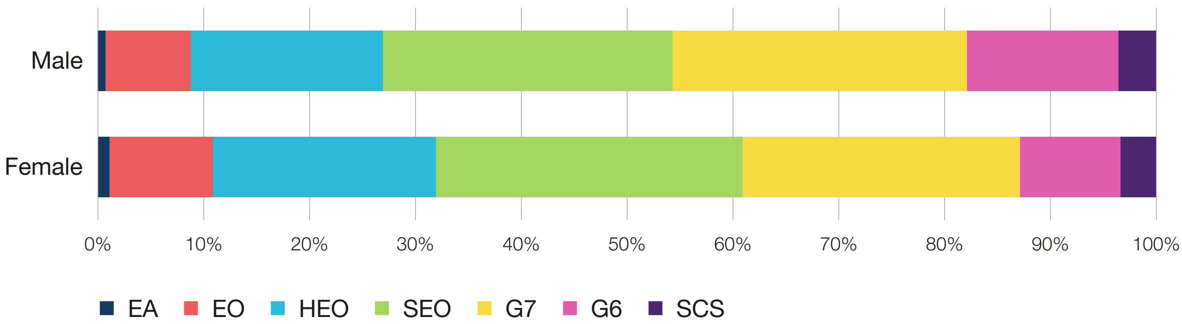
The Department’s diversity delivery plan extends to ESFA. This plan sets out the Department’s objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The Department’s policies include explicitly the employment of 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 2024 was 8.2% (prior year: 4.1%) 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 2024 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 2025 is not available at the time of publication and will be included in the Department's 2025-26 ARA.

**Figure 3: 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.

**Table 10: Responses from the last four People Surveys**

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|---|---|---|---|---|
| Engagement index | 65% | 62% | 61% | 71% |
| Response rate | 90% | 92% | 95% | 90% |

The employee engagement index is a measure derived from five specific survey questions, showing the average level of staff engagement across the Department and its executive agencies. Engagement with the organisation's goals and values and motivated to contribute to organisational success scored 65%.

The information from the survey is used to support development of the Agency's strategies to 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.

**Table 11: Consultancy expenditure for the last four years**

| | 2024-25 | 2023-24 | 2022-23 | 2021-22 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Consultancy | 1,108 | 1,560 | 345 | 726 |

Consultancy expenditure in the year includes deployment costs for school resource management advisers of £1.0 million (prior year: £1.2 million).

### Fire, health and safety

ESFA follows the Department's approach to fire, health and safety. Further information can be found in the DfE Group ARA.

### 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, or senior officials with significant financial responsibility, during 2024-25.

The tables on the following pages set out this information.

**Table 12: Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater**

| | 2024-25 |
|---|---|
| Number of existing engagements as at 31 March 2025 | 5 |
| | |
| Of which the number that have existed for: | |
| less than one year at time of reporting | 1 |
| between one and two years at time of reporting | - |
| between two and three years at time of reporting | 3 |
| between three and four years at time of reporting | - |
| four or more years at time of reporting | 1 |

**Table 13: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater**

| | 2024-25 |
|---|---|
| Number of temporary off-payroll workers engaged during the year ended 31 March 2025 | 6 |
| Of which: | |
| not subject to off-payroll legislation | - |
| subject to off-payroll legislation and determined as in-scope of IR35 | 5 |
| 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 | - |

**Table 14: For any off-payroll engagements of board members, or senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025**

| | 2024-25 |
|---|---|
| Number of off-payroll engagements of board members, or senior officials with significant financial responsibility, during the year | - |
| Total number of individuals on payroll and off-payroll that have been deemed ‘board members, or senior officials with significant financial responsibility’, during the year. This figure includes both on payroll and off-payroll engagements | 9 |

## 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 ARA 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, we operate the three 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

| | 2024-25 | 2023-24 |
|---|---:|---:|
| **Total number of cases** | **319** | **169** |
| **Value** | **£000** | **£000** |
| Cash losses | 5,119 | 192 |
| Fruitless payments | 266 | 1 |
| Claims waived or abandoned | 6,427 | 12,074 |
| Total | **11,812** | **12,267** |

### A1.1 Cash losses over £300,000

| Counterparty | Value of losses |
|---|---|
| | £000 |
| **Limitation period** | |
| Lambeth College | 510 |
| Pendle Primary Academy | 333 |
| **Insolvency** | |
| Vocational Skills Solutions Limited | 633 |

#### Limitation period

The cash losses relate to debts which have surpassed the six-year limitation period, and the Agency has assessed that recovery is not feasible.

#### Insolvency

The provider became insolvent, and the insolvency practitioner confirmed there are insufficient funds for the repayment of this debt.

### 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 |
| **DSG funding** | |
| Medway Council | 3,004 |
| | |
| **Re-brokerage debt forgiveness** | |
| Weymouth College | 1,622 |
| Seckford Trust | 755 |
| The Queensmill Trust | 481 |
| Bright Futures Educational Trust | 369 |

#### DSG funding

This is a write-off for DSG incorrectly used by a local authority due to a historic interpretation of the term “non-schools education budget”. This led to DSG being used for SEND services which are statutory responsibilities of the local authority that should be funded from the general fund.

#### 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.

### A2 Special payments

| | 2024-25 | 2023-24 |
|---|---|---|
| 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

| | 2024-25 | 2023-24 |
|---|---|---|
| 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, we also report 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 has no contingent liabilities.

## 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 and ESFA fully adheres to this.

The suite of standards, and associated guidance, can be found at GOV.UK[22].

**Susan Acland-Hood**
Department for Education Accounting Officer
10 July 2025

22 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 2025 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 2025;
- 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 2025 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 (2024).* 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 2024.* 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 material 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 confirm 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 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
14 July 2025

**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 2025**

| | | 2024-25 | 2023-24 |
|---|---|---|---|
| | **Note** | **£m** | **£m** |
| Staff costs | | 38 | 46 |
| Policy funding | 4.1 | 78,553 | 72,077 |
| Operating expenditure | 5.1 | 21 | 25 |
| Depreciation, impairment, and other non-cash charges | 5.2 | (15) | (4) |
| **Total operating expenditure** | | **78,597** | **72,144** |
| **Net operating expenditure** | | **78,597** | **72,144** |
| Finance income | | (13) | (7) |
| Other (gains)/losses | | 9 | 12 |
| Net (gain)/loss on: | | | |
| -transfer of function DfE | 2 | 16 | - |
| **Net expenditure for the year** | | **78,609** | **72,149** |
| | | | |
| **Comprehensive net expenditure for the year** | | **78,609** | **72,149** |

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 2025**

| | | 2025 | 2024 |
|---|---|---|---|
| | **Note** | **£m** | **£m** |
| **Non-current assets** | | | |
| Intangible assets | | 37 | 31 |
| Loans | 7 | 238 | 163 |
| Receivables | 8 | 1 | 2 |
| | | **276** | **196** |
| **Current assets** | | | |
| Loans | 7 | 22 | 25 |
| Receivables | 8 | 132 | 91 |
| Cash and cash equivalents | 9 | 1 | 103 |
| | | **155** | **219** |
| **Total assets** | | **431** | **415** |
| **Current liabilities** | | | |
| Payables | 10 | (546) | (526) |
| | | **(546)** | **(526)** |
| **Total assets less current liabilities** | | **(115)** | **(111)** |
| | | | |
| **Assets less liabilities** | | **(115)** | **(111)** |
| **Taxpayers' equity** | | | |
| General Fund | | (115) | (111) |
| **Total taxpayers’ equity** | | **(115)** | **(111)** |

**Susan Acland-Hood**
Department for Education Accounting Officer
10 July 2025

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

## Statement of Cash Flows

**For the year ended 31 March 2025**

| | Note | 2024-25 £m | 2023-24 £m Re-presented |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net expenditure for the year | SoCNE | (78,609) | (72,149) |
| Adjustments for non-cash transactions | | 154 | 132 |
| (Increase) in receivables | 8 | (40) | (13) |
| Increase in payables | 10 | 20 | 27 |
| Finance income | | (13) | (7) |
| Other losses | | 9 | 12 |
| Transfer of function | | 16 | - |
| **Net cash outflow from operating activities** | | **(78,463)** | **(71,998)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | | (12) | (10) |
| Loans – issued | 7 | (109) | (118) |
| Loans – repayments | 7 | 49 | 25 |
| **Net cash (outflow)/inflow from investing activities** | | **(72)** | **(103)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Net parliamentary funding – drawn down | | 78,438 | 72,999 |
| Spent on behalf of DfE | | (5) | (818) |
| **Net cash inflow from financing activities** | | **78,433** | **72,181** |
| | | | |
| **Net increase in cash and cash equivalents** | 9 | **(102)** | **80** |
| Cash and cash equivalents at beginning of the year | 9 | 103 | 23 |
| **Cash and cash equivalents at end of the year** | 9 | **1** | **103** |

Loan interest received of £6m has been re-presented in loan repayments for clearer presentation.

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 2025**

| | Note | General Fund £m |
|---|---|---|
| **Balance at 1 April 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)** |
| | | |
| Net Parliamentary funding – drawn down | | 78,438 |
| Comprehensive net expenditure for the year | SoCNE | (78,609) |
| Cost borne by the Department | | (5) |
| | | |
| **Non-cash adjustments** | | |
| Non-cash transactions | | 160 |
| Notional shared service recharges | 5 | 12 |
| **Balance at 31 March 2025** | | **(115)** |

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

### 1.1. Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of intangible assets.

### 1.2. Going concern

ESFA ceased to exist as an organisation after 31 March 2025, but its primary statutory functions and activities to fund the education sector in England will be continued for the foreseeable future by the Department from 1 April 2025. This is demonstrated by the Department's forward-looking strategies, Estimates and the Spending Review outcome. Therefore, the accounts have been prepared on a going concern basis.

### 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 this year.

### 1.5. Early adoption

There has been no early adoption of any accounting standards this year.

### 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 we have not applied a new IFRS that has been issued but is not yet effective.

This is the last year of ESFA's financial reporting, and all the standards described below become mandatory after the closure of the Agency. We were unable to quantify the impact of the changes.

#### 1.6.1. IFRS 17 Insurance Contracts (IFRS 17)

Effective central government bodies for annual periods beginning on or after 1 April 2025.

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).

#### 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 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.

#### 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 there is no effective date for central government bodies.

#### 1.6.4. Non-investment asset valuations

In December 2023 HMT released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (intangible assets). The following changes to the valuation and accounting of non-investment assets is to be included in the 2025-26 FReM for mandatory implementation.

References to assets being held for their 'service potential' and the terms 'specialised/non-specialised' assets are being removed from the FReM. Non-investment assets are instead described as assets held for their 'operational capacity'. This change has no impact on the valuation basis of non-investment assets, which remains existing use value.

An adaptation to IAS 16 will be introduced to withdraw the requirement to revalue an asset where its fair value materially differs from its carrying value. Assets are now valued using one of the following processes:

- a quinquennial revaluation supplemented by annual indexation
- a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years
- for non-property assets only, appropriate indices
- in rare circumstances where an index is not available, a quinquennial revaluation supplemented by a desktop revaluation in year three

The option to measure intangible assets using the revaluation model is withdrawn. The carrying values of intangible assets at 31 March 2025 will be considered the historical cost at 1 April 2025.

#### 1.6.5. Social Benefits

The 2025-26 FReM will include new guidance on accounting for social benefits. The 2025-26 FReM will define social benefits as 'current transfers received by households (including individuals) intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education, or family circumstances.

### 1.7. Segmental reporting

In accordance with IFRS 8 Operating Segments (IFRS 8), we have considered the need to analyse our income and expenditure relating to operating segments. Management 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 draw down of Supply are 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 two main ways:

- grant funding payable under legislation, such as National Funding Formula (NFF) payments funding local authority-maintained schools and academies
- 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 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 are required 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. We do not recognise a prepayment if the end user has not spent the funding due to timing or delays and the grant conditions allow the funding to roll forward. However, where recoveries of overfunding or unspent amounts cross a year end and grant conditions require unspent amounts to be returned, a receivable will be recognised.

### Overfunding

Sometimes funding recipients are paid 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.

We 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 contributions are made to defined contribution and unfunded defined benefit pension schemes (where ESFA cannot identify its share of the 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, 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 and digital services 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 we become party to the contractual provisions of the instrument.

#### 1.13.1. Financial assets

Financial assets include cash and cash equivalents and loans. We determine the classification of our financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus 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.

### 1.14. Value added tax

Most of our activities 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

On 1 October 2024 the Agency transferred the activities, assets and liabilities of the Schools Financial Sustainability and Oversight team to the Department, the net transfer value, relating to academy loans, of £16 million is recognised as a loss on transfer through net expenditure.

On 1 April 2025 following closure of the Agency all remaining assets and liabilities transferred to the Department; the net transfer value was a liability of £115 million which can be seen in the 2025 Statement of Financial Position.

## 3. Staff costs

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

# 4. Policy funding

## 4.1. Summary

| | Note | 2024-25 £m | 2023-24 £m |
|---|---|---|---|
| Schools & early years funding | 4.2 | 72,667 | 66,721 |
| Post-16, skills and support funding | 4.3 | 5,878 | 5,343 |
| Capital funding | 4.4 | 8 | 13 |
| **Total** | | **78,553** | **72,077** |

## 4.2. Schools & early years funding

### 4.2.1. 2024-25

| | Academy | Local authority | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Schools** | | | |
| National Funding Formula | 28,385 | 17,271 | 45,656 |
| High needs funding | 991 | 9,285 | 10,276 |
| Pupil premium | 1,660 | 1,276 | 2,936 |
| Primary sport premium | 147 | 176 | 323 |
| Bursary funding (schools) | 43 | 9 | 52 |
| School improvements | 30 | - | 30 |
| Teachers' pay grant | 1,182 | 899 | 2,081 |
| Core funding schools | 2,614 | 491 | 3,105 |
| Teachers' pension employer contribution grant | 740 | 541 | 1,281 |
| Universal infant free school meals | 282 | 356 | 638 |
| **Early years** | | | |
| Entitlements | - | 6,226 | 6,226 |
| Early years – pupil premium | - | 63 | 63 |
| **Total** | **36,074** | **36,593** | **72,667** |

#### 4.2.2. 2023-24

| | Academy | Local authority | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Schools** | | | |
| National Funding Formula | 26,728 | 17,894 | 44,622 |
| High needs funding | 898 | 9,094 | 9,992 |
| Pupil premium | 1,555 | 1,311 | 2,866 |
| Primary sport premium | 137 | 188 | 325 |
| Bursary funding (schools) | 40 | 8 | 48 |
| School improvements | 41 | 20 | 61 |
| Teachers’ pay grant | 305 | 243 | 548 |
| Core funding schools | 2,804 | 679 | 3,483 |
| Teachers’ pension employer contribution grant | 87 | 58 | 145 |
| Universal infant free school meals | 261 | 365 | 626 |
| **Early years** | | | |
| Entitlements | - | 3,966 | 3,966 |
| Early years – pupil premium | - | 39 | 39 |
| **Total** | **32,856** | **33,865** | **66,721** |

### Mainstream schools National Funding Formula

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 two sectors:

- local authorities receive a DSG allocation, which they use to fund the maintained schools in their area
- academies receive funding through the GAG directly from ESFA

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 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 schools finally receives.

The funding model is based on lagged funding, which means allocations are based on pupil numbers from the previous autumn census data. For schools experiencing growth, local authorities can also use part of their DSG funding to fund the additional pupil numbers. This is for 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. Local authorities have flexibility in how this funding is passed down to settings according to their context.

### 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.

### 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. Core funding also includes other minor grants such as early careers framework payments to support the development of newly-qualified teachers.

### Early years entitlements

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

- 15-hour entitlement for disadvantaged 2-year-olds
- 15-hour entitlement for eligible working parents of children aged 9 months to 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

### 4.3. Post-16, skills and support funding

| | 2024-25 | 2023-24 |
|---|---|---|
| | £m | £m |
| **Post-16 and skills** | | |
| Core funding | 4,475 | 4,071 |
| Adult education | 565 | 528 |
| Bursary funding | 156 | 164 |
| High needs FE | 383 | 363 |
| Free school meals FE | 39 | 37 |
| Other post-16 and skills | 5 | 16 |
| Teachers' pension employer contribution grant FE | 240 | 147 |
| **Support funding** | | |
| Other post-16 and skills | 15 | 17 |
| **Total** | **5,878** | **5,343** |

#### 4.3.1. Policy funding streams

**Core funding**

Core funding [23] 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.

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

### 4.4. Capital

| | 2024-25 | 2023-24 |
|---|---|---|
| | £m | £m |
| Investment in colleges | 8 | 11 |
| Other capital grants | - | 2 |
| **Total** | **8** | **13** |

## 5. Expenditure

### 5.1. Operating expenditure

| | 2024-25 | 2023-24 |
|---|---|---|
| | £m | £m |
| Shared service recharge | 12 | 14 |
| Staff related costs | - | 1 |
| Consultancy and other professional fees | 3 | 4 |
| IT and telecommunications costs | 6 | 6 |
| **Total** | **21** | **25** |

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

Included in non-cash values are audit fees of £480,000 (prior year: £436,000), amortisation charges of £6 million (prior year: £6 million) and a net impairment credit of £21 million (prior year: £9 million credit).

## 6. Financial instruments

### 6.1. Financial assets by category

| | | 2025 | 2024 |
|---|---|---|---|
| | Note | £m | £m |
| **Amortised cost** | | | |
| Loans | 7 | 260 | 188 |
| Cash | 9 | 1 | 103 |
| **Total** | | **261** | **291** |

Receivables are non-contractual relating to recoveries of grant policy funding so are not disclosed.

### 6.2. Financial liabilities

Payables are non-contractual relating to grant policy funding so are not disclosed.

### 6.3. Financial risk

As our cash requirements 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

We are 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 Agency's financing 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. 2025

| | Academy sector | FE sector | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Opening balance at 1 April 2024** | 18 | 170 | 188 |
| New lending | 6 | 103 | 109 |
| Repayments | (5) | (44) | (49) |
| Effective interest | - | 13 | 13 |
| Impairment movement in year | 2 | 16 | 18 |
| Write-offs | (1) | (2) | (3) |
| In-year transfer to DfE | (16) | - | (16) |
| **Balance as at 31 March 2025** | **4** | **256** | **260** |
| | | | |
| Gross value | 5 | 290 | 295 |
| Closing impairment allowance | (1) | (34) | (35) |
| **Total** | **4** | **256** | **260** |
| | | | |
| **Presented as:** | | | |
| Current loans | 2 | 20 | 22 |
| Non-current loans | 2 | 236 | 238 |
| **Total** | **4** | **256** | **260** |

In-year transfer to DfE included impairment

### 7.2. 2024

| | Academy trusts | FE sector | Total |
|---|---|---|---|
| | | Re-presented | Re-presented |
| | £m | £m | £m |
| **Opening balance at 1 April 2023** | 20 | 70 | 90 |
| New lending | 4 | 114 | 118 |
| Repayments | (8) | (17) | (25) |
| Effective interest | - | 7 | 7 |
| 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) |
| **Total** | **18** | **170** | **188** |
| | | | |
| **Presented as:** | | | |
| Current loans | 6 | 19 | 25 |
| Non-current loans | 12 | 151 | 163 |
| **Total** | **18** | **170** | **188** |

Interest repayments of £(6)m were previously included in Effective interest and have been moved to Repayments for clearer presentation.

### 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. The majority of these loans were moved to DfE on 1 October 2024 as part of the SFSO reorganisation.

#### 7.3.2. Loans to the FE sector

Loans are provided 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

| | 2025 | 2024 |
|---|---|---|
| | £m | £m |
| **Amounts falling due within one year** | | |
| Trade and other receivables | 128 | 86 |
| Prepayments | 4 | 5 |
| **Total** | **132** | **91** |
| **Amounts falling due after one year** | | |
| Trade receivables | 1 | 2 |
| **Total** | **1** | **2** |

Trade receivables are shown net of impairment of £13 million (prior year: £19 million). Receivables are mostly policy funding recoveries.

## 9. Cash and cash equivalents

| | 2025 | 2024 |
|---|---|---|
| | £m | £m |
| **Balance at 1 April** | **103** | **23** |
| Net change in cash and cash equivalent balances | (102) | 80 |
| **Balance at 31 March** | **1** | **103** |
| | | |
| The following balances are held at: | | |
| **Cash at bank and in hand:** | | |
| Government Banking Service | 1 | 103 |
| Cash held with solicitors | - | - |
| **Balance at 31 March** | **1** | **103** |

## 10. Current payables

| | 2025 | 2024 |
|---|---:|---:|
| | £m | £m |
| Trade payables | 6 | 8 |
| Other payables | - | 1 |
| Tax and social security payables | 1 | 1 |
| Accruals | 539 | 516 |
| **Total** | **546** | **526** |

Accruals includes £425 million for pupil premium grants (prior year: £398 million) where the allocation is updated in year and so the last instalment is paid after year end.

## 11. Other commitments

### 11.1. Capital

| | 2025 | 2024 |
|---|---:|---:|
| | £m | £m |
| Not later than one year | 19 | - |
| **Total** | **19** | **-** |

FE loan agreements in place but not drawn down.

### 11.2. Post-16 funding

| | 2025 | 2024 |
|---|---:|---:|
| | £m | £m |
| Not later than one year | 2,197 | 2,036 |
| **Total** | **2,197** | **2,036** |

For FE establishments funded under a contractual basis to the end of the academic year, this does not include academy funding which is non-contractual.

## 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, there were material transactions within the Departmental Group.

In addition, the Agency has 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:

| | 2024-25 | | 2023-24 | |
|---|---|---|---|---|
| | Net payments /(receipts) | Receivable /(payable) | Net payments /(receipts) | Receivable /(payable) |
| | £000 | £000 | £000 | £000 |
| Ofsted | 11 | - | 143 | - |
| Broad Horizons Education Trust* | - | - | 3,212 | - |
| De Montfort University | 262 | - | 249 | - |
| Twyford Church of England Academies Trust | 36,464 | - | 30,526 | - |
| Mercia Learning Trust | 26,756 | - | - | - |

* not a related party in 2024-25

Payments to:

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

## 13. Events after the reporting period

### 13.1. Closure of ESFA

On 31 March 2025 ESFA closed with its functions transferring to the Department. On 1 April 2025 all ESFA assets and liabilities transferred to the Department.

### 13.2. 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.


FDM
SLA/DLP
SLS

# Annexes (not subject to audit)

# Annex A – Glossary of terms

| Acronym | Full name |
|---|---|
| AFR | Assurance Framework Record |
| 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 |
| 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 |
| LGBT+ | Lesbian, gay, bisexual, transgender and other minority sexual orientations and gender identities |
| MB, Board | 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 |
| SCS | Senior Civil Servant(s) |
| SoCNE | Statement of Comprehensive Net Expenditure |
| SoFP | Statement of Financial Position |

| Acronym | Full name |
|---|---|
| SPB | Strategic performance board |
| SRMA | School resource management advisers |
| TCFD | Task Force on Climate Related Financial Disclosures |
| VAT | Value added tax |

Throughout this ARA financial years are written as, for example, ‘2024-25’ and run from 1 April to 31 March.

Academic years are written as, for example, ‘2024/25’. 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

In 2024-25 we brought forward 37 ongoing investigations and undertook the following new activity in year.

| Case activity | 2024-25 | 2023-24 |
|---|---|---|
| Total cases brought forward | 44 | 57 |
| New Allegations:<br>Academy Trusts<br>Colleges<br>Independent Training Providers<br>Higher Education Providers | 246<br>81<br>41<br>118<br>6 | 142<br>47<br>20<br>75<br>n/a |
| Action taken:<br>Did not meet threshold for investigation and/or referred to other teams/bodies for information/action<br>Advice cases | <br>(73)<br><br>(139) | <br>(21)<br><br>(100) |
| Cases closed in year | (30) | (34) |
| Live casework and Triage carried forward:<br>Academy Trusts<br>Colleges<br>Independent Training Providers<br>Higher Education Provider | 48<br>5<br>6<br>31<br>6 | 44<br>6<br>6<br>32<br>N/A |

| Financial outcomes: Error / Suspected fraud [24] | 2024-25 | 2023-24 |
|---|---|---|
| | £m | £m |
| Total error/suspected fraud | 21 | 35 |
| Total recoveries in year [25] | 10 | 28 |
| Total prevented error/suspected fraud [26] | 72 | 56 |

24 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.
25 Includes amounts recovered from prior year cases.
26 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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