Education
Funding
Agency

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Annual report and financial statements for the period 1 April 2012 to 31 March 2013

An executive agency of the Department for Education

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Financial Statements presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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Contents

Notes on terminology

This annual report and accounts cover the:

- Education Funding Agency (EFA) in its own right reporting according to the expectations on it as a government agency.
- EFA group of the EFA itself and the 2,108 academy trusts open at 31 March 2013 that the EFA funded during financial year 2012-13.

We have stated which parts of the report apply either to the EFA or to the EFA group.

We use the term 'academy trusts' to cover former city technology colleges, sponsored academy trusts, academy trusts that have converted from local authority control, free schools, university technical colleges, studio, faith and special academies.

A faith academy is an academy with a faith designation order. Faith academies must provide religious education to all pupils at the academy in accordance with the tenets of the academy's faith as set by its faith body.

Many academy trusts are multi-academy trusts in that they have more than one member academy, with each member academy having a funding agreement with the Secretary of State. There were 2,823 academies open at 31 March 2013. We also use the term 'academies' in titles of publications e.g. the Academies Financial Handbook, and to refer to the academies programme and names of EFA teams working with academy trusts.

The EFA funds a wide range of other education providers - including local authorities and their maintained schools, sixth form colleges, general further education colleges, higher education institutions and commercial and charitable providers of learning. These education providers are outside the EFA group.

Chief Executive’s review

This part of the report is about the EFA.

The Education Funding Agency is responsible for the majority of the Department for Education’s (the department) funding of the education system – £51.45 billion in financial year 2012-13. It was created on 1 April 2012 as an executive agency of the department, formed from three parts:

- The Young People’s Learning Agency (YPLA), that was responsible for funding all education and training for learners aged 16-19 years and for learners with learning difficulties and/or disabilities up to age 25, as well as for revenue funding for academy trusts.
- Partnership for Schools (PfS), which was responsible for schools’ and academy trusts’ capital programmes.
- Part of the department which was responsible for funding of local authorities’ maintained schools through the dedicated schools grant.

In the immediate aftermath of the formation of the EFA, we had to make use of contingency arrangements to access our critical business systems. These arrangements lasted throughout the year and meant that we were unable to start the transition to our long-term systems until early in 2013. However, we were able to develop our plans for significant Information and Communications Technology (ICT) investment and improvement and both the department and Cabinet Office have approved and commended our plans. Our investment plan will enable us to improve the service we offer to customers, cope with the growth in demand and reduce our administration costs further.

The accuracy, security and timeliness with which we make funding allocations and payments are vital. Over the summer of 2012, we made significant progress in improving our allocation systems, which enabled us to complete a much more efficient financial year 2013-14 allocations round by the end of March 2013. From the start of the academic year, we allocated all academy trusts’ funding automatically – a major improvement over the mainly manual systems previously in operation. This was particularly important as the number of academies continued (and continues) to grow: from 1,664 on the last day of operation of the YPLA to 2,823 at the end of March 2013.

I am particularly pleased with our work to oversee capital projects to rebuild or improve the condition of 261 schools with buildings in the worst condition, by the end of 2017. This is an innovative programme using a combination of public and private finance, and there has been strong interest from potential bidders for these projects, despite the economic environment. We are continuing to work closely with HM Treasury and the industry to ensure that the way we package these projects generates a good level of demand, driving competition between bidders to deliver value for money.

We have completed our ambitious programme to consolidate academy accounts returns and budget forecasts into the EFA and departmental budgets and accounts. A consolidation on this scale is unique in the UK public sector and we have required more innovation and flexibility than would normally be the case. Consolidation has been a major challenge for both academy trusts in giving us the information we asked for and for the EFA in collecting, validating and aggregating a very large number of returns. Page 13 sets out the process in more detail. Other than the sheer scale of the consolidation and the resources it has needed, one of the two most significant challenges has been the difference in the accounting year-ends for academy trusts and the EFA and the department. The other is that in preparing their accounts, academy trusts use UK generally accepted accounting practice, whereas the EFA uses international financial reporting standards. It has taken us nine months to complete this work, allowing us to publish our accounts in January 2014.

Academy trusts have a financial period ending in August each year, whereas central government uses March. One response to this difference would be for us to ask academy trusts to compile a second set of accounts to March each year, at considerable cost to them. Before we considered asking academy trusts to do this, we carried out a study to examine the differences between accounts prepared in August and those prepared, by the same trusts, in March. This study showed that, for running costs, the differences between the two sets of accounts were minor and we could use academy trusts' August accounts as a reasonable proxy for our March accounts. For the statement of financial position, the outcome was less clear. Valuations of academy trusts' pension deficits, academy trusts' largest liability, varied significantly depending on the timing of the valuation. As a result, we secured independent valuations of pension scheme deficits for all academy trusts as at March 2013. We have used these figures in our accounts.

Academy trusts' accounting for land and buildings, although correct for their statutory duties, was very varied. We therefore obtained valuations of academy trusts' land and buildings as at March 2013 to ensure that these very significant values in our statement of financial position were consistent.

The result of the consolidation represents the most complete and accurate set of consolidated academy trusts' accounts that we have seen to date. Nonetheless, the Comptroller and Auditor General qualified his report on the accounts. We had identified some of the issues the Comptroller and Auditor General raised as part of our work to prepare our accounts. The National Audit Office (NAO) brought other issues to attention in the course of our work. We have been very glad to be able to work with the NAO in identifying issues that have arisen because this is the first year that we have prepared consolidated group accounts in this way. There are four key issues that the Comptroller and Auditor General highlights.

It was difficult for us to obtain a secure opening statement of financial position for the EFA group. This will not recur in future years. We have successfully demonstrated that we can use running costs shown in academy trusts' statutory accounts for the year to 31

August as a proxy for those costs for the year to 31 March. However we have more work to do in demonstrating this proxy is fully valid for academy trusts' capital spend. We have chosen to recognise the value of all academy trusts' land and buildings although we acknowledge the NAO's point that there is no conclusive evidence for us to either recognise, or not recognise, these assets. The final matter was where arrangements for approving some special payments by academy trusts were not wholly in accordance with HM Treasury requirement. We have addressed this issue by amending our requirements going forward.

We are reviewing our consolidation processes with the NAO and HM Treasury to learn lessons from it for financial year 2013-14 and later years. It is however undoubtedly going to be a challenge to find an approach to consolidation that will minimise the burdens on academy trusts, address the causes of qualification and be deliverable within the allowed timescale.

The first year of operation of the EFA has seen significant progress on a challenging agenda, and we are determined that we will continue to have a strong focus on customer service: our two customer surveys carried out in June 2012 and January 2013 reflected this commitment. Both surveys showed that our customers rated EFA staff highly (in January, 55 per cent of respondents said our staff were either excellent or good). We saw improved scores across the range of measures between the two surveys, showing that we have listened and responded to the concerns and opinions of key stakeholders. However, the results also point to more challenges ahead, for example to improve the quality and speed of some of our responses to enquiries and make it easier to locate EFA information on the department's website. Our investment in IT will seek to address these and other issues as we move to a 'digital by default' service delivery model and a single government website, GOV.UK, later in 2014.

To continue our improvement over the next year I will focus our efforts on three cross-cutting issues:

- Building the culture, values and ethos of a delivery organisation which works to secure the best possible customer service and understands the needs of ministers.
- Building our capacity and investing in our people so we have staff with the right skills to meet the challenges ahead.
- Improving our IT systems – including the move towards greater self-service – so that we can become a more effective and efficient organisation.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

I. About the EFA

This part of the report is about the EFA.

Responsibilities

The EFA was established on 1 April 2012 as an executive agency of the department. Our principal responsibilities are to:

- Provide funding for the education of pupils up to age 16 in academy trusts including city technology colleges, free schools, studio schools and university technical colleges.
- Distribute funding for the education of pupils up to age 16 in local authority maintained schools.
- Provide funding for all education and training for learners aged 16 to 19 years.
- Provide funding for learners with learning difficulties and/or disabilities up to age 25.
- Support the delivery of capital programmes for local authority maintained schools, academy trusts and sixth form colleges.

Objectives

We contribute to the delivery of the department's objective to reform the education system so that it raises standards, closes achievement gaps and supports all children and young people, particularly the disadvantaged. Our business plan shows how we will achieve this by delivering four objectives:

- Allocations: ensuring that revenue and capital allocations are accurate and on time.
- Payments: ensuring that funding agreements are in place and payments are made accurately and on time.
- Capital: delivering effective programme management and evaluation of strategic capital programmes that will improve the condition of existing buildings and support the creation of new places for pupils and learners.
- Financial assurance: ensuring the proper use of public funds through financial assurance undertaken by the EFA itself, or by others.

Key organisational performance measures

Our business plan identifies seven performance indicators against which we measure our deliverables of allocations, payments, capital and financial assurance. These indicators are at the centre of a performance framework that we use to monitor our performance, and the key metrics we use to do this are set out below.

	Key Metric	Outcome financial year 2012-13	Notes
Allocations	Proportion of allocations made accurately and on time		
Allocations	Accurately* On time:	99.5% 99.6%	**Accuracy**: 34 annual revenue allocations to academies required re-calculation as a result of EFA policy change **On time**: 32 (of 3,337) capital allocations were issued late
Payments	Proportion of payments made accurately and on time		
Payments	Accurately: On time:	100% 94.9%	Analysis of on time results: On time provider payments were 99.9% On time** supplier payments were 31.9%
Capital	Percentage of academy, free school, university technical college, studio school projects completed on time	88% (volume: 85)	The 10 not on time were all deferred free schools
Capital	Progress on delivery of Priority Schools Building Programme (PSBP)	Construction work is expected to start on the first PSBP school in May 2013	Construction work on the first school started in May 2013
Capital	Progress on delivery of Building Schools for the Future	50 business cases were approved; 1 is currently in review and there are a further 22 left to receive	Business case and approvals volumes were in line with plans
Capital	Progress on securing up to date information on the condition of the nation's schools	Of the 19,384 surveys required: - 8,357 existing surveys have been supplied by local authorities for validation - of the remaining 11,027 almost 7,000 were complete at the end of March 2013	Our interim milestone was to complete 7,400 surveys by the end of March 2013

Financial Assurance	Timely receipt, and where relevant consolidation, of all financial returns from academies, sixth form colleges and local authorities	Timely receipt: Sixth form colleges 100% (volume 188) Local authorities 100% (volume 152) Academies 83% (volume due 8,263) 2 consolidation exercises: (i) Whole of Government Accounts financial year 2011-12 submitted to HM Treasury February 2013. (ii) Consolidation of academy accounts into the EFA and departmental accounts financial year 2012-13 – commencement of project completed in 2013.	Academies: **Budget forecast returns academic year 2012/13**: at June 2013 77% received. Given the proximity to the 31 August year end, the risk of academies in unreported financial difficulty in academic year 2012/13 was deemed to be low. All of those who did not submit a return were contacted to explain they were required to submit their academic year 2013/14 budget forecast (which also includes their academic year 2012/13 outturn). **Other academy assurance returns**: all received by 30 June 2013. **Academy accounts returns** for financial year 2012-13 consolidation due 30 June 2013: 98% received of 1,044 due (as at 15 November 2013).
	External assurance visits undertaken to academies and sixth form colleges in line with the external assurance plan	236 audit visits 37 support visits (to opening academies)	Activity delivered in line with the EFA operational external assurance plan for financial year 2012-13
	Percentage of academy accounts 2011-12 (financial statements) received by 31 December and by 31 March	Accounts received: As at 31 December 2012: 87% As at 31 March 2013: 98%	At 30 June 2013, all but three financial statements had been received
	Percentage of financial management and governance self-assessments being completed by all new academies within four months of conversion (target 90%)	88%	All returns received by 30 June 2013

* Includes annual revenue allocations and allocation of capital funds

** The department's policy is to pay all correctly submitted invoices within 10 days of receipt from the day of physical or electronic arrival at the nominated address. We paid 80 per cent of invoices within HM Treasury's policy of 30 days.

II. Management commentary

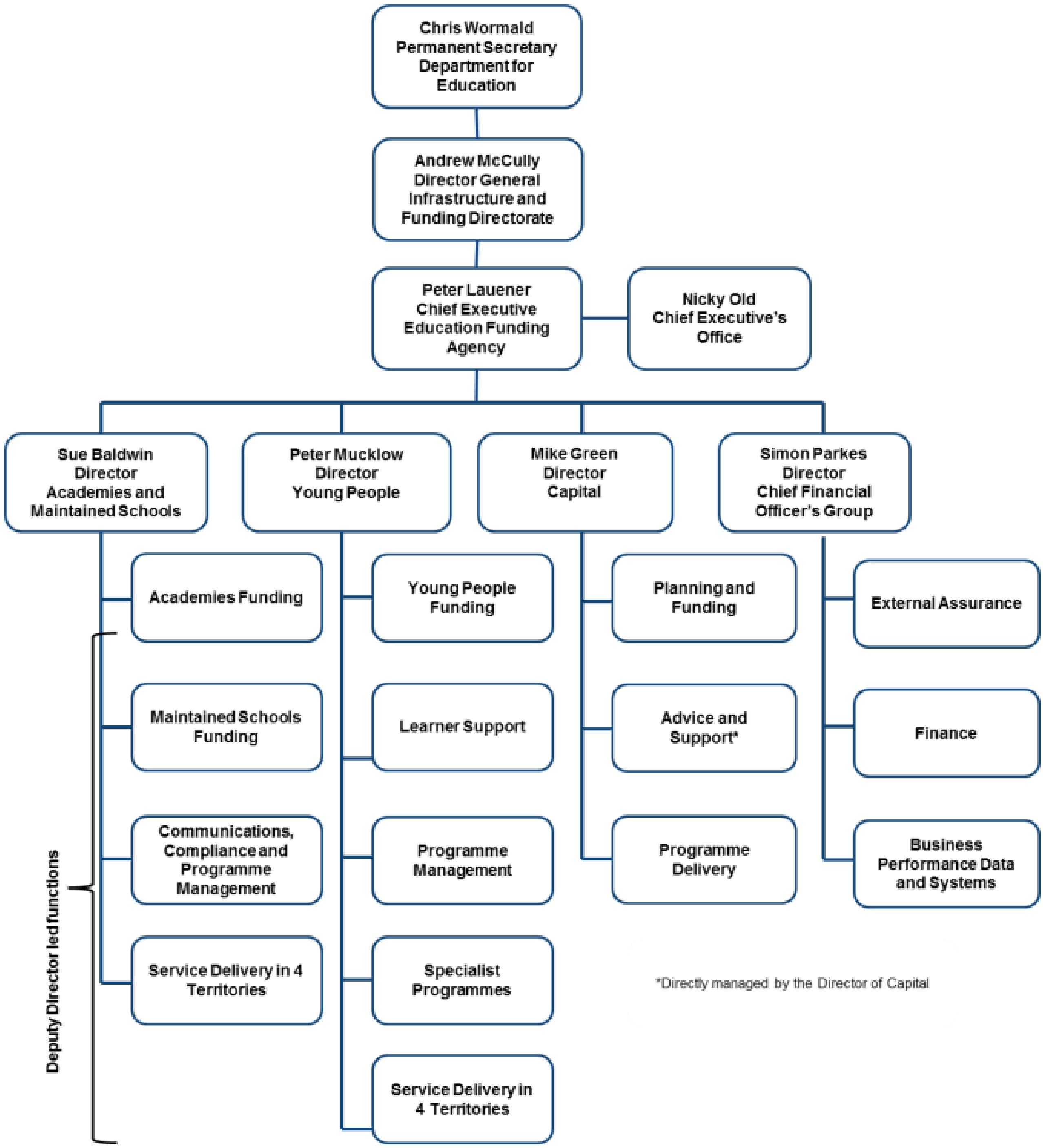
This part of the report is about the EFA.

The department established the EFA to ensure that the line of accountability for the funding of the education system is to ministers. The EFA also brings together capital and revenue expertise in a single body. This union provides an excellent opportunity for streamlining the funding system; making it more efficient and effective.

As Chief Executive for the EFA, I am responsible for its leadership and its day-to-day management. My responsibilities also include:

- Securing the capacity and capability required to deliver the funding arrangements for the education and training of pupils aged 3 to 19 years efficiently and effectively.
- Ensuring the EFA has the financial and accounting systems that allow it to make payments accurately, efficiently and on time and secure proportionate assurance about the regularity, propriety and value for money of its programme spend.
- Developing operational policies and practices that support improved outcomes for children and young people and that deliver ministerial targets for the EFA.
- Advising the Secretary of State and the director general of the Infrastructure and Funding Directorate (the director general) of the impact of policy proposals and decisions on the delivery of policy and of ministers' objectives.
- Reporting regularly on delivery performance, expenditure, risk management and forward planning.

I have organised the EFA into four director-led groups, with each director reporting to me. I report on behalf of the EFA to the director general who reports to the Permanent Secretary for the department.



EFA achievements

I am pleased with the EFA's achievements in its first year, including the significant cost savings we have made compared to our predecessor organisations. We have remodelled our staffing structures to make savings while improving the service we offer to education and training providers. In our first year, we have also:

- Successfully delivered reforms to the funding system, simplifying the system and reducing bureaucracy. This resulted in a significant improvement in the experience for our customers and staff between the allocations in March 2012 and March 2013. Over this period we continued to confirm all academy trusts' annual allocations on time while they increased in number from 1,664 to 2,823. We also continued to confirm all allocations on time for the approximately 2,800 institutions providing education and training for students aged 16 to 19.

- Addressed the urgent condition needs of 261 schools across England, using the Priority Schools Building programme (PSBP), launched in May 2012. We will be building high-quality school buildings faster and more cost-effectively than ever before. By the end of March 2013, the PSBP had already awarded contracts to re-build schools in the Midlands and the North East, and the cost of new school builds has fallen by 40 per cent on average. Our procurement process has also become quicker: schools built under the Building Schools for the Future (BSF) programme took an average of two years in procurement before building work commenced, whereas our predecessor took 26 weeks to procure the first PSBP school. We expect procurement of privately financed school capital projects to take significantly less time (15 months for each project) than the two years taken under BSF.
- Published, in September 2012, a clearer, more straightforward Academies' Financial Handbook that included important new financial freedoms and delegation of authority to academy trusts for the academic year 2012/13. We shortened the handbook from 212 to 26 pages, substantially reducing bureaucracy whilst improving the focus on critical controls.
- Published a customer charter setting out the service standards we aim to deliver, and responding to the findings from the first EFA customer survey. We have made it easier to find EFA information on the department's website, segmented our e-newsletter to target particular customer groups, and introduced a new enquiry unit to support queries from the academy sector.
- Improved the percentage of enquiries dealt with inside five working days from 67 per cent, before our new enquiries service was set up, to 87 per cent in March 2013, and made more efficient our handling of academy trust admission appeals cases, where parents have concerns about how academy trusts have dealt with their appeals. We achieved these improvements over a period where the number of academy trusts has doubled.

Over financial years 2013-15 we will make further efficiencies to release funding for government priorities, whilst maintaining a high level of regional customer support. We will save by reducing the number of sites we occupy from eleven to six. We will develop our IT systems and continuous improvement work further to increase the efficiency and effectiveness with which we can serve the increasing number of academy trusts, while continuing to improve services to other institutions.

Staffing

The EFA is significantly more involved in the procurement process for school buildings than was the case with PfS. We are also overseeing directly the construction of free schools. Following ministerial approval, we recruited more people with specialist skills in the capital group and the external assurance division. To ensure continuity of operational delivery, as an interim measure we have appointed contingent workers either via recruitment agencies or through secondments from external organisations.

During the year, we lost 1,852 days to sickness absence. This equates to approximately 2.8 days sickness absence per employee per year. The average compares favourably to the civil service average of 6.8 and the private sector average of 5.7 days per person. We believe that staff sickness may be under-reported on the department's resource management system, though we are addressing this issue.

We made less progress with vacancy filling than we would have liked. In the summer immediately after setting up the EFA, we had 150 vacancies and this only fell to 120 vacancies by March 2013 (a fall in the vacancy rate from 19 per cent to 16 per cent). We have taken steps to improve our ability to fill vacancies, including limited external recruitment for priority vacancies.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

III. Financial commentary

This part of the report is about the EFA group.

Accounts direction and statutory background

We have prepared these accounts under the Government Resources and Accounts Act 2000. The Secretary of State determines with the consent of HM Treasury the form and the basis of our preparation of these accounts.

Limitations

These accounts as at 31 March 2013 are for the EFA group: the EFA itself and 2,108 academy trusts with 2,823 member academies. The department has agreed with HM Treasury that the EFA should consolidate the relevant financial results of academy trusts into our accounts. Relevant academy trusts are all those open during financial year 2012-13. The EFA group's accounts incorporate the relevant expenditure, assets and liabilities of academy trusts funded by us.

We developed our approach to the consolidation of academy trusts into our accounts in close consultation with the department, HM Treasury, the National Audit Office and academy trusts' representatives. A senior joint steering group of the department and the EFA oversaw the work. Our approach is summarised in box 1 below.

Box 1: our approach to consolidation of academy trusts' financial results

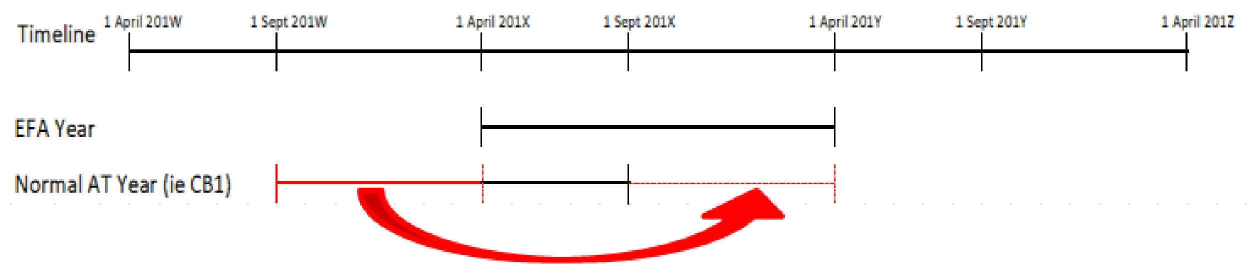
This section sets out the process by which the EFA group consolidated academy trusts' financial results for financial year 2012-13.

The key issues we considered were:

- non-coterminous year ends (almost all academy trusts have a financial year-end of 31 August)
- academy trusts' short and long accounting periods
- valuation of land and buildings
- valuation of academy trusts' liabilities associated with their membership of pension schemes

Our full accounting policies are at note 1 of the audited accounts.

Non-coterminous year ends: using proxy data



For those academy trusts that prepared audited accounts as at 31 August the EFA group has included the financial performance from those accounts as a representation of financial year 2012-13.

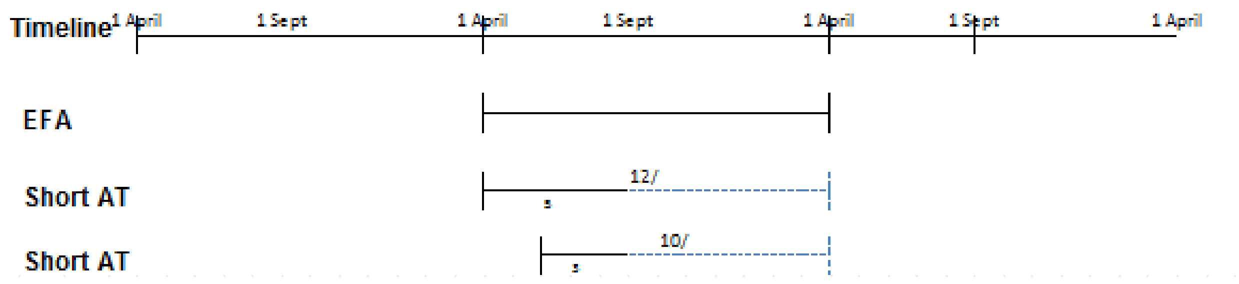
This approach relies on the assumption that for established academy trusts, their income and expenditure by month for the period 1 September 2011 to 31 March 2013 varies little. Hence the period from 1 September 2011 to 31 March 2012 will in most cases be materially similar to the period 1 September 2012 to 31 March 2013.

The approach has the advantage that it is simple in that it uses audited accounts academy trusts prepare under their statutory duties. The EFA group commissioned a large scale pilot study comparison of academy trusts' results to provide the evidence for this approach. The EFA group is satisfied that this evidence provides a reasonable basis for consolidation.

Consolidating academy trusts with long or short operating periods

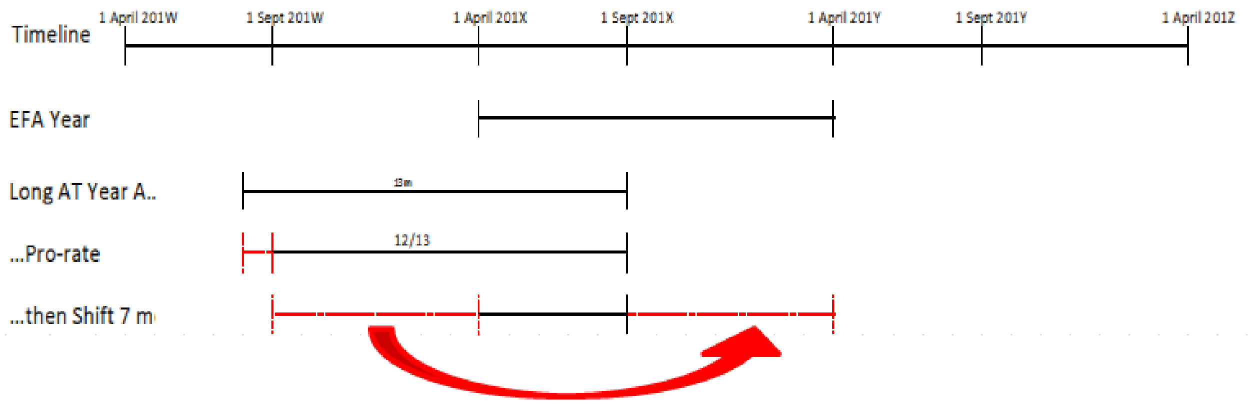
Some academy trusts produce accounts for fewer or greater than twelve months due to the date of incorporation and the limits on the length of a companies' first set of audited accounts. The results for those academy trusts reporting non-twelve month periods have been flexed up or down to align the reporting period to the twelve months reported by the EFA group.

Extrapolating short-period academy trust reporting years



As shown in the diagram above, the EFA group has extended the results of academy trusts reporting short period accounts to 31 August 2012 out to up to twelve months dependent upon the date the academy trusts, or member academies joining multi-academy trusts, became operational.

Interpolating long-period academy trust reporting years



As shown in the diagram above, the EFA group has interpolated the results of academy trusts reporting long period accounts (more than twelve months) as at 31 August down to 12 months to match the EFA group's twelve-month reporting period.

Academy trusts not producing accounts

Many academies opened during financial year 2012-13 either operating as single academy trusts or joining existing multi academy trusts. We asked these academies to produce an accounts return from their opening date to 31 March 2013 and received these returns by 30 June 2013. We did not ask academy trusts to have these accounts returns audited. We validated the returns in the same way as accounts returns produced by academy trusts that had produced statutory accounts.

Valuation of land and buildings

Local authorities' accounts typically include their maintained schools' assets and liabilities. When a maintained school converts to an academy trust, the local authority transfers the school's assets and liabilities to the academy trust. The EFA group accounts recognise assets transferred by local authorities to academy trusts on conversion. The EFA group's policy of recognising all academy trusts' land and building assets reflects the commercial reality that all academy trusts operate from buildings. The omission of such buildings and the land on which they stand from the EFA group's statement of financial position would significantly understate the assets controlled and managed by the EFA group.

In order to mitigate the risk of incorrectly valuing the land and buildings in the consolidated accounts, the EFA group commissioned consistent valuations for all academy trusts' land and building assets. These valuations comply with the EFA group's accounting policy for property, plant and equipment.

Pensions disclosures

The most significant credit balance on academy trusts' balance sheets is the net deficit in relation to academy trusts' membership the local government pension scheme. The EFA group considered the following significant issues in accounting for these deficits in its own accounts:

- Academy trusts account under UK generally accepted accounting practice and specifically UK financial reporting standard 17 for pension disclosures. Hence, academy trusts' disclosed values in their accounts for pension scheme surpluses, deficits and accounting treatments may vary to those required under the Financial Reporting Manual that requires adoption of international accounting standard 19.

- Only academy trusts preparing accounts to 31 August 2012 will have had valuations under financial reporting standard 17 as at 31 August 2012 that are available to the EFA group, as part of the process of preparing and filing their statutory accounts. Local authorities may have offered valuations to academy trusts that have not prepared accounts, however the valuations may be at the date of opening.
- There may have been material changes in valuations completed at 31 August 2012 to 31 March 2013. The NAO raised such changes as a significant issue in their report on academy trusts' inclusion in the Whole of Government Accounts for financial year 2011-12.

The EFA group contracted with the actuarial firms that provide pension valuations to local authorities administering the local government pension scheme. Under the EFA group's contracts, the actuaries provided the EFA group with valuations in accordance with international accounting standard 19 for all academy trusts open as at 31 March 2013. This is by far the most reasonable, and therefore likely to be materially correct approach in arriving at the correct pension scheme valuations. The valuations, where possible, are using a common set of assumptions, and the EFA group and the department has reviewed and agreed each key assumption.

Other than in relation to academy trusts' net expenditure, assets and liabilities these accounts present the EFA's financial results based upon grants paid for learning provision and the running costs of the EFA itself.

Financial results

The EFA group's statement of comprehensive net expenditure reflects expenditure by academy trusts and EFA grant payments to education providers. The EFA group has recognised a gain of £24.5 billion relating to transfers of academy trusts' assets (mainly land and buildings) on their conversion to academy trusts. This gain has the effect of reducing the EFA group's expenditure by this sum. Under departmental accounting policies the EFA has recognised a gain of £4.6 billion relating to faith academy trusts offset against programme costs and a gain of £19.9 billion relating to academy trusts converted from former local authority maintained schools offset against non-operating expenditure.

As at 31 March 2013 the statement of financial position within the accounts showed the EFA group had:

- Net assets of £25.29 billion.
- Non-current assets with a net book value £25.94 billion, academy trusts' land and buildings valued by us at depreciated replacement cost comprise 96.5 per cent.
- Receivables of £0.44 billion of which academy trusts hold 98.0 per cent.
- Cash balances of £1.99 billion of which academy trusts hold 93.6 per cent. This represents 3.9 per cent of the EFA's group's annual budgeted income. The Secretary of State authorised a working balance of two per cent of EFA's annual budgeted income at any time during the financial year and the EFA stayed within this limit for its grant paying operations. Academy trusts operated under an

exemption agreed with HM Treasury concerning their cash balances. This exemption is in recognition of academy trusts' independence in managing their income and expenditure to best effect, including holding cash balances for capital investment.

- Liabilities of £1.91 billion associated with academy trusts' membership of the local government pension scheme. These are deficits allocated to academy trusts falling, due in future years.
- Payables of £1.17 billion.

The composition of academies at the two reporting dates has changed as shown below:

Age Range	As at 1 April 2012	As at 31 March 2013	Change, %
Primary academies	401	1,082	170%
Secondary academies	1,235	1,669	35%
All through	28	72	157%
Total	1,664	2,823	70%
Route to academy trust status			
Sponsored academies	340	474	39%
Conversions from local authority maintained schools	1,297	2,091	61%
Other	27	258	856%
Total	1,664	2,823	70%

The table below shows movements in average key balances by academies at the year-ends for financial years 2011-12 and 2012-13.

Category	At 31 March 2013, average for 2,823 academies, £ thousand	At 1 April 2012, average for 1,664 academies, £ thousand
Property, plant and equipment	9,097	10,562
Cash and cash equivalents	658	430
Trade payables	343	221
Pension deficit allocated	677	760

Average balances for non-current assets and pension deficits have decreased, however trade payables and cash have increased. There are no clear trends at present for the EFA group.

A credit risk to the EFA arises from the non-payment of debts owed by commercial and charitable providers that the EFA funds to provide learning. The EFA mitigates the risk by assessing the provider's financial standing in advance of, and during funding, and through an in-year reconciliation of provider's entitlement to funding and subsequent amendment to future funding. The credit risk is largely attributable to provider insolvency that accounted for £1.19 million of the £1.24 million bad debts incurred in financial year 2012-13.

Development and performance

The accounts show that for financial year 2012-13:

- Our supply of funding, the majority of which is exchequer supply from the department, totalled £47.43 billion.
- Net operating expenditure was £46.42 billion, derived from the comparison of expenditure against income for the period. Total expenditure was within the resource budget for the same period set by the department of £51.45 billion.
- The EFA spent £75.76 million with trade suppliers and the outstanding balance as at 31 March 2013 was £3.45 million; this equates to an average of 16.6 creditor days.

The Late Payment of Commercial Debts (Interest) Act requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services, or the date on which the EFA receives the invoice. The target set by HM Treasury for payments to suppliers within 30 days is 95 per cent. In financial year 2012-13, the EFA paid 80 per cent of our invoices within 30 days.

The department's policy on prompt payment states that the target for paying undisputed invoices is within 10 days of receipt. In financial year 2012-13, the EFA paid 32 per cent of invoices within this target as the number of invoices we had to pay increased very sharply in line with our expanding capital programmes. Our performance on this is steadily improving and we are on track to report a better percentage for financial year 2013-14. The table below shows our performance in April and October 2013 for our capital supplier invoices, our main area of activity.

Month	Number of invoices paid	Percentage paid within 5 days	Percentage paid within 10 days	Percentage paid within 30 days
April 2013	558	3%	26%	74%
October 2013	810	20%	63%	97%

Main trends and factors underlying development and performance

This is the first set of accounts for the EFA.

The department remitted the EFA to assume the majority of the YPLA's and PfS's respective functions on closure of these bodies on 1 April 2012, along with certain responsibilities that transferred from the department itself. The department worked with the YPLA and PfS to achieve a successful handover of funding and payments systems to the EFA in such a way that there was no impact on learners and the funding of course providers. The EFA maintained sound internal control throughout by operating and developing its processes, through risk management and by internal audit's independent scrutiny.

Auditor

The Comptroller and Auditor General appointed by statute audited these accounts and his certificate and report appears on pages 44 to 53. The total notional audit fee incurred for the period is £430,000 that relates to the statutory audit of EFA's accounts (including the audit fee for consolidation). The NAO, as the EFA's external auditors, provided no other services during the period. As accounting officer, I confirm that:

- There is no relevant audit information of which the auditors are unaware.
- I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information.
- I have taken all the steps that I ought to in order to establish the EFA's auditors are aware of the information.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

IV. Remuneration report

This section of the report is about the EFA and is not required to be audited.

Chief Executive and Executive Management Board members' remuneration policy

The Chief Executive and Executive Management Board (EMB) members are senior civil servants (SCS), so the Cabinet Office's SCS pay policy governs their consolidated base pay. The government's public sector pay freeze covers the SCS pay policy and the EFA made no awards consolidated into EMB base pay in financial year 2012-13.

As staff employed by an executive agency of the department, EMB's performance management and contractual terms are as described in the department's annual report and accounts. As such, the department manages performance management and non-consolidated performance award for members of the SCS including board members within the framework set by the Cabinet Office. The contractual terms of EMB members also comply with requirements set centrally by the Cabinet Office. More on the Cabinet Office's framework and standards can be found at: www.civilservice.gov.uk.

Remuneration (salary and bonuses)

This section of the report is subject to audit.

Officials	**Salary £ thousands**	**Bonus payment £ thousands**
Peter Lauener, Chief Executive	140-145	
Sue Baldwin, Director of academies and maintained schools	90-95	5-10 **(1)**
Mike Green, Director of capital	125-130	
Peter Mucklow, Director of young people	85-90	
Simon Parkes, Chief financial officer	95-100 **(2)** (130-135 full year equivalent)	

Notes:

(1) Bonus relates to financial year 2011-12 and employment with the department.

(2) Simon Parkes joined the EFA during July 2012. The department's remuneration report discloses his remuneration for April to July 2012.

Fair pay disclosure

The Hutton fair pay disclosure for EFA for year to 31 March 2013 is as follows:

Band of highest paid director's remuneration to 31 March 2013 (£ thousands)	140-145
Median (£ thousands)	41.4
Remuneration ratio	3.4

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report includes accrued payments made by the department.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs (HMRC) as a taxable emolument. There were no benefits in kind in the year.

Bonuses

The department bases bonuses on performance levels attained and awards bonuses as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in financial year 2012-13 relate to performance in financial year 2011-12.

Pension benefits

Civil Service pensions

As an executive agency of the department, the Civil Service pension arrangements provide the EFA's pension benefits. The department's annual report and accounts provide information on these arrangements not reproduced here. Readers can find details on the Civil Service pension arrangements at the website http://www.civilservice.gov.uk/pensions.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A 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 that the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member resulting from 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 that may be due when members take pension benefits.

The real increase in the value of the CETV

This increase 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.

Officials	Accrued pension and related lump sum at pension age as at 31 March 2013 £ thousands	Real increase in pension and related lump sum at pension age £ thousands	CETV at 31 March 2013 £ thousands	CETV at 31 Mar 2012 £ thousands	Real increase in CETV £ thousands	Employer contribution to partnership pension account £ thousands
Peter Lauener Chief Executive	65-70 plus lump sum 195-200	0-2.5 plus lump sum 0-2.5	1,435	1,356	2	0
Sue Baldwin Director of academies and maintained schools	10-15 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	174	139	23	0
Mike Green Director of capital	0-5 plus lump sum 0-5	2.5-5 plus lump sum 0-2.5	33	0	25	0
Simon Parkes **(1)** Chief Financial Officer	20-25 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	259	234	10	0
Peter Mucklow Director of young people	25-30 plus lump sum 85-90	0-2.5 plus lump sum 7.5-10	516	447	42	0

(1) Simon Parkes joined the EFA during July 2012. The department's remuneration report discloses his CETV values for April to July 2012.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

V. Statement of the EFA's and Chief Executive's responsibilities

This part of the report is about the EFA group.

Under section 7 of the Government Resource Accounts Act 2000 it falls to me to ensure that the EFA group prepares, for each financial year, a statement of accounts in the form and on the basis set out in the accounts direction, as determined by the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the EFA group and of its net resource outturn, application of resources, and cash flows for the financial year.

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

- Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable and consistent accounting policies.
- Make reasonable judgements and estimates.
- State whether the EFA has followed applicable accounting standards as set out in the Financial Reporting Manual.
- Disclose and explain any material departures from these standards in the financial statements.
- Prepare the financial statements for the EFA group as a going concern.

The accounting officer for the department designated me as accounting officer of the EFA group. As such, I am responsible for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the EFA group's assets, as set out in Managing Public Money published by the HM Treasury. I can confirm that I have discharged these responsibilities properly.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

VI. Governance statement

This part of the report is about the EFA.

Statement

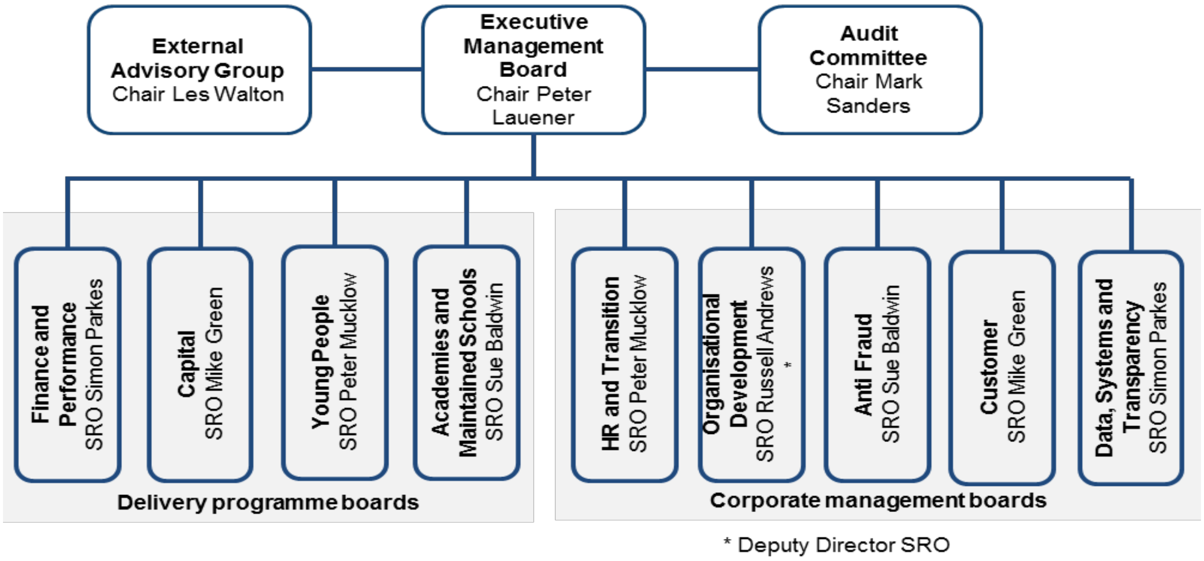
As accounting officer, I have personal responsibility for maintaining a sound system of governance, internal control and risk management to support the achievement of the EFA's objectives, whilst safeguarding public funds and departmental assets.

1. Governance

Governance structure

The department's Permanent Secretary (the EFA's departmental sponsor) has delegated responsibility for the governance of the EFA to the director general, Infrastructure and Funding Directorate. The director general sets the EFA's performance framework, business planning and administration budget plans for the Secretary of State's approval, and advises ministers on the agency's strategic direction. The EFA reports monthly to the director general on its performance and management of its key risks, and quarterly to the director general and Theodore Agnew (the department's non-executive board member responsible for the EFA) on these and on issues of strategic direction.

The EFA's framework document sets out the above structure and my own responsibilities as the EFA's accounting officer for its: capacity and capability; business planning; day-to-day operation; and provision of advice to ministers and the director general on the operational impact of their decisions. As shown below, each of the EFA's four delivery programmes and five cross-cutting corporate groups has a director-level senior responsible owner (SRO) who drives progress using programme and risk management arrangements. Each programme's SRO submits a monthly progress report (and cross-cutting groups submit a similar quarterly report) to EFA's EMB for scrutiny, advice and challenge. The EFA uses these reports to produce a status report for the quarterly strategic performance review with Theodore Agnew and the director general. We use additional routes to report to the department, for example reporting to its management committee (on issues such as strategic risk) and to the academies' finance and assurance steering group. I am content that the EFA is compliant with the requirements of the government's good practice code in corporate governance in central government departments, where they are relevant to the agency and its remit. I am also content with the effectiveness of the EMB in its corporate leadership role.



The purposes of the three bodies in the top layer of the diagram are:

- The **Advisory Group**, whose members are drawn from a range of education institutions, supports the EMB.
- The **Executive Management Board** (EMB), whose core members are the EFA's four programme directors, provides corporate leadership of the organisation.
- The **Audit Committee**, which provides independent scrutiny of our governance, performance and risk management.

The EFA's five corporate boards are the:

- **Human Resources (HR) and Transition Board** that ensures people management is consistent across EFA and that we have a cohesive resourcing strategy.
- **Organisational Development Advisory Board** that advises on development of the EFA's vision and aims, and ensures that staff work in a way that meets the department's values.
- **Customer Relationship Management Board** that has overall responsibility for developing high quality customer service.
- **Data, Systems and Transparency Board** that drives the development of our ICT, data collections and analysis to meet current and future business's needs, with a key focus being the development of a three year investment plan, agreed by the department's investment committee in February 2013.
- **Anti-fraud Committee** that has created and maintains the EFA's anti-fraud culture. The committee's cross-EFA membership scrutinises cases of financial irregularity in the agency and its service providers, and our processes to identify and mitigate potential sources of fraud.

The Audit Committee

The EFA is the only departmental executive agency to have its own Audit Committee. The Audit Committee is chaired by the former YPLA audit and risk management committee chair and includes two former members of the PfS audit committee, all of whom bring a strong historical understanding of our predecessor organisations to the committee's work. The Audit Committee's other members bring considerable expertise from public and private sector internal audit and finance in the education sector.

Representatives from the NAO and internal audit also attend every meeting. The Audit Committee reports in to the department's Audit and Risk Committee and the chair of the Audit Committee is a permanent member of the department's Audit and Risk subcommittee.

The EFA created the Audit Committee in September 2012 so the committee was not in operation over the full year covered by this report. In the period between the EFA's creation and the Audit Committee's first meeting, the audit and risk committees of our predecessor organisations continued. Their focus was the predecessor organisations and not the EFA, so during this period our independent scrutiny did not provide the strong strategic overview of the EFA's entire business that it has since the creation of the current committee.

The Audit Committee advises the Accounting Officer on the adequacy and effectiveness of the operation of the system of internal control within the EFA. The Audit Committee advises on controls for securing economy, efficiency and effectiveness within the EFA group and education providers funded by the EFA and on the application of funds paid to the wider group and education providers in accordance with the purposes for which the EFA allocated those funds.

The Audit Committee provides support and challenge to the Accounting Officer and their advice has led to tangible improvements in how we manage our business. Examples include:

- Having oversight of the adequacy of risk management processes operating throughout the EFA and ensuring that we have robust mitigation actions in place.
- Evaluating the scope and objectives of the financial year 2012-13 work plan for external assurance and internal audit to ensure this will give sufficient assurance to the accounting officer and reviewing progress against the plan in-year.
- Reviewing the arrangements for the consolidation of the accounts and working with us to identify the most suitable approach.
- Assessing the EFA's whistleblowing policies and arrangements, and reviewing our arrangements for the prevention of fraud.

As reported elsewhere the EFA was required to consolidate the accounts of academy trusts into its own accounts in a way that did not place a burden on academies which might divert them from their primary focus of achieving educational excellence. The Audit Committee has monitored throughout the year the approach taken to meet these two requirements which are set out in pages 13 to 16, and the Audit Committee acknowledges the very considerable professional resource that the EFA has committed to the task, as well as the regular on-going engagement of the NAO and additional input from Deloitte. The committee also noted that some of the issues identified in these accounts are unlikely to recur in financial year 2013-14 and beyond. Nevertheless, the committee believes that the EFA, the department, HM Treasury and others will need to continue to work to find a more sustainable and cost-effective way of achieving the goal of presenting consolidated financial statements that include academies.

As noted above, the Audit Committee provides the EFA with independent scrutiny. The table below shows attendance by committee members at the three meetings held since the committee was set up.

Committee member	Mark Sanders	Stella Earnshaw	Jon Gorringe	Suzanne Orr	Brian Rigby
Number of meetings attended	3	2	3	2	3

In future years, the Audit Committee will meet at least four times in a 12 month period.

Internal assurance

This part of the report is about the EFA.

Informed by the work of our executive managers responsible for our internal control framework, I have reviewed the EFA's governance, internal control and risk management arrangements. These have many strengths but also some weaknesses. There has been continuous improvement since the EFA was set up, which the work of the EMB, the Audit Committee and the reshaping of management arrangements to ensure risks are managed effectively has greatly aided.

The cross-departmental internal audit service has provided the internal audit service for the EFA since its formation on 1 April 2012. The head of internal audit provided me with an annual report that provides an independent and objective opinion on our system of governance, risk management and internal control. It states that:

> Taking into account our work during the year, together with relevant assurance available from prior periods, assurance available through other sources and assuming that agreed management actions to address identified weaknesses are implemented, I have concluded that the Agency Accounting Officer can, with the exception of IT systems, take assurance that overall governance, risk management and internal control systems are operating reasonably*. Given that this is the first year of operation of the new executive agency, considerable progress has continued to be made by the EFA to establish and evolve the new ways of working in the context of transition from the predecessor organisations, continuing change and expansion of the academies programme. Progress also continues to be made to establish an effective control framework following closer working arrangements with the department. The Dedicated Schools Grant and

Pupil Premium allocations were successfully delivered and notified to Local Authorities and the allocations for academies and free schools were successfully delivered and notified to them. These areas represent the largest area of expenditure for the EFA and the department.

However, there remain areas where the EFA needs to take further steps to strengthen assurance. During the year some weaknesses in control were identified (or circumventions primarily related to error and external cases of fraud which have been handled by the agency) occurred which put the achievement of some EFA objectives at risk: key amongst these are those relating to governance, particularly as it relates to links with the wider department; and data and systemisation, where progress continues to be made to put effective and scalable systems in place. The most important of these is in the design and operation of IT systems where important improvements have been made and an investment plan has been drawn up but further significant improvement is needed to resolve low resourcing and skills, unknown robustness and scalability of systems and informal governance and also dependencies to enable the IT investment plan; and payment systems, where some weaknesses in core payment controls need addressing. We also acknowledge that considerable progress has been made by the EFA on the consolidation of academy accounts and Clear Line of Sight within a challenging policy framework. The Agency Accounting Officer should have regard to these matters in preparing his governance statement. With the exception of IT systems, I have not qualified my assurance statement in regard to these matters and issues especially around outcomes from IT and payments systems audit work, will need addressing going forward.

It is key that the EFA continues to focus on effective management of the issues identified to ensure the Agency Accounting Officer is well placed to confirm the EFA is meeting HMT requirements for corporate governance, internal control and risk management.

* Four levels of assurance are used across the departmental group: full/reasonable/limited/none

I agreed an audit plan with internal audit, including high-level scope and broad timing for each of the reviews. The early identification of issues by internal auditors enabled the EFA to manage risks better and to put better controls in place. Internal audit operated from a risk based audit plan designed to identify and address potential issues early on. During the year, internal audit carried out 25 reviews of aspects of the EFA's work. Internal audit gained further assurance through its direct audit work across the departmental group including the EFA, excluding academy trusts. These audits proved effective in prompting improvements in the control environment.

We are actively managing the risks and issues to which the head of internal audit's assurance report drew my attention, using our risk management arrangements, and our Audit Committee has discussed the risks and issues. We have made particular progress in our work to put in place scalable and effective IT systems. The agreement of our investment plan by the department's investment committee puts us on a strong footing to make these improvements.

Internal audit investigations

We have a zero tolerance approach to fraud and financial irregularity involving EFA funding; and the EFA investigates thoroughly all allegations of fraud or attempted fraud.

We are currently looking to develop a risk appetite across the organisation and differentiate it as appropriate between programmes.

Internal audit investigates allegations of financial irregularity or fraud relating to the EFA group and external education providers, referring these to the police for a full investigation where required. Since April 2012, we have referred nine cases for triage or investigation and an additional five cases were carried forward from the former YPLA. As at March 2013, six of the nine cases were subject to a full investigation. Of these six cases, two are still on-going, one resulted in a Financial Notice to Improve, and in three cases no evidence of fraud or financial irregularity were identified. Investigation reports have been published on the DfE website and three investigation cases are still open. There are no cases in triage. One YPLA case and one EFA case are the subject of on-going police investigation. Nothing in these cases suggests systemic issues. EFA's external assurance division supported the work where appropriate, and in addition supplemented this work completing fact-finding at a number of academy trusts.

The internal audit investigations team also provides advice to us when EFA group members and education providers undertake their own investigations. The team provided advice on six cases in financial year 2012-13.

Report on personal information breaches

The EFA suffered no significant information breaches in the 12 months April 2012 to March 2013.

Review of analytical models

As part of a wider government review, we have reviewed the quality assurance of our analytical and financial models – many of which are key to the correct allocation of funds to the wider EFA group and education providers. The final report, published in March 2013, sets out good practice in quality assurance. To meet the recommendations of this report, we have put in place a plan setting out how we work with analysts elsewhere in the department to continue to assure the high quality of our models.

External assurance

I established an external assurance division to support me in my responsibility to "secure proportionate assurance about the regularity, propriety and value for money of programme spend" for the public funds we pay to learning organisations and providers. The division commissioned an independent assurance needs assessment to inform its assurance plans, which the Audit Committee reviewed and endorsed. The division made progress reports to the Audit Committee throughout the year, and demonstrate that the division's plans have enabled it to deal with a large increase in its workload, as the number of academy trusts has increased.

In particular, the division has made improvements to the arrangements by which it reviews academy trusts' financial returns, extending the reliance that can be placed on the work of academy trusts' own appointed auditors. The division has prepared an annual assurance statement for me following completion of its operational assurance plan in June 2013. The Audit Committee has reviewed the annual assurance statement and the statement has informed the NAO's audit of our accounts.

Assurances on entitlement to, and proper use of, EFA funding

The external assurance division obtains assurance from a number of sources including: reviews of education providers' financial returns, direct assurance visits, and assurance statements from other funding bodies made under the Joint Audit Code of Practice agreed with the Skills Funding Agency (SFA) and local authorities. The assurance frameworks that underpin this work in the expanding academies sector are for example the academies' accounts direction and the Academies' Financial Handbook. The academies finance and assurance steering group develops the frameworks. This group draws its membership from heads and finance directors of academy trusts, and works in consultation with the NAO and audit firms.

The external assurance division's programme of assurance activities includes audits of the wider EFA group and education providers to evidence funding claims and highlight overpayments. Checks include pupil and student existence and eligibility and that the EFA has used correct data to inform funding calculations.

Validation of returns

The EFA group's accounts are based upon the financial results of the EFA itself and on accounts returns by the 2,823 academies belonging to 2,108 academy trusts open at 31 March 2013. The EFA group has validated academy trusts' accounts returns through:

- Requiring those academy trusts that produced audited statutory accounts to 31 August 2012 to commission their auditors to also report on the accounts return based on the statutory accounts.
- For all accounts returns, conducting an extensive programme of automated validation against tests for out of range entries, reasonableness, against benchmarks and for internal consistency. Where accounts returns failed these, the EFA group tests conducted detailed follow up enquiries by email and phone to academy trusts, totalling several thousand such enquiries in all.

The EFA group performed similar (by nature and extent) validations and enquiries on academy trusts' budget forecasts.

Fraud and financial irregularity in the EFA group

This part of the report is about the EFA group.

I have charged our Anti-fraud Committee with creating and maintaining anti-fraud culture across the EFA group by:

- Raising awareness and sharing good practice in combating fraud and irregularity across the EFA group and with education providers.
- Measuring and setting a framework to tackle fraud, financial irregularity and financial impropriety.
- Using risk assessments to ensure new operations and systems and the areas of our business most at risk of fraud and irregularity are adequately proofed.
- Maintaining oversight of cases and reporting them to EMB as required.
- Overseeing the handling and protection of whistle blowers.

To gain assurance over the proper and regular use of funds we have introduced a requirement for academy trusts' auditors to go further than their statutory sign-off of accounts, by giving us an opinion on regularity, which has increased my assurance in this area.

We have developed an enhanced risk analysis of allegations of fraud and/or financial irregularity log, which provides a single up-to-date position statement on every case. This log facilitates comprehensive provision of management information and enables us to review fraud and financial irregularity trend analysis. This analysis includes every case of fraud and financial irregularity including procurement and use of resources in academy trusts, poor management and governance practices, staff appointments, irregular spending, staff payments (including expenses and hospitality), and policy and procedure weaknesses. This analysis identifies trends, features and patterns in terms of the type of learning institution in which they occur, common contributory factors and routes through which we became aware of fraud. We are appraising our existing assurance approaches in the light of the results and publicise key lessons in order to promote sector awareness.

National Audit Office review of academy trusts and YPLA accounts

During financial year 2011-12, the YPLA identified 14 cases, at nine academy trusts, where extra-contractual severance payments had been made which should have been approved in advance by HM Treasury. HMT's view was that such approval was required for academies due to their central government public sector status. The NAO concluded that uncertainty over the existence of other such payments meant that assurance could not be provided and the Comptroller and Auditor General qualified the YPLA's financial year 2011-12 accounts.

HM Treasury has acknowledged this situation and, from September 2012, academy trusts have the delegated authority to make such payments up to £50,000, following due process. The department also amended the Academies' Financial Handbook for academic year 2012/13 to cover all aspects of Managing Public Money that apply to academy trusts so that there can be no ambiguity about what is required. These arrangements through the amended Academies' Financial Handbook did not cover the period between April and September 2012. These accounts cover this period.

HM Treasury reviewed a further eight cases (from an identified 37) which occurred during the period April to August 2012. Of these cases:

- Six were approved.
- One failed to show sufficient information.
- The EFA did not approve one case due to the academy trust not considering all options available and lack of legal evaluation.

The view from HM Treasury based on the sample is that overall academy trusts make payments which demonstrate value for money, however in a small number of cases either the payment is not properly assessed or the level of payment cannot be justified.

In order to address this issue the EFA will issue a severance template for academy trusts standardising the approval process and also highlighting how value for money is to be demonstrated. This document will be on our website by the end of 2013.

Managing the expansion of the academies programme

On 3 December 2012, I attended a hearing of the parliamentary committee of public accounts on 'managing the expansion of the academies programme'. The National Audit Office's report to the committee evaluated the department's implementation of the academies programme expansion since May 2010 and the adequacy of its funding and oversight framework across the academies sector.

I am confident that we have developed adequate systems to ensure academy trusts' financial management and governance arrangements are appropriate and sufficiently robust as the programme continues to expand. In particular:

- We have used the lessons learned from the YPLA data returns system to strengthen the information we ask academy trusts to submit to us.
- The risk assessments we perform for opening academy trusts and free schools provide us with assurance that they will be well governed and their finances robustly managed.
- By increasing transparency and removing sources of error, the funding reforms will increase the efficiency of the system we run to allocate funding and payments accurately and on time.
- The improved Academies' Financial Handbook and EFA business cycle greatly reduces the burdens currently imposed on academy trusts.

Business continuity planning

This part of the report is about the EFA.

We have responsibility for managing our business continuity requirements and plans, aligning with the department's wider arrangements. Our business continuity plan ensures that we will continue to deliver critical services in the event of a range of significant disruptions, with line managers using accurate call trees to contact and manage their staff. A lead member of staff at each site will coordinate work to address issues specific to that office.

Risk management

This part of the report is about the EFA.

Since the EFA was created, we have developed our risk system to reflect best practice outlined by HM Treasury. Each of our nine programme and cross-cutting boards have risk management as a key focus, and use a clear, timely route to escalate risks to the EMB for their information, or to seek advice or action. Each month the EMB scrutinises these risks, their countermeasures and contingencies using a heat-map, and provides advice and challenge to ensure the EFA is effectively managing the risks. The EMB also selects risks to escalate to the departmental Infrastructure and Funding Board, either for action or for information. If a still higher profile is required, this board may escalate selected risks to the department's management committee for action or for information.

In addition, our Audit Committee provides independent review and advice on our risks, how we are managing them, and our system for identifying and reporting on them. The quality of the advice and challenge we receive has led to us developing firm principles to identify our top risks, and scrutinise them in a more targeted way.

Over the year, we have effectively managed the high risks associated with the significant changes to funding policy driven by the department, to deliver a funding system that is accurate and timely. We continue to manage two long standing risks that:

- We need to manage effectively investment in our IT systems to develop their capacity to cope with the large expansion in academy trust numbers.
- The current economic climate, attracting sufficient private finance to invest in capital projects for schools will be difficult and require innovation.

We have effective plans in place to manage both of these risks:

- With the agreement of our ICT investment strategy by the department's investment board.
- The work we have been doing with HM Treasury to identify the best ways to attract investors, and with HSBC to develop a second option harnessing private sector expertise to package projects and engage investors.

Shared services

This part of the report is about the EFA.

The department's operating model uses a range of shared services, detailed in the notes to our accounts, which provide many of our business systems to protect business continuity. The relevant corporate board reviews and challenges the quality of these services and the board escalates issues to me if required. During the year, I had concerns about the human resources shared service we receive, as in the months immediately following our set-up, we faced lengthy recruitment processes, making vacancy filling difficult. We worked with human resources to improve the arrangements, and the process is now much more efficient and fit for purpose.

There have been on-going issues around the department’s ICT governance arrangements and service supplied to the EFA. After our establishment, we operated a number of our key systems in transition for longer than expected, diverting resource from systems development work. Internal audit’s review of the management of information management services provided by the SFA identified several areas within our contract management and performance monitoring needing improvement:

- Weaknesses with the memorandum of understanding.
- Lack of ‘EFA specific operational performance measures’ and insufficient monitoring/scrutiny of performance by the EFA.
- Lack of effective governance framework to oversee performance.

We are taking action to address the findings of internal audit’s review and are working towards significant improvements in the service provided. We have been working closely, with the support of internal audit, with the departmental chief information officers group on this.

2. Operational policy development and delivery

This part of the report is about the EFA.

I am content that the arrangements for governance, internal control and risk management of our capital and revenue programmes provided me with assurance that these are adequate to ensure policies meet ministerial intent. The department aims to develop and appraise policies using the best available evidence analysed using sound methodologies, in conjunction with stakeholders and partners. The department subjects policies to robust deliverability testing. I am content that departmental policies the EFA implements provide good guidance and direction to those delivering services to children, young people and parents, and that the policies link clearly to our core values and objectives.

Operational policy development and delivery is strong in the EFA, and we strive to make continual improvements to the services we offer. In particular, we made good progress in development of the Academies' Financial Handbook, delivery of the funding reform programme at pace, and re-negotiation of the new academy funding agreements. We have done considerable work to streamline our requests to academy trusts for data and information and we have summarised our requests in a clear business cycle we publish.

The main challenges we face are:

- Ensuring that every academy trust complies with its funding agreement.
- Developing reforms to how learners with high needs are funded.
- Ensuring the PSBP private finance model delivers sufficient funding and represents value for money.

Our programmes have robust, strongly governed arrangements in place to ensure the timely resolution of these challenges as well as the delivery of routine work.

I am pleased with how the academies and maintained schools group's staff worked closely with colleagues within the infrastructure and funding directorate when developing options for funding policy and delivery of the academies programme. Policy proposals with financial implications were cleared with both our and the department's finance functions where appropriate, before ministerial approval was sought. Staff developed innovative new ideas, including those leading to better desk instructions for staff, increasing the efficiency and quality of services to academy trusts.

Although the capital group's purpose is primarily to deliver capital funding, it also feeds into policy discussions, particularly where these are likely to have a significant impact on delivery. This ensures successful dissemination of ideas and maximum use of the experience of our staff. In particular, the PSBP division within our capital group has worked very closely with HM Treasury to ensure refinements to the private finance model are effective.

The chief financial officer's group provides budgetary advice, reconciliation of allocations to budgets, reporting of spend against budgets and regularity. It also provides advice on procurement matters when required. In particular, the team developed policy proposals on how academy trusts' accounts could be consolidated to meet requirements for central government budgeting and reporting, and put these to departmental ministers and to HM Treasury.

3. Programme and project management

This part of the report is about the EFA.

Each capital and revenue programme (and sub-programme) has a clear accountability structure, with an SRO and, where appropriate, a territorial lead. Monthly delivery and risk reporting is used by the programmes' boards to track progress against delivery plan milestones. I meet my senior team weekly to discuss priorities and any emerging high-level risks and issues. These arrangements have enabled the programme boards and my EMB to plan and manage our resources efficiently and effectively mitigate risks. Every EFA senior civil servant completed a nine-month and a full year's responsibilities assurance declaration. This declaration confirmed the effectiveness of management and control within their area of responsibility. This enabled me to provide the department's management committee and ministers with robust assurance that we have managed our agenda well and will continue to do so while delivering efficiencies.

Specific examples of good practice in our programme and project management are:

- The rigour with which the academies programme measures and uses performance and management information, for example to improve our performance in answering correspondence from institutions and the public.
- How the young people's programme has developed clear, evidence-based ratings of progress against plans and effectiveness.
- The robustness of monitoring of the financial position of the capital programmes worked particularly well: we managed the capital programmes last year to within 0.78 per cent of the budget.
- Our identification of the need for stronger programme management disciplines in managing the demands of high needs learners, and we are reviewing how we can use programme management disciplines to focus more clearly on the key issues here.

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

Systems development is one of my top priorities, especially for free schools and academy trusts. Our chief financial officer's group is leading delivery of the EFA's ICT investment plan to deliver this work, supported by the department and the SFA's information management services. We appointed a chief information officer to lead this area of work, who reports to my Chief Financial Officer.

4. Financial management

The EFA

I am content that overall processes, controls, risk management and fraud prevention strategies delivered good financial management, propriety, regularity and value for money. I consider that the EFA's financial management was sound throughout the process of allocating and paying the £51.45 billion of capital and revenue funding.

We put clear lines of accountability in place for all programme and administrative expenditure, and I delegated financial authority to each of my board members in accordance with their responsibilities. We clearly explain these lines of accountability in financial guidance and policies. This enabled budget holders to ensure payments were regular and proper, and provided clarity on how they should seek agreement for needs-based payments outside of ordinary business, particularly those for annual grants to academy trusts. I am satisfied that budget holders had sufficient information and resources to make affordable spending decisions that secured value for money.

The work of internal audit has identified some weaknesses in the controls in place over the processing of payments. We have agreed appropriate mitigating action and internal audit will undertake further audit work in financial year 2013-14 to assess progress with implementation.

The finance team reported monthly, or as requested, to the programme boards and management teams, including the EMB. The financial reporting covered a range of information including the outturn position to date and year-end forecasts. These reports enabled our programme boards to make decisions that mitigated the risk and impact of over and under spends, by focusing on monthly actual and forecast variances. We also completed a monthly expenditure return for the department in line with requirements to ensure our business is transparent.

We managed variances in close cooperation with the infrastructure and funding directorate allowing maximum flexibility in the department's management of public funds. Where significant underspends were identified they were redeployed to ministerial priorities. Measured against grants paid, the EFA's revenue expenditure was 99.93 per cent against budget and the EFA's capital expenditure was 99.7 per cent against budget for financial year 2012-13. We made 99.9 per cent of payments on or before the date expected by recipients.

We assure local authority capital grants by conducting an annual capital grant outturn exercise. This confirms what proportion of the capital grant paid to local authorities spent within the permitted spending period. We required the local authority's responsible officer to sign a spending return, confirming that the information provided is accurate and that the local authority has spent funds for the purposes intended. Where the local authority has not spent grant we then consider the specific circumstances of the grant and whether we should reclaim it.

EFA group

In parallel with our control of grants, the EFA finance division also prepared an annual consolidated forecast of academy trusts' capital and revenue expenditure, based upon budget forecasts prepared by 1,292 academy trusts for academic years 2011/12 and 2012/13. This consolidated forecast informed key departmental decisions on deployment of academy trusts' capital and revenue funding, and is part of a fundamental change in the way we budget for spending by academy trusts.

During financial year 2012-13, we prepared a consolidated Whole of Government Accounts report for all 1,664 academies open by 31 March 2012. The NAO has completed its audit of this report raising far fewer issues than for the previous year. We have incorporated lessons learned from the financial year 2011-12 consolidation into the preparation of the EFA's financial year 2012-13 group accounts including the financial results of the 2,823 academies open by 31 March 2013. Many of these lessons are significant and arise from the EFA's use of returns by academy trusts that are non-coterminous with the EFA's financial year.

The EFA group has based its use of academy trusts' accounts to 31 August 2012, and has apportioned academy trusts' long and short period accounts, on the assumption an academy trust's financial results for any one month are reasonably constant and can be used as a proxy for the group's financial year. The EFA group has tested this assumption through a pilot study comparing 80 academy trusts' financial results to August 2012.

To aid understanding of the results of the pilot study, in the table below the EFA group estimates the movements in key balances in the accounts between 31 August 2012 and 31 March 2013. These are the movements that would result had we extrapolated the proportional variances revealed by the pilot study to all academy trusts that prepared accounts for the year ending 31 August 2012.

	As at 31 August 2012[1]	**Change to 31 March 2013**	**As at 31 March 2013[2]**	**Percentage change**
	£ thousands	**£ thousands**	**£ thousands**	**%**
Statement of financial position				
Assets				
Land and buildings	17,812,563	(88,942)	17,723,621	(0.50)
Other tangible fixed assets	544,378	33,828	578,206	6.21
Intangible and other non-current assets	41,435	7,388	48,823	17.83
Current assets	387,370	9,723	397,093	2.51
Cash at bank	1,478,442	182,153	1,660,595	12.32
Total assets	**20,264,188**	**144,150**	**20,408,338**	**0.71**
Liabilities				
Current liabilities	737,698	(75,822)	661,876	(10.28)
Long term liabilities	28,021	(2,083)	25,938	(7.43)
Pensions and other provisions	1,377,517	(1,354)	1,376,163	(0.10)
Net assets	**18,120,952**	**223,409**	**18,344,361**	**1.23**
Statement of comprehensive net expenditure				
Income				
Educational activities	8,837,451	151,401	8,988,852	1.71
Voluntary income	1,069,739	(75,736)	994,003	(7.08)
Transfers on conversion	167,380	0	167,380	0.00
Other	335,119	31,036	366,155	9.26
Total income	**10,409,689**	**106,701**	**10,516,390**	**1.03**
Expenditure				
Staff costs	6,581,424	92,876	6,674,300	1.41

	As at 31 August 2012[1] £ thousands	Change to 31 March 2013 £ thousands	As at 31 March 2013[2] £ thousands	Percentage change %
Premises costs	1,311,660	47,438	1,359,098	3.62
Transfers on conversion	21,092	0	21,092	0.00
Other	1,270,589	33,439	1,304,028	2.63
Total expenditure	**9,184,765**	**173,753**	**9,358,518**	**1.89**
Net income/(expenditure) for the year	**1,224,924**	**(67,052)**	**1,157,872**	**(5.47)**

1 Total for academy trusts preparing accounts at 31st August 2012, before extrapolation.

2 Estimated total for the year ended 31st March 2013 for academy trusts preparing accounts at 31st August 2012, after extrapolation.

The EFA group has therefore judged that academy trusts' financial results for the year ending 31 August 2012 are a reasonable proxy for the twelve months ending 31 March 2013. The EFA group considers that the consolidated results presented in these accounts through use of the proxy and the other accounting judgements and policies described in this report are a meaningful and accurate representation of academy trusts' financial results for the year to 31 March 2013.

As noted above the EFA group recognises and accepts the limitations to the Comptroller and Auditor General's opinion on these accounts. The EFA group will conduct a review of lessons learned that will include the reasons for those limitations. The programme of work to prepare the financial year 2013-14 accounts will seek to address these limitations to the point that the Comptroller and Auditor General can be in a position to give an unqualified opinion for financial year 2013-14.

5. Delivery arrangements and achievement against business plan

This part of the report is about the EFA.

When the department established the EFA, we developed and published a business plan setting out twelve priorities relating to the services we plan to deliver, how we will lead and govern the EFA, and how we will develop systems to best meet the needs of the government's reform programme. We underpinned this plan by delivery arrangements used to drive progress in each of the programmes, and accompanying delivery plans for each of the divisions. The performance and risk reports I scrutinise regularly (described in section VI.1.) satisfy me that we are performing well to deliver these plans.

Four key achievements worth highlighting are that:

- Our academies and maintained schools group has had a strong role in delivering funding reform to a challenging timescale. We moved the focus to continuous improvement of communications with local authorities and institutions to enable them to plan effectively, including publication of the EFA business cycle in January 2013.
- We have significantly improved the quality of service offered by our academies enquiries service at a time when the number of enquiries was increasing significantly. We achieved this by reconfiguring our enquiries team while publishing a clearer, more concise guide to financial management and assurance in our revised Academies' Financial Handbook for academic year 2012/13.
- Our young people's programme is on track to deliver the new mainstream funding formula and allocations for young people aged 16 to 19 that will be used in academic year 2013/14, as well as those that will be used for high needs learners aged 16 to 25 in the same year. We have worked closely with legal advisers, procurement and finance professionals to launch the youth contract for learners aged 16 to 17. This followed a challenging tender exercise, and securing resources from savings in the programme to enable a widening of eligibility so that more young people can benefit. We are monitoring programme performance closely and challenging contractors to improve as necessary. Joint working with the SFA on funding of further education colleges remains vital to our delivery arrangements and we have strengthened the joint operations group mechanism for managing this.
- Our capital programme is continuing its innovative work to pilot the development and delivery of a fundamentally different private finance model. The availability of private finance remains a significant issue, delaying the launch of the first private finance initiative batches, but intensive discussions with our financial advisors at HSBC have identified contingency options to attract investment.

6. Information: ICT management and data safeguarding

This part of the report is about the EFA.

We have strengthened our in-house ICT and data safeguarding capability, including by the appointment of a new interim chief information officer, enabling us to make significant progress with our systemisation programme despite very limited funding. We have successfully supported the growth in the number of academy trusts through efficiencies in system and data handling. The programme has started reaping benefits by enabling a lower staff to academy trust ratio and measurable improvements in the quality of enquiry handling. We moved data management for allocations to a more robust ICT system (called SQL) to help reduce error rates in calculation of allocations. Over the two years to 2015, we aim to achieve more efficiency by implementing our ICT investment plan, which has received Cabinet Office's endorsement.

Whilst we have made significant progress in ICT management, internal audit's work across a number and range of IT systems has identified several significant risks where further action is required. The key risks include low resourcing and skills, unknown robustness and scalability of systems and some areas where there is reliance on informal governance. We will agree appropriate mitigating action to address these risks.

Information security

The department's security unit is content with our security risk management overview, which contains our and the SFA's information management services' risk assessments of our arrangements for protecting our information, which includes personal and sensitive data. The department's security unit also provide us with guidance, and regularly review these arrangements.

7. People management

This part of the report is about the EFA.

Our staff are civil servants employed by the department on its terms and conditions of employment. I have delegated responsibility to recruit staff within the parameters provided by the department's policies and procedures.

The department's diversity delivery plan covers the EFA. This plan sets out the department's objectives 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 and bisexual people and black and minority ethnic staff.

We integrated staff from the YPLA, PfS and some staff who already worked in the department. The ways of working in PfS and YPLA were quite different from those in the department. To help integrate the staff into the department's ways of working, we have done substantial work with staff and managers to align both organisations. A small number of residual issues remain following the harmonisation of terms and conditions of staff from the two organisations and we are closely monitoring these.

There have been some resource pressures within the capital group as their programmes continue to grow and develop. We have found it challenging to recruit staff to meet capital group's increased workload due to the previously unknown complexities of the recruitment process. The pace of recruitment has been slower than we anticipated and our vacancy rate has affected the delivery team in particular, so that some work is behind schedule to prepare for the initial private finance batches for the PSBP.

We have developed induction programmes along with learning and development programmes designed to raise the overall performance and capability of staff. These are in conjunction with the newly implemented civil service performance management framework that recognises high performers and provides clear processes for managing poor performance.

The department carried out a people survey in October 2012, and made results available at the beginning of December 2012. The survey combined responses to calculate an overall engagement score of 55 per cent; slightly lower than the department average of 56 per cent. We may attribute some of the less positive responses to staff having been in the department for a short time. We aim to address concerns it raises in an EFA-wide workforce development plan covering performance management, learning and development, and workforce planning.

Our managers and the human resources and transition board will closely monitor, and continue to address issues from:

- The impact on staff morale of the site closures described in the management commentary.
- The changes to our organisational and grading structure.
- The voluntary release schemes and potential surpluses.

Our work to identify critical roles will also allow us to prepare succession plans to ensure continuity of cover for these roles.

8. Sustainability

This part of the report is about the EFA.

The EFA adopts the department's policies on sustainability. The EFA aims to manage its business in an environmentally sustainable way and the department's annual report and accounts describes our performance in this. For the sake of completeness, our travel costs for financial year 2012-13 totalled £1.7 million, of which 64 per cent related to rail travel, 14 per cent related to car usage, and 21 per cent related to other modes of transport.

Peter Lauener
Chief Executive and accounting officer, EFA
10 January 2014

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

I certify that I have audited the financial statements of the Education Funding Agency (the Agency) for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Agency's and Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive's and auditor

As explained more fully in the Statement of Agency's and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient 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.

Basis for qualified opinion on regularity

The Agency provides funding to academy trusts for their activities. As central government bodies, academies are required to comply with HM Treasury's Managing Public Money and therefore the Agency need to obtain assurance that the funds provided are spent in line with those requirements. The evidence over academies' compliance with HM

Treasury's Managing Public Money was limited. Accordingly, I have been unable to confirm that, in all material respects, grants to academies conform to the authorities which govern them and have been applied for the purposes intended by Parliament.

Qualified opinion on regularity

In my opinion, except for the matters described in the "basis for qualified opinion on regularity" paragraph, in all material respects, 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.

Basis for qualified opinion on financial statements

As described in the accounting policies, the Agency consolidated 2,823 academies using a series of data sources spanning different time frames. This has resulted in a level of misstatement and uncertainty that I consider to be material to these financial statements. I am unable to aggregate the individual errors due to overlapping causes of misstatement and levels of uncertainty.

In addition, the Agency has recognised land and buildings in respect of academies of £25.1 billion in its Statement of Financial Position. The audit evidence available to me was limited in respect of this balance because the Agency was unable to demonstrate that these all met the recognition criteria for a non-current asset under IAS 16 Property, Plant and Equipment.

Finally, the Agency was unable to provide me with sufficient appropriate evidence regarding the balances (current assets and current liabilities) relating to academies at 1 April 2012.

These qualifications relate to the group financial statements alone and do not affect the Agency's own financial statements.

Opinion on financial statements

Except for the possible effects of the matters described in the "basis for qualified opinion on financial statements" paragraph, in my opinion:

- the financial statements give a true and fair view of the state of Agency's and the Group's affairs as at 31 March 2013 and of the Agency's net operating cost and the Group's net operating cost for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the management commentary and the section of the annual report on key organisational performance measures for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect solely of the matters referred to in the basis for qualified opinion paragraphs:

- adequate accounting records have not been kept; and

- I have not received all of the information and explanations I require for my audit.

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

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

My report on these financial statements is on pages 47 to 53.

Amyas C E Morse **Date 14 January 2014**
Comptroller and Auditor General

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

VIII. The Report of the Comptroller and Auditor General to the House of Commons

Introduction

1. The Education Funding Agency (EFA) was established on 1 April 2012 and is the Department for Education's (the Department) delivery agency for funding and compliance. It provides revenue and capital funding for education for learners between the ages of 3 and 19, or the ages of 3 and 25 for those with learning difficulties and disabilities. It also supports the delivery of building and maintenance programmes for schools, academies, free schools and sixth-form colleges.

2. The purpose of this report is to explain my audit opinion and the reasons for the qualification, the progress made by the EFA and, where appropriate, my recommendations for addressing these issues. I have also qualified my opinion on the Department's financial statements as they consolidate these accounts.

Explanation for Qualified Audit Opinion

Regularity of expenditure

3. I qualified my regularity opinion on the EFA's predecessor body, the Young People's Learning Agency, 2011-12 accounts. This qualification was made on the basis that the Department's control framework was not sufficiently well designed to identify whether academies had complied with all aspects of HM Treasury's Managing Public Money.

4. Following my report on the Young People's Learning Agency's accounts for 2011-12, the EFA revised the framework to gain assurance that academies are applying the grant for the purposes intended. The most significant change was to require academies to obtain a regularity opinion from their auditors, addressed jointly to the academy and the EFA, thereby providing them with direct assurance over the regularity of transactions.

5. The EFA's accounts are on a financial year to March, whereas academies' reporting periods are aligned to the academic year to August. Auditor assurance for regularity is therefore provided on a lagged basis, with the results of the academic year audit feeding into my consideration of the regularity for the financial year to the following March. Thus for the 2012-13 EFA financial statements, I have considered the results of the August 2012 auditor opinions on regularity.

6. The auditor opinion on regularity is part of a wider assurance framework adopted by the EFA from the start of the 2012-13 academic year that includes assessment of financial management and governance within new academies and intelligence-led investigations.

The assurance framework has not provided sufficient assurance for 2012-13

7. As part of my audit, I evaluated the scope of audit work underpinning the regularity opinions to August 2012 and assessed the impact of auditor qualifications and reports of potential irregular transactions. I found that:

- Auditors had generally conducted an appropriate level of audit for the risks identified covering regularity but excluding compliance with Managing Public Money;
- The scope of the audit work did not wholly cover the risk of non-compliance with Managing Public Money in relation to obtaining approval for special payments, particularly non-contractual severance and other payments; and
- There were 21 qualifications of the regularity opinion for August 2012 accounts relating to unapproved non-contractual severance payments. Of these, one firm accounted for 15 qualifications. There are no factors to suggest that regularity risk is confined to the academies audited by this firm.

8. For the period to August 2012, I therefore conclude that the scope of the audit work did not fully meet the assurance requirements of the EFA and the Department. In particular, they did not receive sufficient assurance over compliance by academies with the Managing Public Money requirements to obtain HM Treasury approval for certain types of transaction. Accordingly, I have qualified my opinion on regularity.

9. There is no evidence of widespread or material levels of irregular spend. In the financial year, the EFA identified a total of 37 non-contractual severance payments requiring approval. The total value of the payments requiring approval was £640,354. Under agreement with HM Treasury, the EFA conducted the initial assessment of the retrospective business cases and a sample of eight was presented to HM Treasury for its approval, which was duly granted except for two business cases that the EFA had already rejected. These two transactions totalling £99,550, both relating to extra-contractual severance payments, are therefore irregular.

The assurance framework is designed to provide sufficient assurance in the future

10. The late development of the new framework and publication of the guidance may have contributed to the limitation in the scope of the underlying audit work. In preparation for the August 2013 audits, the EFA has:

- strengthened its guidance further, and issued it on a timely basis;
- engaged directly with auditors and academies on the regularity requirements, providing guidance and training; and

- introduced delegated authorities, agreed with HM Treasury, for commitment to specified areas of expenditure including extra-contractual severance and other payments.

11. I welcome the positive steps that the Department and the EFA have taken to strengthen their guidance and engagement with the academy sector and their auditors.

12. I consider that the EFA has designed a suitable assurance framework over regularity, consisting of the audit opinions from academies coupled with the other work the EFA undertakes to evaluate and investigate compliance. I therefore have not made any recommendations this year.

13. Nonetheless, as the number of open academies continues to grow rapidly, from 1664 academies at March 2012 to 2823 at March 2013, there will continue to be a challenge to the EFA to deliver robust, yet proportional assurance over the regularity of academies' expenditure. The EFA may not have sufficient capability and capacity to meet their objectives in an expanding academy sector.

Qualification of my opinion on the EFA financial statements

14. In 2012-13 the Department was required, for the first time, to consolidate academies into its group financial statements, and it chose to do this through the EFA in the first instance. EFA's annual report explains how the need for consolidation arose, and the challenges it faced. In particular, there were four specific challenges that required the EFA to develop an unprecedented approach to this complex consolidation.

- Academies produce accounts to 31 August each year, whereas the EFA's year end is 31 March. Financial Reporting Standards would not normally allow consolidation of accounts where the year ends are more than three months apart. However, the EFA did not believe that producing new accounts for each academy as at the end of March would produce a materially different position to using existing statutory accounts as at the end of August, and would prove an unnecessary administrative burden on the sector. The Department and EFA hypothesised that data for the year ending 31 August was a fair approximation for the equivalent to 31 March due to the limited financial complexity of individual trusts.

- The sector is growing rapidly, with an increase of 1,159 academies during this reporting period. This required the collection and validation of additional data where underlying accounts were not available, and led to careful consideration of the appropriateness of assumptions and the results of the proxy assumption above.

- Academies are charitable companies and report under a different accounting framework to the EFA. Identification of, and adjustment for, differences to present a consistent basis for reporting were key aspects of this methodology.

- Collecting so much data was a significant undertaking. Some data was subject to audit; other data needed to be centrally validated by the EFA. This was within the context of a growing sector where historic trend data did not exist.

15. To gain the evidence to support their hypothesis that August was a fair approximation for March, the EFA asked a representative sample of established academies to submit audited returns for March 2013. In addition, they identified two specific areas where the approximation did not hold, and therefore sought national valuations for Local Government Pension Scheme liabilities and land and buildings as at March 2013. I am content that this exercise was conducted appropriately, and that the data is statistically valid. This showed that any two 12-month periods for an individual academy are materially similar in the context of the consolidation. However, there was a trend for increasing cash reserves across the sector, and capital expenditure profiles were less predictable. However, there was a trend for increasing cash reserves across the sector, and capital expenditure profiles were less predictable. The continuing growth within the sector means that I cannot yet determine whether the proxy assumption will continue to hold for future financial periods.

16. In auditing the EFA's application of this methodology I identified a number of errors and uncertainties. These included:

- A difference of £270 million between the grant paid by the EFA in the 2012-13 financial year, and the extrapolated revenue calculated from academy returns. This difference is a consequence of the methodology, and does not represent missing or misappropriated grant.

- Estimated or un-validated data for a residual number of academies who either did not submit a return or submitted a return too late for appropriate validation work to be undertaken. This related to 83 academy trusts, covering a total of £283 million grant. A further 40 trusts have been consolidated using "pre-opening accounts" at 31 August 2012, prior to opening.

- Gaps in the assurance obtained by the EFA from the validation exercise that it performed on all data submitted by academies. A large proportion of queries raised with academies by the EFA resulted in amendments to the submitted data. By the end of October when the EFA decided not to continue pursuing academies for responses, there were still 1,522 outstanding queries with those trusts.

- Under Companies law, an academy's first accounting period can be up to 18 months long to allow it to prepare financial statements to its chosen accounting reference date. As a result there are many short or long accounting periods within the August 2012 accounts returns. In order to match with the EFA funding, which is reported on a 12-month basis for these academies, the EFA had to lengthen or shorten the reported data through extrapolation.

17. Therefore I concluded that there was a material level of error and uncertainty in the financial statements of EFA and the Department.

18. Whilst the EFA has developed a process for presenting academy data to Parliament, providing new levels of transparency over its spend, this year's exercise may not be sustainable at current levels and there remain some challenges to overcoming the causes of qualification within this account.

Qualification of my opinion on the recognition of land and buildings

19. Academies are charitable companies, meaning they have to prepare their financial statements in accordance with the charities' accounting framework. One area of difference between this financial reporting framework and that of the EFA relates to the recognition of land and building assets within the balance sheet. The information needed by the EFA to determine the appropriate accounting treatment for these academies' assets was not included in the returns from academies. The EFA has made an assumption that all land and buildings used by academies should be capitalised within the group balance sheet. This may not comply with HM Treasury's Financial Reporting Manual, for example where buildings are occupied on a short-term lease.

20. The EFA does not have robust data to demonstrate that this assumption is appropriate. As a result, I have a limitation of scope in my audit opinion as I cannot determine the extent of land and buildings assets that are erroneously capitalised in the consolidated balance sheet. I am concerned that the EFA will not be able to resolve this issue for a number of years.

Qualification of my opinion on the opening balance sheet

21. All academies in existence on 1 April 2012 have been incorporated into these financial statements from that date. The EFA has calculated these balances from the closing balances, making adjustments for in-year movements and conversions. I have qualified my opinion in respect of the opening balances, however, as the EFA has not been able to reconcile these opening balances to the data reported to HM Treasury as part of the 2011-12 Whole of Government Accounts. In my view, I do not have the evidence to conclude that these balances are correct, although I consider that the impact does not remain within closing balances that are drawn from validated academy returns. I do not expect this qualification to persist in future years as a result.

Weaknesses in the Department's strategic financial management

22. A primary objective of preparing this consolidation is to enable the Department to report to Parliament the financial activity of academies and to present a national balance sheet that feeds into the Office for National Statistics' National Accounts. The

consolidation exercise has demonstrated a number of risks to the Departmental Accounting Officer's responsibility for stewardship of public funds and for financial management that will impact on the Department's ability to manage in-year resources and make appropriate financial decisions, including accurate forecasting and resource requests. The EFA will need to work with the Department to mitigate these risks. Further details of this issue are contained within my report on the Department for Education's Consolidated Annual Report and Accounts for 2012-13.

23. The Statement of Parliamentary Supply in the Department's consolidated accounts shows how the monies voted by Parliament have been applied, including outturns against HM Treasury's "control totals". These are a series of spending limits HM Treasury use to manage and control public spending: academy outturn, rather than EFA grant, is scored against the control totals. This reflects HM Treasury's responsibility for reporting public sector activity.

24. Academies have been established with a different financial management regime to the Department. Academies have freedom to determine their spending profiles and to carry forward unspent grant, but the Department's spend is controlled on an annual basis within a Spending Review cycle. This results in an inherent set of risks within the parliamentary reporting process where the Department is accountable for activity over which it has no direct control.

25. The Department did not know until December, almost nine months after the year end, whether or not it had remained within its control totals. The Department seeks budget forecasts at the start of the year and then the accounts return at the end of the period from academies. However, it was unable to manage the in-year position of academies. The timeliness and quality of academy returns is therefore crucial to oversight and reporting. Under this regime, the Department will always be at risk of an unpredicted overspend if, for example, academies spend their reserves more quickly than forecast.

26. The Department's ability to oversee financial sustainability within the sector could also be compromised by the quality of data. The Department, through EFA, is developing analytical techniques to assess financial strength and to help predict financial risk, but this remains dependent on accuracy and timeliness of submissions from the academies. The EFA has an important role to play in improving the accuracy and completeness of the information received from academies.

Recommendations

27. I recommend that:

- The Department and the EFA should engage with HM Treasury to consider the long term sustainability of this approach to reporting financial performance in the academy sector. I cannot envisage the current approach allowing the EFA to deliver accounts prior to the Summer Parliamentary Recess, although I expect the EFA to bring forward the timetable incrementally in the next two years.

- Regarding the land and buildings recognition qualification, I recommend that the Department and the EFA work with HM Treasury to seek a solution to identify the school estate and appropriate accounting at the Whole of Government Accounts level. I recognise that a centrally coordinated review of all land and building ownership and leasing arrangements would be inefficient and costly. Instead, I recommend that the EFA seek to refine the data requirements from academies, and seek through HM Treasury to develop the guidance for local authorities and academies to ensure consistency and appropriateness of accounting.

- The EFA should develop the accuracy of forecasting by academies. This should include the development of guidance and validation, including strengthening the approach to managing late or inaccurate reporting. The EFA should also strengthen its analytical capability to maximise its use of the data provided by academies to monitor financial sustainability within the sector and to inform its resource requirements and financial forecasting.

Amyas C E Morse **Date 14 January 2014**
Comptroller and Auditor General

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

IX. Financial statements

Consolidated statement of comprehensive net expenditure

EFA group for the year ended 31 March 2013.

			2012-13
		EFA	**EFA group**
	Note	**£000**	**£000**
Administration costs			
Staff costs	2	40,223	40,223
Other administrative costs	3	50,411	50,411
Operating income	5	(23)	(23)
Programme costs			
Staff costs	2	8,495	8,032,542
Programme costs	4	51,160,187	44,499,543
Income	5	(19,731)	(1,539,169)
Net (gain) or loss on conversion of faith academy trusts:			
For pre 1 April 2012 conversions	22	-	(3,256,780)
In year conversions	22	-	(1,403,242)
Corporation tax		-	146
Net operating costs		**51,239,562**	**46,423,651**
Non-operating expenditure			
Non-operating gain from transfer of function		(13,817)	(13,817)
Non-operating (gain) or loss on academy conversion:			
For pre 1 April 2012 conversions	22	-	(13,899,510)
In year conversions	22	-	(6,213,354)
Total non-operating expenditure		**(13,817)**	**(20,126,681)**
Other comprehensive expenditure			
Net (gain) or loss on:			
- revaluation of property, plant and equipment		-	(56)
- fair value (gain) or loss on investments		-	(836)
- actuarial (gain) or loss on defined benefit pension scheme		-	(43,034)
Total comprehensive expenditure		**51,225,745**	**26,253,044**

All activities are continuing.

There are no other gains or losses other than net expenditure for the year.

The notes on pages 59 to 109 form part of these accounts.

Consolidated statement of financial position

EFA group as at 31 March 2013.

		As at 31 March 2013		As at 1 April 2012	
	Note	EFA £000	EFA group £000	EFA £000	EFA group £000
Non-current assets:					
Property, plant and equipment	6	191,028	25,880,481	-	17,650,060
Intangible assets	7	25	1,999	100	841
Financial assets	9	-	55,580	-	41,608
Trade and other receivables	11	289	169	-	2,504
Total non-current assets		**191,342**	**25,938,229**	**100**	**17,695,013**
Current assets:					
Inventories	10	-	7,302	-	3,310
Trade and other receivables	11	28,344	438,656	93,534	301,182
Cash and cash equivalents	12	127,528	1,986,785	-	924,257
Total current assets		**155,872**	**2,432,743**	**93,534**	**1,228,749**
Total assets		**347,214**	**28,370,972**	**93,634**	**18,923,762**
Current liabilities:					
Trade and other payables	13	(152,570)	(1,123,285)	(73,912)	(459,389)
Provisions	14	(1,176)	(2,453)	-	-
Total current liabilities		**(153,746)**	**(1,125,738)**	**(73,912)**	**(459,389)**
Total assets less current liabilities		**193,468**	**27,245,234**	**19,722**	**18,464,373**
Non-current liabilities:					
Other payables	13	-	(42,651)	-	(18,958)
Provisions	14	(1,128)	(1,993)	(5,905)	(6,950)
Pension scheme deficit	15	-	(1,911,299)	-	(1,266,231)
Total non-current liabilities		**(1,128)**	**(1,955,943)**	**(5,905)**	**(1,292,139)**
Assets less liabilities		**192,340**	**25,289,291**	**13,817**	**17,172,234**
Taxpayers' equity:					
General fund		192,340	192,340	13,817	17,172,234
Revaluation Reserve		-	121,804	-	-
Charitable fund		-	24,975,147	-	-
Total taxpayers' equity		**192,340**	**25,289,291**	**13,817**	**17,172,234**

The notes on pages 59 to 109 form part of these accounts.

Peter Lauener

Chief Executive and accounting officer, EFA

10 January 2014

Consolidated statement of cash flows

EFA group for the year ended 31 March 2013.

	Note	2012-13 EFA group £000
Cash flows from operating activities		
Net operating cost		(46,423,651)
Adjustment for non-cash transactions		8,076
Non-cash pension transaction	15	362,595
Increase in inventories	10	(3,854)
Decrease in receivables	11	(93,847)
Increase in payables	13	620,047
Use of provisions	14	(2,504)
Cash pension movements	15	(250,848)
Gains on curtailments	15	294
Net cash outflow from operating activities		**(45,783,692)**
Cash flows from investing activities		
Purchase of property, plant and equipment	6	(752,337)
Purchase of intangible assets	7	(1,128)
Purchase of investments	9	(14,293)
Proceeds of disposal of property, plant and equipment		12,993
Proceeds of disposal of investments		2,458
Net cash outflow from investing activities		**(752,307)**
Cash flows from financing activities		
Exchequer supply from sponsor department		47,432,219
Cash inflow on consolidation of academy trusts	22	924,257
Cash inflow on in year opening of academy trusts	22	131,002
Loans received		27,383
Capital element of finance lease		7,923
Net cash inflow from financing activities		**48,522,784**
Net increase in cash and cash equivalents in the period		**1,986,785**
Cash and cash equivalents at 1 April 2012		**-**
Cash and cash equivalents at 31 March 2013		**1,986,785**

Statement of changes in taxpayers' equity

For the year ended 31 March 2013. This statement relates to the EFA.

	Note	2012-13 EFA General fund £000
Balance at 1 April		**-**
Net Parliamentary funding – drawn down		47,432,219
Comprehensive expenditure for the year		(51,225,745)
Non-cash adjustments		
Payment made by the department on transition		3,909,648
Salaries paid by the department		39,446
Other costs paid by the department		5,024
Non-cash balances to be settled by the department		(3,069)
Auditor's remuneration	3	430
Notional shared service recharges	3	34,387
Balance at 31 March		**192,340**

Consolidated statement of changes in taxpayers' equity

EFA group for the year ended 31 March 2013.

	Note	General fund £000	Revaluation Reserve £000	Charitable fund reserve £000	2012-13 EFA group total £000
Balance at 1 April					
Net Parliamentary funding – drawn down		47,432,219	-	-	47,432,219
Comprehensive expenditure for the year		(51,225,745)	-	24,972,701	(26,253,044)
Non-cash adjustments					
Payment made by the department on transition		3,909,648	-	-	3,909,648
Salaries paid by the department		39,446	-	-	39,446
Other costs paid by the department		5,024	-	-	5,024
Non-cash balances to be settled by the department		(3,069)	-	-	(3,069)
Auditor's remuneration	3	430	-	-	430
Movement in academies reserves		-	-	2,446	2,446
Indexation of buildings			121,804		121,804
Notional shared service recharges	3	34,387		-	34,387
Balance at 31 March		**192,340**	**121,804**	**24,975,147**	**25,289,291**

X. Notes to the accounts

1. Statement of accounting policies

The EFA group has prepared these accounts in accordance with the financial year 2012-13 Financial Reporting Manual issued by HM Treasury. The accounting policies contained in the Financial Reporting Manual apply international financial reporting standards as adapted or interpreted for the public sector. Where the Financial Reporting Manual permits a choice of accounting policy, the EFA group has selected the accounting policy that the EFA group judged to be most appropriate to the particular circumstances of the EFA group to give a true and fair view. We describe the particular policies adopted by the EFA group for financial year 2012-13 below. Of particular note is the EFA group's early adoption of international accounting standard 19 in respect of local government pension scheme deficits allocated to academy trusts. The EFA group has also transferred in as appropriate academy trusts' land and buildings at valuations assigned by the EFA group. The EFA group has applied these policies consistently in dealing with items considered material in relation to the accounts.

The EFA group has produced these accounts as set out in a statutory accounts direction issued by HM Treasury pursuant to section 5(2) of the Government Resource and Accounts Act 2000. The EFA group has produced the accounts using accruals accounting.

1.1 Accounting convention

The EFA group has prepared these accounts under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

1.2 Going concern

The EFA is an agency of the department; the department's estimates and forward plans include provision for its continuation.

The EFA funds academy trusts under a funding agreement subject to seven years' notice of termination. EFA funding is for academy trusts' provision of learning to children and young people who are for the very large majority under the age for compulsory participation in education and to meet the need for such learning in the locality or localities academy trusts serve. In the event of an academy trust's educational, financial or other failure the EFA expects that the academy trust's learners, publically funded assets and funding would transfer to a successor academy trust or trusts as continuing activity.

The EFA group considers it appropriate to prepare these accounts for both the EFA and for the EFA group as going concerns.

1.3 Basis for consolidation

These accounts comprise a consolidation of the EFA and academy trusts with the consolidated result representing the EFA group. The EFA group has eliminated transactions between bodies included in the consolidation.

The EFA receives the authority to consolidate academy trusts under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012.

The Office for National Statistics has classified academies as central government public sector bodies since 2004. In January 2012, an amendment to the Government Resources and Accounts Act 2000 required that the Department consolidate academy trusts into the Department's accounts. The department negotiated with HM Treasury an exemption from the requirement for financial year 2011-12 due to the size and complexity of the academy consolidation.

The EFA and the department have agreed that the EFA will consolidate academy trusts' financial statements. This agreement reflects the nature of the relationship between the EFA and the academy sector, where the EFA effectively acts as the 'parent' as the EFA exercises the Secretary of State's control. The EFA provides academy trusts with the majority of their grant funding and obtains assurance from academy trusts on their financial regularity and performance. The departmental group has subsequently consolidated the EFA group's accounts into the departmental group accounts, fulfilling the terms of the department's designation order.

Note 21 lists all entities within the EFA group accounting boundary.

Throughout these accounts the EFA refers to the core EFA whilst the EFA group refers to the single entity presented in these accounts; this consists of the EFA and academy trusts.

1.3.1 Consolidation of academy trusts

These accounts represent the first year that academy trusts have been included within the EFA accounting boundary. The EFA group has consolidated all operational academy trusts as at 31 March 2013 (2,108 academy trusts operating 2,823 academies).

1.3.2 Approach to academy trust consolidation

All members of the EFA group do not have coterminous year ends. Academy trusts have financial years ending on 31 August in line with their operational year. By contrast, the EFA's year-end is 31 March. The EFA group has adopted a twofold approach to include academy trusts based on whether or not an academy trust prepared audited accounts to 31 August 2012.

The EFA group has consolidated 1,449 academy trusts' results (1,779 academies) based upon those results for the academy trusts' financial year ending 31 August 2012, where academy trusts have prepared accounts to this date.

The EFA group has consolidated 659 academy trusts' results (1,044 academies) from the date of their incorporation to 31 March 2013 where the academy trust has yet to prepare accounts to 31 August.

1.3.3 Un-validated consolidation returns

The EFA required all academy trusts to complete and submit a consolidation return to allow their results to be included within the consolidation. The EFA validated these returns, where received in time, for accounting validity and reasonableness. The validation was by automated range checks, comparisons to benchmarks and for internal consistency within returns. Where returns failed validation the EFA queried the academy trusts, raising several thousand issues in total during summer and autumn 2013. The consolidated accounts include the validated financial results for 2,700 academies. For the remaining 123 academies of the total of 2,823 open by 31 March 2013, the consolidated accounts contain validated balances for the land, buildings and local government pension scheme liabilities on the same basis as the other 2,700 academy trusts.

The EFA group has included un-validated results for 109 of these 123 academies. The EFA group has prepared these results from:

- Accounts returns by sixty academies. These were accounts returns that academy trusts either submitted after the EFA group's cut-off date for validating returns to be included in the consolidation (fifty-six academies) or for four academy trusts' accounts returns submitted in a heavily modified form that the EFA group was unable to validate and include in its consolidated accounts.
- Incorporation accounts to 31 August 2012 prepared by forty academy trusts relating to their operations as charities before they opened as academy trusts after that date. These academy trusts did not prepare accounts returns relating to their operations as open academies to 31 March 2013.
- Budget forecast returns to 31 March 2013 prepared by nine academies and received by the EFA group, but where the academy trusts did not submit an accounts return as required.

The EFA group has amended the statement of comprehensive net expenditure and statement of financial position for the following values relating to these 109 academies. The EFA group's amendments are for the following entries in its consolidated accounts:

Statement of comprehensive net expenditure	**£000**
Programme costs	
Academy trusts' staff costs	149,428
Academy trusts' educational activities	10,628
Academy trusts' premises costs	5,941

Academy trusts' other costs	46,025
Depreciation charge	8,405
Total	**220,427**
Voluntary income - Other	(48,135)
Activities for generating funds	(10,221)
Investment income	(816)
Government revenue grant income	(1,087)
Other income	(12,608)
Total	**(72,867)**
Non-operating loss on academy conversion	
As at 1 April 2012	2,096
In year	17,674
Statement of financial position	
Non-current assets	
Financial assets	10,241
Current assets	
Inventories	132
Trade and other receivables	20,687
Cash and cash equivalents	46,571
Current liabilities	
Trade and other payables	(32,088)
Non- current liabilities	
Other payables	(2,771)
Provisions	(249)

1.3.4 Omitted academy trusts

The EFA group has included values relating to the land, buildings and allocated shares of local government pension scheme deficits for fourteen academies that did not make any financial return usable by the EFA group (the remaining fourteen academy trusts of the 123 discussed). The EFA group has not included any further balances in relation to these fourteen academies. The EFA group paid these academies a total of £10.16 million in general annual grant in financial year 2012-13 and so the EFA group considers that omission of these fourteen academies is not significant to its consolidated accounts.

1.3.5 Consolidation adjustments

Some academy trusts produce accounts for fewer or greater than twelve months due to the date of incorporation and the limits on the length of a companies' first set of audited accounts. The Companies Act 2006 allows companies to shorten or extend their first accounting period after incorporation to between six and eighteen months. Statute has designed the flexibility of the initial accounting period to allow companies to move the initial year-end applied on incorporation to a more suitable date for the company's activities. In the case of academy trusts, the preferred date is 31 August to match their operational activities.

The population of academy trust accounts consolidated therefore included accounts for periods greater than and less than twelve months. For an individual academy trust, the period of accounts provided may not match the twelve months for which the EFA group uses the accounts as a proxy.

The EFA group has aligned the results for those academy trusts reporting for other than twelve-month periods by apportioning academy trusts' results up or down as appropriate. The EFA group has interpolated to twelve months the results of academy trusts reporting long period accounts (more than twelve months) as at 31 August to match the EFA group's accounting period. The EFA has extrapolated the results of academy trusts reporting short period accounts to 31 August up to twelve months dependent upon the date their academies became operational.

The EFA group has not apportioned newly incorporated academy trusts reporting as at 31 March, since their reporting (from incorporation to 31 March) already matches that of the EFA group. The adjustment required to bring academy trusts reporting periods into line with the EFA group is only concerned with the normal operational transactions of an academy trust. The EFA group has excluded material one-off transactions (such as recognition of assets and liabilities at conversion) from the adjustment to prevent material distortions to the EFA group's reported results.

1.3.6 Intra-group eliminations

The EFA group has made adjustments for intercompany transactions with academy trusts by eliminating the income reported for academy trusts returns against grants paid. A total of £10.1 billion in grants has been eliminated. Inevitably given the non-coterminous accounting periods and the use of the proxy, there is an un-eliminated balance of £215.4 million. The un-eliminated funds remain in the programme lines shown in Note 4.

Similarly, adjustments for intercompany balances with academy trusts at the year have been made by eliminating payable and receivable balances with the EFA reported by academy trusts against the corresponding EFA balances. Balances totalling £103.0 million have been eliminated with £32.3m EFA payables and £21.6m academy payables remaining in the relevant headings in note 13.

1.3.7 Accounting policy harmonisation adjustments

The EFA group has made adjustments, where required, to the academy trusts' accounts to align their accounting policies to those of the EFA group. The two most significant adjustments are to the recognition and valuation of land and building assets and defined benefit pension scheme deficit valuations. The EFA group adjusted the valuations of academy trusts' defined benefit scheme deficits to bring the valuation date and methodology into line with the EFA group. See note 1.18 for more details of the EFA group policy. The EFA group has applied all consolidation adjustments consistently across all academy trusts.

The EFA group has recalculated the carrying values of academy trusts' land and buildings on a depreciated replacement cost basis to align the accounting policy to that of the EFA group. The EFA group re-values land and buildings every five years from the anniversary of their initial recognition in accordance with the EFA group policy. See note 1.7 for more details about the property, plant and equipment accounting policy.

1.4 Areas of judgement, estimation and uncertainty

EFA group management has made judgements, estimates and assumptions in the preparation of these accounts that affect the application of policies and reported values of assets and liabilities, income and expenditure. The EFA group bases these judgements, estimates and assumptions on historic and other factors that the EFA group believes to be reasonable. The EFA group keeps its estimates and underlying assumptions under review. The EFA group has specifically made such judgements on the inclusion of academy trusts and their provisions, impairment of assets, allocated pensions deficit, valuation of land and buildings, recognition of voluntary income, recognition of opening balances, and accounting for capital expenditure. The EFA group has not offered any sensitivity analysis for these judgements other than on the use of the proxy for academy trusts reporting to 31 August 2012.

1.4.1 Inclusion of academy trusts

The EFA group has made judgements regarding how it consolidates academy trusts into these accounts, and how to reflect the economic position of the EFA group for the period covered by these accounts. The most significant judgement concerns the lack of coterminous year-ends; and how to include academy trusts whose own accounts are made up to 31 August. This issue does not affect the population of academy trusts that have not prepared accounts as at 31 August 2012, as their results have been included in the consolidated accounts through an accounting return as at 31 March 2013. Section 4 (Financial Management) of the Governance Statement has more detail on this.

1.4.2 Recognition of academy trusts' land and buildings

The second significant adjustment made to academy trusts' reported results was to recognise in all instances academy trusts' land and buildings irrespective of what the academy trusts' recognised in their own accounts. In accordance with the accounting framework adopted by academy trusts, academy trusts do not recognise all land and buildings utilised in their operations. However, the EFA group framework applies different criteria to the recognition (and valuation) of land and buildings.

Accordingly, EFA group management decided to recognise all academy trusts' land and buildings to reflect the reality that all academy trusts operate from buildings; and the omission of such buildings and the land on which they stand from the EFA group's statement of financial position would significantly understate the assets controlled and managed by the EFA group. Therefore, the EFA group commissioned consistent valuations for all academy trusts' land and buildings that comply with the EFA group's accounting policy for property, plant and equipment.

1.4.3 Balances acquired by the EFA group on conversion of academy trust member academies

Under an agreement with HM Treasury, the department through the EFA first consolidated academy trusts into the EFA group's accounts for financial year 2012-13. In creating its first accounts the EFA group has included all academy trusts open at 1 April 2012. The earliest academy trusts opened as city technology colleges in 1991 and collectively academy trusts controlled significant reserves by 1 April 2012.

The department agreed with HM Treasury that the EFA group should bring all 1,664 academy trusts open as at 31 March 2012 into the EFA group's accounts as a single business combination as at 1 April 2012.

In accounting for academy trusts' reserves acquired in the combination, the EFA group has determined valuations of the assets and liabilities underlying these reserves. The EFA group has used financial returns by academy trusts included in the Whole of Government Accounts for financial year 2011-12 as the main source of valuations of assets and liabilities. These assets and liabilities by value principally relate to academy trusts' land, buildings and deficit allocated to academy trusts in respect of their membership of the local government pension scheme.

The EFA has adjusted these valuations using the approach described in section 1.7.3 for land and buildings. For land and buildings the EFA, as part of the process of preparing a consolidated entry for academy trusts in the Whole of Government Accounts for financial year 2011-12, procured valuations of academy trusts' land and building at depreciated replacement cost which is required by the EFA. The EFA then used these valuations, as at 31 August 2012, in the Whole of Government Accounts after first appreciating the values back to 31 March 2012.

For academy trusts' pension deficits the EFA group procured from the scheme actuaries valuations of every academy trust's membership of the local government pension scheme at either 31 March 2012 for those academy trusts acquired on 1 April 2012 or the date the academy trusts' member academies converted during financial year 2012-13.

The EFA group was able, by using their procured valuations, to strengthen the balances reported in the Whole of Government Accounts consolidation to arrive at the final position for assets and liabilities acquired as at 1 April 2012 from academy trusts.

For all in-year conversions, the EFA group has used the values for assets and liabilities as disclosed by academy trusts on their consolidation returns as adjusted by the land, building and local government pension scheme deficit valuations.

1.4.4 Donations to academy trusts

The EFA group has included £283 million within voluntary income that relates to donations reported by academy trusts in their accounts returns. This balance of £283 million is the residual value of donated income reported by academy trusts, after the EFA group reviewed all disclosures by academy trusts in excess of £5 million and where appropriate adjusted academy trusts' reported figures to the relevant heading in the EFA group's accounts. The EFA group carried out this review in recognition of the complexity of accounting required of academy trusts in completing the accounts returns. The EFA group's choice of a £5 million limit for its review was a practical one, given the very large number of entries by academy trusts under this category of donated income and the difficulty of the task of validating every entry by enquiry to each academy trust.

In limiting its review in this way the EFA group recognises that some element of the £283 million within voluntary income may have been incorrectly accounted for by academy trusts under this heading on consolidation. The EFA group considers that this uncertainty does not have a significant impact on the meaningfulness of the consolidated accounts.

1.5 Transfer of functions

The department established the EFA on 1 April 2012 and is an executive agency of the department. PfS and the YPLA closed on 31 March 2012 as part of the arms' length bodies' reform programme. Their functions and responsibilities transferred to the EFA on 1 April 2012. From 1 April 2012, the EFA also took over responsibility for funding other areas of learning provision from the department.

The EFA group has accounted for these transfers of functions using absorption accounting as per the Financial Reporting Manual 4.2.22. The EFA group did not adjust the carrying value of the assets and liabilities of the functions to fair value on consolidation. The EFA group has neither recognised goodwill nor restated comparatives in the accounts. The EFA group recorded net asset carrying values as a net operating gain from the transfer of function through net expenditure.

The EFA group has shown the value of the assets and liabilities of the functions transferred to the EFA on 1 April 2012 in note 23.

1.6 Business combinations including the opening of academy trusts in-year

These accounts contain two aggregated business combinations: the recognition of all academy trusts with open academies as at 31 March 2012 and those academy trusts whose academies converted during the year. The EFA group uses the term 'business combination' throughout the notes to the accounts to refer to the balances brought into the EFA group from academy trusts that were already operational as at 31 March 2012.

The EFA group has included all academy trusts that were operational as at 31 March 2012 within these accounts as a single business combination dated 1 April 2012. Due to the duration of the academy programme, this business combination includes reserves built up by academy trusts operational from April 1991 to 31 March 2012.

The creation of academy trusts schools continued throughout financial year 2012-13. These were converted from local authority schools or newly formed with resources from outside the public sector, the majority being faith schools. For accounting purposes this year, the EFA group has treated all non-public sector conversions as faith schools. All local authority conversions are accounted for as non-operating costs and all others as operating costs. The EFA group has aggregated and presented all conversions occurring during the year as a second single business combination. The EFA group has aggregated and presented together all in-year conversions under the term ‘in-year’.

The EFA group has accounted for the inclusion of academy trusts acquired during the year using absorption accounting as per Financial Reporting Manual 4.2.22. The EFA group did not adjust the carrying value of the assets and liabilities of the functions to fair value on consolidation, although the EFA adjusted valuations to align accounting policies on land and buildings, and pensions with those of the EFA group. The EFA group has transferred in academy trusts’ land, buildings and pensions at the re-valued sum. The EFA group has neither recognised goodwill arising from the business combinations nor restated comparatives in the accounts. The EFA has recognised the net assets or liabilities acquired by the EFA group through the business combinations, for nil consideration as either net operating gain or loss through net expenditure or in other comprehensive income.

The EFA group has recognised in non-operating costs the net assets and liabilities brought in from local authorities to reflect the nil accounting gain or loss to the public sector. The EFA group has recognised in operating income the net assets and liabilities brought in from outside the public sector to reflect the accounting gain or loss to the public sector.

Note 22 gives further details of the net assets and liabilities brought into the EFA group.

1.7 Property, plant and equipment

For the EFA the minimum value of capitalisation for expenditure on property, plant and equipment is £2,500. In the case of ICT equipment and furniture, the EFA capitalises all items purchased through the capital budget and if an individual item’s value falls below the £2,500 threshold, the EFA aggregates such items and records their value as bulk assets. The EFA measures the value of assets on capitalisation at cost plus direct costs, such as installation, directly attributable to bringing them into working condition.

Other than assets under construction as explained in below, the EFA does not currently hold any property, plant or equipment as the EFA occupies the department's premises as part of the department's provision of shared services.

One of the EFA's purposes is to, as appropriate, fund the acquisition of premises or sites that ultimately academy trusts will use. The EFA will also fund all the required construction works and associated professional services needed to bring the premises or sites into use. The EFA will procure these sites and will hold title for the shortest possible period, transferring to the academy trust prior to its opening, at a value equivalent to the carrying value of the asset and for nil consideration.

The EFA measures the value of these assets under construction at cost plus direct costs directly attributable to bringing the assets into working condition. Direct costs include all costs associated with purchasing the land and property and bringing the assets into use, and a fair proportion of the EFA's internal costs.

In the unlikely situation where circumstances existing prior to the year-end indicate that the EFA cannot transfer assets to academy trusts as intended but instead the EFA will sell the assets on the open market, then the EFA will value these assets under international financial reporting standard 5 Assets Held for Sale and Discontinued Operations. In that case, the EFA will recognise any difference between purchase price and fair value as in-year impairment and the EFA will present the value of the asset separately.

If the transfer fell through due to circumstances not yet existing at the year-end, the changes in asset treatment would not take effect until the following financial year.

Academy trusts set their own policy for capitalising expenditure on property, plant and equipment in line with the Academies' Financial Handbook and the academies' accounts direction. The EFA group has not required academy trusts to state their level of capitalisation. The EFA group is therefore unable to summarise the capitalisation levels applied by academy trusts. The EFA group has included the gross value of academy trusts' assets, except their land and buildings, as the aggregate value determined by academy trusts in accordance with their capitalisation policies.

Upon initial consolidation, the EFA group recalculates the carrying value of academy trusts' land and buildings to depreciated replacement cost in order to comply with EFA group accounting policies. The EFA group does not recognise this as a revaluation adjustment as the valuation was before the assets' initial recognition in the EFA group financial statements.

Academy trusts' operate their land and building assets through a number of routes from freehold, through leasehold to rentals. Where academy trusts' lease their land and building assets from a local authority the majority of such leases are very long (often 100 or 125 years) and there is usually only a notional peppercorn or no rental cost. To reflect the commercial and economic nature of such long low value leases the EFA group has classified such leases as equivalent to freehold and aggregated all building assets into a single asset class.

The EFA group will restate academy trusts' land and buildings to fair value every five years using external professional valuations in accordance with international accounting standard 16 Property, Plant and Equipment. The EFA group has applied the public sector tender prices indices issued by the Department for Business, Innovation and Skills (BIS) to academy trusts' land and buildings over 12 months old.

1.8 Depreciation

The EFA group has provided for depreciation of assets at rates calculated to write off the valuation of academy trust buildings by equal instalments over their estimated useful lives. The EFA group depreciates the value neither of land nor of assets under construction. Asset lives are normally in the following ranges:

Academy trust buildings	50 years or estimated useful life or the lease term, whichever is shorter.

Academy trusts set their own asset lives and resulting depreciation rates summarised as the ranges below for each class of tangible asset. The EFA group has adopted these rates by adopting academy trusts' depreciation charges for their tangible assets with the exception of academy trusts' land and buildings where the EFA group has applied its own depreciation policies.

Furniture & fittings	5 – 10 years
Plant and machinery	10 – 20 years
Information technology	3 – 5 years
Motor vehicles	4 – 6 years

1.9 Intangible assets

The EFA group initially recognises intangible assets at cost, and subsequently at fair value, if it is probable that future economic benefits attributable to the asset will flow to the group and the EFA can measure reliably the cost of the asset. The EFA group capitalises purchased computer software licences and developed software as intangible assets where the EFA group has incurred expenditure of £2,500 or more. The EFA group amortises intangible assets over their estimated useful economic lives. The exceptions are goodwill and assets under construction that the EFA group does not amortise, instead assessing the assets for impairment annually. Intangible asset lives are normally in the following ranges:

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

Developed software	5 years
Trademarks and royalties	3 years

1.10 Revaluation and impairment of non-current assets

The EFA group has credited increases in the value of these assets to the revaluation reserve. The EFA group has applied this policy unless the increase in value is a reversal of a previous impairment, the EFA group credits such an increase in value to the statement of comprehensive net expenditure to the extent of the previous impairment and then to the revaluation reserve, in accordance with international accounting standard 36.

The EFA group reviews all non-current assets for impairment if circumstances indicate the carrying value may not be recoverable. The EFA group recognises as a loss the sum that the asset's carrying value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use.

The EFA group charges any impairment losses that result from a clear consumption of economic benefits to the statement of comprehensive net expenditure. The EFA group transfers any balance on the revaluation reserve, up to the level of impairment, to the general fund to ensure consistency with international accounting standard 36.

The EFA group writes off all impairment losses that do not arise from a clear consumption of economic benefits against the revaluation reserve up to the level of depreciated historical cost. The EFA charges any excess devaluation to the statement of comprehensive net expenditure.

1.11 Inventory

The EFA group carries inventory at the lower of cost or net realisable value.

1.12 Financial instruments

The EFA group has adopted international financial reporting standard 7 Financial Instruments: Disclosures, international accounting standard 32 Financial Instruments: Presentation and international accounting standard 39 Financial Instruments: Recognition and Measurement. The EFA group does not have any complex financial instruments, including embedded derivatives. However, the EFA group recognises financial assets and financial liabilities when the EFA group becomes party to the contractual provisions of the instrument.

1.12.1 Financial assets

The EFA classifies financial assets where appropriate as investments, loans and receivables, assets available-for-sale and financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents and trade and other receivables.

The EFA group determines the classification of its financial instruments at initial recognition. The EFA recognises financial assets initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. The EFA group's financial assets include available-for–sale assets, trade and other receivables and cash. The subsequent measurement of financial assets depends on their classification, as follows:

1.12.2 Available-for-sale assets

The EFA group holds investments classified as available for sale and the EFA group carries these assets at fair value. The EFA group calculates fair value as the market value at the balance sheet date. The EFA group recognises movements in the fair value in its statement of comprehensive net expenditure.

1.12.3 Trade and other receivables

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. Trade and other receivables do not carry any interest and the EFA group recognises them initially at their face value then subsequently measured at amortised cost using the effective interest method. The EFA group recognises appropriate allowances (provisions or write-offs) for estimated irrecoverable sums (bad debts) in the statement of comprehensive net expenditure when there is objective evidence that the asset is impaired. The EFA group measures the allowance recognised as the difference between the assets' carrying value and the estimated future recoverable value.

1.12.4 Cash and cash equivalents

The EFA group has included cash and cash equivalents comprising cash in hand and on demand deposits.

1.12.5 Financial liabilities

The EFA group classifies financial liabilities, where appropriate, at fair value through profit or loss, or as financial liabilities measured at amortised cost (face value plus any discounts). Financial liabilities include trade and other payables and accruals. The EFA group's measurement of financial liabilities depends on their classification, as follows:

1.12.6 Trade and other payables

Trade and other payables, including accruals, are generally not interest bearing and the EFA group states them at their face value on initial recognition. Subsequently, the EFA group values them at amortised cost using the effective interest method.

1.12.7 Loans

Academy trusts are able to take out interest free loans for the purchase cost of solar panels and the EFA group recognises only the sums outstanding at the statement of financial position date. Academy trusts may also take out interest bearing loans with the secretary of state's permission. The EFA group states such loans at their face value on initial recognition. Subsequently, the EFA group measures interest bearing loans at amortised cost using the effective interest method.

1.13 Grant in aid from the sponsoring department

The EFA group has recorded all grant-in-aid by the department as financing as the EFA group regards grant in aid as contributions from the EFA group's controlling party giving rise to a financial interest. The EFA group records grant in aid as financing in the statement of cash flows and the EFA group credits grant in aid to the general reserve.

1.14 Income

Operating income is income that relates directly to the operating activities of the EFA group. Operating income consists of:

- EFA income such as general administration receipts and income from other departments.
- Income generated by academy trusts in the course of their activities in addition to the funding received from the EFA. This income can include income from local authorities and other government departments as well as fund-raising income, sponsorship income and income from the hire of facilities.

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 the EFA:

- human resources
- estates and facilities management
- communications
- legal services
- information, communication and technology services
- corporate finance and procurement

The financial statements include a notional recharge from the department to the EFA to reflect the costs of these shared services. This recharge is an apportionment of costs, calculated as a cost per full time equivalent employee within the departmental group multiplied by the number of EFA full time equivalent employees.

1.16 Administration and programme expenditure

The EFA group has analysed the statement of comprehensive net expenditure between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration expenditure set out by HM Treasury in its publication Consolidated Budgeting Guidance.

Administration costs reflect the costs of running the EFA and include staff costs and other administrative costs, including travel, subsistence, information technology maintenance, and office expenditure.

Programme costs reflect non-administration costs, including payment of grants and other costs of programme delivery. The EFA group records staff and contractor costs associated with the free school and priority schools building programmes as capital programme expenditure as these costs relate directly to the delivery of these capital programmes. The EFA group records all expenditure by academy trusts, including staff costs, as programme expenditure.

1.17 Leases

The EFA group classifies leases as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased assets to the lessee. The EFA group classifies all other leases as operating leases. The EFA group charges operating lease rentals, where expenditure is incurred, to the statement of comprehensive net expenditure.

1.18 Employee benefits

1.18.1 Pension and superannuation costs

The EFA group has adopted international accounting standard 19 Employee Benefits to account for its pension schemes.

For funded defined benefit schemes, the EFA group recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the EFA group has a legal or constructive obligation to make good the deficit in the scheme. The EFA group recognises the pension scheme surplus (to the extent that the EFA group considers the surplus to be recoverable) or deficit in full on the face of the statement of financial position. The EFA group recognises actuarial gains or losses from the scheme in reserves.

Where the EFA group contributes to 'defined contribution' and 'unfunded defined benefit' pension schemes (that do not have underlying assets and liabilities), the EFA group recognises contributions payable in the statement of comprehensive net expenditure.

A revised version of international accounting standard 19 Employee Benefits came into effect for financial years beginning on or after 1 January 2013. The changes contained within the revised standard only apply to funded defined benefit pension schemes that adopt the full scope of international accounting standard 19. For the EFA group this is limited to the local government pension scheme. The EFA group accounts for the teachers’ pension scheme as a defined contribution scheme since is it unfunded and does not have underlying assets and liabilities.

The main revision concerns the valuation of the expected return on assets applied to the scheme’s assets to calculate the scheme’s net asset/liability valuation. The previous version of international accounting standard 19 required the EFA group to apply a market based return in the valuation calculation; the revised version allows an assumed value based on the scheme’s asset breakdown.

The Financial Reporting Manual for financial year 2012-13 has not formally adopted international accounting standard 19. The EFA group decided to adopt the revised international accounting standard 19 early as a pragmatic approach to valuing all academy trusts’ local government pension schemes. If the EFA group had not early adopted the revised standard the EFA group would have incurred disproportionate costs in applying different valuation methods for financial years 2012-13 and 2013-14 accounts. The EFA group has been agreed this early adoption of international accounting standard 19 with HM Treasury.

The EFA group has not assessed the impact of the early adoption of international accounting standard 19 due to the complexity and cost of obtaining two valuations.

Notes 2 and 15 provide further details of the EFA group’s membership of pension schemes.

1.19 Accounting for programmes

1.19.1 Grant recognition

The EFA group receives a delegation letter from the department annually on 1 April. This breaks down the grant the department transfers to the EFA group into programme budgets that fund learning and the EFA’s administration costs. The EFA group accounts for the majority of grants to the EFA group and education providers as cash. The EFA group considers that cash accounting is appropriate as the EFA group pays group members and education providers at a time and sum that as far as possible matches their underlying activity.

The EFA group has eliminated grants to academy trusts at group level and the EFA group does not report the value of these grants in the figures for the group.

The EFA group has made accruals for the cost of delivery within the financial year where payment is either not representative of underlying activity or there are delays in payment due to a delay in signing contracts or in the receipt of claims. Where termly payments cover a period beyond the current financial year, the EFA group makes a prepayment adjustment to ensure that the EFA group's accounts recognise only the cost of provision in the current financial year.

1.19.2 Time bound capital grants

The EFA group pays a number of capital grants on the condition that recipients will have spent the grants within a specified time limit. The EFA group recovers unspent grants from grant recipients where the recipients have not spent the funds within the time limit specified. Where providers have further time following the end of the financial year to spend the grant the EFA group can neither deem probable the existence of any future economic benefit at the statement of financial position date, nor measure its extent reliably. The right of recovery does not therefore give rise to an asset eligible for recognition in the statement of financial position as defined by the international accounting standards board's Framework for the Preparation and Presentation of Financial Statements. The EFA group therefore offsets any unspent grant returned to it by grant recipients against grant expenditure at the time of receipt.

1.20 Receivables: programme expenditure

The EFA pays group members and education providers according to a profile of payments intended to match as closely as possible their needs for funds. Programme receivables mostly reflect part of the normal operation of the reconciliation process of the respective programmes to ensure that only sums earned by EFA group members and education providers' actual delivery are paid and recorded in the EFA group's accounts.

Where relevant, the EFA group recognises recoveries of grant the EFA group has overpaid when the recoveries are virtually certain to succeed and the EFA group can reliably measure their value. The EFA group recognises the recoveries as reductions in EFA group expenditure of the grant related to the recoveries. In the vast majority of cases, the EFA group offsets programme receivables against future payments to providers.

1.21 Provisions

The EFA group recognises provisions when it is probable that the EFA group will be required to settle a present obligation resulting from a past event and the EFA group can make a reliable estimate of that obligation. The obligation is normally the sum that the EFA group would pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time. Where the impact is material, the EFA group discounts expected future cash flows using an appropriate discount rate.

1.22 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with international accounting standard 37, the EFA group discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer economic benefit is remote.

The EFA group states as discounted sums those contingent liabilities that the EFA group discloses in accordance with international accounting standard 37, where the time value of the contingent liabilities is material, and the EFA group separately notes the sum reported to parliament. The EFA group states contingent liabilities that the EFA does not have to disclose under international accounting standard 37 as the sums reported to Parliament.

1.23 Value Added Tax

Most of the activities of the EFA are outside the scope of value added tax (VAT). The EFA sits within the department's group VAT registration allowing the appropriate accounting to the HMRC as part of the department's overall return. This means the EFA can recover input VAT incurred on contracted out services as defined by HM Treasury. The EFA states sums net of VAT where it charges output tax or recovers input tax.

In general, the EFA group's outputs are not subject to VAT. Where taxable outputs are made the EFA group can recover input VAT on purchases related to these outputs. Where input VAT is incurred on educational delivery at academies, this can be wholly recovered from the HMRC. The EFA group charges remaining irrecoverable VAT to the relevant expenditure category or includes the VAT in the capitalised purchase cost of property and equipment and intangible assets. The EFA group states sums net of VAT where the group charges output tax or recovers input tax.

1.24 Tax

HM Revenue and Customs considers that the EFA group's academy trusts pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010 and therefore academy trusts meet the definition of charitable companies for UK corporation tax purposes. Accordingly, academy trusts are potentially exempt from taxation in respect of income or capital gains received within categories covered by chapter 3 part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that the EFA group applies such income or gains exclusively to charitable purposes.

However, the EFA group does recognise low levels of corporation tax arising from the small number of trading subsidiaries held by academy trusts that fall outside of paragraph 1 schedule 6 above.

1.25 Segmental reporting

In accordance with international financial reporting standard 8, the EFA group has considered the need to analyse its accounts income and expenditure relating to operating segments. The EFA group has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by international financial reporting standard 8. The segmental reporting information disclosed in note 4 reflects the significant programme streams under the remit of the EFA group as detailed in the EFA group's financial year 2012-13 delegation letter from the department, and as such the EFA group's chief operating decision maker, the Chief Executive reviews this segmental information.

The EFA holds assets and liabilities from its own operations and relating to working capital. The EFA does not report on these assets and liabilities at programme level in the EFA's management accounts. Hence, for its assets and liabilities the EFA group has adopted the amendment to international financial reporting standard 8 published in April 2009 that states that organisations should report segmental information for assets and liabilities only if the organisations report regularly these assets and liabilities to their chief operating decision makers.

Similarly, the EFA does not report administration expenditure to management at programme level as segmental information. The EFA group does not consider this segmental information to have a material influence on managerial decisions and so the EFA group has not disclosed administration expenditure in the segmental reporting note.

1.26 Accounting developments

In order to comply with the requirements of international accounting standard 8 Accounting Policies, Changes in Accounting Estimates and Errors, the EFA group must disclose where it has not applied a new international financial reporting standard that is in issue but is not yet effective. The EFA group has carried out a review of the international financial reporting standards in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none have any material impact on the EFA group's accounts. The EFA group, therefore, has chosen not to adopt early requirements of amendments to the following accounting standards and interpretations that have an effective date after the date of these accounts:

Table 1: Accounting standards

Standard	Effective	FReM Application	Impact
International accounting standard 1 Presentation of Financial Statements (Other Comprehensive Income) (OCI)	Accounting periods commencing on or after 1 July 2012.	Financial year 2013-14	International accounting standard 1 has been amended to develop more consistent identification of where entities should present an item in OCI by requiring items of OCI to be grouped according to whether the items might at some point be re-classified from OCI to profit.
International accounting standard 12 Income Taxes (Amendment)	Accounting periods commencing on or after 1 July 2012.	Subject to consultation	The standard requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying value through use of sale.
International accounting standard 16 Property, Plant and Equipment	Accounting periods commencing on or after 1 January 2013.	Financial year 2013-14	The amended standard states that entities should recognise servicing equipment (spare parts, service and stand-by equipment) when this equipment meets the definition of property, plant or equipment. Entities should otherwise classify servicing equipment as inventory under international accounting standard 2.
International accounting standard 27 Separate Financial Statements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The revised standard requires that when an entity prepares separate financial statements, entities should account for investments in subsidiaries, associates, and jointly controlled entities either at cost, or in accordance with international financial reporting standard 9 Financial Instruments.
International accounting standard 28 Investments in Associates and Joint Ventures	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard defines 'significant influence' and provides guidance on how entities should apply the equity method of accounting (including exemptions from applying the equity method in some cases). It also describes how entities should test investments in associates and joint ventures for impairment.
International accounting standard 32 Financial Instruments: Presentations	Accounting periods commencing on or after 1 January 2013.	Financial year 2013-14	The standard identifies the tax effect of distribution to holders of equity instruments.
International financial reporting standard 9 Financial Instruments	Accounting periods commencing on or after 1 January 2015.	Subject to consultation	The standard introduces new requirements that address three areas; the classification and measurement of financial instruments; the calculation and disclosure of impairments of financial assets and further information on hedge accounting principles and hedging relationships.

Standard	Effective	FReM Application	Impact
International financial reporting standard 10 Consolidated Financial Statements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard identifies the principles of control, determines how to identify whether an investor controls an investment holder and therefore must consolidate the investment holder, and sets out the principles for the preparation of consolidated financial statements.
International financial reporting standard 11 Joint Arrangements	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
International financial reporting standard 12 Disclosure of Interest in Other Entities	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
International financial reporting standard 13 Fair Value Measurement	Accounting periods commencing on or after 1 January 2013.	Subject to consultation	The standard replaces the guidance on fair value measurement in existing international financial reporting standard accounting literature with a single standard. This standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, international financial reporting standard 13 does not change the requirements regarding which items entities should measure or disclose at fair value.

2. a. Staff costs

The EFA provides information in respect of its senior employees' emoluments and pension entitlements in the remuneration report on pages 20 to 23. The table below relates to the EFA group.

EFA group			**2012-13**
	Permanently employed staff £000	**Others £000**	**Total £000**
Salaries	6,470,194	249,081	6,719,275
Social security	456,379	9,011	465,390
Pension costs	875,444	13,559	889,003
	7,802,017	**271,651**	**8,073,668**
Less recoveries in respect of outward secondments	(850)	(53)	(903)
	7,801,167	**271,598**	**8,072,765**
Charged to:			
Administration costs	38,895	1,328	40,223
Programme costs	7,762,272	270,270	8,032,542
	7,801,167	**271,598**	**8,072,765**
Of which:			
EFA – administration	38,895	1,328	40,223
EFA – programme	722	7,773	8,495
Academy trusts	7,761,550	262,497	8,024,047
	7,801,167	**271,598**	**8,072,765**

The fees paid for agency staff is a flat fee that includes social security, holiday pay, pension costs etc. For the purposes of this note, the EFA group discloses the total sum as wages and salaries.

The EFA group charges all academy trusts' staff costs to programmes, representing the direct costs of service delivery. Other programme staff costs relate to the delivery by the EFA of capital programmes. The EFA has charged its staff costs of £8.15 million to the free school programme and £1.81 million to the PSBP. The EFA group has capitalised £1.47 million of the EFA's staff costs associated with the free school capital programme as assets under construction at 31 March 2013.

2. b. Pension costs

The EFA group operates a range of pension schemes for its employees, dependent upon the employees' role.

Principal civil service pension scheme

The principal civil service pension scheme is an unfunded multi-employer defined benefit scheme within which the EFA group is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. The resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions) gives details of the scheme.

For financial year 2012-13, the EFA group was liable to pay employers' contributions of £6.11 million to the principal civil service pension scheme at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The scheme actuary sets contribution rates to meet the cost of the benefits accruing during financial year 2012-13 that the principal civil service pension scheme will pay when the member retires and not the benefits paid during this period to existing pensioners.

Employees make contributions of between 1.5 per cent and 5.9 per cent based on salary band and the particular scheme of which they are a member.

Local government pension scheme

The scheme is a funded, multi-employer defined benefit pension scheme. The scheme is available to employees of local government bodies that satisfy the membership criteria. The scheme's administrators are able to allocate the scheme's underlying assets and liabilities across the separate employers in accordance with international accounting standard 19. Consequently, the EFA group recognises its share of the scheme's net asset surplus or liability deficit on its statement of financial position. See note 15 for further details.

Teachers' pension scheme

For financial year 2012-13, the EFA group was liable to pay employers' contributions of £570.8 million at a rate of 14.1 per cent of pensionable pay. The scheme is an unfunded, multi-employer defined benefit pension scheme but the EFA group is unable to identify its share of the underlying assets and liabilities. In accordance with international accounting standard 19, the EFA group accounts for contributions to the scheme as if the scheme is a defined contribution scheme, recognising only contributions payable during the year.

The Secretary of State sets rates for contributions to the teachers' pension scheme on the advice of the scheme's actuary. The Teachers' Pension Scheme (England and Wales) Annual Accounts 2012-13 gives further information about the scheme.

Employees make contributions of between 6.4 per cent and 8.8 based on salary band.

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. The EFA group paid employers' contributions of £70,842 in relation to the EFA group's own staff to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, the EFA group paid employer contributions of £4,683, 0.8 per cent of pensionable pay, in relation to the EFA group's own staff to the principal civil service pension scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £6,074. Contributions prepaid by the EFA group in relation to its own staff at that date were nil.

2. c. Average number of staff employed

The average number of full-time equivalent persons the EFA group employed during the year.

EFA and EFA group			**2012-13**
	Permanently employed staff	**Other staff**	**Total**
Administration	632	33	665
Programme	239,444	11,913	251,357
Staff engaged on capital projects	-	25	25
	240,076	**11,971**	**252,047**
Of which:			
EFA	641	98	739
Academy trusts – management staff	12,976	79	13,055
Academy trusts – teaching staff	123,538	5,883	129,421
Academy trusts – administration and support staff	102,921	5.911	108,832
	240,076	**11,971**	**252,047**

2. d. Staff exit packages

2012-13

EFA and EFA group	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	EFA	EFA group	EFA	EFA group	EFA	EFA group
<£10,000	-	406	1	532	1	938
£10,001 - £25,000	-	165	21	345	21	510
£25,001 - £50,000	-	72	33	158	33	230
£50,001 - £100,000	-	17	17	37	17	54
£100,001 - £150,000	-	-	6	11	6	11
£150,001 - £200,000	-	-	1	1	1	1
Total number of exit packages	**-**	**660**	**79**	**1,084**	**79**	**1,744**
Total cost (£000)	**-**	**7,681**	**3,778**	**17,760**	**3,778**	**25,441**

In financial year 2012-13, the department bore and managed centrally the exit costs of staff in the EFA itself. To aid transparency, the EFA group also reports in its accounts information on departure costs and numbers.

During financial year 2012-13, EFA staff could choose voluntary exit under an early departure programme. As part of this programme, the department meets the additional costs of benefits in respect of employees who retire early and of compensation payments payable to employees who take early severance.

The EFA group has paid redundancy and other departure costs in accordance with the provisions of the civil service compensation scheme, a statutory scheme made under the Superannuation Act 1972. The department has accounted for exit costs in full in the year of departure. Where the EFA has agreed early retirements, the department has met the additional costs. The scheme has met the ill-health retirement costs and such costs are not included in the table above.

Academy trusts met exit costs of staff.

3. Other administrative costs

EFA and EFA group	2012-13 EFA £000	 EFA group £000
Staff travel and subsistence	2,447	2,447
Recruitment and training	103	103
IT and computer maintenance	20,157	20,157
General administration expenditure	5,337	5,337
Premises	8,164	8,164
Legal and other professional fees	2,498	2,498
Managing and supporting capital programmes	11,932	11,932
Non-cash items:		
Transition costs written back	(732)	(732)
Amortisation	75	75
External audit fee	430	430
Total	**50,411**	**50,411**

The costs above include notional recharges of £34,387,000 for the shared services provided by the department to the EFA.

The notional costs of these services for financial year 2012-13 are as follows:

EFA	2012-13 £000
Human resources	1,573
Estates and facilities management	8,152
Communications	1,187
Legal services	921
Information and technology services	20,236
Corporate finance and procurement	2,318
Total	**34,387**

4. Programme costs

EFA and EFA group			
			2012-13
		EFA	EFA group
		£000	£000
4.01	**Learning by young people aged under 16 years at academies**		
	General annual grant	8,285,289	125,149
	Insurance	77,428	-
	Annual per capita grant	15,637	-
	TUPE, staff restructuring and other	1,115	972
	Academy pupil premium	268,937	-
	Maths specialist teachers	152	-
	Academies consolidation and whole of government accounts costs	5,251	-
	Total learning by young people aged under 16 years at academies	**8,653,809**	**126,121**
4.02	**Learning by young people aged under 16 years at local authority maintained schools**		
	Additional grant scheme	23,639	21,381
	Dedicated schools grant	29,935,487	29,935,487
	Pupil premium	988,838	988,838
	Total learning by young people aged under 16 years at local authority maintained schools	**30,947,964**	**30,945,706**
4.03	**Local authority maintained schools with sixth forms**		
	Local authority maintained schools with sixth forms	917,581	917,581
	School sixth forms – teachers' pay grant	37,398	37,398
	Special education needs	180,623	180,623
	Learner achievement tracker	26	26
	Total local authority maintained schools with sixth forms	**1,135,628**	**1,135,628**
4.04	**Academies with sixth forms**		
	Academies with sixth forms	1,215,698	-
	Total academy trusts with sixth forms	**1,215,698**	**-**
4.05	**Young people aged 16-19 years in further education**		
	Further education for young people aged 16-19	3,504,463	3,504,463
	Additional learner support	277,801	277,801
	Total young people aged 16-19 years in further education	**3,782,264**	**3,782,264**
4.06	**Youth contract**		
	Youth contract	6,986	6,986
	Total youth contract	**6,986**	**6,986**

EFA and EFA group

		EFA £000	2012-13 EFA group £000
4.07	**Learners with learning difficulties and/or disabilities (LLDD)**		
	LLDD placements	217,700	217,700
	LLDD forensic units	5,777	5,777
	Higher discretionary support in further education for learners aged 19-24 years	62,810	62,810
	Total LLDD	**286,287**	**286,287**
4.08	**Learner support for young people aged 16-19**		
	Residential bursaries for young people aged 16-19 years	5,060	5,060
	Bursary fund young people aged 16-19 years	158,475	158,475
	Care to learn	31,778	31,778
	Dance and drama awards	9,612	9,612
	Legacy learner support programmes	(23)	(23)
	Other residential schemes	533	533
	Residential support scheme for young people aged under 19 years	826	826
	Continuing learners aged over 19 years	114	114
	Learner support for young people aged 16-19	**206,375**	**206,375**
4.09	**Education maintenance allowance (EMA)**		
	EMA – student payments	39,989	39,989
	EMA – contract compliance	2,879	2,879
	Total EMA	**42,868**	**42,868**
4.10	**Young people aged 14-19 years reform**		
	Young apprenticeships	3,386	3,386
	Work placement pilot	2,384	2,384
	Internship programme	2,000	2,000
	Total young people aged 14-19 years reform	**7,770**	**7,770**
4.11	**Private finance initiative special current grant**		
	Private finance initiative special current grant	669,971	669,971
	Total private finance initiative special current grant	**669,971**	**669,971**

EFA and EFA group		EFA £000	2012-13 EFA group £000
4.12	**Expenditure funded by other government departments**		
	Adult learner grant funded by BIS	1,525	1,525
	Residential support scheme funded by BIS	224	224
	Personal career development loans helpline and payment body funded by BIS	1,110	1,110
	Dance & drama awards for young people aged 19 years and over funded by BIS	4,233	4,233
	Education in youth custody funded by the Ministry of Justice	12,639	12,639
	Total expenditure funded by other government departments	**19,731**	**19,731**
	Total revenue grant expenditure	**46,975,351**	**37,229,707**
4.13	**Capital for young people aged 16-19 years**		
	16-19 demographic growth capital fund	41,185	35,443
	Sixth form college building condition improvement fund	60,508	60,508
	Sixth form college devolved formula capital	4,064	4,064
	Total capital for young people aged 16-19 years	**105,757**	**100,015**
4.14	**Capital for young people aged under 16 years**		
	Devolved formula capital for young people aged under 16 years at academy trusts	32,355	-
	Targeted capital: short breaks	40,000	40,000
	Two year olds' entitlement	100,000	100,000
	Centrally managed programmes – framework academy trusts	151,086	148,678
	Centrally managed programmes – building schools for the future legacy academy trusts	393,200	283,874
	Centrally managed programmes – free schools	77,504	75,257
	Priority schools building programme	3,741	3,741
	Centrally managed programmes – secure accommodation	14,552	14,552
	Devolved programmes – basic need schools	1,311,867	1,311,867
	Devolved formula capital for voluntary aided and local authority maintained schools	161,595	161,595
	Devolved programmes – modernisation of local authority maintained schools	686,842	686,842
	Devolved programmes – voluntary aided local coordinated voluntary aided programme	174,028	174,028
	Devolved programmes – academy trusts capital maintenance	298,764	146,903
	Continuing commitments – building schools for the future	633,545	627,998
	Total capital for young people aged under 16 years	**4,079,079**	**3,775,335**
	Total capital grant expenditure	**4,184,836**	**3,875,350**

EFA and EFA group		2012-13
	EFA	EFA group
	£000	£000
4.15 Academy trusts' costs		
Academy trusts' travel and subsistence	-	21,023
Academy trusts' training and recruitment	-	79,401
Academy trusts' governors costs	-	1,356
Academy trusts' educational activities	-	550,087
Academy trusts' information technology costs	-	121,425
Academy trusts' premises costs	-	891,506
Academy trusts' operating lease costs	-	30,313
Academy trusts' legal and professional fees costs	-	103,018
Academy trusts' auditors' fees – audit work costs	-	13,026
Academy trusts' auditors' fees – non-audit work costs	-	5,172
Academy trusts' finance cost	-	256
Academy trusts' other costs	-	773,995
Academy trusts' non-cash charges:		
Depreciation	-	803,376
Amortisation	-	506
Impairment	-	10
Gain or loss on disposal of property, plant and equipment	-	5
Gain or loss on disposal of investments	-	11
Total academy trusts' costs	**-**	**3,394,486**
Total programme expenditure	**51,160,187**	**44,499,543**

The EFA group column includes expenditure funded from outside the group sourced directly by academy trusts in addition to the funding received from the EFA.

5. Income

EFA and EFA group	2012-13 EFA £000	 EFA group £000
Administration income:		
Sundry sales income	(23)	(23)
Total administration income	**(23)**	**(23)**
Programme income:		
Education in youth custody programme income	(12,639)	(12,639)
BIS income for adult learner programmes	(7,092)	(7,092)
Voluntary income	-	(428,542)
Activities for generating funds	-	(386,052)
Investment income	-	(10,268)
Government revenue grant income	-	(357,822)
Government capital grant income	-	(113,167)
Other income	-	(223,586)
Total programme income	**(19,731)**	**(1,539,169)**
Total income	**(19,754)**	**(1,539,192)**

Voluntary income – donations represents the value of incoming assets donated to the group's academy trusts after the conversion of those academy trust's schools. This balance does not represent the net asset or liability position of legacy assets arising on the conversion of an academy trust's school.

6. Property, plant and equipment

EFA

	Assets under construction £000	2012-13 Total £000
Cost or valuation		
At 1 April 2012	-	-
Additions	191,028	191,028
At 31 March 2013	**191,028**	**191,028**
Depreciation		
Impairment	-	-
At 31 March 2013	**-**	**-**
Carrying value at 31 March 2013	**191,028**	**191,028**

£1,470,000 of programme staff costs has been included in the value of assets under constructions as they are directly attributable to these capital projects.

EFA group

	Land and Buildings £000	Leasehold improvement £000	Plant & machinery £000	Furniture & equipment £000	Computer equipment £000	Vehicles £000	Assets under construction	2012-13 Total £000
Cost or valuation								
At 1 April 2012	17,162,856	-	271	277,371	170,623	6,593	32,346	17,650,060
Additions	284526	7,016	1,628	87,226	112,783	3,927	255,231	752,337
Transfers in (local authorities)	6,489,154	2,071	14,795	49,865	28,701	1,626	-	6,586,212
Transfers in (other)	1,454,963	28	332	7,743	2,359	205	-	1,465,630
Acquired in business combination								
Donations	112,835	-	-	3,569	4,532	80	-	121,016
Disposals	(12,653)	-	(4)	(1,585)	(5,143)	(204)	(1,342)	(20,931)
Revaluations	121,804	-	-	(8)	(31)	-	-	121,765
Reclassifications	28,693	-	-	1,006	3,537	(3)	(33,390)	(157)
At 31 March 2013	**25,642,178**	**9,115**	**17,022**	**425,187**	**317,361**	**12,224**	**252,845**	**26,675,932**
Depreciation								
At 1 April 2012	-	-	-	-	-	-	-	-
Charged in year	(619,123)	(552)	(1,285)	(77,115)	(102,645)	(2,656)	-	(803,376)
Disposals	2,653	-	-	1,045	4,140	95	-	7,933
Revaluations	-	-	-	-	1	-	-	1
Reclassifications	-	-	-	-	(5)	3	-	(2)
Impairment	-	-	-	(7)	-	-	-	(7)
At 31 March 2013	**(616,470)**	**(552)**	**(1,285)**	**(76,077)**	**(98,509)**	**(2,558)**	**-**	**(795,451)**
Carrying value at 31 March 2013	**25,025,708**	**8,563**	**15,737**	**349,110**	**218,852**	**9,666**	**252,845**	**25,880,481**

Included within the closing value of land and buildings is £5,718,052,000 of land held by academies.

The EFA group acquired land and buildings on the conversion of academy trust sites (both in-year and as part of the 1 April 2012 business combination). These land and buildings are valued at depreciated replacement cost. Following the initial recognition (at conversion or 1 April 2012), the EFA will revalue all academy trust land and buildings in line with EFA group policy every five years.

All land and buildings acquired in the business combination were valued as at 31 August 2012 and appreciated back to 31 March 2012. The assets will be next be revalued as 31 March 2017. Land and buildings for all sites opened after 31 March 2012 will be revalued on the five-year anniversary of their opening.

The group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual. The 31 August 2012 valuation only concerned the cohort of academy trust land and buildings operated by the EFA group as at 31 March 2012 and valued either by DTZ or DJD, the EFA's appointed valuers for valuations at that date. DTZ and DJD carried out their valuations as at 31 August 2012 but the EFA group then appreciated the values back to 31 March 2012 for inclusion in the business combination. Mouchel valued land and building assets acquired after 31 March 2012 as the EFA's appointed valuers for valuations after that date.

Depreciation of academy trust buildings is based on 50 years or estimated useful life or the lease term, whichever is shorter. Estimated useful lives have been provided by the professional valuers engaged by the EFA to re-value academy buildings. In most cases this is based on the estimated physical life of the building. In exercising their professional judgement, there are differences in approach between the different firms of valuers. The EFA has however received independent professional advice that the estimated lives are on a consistent basis suitable for use in the calculation of depreciation.

Assets under construction relate to school building construction projects.

7. Intangible assets

EFA: transferred from PfS at net book value on 1 April 2012.

EFA	Benchmarking system £000	Finance system £000	2012-13 Total £000
Cost or valuation			
At 1 April 2012	-	-	-
Transfers	50	50	100
At 31 March 2013	**50**	**50**	**100**
Amortisation			
At 1 April 2012	-	-	-
Charged in year	(50)	(25)	(75)
At 31 March 2013	**-**	**25**	**25**

EFA group	Software £000	Trademarks, licenses, royalties etc. £000	Other £000	2012-13 Total £000
Cost or valuation				
At 1 April 2012	737	61	43	841
Additions	-	1,072	56	1,128
Transfers in (local authorities)	497	-	39	536
Transfers in (other)	69	-	9	78
At 31 March 2013	**1,303**	**1,133**	**147**	**2,583**
Amortisation				
At 1 April 2012	-	-	-	-
Charged in year	(75)	(477)	(29)	(581)
Impairment	-	-	(3)	(3)
At 31 March 2013	**(75)**	**(477)**	**(32)**	**(584)**
Carrying value at 31 March 2013	**1,228**	**656**	**115**	**1,999**

8. Financial instruments

International financial reporting standard 7 requires the EFA group to disclose information on the significance of financial instruments to its financial position and performance.

Credit risk

Non-payment of debts relating usually to insolvency of provision of learning by commercial and charitable providers exposes the EFA group to credit risk, and this risk is most usually attributable to private sector providers' insolvency. The EFA group mitigates this risk by subjecting commercial and charitable education providers to quality and financial status reviews prior to the EFA group awarding these providers contracts and by monitoring providers' delivery of learning against the value of EFA group profile payments made during the currency of the contracts.

The table below shows the value of debts overdue by category:

EFA and EFA group **Overdue debts**	**As at 31 March 2013 £000**
<30 days overdue	4,200
30-60 days overdue	81
60-90 days overdue	1,382
90-180 days overdue	1,482
>180 days overdue	395
Total overdue debts	**7,540**

The EFA group does not require academy trusts to disclose the value of debts overdue.

Liquidity risk

Parliament votes annually the financing of the EFA group's net revenue resource requirements, as well as its capital expenditure. The EFA group does not consider itself exposed to any significant liquidity risks.

Interest rate risk

The EFA group's financial assets carry either nil or fixed rates of interest. The EFA group does not consider itself exposed to any significant interest rate risk.

Foreign currency risk

All material assets and liabilities are denominated in sterling. The EFA group does not consider itself exposed to any significant currency risk.

Market risk

There is some market risk in the fair value investment held by academy trust but the EFA group is unable to quantify a value for the risk.

Financial assets by category:

EFA and EFA group	2012-13 EFA £000	 EFA group £000
Cash	127,528	1,986,785
Receivables	28,633	438,825
Total	**156,161**	**2,425,610**

EFA and EFA group	2012-13 EFA £000	 EFA group £000
Trade payables	(745)	(239,496)
Other payables	(1,580)	(369,376)
Accruals	(150,245)	(557,064)
Total	**(152,570)**	**(1,165,936)**

9. Non-current financial assets

EFA group	Subsidiaries at cost £000	Other investments cost £000	Securities at fair value £000	Other investments at fair value £000	2012-13 Total £000
As at 1 April 2012	25	2,692	29,033	9,858	41,608
Additions	-	-	7,227	7,066	14,293
Transfers in (other)	-	5	-	-	5
Disposals	-	-	(2,378)	(91)	(2,469)
Fair value gain/(loss)	-	-	1,976	167	2,143
As at 31 March 2013	**25**	**2,697**	**35,858**	**17,000**	**55,580**

The EFA had no non-current financial assets as at 31 March 2013.

10. Inventories

EFA group

	2012-13 £000
Uniform	4,333
Catering supplies	1,024
Grounds maintenance	12
Stationery	758

Other	1,175
Total	**7,302**

The EFA had no inventory as at 31 March 2013.

11. a. Trade and other receivables

EFA and EFA group		2012-13
Sums falling due within one year	**EFA £000**	**EFA group £000**
Trade receivables	-	49,559
Revenue programme receivables	11,384	3,681
Capital programme receivables	13,454	1,569
VAT receivables	178	102,923
Other receivables	73	143,723
Prepayments and accrued income	3,255	137,201
Total receivables due within one year	**28,344**	**438,656**
Sums falling due after more than one year		
Revenue programme receivables	289	-
VAT receivables	-	85
Other receivables	-	84
Total receivables due after more than one year	**289**	**169**

EFA receivables include a provision for doubtful debts owed to the EFA itself of £279,000 at 31 March 2013.

The EFA group has not required academy trusts to provide information on provisions for doubtful debts.

11. b. Trade receivables and other current assets: analysed by type of organisation

The following note provides an analysis of the receivables, accrued income and prepayments detailed above:

		2012-13
EFA and EFA group	**EFA**	**EFA group**
	£000	**£000**
Sums falling due within one year		
Local authorities	235	84,432
Other central government bodies	21,823	163,720
Balances with other government bodies	**22,058**	**248,152**
Balances with non-governmental bodies	6,286	190,504

Total receivables due within one year by organisation type	**28,344**	**438,656**
Sums falling due after more than one year		
Local authorities	-	9
Other central government bodies	289	-
Balances with other government bodies	**289**	**9**
Balances with non-governmental bodies	-	160
Total receivables due after more than one year by organisation type	**289**	**169**

12. Cash and cash equivalents

		2012-13
EFA and EFA group	**EFA £000**	**EFA group £000**
Balance at 1 April 2012	-	-
Net change in cash and cash equivalent balances	127,528	1,986,785
Balance at 31 March 2013	**127,528**	**1,986,785**

	EFA £000	**EFA group £000**
The following balances are held at:		
Cash at bank and in hand:		
Government Banking Service	127,528	-
Commercial banks	-	1,988,514
	127,528	**1,988,514**
Overdrafts:		
Government Banking Service		
Commercial banks	-	(1,729)
Balance at 31 March 2013	**127,528**	**1,986,785**

13. a. Trade and other payables

EFA and EFA group

Sums falling due within one year	EFA £000	EFA group £000
		2012-13
Loans	-	7,371
Trade payables	-	239,496
Revenue programme payables	367	269
Capital programme payables	298	50
Tax and social security payables	915	127,735
VAT payables	-	1,071
Corporation tax	-	146
Finance leases	-	995
Other payables	745	189,088
Accruals and deferred income	150,245	557,064
Total payables due within one year	**152,570**	**1,123,285**

Sums falling due after more than one year		
Loans	-	20,012
Finance leases	-	6,928
Other payables	-	15,711
Total payables due after more than one year	**-**	**42,651**

13. b. Trade payables and other current liabilities: analysed by type of organisation

The following note provides an analysis of the payables, deferred income and accruals detailed above:

EFA and EFA group

	EFA £000	EFA group £000
		2012-13
Sums falling due within one year		
Local authorities	14,951	136,194
Other central government bodies	108,101	465,442
Balances with other government bodies	**123,052**	**601,636**
Balances with non-governmental bodies	29,518	521,649
Total receivables due within one year by organisation type	**152,570**	**1,123,285**
Sums falling due after more than one year		
Local authorities	-	20,043
Other central government bodies	-	5,336
Balances with other government bodies	**-**	**25,379**
Balances with non-governmental bodies	-	17,272
Total receivables due after more than one year by organisation type	**-**	**42,651**

14. Provisions for liabilities and charges

		2012-13
EFA and EFA group	**EFA**	**EFA group**
	£000	**£000**
Provision balance at 1 April 2012	5,905	6,950
Additional charge in year	1,200	2,718
Provision utilised in year	(3,392)	(3,716)
Provision unused and reversed during the year	(1,409)	(1,506)
Balance of provision at 31 March 2013	**2,304**	**4,446**
Within one year	1,176	2,453
Between 2 - 5 years	1,080	1,711
Greater than 5 years	48	282
Balance of provision at 31 March 2013	**2,304**	**4,446**

	EMA closure	EFA transition	Sixth form college dissolution	Property	Early departure costs	Retirement compensation	Other
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provision balance at 1 April 2012	1,300	3,105	1,500	-	-	204	841
Additional charge in year	1,200	-	-	364	24	776	354
Provision utilised in year	(996)	(2,373)	(23)	-	(21)	-	(303)
Provision unused and reversed during the year	-	(732)	(677)	-	(3)	(9)	(85)
Balance of provision at 31 March 2013	**1,504**	**-**	**800**	**364**	**-**	**971**	**807**
Not later than one year	376	-	800	364	-	685	228
Later than one year and not later than five years	1,080	-	-	-	-	52	579
Later than five years	48	-	-	-	-	234	-
Balance of provision at 31 March 2013	**1,504**	**-**	**800**	**364**	**-**	**971**	**807**

Education maintenance allowance closure

The government's announcement on the closure of the education maintenance allowance programme has resulted in the EFA group implementing clause 21 of the contract with the EFA's contractor. The clause covers the costs of the system required to store the data from education maintenance allowance applicants safely and securely. The costs include the system infrastructure, support and on-going maintenance.

EFA transition

The EFA's transition provision brought forward from the YPLA has been used in part with the unutilised balance written off in this period.

Sixth form college dissolution

Under the remit of the Further and Higher Education Act 1992, as subsequently amended, this provision covers the financial support offered towards the cost of redundancy, pensions, due diligence and other associated costs involved in college dissolution and ensuring continuity of existing learners' provision and examinations.

Property

The property provision relates to the academy trusts and will be utilised over the next year on roof replacement.

Early departure costs

The early departure provision relates to costs that academy trusts will pay out over the next year under their severance schemes.

Retirement compensation

The retirement compensation provision relates to academy trusts that have agreed enhanced pension contributions as part of their severance schemes.

Other

The other provision is sundry provisions set up by academy trusts and the majority of it by value relates to equal pay claims.

15. Pension scheme disclosures

As detailed in note 2.b. the EFA group operates a range of pension schemes for its employees. Of these, only the local government pension scheme open to non-teaching staff in academy trusts is a funded defined benefit scheme. This is therefore the only scheme operated by the EFA group for which the scheme administrators can allocate the underlying assets and liabilities to the employing organisations.

The local government pension scheme is a single national scheme administered by local fund units that in many, but not all, cases approximate to local authorities. Whilst the scheme is national, funds accrue benefits locally.

The scheme provides funded defined benefits based on final pensionable salary. The scheme administrators hold assets separately from those of the EFA group and invest these assets in managed funds. Employer contribution rates are determined by an actuary based on triennial valuations.

The EFA group procured valuations of all academy trusts' membership of the local government pension scheme as at 31 March 2013. The EFA group procured the valuations in accordance with international accounting standard 19 from the four scheme actuaries, AON Hewitt, Barnett Waddingham, Hymans Robertson and Mercer for the group.

The employer pension contribution for financial year 2012-13 is £251 million. The EFA estimates estimated expected regular employer contributions for financial year 2013-14 to be £339 million.

The sums the EFA group has recognised in the accounts in respect of the local government pension scheme are set out in the tables below.

EFA group	**2012-13**
	£000
Analysis of non-interest costs charged to statement of comprehensive net expenditure:	
Current service cost	283,966
Past service cost or (gain)	331
Loss or (gain) on curtailments and settlements	294
Total cost	**284,591**
Analysis of interest costs charged to the statement of comprehensive net expenditure:	
Expected return on scheme assets	(77,322)
Interest on scheme liabilities	155,620
Net (benefit) or cost	**78,298**

Analysis of sums in other comprehensive (income)/expenditure:	
Total actuarial (gains) or loss	(43,034)
Net (benefit) or cost	**(43,034)**

Sums recognised in the statement of financial position:	
Present value of defined benefit obligations	4,110,430
Fair value of scheme assets	(2,199,131)
Transferred to provision	-
Pension liabilities recognised in the statement of financial position	**1,911,299**

Movements in the present value of defined benefit obligations:	
Balance brought forward at 1 April 2012	-
Liabilities assumed on conversion:	
pre-1 April conversion of academy trusts	2,512,805
In-year conversion of academy trusts	975,945
Current service cost	283,966
Interest cost	155,620
Employee contributions	79,558
Past service cost	331
Actuarial (gain) or loss	114,492
Benefits paid	(12,581)
Losses or (gains) on curtailments	294
At 31 March 2013	4,110,430

Movements in the fair value of scheme assets:	
Balance brought forward at 1 April 2012	-
Liabilities assumed on conversion:	
pre-1 April conversion of academy trusts	1,246,574
In-year conversion of academy trusts	399,884
Employer contributions	250,848
Employee contributions	79,558
Actuarial gain or (loss)	157,526
Benefits paid	(12,581)
Expected return on scheme assets	77,322
At 31 March 2013	2,199,131

Reconciliation of deficit:	
Balance brought forward at 1 April 2012	-
Liabilities assumed on conversion:	
pre-1 April conversion of academy trusts	1,266,231
In-year conversion of academy trusts	576,061
Current service cost	283,966
Employer contributions	(250,848)
Past service cost	331
Other finance income	78,298
Curtailments	294
Actuarial loss or gain	(43,034)
At 31 March 2013	1,911,299

Sensitivity analysis
Impact on the defined benefit obligation for changes of:

Discount rate +1.0%	(895,805)
Discount rate -1.0%	1,147,473
Mortality rate 1 year increase	114,691
Mortality rate 1 year decrease	(112,038)
Consumer prices index rate +1.0%	667,988
Consumer prices index rate -1.0%	(529,371)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2012-13
Equities	66.79%
Gilts	8.94%
Corporate bonds	9.70%
Property	7.22%
Cash and liquidity	2.81%
Other	4.54%

Scheme assets

The scheme assets are valued at “fair value”, the administrators do not intend to realise the assets in the short term and the assets’ value may significantly change before they are realised. The administrators value liabilities based on the present value of the scheme’s obligations, obligations derived from cash flow projections over long periods and are thus inherently uncertain.

EFA group	**2012-13** **£000**
Defined benefit obligations	(4,110,430)
Scheme assets	2,199,131
Deficit	(1,911,299)

Expected return on assets	77,322
Actuarial gain or (loss) on assets	157,526
Actual return on assets	234,848

The major financial assumptions used in the valuation were:

	2012-13	**2011-12**
Rate of inflation	2.7%	2.5%
Expected return on plan assets	4.5%	4.8%
Rate of increase in salaries	4.2%	4.8%
Rate of return on pensions	2.7%	2.5%
Discount rate	4.5%	4.8%

In accordance with the early adoption of international accounting standard 19 detailed in note 1, the EFA group has set the expected return on assets as equal to the discount rate in the actuarial calculations.

The EFA group has adopted the actuaries' assumptions and these assumptions have a range of uncertainty. Pension schemes operate over very long timescales and these assumptions may not be borne out in practice. The EFA has standardised assumptions used in valuing academy trusts' benefits across all funds and all four actuaries in order to produce valuations that the EFA group can aggregate into a single set of disclosures.

The EFA group has set assumptions used in valuing inherited local government pension scheme benefits for academy trusts whose member academies convert in-year at appropriate values for the date of conversion. The EFA group's closing valuations as at 31 March 2013 use the assumptions disclosed in the table above.

The scheme actuaries used academy trusts' own assumptions relating to scheme valuations as at 31 March 2012 to value the local government pension scheme benefits acquired by the EFA group through the business combination as at 1 April 2012.

Analysis of sums recognised in other comprehensive net expenditure

	2012-13
Difference between the expected and actual return on scheme assets	157,526
Percentage of scheme assets	7.16%
Experience gains and losses on scheme liabilities	74
Percentage of present value of the scheme liabilities	0%
Total sum recognised in other comprehensive expenditure	**157,600**
Percentage of present value of scheme liabilities	**3.83%**

16. Capital commitments

Contracted capital commitments at 31 March 2013 not otherwise included in these accounts.

EFA and EFA group	**EFA £000**	**2012-13 EFA group £000**
Free schools	295,917	295,917
Tangible fixed assets	-	243,457
	295,917	**539,374**

These capital commitments do not include the cost of contingent workers engaged in the delivery of the free school programme.

17. Financial commitments

Operating leases

EFA group

The table below gives total future minimum lease payments under operating leases for each of the following periods.

EFA and EFA group				**2012-13**
	Land	**Buildings**	**Other**	**Total**
Obligations under operating leases for the following periods comprise:	**£000**	**£000**	**£000**	**£000**
Not later than one year	99	14,270	29,399	43,768
Later than one year and not later than five years	287	47,673	52,147	100,107
Later than five years	3,793	243,446	6,725	253,964
	4,179	**305,389**	**88,271**	**397,839**

The EFA had no operating leases in financial year 2012-13.

Finance leases

EFA group

The table below gives total future minimum lease payments under finance leases for each of the following periods.

EFA and EFA group				**2012-13**
	Land	**Buildings**	**Other**	**Total**
Obligations under finance leases for the following periods comprise:	**£000**	**£000**	**£000**	**£000**
Not later than one year	77	233	3,641	3,951
Later than one year and not later than five years	308	285	4,448	5,041
Later than five years	662	1,784	-	2,446
	1,047	**2,302**	**8,089**	**11,438**

The EFA had no finance leases in financial year 2012-13.

Commitments under private finance initiative contracts

	2012-13
	Total
	£000
Not later than one year	26,047
Later than one year and not later than five years	100,412
Later than five years	512,334
	638,793

Other financial commitments

Non-cancellable contracts	2012-13
EFA and EFA group	**Total**
	£000
Not later than one year	7,983
Later than one year and not later than five years	10,061
Later than five years	22,618
	40,662

Education grant funding

Private finance initiative grants to local authorities and voluntary-aided schools	2012-13
	Total
	£000
Not later than one year	732,981
Later than one year and not later than five years	2,987,528
Later than five years	11,928,993
	15,649,502

Other education grants

The Secretary of State is committed to funding the on-going provision of education at a wide variety of providers. The EFA cannot quantify fully the commitments as funding is often only agreed annually even though the Secretary of State's commitment is for a much longer period.

18. Contingent liabilities

					2012-13
EFA group	**At start of period**	**Increase in period**	**Liabilities crystallised in year**	**Obligation expired in period**	**At end of period**
	£000	**£000**	**£000**	**£000**	**£000**
Academy trust - asbestos exposure	318	-	-	-	318
Academy trust – COGA conditions on children Centre and playground	575	-	-	-	575
Academy trust – disputed invoice for shared maintenance costs	-	300	-	-	300
	893	**300**	**-**	**-**	**1,193**

The EFA had no contingent liabilities as at 31 March 2013.

19. Losses and special payments

Losses statement

EFA and EFA group				2012-13
		EFA		EFA group
	Number	£000	Number	£000
Cash losses	46	1,780	8	3,438
Claims abandoned	1	25	6	83
Administrative write-offs	-	-	5	22
Fruitless payments	4	136	4	136
Store and stock losses	-	-	3	12
Total	**51**	**1,941**	**26**	**3,691**

Details of cases over £250,000

EFA

The EFA incurred cash losses where it has not been able to claw back funds from underperforming commercial and charitable education providers. As part of the EFA's contract management of these providers the EFA regularly and frequently reconciles the payments the EFA has made on profile to actual sums earned by these providers to minimise the risk of potential loss. The EFA offsets recoveries where, possible against future profiled payments. However, debts can arise where sum the provider can earn under the remaining funding agreement is not sufficient to cover the sum the EFA has to recover. In these cases, the EFA invoices the provider for any outstanding balance. In the case of losses identified, two commercial and charitable providers have gone into liquidation owing £565,286 and £535,136. The liquidators have confirmed there is little prospect of any pay out to the EFA of funds due to it.

Academy trusts

While academy trusts receive the very large majority of their income from the EFA and other government bodies, academy trusts do generate a wide range of other sources of income for goods and services supplied to parents, their communities and corporate bodies. Academy trusts have freedom within the Academies' Financial Handbook to determine their own policies for offering credit, for collecting payments and debts and for writing debts off. The Academies' Financial Handbook in force between 1 April 2012 and 31 August 2012 required academy trusts to seek the Secretary of State's approval to write off debts owed to them under the annual funding letter issued by the secretary of state. The Academies' Financial Handbook in force between 1 September 2012 and 31 March 2013 required academy trusts to seek and obtain explicit and prior approval of the Secretary of State (through the EFA) for write offs of debts for a single transaction of value greater than 1 per cent of annual turnover, or £45,000, whichever was the greater.

During the year, Haberdasher's Aske academy trust discovered an irregularity that had resulted in financial loss over a number of years. The academy trust has not quantified the precise sum. The EFA group has recognised in the table above £1,962,104 noted in the trust's academic years 2011/12 and 2010/11 accounts.

After the year-end, another academy trust suffered a loss as a result of the misdirection of a payment to the wrong bank account. The incident is currently the subject of legal proceedings. The loss is estimated at £1,100,000. This is not included in the table above as it did not arise in financial year 2012-13 but is reported here to comply with EFA's duty to bring losses to the attention of parliament at the earliest opportunity. The final loss will be reported in the financial year 2013-14 accounts, assuming the investigation and legal proceedings are completed by then.

Special payments

EFA and EFA group

				2012-13
		EFA		**EFA group**
	Number	**£000**	**Number**	**£000**
Special payments	-	-	35	666
Total	**-**	**-**	**35**	**666**

20. Related party transactions

The EFA regards the department as a related party. During the year, the EFA has had a number of material transactions with the department and with other entities for which the department is the parent department.

In addition, the EFA has had a small number of transactions with other government departments and central bodies. Most of these transactions have been with the SFA, the Ministry of Justice and the Department for Health.

21. Entities within the group boundary

All academy trusts, as established under the Education Act 2010, open as at 31 March 2013 are entities within the EFA group. A list of all open academies is available at: https://www.gov.uk/government/collections/dfe-annual-reports.

22. Transfer of academy trusts

EFA group	Before 1 April 2012 £000	In year £000	2012-13 Total £000
Non-current assets			
Property, plant and equipment	17,650,060	8,051,842	25,701,902
Intangible assets	741	614	1,355
Financial assets	41,608	5	41,613
Trade and other receivables	2,504	-	2,504
	17,694,913	8,052,461	25,747,374
Current assets			
Inventories	3,310	138	3,448
Trade and other receivables	230,136	41,293	271,429
Cash and cash equivalents	924,257	131,002	1,055,259
	1,157,703	172,433	1,330,136
Current liabilities			
Trade and other payables	(410,092)	(22,218)	(432,310)
	(410,092)	(22,218)	(432,310)
Non-current liabilities			
Other payables	(18,958)	(10,019)	(28,977)
Provisions	(1,045)	-	(1,045)
Pension scheme deficit	(1,266,231)	(576,061)	(1,842,292)
	(1,286,234)	**(586,080)**	**(1,872,314)**
Net asset or (liability) transferred on conversion	**17,156,290**	**7,616,596**	**24,772,886**
Represented by:			
Transfers in from local authorities	13,899,510	6,213,354	20,112,864
Transfers in from other sources	3,256,780	1,403,242	4,660,022
	17,156,290	**7,616,596**	**24,772,886**

The EFA group has recognised in non-operating costs the net assets and liabilities brought in from local authorities to reflect the nil accounting gain or loss to the public sector. The EFA group has recognised in operating income the net assets and liabilities brought in from outside the public sector to reflect the accounting gain or loss to the public sector.

23. Machinery of government changes

The YPLA and PfS closed on 31 March 2012, but their functions and responsibilities transferred to the EFA. On 1 April, the EFA took over responsibility for funding local authority maintained schools from the department.

The table below details how the EFA has calculated opening statement of financial position.

Statement of financial position as at 1 April 2012

EFA	EFA as at 1 April 2012 £'000	Ex department as at 1 April 2012 £'000	Ex YPLA as at 1 April 2012 £'000	Ex PfS as at 1 April 2012 £'000
Non-current assets:				
Intangible assets	100	-	-	100
Total non-current assets	**100**	**-**	**-**	**100**
Current assets:				
Trade and other receivables	93,534	10,615	68,408	14,511
Cash and cash equivalents	-	-	-	-
Total current assets	**93,534**	**10,615**	**68,408**	**14,511**
Total assets	**93,634**	**10,615**	**68,408**	**14,611**
Current liabilities:				
Trade and other payables	(73,912)	-	(63,714)	(10,198)
Total current liabilities	**(73,912)**	**-**	**(63,714)**	**(10,198)**
Non-current assets plus net current assets	**19,722**	**10,615**	**4,694**	**4,413**
Non-current liabilities				
Provisions	(5,905)	-	(5,905)	-
Total non-current liabilities	**(5,905)**	**-**	**(5,905)**	**-**
Assets less liabilities	**13,817**	**10,615**	**(1,211)**	**4,413**
Taxpayers' equity:				
General fund	(13,817)	(10,615)	1,211	(4,413)
Total taxpayers' equity	**(13,817)**	**(10,615)**	**1,211**	**(4,413)**

24. Events after the reporting period

There have been no significant events after the 31 March 2013 that the EFA group considers affect these accounts.

The accounting officer authorised these financial statements for issue on 14 January 2014. These accounts do not consider events after that date.

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