Education
Funding
Agency

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Annual Report and Accounts for the period 1 April 2013 to 31 March 2014

An executive agency of the Department for Education

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

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 20 January 2015

HC 778

About this publication:
enquiries www.education.gov.uk/contactus
download www.gov.uk/government/publications

Print ISBN 9781474111911
Web ISBN 9781474111928

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID P002699537 01/15

Printed on paper containing 75% recycled fibre content minimum

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1. Notes on terminology

Financial versus academic year

The Education Funding Agency's (EFA) financial year runs from 1 April to 31 March. In this document, we distinguish the financial year using a dash. For example we write financial year 1 April 2013 to 31 March 2014 as 2013-14. Academy trusts normally have financial years that run from 1 September to 31 August that mirror their academic year. For clarity, we refer to the academy trusts' financial year as the 'academic year' and we write these years with an oblique. For example, we write 1 September 2013 to 31 August 2014 as 2013/14.

EFA and the EFA group

This annual report and accounts cover the:

- EFA in its own right reporting according to the expectations on it as an executive agency. As the EFA we are expected to report on aspects of the EFA's performance over and above the wider EFA group's performance
- wider EFA group, which comprises the EFA as an agency and the 3,905 academies (through their 2,585 academy trusts) open at 31 March 2014

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

Academies are publicly funded independent schools that a local authority does not maintain. The term encompasses the following: former city technology colleges; academies (those that are both sponsored and those that converted from local authority control); free schools; university technical colleges; studio schools; faith and special academies. Once converted, academies are run by an academy trust, which is a charitable company limited by guarantee.

Many academy trusts are multi-academy trusts in that they operate more than one member academy, with each academy within the multi-academy trust having a funding agreement with the Secretary of State. There were 3,905 academies open at 31 March 2014, and 2,591 academy trusts operational in the 12 months to 31 March 2014. The year-end number of operational academy trusts fell to 2,585 by 31 March 2014 as a result of the transfer of academies between academy trusts. In this annual report, we refer to academies as recipients of our funding and to academy trusts as the legal entities we consolidate into our group accounts.

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 of the EFA group and we have not therefore consolidated their results into these annual report and accounts.

2. Director's report

This part of the report is about the EFA.

Chief Executive's review

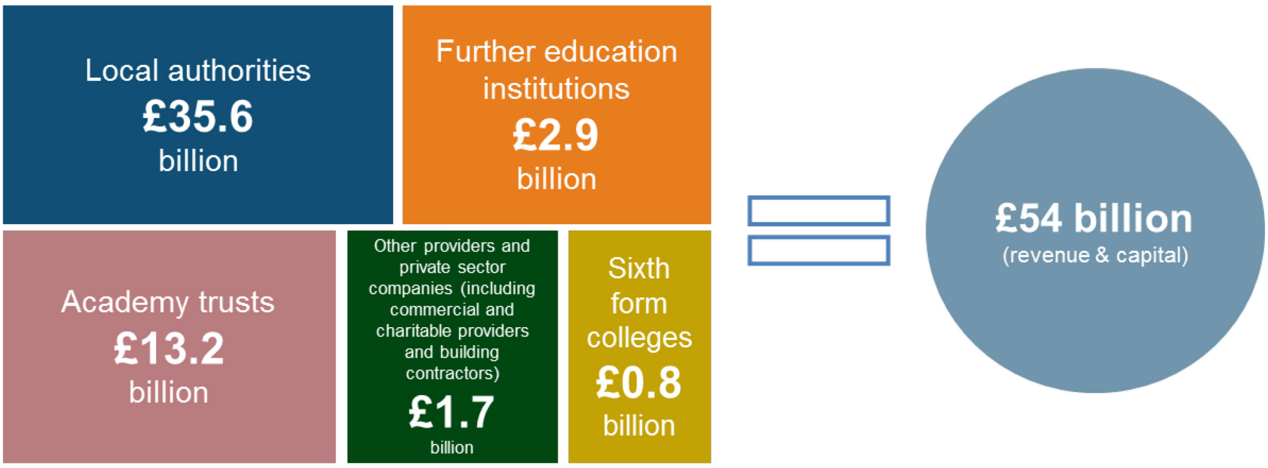
Objectives

The EFA is responsible for the majority of the department's funding of the education system – £54 billion (95% of the department's resources) in 2013-14. As the EFA, we contribute to the delivery of the department's work to achieve a highly educated society in which opportunity is equal for children and young people, no matter what their background or family circumstances. We fund all state-provided education to 8 million children aged 3 to 16 and 1.6 million young people aged 16 to 19, providing additional support for high needs up to age 25 and helping to overcome the effect of disadvantage.

Our objectives are to:

- ensure that we make accurate and timely revenue and capital funding allocations
- ensure that we put in place funding agreements and we make payments accurately and on time
- deliver 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,
- ensure the proper use of public funds through financial assurance undertaken by the EFA, or by others

The diagram below shows what the £54 billion funding for the education systems is allocated to.



Progress

The second year of the EFA has seen us operating at a time of significant change in the education sector: the number of academy trusts continues to rise, the funding landscape is changing, and we are centrally managing the delivery of hundreds of school and academy trust building projects across England.

In practice this means that over the course of 2013-14 we have:

- funded and monitored an increasing number of academy trusts – up from 2,108 at the start of the financial year to 2,585 by the end of it
- funded 3,300 providers of learning to young people aged 16 to 19. This includes school and academy sixth forms, colleges and training providers and institutions providing education and training to young people up to age 25 with learning difficulties or disabilities. We also fund these organisations to provide bursaries to disadvantaged young people
- managed building and maintenance programmes for schools and sixth-form colleges, including new builds for 261 schools in the Priority School Building Programme and secured sites and premises for the 93 new free schools, 13 studio schools and 12 university technical colleges that opened in September 2013
- funded 152 local authorities for their maintained schools and for providing education to children and young people with high needs, and funded directly capital allocations to 3,754 voluntary-aided schools
- responded to over 5,000 letters or enquiries each month

The accuracy, security and timeliness of our funding allocations and payments are vital to enable education providers to adequately plan and deliver learning. We have built on the solid foundations of the new allocation systems that we developed and used in 2012-13, our first year of operation. We continue to make 100% of our payments to learning providers on time and we have increased the accuracy of funding allocations from 99.5% in our first year to 99.6% in the allocations we made in our second year for (allocation year) 2014/15. We have also achieved improvements in efficiencies with a reduction in staff numbers working on academies' grant calculations from 90 in 2011/12 to 42 in 2014/15 and no increase in the size of our payments team despite a 110% increase in the number of payments since April 2012.

I am pleased with the significant progress we have made with our work to oversee capital projects to rebuild or improve the condition of 261 schools through the Priority School Building Project (PSBP). By the end of March 2014 we were engaged with 233 schools in the programme (89%), and 14 of the schools were open by November 2014. The private finance element of PSBP, which comprises 5 batches covering 46 of the 261 schools, has attracted strong interest from the market. In order to secure availability of long-term debt for these batches, the EFA has also developed an innovative financing model in the form of an 'aggregator' that will aggregate total funding requirements. The EFA appointed the service provider that will develop the aggregator in July 2014. We launched a new £4 billion EFA contractors' framework in November 2013 for designing and building large single or grouped schools and academy trusts projects. And later in 2014, we launched a regional framework that we expect will become the main procurement route for smaller projects such as smaller new schools and refurbishment projects.

The second year of the EFA has seen us make rapid progress on new IT systems and infrastructure. Key to this was the appointment of a Chief Information Officer (CIO) with experience of customer and transactional systems in the retail and commercial sector to lead our systems design and delivery. This has included enhancements to our customer relationship management (CRM) tool to improve our ability to target our communications to those we fund. Our CIO was appointed as the department's CIO in August 2014 and the two IT groups merged, allowing a smooth transition for EFA's new systems to operate on a DfE planform.

We have launched a new programme – EFA information exchange – that aims to make it simpler, clearer and faster for education providers to find information or complete business with us online. We delivered information exchange throughout 2014 in a series of releases, starting in May 2014 with the launch of document exchange. Document exchange allows education providers to download our key documents securely and upload them once complete.

We have continued our focus on improving customer service across the business, joining the Institute of Customer Service to work with it to identify areas where we could do better and to develop an action plan. Our customers told us that some of our information was difficult to find and hard to understand. As one of the first government agencies to move its content to the new single site for government, www.gov.uk, we took the opportunity to review, re-write and reduce our content. We also used webinars to make it easier for local authorities, providers of learning to learners aged 16 to 19 years and academy trusts to find out about funding allocations, with our suite of online presentations viewed over 2,500 times and almost 4,000 slide sets downloaded.

Assurance

Whilst our funding accounts for much of what we do, our work on financial assurance has put the EFA in the spotlight throughout the last year. I have been impressed with how staff from across the EFA have worked together, along with colleagues from other parts of the department and its agencies, to deal swiftly with a number of high profile cases where we have intervened.

At the year-end, the proportion of academy trusts on our national list of concerns remained steady at around 1%. We have enhanced our processes and systems to improve our use of data to manage our business during the second year of the EFA. We have developed and are beginning to make use of a predictive risk-reporting tool for academy trusts. This pulls together data and indicators we hold on academy trusts (such as pupil recruitment trends and financial indicators) and allows us to identify emerging risks in academy trusts. This will help us to work to support academy trusts before problems become a cause of concern. The predictive tool also reinforces our message that we will intervene robustly where there is cause for concern about the management of an academy trusts or its use of public funds.

We also use information from whistle blowers and other contacts. We have had 45 contacts from people with concerns about those we fund since EFA started in April 2012 and we always follow up these leads. After initial fact finding, in a number of cases we did not find sufficient evidence to proceed with a formal investigation. Where we investigate formally, we have pledged to publish all investigation reports carried out by the EFA on the academies investigations' web page[1]. We also publish reviews relating to finance and governance issues and financial notices to improve that the EFA has issued to sixth form colleges and academy trusts. We also publish joint investigation reports where the EFA has lead responsibility. We have developed staff training and clear handling instructions to make sure that we treat whistle blowers professionally and with respect. By the end of 2013-14, we had published reports covering 12 institutions.

Consolidation

During the year, the EFA completed the largest known consolidation of independent organisations' accounts carried out in the United Kingdom, comprising the accounts of the 2,108 academy trusts open at 31 March 2013. The end result is that significant information on academies' financial performance is now publicly available for the first time. The Comptroller and Auditor General's qualifications of the EFA's group 2012-13 accounts recognised the difficulty of preparing accurate accounts for so many independent academy trusts, many new to formal financial reporting, in a way that met central government reporting requirements.

At the same time as preparing consolidated accounts, we consolidated the budget forecasts of 3,828 academies within academy trusts for 2013-14 to inform the department's supplementary estimate for that year; and prepared for the consolidation of the 2,585 academy trusts included in our second set of accounts, with the work running through most of 2014.

[1] https://www.gov.uk/government/collections/academies-investigation-reports

Developments

During the year, the National Audit Office (NAO) published its report on the EFA's performance and capability as well as its report on our first annual report and accounts. The Parliamentary Committee of Public Accounts held sessions on free schools and on the EFA's and the department's accounts for 2012-13 and the Education Select Committee held hearings on academy trusts and on the department's accounts.

In fewer than 24 months, we have gone from a brand-new organisation to one that the NAO recognises as having fulfilled most of our day-to-day funding and assurance responsibilities. But we must continue to transform our organisation to meet future challenges. The senior leadership team and I have responded to a challenge from the NAO to bring together thinking from our 4 groups and cross-cutting corporate areas into a single change programme titled 'Fit for the Future'. It sets out the areas we need to focus on to improve our performance further. Therefore our priorities for 2014-15 will be:

- improving our customer service by learning from the best in the private and public sectors and introducing and adapting what can work for us
- becoming experts in the use of data, systems and efficient business processes to enable us to meet the challenges of a growing customer base
- working positively with others such as academy trusts, schools, colleges, local authorities and the construction industry to deliver our business priorities
- developing the skills of our people by ensuring we all develop the skills we need to do our jobs to the highest professional standards

Declaration of interest

I can confirm that there were no conflicts of interest for the directors of the Education Funding Agency. However, I was appointed as the Chief Executive of the Skills Funding Agency and took up this role on 3 November 2014. I am retaining my post as the Chief Executive of EFA and have separate accountability for each agency's budget.

Sickness absence

During the year, we lost 2,426 days to sickness absence. This equates to approximately 3.5 days sickness absence per employee per year (2012-13: 2.8 days). The average is 36% better than the private sector average of 5.5 days per person according to the Chartered Institute of Personnel and Development.

More information on our people management and employees can be found in the Strategic report.

Pension schemes

The EFA group operates a range of pension schemes for its employees, dependent upon the employees' role: principal civil service pension scheme; local government pension scheme; teachers' pension scheme; and partnership pension accounts. These are detailed in notes 2b and 15 of the Accounts.

Report on personal information breaches

The EFA suffered one information breach during 2013-14. A commercial and charitable provider went into voluntary liquidation, closing its premises. We retrieved learner records at short notice to transfer them to a departmental secure office. Iron Mountain is the company the department contracts with for the safe transport and storage of the department's and its agencies' files and boxes. Iron Mountain's transfer of the 106 boxes of records relating to our funding of this provider led to them being unable to account for 1 box as having reached secure storage.

The EFA, Privacy & Information Rights Advisory Service (PIRAS), the department's records management team, Iron Mountain's government contract management team, the EFA Chief Information Officer, the department's director of finance and commercial group and the Information Commissioner's office convened an incident group for the investigation. An inventory check by the EFA determined the contents of the box related to historic student records related to bursary applications. We took action to review and tighten our archiving process, including our use of bar coding storage boxes to allow us to track the whereabouts of boxes effectively. Following the investigation the department reported full details of the case to the Information Commissioner who concluded that no further action would be taken.

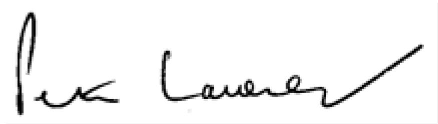
Auditor

The Comptroller and Auditor General appointed by statute audited these accounts and his certificate and report appears on pages 72 to 82. The notional audit fee incurred for the year was £380,000 (£430,000 2012-13) and relates to the statutory audit of EFA's accounts (including the audit fee for consolidation). The EFA group also incurred real audit fees of £25,762,000 (£13,026,000 2012-13) in relation to the audit of the academy trusts, payable to their local auditors. The NAO, as the EFA's external auditors, provided no other services during the year.

As accounting officer, I confirm that:

- there is no relevant audit information of which the auditor is 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 auditor is aware of the information



Peter Lauener
Chief Executive and accounting officer, EFA
12 January 2015

3. Strategic report

This part of the report is about the EFA.

Responsibilities

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 funding expertise in a single body. This remit provides an excellent opportunity to streamline the funding of English education to age 19 and to make funding more efficient and effective. Our principal responsibilities are to:

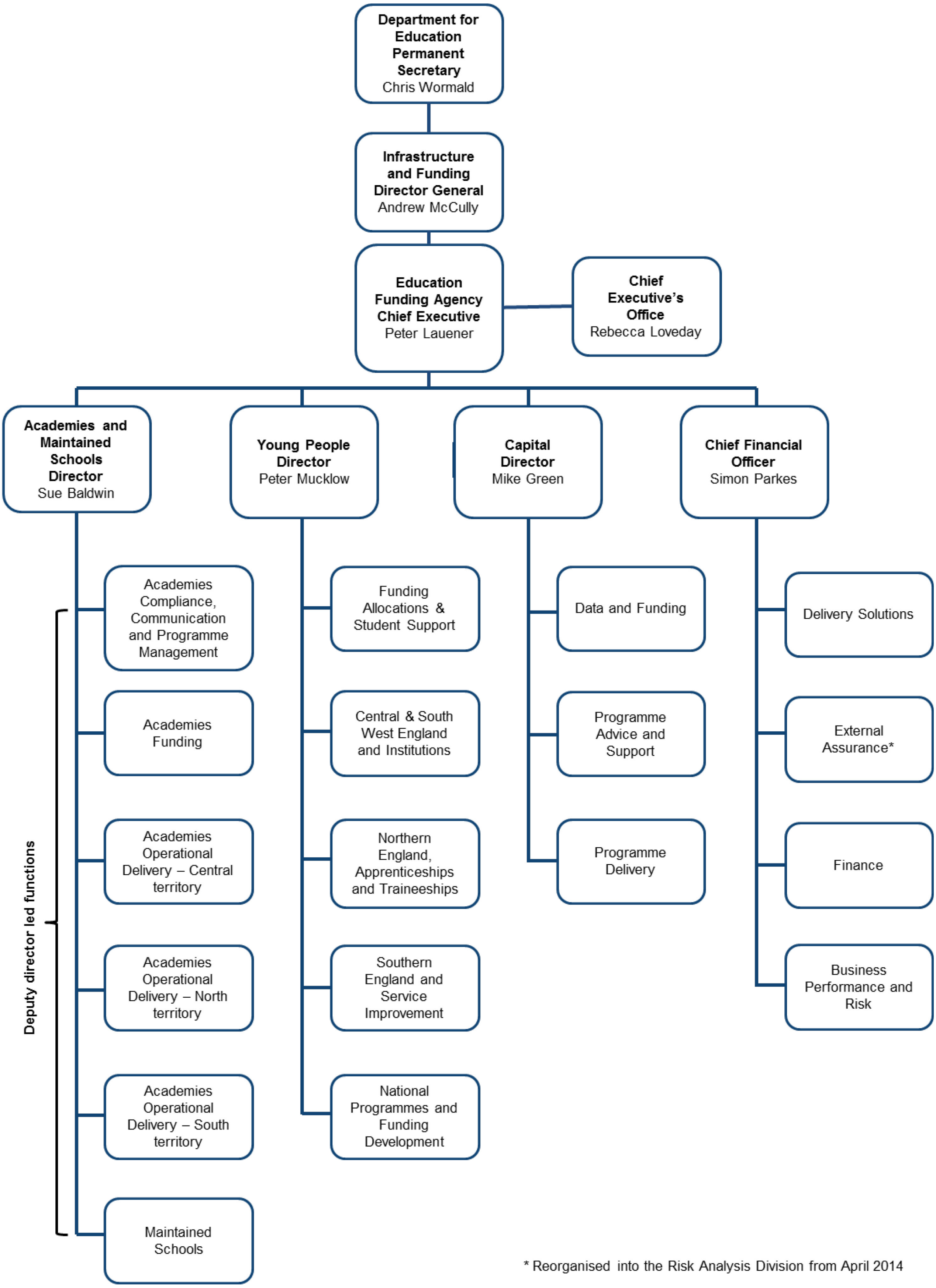
- fund the education of pupils up to age 16 in academy trusts including city technology colleges, free schools, studio schools and university technical colleges
- fund education of pupils up to age 16 in local authority maintained schools
- fund provision of education and training for learners aged 16 to 19 years
- fund 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

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 and learners 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 department's 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 4 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.

Structure of the EFA 2013-14



* Reorganised into the Risk Analysis Division from April 2014

Key organisational performance measures

Our business plan identifies 7 key 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. The outcomes against our business plan performance indicators are set out below. You can find additional information on performance and levels of activity in Annex A: key organisational performance measures.

Allocations	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Proportion of allocations made accurately and on time			
Accurately* On time	99.6% 99.9%	99.5% 99.6%	**Key performance indicator** Accuracy: accuracy levels are slightly above 2012-13 despite volumes increasing dramatically. Timeliness: we made 100% of the annual allocation of funds to post-16 providers, academy trusts and local authorities on time, as they were in 2012-13.
Payments	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Proportion of payments made accurately and on time			
Accurately On time**	100% 96.3%	100% 94.5%	**Key performance indicator** On time provider payments 2013-14: 99.5% of 76,543 payments were made on time (2012-13: 99.9%). On time supplier payments 2013-14: 65% of 7,743 payments were made on time (2012-13:

			31.9%). 2012-13 on time outcome revised from 94.9% to 94.5% to align methodology across years.
Capital	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Percentage of free school, university technical college, and studio school projects completed on time	100% (volume: 107)	99% (volume: 85)	**Key performance indicator** All free schools, university technical colleges, and studio schools opened as scheduled in 2013-14. 2012-13 outcome revised from 88% to 99% to align methodology across years. We have based the new definition on those included in our commitment to ministers in April each year on academies to open in September.
Progress on delivery of Priority Schools Building Programme (PSBP)	Feasibility approval stage: 112 Schools on site: 24	Construction work on the first school started in May 2013.	**Key performance indicator** Of 261 schools in the programme, 1 completed in April 2014 and 42 (at August 2014) are in now construction with all schemes expecting to be available for occupation before the end of 2017. The programme reaches a peak of construction activity in the last quarter of 2015.
Progress on delivery of Building Schools for the Future (BSF)	Completed 2013-14 Open new schools: 0 Open rebuilds: 40 Open refurbishments: 47 Projects in progress at	Completed 2012-13 Open new schools: 4 Open rebuilds: 61 Open refurbishments: 69	**Key performance indicator** Of the 22 business cases remaining at the end of 2012-13, we received and approved 17 during 2013-14 (numbers reduced due to amalgamations of projects and withdrawals of proposals). Whilst the BSF programme is now

	March 2014: 54		closed, we saw completion of 87 projects during 2013-14. This was more than we expected as a small number completed early. The final school in the programme is currently scheduled to complete in September 2016.
Progress on securing up to date information on the condition of the nation's schools	Of the 19,080 surveys required: - 10,519 were complete at the end of March 2014	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	**Key performance indicator** In this context a complete survey is one that has been conducted on-site and the data collected has been quality assured and audited. All surveys forming part of the original commission were completed by 2 September 2014. The survey was originally due to be completed in autumn 2013. However, our quality assurance process identified that in some cases survey data provided by local authorities was inconsistent or was based upon elements that were not compatible with the data being collected by central government. The central survey programme was therefore extended to cover all schools for which local authorities had previously supplied data, which meant undertaking an additional 8,000 surveys. Over 3,300 schools are out of scope as they have received significant investment in their school buildings in the last 10 years or are part of an operational private finance initiative.

Financial assurance	Outcome 2013-14	Outcome 2012-13	Notes
Timely receipt, and where relevant consolidation, of all financial returns from academy trusts, sixth form colleges and local authorities	Timely receipt: Sixth form colleges 92% (volume 93) Local authorities 100% (volume 152) Academy trusts 84% (volume due 9,556) 3 consolidation exercises: (i) Consolidation of academies' budget forecasts in relation to 2013-14. Submitted as part of the department's supplementary in December 2013 – **completed** (ii) Consolidation of academy trusts' accounts into the EFA and departmental accounts 2012-13 – laid before Parliament in January 2014 – **completed** (iii) Consolidation of academy trusts' accounts into the EFA	Timely receipt: Sixth form colleges 100% (volume 188) Local authorities 100% (volume 152) Academy trusts 83% (volume due 8,263) 2 consolidation exercises: (i) Whole of Government Accounts 2011-12 submitted to HM Treasury February 2013. (ii) Consolidation of academy trusts' accounts into the EFA and departmental accounts 2012-13 – commencement of project in 2012, completed in 2013.	**Key performance indicator** **Academy trusts' statutory accounts, regularity and auditors' management letters for 2012/13 (due 31 December 2013):** Due: 2,256 Received on time (by 31 December 2013 deadline): 92% **Academy trust value for money statements 2012/13 (due 31 December 2013):** Due: 2,295 Received on time (by 31 December 2013 deadline): 74% **Academies' budget forecast returns 2013/14 (due 31 July 2013):** Due: 2,824 Received on time (by 31 July 2013 deadline): 80% **Academy trusts' accounts returns 2012/13 (due 31 January 2014):** Due: 2,181 Received on time (by 31 January 2014 deadline): 93%

	and departmental accounts 2013-14 – commencement of project in 2013, completed in 2014-15 Academy trusts' 2013/14 statutory accounts and related statements – **on track to be delivered December 2014**		
External assurance visits undertaken to academy trusts and sixth form colleges in line with the external assurance plan	255 audit visits - of which 52 support visits (to opening academy trusts)	236 audit visits - of which 37 support visits (to opening academy trusts)	**Key performance indicator** Activity delivered in line with our operational external assurance plan for financial year 2013-14.

* 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 90% of invoices (2012-13: 80%) within HM Treasury's policy of 30 days. Our figures under report timeliness as we calculate outcomes based on the invoice date and do not exclude disputed invoices. We are developing measures to reflect true performance against this policy.

People management

Our staff are a mix of civil servants and contractors. Our civil servants are employed by the department on its terms and conditions. Responsibility has been delegated to me for the recruitment of 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 objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The department's policies include explicitly the employment of disabled people, women, lesbian, gay and bisexual people and black and minority ethnic staff. Our equality and diversity data is shown in the department's 2013-14 annual report.

We have developed a people strategy that will support current and future staff. The strategy outlines our 3 year approach to attracting, retaining, building capability and motivating our people.

Our vacancy rate reduced from 11% at April 2013 to 5% at March 2014 and we have not exceeded our agreed establishment figure for the year. We have recruited 164 people and 88 people have left the EFA between 1 April 2013 and 31 March 2014. Our recruitment campaigns have not always allowed our business groups to fill vacancies and some junior posts remain unfilled. We have taken steps to improve our ability to fill vacancies, including limited external recruitment for priority vacancies. We have developed our staff and created opportunities for advancement by promoting 41 people in 2013-14.

Sustainability

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. Our travel costs for 2013-14 were £2.3 million, of which 71% were rail travel costs, 15% were car usage, and 13% were for other transport. Travel costs increased in year by £0.6m (32%) from £1.7 million in 2012-13. We can attribute £0.3m of this increase to an increase in our headcount of 16% and £0.1m to an increase in the price of travel. The remaining £0.2m relates to an increase in staff travel as we saw a reduction in EFA office sites from 11 to 6.

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.

Preparing to meet our challenges

NAO review of the EFA's performance and capability

In January 2014 the NAO published its report on the performance and capability of the EFA[2]. The report highlights the rapid increase in the number of academy trusts the EFA funds, together with the extension of our remit since set-up and the continuing pressure to reduce administrative overheads. The report presents a fair picture of our plans to meet the challenges by building our ICT capability to automate processes and develop self-service customer tools.

The NAO recognised the good work that the EFA has done to meet the challenges of the expansion of its role and the growth in the number of academy trusts. The EFA is building new systems so it can operate more effectively and oversee a system of financial accountability for academy trusts that is more rigorous than the system for local authority maintained schools, commensurate with the increased levels of autonomy enjoyed by academies. The EFA has also achieved significant savings of public money in school rebuilding programmes. We build schools at around 34% cheaper than schools procured over the lifetime of the last parliament.

The EFA works closely with, and is an integral part of, the department. This close working and clear lines of accountability mean that there is a good understanding of the EFA's ability to cope with its responsibilities.

Public Accounts Committee

The Public Accounts Committee (PAC) held a hearing on 5 March 2014 to discuss the findings of the NAO's report on our performance and capability and the department's and the EFA's 2012-13 accounts. The PAC published its report on 10 June 2014. The PAC made 6 recommendations and our response to these was published 11 September 2014 via a Treasury Minute[3]. On the basis of the report by the NAO on establishing free schools[4], the PAC also took evidence on 13 January 2014, from us and the department on the process for establishing free schools. The PAC published its report on 9 May 2014, and we published our response on 14 July 2014 via a Treasury Minute[5].

Our progress against the PAC recommendations is monitored by the Audit Committee and the department's Audit and Risk Committee, with an update to be provided to Treasury February 2015.

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[2] http://www.nao.org.uk/report/performance-capability-education-funding-agency-2/
[3] https://www.gov.uk/government/publications/treasury-minutes-september-2014
[4] http://www.nao.org.uk/report/establishing-free-schools-2/
[5] https://www.gov.uk/government/publications/treasury-minutes-july-2014

Our challenges

We have seen very significant change since April 2012 as well as the standing challenges of the complexity of our work.

Increasing demand for our services: this will be significant as the number of academy trusts grows. We plan to meet it by investing in our people and through our planned investment in ICT systems and transforming our business processes. Successful delivery of this programme of work is achievable, but will be challenging.

An expanding role and responsibilities: our funding and regulation role has broadened and we are more directly involved in the delivery of school building projects.

Increasing complexity: many more different types of organisations are running academy trusts and providing education for young people. We need the skills and understanding to respond appropriately.

Being flexible and responsive: our continuing ability to respond to changes in policy will be important over this period.

Being expert at data collection, storage and use: data is fundamental to our operations in every part of the EFA. We need robust systems to manage and use our data; and we need to embed the principles of 'collect once, use many times' and 'a single source of the truth'.

Improving our management of financial risk: for which we will develop new systems with data and intelligence on performance and risk.

Dependence on others: we need to work in partnership with a wide range of organisations that play a significant role in the education system, including audit firms, the construction industry, local authorities, Ofsted and other parts of the department.

Reducing our administrative overhead: this will enable us to contribute to the efficiencies the wider department must make.

Principles underlying our planning

Robust stable governance: the EFA is an executive agency of the department and the department frequently and regularly reviews and reports on our performance. I expect our current 4-group organisation to be the basis of our structure through to 2015-16.

Our focus on improving our data and management information will enable us to decide using the strongest available evidence.

Automated processes: we will increase our automated systems where possible, to assure accuracy and eradicate unnecessary burdens.

Reducing costs: each group and cross-cutting corporate area will have a model for how it will reduce costs.

Understanding our customers: we will understand the needs and pressures of our customers, and balance these with our own requirements.

Monitoring and delivering results: we will have specific, measurable, achievable, relevant and timed performance indicators of service delivery and customer satisfaction for each group and cross-cutting area.

The EFA will use a balanced scorecard, with indicators drawn from the above, to monitor and challenge performance.

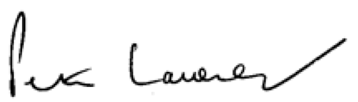
Continuous improvement

As part of the preparations for 2016, the EFA will improve in 7 key areas:

Improving our operating model

The following section shows where the EFA is now, and what we expect our operating model will look like in 2016, through the ‘Fit for the Future’ change programme.

Where we are in 2014	Where we will be by 2016
Our new systems are still in development, and we are working with some legacy systems. Development of new systems is progressing quickly.	Our systems design has designed out error and meets increased demand.
Our current ratio of staff to institutions is higher than we will require when our new systems are fully operational, and we have a higher proportion of more senior staff than we need.	Our workforce’s skills mean we can deliver our remit and our grade mix is efficient.
We are making good progress in introducing more data-driven funding systems, and we are working on tightening up where we need to build in judgements.	We operate national data-driven funding with minimal need to make judgements.
We have made good progress in answering enquiries more efficiently, such as using triage. We respond to a higher proportion of cases manually than will be the case after the roll-out of our automated web-based tools.	We meet customer needs through our automated web-based tools, unless they are sufficiently complex to require casework.
We are starting to develop stronger knowledge of the types of delivery and financial risks in academy trusts, and improved indicators and systems to identify and manage them.	We assess and manage risk through stronger evidence-based risk assessment.
We intervene effectively, but more reactively than is ideal.	We intervene in a timely and decisive way to address and resolve any cases of failure.
We have gaps in our data on school buildings and we need to develop our systems to provide the transparency and accountability to maximise value for money.	We will have greater transparency and accountability in capital funding to drive up value for money, and will use analysis of data to inform policy and drive delivery.



Peter Lauener
Chief Executive and accounting officer, EFA
12 January 2015

4. Financial commentary

This part of the report is about the EFA group.

EFA group financial governance

The department has delegated its operational relationship with, and almost all funding of, academy trusts to the EFA. The EFA accounts for its funding in these accounts. For 2013-14, the department commissioned the EFA for the second year to prepare consolidated accounts including the results of all academy trusts with operational academies open by 31 March 2014. This commission, along with the department's consolidation, is unique in government in its scale and complexity. The consolidation includes 2,585 academy trusts, making it one of the largest consolidations in the world. This number of bodies is already twice the number of those in the rest of the UK public sector. The EFA group faces an unprecedented challenge in producing group accounts on this scale and of this complexity.

The Comptroller and Auditor General qualified his report on the EFA group's first year of consolidated accounts, for 2012-13. Based on the outcome of 2012-13 the EFA group had reasonable grounds for believing that it could prepare group accounts for 2013-14 with decreasing levels of error and uncertainty and that might eliminate some of the causes of qualification completely.

In the Qualifications of the 2012-13 consolidated accounts section, I set out in more detail how we sought to address the causes of the qualifications in 2013-14. The EFA group has addressed successfully the qualification of its 2012-13 group accounts on regularity and the Comptroller and Auditor General has removed this qualification for 2013-14. I acknowledge that we have not been successful in removing or reducing other causes of qualification and in some respects, concerns have increased leading to the Comptroller and Auditor General's report for 2013-14.

As accounting officer, I am responsible for complying with the requirement on the EFA group in preparing accounts. In presenting the EFA group 2013-14 accounts, I have sought to strike the best balance possible of making every reasonable endeavour to comply with these constraints, and of the cost to the EFA group and the burdens on individual academy trusts as typically small organisations dedicated to teaching. I have sought to convey clearly the limitations to the figures in the group accounts and the costs of compliance that result from this balance.

The EFA group delivers the department's commission by preparing its consolidated accounts from the EFA's own financial results and those of academy trusts. As an executive agency of a central government department we prepare accounts on a different basis to academy trusts as charities and we disclose information they do not. Under the terms of their funding agreements (with the Secretary of State), academy trusts submit financial returns to the EFA that includes the extra information we need. The academy trust funding agreement also sets out high-level financial relationships including the need for each academy trust to have an accounting officer and makes the academy trust responsible for the proper and regular use of public money. Academy trusts' financial returns to us include significant additional information on their discharge of these responsibilities.

The department underpins academy trusts' accountability within the EFA group by issuing the academy financial handbook (the handbook) under the funding agreement. The handbook sets out in full the financial relationship between the EFA and academy trusts, as well as practical detail on how these relationships should work. The handbook covers the roles of the academy trust's accounting officer and governors, financial oversight, management, planning and monitoring, internal control and other matters. The handbook further sets out a remit for audit covering public interest in regularity and propriety in addition to the academy trusts' statutory audit requirements. The department has agreed with HM Treasury that the handbook, along with documents issued under its authority, is the complete expression of how HM Treasury's requirements of central government bodies apply to academy trusts.

As the EFA's accounting officer I do not (and practically cannot) exercise my personal responsibilities towards academy trusts in the same way I do for the EFA itself, nor do I routinely check the underlying accounting records each year of the 2,585 academy trusts. Instead, the EFA has put in place a system of assurance and accountability that places reliance on academy trust principals as accounting officers and on the work of academy trusts' external auditors. The accounting officer in each academy trust gains assurance, through the opinion of its auditors, which confirms the academy trust's accounts provide a true and fair view of its financial position. The EFA reviews academy trusts' accounts for evidence of this statutory opinion on the academy trust as a charity. Through the handbook, the EFA obliges academy trusts to commission their auditors to provide the EFA's accounting officer with an annual opinion on the regularity of academy trusts' expenditure. To support the regularity opinion, academy trusts submit their auditors' management letters to the EFA so that the EFA can examine matters not sufficiently significant to warrant reporting through the regularity report (or statutory opinion on the accounts). The EFA supports this scrutiny by its rigorous investigation of alleged weaknesses and irregularity, which when substantiated will generally result in the publication of EFA investigation reports.

Limitations

These accounts as at 31 March 2014 are for the EFA group: the EFA itself and 2,585 academy trusts with 3,905 academies. Relevant academy trusts are all those with open academies during 2013-14. The EFA group's accounts incorporate the expenditure, income, assets and liabilities of academy trusts funded by us. In preparing group accounts, we consolidate the results of academy trusts as the legal entities operating academies.

We developed our approach to the consolidation of academy trusts into our accounts in close consultation with the department, HM Treasury, and academy trusts' representatives. We consulted with the NAO on the development of the consolidation methodology. Although, as ever, we take full responsibility for the methodology and any decisions relating to its implementation. A senior joint steering group of the department and the EFA oversaw the work.

Consolidating the accounts of 2,585 organisations would always be a significant undertaking. In the case of academy trusts the EFA faces some unique challenges including differing: year ends (31 August for academy trusts versus 31 March for the EFA and the department); accounting standards (UK GAAP for academy trusts versus International Financial Reporting Standards for the EFA and the department) and questions over the ownership of assets. Preparing these financial statements, in such circumstances, is relatively expensive. For 2013-14, the EFA has spent £5.1 million to prepare its financial statements, of which £5.0 million relates exclusively to the requirement to consolidate academy trust accounts. This cost is likely to grow as the academy programme continues to expand.

The conventional approach for dealing with these issues would be for the EFA to require all academy trusts to prepare a set of audited financial statements as at 31 March each year. Assuming that academy trusts chose to retain their existing year-end of 31 August this would mean additional audit fees for academy trusts of up to £30 million a year. It would, in time, be possible for academy trusts to change their year-end to match the EFA and the department. This would, however, mean that academy trusts were moving away from a financial cycle that matches their business (and funding) cycle in order to meet Whitehall's demands. To date we have not considered that the additional £30 million, or the changes to academy trust reporting dates contribute to the effective delivery of educational outcomes in academy trusts, or that those changes reflect value for money for the taxpayer.

We went through a similar process when deciding how to approach the valuation of land and buildings for these financial statements. The Comptroller and Auditor General concluded that there was insufficient evidence to support our inclusion of all academy land and buildings in our financial statements. We recognise that the ownership and recognition of land and buildings in schools is complex. It is, however, important to note that the Secretary of State retains substantial controls over the disposal of academy trust land and buildings, which protects the taxpayer's interests. To get a robust understanding that would be sufficient to remove the qualification would, we believe, cost at least £20 million with substantial additional costs each year to maintain the database. Given the protections afforded by the Secretary of State's controls over the disposal of land and buildings, we do not consider that this represents value for money for the taxpayer.

Recognising that our methodology presents substantial challenges to the production of a conventional set of accounts that can be presented as true and fair, we have worked with the Treasury and the department to find alternative approaches to the consolidation of academy trust accounts. To date we have not been able to identify a workable alternative that meets all of the requirements of extant legislation, the Financial Reporting Manual, Clear Line of Sight reforms and Consolidated Budgeting Guidance, whilst keeping costs under control and minimising the bureaucratic burdens on schools. The EFA group is not entitled to depart consciously unilaterally from these requirements and will not do so now and in future.

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 2013-14.

The key issues we considered were:

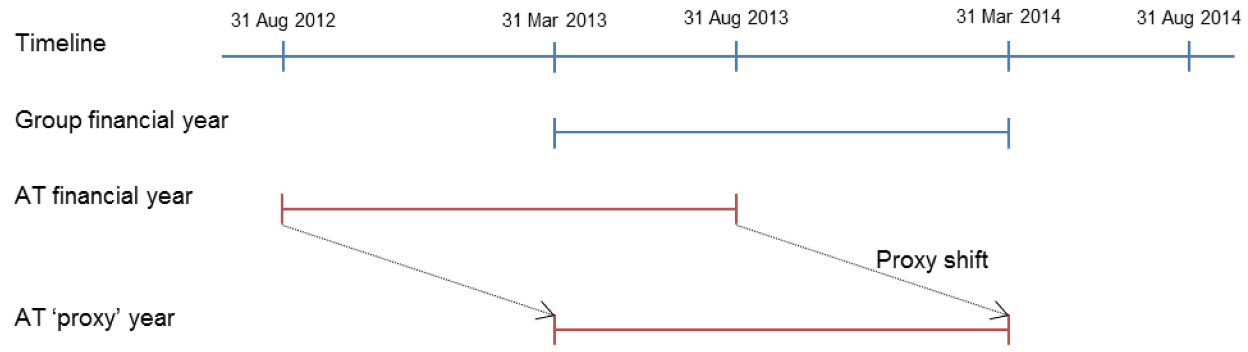
- non-coterminous year ends (almost all academy trusts have a financial year-end of 31 August)
- academy trusts with short and long accounting periods
- valuation of academy trusts' land and buildings
- valuation of academy trusts' liabilities associated with their membership of pension schemes
- validation of accounts returns not based on academy trusts' statutory accounts
- the quality of some academy trusts' accounts returns

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

Non-coterminous year ends

For those 2,189 academy trusts that prepared audited accounts as at 31 August 2013, the EFA group has included the financial performance from those accounts as a representation of those academy trusts' results for 2013-14.

In using academy trusts' results to 31 August, we rely on the assumption that for established academy trusts, the majority of their income and expenditure by month for the period 1 September 2012 to 31 March 2014 varies little. Hence, academy trusts' income and expenditure for the period from 1 September 2012 to 31 August 2013 will across the academies sector be materially similar to the period 1 April 2013 to 31 March 2014. Their balances for current assets and liabilities will also be materially similar at 31 August 2013 and 31 March 2014. The academy trusts' results at 31 August serve as a 'proxy' for their results to 31 March. The diagram below shows the proxy timeline (AT is for academy trust).



This is a significant departure from IAS 27and HM Treasury's accounting practice. This practice usually consolidates accounts to year-ends that are no more than 3 months apart. Through the department, we made our approach clear to HM Treasury when we first applied it for 2012-13. HM Treasury acknowledged our intention.

Our use of the proxy requires us to accept four principal estimates in presenting our accounts:

- for those reporting to 31 August 2013, inevitable movements over time between income and expenditure totals for the year to that date, and current assets and liabilities at that date, compared to the totals and balances for the academy trusts had they reported to 31 March 2014
- our pro-rata of the results into the EFA group's 2013-14 accounts of those 714 academy trusts that opened during 2012-13 and prepared an accounts return to 31 March 2014
- the degree of match between 2,189 academy trusts' recording of the grants they received from the EFA in 2012/13 compared to our records of payment of grants to academy trusts for 2013-14
- differences between opening balances academy trusts reported to us at 31 August 2013 compared to their closing balances at 31 March 2013, for those 714 academy trusts that prepared both returns

To allow us to estimate movements over time, we commissioned a comparison study of 120 (4%) academy trusts' 2012/13 and 2013-14 results to understand how much difference there is between the 2 accounting periods. We funded the academy trusts for the additional costs of providing that evidence. In section 4 we set out the results of our comparison study and what these results mean for the total results of all 2,189 academy trusts that we took our sample of 120 from, 110 of whom participated.

For 2013-14, we prorated the results of those 714 academies within academy trusts that opened during 2012-13, prepared an accounts return to 31 March 2013 and then went on to prepare an accounts return to 31 August 2013. Their accounts return relates to the 12 months to 31 August 2013 and overlaps with our prior financial year by seven months.

Necessarily, we removed that proportion of these academies within academy trusts' income and expenditure that related to 1 September 2012 to 31 March 2013. We then extrapolated the five months of net expenditure for 1 April 2013 to 31 August 2013 to 12 month values. The group accounts contain £1.8 billion of net expenditure we have included as an extrapolation of five months of actual results for the 714 academies within academy trusts. We examined the validity of this adjustment by analysing a sub-set of 37 academy trusts within our comparison group who are also academy trusts we pro-rated. By examining the degree of difference for this sub-set of academy trusts for the two sets of results they produce for the comparison study, we could calculate the degree of estimate in the total income and expenditure for all 714 academies within academy trusts we pro-rated. We set out this analysis in section 4 of the governance statement.

As for 2012-13, we identified mismatch between academy trusts' records of grants and the EFA's records. For 2013-14 we have calculated the difference between the revenue grant paid by the EFA in 2012/13 and the extrapolated revenue calculated from academy trust returns to be £92 million. The equivalent figures for capital grant is £537 million .

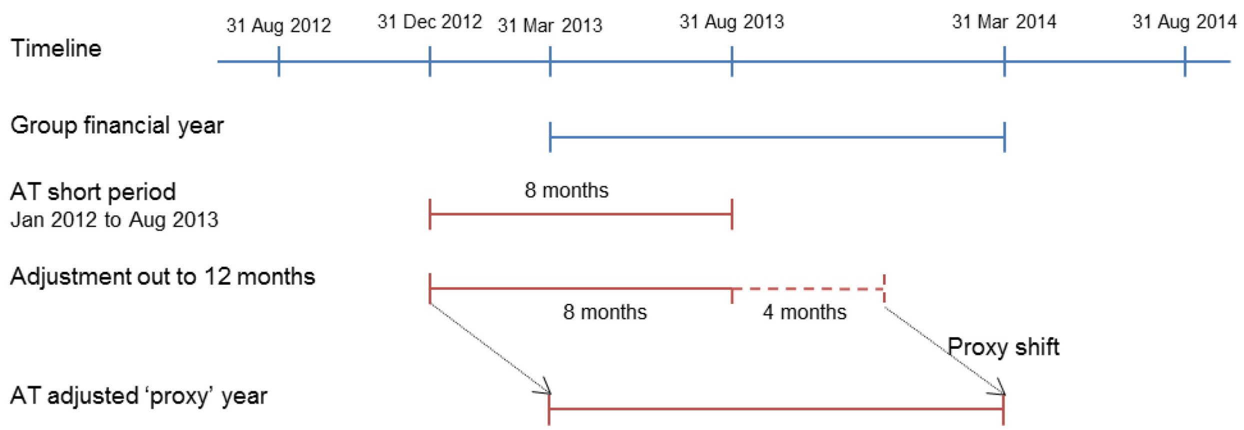
We have included £479.8 million of adjustments to capital income to reconcile academy trusts' closing balances in their 2012-13 accounts returns to us as at 31 March 2013 to their opening balances as at 1 September 2012 in their 2012/13 accounts returns to us. The majority of these adjustments arise from movements in academy trusts' balances between those two dates. In part, many academy trusts preparing accounts returns to 31 March 2013 had opened relatively recently. These academy trusts had a less developed understanding of their closing balances at the time they prepared their return to 31 March 2013. This was especially in relation to complex capital transactions where many academy trusts did not have full information available to them so soon after opening. When these same academy trusts went on to prepare a second return to 31 August 2013 they had gained a better understanding of these balances as well as more information on them. Our extensive validation work highlighted to academy trusts apparent anomalies in their accounts returns to 31 March 2013 and we worked with academy trusts to resolve these anomalies. Given the very large numbers of academy trusts making accounts returns, and the high average value of capital balances in question, relatively few unresolved differences in capital balances have a high absolute potential error in the group accounts.

Consolidating academy trusts with long or short operating periods

The academies' programme is dynamic with academies joining academy trusts throughout the year. Many academy trusts within each new year's intake produce accounts for fewer or greater than 12 months according to when the academy trust incorporated and statutory limits to the length of an academy trust's first set of audited accounts. Those academy trusts opening in late spring and early summer may for instance choose to prepare accounts for a 16 month period to the following 31 August. In preparing our accounts, we adjusted up or down the income and expenditure for those academy trusts with reporting periods other than 12 months to align their results to the year to 31 March 2014 reported by the EFA group. We obtained financial returns from their date of opening to 31 March 2014 from these new academy trusts. The financial returns set out the academy trusts' key balances at that date, ensuring the accuracy of our disclosures of these balances.

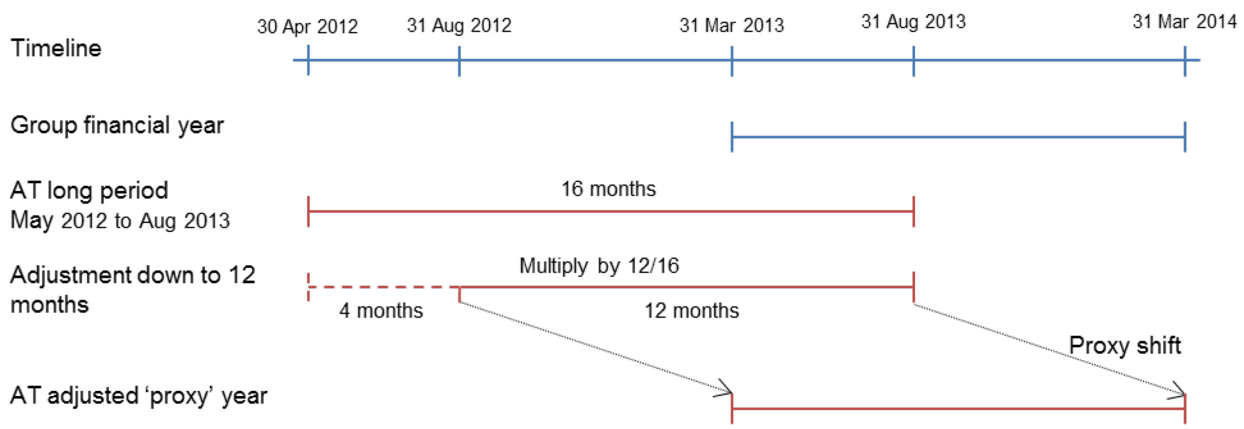
Extending short-period academy trust reporting years

For 2013-14, 283 academy trusts or academies joining multi-academy trusts reported short period accounts to 31 August 2013. The EFA group has extended the results of those academy trusts up to 12 months dependent upon the date the academy trusts or academies became operational. The diagram below shows this extension.



Reducing long-period academy trust reporting years

The EFA group has reduced the results of academy trusts reporting long period accounts (more than 12 months) as at 31 August 2013 to align the results to the 12 months to 31 March 2014 reported by the EFA group.



Academy trusts not producing accounts

Within the population of academy trusts with open academies as at 31 August 2013 some of these academy trusts did not produce accounts as at 31 August 2013 since they were barred by statute from producing accounts of fewer than 6 months duration. Other academy trusts' academies only became operational after 31 August 2013. We asked these academy trusts to produce a financial return (an accounts return) in relation to their newly opened academies, from their academies' opening dates to 31 March 2014. We did not ask the academy trusts to have these accounts returns audited.

Valuation of land and buildings

Academy trusts' land and buildings are potentially the most significant assets by value they access and collectively the value of these assets dominates the EFA group's statement of financial position. We face four challenges in accounting for these land and buildings: valuation, acquisition and disposal, impairment, and recognition.

Valuation

Academy trusts value their land and buildings using a wide range of methods. Few of these methods comply with HM Treasury reporting requirements. We have therefore continued our approach of commissioning valuations of newly opening academies' land and buildings. We paid an average of £85.00 per valuation for academies opening in 2013-14 and commissioned independent quality assurance of the valuations. Together with valuations we procured for earlier years and have indexed, we have a complete set of valuations using a method that complies with HM Treasury reporting requirements. Valuations received in 2014 were at Discounted Replacement Cost (DRC) based upon the school footprint set out in Buildings Bulletin 103, whereas previous valuations were at DRC with reference to Buildings Bulletins 98 and 99.

Acquisition and disposal

Academy trusts as normal business acquire and dispose of land and buildings throughout 2013-14 and recorded these transactions in their 2012/13 accounts where they prepared these or their 2013-14 accounts returns to the EFA for newly opened academy trusts. We have used academy trusts' 2012/13 accounts to 31 August 2013 as a proxy for our financial year. The 2012/13 accounts do not, by definition, include land and buildings transactions for the five months 1 September 2013 to 31 March 2014. The EFA group has decided not to seek to include these transactions in its 2013-14 accounts using information available to the EFA group outside academy trusts' 2012/13 accounts.

This decision affects three groups of transactions:

- assets under construction at 31 August 2013
- acquisitions between 1 September 2013 to 31 March 2014
- disposals between 1 September 2013 to 31 March 2014

A number of academy trusts were in the process of building and developing land at 31 August 2013, often although not always partly funded by the EFA. Some of these academy trusts brought these assets into use between 1 September 2013 and 31 March 2014. The EFA group has accounted for these assets in its 2013-14 accounts as being under construction rather than as land and buildings in use. For those the EFA was involved in funding, the group accounts include £210.7 million of assets at cost for 110 academy trusts.

A number of academy trusts acquired land and buildings between 1 September 2013 and 31 March 2014 and appropriately did not reflect these acquisitions in their 2012/13 accounts. Similarly a number of academy trusts disposed of land and buildings between 1 September 2013 and 31 March 2014 and appropriately did not reflect these disposals in their 2012/13 accounts. The EFA group has not included these acquisitions and disposals in its 2013-14 group accounts. The EFA group cannot state definitively the number of academy trusts making these acquisitions and disposals or the value of these transactions.

Impairment

The EFA group accounts include land and buildings valuations the EFA group procured as at 31 March 2012 in respect of the 1,665 academy trusts open at that date and land and buildings valuations for the 443 academy trusts that opened during 2012-13. In the normal course of their operations, academy trusts' land and buildings suffer some degree of impairment that the academy trusts cannot address during the financial year by either routine maintenance or in some cases at all. Academy trusts will reflect these impairments in their accounts for those land and buildings that the academy trusts recognise on their balance sheets and the EFA group can include the impairments in its group accounts.

In some cases, academy trusts may not have accounted for impairments, not least because the academy trust has not recognised the value of land and buildings it considers others to own. The EFA group has not sought to include its own values for any such impairments and the EFA group has not estimated the total value of these.

Recognition

Recognition of these assets in our accounts is contentious. We have chosen to recognise all academy trusts' land and buildings in our accounts. In doing so we cite the reality of academy trusts' use of these assets, the specialised nature of the assets and academy trusts' obligation to maintain their buildings.

The NAO did not agree with our accounting treatment for 2012-13 and continue not to do so. They consider we do not have evidence of who owns, in accounting terms, the assets and the EFA has no basis to disagree with this assertion. It would be practically very difficult to obtain this evidence. Many academy trusts received partial information on ownership when they converted from local authority maintenance or other past status. Ownership may differ between each building the academy trust accesses and the land the buildings stand on. Sometimes several different owners claim part of the land. Access is often under complex lease arrangements that may, or may not, constitute accounting ownership. Many academy trusts have established ownership, often at considerable cost and effort; others have relied on information given to them by leaseholders. In preparing our group accounts, the EFA group does not consider it can simply rely on academy trusts' recognition of their land and buildings as disclosed by academy trusts in their own accounts.

As the Permanent Secretary stated in his evidence to the Committee of Public Accounts in March 2014, it would be extremely expensive for the EFA group to establish ownership of every academy trust's land and buildings. We would need to conduct, or require academy trusts to conduct, legal searches and other work to establish complete title. With 4,618 academies now open and a possible cost per academy of £5,000 to £10,000 this exercise may cost £20 to 40 million in the first year and between £5 to £10 million each successive year for newly opened academies and for changes in ownership of existing academy land and buildings. We do not believe this represents value for money to the tax payer.

For 2013-14 we have researched further how academy trusts own their land and buildings. We asked those academy trusts that made an accounts return to 31 March 2014 to tell us about their ownership. We will ask all academy trusts preparing the accounts return to 31 August 2014 to also tell us about their ownership and at that point we will have considerable information on ownership. We have compiled a summary of owned assets and academy trusts' tenure at 31 March 2014 and will repeat this for returns at 31 August 2014. However, while our summary aligns with academy trusts' accounts, we have not validated it, for instance by requiring academy trusts' auditors to report on the disclosures. Using the information we have collected so far, we estimate that the question of recognition may apply to 798 academies within academy trusts at 31 March 2014 (20.4% of all open academies). These 798 academies own land and buildings we have valued at £2.6 billion, or 11.2% of all land and buildings.

We know more about free school academy trusts' ownership of land and buildings as the EFA was involved in most of the acquisitions of these assets. Free schools are a small proportion of all academy trusts.

The EFA is not alone in dealing with this issue. In February 2014 the Public Sector Schools Working Group (PSSWG) published a report for consultation on its advice to local authorities on accounting for the schools they maintain and the schools' land and buildings. The PSSWG noted that many schools (as for academy trusts) used assets provided by religious bodies and that consideration be given to producing further specific application guidance to cover (accounting for) buildings provided for at no charge by religious bodies. The department continues to work with the PSSWG to produce a solution that is appropriate for academy trusts.

For 2013-14 we consider that our inclusion of £30.1 billion of academy trusts' land and buildings in our accounts is most representative of the reality of academy trusts' access to these specialised assets at an acceptable cost of preparing our accounts.

Pensions disclosures

The most significant liability balance on academy trusts' balance sheets is the net deficit in relation to academy trusts' membership of the local government pension schemes. Academy trusts account for pension scheme disclosures under generally accepted accounting practice in the UK, specifically Financial Reporting Standard 17: Retirement Benefits (FRS 17). The EFA group follows HM Treasury's Financial Reporting Manual (FReM) that requires adoption of international financial reporting standards, specifically International Accounting Standard 19: Employee Benefits (IAS 19). Following recent revisions to the 2 standards there is little practical difference between valuations completed under both standards as at the same valuation date.

The EFA group considered the following significant issues in accounting for these deficits in its own accounts:

- only academy trusts preparing accounts to 31 August 2013 had valuations under FRS 17 as at 31 August 2013 that are available to the EFA group, as part of the process of preparing their accounts
- there may have been material changes in valuations completed at 31 August 2013, the date at which most academy trusts report in their accounts to 31 March 2014, the EFA group's reporting date, under either standard

To address these issues, we purchased our own IAS 19 valuations as at 31 March 2014 from the actuarial firms that provide pension valuations to the local government pension scheme. The actuaries provided us with valuations in accordance with IAS 19 for all operational academy trusts as at 31 March 2014. The valuations, where possible, use a common set of assumptions, and we have reviewed them with the department and agreed each key assumption.

Validation of accounts returns not based on academy trusts' statutory accounts

In total, the EFA group consolidated 2,769 accounts returns from academy trusts into its 2013-14 accounts. The EFA validated these returns extensively by a combination of automated tests, personal enquiry to academy trusts and adjustments to returns as needed. The table below shows the scale of this validation work.

	Accounts returns to 31 August 2013: [2,189] returns	**Accounts returns to 31 March 2014: [580] returns**
Tests run	399,489	47,685
Enquiries to academy trusts	7,793	701
Enquiries resulting in adjustments	3,368	428

In addition to this programme of validation, the EFA group required academy trusts to commission, at their own expense, an audit of their accounts return to 31 August 2013, for the 2,189 academy trusts preparing these returns. The cost of preparing the accounts return and its audit are marginal to academy trusts in that much of the accounts return derives from the academy trusts' annual accounts. Academy trusts bore the expense of preparing the accounts return and of its audit. They disclosed the cost in their accounts as some proportion of their payments to their auditors of £25.8 million for audit fees and, where the academy trust paid for professional help in preparing the return, some proportion of their £10.6 million for non-audit fees. The EFA group estimates the additional cost to academy trusts of preparing accounts returns to 31 August 2013 may be in the region of one-fifth of the combined audit and non-audit fees for 2012/13, or £7 million.

The EFA group did not require academy trusts to commission an audit of their accounts return to 31 March 2014. Instead, as well as validation, the EFA group commissioned assurance visits to 49 academy trusts in summer 2014. These assurance visits confirmed each academy trust's accounts return to its underlying records. The EFA group considered that the assurance available to it from validation of accounts returns to 31 March 2014 and assurance visit to a sample of academy trusts preparing these returns demonstrates that the accounts returns was acceptably accurate. We accept that the Comptroller and Auditor General does not agree with this judgement, pointing to the value of adjustments the EFA group made to opening balances reported by academy trusts preparing returns to 31 March 2013 and then 31 August 2013. We estimate that, had the EFA group required it, the additional cost of this audit for academy trusts preparing accounts returns might be £3 million. In light of the assurance available to the EFA group from other sources, we did not consider this was value for money for the tax payer.

Quality of returns

Key to preparing the EFA group accounts is the accuracy and completeness of returns by academy trusts. We support academy trusts by issuing guidance, offering training and designing returns so that academy trusts can self-audit as they complete the returns. We describe above our success in collecting in returns from academy trusts and valuations of their major assets and liabilities. We also set out our work in validating returns at the point academy trusts complete them to the consolidated group accounts.

The EFA group does ask academy trusts to complete complex financial returns and for newly opened academy trusts, they may do so within as little as a month after opening. Even with appropriate professional financial advice we do encounter data quality issues in academy trusts' accounts returns that we cannot resolve by validation, enquiry or correction according to the EFA group's judgement.

In particular, we are aware of differences on income and expenditure balances for those academy trusts that produced an accounts return to 31 March 2013 then went onto prepare an accounts return to 31 August 2013 (as described above under the proxy). While we have not quantified definitively the total value of these differences, we accept the Comptroller and Auditor General's evaluation in his report that these differences do have a significant impact on the meaningfulness of the EFA group accounts.

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.

Qualifications of the 2012-13 consolidated accounts

During 2013-14, we completed our consolidation of the accounts of the 2,108 academy trusts (2,823 academies) open at 31 March 2013 and the EFA signed its accounts on 10 January 2014. The group accounts included academy trusts' land and buildings valued at £25 billion, and their cash holdings and pension deficits of just under £2 billion each. The Comptroller and Auditor General qualified his opinion in 4 key respects:

- on regularity, the limited evidence over academy trusts' compliance with HM Treasury's Managing Public Money
- a level of misstatement and uncertainty he considered to be material to the accounts
- owing to our recognition of all academy trusts' land and buildings in the accounts
- sufficiency and appropriateness of evidence of academy trusts' (opening) balances for current assets and current liabilities at 1 April 2012 included in the accounts

On material errors and uncertainty, the Comptroller and Auditor General further identified:

- a difference of £270 million between the grant paid by the EFA in 2012-13 and the extrapolated revenue calculated from academy trust returns
- estimated or un-validated data for 83 academy trusts covering a total of £283 million of grant. In addition, the EFA consolidated 40 academy trusts using pre-opening accounts at 31 August 2012, prior to opening
- gaps in the assurance obtained by the EFA in validation of all data submitted by academy trusts. A large proportion of the queries raised with academy trusts by the EFA resulted in amendments to the submitted data. By the end of October 2013, there were still 1,522 outstanding queries with those academy trusts
- the EFA's use of extrapolation and interpolation of academy trusts' long and short period accounts

In giving this opinion, the Comptroller and Auditor General did note '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…. I am content that this exercise was conducted appropriately, and that the data is statistically valid. This showed that any 2 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. The continuing growth within the sector means I cannot yet determine whether the proxy assumption will continue to hold for future financial periods'. We responded to this note in commissioning our comparison study for 2013-14 as set out in the financial management section.

We have addressed the Comptroller and Auditor General's qualification on regularity. We have sought to address the qualification on opening balances and the 4 causes of material error and uncertainty in preparing our 2013-14 accounts within the limitations of our approach.

For 2013-14, we have greatly reduced the number of accounts returns from academy trusts that we were unable to include in our accounts. There are 2 categories of these returns:

- 15 returns (0.54% of the 2,761 returns due) we did not receive by our cut-off date for inclusion
- 7 returns (0.25%) we received we were unable to use due to the high level of unresolved errors

There were no academy trusts for which we made use of their pre-opening accounts. The table below summarises the position with 2012-13 for comparison.

	2013-14		2012-13		Decrease	
	Number	% of all returns	Number	% of all returns	Number	% of all returns
Not received by cut-off date	15	0.54%	75	3.52%	60	-80%
Not usable	7	0.25%	8	0.38%	1	-12.5%
Pre-opening accounts	0	0.00%	40	1.88%	40	-100%
Total	22	0.80%	123	5.77%	101	82.1%

We have used other sources of financial information to include these academy trusts' results in our accounts. Based on these other sources, the net expenditure for 2013-14 was £8.3 million or 0.2% of total net operating costs (2012-13: £147.6 million, 0.3%) and the net assets were £14.0 million or 0.04% of assets less liabilities (2012-13: £42.5 million, 0.2%). We give full details in the note 1.3.3 to the accounts below.

We carry out a very extensive and thorough programme of validation of academy trust financial returns before we include them in our accounts. In part, we build our validation into the returns so that academy trusts are aware of, and can correct errors, omissions and inconsistencies before they complete the returns. We then subject every return to a large number of automated checks: a total of 447,174 tests for 2013-14, of which 438,680 (98.1%) returns passed these tests initially. For the 8,494 failed tests in relation to the 1.9% of returns, we contacted the academy trust to resolve the error. Of the 8,494 queries raised, we had resolved 6,140 (72.3%) of them at our cut-off date.

As noted in the financial commentary we have again used interpolation and extrapolation of academy trusts' accounts returns to derive results representative of our financial year. Our choice of consolidating to two different year-ends has required us to include estimates for this and adjustments to reconcile. We have informed our estimates by a larger comparison study compared to 2012-13. In presenting the EFA group accounts we are aware of, and disclose where possible, the limitations arising to our use of the proxy.

As stated in the financial commentary, the Comptroller and Auditor General again did not agree in 2013-14 with our approach to recognition of land and buildings. We cannot justify at present the cost of addressing this qualification. We are working to quantify more accurately the value of assets in question so that along with a cross-government solution we can in due course sufficiently evidence the correctness of our recognition.

Qualifications of the 2013-14 consolidated accounts

The Comptroller and Auditor General has provided an adverse opinion on the EFA group's financial statements, concluding that they are not true and fair and that the level of error is both material and pervasive. The EFA group accepts this opinion and welcomes that the Comptroller and Auditor General has stated that 'in reaching this [opinion] on the EFA group's financial statements, I note that I have not identified material inaccuracies in the financial statements of the individual bodies making up the [EFA] group (the EFA and academy trusts)'.

The accuracy of accounts of academy trusts to their academic year end (for 2013-14, this was 31 August 2013) suggests that the EFA or the EFA group may be able to use these accounts to give a materially accurate consolidated view of academy trusts' financial activity to Parliament. The EFA believes that such a sector report, consolidating academy trusts' accounts, is possible with a common and single year-end of 31 August. This sector report would seek to address many of the causes of the Comptroller and Auditor General's adverse opinion, especially around the effects of the numerous significant effects of non-coterminous year-ends. A sector report could, depending on the accounting standards adopted, also potentially simplify academy trusts' accounts returns to the EFA.

These are major potential benefits of simplicity, transparency and reduced cost that the EFA group advocates. However the EFA group is for these purposes part of the wider departmental group. Any solution must satisfy accounting requirements on the EFA group as part of the departmental group, eg to comply with HM Treasury requirements on financial reporting. The solution must enable the departmental group to meet those additional responsibilities that do not apply to the EFA group. In particular the departmental group must estimate academy trusts' expenditure within the Parliamentary annual estimates and report academy trusts' actual expenditure against those estimates. The departmental group must also incorporate its accounts within the Whole of Government Accounts. This incorporation requires the EFA group to collect extensive information from academy trusts on their dealings with all parts of the UK public sector, beyond transactions within the departmental group.

The EFA group is working, with the departmental group as lead, to develop proposals with HM Treasury that satisfy all requirements and expectations on the EFA and departmental groups. To be successful, the proposals should also minimise costs and burdens on academy trusts. This is a challenging agenda and until it is fully addressed the EFA group will take every opportunity to improve the approach to preparing its 2014-15 accounts.

The scope for change for 2014-15 that the EFA group may have would be around the scale and nature of a further comparison survey, how to validate unaudited accounts returns, in continuing to support academy trusts in making accurate accounts returns and in improving accounting for academy trusts' land and buildings. Improvements in accounting for academy buildings should lead to the EFA group accounting better for buildings brought into use by academy trusts during the year, one of the Comptroller and Auditor General's concerns in his report for 2013-14. The EFA group will also reconsider carefully how to best include financial results for academy trusts that produce accounts returns to 31 March 2014 and then to 31 August 2014. The approach for the equivalent set of academy trusts in the 2013-14 group accounts represented the greatest single cause of error and uncertainty in those accounts.

Financial results

The EFA group's statement of comprehensive net expenditure (SoCNE) reflects expenditure by academy trusts and EFA grant payments to education providers. The EFA group as a central government body should adopt this presentation under the FReM.

One consequence of our presentation is that the EFA group has recognised a gain of £4.3 billion relating to transfers of academy trusts' assets (mainly land and buildings and pension scheme deficits) on their conversion to academy trusts. This gain has the effect of reducing the EFA group's net expenditure by this sum. In accordance with FReM, the EFA group has recognised a gain of £0.9 billion relating to the conversion of non-local authority schools included as net operating costs and a gain of £3.4 billion relating to the conversion of local authority maintained schools included in net non-operating expenditure. These gains on conversion have the effect of reducing net expenditure by £4.34 billion in total. These gains are a technical adjustment resulting from movements of assets and liabilities between public sector bodies, in this case mostly from local authorities to central government.

As at 31 March 2014 the statement of financial position within the accounts showed the EFA group had:

- net assets of £30.91 billion
- non-current assets with a net book value £31.7 billion, academy trusts' land and buildings valued by us at depreciated replacement cost comprise 95.02%
- receivables of £0.86 billion of which academy trusts hold 92.28%
- cash balances of £2.53 billion of which academy trusts hold 97.5%
- a balance of £2.43 billion from academy trusts' membership of the local government pension scheme
- payables of £1.86 billion of which academy trusts hold 79.55%

The composition of academies at the 2 reporting dates has changed as shown below:

Structure of academy trust	As at 31 March 2014	As at 31 March 2013	Change, %
Number of single academy trusts	2,015	1,663	21%
Number of academies in multi academy trusts	1,890	1,160	63%
Total	3,905	2,823	38%

Age range	As at 31 March 2014	As at 31 March 2013	Change, %
Primary academies	1,864	1,082	72%
Secondary academies	1,941	1,669	16%
All through	100	72	39%
Total	3,905	2,823	38%

Route to academy status			
Sponsored academies	1,021	474	115%
Conversions from local authority maintained schools	2,665	2,091	27%
Other	219	258	(15%)
Total	3,905	2,823	38%

The table below shows movements in average key balances by academies at the year-ends from 2012-13 to 2013-14.

Category	At 31 March 2014, average for 3,905 academies, £ 000	At 31 March 2013, average for 2,823 academies, £ 000	At 31 March 2012, average for 1,664 academies, £ 000
Property, plant and equipment	8,063	9,097	10,562
Cash and cash equivalents	632	658	221
Cash and cash equivalents less current liabilities	266	314	317
Pension deficit	622	677	760

Academy trusts' cash balances of £2.53 billion represent 4.7% of the EFA group's annual budgeted income. The Secretary of State authorised a working balance of 2% 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.

Although a large sum in total, academy trusts' cash holdings represent a reasonable balance at bank. On average at 31 March 2014, academy trusts held cash to fund 97 days of expenditure (an increase of 24 days over the year before). We summarise academy trusts' holdings as cash days in the table below.

Range of cash days	Number of academy trusts		Percentage of academy trusts	
	2013-14	2012-13	2013-14	2012-13
0-30	329	984	12%	35%
30-60	741	677	27%	24%
60-100	936	702	34%	25%
Over 100	730	449	27%	16%

We do not determine a comparable measure for the balances for local authority maintained schools in terms of the number of days of expenditure, but we do publish detailed data on their balances on the LA and school expenditure web page[6]. The department will publish 2013-14 data for schools in January 2015.

Where an academy trust reports a cash balance of £1 million or above within its annual accounts return, we ask it to: confirm that the reported cash balance is correct; provide an explanation to support the retention of a high cash balance at the year-end; and let us know if the situation is likely to recur in subsequent years.

Although £1 million is our threshold for carrying out these checks, we do not regard it as a tolerance threshold. Under the handbook, the department has put no formal limit on the sum an academy trust may carry forward. To assess the acceptability of a trust's high cash balance we apply judgement, looking at factors such as the sum of cash held, the academy trust's net current assets position, the reasons for holding that amount of cash and the particular risks facing the trust at that point in time. In the EFA's experience academy trusts with high balances have required little intervention compared to those with low or no balances that are often a sign of poor financial governance. The EFA's Risk Analysis division is conducting a thematic review to explore the levels of cash that are held by academy trusts, make comparisons against other sectors and to understand the reasons why academies hold cash balances, along with what policies academy trusts have in place to manage their balances. The review will also attempt to define what we mean by the term 'high balance' and develop a way forward to both monitor and manage trusts' balances in the future. The review will consider if the department does need to set tolerance thresholds. The report is due to be published by the end of February 2015.

A credit risk to the EFA arises from 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 in-year reconciliation of providers' entitlement to funding and subsequent amendment to future funding. The credit risk is largely attributable to provider insolvency that accounted for £134,560 of the £138,235 bad debts incurred in 2013-14.

Development and performance

This part of the report is about the EFA. The accounts show that for 2013-14:

- our supply of funding, the majority of which is exchequer supply from the department, totalled £54.11 billion

[6] https://www.gov.uk/government/statistics/la-and-school-expenditure-financial-year-2012-to-2013

- net operating expenditure was £54.37 billion. Total expenditure was within the budget for the period set by the department of £54.4 billion
- the EFA spent £164.6 million with suppliers and the outstanding balance as at 31 March 2014 was £3.2 million; this equates to an average of 7.12 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%. In 2013-14, the EFA paid 90% of our invoices within 30 days (2012-13: 80%).

The department's policy on prompt payment states that the target for paying undisputed invoices is within 10 days of receipt. In 2013-14, the EFA paid 65% of invoices within this target. The table below illustrates our performance during the year. We were paying 38% more invoices in quarter 4 compared to quarter 1 and that rapid growth has challenged us to improve our performance. We have a short and medium term action plan in place to better our performance in 2014-15 and maintain it after.

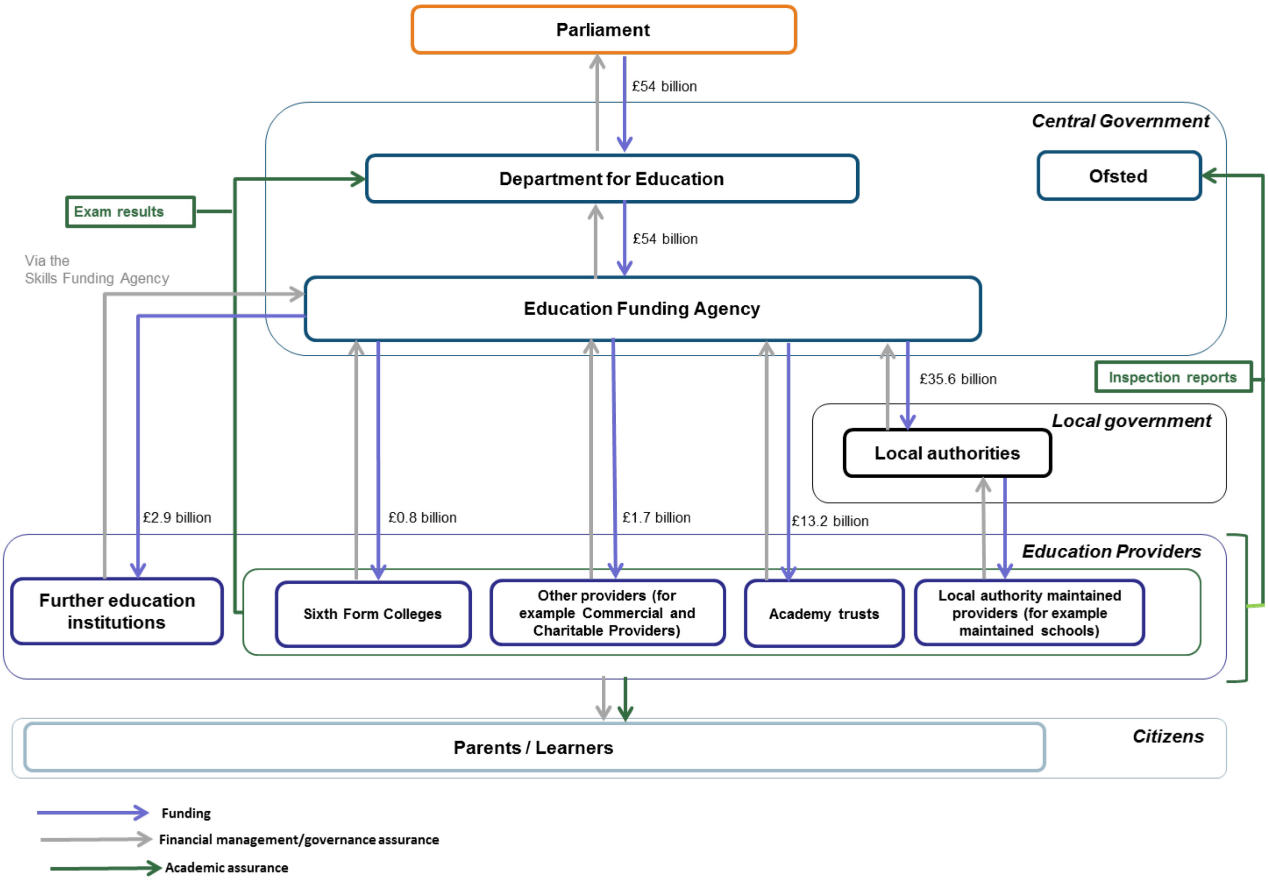
Period	Number of invoices paid	Percentage paid within 5 days	Percentage paid within 10 days	Percentage paid within 30 days
April – June 2013	1,626	12%	36%	79%
July – September 2013	1,697	40%	76%	93%
October – December 2013	2,184	27%	65%	94%
January – March 2014	2,236	50%	77%	93%
Total	7,743	33%	65%	90%

Main trends and factors underlying development and performance

This part of the report is about the EFA.

This is the second set of accounts for the EFA. The EFA continues to fund, on the department's behalf, almost all of the annual running costs and capital needs of compulsory education in England, as well as a significant value of non-compulsory education. The EFA has developed further the integration, redundancy and stability of its funding and payments systems. The EFA maintained sound internal control throughout by operating and developing its processes, through risk management and by internal audit's independent scrutiny.

The diagram below sets out how the EFA distributed funding and received assurance in 2013-14.



Source: National Audit Office

5. Remuneration report

This section of the remuneration report is unaudited.

Chief Executive and Executive Management Board members' remuneration policy

The Chief Executive and all Executive Management Board (EMB) members are senior civil servants (SCS) whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee and a non-executive director. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body (SSRB).

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 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 on the civil service website[7].

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Readers can find further information about the work of the Civil Service Commission on their website[8].

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[7] https://www.gov.uk/government/organisations/civil-service
[8] http://www.civilservicecommission.org.uk/

Remuneration (salary, bonuses and pensions)

This section of the remuneration report is subject to audit.

Officials	Salary (£000)		Bonus payments (£000)		Pension benefits (£000) (1)		Total (£000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Peter Lauener, Chief Executive	140-145	140-145	-	-	(5)-0	0-5	135-140	140-145
Sue Baldwin, Director of academies and maintained schools	90-95	90-95	10-15	5-10	15-20	30-35	120-125	130-135
Mike Green, Director of capital	130-135	125-130	-	-	40-45	40-45	170-175	170-175
Peter Mucklow, Director of young people	90-95	85-90	-	-	5-10	55-60	95-100	145-150
Simon Parkes, Chief Financial Officer	135-140	95-100 **(2)** (130-135 full year equivalent)	-	-	30-35	15-20	165-170	110-115

Notes:

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

(2) Simon Parkes joined the EFA during July 2012.

The department awards bonuses as part of the performance management process. The EFA sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high quality public services. The EFA follows the arrangements for the SCS as set out in the

Performance Management arrangements for the Senior Civil Service 2012/13[9], and the department's performance management framework for managing, and rewarding, performance throughout the year.

Fair pay disclosure

The Hutton fair pay disclosure for the EFA is as follows:

	2013-14	**2012-13**
Band of highest paid director's remuneration (£000)	140-145	140-145
Median (£000)	42.3	41.4
Remuneration ratio	3.4	3.4

In 2013-14, no employees (2012-13, nil) received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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 EFA and thus recorded in these accounts.

Benefits in kind

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

Non-consolidated performance awards

The EFA bases performance awards on performance levels attained and made as part of the appraisal process. Awards relate to performance in the previous year. The bonuses reported above in 2013-14 relate to performance in 2012-13.

[9] http://www.civilservice.gov.uk/wp-content/uploads/2012/04/Performance-Management-Arrangements-for-SCS-2012-13-HR-Practitioners-Guide.pdf

Pension benefits

Civil Service pensions

As an executive agency of the department, the EFA's staff are members of the principal Civil Service pension scheme (PCSPS) that provides pension benefits. The department's annual report and accounts provide information on these arrangements, so we do not reproduce them here. Readers can find details on the PCSPS at the civil service pensions' website[10].

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 which the member has transferred to the PCSPS. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

[10] http://www.civilservicepensionscheme.org.uk/

Officials	**Accrued pension and related lump sum at pension age as at 31 March 2014** **£000**	**Real increase in pension and related lump sum at pension age** **£000**	**CETV at 31 March 2014** **£000**	**CETV at 31 March 2013** **£000**	**Real increase in CETV** **£000**	**Employer contribution to partnership pension account** **Nearest £100**
Peter Lauener, Chief Executive	65-70 plus lump sum of 200-205	0-2.5 plus lump sum of 0-2.5	1,524	1,435	(3)	0
Sue Baldwin	10-15 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	203	174	11	0
Mike Green	5-10 plus lump sum of 0-5	2.5-5 plus lump sum of 2.5-5	70	34	14	0
Peter Mucklow	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	556	516	5	0
Simon Parkes	20-25 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	301	259	16	0

Peter Lauener
Chief Executive and accounting officer, EFA
12 January 2015

6. 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.

I confirm that I have reviewed the effectiveness of governance, internal control and risk management arrangements in operation within my area of responsibility. I have informed my review by the work of the executive managers within my area who have responsibility for the development and maintenance of this framework.

Every EFA SCS has completed a responsibilities assurance declaration for 2013-14. 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. We maintain financial information on the delivery of all programmes corporately and, where relevant, at programme level.

1. Governance

This part of the report is about the EFA.

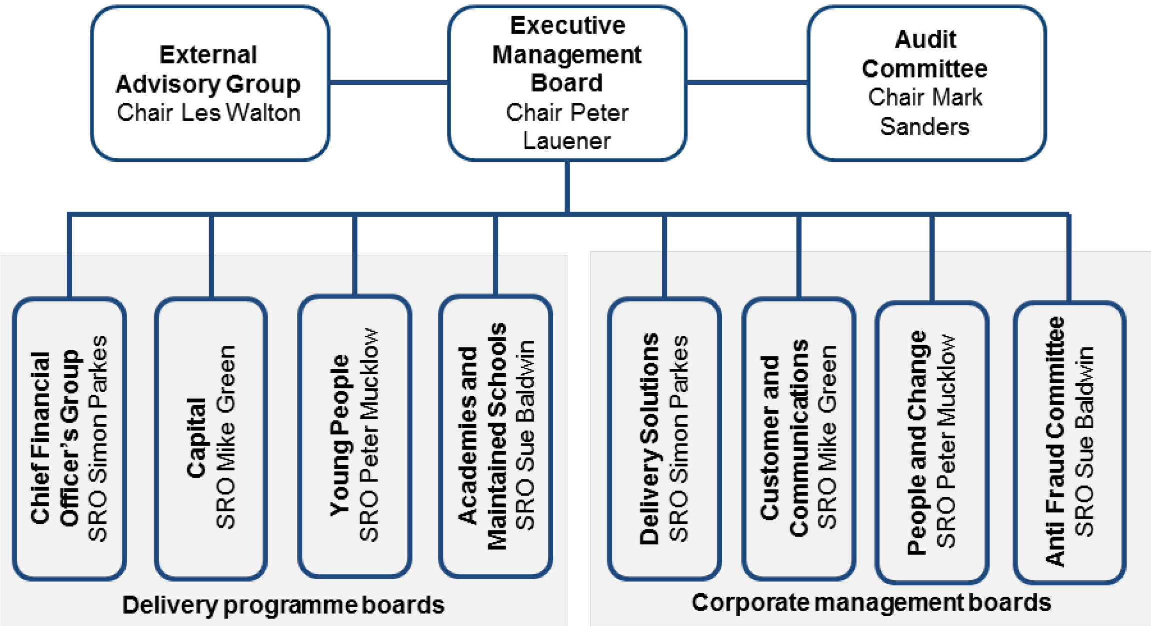
Governance structure

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 (IFD). 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 EFA'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 the department's non-executive board member responsible for the EFA on these and on issues of strategic direction. The EFA's framework document[11] sets out the above structure and my own responsibilities as the EFA's accounting officer.

As shown below, each of the EFA's delivery programmes and cross-cutting corporate groups has a director-level senior responsible owner (SRO) who drives progress using

[11] http://dera.ioe.ac.uk/14102/1/efa%20framework%20document.pdf

programme and risk management arrangements. Each programme's SRO submits a monthly progress report (and cross-cutting groups submit a similar quarterly report) to the EFA's Executive Management Board (EMB) for scrutiny, advice and challenge. The EFA uses these reports to produce a status report for the quarterly strategic performance review with our non-executive director and the director general. We use additional routes to report to the department, for example reporting to its management committee on strategic risk. 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 3 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 EMB, whose core members are the EFA's 4 programme directors, provides corporate leadership of the organisation
- the Audit Committee, which provides independent scrutiny of our governance, performance and risk management

The EMB provides me with the opportunity to hold the directors and their programmes to account, along with carrying out forward looking strategic thinking. I continually review the quality of information provided to EMB along with peer review challenge from the board members. The EFA also shares a summary of programmes' progress on delivery and their next steps for implementation with the External Advisory Group for review and challenge. As such, the EFA's information is continually and closely scrutinised and built on, improved and amended as required to provide the EMB with the best quality information available for evidence based decision making.

During 2013-14, the EMB met 11 times, and will continue to meet monthly. Where EMB members were unable to attend, a suitable deputy attended on their behalf.

EMB membership attendance				
Peter Lauener (chair)	Sue Baldwin	Simon Parkes	Mike Green	Peter Mucklow
11	11	11	10	8

The EFA's 4 corporate boards are the:

- Delivery Solutions Board that drives the development of our ICT, data collections and analysis to meet current and future business' needs, with a key focus being the delivery of the ICT investment plan
- Customer and Communication Board that has overall responsibility for developing high quality customer service
- People and Change Board that ensures people management is consistent across EFA and that we have a cohesive resourcing strategy
- 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 purpose of the 4 programme boards is to ensure effective delivery of their programmes by monitoring, reviewing and challenging their performance and risks.

Accountability reviews

In addition to the above, directors and I hold in-depth accountability reviews to scrutinise each programme's specific risks and issues, and hold each director to account for performance in their area. The reviews are held in April and October of each year, and an independent member from the Audit Committee attends.

The Audit Committee

The Audit Committee reports and advises me, and the department's Audit and Risk Committee, on the adequacy and effectiveness of governance, risk management and internal control within the EFA.

The Audit Committee was created in September 2012, so this year saw its first full year of operation, providing independent scrutiny to, and a strong strategic overview of, the EFA's business. The membership of the committee remained the same as in 2012-13:

Chair	Members			
Mark Sanders	Stella Earnshaw	Brian Rigby	Jon Gorringe	Suzanne Orr

During 2013-14 the Audit Committee met 5 times, and all of the members were in attendance, and will continue to meet at least 4 times per year in the future. I attended every meeting along with the EFA's Chief Financial Officer and representatives from the NAO and internal audit. Other members of the EFA's senior management also regularly attended to provide the information needed to allow the committee to adequately discharge its functions. The NAO and internal audit also met with members separately.

The Audit Committee has continued to report in to the department's Audit and Risk Committee and the chair of the Audit Committee attends as a permanent member.

I received an annual report from the Audit Committee detailing their contributions throughout the year and assurances on the effectiveness of the operation of our system of internal control. The below is a summary of the report:

During 2013-14 we have supported the Accounting Officer by reviewing and providing advice and challenge in a number of areas including:

- evaluating and approving external assurance and internal audit's 2013-14 work plans to ensure they provided sufficient assurance to the accounting officer, and reviewing progress against these plans in-year
- monitoring progress of financial statement audits and reports issued by the NAO and considering the issues raised
- maintaining oversight of the EFA's risk management processes, scrutinising the risks faced by the EFA and ensuring suitable mitigations are in place
- assessing the EFA's anti-fraud policies and processes including the management arrangements in place for whistle blowing
- clarifying the alignment of and relationship between the EFA Audit Committee and the department's Audit and Risk Committee
- received and requested amendments to and subsequently recommended sign off of the 2012-13 annual report and accounts

The EFA has consolidated the accounts of academy trusts into its own accounts in a way that minimised burdens on academy trusts, burdens that might divert them from their primary focus of achieving educational excellence. We were engaged actively throughout the consolidation process, reviewing and providing advice on the arrangements and monitoring progress. We acknowledge the considerable professional resource that the EFA dedicated to the consolidation, the regular on-going engagement of the NAO, and the focus placed by the EFA on learning lessons to prevent reoccurrence of issues from the 2012-13 accounts in the 2013-14 accounts. We continue to urge the EFA, the department and HM Treasury to find a more sustainable and cost-effective way of consolidating academy trusts' financial results, and have provided some early input on alternative approaches. We remain extremely concerned that the adverse opinion of the accounts will continue unless the department and HM Treasury can explore alternative solutions to this existing consolidation process that could produce financial statements that are useful for Parliament and other users of this information.

Taking into account our work during the year, we have concluded that the EFA's Accounting Officer can take assurance that overall governance, risk management and internal control systems are operating reasonably in the EFA.

In 2014-15 we will continue to undertake the activities outlined above to support and provide assurances to the Accounting Officer. We will also:

- focus on reviewing the management of the EFA's investment in IT systems as we regard this as critical for the EFA going forward
- support the Accounting Officer to undertake thorough and effective accountability reviews
- continue to place emphasis on the EFA's external assurance and financial irregularities of funded institutions, and the processes for controlling, reporting and mitigating these risks

Internal assurance

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 throughout the year, which the work of the EMB, the Audit Committee and the reshaping of management arrangements to ensure we manage risks effectively has greatly aided.

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 32 cross-group reviews which included 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.

The Cross Departmental Internal Audit Service (XDIAS) provides the internal audit service for the EFA. The head of internal audit provided the Permanent Secretary with a single report for the department and its executive agencies that provides an independent and objective opinion on our system of governance, risk management and internal control. It highlights the following issues:

Improving the management of financial and governance risk – the risk to the department, and EFA from failure of governance or financial control within academy trusts remains and materialised in several high-profile cases in year. Exposure could become more acute as the complexity and scale of the academy trust sector increases. The EFA is developing stronger knowledge of the types of delivery and financial risks in the academy trust sector and improved indicators and systems to identify and manage them. This should allow intervention to become more timely and decisive.

Delivering ICT systems and business process transformation – our work confirms that systems' transformation structures have improved but delivery remains challenging and crucial to achieving desired business efficiency and effectiveness.

Responding to expanding roles and responsibilities – the EFA's funding and regulation role has broadened and direct involvement in the delivery of school building projects has increased. The accounting officer requires robust assurance systems for these expanded areas of responsibility.

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, via the ICT investment plan. Other examples include the mitigating actions we are taking to address issues identified by Internal Audit with regard to forecast quality and accounting policies for capitalisation of permanent staff costs (working on capital programmes).

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.

The DfE Internal Audit Investigations Team (IAIT), which is part of XDIAS, investigates allegations of fraud and financial irregularity relating to the EFA and external education providers that are referred to it by the EFA, referring these to the police where considered appropriate. This is activity that may or may not subsequently lead to IAIT undertaking an investigation.

Between April 2013 and March 2014, IAIT conducted 7 investigations on our behalf, of which 3 also included additional fact-finding reviews. All 7 investigations remain live and on-going. When the reports are completed, we will publish them in line with our publishing policy. We have conducted 44 fact-finding visits to academies, of which 14 are on-going, 3 are closed by EFA but external processes are on-going and 27 are closed. Of the 27 closed cases: no evidence of irregularity was found in 16; there was insufficient evidence of irregularity to justify an investigation in 4; there was evidence of potential fraud in 1; and evidence of irregularity in 6 cases, with fraud not proven in 2 of those.

External assurance

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

The External Assurance division prepared an assurance statement for me which forms the basis of the assurance I provide to Parliament on the regularity, propriety, and value for money of the funds we pay to providers. The Audit Committee endorsed the assurance plan (which ran from July 2013 to June 2014) which this was based on. In addition to the direct audit work undertaken by the division (predominantly visits and reviews of financial returns), and by other funding bodies under the Joint Audit Code of Practice, we continue to work with representatives of the academy trust sector to refine the frameworks that underpin much of this work; namely the Accounts Direction and the Academies Financial Handbook. This year the division, as well as the EFA's finance division in respect of financial returns, has placed greater emphasis on working with representative bodies such as the National Association of School Business Management to deliver workshops for academy trusts and their auditors. These workshops have proved a successful way to increase awareness and understanding of our frameworks, and enable us to understand better the areas academy trusts find most difficult. This is an approach we are keen to expand through initiatives like the webinars filmed in summer 2014.

We have obtained greater oversight of the academies and 16-19 sectors this year through our successful development of a risk assessment tool, part of a wider analytics programme, the aim of which is to produce a series of analysis tools capable of: identifying institutions and providers where there is likely to be financial risk; and illustrating the impact on institutions and providers of financial and non-financial interventions. The tool allows users to identify the current risk level of academies and further education providers, depending on a series of user-selected indicators and parameters. By combining the outputs from the tool with the judgement of specialist teams, we are able to identify which institutions we need to be monitoring more closely.

To strengthen the EFA's ability to intervene, from April 2014 I reorganised External Assurance to create the new Risk Analysis division, as it is clear that we must increasingly ensure that our operations are based on taking actions proportionate to the risk posed by different institutions. This is a significant shift away from a territorial approach to delivery of its services and into a national delivery model. At the same time, we have moved towards a much more risk-based approach to providing assurance and insight, enabling a more proactive analysis of provider risk. Our changes reflect the growth in the number of academy trusts and the need to ensure that those learning providers that present the greatest risk receive the greatest focus. Under the new structure the majority of the qualified and part qualified accountants in the division operate as a part of a flexible delivery team, meaning they can be assigned to priority pieces of work more quickly and easily than when operating under a structure of territorial teams as per the previous arrangements.

Completion of assurance plan

External Assurance delivered its 2013-14 plan in full. The division was able to report substantial assurance across almost all areas, although the report highlighted some limitations, including several cases of financial irregularity identified through either fact-finding or investigation visits or our financial statements review work. As noted below, we publish our investigation reports.

Validation of returns

For 2013-14, the Audit Committee endorsed the External Assurance division's risk based approach to our scrutiny of academy trusts' audited accounts. This year we were able to be more efficient in our review process by assigning a risk profile to each set of accounts and allocating the reviews accordingly: immediately assigned a full review, or first triaging the accounts to determine whether a full review was necessary. This enabled us to review a record 2,227 accounts by 31 March 2014, having seen an increase of 53% in the accounts and related returns we received from academy trusts for 2011/12.

Fraud and financial irregularity in 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
- maintaining oversight of cases and reporting them to the EMB as required
- monitoring risk assessments to ensure new operations and systems and the areas of our business most at risk of fraud and irregularity are adequately proofed
- overseeing the handling and protection of whistle blowers

We have developed our irregularity log that provides summary management information and a single up-to-date position statement on every case. The log enables us to analyse fraud and financial irregularity trends, target our resources to the greatest areas of risk, and identify and publicise key lessons in order to promote learning provider awareness.

We have committed to publishing investigation reports and have developed a transparent policy for doing so which makes clear that we will publish our investigations into concerns about the use of public funding. We outline our policy in the 2013 Academies Financial Handbook that came in to effect in September 2013.

We are also working to improve the transparency of the accountability for maintained schools. We already monitor and challenge maintained school assurance where appropriate, including: the completion of Schools Financial Value Standard (SFVS) returns; local authority chief finance officer (CFO) assurance statements; and school and local authority financial performance through Section 251 and Consistent Financial Reporting (CFR) returns. As well as being used directly by us (eg to monitor school balances), CFR data is published in the department's school performance tables and used to populate the schools financial benchmarking website. This allows anyone (eg school governors and parents) to investigate the financial performance of a maintained school.

In addition, in February 2014 we issued the annual dedicated schools grant assurance statement, which for the first time requires CFOs to report the number and value of identified cases of fraud in maintained schools.

We have revised our whistle blowing protocols and associated documentation to support staff when receiving a whistle blowing complaint. We have continued to deliver fraud awareness training events to prepare our staff to handle such complaints effectively and efficiently.

We have made good progress in the implementation and integration of the anti-fraud and irregularity risk assessments across the EFA. We have completed risk assessments for significant areas of business, including for new arrangements such as high needs students, introduced robust governance arrangements for our IT system development, and adopted a fraud or financial impropriety intervention policy for academy trusts.

Risk management

Each of our 8 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 department's Performance and Management Committee, with the director general IFD's approval, either 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 managed effectively 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. The EMB escalated risks on accounts qualifications and inadequate systems during 2013-14 for information. We continue to manage 2 long standing risks that:

- we fail to deliver the ICT investment plan, adequate data and information management systems, or that these do not achieve their intended benefits to reduce costs and meet growing demand
- the number of cases of serious fraud in academy trusts increases as the number of academy trusts we fund expands, and the EFA does not have systems in place to enable it to identify and deal effectively with these cases

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

- we have revised our original 3 year ICT investment plan and we will now deliver it in 2 years (by March 2015). In May 2013, we restructured the ICT investment plan delivery team and shifted focus to accelerated delivery. As such, we have successfully delivered improvements to a number of systems
- in 2014-15, we are introducing analytics to strengthen our approach to risk management, through a more intelligent and greater focus on data mining and 'horizon scanning', and on identifying provider-level risks. Analytics will help us to identify learning providers that are at the most risk of current financial, educational performance and governance failure, enabling us to prioritise the EFA's intervention resources. Analytics will also provide us with an 'early warning system' of any potential issues to help us prevent the failure of a learning provider

During the year, one high level risk came to fruition: we did not fully understand the impact of incomplete or poor property data survey on capital allocations. This could have caused delays in the data being available for use in the Academies Capital Maintenance Fund bidding round and evaluation, and the allocation of the funding to schools. Our management of this is on-going and we established a Capital Oversight Board in January 2014 to address this, strengthen governance across capital in the EFA and the department and in response to the audit of roles and responsibilities within Capital group. It has joint membership across the EFA and the department's Central Capital Unit.

To strengthen our risk management framework, we have introduced regular risk horizon scanning and are developing a strategic risk register linked to the themes of 'Fit for the Future'. As part of this we are enhancing our risk appetite statement for assessing our tolerance to risk, and risk escalation criteria.

Shared services

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.

Internal audit highlighted issues with the service management by IM Services, a division of the Skills Funding Agency, which hosts some of our legacy funding and finance applications. The issues raised are a reflection that the provision of the service was originally on a less formal footing and evolved into a contractual relationship. We will resolve these issues in the creation and management of the 2014-15 delivery agreement. We discontinued use of IM Services' portal as a place for our learning providers to do business with us as planned on 31 March 2014 as part of our supply chain transformation programme. We have instead established Document Exchange that allows both the EFA and learning providers to distribute and share documents through a secure system.

Business continuity

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. We are working closely with IFD's and the departments' business continuity leads to enable robust incident response testing for each of the sites.

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 joining up academy operations and funding policy. In order to implement the national funding reforms for 2013/14 the Academy Funding, Maintained Schools and Funding Policy divisions worked closely to ensure a policy design that was deliverable. The successful implementation of the entire 2013/14 funding reform programme was a result of integrated policy making and effective planning for delivery.

We also made good progress in advising the department on policy development on related party transactions and publication of investigation and irregularity reports. This resulted in the department strengthening the academies' framework so that any related party transaction entered into after November 2013 must be at cost with no element of profit. We carried out a thematic review of related party transactions in academies and the full report with findings is published here[12]. We are also carrying out thematic reviews for cash balances and high salaries. The review of high salaries will assess the distribution of salaries over £60,000 paid across the academy sector, make comparisons with other sectors and assess what factors academies consider when setting their executive salaries. The cash balances review is outlined in the Financial commentary section. The reports for the reviews are due to be published by the end of February 2015.

We have well-established and productive relationships with the department's policy teams on funding and post-16 curriculum matters. Key boards such as the Apprenticeship Reform Programme Board have both EFA and departmental representation. We also have strong informal joint working practices including a mutual commitment to seek input across policy and operations on proposals to ministers and external communications. Benefits include clear alignment between the technical policies for funding providers and the policy priorities of ministers.

We worked closely with colleagues in IFD to develop the Targeted Basic Need programme. This cooperation has ensured that the department has designed the programme to address the original policy objectives, and will meet the timescales for delivering new investment in this comprehensive spending review period. Although the EFA Capital group's purpose is primarily to deliver capital funding, Capital group also feeds into policy discussions, particularly where these discussions are likely to have a significant impact on delivery. This way of working 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 monitor the private finance model.

The main challenges we face in 2014-15 and beyond are:

- ensuring that every academy trust complies with its funding agreement
- supporting the implementation of Regional School Commissioners and Head Teacher Boards
- 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.

[12] https://www.gov.uk/government/publications/review-of-related-party-transactions-in-academies

3. Programme and project management

This part of the report is about the EFA.

Each capital and revenue programme (and sub-programme) the EFA operates has a clear accountability structure, with an SRO and, where appropriate, a territorial lead (who leads on operational delivery for their academy territory: central, northern; southern). The programmes boards receive monthly delivery and risk reports that allow the boards to track progress against delivery plan milestones. The business performance and risk team draws together monthly reports for the EMB from all of the programme offices. These reporting arrangements also include 3 highlight reports from the Delivery Solutions division: customer exchange, operations and other IT delivery. In addition, the Chief Financial Officer’s group is developing a discrete highlight report for that will draw all of the group’s activity together to ensure that it is more transparent.

I meet my senior team weekly and use these reports to help inform discussions on 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.

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 group has linked programme and project management into wider performance, risk, planning and decision making processes through their programme board structure
- our identification of the need for stronger project management arrangements in the Delivery Solutions division and the structural changes for the new Risk Analysis division that will create a dedicated team focusing on programmes, planning and risk

We need to develop our Capital group as the scale of the PSBP and free schools programmes increases. The demand-led nature of the free schools programme presents a challenge for formal resource planning, given the scale of the future programme is not accurately predictable until we have completed our process for receiving bids for new free schools. The new established Capital Oversight Board oversees capital policy and the delivery of capital programmes to ensure that these meet the department’s objectives, challenges and supports SROs in the delivery of their programmes and acts as a point of escalation from the Capital Programme Board. The Capital Oversight Board escalates risks and issues to the department’s Management Committee and ministers as appropriate.

The EFA and department set up in April 2014 the Capital Governance and Performance Unit (GPU) to bring together governance and performance reporting of capital programmes. The GPU provides secretariat to the capital boards and provides support and guidance to programme strands.

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 £54 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: forecast quality and accounting policies for capitalisation of permanent staff costs (working on capital programmes). We have agreed appropriate mitigating actions and internal audit will undertake further audit work in 2014-15 to assess progress with implementation.

The Finance division reports monthly, or as requested, to the programme boards and management teams, including the EMB. The financial reporting covers a range of information including the outturn position to date and year-end forecasts. These reports enable our programme boards to make decisions that mitigate the risk and impact of over and under spend, by focusing on monthly actual and forecast variances. We also complete 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 IFD allowing maximum flexibility in the department's management of public funds. Where significant underspends were identified the department redeployed them to ministerial priorities. Measured against grants paid, the EFA's revenue expenditure was 100% against budget and the EFA's capital expenditure was 99% against budget for 2013-14.

We assure local authority capital grants by conducting an annual capital grant outturn exercise. This exercise confirms what proportion of the capital grant paid to local authorities the 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. As similar assurance return is requested for all other grants paid to local authorities such as dedicated school grant and pupil premium.

The Departmental Accountability Statement, published on www.gov.uk, includes information on governance and assurance arrangements with respect to the localism agenda, and how we obtain assurance over funds that local bodies distribute.

EFA group

For 2013-14, we consolidated the accounts of the 3,905 academies open at 31 March 2014 and the EFA signed its accounts January 2015. The group accounts included academies' land and buildings valued at £30.12 billion, their cash holdings of £2.47 billion and pension deficits of £2.43 billion.

The EFA group has based its use of academy trusts' accounts to 31 August 2013, 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 comparison study comparing 110 academy trusts' financial results to August 2013.

To aid understanding of the results of the comparison study, in the table below the EFA group estimates the movements in key balances in the accounts between 31 August 2013 and 31 March 2014. These movements would result had we extrapolated the proportional variances revealed by the comparison study to all academy trusts that prepared accounts for the year ending 31 August 2013. The table below sets out the value of these movements based on our comparison study. The final column of this table shows the monetary variances that would arise if the degree of variation in the comparison study is present in all academy trusts in the group accounts.

	All academies as at 31 August 2013	All academies change to 31 March 2014	All academies as at 31 March 2014	Percentage change	2012-13 comparison
	£000	£000	£000	%	%
Statement of financial position					
Assets					
Other tangible fixed assets	1,232,069	(85,371)	1,146,698	(6.93)	6.21
Current assets	823,457	32,146	855,603	3.90	2.51
Cash at bank	2,244,374	185,883	2,430,257	8.28	12.32
Total assets	**4,299,900**	**132,658**	**4,432,558**	**3.09**	**9.42**
Liabilities					
Current liabilities	(1,086,258)	64,223	(1,022,035)	(5.91)	(10.25)
Net assets	**3,213,642**	**196,881**	**3,410,523**	**6.13**	**1.56**
Statement of comprehensive net expenditure					
Income and expenditure					
Total Income	**(15,310,941)**	**(62,042)**	**(15,372,983)**	**0.41**	**1.3**
Expenditure					
Staff costs	9,833,532	122,752	9,956,284	1.25	1.41
Premises costs	1,013,695	(88,457)	925,238	(8.73)	3.62
Other	2,355,098	92,132	2,447,230	3.91	2.63
Total expenditure	**13,202,325**	**126,427**	**13,328,752**	**0.96**	**1.86**
Net income/(expenditure) for the year	**(2,108,616)**	**64,385**	**(2,044,231)**	**(3.05)**	**(5.63)**

The EFA group accounts contain extrapolated financial results for those academies within academy trusts that prepared an accounts return to 31 March 2013 then an accounts return to 31 August 2013. We based the financial results on grossing up the 5 months 1 April 2013 to 31 August 2013. As this is a sizeable extrapolation we analysed the sub-set of 37 academy trusts that had prepared both accounts returns and we included them in the comparison study. The table below shows the variance for this sub-set and for the wider group of 714 academies within academy trusts to which we applied this extrapolation.

	As at 31 August 2013 £000	Change to 31 March 2014 £000	As at 31 March 2014 £000	Percentage change %	Variance for all 714 academy trusts in scope £000
Statement of comprehensive net expenditure					
Income and expenditure					
Total Income	**(419,865)**	**26,156**	**(393,709)**	**(6.23)**	**(291,500)**
Expenditure					
Staff costs	272,578	(21,076)	271,502	(7.20)	(229,142)
Premises costs	51,703	(18,748)	32,955	(36.26)	
Other	95,627	5,105	100,732	5.34	(110,672)
Total expenditure	**439,908**	**(34,719)**	**405,189**	**(7.89)**	**(339,815)**
Net income/(expenditure) for the year	**20,044**	**(8,564)**	**11,480**	**(42.72)**	**48,315**

The EFA group considers that the consolidated results presented in these accounts through the use of the proxy and the other accounting judgements and policies described in this report are the best possible representation of academy trusts' financial results for the year to 31 March 2014 given the constrains and limitations set out in the financial commentary.

5. Delivery arrangements and achievements against business plan

This part of the report is about the EFA.

Our business plan[13] sets out 12 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 and share with EMB satisfy me that we are performing well to deliver these plans.

The Young People's group delivered accurate and on-time mainstream funding formula allocations for 2014/15; improved funding arrangements and allocations for 16-24 year old high needs students; strong intervention where providers fail; and improved customer

[13] https://www.gov.uk/government/publications/efa-business-plan-2013-2015

service through an enhanced enquiry service for institutions providing education for 16-19 year olds. There are strong links with finance teams and legal advice on these issues.

The Academies and Maintained Schools group has a strong role in the delivery of funding reform that is one of the leading elements of the EFA's business plan. The group has delivered well on its milestones and substantially improved performance over the previous year. The group implemented improvements in its work in 2013-14 using outputs from a rigorous lessons learned session at the start of the year. The group will carry forward the same commitment to improvement to 2014-15.

The delivery of the high needs programme was a significant challenge and the EFA delivered successfully to the planned timetable. As the first year of a joint approach (between Young People group and Academies and Maintained Schools group) to high needs funding, we need to refine our approach in 2014-15. Nonetheless our work in 2013-14 was a major step forward in delivering a coherent and clear programme to local authorities and learning providers.

We completed the consolidation of the 2012-13 accounts that we laid in Parliament on 16 January 2014, prior to the statutory deadline as planned. We also achieved accurate and timely payments of the £54 billion of funding to providers.

6. Information: ICT management and data safeguarding

This part of the report is about the EFA.

ICT investment plan

Systems development remains one of my top priorities, especially for educational institutions. Our Chief Financial Officer's group is leading delivery of the EFA's ICT investment plan to deliver this work, supported by the department.

In 2013-14 the EFA initiated the ICT investment plan. This investment plan takes a 2 year delivery view of ICT investment priorities. We have designed it to make us a modern and efficient organisation, operating in the digital age, which efficiently delivers its business to exacting quality standards.

We aim to create a customer experience tailored for increasingly autonomous and self-managing educational institutions. In the last year we have delivered 4 releases of customer relationship management applications within the EFA. These applications have enabled us to send more information to those we serve more quickly, and we have needed less staff time to do so. We can now track better our interactions with learning providers and improve the quality of service we offer. We also initiated a programme in December 2013 to reshape how we do business with customers.

We have developed flexible systems based on a core platform that we can adapt to policy and need changes. Our systems will yield quality improvements, efficiencies and sustainability. In the past 12 months we have built systems with automated workflows that replace spreadsheet-heavy processes and we have created central data repositories. Our phasing of spreadsheets has provided greater rigour and control over our business processes. We have placed legacy systems that the EFA inherited onto a sound, resilient technical platform. And we are underway with the project to put in place a single finance system within the EFA.

At the same time, we have reviewed and repositioned our supply chain arrangements to gain greater control and ownership of our systems and utilise cross-government cloud hosting technology. The ‘G-Cloud’ procurement model has enabled us to deliver economies of scale, cost reductions and flexible and responsive solutions. G-Cloud as a key component of the Government’s ICT strategy gives customers access to pay-as-you-go services as a cheaper alternative to traditionally sourced ICT. Our approach has seen us establish a larger in-house team for ICT development, implementation and support supplemented with a market based approach to procurement from small and medium sized enterprises. This procurement approach will yield significant cost savings, greater agility and faster delivery.

Our investments will ensure that we allocate and distribute fairly and pay accurately and on time the £54 billion a year to fund schools, academies, colleges and others. Our allocations will be with a focus on achieving outcomes – so that children and young people throughout England can be educated to the highest possible standards, providing support in relation to need.

Information security

Our annual Security Risk Management Overview (SRMO) submission was reviewed by the department’s Security Unit (DSU) and used to inform the department’s SRMO submission. As a delivery partner of the EFA, the Skills Funding Agency (SFA) SRMO reports a counter terrorism policy that includes the additional responses required following any increase in the Government terrorist threat level. While the EMB has approved this policy, all the requirements have not yet been implemented by the SFA. Knowledge of and responsiveness to the policy needs to be improved. Plans to address this are in place. A series of on-site inspections to identify deficiencies in the response level and staff awareness was completed at end of June 2014 and a central communication campaign autumn 2014.

The EFA suffered one information breach during 2013-14, as disclosed in the Director’s report.

Peter Lauener
Chief Executive and accounting officer, EFA
12 January 2015

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

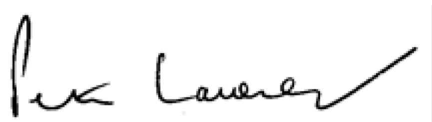
This part of the report is about the EFA group.

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 FReM 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 FReM
- 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
12 January 2015

8. 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 2014 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 and auditor

As explained more fully in the Statement of the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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.

Opinion on regularity

In my opinion, 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 adverse opinion on financial statements

As described in the accounting policies, the Agency consolidated 3,905 academies using a number of data sources with different reporting periods. This has resulted in a level of misstatement and uncertainty that I consider to be material and pervasive to the group financial statements.

In addition, the Agency has recognised academy trust land and buildings of £31 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 International Accounting Standard 16: Property, Plant and Equipment.

Finally, I qualified my audit opinion in 2012-13 because I identified a material level of misstatement and uncertainty in the group financial statements. In addition, I have identified a material level of misstatements in the 2013-14 group financial statements that also relate to 2012-13. Therefore, I have qualified my opinion on the comparative figures in the group financial statements.

Adverse opinion on financial statements

In my opinion, due to the significance of the matters described in the basis for adverse opinion paragraph, the financial statements:

- do not give a true and fair view of the state of the Group's affairs as at 31 March 2014 and of the Group's net operating cost for the year then ended; and
- give a true and fair view of the state of the Agency's affairs as at 31 March 2014 and of the Agency's net operating cost for the year then ended; and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on 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 director's report, the strategic report, the financial 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 adverse 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.

Report

My report on these financial statements is on pages 75 to 82.

Sir Amyas C E Morse **Date 16 January 2015**
Comptroller and Auditor General

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

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

Introduction

1. The Education Funding Agency (EFA) 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. As set out in my audit certificate I have provided an adverse opinion on the group financial statements, concluding that they are not true and fair, and that the level of error I have identified is both material and pervasive. I have also modified my opinion on the Department's financial statements as they consolidate these financial statements.

3. This report provides more detail on the basis for my conclusions, actions taken by the EFA and the Department following my qualification and report on the 2012-13 financial statements and, where appropriate, my recommendations for addressing the issues that I have identified through my audit.

Adverse opinion arising due to the level of error and uncertainty in the financial statements

The challenges in producing the consolidated financial statements of the Education Funding Agency

4. Since 2012-13, the EFA's group financial statements have consolidated the financial statements of academy trusts, alongside those of the EFA itself, in accordance with the Government Financial Reporting Manual (FReM) produced by HM Treasury and International Financial Reporting Standards. Whilst this provides greater transparency to Parliament of schools' spending, it has also greatly increased the complexity of the process of preparing the EFA's financial statements. For 2013-14, there are 2,586 individual entities consolidated into the group financial statements. This includes 2,585 academy trusts operating 3,905 individual academies.

5. The consolidation of so many bodies is a complex and costly exercise. The EFA estimate that it has cost approximately £10.1 million to prepare the 2013-14 group financial statements. This includes the cost of EFA staff, the use of professional advisors and £7 million for academy trusts to prepare additional returns.

6. The EFA and academy trusts have different financial reporting periods. Whereas the EFA is required to produce its financial statements to a 31 March year end, academy trusts have a year end of 31 August which aligns with the academic year. International Financial Reporting Standards recognise that group financial statements may comprise bodies with different accounting periods but limits the allowable difference to three months. This gives rise to a significant challenge for the EFA to prepare financial statements which provide a true and fair view of the financial activity for the period in question and the financial position at the end of that period.

7. The Department and the EFA have chosen not to change academy trusts' reporting periods, as they consider that a reporting period aligned with the academic year better serves the trusts themselves, or to request audited returns to 31 March because they consider the cost of preparing a second set of financial statements would be better spent on delivery of education. Instead, the EFA has sought to prepare the group financial statements using the academy trust financial statements to 31 August, making adjustments using centrally collated information where necessary. In doing so it has sought to demonstrate that the results are not materially different from those that would be derived from audited returns to 31 March.

8. The EFA has hypothesised that, due to the limited financial complexity of individual trusts, income and expenditure and the valuation of assets and liabilities included in the financial statements to 31 August 2013 would not be materially different to the position at 31 March 2014. To reduce any differences, the academy trusts' financial statements are supplemented by centralised valuations of land and buildings and Local Government Pension Scheme liabilities. In addition, for those academies that had recently opened and not yet produced financial statements, the EFA requires these academies to produce un-audited returns to March which are then validated by the EFA. This approach is summarised in Figure 1.

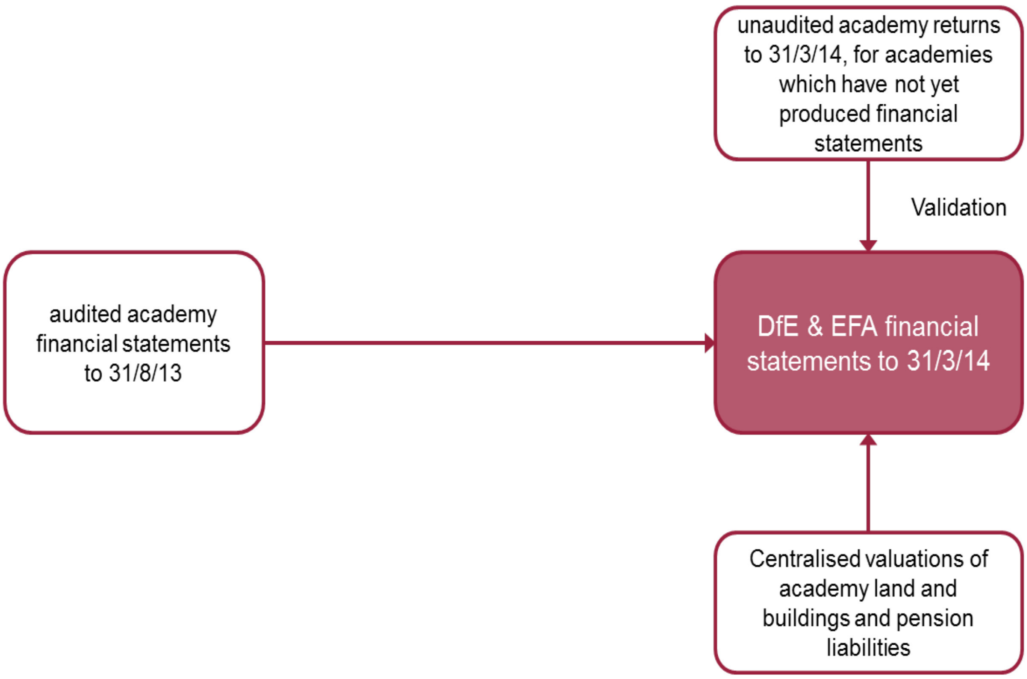


Figure 1: The EFA's consolidation approach

9. This is the second year that the EFA has followed this approach. My team have worked closely with the EFA to understand the key assumptions underpinning their approach and to design an audit approach to test the reasonableness of these assumptions. For 2012-13, I qualified my opinion on certain aspects of the group financial statements. I also noted that growth in the academies sector might mean that the approach would not hold for future reporting periods and recommended that the Department, EFA and HM Treasury consider the long term sustainability of this approach.

10. I am pleased to note that the EFA has made improvements to aspects of the consolidation process which include:

- Improvements to the timeliness of returns received, having only 22 academy trusts not providing information compared to 123 last year.
- Refining and improving the risk based approach to validate data that is received from academy trusts.
- Obtaining greater detail on academy trusts' pension liabilities, which has removed a source of error I identified in 2012-13.

11. I also note that the EFA has also utilised the audited academy trust financial statements it has collected for other purposes, including assessing academy trusts' financial health and obtaining assurance that the expenditure they have incurred is regular.

12. However, with the number of academies growing by a further 1,082 during the year and increasing the impact of the academies consolidation on the overall group financial statements, I have concluded that the approach adopted by the EFA does not give a true and fair view of the financial performance or position of the EFA group in the year ended 31 March 2014. In reaching this view on the group financial statements, I note that I have not identified material inaccuracies in the underlying financial statements of the individual bodies making up the group (the EFA and the academy trusts).

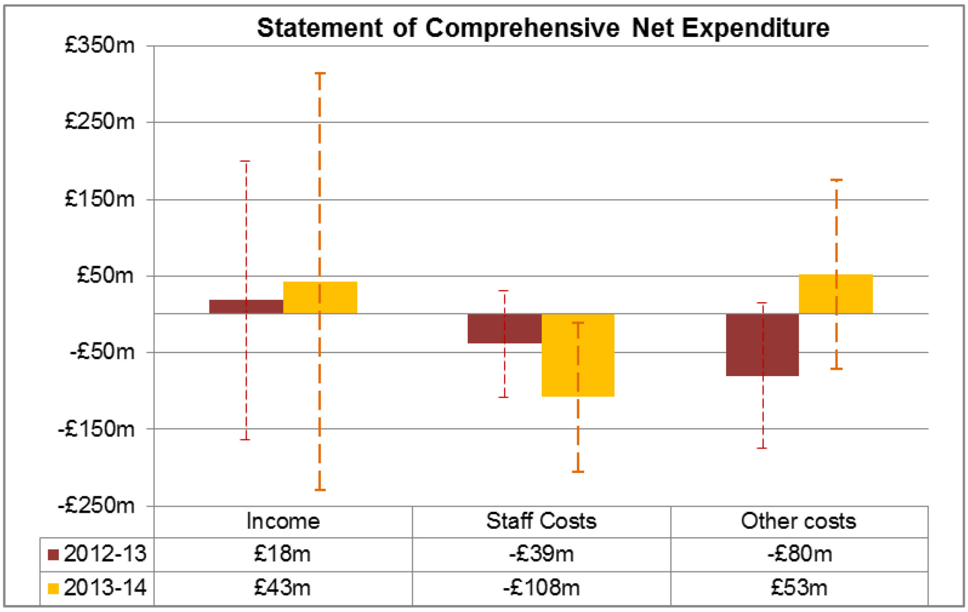
Findings from my audit of the consolidation process

13. My opinion that the group financial statements do not provide a true and fair view was informed by three principal causes of error:

1) Increasing divergence between academy trusts' financial position at 31 August and 31 March

In line with the approach adopted for 2012-13, the EFA undertook a comparison exercise during the year to demonstrate the hypothesis that the transactions and balances of academy trusts at 31 August 2013 were not materially different to the position at 31 March 2014. This comparison exercise involved a sample of academy trusts providing audited financial returns for the year to March 2014 to compare to the audited financial statements for the period to August 2013. This identified an increasing divergence compared to the prior year, largely as a result of the increasing number of academies opening and being consolidated in to the EFA's financial statements.

Using the results of this exercise, I have estimated that the net impact on the Statement of Financial Position of using academy trust data from August is to understate net assets by £384 million at 31 March 2014, but this could be as high as £738 million. I estimate that the most likely impact on income is to understate it by £43 million but this could be as high as £315 million and on expenditure to overstate by £55 million, but this could be as high as £270 million. Figure 2 portrays the levels of error I have identified as a result of the use of academy trust financial statements at 31 August 2013 compared to the impact of errors identified in the 2012-13 group financial statements:



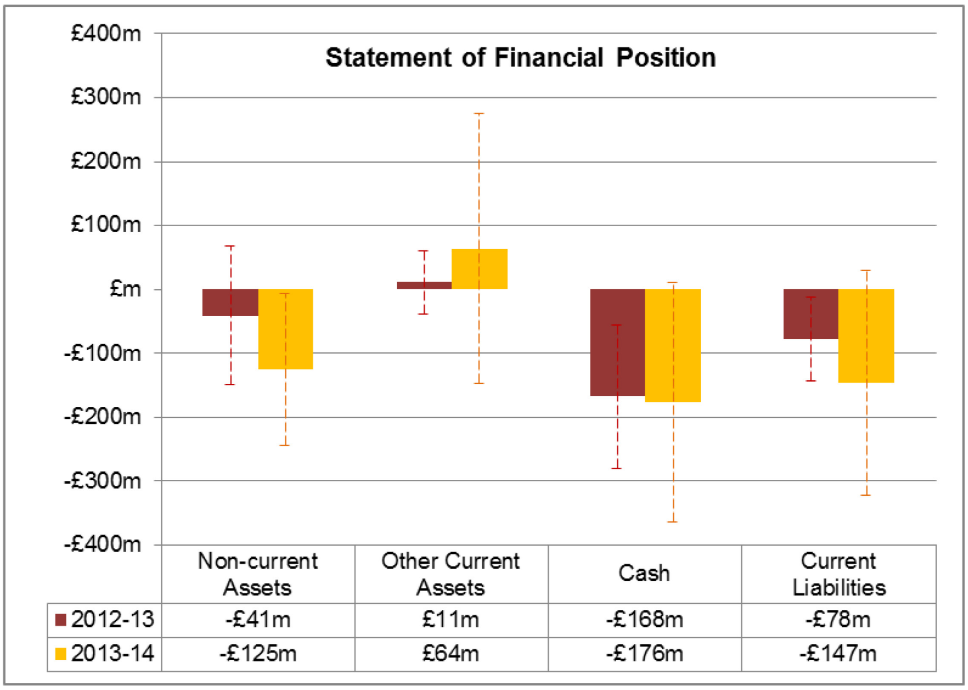


Figure 2: Estimated most likely difference between the academies sector at August and March in the 2012-13 and 2013-14 EFA group financial statements and the upper and lower limits for this estimate

2) Errors arising from the consolidation of financial statements to 31 August

Consolidating returns with such different reporting periods introduces significant errors in the consolidation process, which include:

- The EFA awards grants to academy trusts. The grants will be shown as expenditure in the financial statements of EFA and income in the financial statements of individual academy trusts. In preparing the group financial statements, these grants should be eliminated to avoid, for example, double counting expenditure made by academy trusts but funded through grant from the EFA. I found that, due to the different reporting periods, there is significant difference in the grants recognised as being paid by the EFA for the period to March 2014 and the grants recognised as being received in the approximation of academy trust financial information. This has resulted in un-eliminated grants of £92 million in relation to revenue grants and £1,019 million in relation to capital grants. I note that this does not represent missing or misappropriated grant but is a consequence of the consolidation methodology adopted.

- I estimate that between September 2013 and March 2014, at least £214 million of assets have been brought into use by academies which are not recognised in academy trust financial statements to August 2013, and therefore excluded from the EFA's financial statements.

- The EFA has had to create journals to ensure the internal consistency of their financial statements. This has resulted in an adjustment of £478m to balance the financial statements.

3) Inconsistencies with prior year returns

Under the approach adopted by the EFA for 2012-13, 714 academies, which had not yet produced audited financial statements, produced unaudited returns to 31 March 2013. These academies have now prepared audited financial statements to 31 August 2013 which have been consolidated into the 2013-14 financial statements.

By comparing the audited accounts to 31 August 2013 to the un-audited returns to 31 March 2013, I have determined that the EFA overstated academies income and expenditure by £387m for the period to 31 March 2013 reported within the EFA's 2012-13 financial statements. The income and expenditure reported in the EFA's 2013-14 financial statements is therefore understated by the same amount. This finding undermines the use of unaudited returns, which is a key aspect of the EFA's consolidation approach.

In addition, under the approach adopted, the EFA has used the transactions for the five month period between 1 April 2013 and 31 August 2013, derived by subtracting the transactions reported in the unaudited returns to 31 March 2013 from those reported in the audited accounts to 31 August 2013, and extrapolated them to provide an estimate of the twelve month period income and expenditure to March 2014. Whereas the EFA undertook a comparison exercise to test the validity of the use of academy trust accounts to 31 August as a proxy for the year to the end of March, the EFA has not been able to conduct a similar exercise to test the validity of this estimate. Therefore, they have not provided me with robust evidence to support the £2,003 million of income and £1,860 million of expenditure consolidated on this basis, although the resulting error in the financial statements is likely to be much smaller.

14. Based on the level of error above I consider that the EFA's financial statements do not give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its net expenditure for the year then ended. I consider this error to affect all academy transactions and balances reported in the financial statements except academies' Local Government Pension Scheme liabilities. Accordingly I have given an adverse opinion.

15. The errors that I have identified undermine two key aspects of the EFA's chosen consolidation approach (the use of August financial statements and un-audited March returns) and I have considered the implications of this on the long term future of this consolidation below.

Update on issues raised in my 2012-13 Report

Progress made against previous qualification on regularity

16. I qualified my regularity opinion on the EFA group financial statements for 2011-12 and 2012-13. This qualification was made on the basis that the EFA's control framework was not sufficiently well designed to identify whether academy trusts had complied with all aspects of HM Treasury's Managing Public Money.

17. In my 2012-13 report, I stated that the EFA had subsequently designed a suitable assurance framework over regularity, consisting of the audit opinions from academy trust auditors coupled with the other work the EFA undertakes to evaluate and investigate compliance.

18. I have reviewed the findings of academy trust auditors and contacted a sample of audit firms to discuss their work on regularity. I am content that these audits were conducted to identify any irregularity that would be material to the EFA's group financial statements.

19. I am therefore pleased to report that the EFA's revised process has operated as expected and enabled me to provide an unqualified opinion on regularity.

Land and buildings

20. In 2012-13 I qualified my audit opinion in respect of the valuation of land and buildings held by academy trusts. Academy trusts are charitable companies, meaning that financial statements are prepared in accordance with the charity 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. The EFA has made an assumption that all land and buildings used by academy trusts should be capitalised within the group statement of financial position. This may not comply with the requirements of International Accounting Standards, for example where buildings are occupied on a short term lease.

21. The EFA does not have robust data to demonstrate that this assumption is appropriate. As a result, I cannot determine the extent of land and buildings assets that are erroneously capitalised in the consolidated statement of financial position.

22. I raised concerns in my report on the 2012-13 financial statements that I do not believe that the EFA will be able to resolve this issue for a number of years. The EFA has stated that collecting the required information would be very costly (£20 million to £40 million to collate the necessary data and a further £5 million to £10 million a year to keep these data current) and therefore they have decided not to collect the information on value for money grounds.

Opening balances

23. In 2012-13, I limited the scope of my opinion because the EFA was unable to demonstrate the accuracy of the balances transferred on 1 April 2012 in respect of academy trusts open at that date.

24. In 2013-14, the EFA has materially reconciled the balances reported at 31 March 2013 to the balances at 1 April 2013. However, a number of the errors I have described above have a material impact on the transactions and balances in both 2012-13 and 2013-14.

Weaknesses in the Department’s strategic financial management

25. The consolidation of academy trusts demonstrates key risks to the Departmental Accounting Officer’s responsibility for stewardship of public funds and for financial management that will impact on the Department’s and HM Treasury’s ability to manage in-year resources and, make appropriate financial decisions, including accurate forecasting and resource requests. I have discussed this issue in detail in my report on the Department’s financial statements. The EFA will need to work with the Department and HM Treasury to consider how best to address the associated risks and limitations to ensure they are meeting the accountability requirements of Parliament.

The future

26. This is the second year that the EFA has prepared consolidated financial statements including academies. Of the four qualifications to my audit opinion in 2012-13, three remain in 2013-14 and the level of error I have identified has increased. In 2012-13, I made the following recommendations to the Department and EFA:

- 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.
- Regarding the land and buildings recognition qualification, I recommend that the Department and EFA work with HM Treasury to seek a solution to identify the school estate and appropriate accounting at the Whole of Government Accounts level.
- The EFA should develop the accuracy of forecasting by academy trusts. The EFA should also strengthen their analytical capability to maximise their use of the data provided by academy trusts to monitor financial sustainability within the sector and to inform their resource requirements and financial forecasting.

27. Even though the EFA has made a number of improvements to the consolidation process, I do not believe based on the evidence I have, that the current methodology is capable of producing financial statements that present a true and fair view and which meet the accountability requirements of Parliament. In particular, the volume of individual academy trusts and the difficulties in consolidating so many bodies with different reporting periods are challenges I do not believe the EFA can address without a significant change in approach.

Recommendation

28. I therefore reiterate my previous recommendation that the Department, EFA and HM Treasury work together to identify a solution. HM Treasury should consider alternatives which provide more robust information for use in their fiscal modelling and the Whole of Government accounts.

Sir Amyas C E Morse **Date 16 January 2015**
Comptroller and Auditor General

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

10. Accounts

Consolidated statement of comprehensive net expenditure

For the period 1 April 2013 to 31 March 2014

	Note	2013-14 EFA £000	2013-14 EFA group £000	2012-13 EFA £000	2012-13 EFA group £000
Administration costs					
Staff costs	2	42,299	42,299	40,223	40,223
Other administrative costs	3	62,975	62,975	50,411	50,411
Operating income	5	(167)	(167)	(23)	(23)
Programme costs					
Staff costs	2	15,426	10,057,208	8,495	8,032,542
Programme costs	4	54,317,816	45,512,738	51,160,187	44,499,543
Income	5	(67,708)	(2,468,342)	(19,731)	(1,539,169)
Net (gain) on conversion of non-local authority academies:					
For pre 1 April 2012 conversions	22	-	-	-	(3,256,780)
In year conversions	22	-	(870,974)	-	(1,403,242)
Settlements	22	-	(47,274)		
Corporation Tax		-	12	-	146
Net operating costs		**54,370,641**	**52,288,475**	**51,239,562**	**46,423,651**
Non-operating expenditure					
Non-operating gain from transfer of function		-	-	(13,817)	(13,817)
Net (gain)/loss on conversion of local authority academies:					
For pre 1 April 2012 conversions	22	-	-	-	(13,899,510)
In year conversions	22	-	(3,341,171)	-	(6,213,354)
Settlements	22		(80,962)		
Total non-operating expenditure		-	**(3,422,133)**	**(13,817)**	**(20,126,681)**
Other comprehensive expenditure					
Net (gain) or loss on:					
- revaluation of property, plant and equipment		-	(280,349)	-	(56)
- revaluation of intangible assets		-	-	-	
- fair value (gain) or loss on investments		-	(3,137)		(836)
- actuarial (gain) or loss on defined benefit pension scheme			(71,863)	-	(43,034)
Other recognised gains and losses		-	2,649		
Total comprehensive expenditure		**54,370,641**	**48,513,642**	**51,225,745**	**26,253,044**

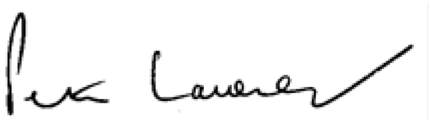
All activities are continuing. There are no other gains or losses other than net expenditure for the year. The notes on pages 88 to 140 form part of these accounts.

Consolidated statement of financial position

As at 31 March 2014

	Note	EFA £000	EFA group £000	EFA £000	EFA group £000
			As at 31 March 2014		As at 31 March 2013
Non-current assets:					
Property, plant and equipment	6	210,776	31,697,063	191,028	25,880,481
Intangible assets	7	-	4,576	25	1,999
Financial assets	9	-	98,938	-	55,580
Trade and other receivables	11	1,335	150,544	289	169
Total non-current assets		**212,111**	**31,951,121**	**191,342**	**25,938,229**
Current assets:					
Inventories	10	-	9,489	-	7,302
Receivables	11	65,163	710,552	28,344	438,656
Financial assets	9	-	-		
Cash and cash equivalents	12	63,439	2,532,437	127,528	1,986,785
Total current assets		**128,602**	**3,252,478**	**155,872**	**2,432,743**
Total assets		**340,713**	**35,203,599**	**347,214**	**28,370,972**
Current liabilities:					
Payables	13	(379,707)	(1,807,130)	(152,570)	(1,123,285)
Provisions	14	(520)	(2,240)	(1,176)	(2,453)
Total current liabilities		**(380,227)**	**(1,809,370)**	**(153,746)**	**(1,125,738)**
Total assets less current liabilities		**(39,514)**	**33,394,229**	**193,468**	**27,245,234**
Non-current liabilities:					
Payables	13	-	(49,805)	-	(42,651)
Provisions	14	(858)	(2,745)	(1,128)	(1,993)
Pension scheme deficit	15	-	(2,427,814)	-	(1,911,299)
Total non-current liabilities		**(858)**	**(2,480,364)**	**(1,128)**	**(1,955,943)**
Assets less liabilities		**(40,372)**	**30,913,865**	**192,340**	**25,289,291**
Taxpayers' equity:					
General fund		(40,372)	(40,372)	192,340	192,340
Revaluation reserve		-	402,209	-	121,804
Charitable fund		-	30,552,028	-	24,975,147
Total taxpayers' equity		**(40,372)**	**30,913,865**	**192,340**	**25,289,291**

The notes on pages 88 to 140 form part of these accounts.



Peter Lauener
Chief Executive and accounting officer, EFA
12 January 2015

Statement of cash flows

For the year ended 31 March 2014.

	Note	2013-14 EFA £000	2013-14 EFA group £000	2012-13 EFA £000	2012-13 EFA group £000
Cash flows from operating activities					
Net operating cost		(54,370,641)	(52,288,475)	(51,239,562)	(46,423,651)
Adjustment for non-cash transactions		445,175	444,147	3,985,941	4,668,098
Gain on conversion of Non-LA academies		-	(870,974)	-	(4,660,022)
Settlement loss on conversion of Non-LA academies		-	(47,274)	-	-
Non-cash pension transaction		-	490,970	-	362,595
Increase in inventories	10	-	(1,396)	-	(3,854)
(Increase)/Decrease in receivables	11	(37,865)	(431,332)	64,900	(93,847)
Increase/(Decrease) in payables	13	227,137	687,940	78,659	620,047
Use of provisions	14	(926)	(1,042)	(3,601)	(2,504)
Cash pension movements		-	(346,318)	-	(250,848)
Gains on curtailments		-	274	-	294
Net cash outflow from operating activities		**(53,737,120)**	**(52,363,480)**	**(47,113,663)**	**(45,783,692)**
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(433,841)	(1,436,791)	(191,028)	(752,337)
Purchase of intangible assets	7	-	(2,445)	-	(1,128)
Purchase of investments	9	-	(33,701)	-	(14,293)
Proceeds of disposal of property, plant and equipment	6	-	21,718	-	12,993
Proceeds of disposal of intangible assets		-	58	-	-
Proceeds of disposal of investments	9	-	9,770	-	2,458
Net cash outflow from investing activities		**(433,841)**	**(1,441,391)**	**(191,028)**	**(752,307)**
Cash flows from financing activities					
Exchequer supply from sponsor department		54,106,872	54,106,872	47,432,219	47,432,219
Cash inflow on consolidation of academy trusts	22	-	232,731	-	924,257
Cash inflow on in year opening of academy trusts	22	-	-	-	131,002
Loans received		-	13,444	-	27,383
Capital element of finance lease		-	(2,524)	-	7,923
Net cash inflow from financing activities		**54,106,872**	**54,350,523**	**47,432,219**	**48,522,784**
Net increase/(decrease) in cash and cash equivalents in the period	**12**	**(64,089)**	**545,652**	**127,528**	**1,986,785**
Cash and cash equivalents at 1 April	**12**	**127,528**	**1,986,785**	**-**	**-**
Cash and cash equivalents at 31 March	**12**	**63,439**	**2,532,437**	**127,528**	**1,986,785**

Statement of changes in taxpayers' equity

For the year ended 31 March 2014. This statement relates to the EFA.

	Note	EFA General fund £000
Balance at 1 April 2012		**-**
Net Parliamentary funding – drawn down		47,432,219
Comprehensive expenditure for the year		(51,225,745)
Non-cash adjustments		
Payment made by DfE on transition		3,909,648
Salaries paid by DfE		39,446
Other costs paid by DfE		5,024
Non-cash balances to be settled by DfE		(3,069)
Auditor's remuneration	3	430
Notional shared service recharges	3	34,387
Movement in Reserves:		
Transfers between reserves		
Recognised in Statement of Comprehensive Expenditure		
Balance at 31 March 2013		**192,340**
Net Parliamentary funding – drawn down		54,106,872
Comprehensive expenditure for the year		(54,370,641)
Non-cash adjustments		
Grants paid on behalf of DfE		(47,000)
Salaries paid by DfE		42,976
Other costs paid by DfE		8,919
Non-cash balances – to be settled by DfE		1,057
Auditor's remuneration	3	380
Notional shared service recharges	3	24,725
Movement in Reserves:		
Transfers between reserves		
Recognised in Statement of Comprehensive Expenditure		
Balance at 31 March 2014		**(40,372)**

Consolidated statement of changes in taxpayers' equity

EFA group for the year ended 31 March 2014.

	Note	General fund £000	Revaluation Reserve £000	Charitable fund reserve £000	EFA group total £000
Balance at 1 April 2012		**-**	**-**	**-**	**-**
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 DfE on transition		3,909,648	-	-	3,909,648
Salaries paid by DfE		39,446	-	-	39,446
Other costs paid DfE		5,024	-	-	5,024
Non-cash balances to be settled by DfE		(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 2013		**192,340**	**121,804**	**24,975,147**	**25,289,291**
Net Parliamentary funding – drawn down		54,106,872	-	-	54,106,872
Comprehensive expenditure for the year		(54,370,641)	-	5,576,549	(48,794,092)
Non-cash adjustments					
Grants paid on behalf of DfE		(47,000)	-	-	(47,000)
Salaries paid by DfE		42,976	-	-	42,976
Other costs paid by DfE		8,919	-	-	8,919
Non-cash balances to be settled by DfE		1,057	-	-	1,057
Auditor's remuneration	3	380	-	-	380
Movement in academies reserves		-	-	332	332
Indexation of buildings		-	280,405	-	280,405
Notional shared service recharges	3	24,725	-	-	24,725
Balance at 31 March 2014		**(40,372)**	**402,209**	**30,552,028**	**30,913,865**

11. Notes to the accounts

1. Statement of accounting policies

The EFA group has prepared these accounts in accordance with the 2013-14 FReM issued by HM Treasury. The accounting policies contained in the FReM apply international financial reporting standards as adapted or interpreted for the public sector. Where the FReM 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 2013-14 below. 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, investments 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 7 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 2013 for 2013-14.

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 EFA and the department have agreed that the EFA will consolidate academy trusts' accounts. 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

The EFA group has consolidated all operational academy trusts as at 31 March 2014 (operating 3,905 academies).

1.3.2 Approach to academy trust consolidation

In a departure from IAS27 Consolidation and Separate Financial Statements, 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 2013.

The EFA group has consolidated 2,189 academy trusts' results (3,033 academies) based upon those results for the academy trusts' financial year ending 31 August 2013, where academy trusts have prepared accounts to this date.

The EFA group has consolidated 580 academy trusts' provisional unaudited results (872 academies) from the date of their incorporation to 31 March 2014 where the academy trust has yet to prepare accounts to 31 August, or new academies were opened by existing multi-academy trusts after 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 2014. The consolidated accounts include the validated financial results for 3,868 academies within academy trusts. For the remaining 37 (0.9%) academies of the total of 3,905 open within academy trusts by 31 March 2014, the consolidated accounts contain validated balances for the land, buildings and local government pension scheme liabilities on the same basis as the other 3,868 academies.

The EFA group has included un-validated results for the 37 academies within academy trusts. The EFA group has prepared these results from:

- accounts returns by 33 academies within academy trusts. 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 (13 academies) or for 20 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 2013 prepared by 3 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 2014
- budget forecast returns to 31 March 2014 prepared by 1 academy 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 37 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	28,609
Academy trusts' educational activities	1,652
Academy trusts' premises costs	3,666
Academy trusts' other costs	5,743

Statement of comprehensive net expenditure	**£000**
Depreciation charge	2,668
Total	**42,338**
Voluntary income - Other	9,252
Activities for generating funds	1,123
Investment income	3
Government revenue grant income	38,413
Government capital grant income	2,374
Other income	1,762
Total	**52,927**
Non-operating gain on academy conversion	
In year	94,062
Statement of financial position	
Non-current assets	
Financial assets	6,854
Current assets	
Inventories	18
Trade and other receivables	5,490
Cash and cash equivalents	8,317
Current liabilities	
Trade and other payables	(5,824)
Non- current liabilities	
Other payables	(733)
Provisions	(129)

1.3.5 Consolidation adjustments

Some academy trusts produce accounts for fewer or greater than 12 months due to limits on the length of a company's first set of audited accounts. The Companies Act 2006 allows companies to shorten or extend their first accounting period after incorporation to between 6 and 18 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 therefore included accounts for periods greater than and fewer than 12 months. For an individual academy trust, the period of accounts provided may not match the12 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 adjusting academy trusts' results up or down as appropriate. The EFA group has reduced to 12 months the results of academy trusts reporting long period accounts (more than 12 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 12 months dependent upon the date their academies became operational.

The EFA group has not apportioned the results of 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 by academy trusts against grants paid. The EFA group has eliminated a total of £12.4 billion in revenue grants and £1.0 billion in capital grants. Because of the EFA group's non-coterminous accounting periods and the use of the proxy, this has resulted in an under elimination of revenue grants and an over elimination of capital grants. The balances are shown within the programme lines in note 4.

Similarly, the EFA has adjusted for intercompany balances at the year-end by eliminating payable and receivable balances within the EFA. The EFA group has eliminated balances totalling £61.2 million with £318.5m EFA payables and £1,488.7m academy trust 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 2 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 policy. See note 1.17 for more details of the EFA group policy. The EFA group has applied all consolidation adjustments consistently across all pension schemes.

The EFA group has recalculated the carrying values of academy trusts' land and buildings on a depreciated replacement cost basis to align the valuation policy to that of the EFA group. The EFA group re-values land and buildings every 5 years from the anniversary of their initial recognition in accordance with the policy. See note 1.6 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 2013.

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 2013, as their unaudited results have been included in the consolidated accounts through an accounting return as at 31 March 2014. 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, some academy trusts do not recognise land and buildings utilised in their operations. However, the EFA group accounting 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 valuations for all academy trusts' land and buildings consistent with the EFA group's accounting policy for property, plant and equipment.

1.4.3 Migration of academy trust opening balances

When academy trusts' first consolidation submission was not as at 31 August 2012 but at 31 March 2013 the academy trust will duplicate the results generated from incorporation to 31 March in 2 submissions (March 2013 then August 2013); used by the EFA group in different financial years (2012-13 and 2013-14).

Without adjustment, the opening balances in the second EFA group financial year 2013-14 will not agree to an academy trust's closing balances in the previous financial year. To correct this, the EFA group has removed the validated closing balances at 31 March 2013 from academy trusts' August 2013 submission to align the opening and closing balances. The EFA group has then scaled up the remaining 5 month period April to August 2013 to the full 12 months to 31 March 2014 to match the treatment of academy trusts with short accounting periods.

1.5 Opening of academies in-year

The opening of academies with academy trusts continued throughout 2013-14. Academies converted from local authority maintained schools, non-local authority schools or newly formed from outside the public sector. Examples of new academies formed from outside the public sector are free schools, studio schools, university technical colleges or ex-private schools that do not have precursor local authority maintained schools. As such, the EFA has effectively either brought assets of these types of academies across the private-public sector boundary (ex-private schools) or has acquired assets to support the opening of new free schools etc.

The majority of academies without predecessor local authority maintained schools are faith schools. The EFA has accounted for the values associated with conversions of all local authority maintained schools (whether the EFA classifies them as convertors or sponsored academies) as non-operating costs. The EFA has accounted for values associated with opening of academies without predecessor local authority maintained schools as operating costs. We have aggregated and presented all openings occurring during the year as a single business combination.

The EFA group has accounted for the inclusion of academy trusts acquired during the year using absorption accounting as per FReM 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 group adjusted valuations to align accounting policies on pensions and land and buildings, 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 combination 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 in other comprehensive income. Academy trusts acquired during the year from outside the public sector are accounted for under IFRS 3.

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

1.6 Property, plant and equipment

For the EFA group 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 group capitalises all items purchased through the capital budget and if an individual item's value falls below the £2,500 threshold, the EFA group aggregates such items and records their value as bulk assets. The EFA group 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. Assets under Construction which come into use during the year are transferred at cost within the group prior to being revalued to their Discounted Replacement Cost valuation.

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.

Upon 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 accounts.

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 5 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' buildings over 12 months old.

1.7 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.

The EFA group has adopted the following depreciation charges for other asset classes:

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

1.8 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

1.9 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: impairment of assets (IAS 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 IAS 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.

1.10 Inventory

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

1.11 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.

1.11.1 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:

1.11.2 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 year end. The EFA group recognises movements in the fair value in its statement of comprehensive net expenditure.

1.11.3 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.

1.11.4 Cash and cash equivalents

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

1.11.5 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:

1.11.6 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.

1.11.7 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 year end. 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.

1.12 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.

1.13 Income

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

- 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

1.14 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 accounts 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.

1.15 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.

1.16 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 the EFA group incurs expenditure, to the statement of comprehensive net expenditure.

1.17 Employee benefits

1.17.1 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 (which do not have underlying assets and liabilities), the EFA group recognises contributions payable in the statement of comprehensive net expenditure.

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

1.18 Accounting for programmes

1.18.1 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 education providers as cash. The EFA group considers that cash accounting is appropriate as the EFA group pays 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.

1.18.2 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 year end, 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.

1.19 Receivables: programme expenditure

The EFA pays 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 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.

1.20 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 year-end 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.

1.21 Contingent liabilities

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

The EFA group states as discounted sums those contingent liabilities that the EFA group discloses in accordance with IAS 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 IAS 37 as the sums reported to Parliament.

1.22 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 the EFA group makes taxable outputs the EFA group can recover input VAT on purchases related to these outputs. Where the EFA group incurs input VAT on educational delivery at academy trusts, the EFA group can wholly recovered this VAT 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.

1.23 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.

1.24 Segmental reporting

In accordance with international financial reporting standard 8: operating segments (IFRS 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 IFRS 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 2013-14 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 exemption available in IFRS 8 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.

1.25 Accounting developments

In order to comply with the requirements of IAS 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:

Standard	Effective	FReM application	Impact
IAS 28 Investments in Associates and Joint Ventures	Accounting periods commencing on or after 1 January 2014	2014-15	This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard defines 'significant influence' and provides guidance on how the entity should apply the equity method of accounting (including exemptions from applying the equity method in some cases). It also prescribes how entity should test investments in associates and joint ventures for impairment.
IFRS 9 Financial Instruments	Accounting periods commencing on or after 1 January 2015.	Subject to consultation	The standard introduces new requirements that address 3 areas; the classification and measurement of financial instruments; the calculation and disclosure of financial assets impairments and further information on hedge accounting principles and hedging relationships.
IFRS 11 Joint Arrangements	Accounting periods commencing on or after 1 January 2014	2014-15	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.
IFRS 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 IFRSs 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, IFRS 13 does not change the requirements regarding which items the EFA group should measure or disclose at fair value. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs: • **Level 1** - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date • **Level 2** - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly • **Level 3** - unobservable inputs for the asset or liability Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

2. a. Staff costs

The EFA provides information in respect of its senior employees' emoluments and pension entitlements in the remuneration report on pages 46 to 50.

			2013-14			2012-13
	Permanently employed staff	**Others**	**Total**	**Permanently employed staff**	**Others**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Salaries	7,964,305	469,447	8,433,752	6,470,194	249,081	6,719,275
Social security	603,590	16,510	620,100	456,379	9,011	465,390
Pension costs	1,023,091	24,882	1,047,973	875,444	13,559	889,003
	9,590,986	**510,839**	**10,101,825**	**7,802,017**	**271,651**	**8,073,668**
Less recoveries in respect of outward secondments	(2,130)	(188)	(2,318)	(850)	(53)	(903)
	9,588,856	**510,651**	**10,099,507**	**7,801,167**	**271,598**	**8,072,765**
Charged to:						
Administration costs	37,545	4,754	42,299	38,895	1,328	40,223
Programme costs	9,551,311	505,897	10,057,208	7,762,272	270,270	8,032,542
	9,588,856	**510,651**	**10,099,507**	**7,801,167**	**271,598**	**8,072,765**
Of which:						
EFA – administration	37,545	4,754	42,299	38,895	1,328	40,223
EFA – programme	4,808	10,618	15,426	722	7,773	8,495
Academy trusts	9,546,503	495,279	10,041,782	7,761,550	262,497	8,024,047
	9,588,856	**510,651**	**10,099,507**	**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. The EFA has charged its staff costs of £11.62 million (2012-13: £8.15 million) to the free school programme and £4.11 million (2012-13: £1.81 million) to the PSBP. The EFA has capitalised £0.3 million (2012-13: £1.47 million) of the EFA's staff costs associated with the free schools and priority schools building programmes as assets under construction at 31 March 2014.

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 PCSPS is an unfunded multi-employer defined benefit scheme within which the EFA group. The scheme actuary valued the scheme as at 31 March 2007. The annual report and accounts of the Cabinet Office: Civil Superannuation on the civil service pensions' website[14] gives details of the scheme.

For 2013-14, the EFA group was liable to pay employers' contributions of £6.61 million (2012-13: £6.11 million) to the principal civil service pension scheme at 1 of 4 rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every 4 years following a full scheme valuation. The scheme actuary sets contribution rates to meet the cost of the benefits accruing during 2013-14 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 made contributions of between 1.5% and 8.25% based on salary band.

One person (2012-13: £nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,912 (2012-13: £nil).

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

[14] http://www.civilservicepensionscheme.org.uk/

liabilities across the separate employers in accordance with international accounting standard 19: employee benefits (IAS 19). Consequently, the EFA group recognises its share of the scheme's net asset surplus or deficit on its statement of financial position. See note 15 for further details.

Teachers' pension scheme

For 2013-14, the EFA group was liable to pay employers' contributions of £643.2 million (2012-13: £570.8 million) at a rate of 14.1% of pensionable pay. The scheme is an unfunded, multi-employer defined benefit pension scheme. In accordance with IAS 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) 2013-14 annual report and accounts gives further information about the scheme.

Employees make contributions of between 6.4% and 11.2% 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 £98,915 (2012-13: £70,842) in relation to the EFA group's own staff to 1 or more of the panel of 3 appointed stakeholder pension providers.

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, the EFA group paid employer contributions of £5,278 (2012-13: £4,683), 0.8% 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 year-end were £8,298 (2012-13: £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	Permanently employed staff	Other staff	2013-14 Total	Permanently employed staff	Other staff	2012-13 Total
Administration	634	46	680	632	33	665
Programme	286,233	14,252	300,485	239,444	11,913	251,357
Staff engaged on capital projects	59	103	162	-	25	25
	286,926	**14,401**	**301,327**	**240,076**	**11,971**	**252,047**
Of which:						
EFA	693	149	842	641	98	739
Academy trusts – management staff	17,045	160	17,205	12,976	79	13,055
Academy trusts – teaching staff	144,252	7,260	151,512	123,538	5,883	129,421
Academy trusts – administration and support staff	124,936	6,832	131,768	102,921	5,911	108,832
Total	**286,926**	**14,401**	**301,327**	**240,076**	**11,971**	**252,047**

2. d. Staff exit packages

2013-14

	Number of compulsory redundancies EFA	Number of compulsory redundancies EFA group	Number of other departures agreed EFA	Number of other departures agreed EFA group	Total number of exit packages by cost band EFA	Total number of exit packages by cost band EFA group
<£10,000	-	701	2	906	2	1,607
£10,001 - £25,000	-	330	1	476	1	806
£25,001 - £50,000	-	91	4	170	4	261
£50,001 - £100,000	-	20	2	31	2	51
£100,001 - £150,000	-	2	1	5	1	7
£150,001 - £200,000	-		-		-	
Total number of exit packages	**-**	**1,144**	**10**	**1,588**	**10**	**2,732**
Total cost (£000)	**-**	**12,289**	**417**	**19,303**	**417**	**31,592**

2012-13

	Number of compulsory redundancies EFA	Number of compulsory redundancies EFA group	Number of other departures agreed EFA	Number of other departures agreed EFA group	Total number of exit packages by cost band EFA	Total number of exit packages by cost band 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 2013-14, 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 2013-14, 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 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 EFA has met the additional costs and not the civil service pension scheme. The scheme has met the ill-health retirement costs and such costs are not included in the table.

Academy trusts meet the exit costs of staff from their central funding.

3. Other administrative costs

		2013-14		**2012-13**
	EFA £000	**EFA group £000**	**EFA £000**	**EFA group £000**
Staff travel and subsistence	2,985	2,985	2,447	2,447
Recruitment and training	193	193	103	103
IT and computer maintenance	20,267	20,267	20,157	20,157
General administration expenditure	6,013	6,013	5,337	5,337
Premises	7,866	7,866	8,164	8,164
Legal and other professional fees	5,601	5,601	2,498	2,498
Managing and supporting capital programmes	19,645	19,645	11,932	11,932
Non-cash items:				
Transition costs written back	-	-	(732)	(732)
Amortisation	25	25	75	75
External audit fee	380	380	430	430
Total	**62,975**	**62,975**	**50,411**	**50,411**

The costs above include notional recharges of £24,725,000 (2012-13: £34,387,000) for the shared services provided by the department to the EFA.

The notional costs of these services for 2013-14 are as follows:

EFA		**2013-14**		**2012-13**
	EFA £000	**EFA Group £000**	**EFA £000**	**EFA Group £000**
Human resources	1,874	1,874	1,573	1,573
Estates and facilities management	7,866	7,866	8,152	8,152

Communications	703	703	1,187	1,187
Legal services	1,034	1,034	921	921
Information and technology services	10,347	10,347	20,236	20,236
Corporate finance and procurement	2,901	2,901	2,318	2,318
Total	**24,725**	**24,725**	**34,387**	**34,387**

4. Programme costs

		EFA £000	2013-14 EFA group £000	EFA £000	2012-13 EFA group £000
4.01	**Learning by young people aged under 16 years at academies**				
	General annual grant	10,471,403	91,119	8,285,289	125,149
	Insurance	84,619	-	77,428	-
	Annual per capita grant	15,608	-	15,637	-
	TUPE, staff restructuring and other	4,516	1,218	1,115	972
	Academy pupil premium	506,099	-	268,937	-
	Maths specialist teachers	-	-	152	-
	Academies consolidation costs	1,418	-	5,251	-
	Total learning by young people aged under 16 years at academies	**11,083,663**	**92,337**	**8,653,809**	**126,121**
4.02	**Learning by young people aged under 16 years at local authority maintained schools**				
	Additional grant scheme	105,305	105,305	23,639	21,381
	Dedicated schools grant	29,167,012	29,167,012	29,935,487	29,935,487
	Pupil premium	1,364,824	1,364,824	988,838	988,838
	Education services grant	779,468	779,468	-	
	Two year olds in schools	460	460	-	
	Non maintained special schools	32,977	32,977	-	-
	Total learning by young people aged under 16 years at local authority maintained schools	**31,450,046**	**31,450,046**	**30,947,964**	**30,945,706**
4.03	**Local authority maintained schools with sixth forms**				
	Local authority maintained schools with sixth forms	837,672	837,672	917,581	917,581
	School sixth forms – teachers' pay grant	18,699	18,699	37,398	37,398
	Special education needs	-	-	180,623	180,623
	Learner achievement tracker	-	-	26	26
	Total local authority maintained schools with sixth forms	**856,371**	**856,371**	**1,135,628**	**1,135,628**
4.04	**Academies with sixth forms**				
	Academies with sixth forms	1,385,814	-	1,215,698	-
	Total academies with sixth forms	1,385,814	-	1,215,698	-
4.05	**Young people aged 16-19 years in further education**				
	Further education for young people aged 16-19	3,738,771	3,738,771	3,568,596	3,568,596

		EFA	2013-14 EFA group	EFA	2012-13 EFA group
		£000	£000	£000	£000
	Additional learner support	114,504	114,504	276,478	276,478
	Work placement pilot	708	708	2,384	2,384
	Internship programme	903	903	2,000	2,000
	Total young people aged 16-19 years in further education	**3,854,886**	**3,854,886**	**3,849,458**	**3,849,458**
4.06	**16-18 apprenticeships**				
	16-18 Apprenticeships	650,759	650,759	-	-
	Apprenticeship grant for employers	55,474	55,474	-	-
	16-18 Employer Ownership Programme	11,342	11,342	-	-
	NAS non-participation (16-18)	5,676	5,676	-	-
	16-19 Traineeships	4,798	4,798	-	-
	Total 16-18 apprenticeships	**728,049**	**728,049**	**-**	**-**
4.07	**Learners with learning difficulties and/or disabilities (LLDD)**				
	LLDD placements	70,164	70,164	217,700	217,700
	LLDD forensic units	4,506	4,506	5,777	5,777
	Total LLDD	**74,670**	**74,670**	**223,477**	**223,477**
4.08	**Youth contract**				
	Youth contract	11,399	11,399	6,986	6,986
	Total youth contract	**11,399**	**11,399**	**6,986**	**6,986**
4.09	**Bursary fund for young people aged 16 to 19 years**				
	Bursary fund for young people aged 16-19 years	179,096	154,008	158,475	158,475
	Total bursary fund for young people aged 16 to 19 years	**179,096**	**154,008**	**158,475**	**158,475**
4.10	**Learner support for young people aged 16-19**				
	Residential bursaries for young people aged 16 to 19 years	4,938	4,938	5,386	5,386
	Residential support scheme for young people aged under 19 years	908	908	826	826
	Care to learn	27,905	27,905	31,778	31,778
	Dance and drama awards	5,857	5,857	9,612	9,612
	Bursary - evaluation costs	688	688	-	
	Legacy learner support programmes	-	-	(23)	(23)
	Isles of Scilly	80	80	207	207
	Continuing learners aged over 19 years	151	151	114	114
	EMA – Student Payments	-	-	39,989	39,989
	EMA – Contract Compliance	(1,908)	(1,908)	2,879	2,879
	Total learner support for young people aged 16-19	**38,619**	**38,619**	**90,768**	**90,768**
4.11	**Other programme costs**				
	Young apprenticeships	-	-	3,386	3,386
	London Councils	517	517	-	-
	Programme IM Shared Services	1,687	1,687	-	-
	JANET	525	525	-	-

		EFA	2013-14 EFA group	EFA	2012-13 EFA group
		£000	£000	£000	£000
	Literacy and numeracy catch up grant	25,624	25,624	-	-
	Total other programme costs	**28,353**	**28,353**	**3,386**	**3,386**
4.12	**Private finance initiative special current grant**				
	Private finance initiative special current grant	733,478	719,778	669,971	669,971
	Total private finance initiative special current grant	**733,478**	**719,778**	**669,971**	**669,971**
	Total revenue grant expenditure	**50,424,444**	**38,008,516**	**46,955,620**	**37,209,976**
4.13	**Capital for young people aged 16-19 years**				
	16-19 demographic growth capital fund	22,675	18,686	41,185	35,443
	Sixth form college building condition improvement fund	60,836	60,836	60,508	60,508
	Sixth form college devolved formula capital	4,074	4,074	4,064	4,064
	Total capital for young people aged 16-19 years	**87,585**	**83,596**	**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	45,585	-	32,355	-
	Independent specialist providers	4,350	4,350	-	-
	Targeted capital: short breaks	-	-	40,000	40,000
	Two year olds' entitlement	-	-	100,000	100,000
	Centrally managed programmes – framework academy trusts	32,528	32,528	151,086	148,678
	Centrally managed programmes – building schools for the future legacy academy trusts	280,000	280,000	393,200	283,874
	Centrally managed programmes – free schools	325,881	98,235	77,504	75,257
	Priority schools building programme	15,196	15,079	3,741	3,741
	Centrally managed programmes – secure accommodation	9,914	9,914	14,552	14,552
	Devolved programmes – basic need schools	1,027,072	1,027,072	1,311,867	1,311,867
	Devolved formula capital for voluntary aided and local authority maintained schools	149,151	149,151	161,595	161,595
	Devolved programmes – modernisation of local authority maintained schools	596,255	596,255	686,842	686,842
	Devolved programmes – voluntary aided local coordinated voluntary aided programme	154,920	154,920	174,028	174,028
	Devolved programmes – academy trusts capital maintenance	392,573	-	298,764	146,903
	Salix payments	1,950	1,950	-	-
	Other Capital Grants	-	549,591	-	-

		EFA £000	2013-14 EFA group £000	EFA £000	2012-13 EFA group £000
	Transfer of capital project assets to group	414,094	-	-	-
	Continuing commitments – building schools for the future	335,609	20,282	633,545	627,998
	Total capital for young people aged under 16 years	**3,785,078**	**2,939,327**	**4,079,079**	**3,775,335**
	Total capital grant expenditure	**3,872,663**	**3,022,923**	**4,184,836**	**3,875,350**
4.15	**Other expenditure funded by other government departments**				
	Adult learner grant funded by BIS	-	-	1,525	1,525
	Residential support scheme funded by BIS	14	14	224	224
	Personal career development loans helpline and payment body funded by BIS	835	835	1,110	1,110
	Dance & drama awards for young people aged 19 years and over funded by BIS	7,880	7,880	4,233	4,233
	Education in youth custody funded by the Ministry of Justice	11,980	11,980	12,639	12,639
	Total expenditure funded by other government departments	**20,709**	**20,709**	**19,731**	**19,731**
4.16	**Academy trusts' costs**				
	Academy trusts' travel and subsistence	-	20,998	-	21,023
	Academy trusts' training and recruitment	-	119,431	-	79,401
	Academy trusts' educational activities	-	775,202	-	550,087
	Academy trusts' information technology costs	-	168,994	-	121,425
	Academy trusts' premises costs	-	1,175,075	-	891,506
	Academy trusts' operating lease costs	-	45,491	-	30,313
	Academy trusts' legal and professional fees costs	-	52,595	-	103,018
	Academy trusts' auditors' fees – audit work costs	-	25,762	-	13,026
	Academy trusts' auditors' fees – non-audit work costs	-	10,637	-	5,172
	Academy trusts' finance cost	-	54,537	-	256
	Academy trusts' other costs	-	939,734	-	775,351
	Academy trusts' non-cash charges:				
	- depreciation	-	948,245	-	803,376
	- amortisation	-	1,181	-	506
	- impairment	-	64,862	-	10
	Gain or loss on disposal of property, plant and equipment	-	57,776	-	5
	Gain or loss of intangible assets	-	-		
	Gain or loss on disposal of investments	-	70	-	11
	Total academy trusts' costs	**-**	**4,460,590**	**-**	**3,394,486**
	Total programme expenditure	**54,317,816**	**45,512,738**	**51,160,187**	**44,499,543**

5. Income

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Administration income:				
Sundry sales income	(167)	(167)	(23)	(23)
Total administration income	**(167)**	**(167)**	**(23)**	**(23)**
Programme income:				
Education in youth custody programme income	(11,980)	(11,980)	(12,639)	(12,639)
BIS income for adult learner programmes	(8,728)	(8,728)	(7,092)	(7,092)
DOH PE & Sports	(47,000)	(47,000)	-	-
Voluntary income	-	(938,650)	-	(428,543)
Activities for generating funds	-	(515,451)	-	(386,052)
Investment income	-	(14,349)	-	(10,268)
Government revenue grant income	-	(54,728)	-	(357,822)
Government capital grant income	-	(40,615)	-	(113,167)
Other income	-	(836,841)	-	(223,586)
Total programme income	**(67,708)**	**(2,468,342)**	**(19,731)**	**(1,539,169)**
Total income	**(67,875)**	**(2,468,509)**	**(19,754)**	**(1,539,192)**

6. Property, plant and equipment

EFA

		2013-14		2012-13
	Assets under construction	Total	Assets under construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April	191,029	191,029	-	-
Additions	433,841	433,841	191,029	191,029
Donations	-	-	-	-
Transfer to EFA Group	(414,094)	(414,094)	-	-
At 31 March	**210,776**	**210,776**	**191,029**	**191,029**
Depreciation				
Impairment	-	-	-	-
At 31 March	**-**	**-**	**-**	**-**
Carrying value at 31 March	**210,776**	**210,776**	**191,029**	**191,029**

		2013-14		2012-13
Asset financing				
Owned	210,776	210,776	191,029	191,029
Finance leased	-	-	-	-
Carrying value at 31 March	**210,776**	**210,776**	**191,029**	**191,029**

£0.3 million (2012-13: £1.47 million) of programme staff costs have been included in the value of assets under construction as they are directly attributable to these capital projects.

2012-13

EFA group

	Land and buildings £000	Leasehold improvement £000	Plant & machinery £000	Furniture & equipment £000	Computer equipment £000	Vehicles £000	Assets under construction £000	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	284,526	7,016	1,628	87,226	112,783	3,927	255,231	752,337
Transfers in (LAs)	6,489,154	2,071	14,795	49,865	28,701	1,626	-	6,586,212
Transfers in (non-LAs)	1,454,963	28	332	7,743	2,359	205	-	1,465,630
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**

EFA group

	Land and buildings £000	Leasehold improvement £000	Plant & machinery £000	Furniture & equipment £000	Computer equipment £000	Vehicles £000	Assets under construction £000	2013-14 Total £000
Cost or valuation								
At 1 April 2013	25,642,178	9,115	17,022	425,187	317,361	12,224	252,846	**26,675,932**
Additions	440,183	97,398	14,290	106,088	141,741	4,229	632,862	**1,436,791**
Transfers in (LAs)	3,437,458	48,702	(4,561)	33,864	23,383	1,912	33,556	**3,574,314**
Transfers in (non-LAs)	915,306	20,821	585	11,620	9,359	139	5,397	**963,227**
Donations	573,959	30,057	797	21,952	13,697	47	17,557	**658,066**
Disposals	(84,351)	(320)	(95)	(6,449)	(12,505)	(405)	(34)	**(104,159)**
Revaluations	(999,564)	4,165	710	10,227	13,548	734	1,294	**(968,886)**
Reclassifications	313,244	11,816	11,839	5,188	6,270	(236)	(350,862)	**(2,740)**
At 31 March 2014	**30,238,413**	**221,754**	**40,587**	**607,677**	**512,854**	**18,644**	**592,616**	**32,232,545**
Depreciation								
At 1 April 2013	(616,470)	(552)	(1,285)	(76,077)	(98,509)	(2,558)	-	**(795,451)**
Charged in year	(719,800)	(6,681)	(9,928)	(80,045)	(128,456)	(3,335)	-	**(948,245)**
Disposals	8,325	233	53	5,059	10,797	198	-	**24,665**
Revaluations	1,269,286	(808)	(74)	(8,738)	(10,872)	(473)	-	**1,248,321**
Reclassifications	971	(276)	(1,797)	(78)	1,213	61	-	**94**
Impairment	(61,257)	-	-	(11)	-	-	(3,598)	**(64,866)**
At 31 March 2014	**(118,945)**	**(8,084)**	**(13,031)**	**(159,890)**	**(225,827)**	**(6,107)**	**(3,598)**	**(535,482)**
Carrying value at 31 March 2014	**30,119,468**	**213,670**	**27,556**	**447,787**	**287,027**	**12,537**	**589,018**	**31,697,063**

Included within the closing value of land and buildings is £7,160,595,000 (2012-13: £5,718,052,000) of land held by academy trusts.

The EFA group's surveyors revalue land and buildings in accordance with the Royal Institute of Chartered Surveyors' (RICS) Appraisal and Valuation Manual. During 2013-14 RICS revised its valuation methodology related to building sizes through the adoption of Building Bulletin 103. The EFA group has classified this amendment to its valuation process as a change in estimate under International Accounting Standard 8. Therefore, changes in valuations are recognised prospectively for all future valuations from the date of adoption by RICS.

Assets under construction relate to school building construction projects.

7. Intangible assets

EFA	**Benchmarking system £000**	**Finance system £000**	**2012-13 Total £000**
Cost or valuation			
At 1 April 2012	50	50	100
At 31 March 2013	**50**	**50**	**100**
Amortisation			
Charged in year	(50)	(25)	(75)
At 31 March 2013	**(50)**	**(25)**	**(75)**
Carrying value at 31 March 2013	**-**	**25**	**25**
Asset financing			
Owned	-	25	**25**
Finance leased	-	0	**0**
Carrying value at 31 March 2013	**-**	**25**	**25**
			2013-14
Cost or valuation			
At 1 April 2013	50	50	100
At 31 March 2014	**50**	**50**	**100**
Amortisation			
At 1 April 2013	(50)	(25)	(75)
Charged in year	-	(25)	(25)
At 31 March 2014	**(50)**	**(50)**	**(100)**
Carrying value at 31 March 2014	**-**	**-**	**-**

Asset financing			
Owned	-	-	**-**
Finance leased	-	-	**-**
Carrying value at 31 March 2014	**-**	**-**	**-**

EFA group

	Software	Goodwill	Trademarks, licenses, royalties etc.	Other	2012-13 Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation					
At 1 April 2012	737		61	43	841
Additions	-		1,072	56	1,128
Transfers in (LAs)	497		-	39	536
Transfers in (non-LAs)	69		-	9	78
At 31 March 2013	**1,303**	**0**	**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)**	**0**	**(477)**	**(32)**	**(584)**
Carrying value at 31 March 2013	**1,228**	**0**	**656**	**115**	**1,999**

					2013-14
Cost or valuation					
At 1 April 2013	1,303	0	1,133	147	**2,583**
Additions	2,219	0	0	225	**2,444**
Transfers in (LAs)	(173)	0	0	(47)	**(220)**
Transfers in (non-LAs)	174	0	22	(9)	**187**
Donations	22	0	0	0	**22**
Disposals	(68)	0	0	0	**(68)**
Revaluations	209	(2)	0	0	**207**
Reclassifications	2,866	5	(1,026)	(25)	**1,820**
At 31 March 2014	**6,552**	**3**	**129**	**291**	**6,975**
Amortisation					
At 1 April 2013	(75)	0	(477)	(32)	**(584)**
Charged in year	(1,138)	0	(29)	(15)	**(1,182)**
Disposals	10	0	0	0	**10**
Revaluations	(66)	2	0	0	**(64)**
Reclassifications	(1,043)	(2)	457	12	**(576)**
Impairment	0	0	0	(3)	**(3)**
At 31 March 2014	**(2,312)**	**0**	**(49)**	**(38)**	**(2,399)**
Carrying value at 31 March 2014	**4,240**	**3**	**80**	**253**	**4,576**

8. Financial instruments

International financial reporting standard 7: financial instruments (IFRS7) disclosures 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:

Overdue debts	As at 31 March 2014 £000	As at 31 March 2013 £000
<30 days overdue	2,657	4,200
30-60 days overdue	2,603	81
60-90 days overdue	1,690	1,382
90-180 days overdue	3,746	1,482
>180 days overdue	1,626	395
Total overdue debts	**12,322**	**7,540**

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 liabilities 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 trusts but the EFA group is unable to quantify a value for the risk.

Financial assets by category:

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Cash	63,439	2,532,437	127,528	1,986,785
Receivables	66,498	861,096	28,633	438,825
Total	**129,937**	**3,393,533**	**156,161**	**2,425,610**

Financial liabilities by category

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Trade payables	(887)	(312,702)	(745)	(239,496)
Other payables	(2,114)	(443,130)	(1,580)	(369,376)
Accruals	(374,708)	(1,101,103)	(150,245)	(557,064)
Total	**(377,709)**	**(1,856,935)**	**(152,570)**	**(1,165,936)**

9. Non-current financial assets

2012-13

EFA group

	Subsidiaries at cost £000	Securities at cost £000	Other investments at cost £000	Securities at fair value £000	Financial investments at cost £000	Managed funds at fair value	Investment property at cost	Investment property at fair value	Other investments at fair value £000	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)**
Reclassifications to current assets	-	-	-	-	-	-	-	-	-	-
Fair value gain/(loss)	-	-	-	1,976	-	-	-	-	167	**2,143**
Impairments	-	-	-	-	-	-	-	-	-	-
As at 31 March 2013	**25**	-	**2,697**	**35,858**	-	-	-	-	**17,000**	**55,580**

2013-14

	Subsidiaries at cost £000	Securities at cost £000	Other investments at cost £000	Securities at fair value £000	Financial investments at cost £000	Managed funds at fair value	Investment property at cost	Investment property at fair value	Other investments at fair value £000	Total £000
As at 1 April 2013	25	-	2,697	35,858	-	-	-	-	17,000	**55,580**
Additions	12	-	2,323	-	-	17,640	-	233	13,495	**33,703**
Reclassifications from current assets	-	-	-	-	-	3,719	-	-	7,160	**10,879**
Transfers in LA	-	-	-	137	-	1,775	8,301	-	4,148	**14,361**
Transfers in other	50	-	-	-	-	11	-	275	1,595	**1,931**
Disposals	-	-	(1,433)	(97)	-	(3,978)	-	-	(4,332)	**(9,840)**
Reclassifications to current assets	-	-	-	(31,284)	-	(763)	-	-	(7,160)	**(39,207)**
Reclassifications within non-current assets	-	1,000	(2,440)	(3,771)	-	32,686	135	-	718	**28,328**
Fair value gain/(loss)	-	-	-	-	-	3,168	4	-	31	**3,203**
Impairments	-	-	-	-	-	-	-	-	-	-
As at 31 March 2014	**87**	**1,000**	**1,147**	**843**	-	**54,258**	**8,440**	**508**	**32,655**	**98,938**

10. Inventories

EFA group

	2013-14 £000	2012-13 £000
Uniform	5,563	4,333
Catering supplies	1,112	1,024
Grounds maintenance	19	12
Stationery	1,254	758
Other	1,541	1,175
Total	**9,489**	**7,302**

The EFA had no inventory as at 31 March 2014.

11. a. Receivables

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
Sums falling due within 1 year	**£000**	**£000**	**£000**	**£000**
Trade receivables	-	48,908	-	49,559
Revenue programme receivables	7,664	2,242	11,384	3,681
Capital programme receivables	48,991	570	13,454	1,569
VAT receivables	331	174,134	178	102,923
Other receivables	93	142,902	73	143,723
Prepayments and accrued income	8,084	341,796	3,255	137,201
Total receivables due within 1 year	**65,163**	**710,552**	**28,344**	**438,656**
Sums falling due after more than 1 year				
Trade receivables	-	5,490	-	-
Revenue programme receivables	1,335	-	289	-
VAT receivables	-		-	85
Other receivables	-	145,014	-	84
Prepayments and accrued income	-	40	-	-
Total receivables due after more than 1 year	**1,335**	**150,544**	**289**	**169**

EFA receivables include a provision for doubtful debts owed to the EFA itself of £929,207 (2012-13: £279,000) at 31 March 2014.

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

11. b. Receivables: analysed by type of organisation

The following note provides an analysis of the receivables detailed above:

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Sums falling due within 1 year				
Local authorities	95	79,355	235	84,432
Other central government bodies	54,959	234,334	21,823	163,720
Balances with other government bodies	**55,054**	**313,689**	**22,058**	**248,152**
Balances with non-governmental bodies	10,110	396,863	6,286	190,504
Total	**65,164**	**710,552**	**28,344**	**438,656**
Sums falling due after more than 1 year				
Local authorities	-	1,847	-	9
Other central government bodies	1,335	406	289	-
Balances with other government bodies	**1,335**	**2,253**	**289**	**9**
Balances with non-governmental bodies	-	148,291	-	160
Total	**1,335**	**150,544**	**289**	**169**

12. Cash and cash equivalents

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Balance at 1 April	127,528	1,986,785	-	-
Net change in cash and cash equivalent balances	(64,089)	545,652	127,528	1,986,785
Balance at 31 March	**63,439**	**2,532,437**	**127,528**	**1,986,785**

	EFA	EFA Group	EFA	EFA group
	£000	£000	£000	£000
The following balances are held at:				
Cash at bank and in hand:				
Government Banking Service	63,439	63,439	127,528	-
Commercial banks	-	2,470,591	-	1,988,514
	63,439	**2,534,030**	**127,528**	**1,988,514**
Overdrafts:				
Government Banking Service	-	-	-	-
Commercial banks	-	(1,593)	-	(1,729)
Balance at 31 March	**63,439**	**2,532,437**	**127,528**	**1,986,785**

13. a. Payables

Sums falling due within 1 year	EFA £000	2013-14 EFA group £000	EFA £000	2012-13 EFA group £000
Loans	-	11,002	-	7,371
Trade payables	-	312,702	-	239,496
Revenue programme payables	3,113	3,113	367	269
Capital programme payables	62	62	298	50
Tax and social security payables	937	148,355	915	127,735
VAT payables	-	1,933	-	1,071
Corporation tax	-	12	-	146
Finance leases	-	1,100	-	995
Other payables	887	227,748	745	189,088
Accruals and deferred income	374,708	1,101,103	150,245	557,064
Total payables due within 1 year	**379,707**	**1,807,130**	**152,570**	**1,123,285**

Sums falling due after more than 1 year				
Loans	-	29,825	-	20,012
Finance leases	-	4,291	-	6,928
Other payables	-	15,689	-	15,711
Total payables due after more than 1 year	**-**	**49,805**	**-**	**42,651**

13. b. Payables: analysed by type of organisation

The following note provides an analysis of the payables detailed above:

Sums falling due within 1 year	EFA £000	2013-14 EFA group £000	EFA £000	2012-13 EFA group £000
Local authorities	53,319	201,548	14,951	136,194
Other central government bodies	235,673	420,440	108,101	465,442
Balances with other government bodies	**288,992**	**621,988**	**123,052**	**601,636**
Balances with non-governmental bodies	90,715	1,185,142	29,518	521,649
Total	**379,707**	**1,807,130**	**152,570**	**1,123,285**

	2013-14	2012-13

	EFA	EFA group	EFA	EFA group
Sums falling due after more than 1 year				
Local authorities	-	22,933	-	20,043
Other central government bodies	-	286	-	5,336
Balances with other government bodies	**-**	**23,219**	**-**	**25,379**
Balances with non-governmental bodies	-	26,586	-	17,272
Total	**-**	**49,805**	**-**	**42,651**

14. Provisions for liabilities and charges

		2012-13
	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 1 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**

		2013-14
	EFA	**EFA group**
	£000	**£000**
Provision balance at 1 April 2013	2,304	4,446
Additional charge in year	250	2,684
Provision utilised in year	(1,106)	(1,222)
Provision unused and reversed during the year	(70)	(923)
Balance of provision at 31 March 2014	**1,378**	**4,985**
Within 1 year	520	2,240
Between 2 - 5 years	858	961
Greater than 5 years	-	1,784
Balance of provision at 31 March 2014	**1,378**	**4,985**

2012-13

	EMA closure £000	EFA transition £000	Sixth form college dissolution £000	Property £000	Early departure costs £000	Retirement compensation £000	Other £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 1 year	376	-	800	364	-	685	228
Later than 1 year and not later than 5 years	1,080	-	-	-	-	52	579
Later than 5 years	48	-	-	-	-	234	-
Balance of provision at 31 March 2013	**1,504**	**-**	**800**	**364**	**-**	**971**	**807**

2013-14

	EMA closure £000	Sixth form college dissolution £000	Academy closure £000	Property £000	Early departure costs £000	Retirement compensation £000	Other £000
Provision balance at 1 April 2013	1,504	800	-	364	-	971	807
Additional charge in year	-	-	250	1,153	60	339	882
Provision utilised in year	(376)	(730)	-	(112)	-	(4)	-
Provision unused and reversed during the year	-	(70)	-	(364)	-	(209)	(280)
Balance of provision at 31 March 2014	**1,128**	**-**	**250**	**1,041**	**60**	**1,097**	**1,409**
Not later than 1 year	270	-	250	681	60	-	979

Later than 1 year and not later than 5 years	858	-	-	-	-	-	103
Later than 5 years	-	-	-	360	-	1,097	327
Balance of provision at 31 March 2014	**1,128**	**-**	**250**	**1,041**	**60**	**1,097**	**1,409**

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.

Academy trust closure

This provision covers the costs of redundancy, write-off of potential funding claw-backs, transfer of leases or capital assets and other costs involved in an academy trust closure as a result the Secretary of State terminating the funding agreement of the Discovery New School.

Property

The property provision relates to the academy trusts and will be utilised over the next year on replacing a buildings' roof.

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. An actuary determined employer contribution rates based on triennial valuations.

The EFA group procured valuations of all academy trusts' membership of the local government pension scheme as at 31 March 2014. The EFA group procured the valuations in accordance with IAS 19 from the 4 scheme actuaries, AON Hewitt, Barnett Waddingham, Hymans Robertson and Mercer.

The employer pension contribution for 2013-14 is £346 million (2012-13: £251 million). The EFA estimates expected regular employer contributions for 2014-15 to be £405 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	2013-14 £000	2012-13 £000
Analysis of non-interest costs charged to statement of comprehensive net expenditure:		
Current service cost	397,789	283,966
Past service cost or (gain)	0	331
Loss or (gain) on curtailments and settlements	274	294
Total cost	**398,063**	**284,591**
Analysis of interest costs charged to the statement of comprehensive net expenditure:		
Expected return on scheme assets	(118,521)	(77,322)
Interest on scheme liabilities	211,702	155,620
Net (benefit) or cost	**93,181**	**78,298**
Analysis of sums in other comprehensive (income)/expenditure:		
Total actuarial (gains) or loss	(71,863)	(43,034)
Net (benefit) or cost	**(71,863)**	**(43,034)**

EFA group	2013-14	2012-13
Sums recognised in the statement of financial position:		
Present value of defined benefit obligations	5,472,662	4,110,430
Fair value of scheme assets	(3,044,848)	(2,199,131)
Transferred to provision		-
Pension liabilities recognised in the statement of financial position	**2,427,814**	**1,911,299**
Movements in the present value of defined benefit obligations:		
Balance brought forward at 1 April	4,110,430	-
Liabilities assumed on conversion:		
pre-1 April conversion of academy trusts	-	2,512,805
In-year conversion of academy trusts	728,929	975,945
Current service cost	397,789	283,966
Interest cost	211,702	155,620
Employee contributions	103,007	79,558
Past service cost	-	331
Actuarial (gain) or loss	(50,202)	114,492
Benefits paid	(29,267)	(12,581)
Losses or (gains) on curtailments	274	294
At 31 March	**5,472,662**	**4,110,430**
Movements in the fair value of scheme assets:		
Balance brought forward at 1 April	2,199,131	-
Liabilities assumed on conversion:		
pre-1 April conversion of academy trusts	-	1,246,574
In-year conversion of academy trusts	285,479	399,884
Employer contributions	346,316	250,848
Employee contributions	103,007	79,558
Actuarial gain or (loss)	21,661	157,526
Benefits paid	(29,267)	(12,581)
Expected return on scheme assets	118,521	77,322
At 31 March	**3,044,848**	**2,199,131**
Reconciliation of deficit:		
Balance brought forward at 1 April	1,911,299	-
Liabilities assumed on conversion:		
Pre- 1 April conversion of academy trusts	-	1,266,231
In-year conversion of academy trusts	443,450	576,061
Current service cost	397,789	283,966
Employer contributions	(346,316)	(250,848)
Past service cost	-	331
Other finance income	93,181	78,298
Curtailments	274	294
Actuarial loss or gain	(71,863)	(43,034)
At 31 March	**2,427,814**	**1,911,299**

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

Discount rate +1.0%	(1,145,635)	(895,805)
Discount rate -1.0%	1,450,651	1,147,473
Mortality rate 1 year increase	50,151	114,691
Mortality rate 1 year decrease	(47,589)	(112,038)
Consumer prices index rate +1.0%	1,007,941	667,988
Consumer prices index rate -1.0%	(816,259)	(529,371)

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

	2013-14	**2012-13**
Equities	67.99%	66.79%
Gilts	9.03%	8.94%
Corporate bonds	8.20%	9.70%
Property	7.58%	7.22%
Cash and liquidity	2.99%	2.81%
Other	4.21%	4.54%

Scheme assets

The administrators' value scheme assets at "fair value" as 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	**2013-14**	**2012-13**
	£000	**£000**
Defined benefit obligations	(5,472,358)	(4,110,430)
Scheme assets	3,044,544	2,199,131
Deficit	**(2,427,814)**	**(1,911,299)**
Expected return on assets	118,521	77,322
Actuarial gain or (loss) on assets	21,661	157,526
Actual return on assets	**140,182**	**234,848**

The major financial assumptions used in the valuation were:

	2013-14	**2012-13**
Rate of inflation	2.8%	2.7%
Expected return on plan assets	4.5%	4.5%
Rate of increase in salaries	4.1%	4.2%

	2013-14	2012-13
Rate of return on pensions	2.8%	2.7%
Discount rate	4.5%	4.5%

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 4 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 2014 use the assumptions disclosed in the table above. Analysis of sums recognised in other comprehensive net expenditure

	2013-14	2012-13
Difference between the expected and actual return on scheme assets	21,661	157,526
Percentage of scheme assets	0.71%	7.16%
Experience gains and losses on scheme liabilities	57,348	74
Percentage of present value of the scheme liabilities	-4.5%	0%
Total sum recognised in other comprehensive expenditure	**79,009**	**157,600**
Percentage of present value of scheme liabilities	**1.44%**	**3.83%**

16. Capital commitments

Contracted capital commitments at 31 March 2014 not otherwise included in these accounts.

		2013-14		2012-13
	EFA	EFA group	EFA	EFA group
	£000	£000	£000	£000
Free schools	795,332	795,332	295,917	295,917
Tangible fixed assets	-	410,008	-	243,457
Intangible assets	-	80	-	-
	795,332	**1,205,420**	**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 1 year	99	14,270	29,399	43,768
Later than 1 year and not later than 5 years	287	47,673	52,147	100,107
Later than 5years	3,793	243,446	6,725	253,964
	4,179	**305,389**	**88,271**	**397,839**

				2013-14
	Land	Buildings	Other	Total
Obligations under operating leases for the following periods comprise:	**£000**	**£000**	**£000**	**£000**
Not later than 1 year	922	24,562	66,677	92,161
Later than 1 year and not later than 5 years	2,723	89,522	84,782	177,027
Later than 5 years	16,810	473,897	21,470	512,177
	20,455	**587,981**	**172,929**	**781,365**

The EFA had no operating leases in 2013-14.

Finance leases

EFA group

The tables 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 1 year	77	233	3,641	3,951
Later than one year and not later than 5 years	308	285	4,448	5,041
Later than 5 years	662	1,784	-	2,446
	1,047	**2,302**	**8,089**	**11,438**

The EFA had no finance leases in 2012-13.

EFA and EFA group				**2013-14**
	Land	**Buildings**	**Other**	**Total**
Obligations under finance leases for the following periods comprise:	**£000**	**£000**	**£000**	**£000**
Not later than 1 year	77	253	495	825
Later than 1 year and not later than 5 years	308	1,029	204	1,541
Later than 5 years	584	2,337	12	2,933
	969	**3,619**	**711**	**5,299**

The EFA had no finance leases in 2013-14.

Commitments under private finance initiative contracts

	2013-14 Total £000	**2012-13 Total £000**
Not later than 1 year	34,895	26,047
Later than 1 year and not later than 5 years	141,989	100,412
Later than 5 years	714,493	512,334
	891,377	**638,793**

Other financial commitments

Non-cancellable contracts	**2013-14**	**2012-13**
EFA and EFA group	**Total £000**	**Total £000**
Not later than 1 year	41,322	7,983
Later than 1 year and not later than 5 years	8,999	10,061
Later than 5 years	559	22,618
	50,880	**40,662**

Education grant funding

Private finance initiative grants to local authorities and voluntary-aided schools	**2013-14**	**2012-13**
	£000	**£000**
Not later than 1 year	745,062	732,981
Later than 1 year and not later than 5 years	3,003,300	2,987,528
Later than 5 years	11,265,969	11,928,993
	15,014,331	**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 the EFA typically agrees funding for one year 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	Amount to parliament by departmental minute
	£000	£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.

2013-14

	At start of period	Increase in period	Liabilities crystallised in period	Obligation expired in period	At end of period	Amount to parliament by departmental minute
	£000	**£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	-
Academy trust – contract termination costs.	-	634	-	-	634	-
Academy trust – fees that may not be recovered following supplier distribute.	-	500	-	-	500	-
In respect of lease arrangement with Church Commissioners for	-	5,000	--	-	5,000	5,000

						2013-14
England Tenant Default Agreements	-	2,768	-	-	2,768	-
Total	**1,193**	**8,902**	**-**	**-**	**10,095**	**5,000**

Indemnity provided to Church Commissioners for England

The contingent liability is in relation to a lease arrangement for an academy site.

Tenant default agreements

The EFA has entered into a number of tenant default agreements which give rise to a contractual obligation to pay monies to the landlord up to a fixed cap in certain circumstances where the free school tenant is in breach of its lease.

Academy trust – contract termination costs

Following legal advice Stratford School Academy and Featherstone High School have withdrawn from contracts entered into by their predecessor schools.

Academy trust – Fees that may not be recovered following supplier distribute

St Joseph's Catholic College is currently pursuing a claim against a number of suppliers following sub-standard work on its estate. If the claims are not successful the academy estimates it will be liable for remedial repairs and legal costs.

19. Losses and special payments

Losses statement

				2013-14				2012-13
	Number	EFA £000	Number	EFA group £000	Number	EFA £000	Number	EFA group £000
Cash losses	6	135	8	1,341	46	1,780	8	3,438
Claims abandoned	4	50	5	53	1	25	6	83
Administrative write-offs	-	-	7	19	-	-	5	22
Fruitless payments	11	187	13	197	4	136	4	136
Store and stock losses	-	-	3	103	-	-	3	12
Total	**21**	**372**	**36**	**1,713**	**51**	**1,941**	**26**	**3,691**

Details of cases over £300,000

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 year ending 31st March 2014 the EFA has not written off any single sum of £300,000 or above.

EFA Group

In July 2013, St. Aldhelm's academy trust suffered a loss as a result of the misdirection of a payment to the wrong bank account. The loss including legal and professional fees was £1,205,000. The incident is currently the subject of an on-going police investigation, although to-date the loss has not been recovered.

Special payments

				2013-14				2012-13
		EFA		EFA group		EFA		EFA group
	Number	£000	Number	£000	Number	£000	Number	£000
Special payments	-	-	35	820	-	-	35	666
Total	**-**	**-**	**35**	**820**	**-**	**-**	**35**	**666**

Academy trusts have the delegated authority to make special severance payments under £50,000. Payments over this amount require prior approval from Treasury via the EFA. The seven special severance payments above this limit are included as special payments above. Two of these payments sought prior approval while the others have been identified and assessed retrospectively. Three cases have been approved. Two cases were refused by the EFA and HM Treasury refused a further two. Where payments have not been approved we are working on a variety of solutions with academy trusts, including possible recovery of funds.

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 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. The EFA group's academy trusts had extensive transactions with HMRC and the various pension schemes as part of their payroll services.

Each year, EFA SCS complete a responsibility assurance declaration form where they are required to make a declaration of related party transactions. SCS made no declarations for 2013-14.

21. Entities within the group boundary

All academy trusts, as established under the Education Act 2010, with open academies as at 31 March 2014 are entities within the EFA group. A list of all operational academy trusts and their open academies is available on the department's annual reports' website[15].

22. Transfer of academy trusts

EFA group	**2013-14**	**2012-13**
	£000	**£000**
Non-current assets		
Property, plant and equipment	4,537,541	25,701,902
Intangible assets	(33)	1,355
Financial assets	4,855	41,613
Trade and other receivables	1,090	2,504
	4,543,453	**25,747,374**
Current assets		
Inventories	791	3,448
Trade and other receivables	9,417	271,429
Investment	11,437	0
Cash and cash equivalents	232,731	1,055,259
	254,376	**1,330,136**
Current liabilities		
Trade and other payables	(11,264)	(432,310)
	(11,264)	**(432,310)**
Non-current liabilities		
Other payables	(1,067)	(28,977)
Provisions	(1,662)	(1,045)
Pension scheme deficit	(443,450)	(1,842,292)

[15] https://www.gov.uk/government/collections/dfe-annual-reports

	(446,179)	**(1,872,314)**
Net asset or (liability) transferred on conversion	**4,340,386**	**24,772,886**
Represented by:		
Transfers in from LAs	3,422,138	20,112,864
Transfers in from non-LAs	918,248	4,660,022
	4,340,386	**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 from the conversion of non-local authority maintained schools.

23. Events after the reporting period

There have been no significant events after the 31 March 2014 that the EFA group considers affect these accounts.

The accounting officer authorised these financial statements for issue on 16 January 2015. These accounts do not consider events after that date.

Annex A: key organisational performance measures

Our business plan identifies 7 key 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. The outcomes against our business plan performance indicators are set out below. This table also includes additional information on our performance and levels of activity.

Allocations	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Proportion of allocations made accurately and on time			
Accurately* On time	99.6% 99.9%	99.5% 99.6%	**Key performance indicator** Accuracy: accuracy levels are slightly above 2012-13 despite volumes increasing dramatically. Timeliness: we made 100% of the annual allocation of funds to Post-16 providers, academies and local authorities on time, as they were in 2012-13.
Payments	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Proportion of payments made accurately and on time			
Accurately On time**	100% 96.3%	100% 94.5%	**Key performance indicator** On time provider payments 2013-14: 99.5% of 76,543 payments were made on time (2012-13: 99.9%). On time supplier payments 2013-14: 65% of 7,743 payments were made on time (2012-13: 31.9%).

			2012-13 on time outcome revised from 94.9% to 94.5% to align methodology across years.
Responding to customers	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
EFA enquiry service: number of enquiries resolved	39,641	N/A	Phased introduction of an enquiry service began in September 2012 and ran through 2013-14. The first full year of statistics will be 2014-15.
EFA enquiry service: number and percenatge resolved within 5 and 15 days	Within 5 days: 74% (volume: 29,342) Within 15 days: 89% (volume: 35,100)	N/A	
Number of complaints received about education providers	Between 1 April 2013 and 31 March 2014: 1,488 Of which: 'In scope' for investigation: 103 'Not in scope' for investigation: 1,385 Investigated complaints closed in the period: 97		The main reasons for the large number of those complaints 'not in scope' for investigation are: - individuals have not exhausted the academy procedures first before contacting the EFA - individuals contacting the EFA when it should be other bodies eg OFSTED We have introduced a number of improvements, including improving website content and work is underway to digitise online forms.
Number of cases of independent admission appeal panel (IAP) complaints	Total IAP complaints received: 267 Total IAP complaints in scope: 163 Total IAP complaints not in scope: 104	Total IAP complaints received: 174 Total IAP complaints in scope: 128 Total IAP complaints not in scope: 46	Some of the reasons for the number of those complaints 'not in scope' for investigation are: - individuals provide insufficient information, no response is received to requests for further information - individuals appeal in advance so are sign posted elsewhere

			- no appeals have been held - individuals are challenging panel decisions
Capital	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Percentage of free school, university technical college, and studio school projects completed on time	100% (volume: 107)	99% (volume: 85)	**Key performance indicator** All free schools, university technical colleges, and studio schools opened as scheduled in 2013-14. The 2012-13 outcome has been revised from 88% to 99% to align methodology across years. The new definition is based on those included in our commitment to ministers in April each year on schools to open in September.
Progress on delivery of Priority Schools Building Programme (PSBP)	Feasibility approval stage: 112 Schools on site: 24	Construction work on the first school started in May 2013.	**Key performance indicator** Of 261 schools in the programme, 1 completed in April 2014 and 42 (at August 14) are in now construction with all schemes expecting to be available for occupation before the end of 2017. The programme reaches a peak of construction activity in the last quarter of 2015.
Progress on delivery of Building Schools for the Future (BSF)	Completed 2013-14 Open new schools: 0 Open rebuilds: 40 Open refurbishments: 47 Projects in progress at March 2014: 54	Completed 2012-13 Open new schools: 4 Open rebuilds: 61 Open refurbishments: 69	**Key performance indicator** Of the 22 business cases remaining at the end of 2012-13, we received and approved 17 during 2013-14, (numbers reduced due to amalgamations and withdrawals). Whilst the BSF programme is now closed, we completed 87 projects during 2013-14. This was more than

			expected as a small number completed early. The final school in the programme is currently scheduled to complete in September 2016.
Progress on securing up to date information on the condition of the nation's schools	Of the 19,080 surveys required: - 10,519 were complete at the end of March 2014	Of the 19,384 surveys required: - local authorities have supplied 8,357 existing surveys for validation - of the remaining 11,027 almost 7,000 were complete at the end of March 2013	**Key performance indicator** In this context a complete survey is one that has been conducted on-site and the data collected has been quality assured and audited. All surveys forming part of the original commission were completed by 2 September 2014. The survey was originally due to be completed in autumn 2013. However, our quality assurance process identified that in some cases survey data provided by local authorities was inconsistent or was based upon elements that were not compatible with the data being collected by central government. The central survey programme was therefore extended to cover all schools for which local authorities had previously supplied data, which meant undertaking an additional 8,000 surveys. Over 3,300 schools are out of scope as they have received significant investment in their school buildings in the last 10 years or are part of an operational private finance initiative.
Financial assurance	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Timely receipt, and where relevant consolidation, of all	Timely receipt: Sixth form colleges 92%	Timely receipt: Sixth form colleges 100%	**Key performance indicator** **Statutory accounts, regularity and auditors'**

financial returns from academies, sixth form colleges and local authorities	(volume 93) Local authorities 100% (volume 152) Academies 84% (volume due 9,556) 3 consolidation exercises: (iv) Consolidation of academy trust budget forecasts in relation to 2013-14. Submitted as part of the department's supplementary in December 2013 – **completed** (v) Consolidation of academy accounts into the EFA and departmental accounts 2012-13 – laid before Parliament in January 2014 – **completed** (vi) Consolidation of academy accounts into the EFA and departmental accounts 2013-14 – commencement of project completed in 2014-15 Academy trusts' 2012/13 statutory accounts and related statements – **on**	(volume 188) Local authorities 100% (volume 152) Academies 83% (volume due 8,263) 2 consolidation exercises: (iii) Whole of Government Accounts 2011-12 submitted to HM Treasury February 2013. (iv) Consolidation of academy accounts into the EFA and departmental accounts 2012-13 – commencement of project completed in 2013.	**management letters for 2012/13 (due 31 December 2013):** Due: 2,256 Received on time (by 31 December 2013 deadline): 92% **Value for money statements 2012/13 (due 31 December 2013):** Due: 2,295 Received on time (by 31 December 2013 deadline): 74% **Budget forecast returns 2013/14 (due 31 July 2013):** Due: 2,824 Received on time (by 31 July 2013 deadline): 80% **Academy accounts returns 2012/13 (due 31 January 2014):** Due: 2,181 Received on time (by 31 January 2014 deadline): 93%

	track to be delivered December 2014		
External assurance visits undertaken to academies and sixth form colleges in line with the external assurance plan	255 audit visits - of which 52 support visits (to opening academies)	236 audit visits - of which 37 support visits (to opening academies)	**Key performance indicator** Activity delivered in line with our operational external assurance plan for 2013-14.
Percentage of financial management and governance self-assessments being completed by all new academies within 4 months of conversion (target 90%)	43% (320 out of 742 due)	38% (financial management and governance self-assessment only - 132 out of 343 due from academies opened between Sep 12 and Dec 12). 88% (combined financial management and governance evaluation/self-assessment) for 2012-13 overall.	**Key performance indicator** During 2012-13 we transitioned from the financial management and governance evaluation (FMGE) to the financial management and governance self-assessment (FMGS). From October 2012 new academies were required to complete an FMGS return within 4 months of opening. We have a range of actions in place to ensure timeliness rates improve, notably an explicit mention in documentation sent to potential converters.
Well-being of the sector (EFA funded education providers)	**Outcome 2013-14**	**Outcome 2012-13**	**Notes**
Number of investigations opened	7	6	Investigative data is a measure of activity rather than a measure of performance. The figures illustrated are not an assessment of what we deem to be either good or poor performance. 3 of the 6 investigations opened in 2012/13 have carried over into 2013/14.
Number of investigations live within year	10	6	
Number of investigations	All	0	We have closed 2 cases but the external

resulting in a finding of fraud on irregularity	live investigation cases still on-going		process is still ongoing.
Number of financial notices to improve issued to academy trusts or colleges	7 open 1 closed	1 open	Academies financial notices to improve[16]
Number of financial notices to improve issued to sixth form colleges	3 (2 financial health, 1 financial control)	N/A - measures were instated in 2013-14	Investigative data is a measure of activity rather than a measure of performance. The figures illustrated are not an assessment of what we deem to be either good or poor performance.
Post-16 education providers on providers risk register	75	N/A - measures were instated in 2013-14	
Post-16 education providers subject to intervention, by type	81	N/A measures were instated in 2013-14	Reasons for intervention include: financial health, financial control, inadequate inspection and vocational minimum standards.

* 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 90% of invoices (2012-13: 80%) within HM Treasury's policy of 30 days. Our figures under report timeliness as we calculate outcomes based on the invoice date and do not exclude disputed invoices, and we are developing measures to reflect true performance.

[16] https://www.gov.uk/government/collections/academies-financial-notices-to-improve

Annex B: abbreviations

Abbreviation	Definition
ACMF	Academy Capital Maintenance Fund
CCU	Central Capital Unit
CETV	Cash Equivalent Transfer Value
CFO	Chief Financial Officer
CFOG	Chief Financial Officer’s Group
CFR	Consistent Financial Reporting
COB	Capital Oversight Board
COGA	Conditions of Grant Aid
CRM	Customer Relationship Management
CSR	Comprehensive Spending Review
DfE	Department for Education
DSU	Department Security Unit
EFA	Education Funding Agency
EMA	Education Maintenance Allowance
EMB	Executive Management Board
FReM	Financial Reporting Manual
FRS	Financial Reporting Standard
GPU	Governance and Performance Unit
HMRC	HM Revenue and Customs
HMT	HM Treasury
IA	Internal Audit
IAIT	Internal Audit Investigations Team
IAP	Independent admission appeal panel

IAS	International Accounting Standards
ICT	Information and Communication Technology
IFD	Infrastructure and Funding Directorate
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
LA	Local Authority
NAO	National Audit Office
PAC	Public Accounts Committee
PCSPS	Principal Civil Service Pension Scheme
PIRAS	Privacy & Information Rights Advisory Service
PSBP	Priority School Building Programme
PSSWG	Public Sector Schools Working Group
SCS	Senior Civil Servants
SFA	Skills Funding Agency
SFVS	Schools Financial Value Standard
SME	Small and Medium Enterprises
SRMO	Security Risk Management Overview
SRO	Senior Responsible Owner
SSRB	Senior Salaries Review Body
UK	United Kingdom
UTC	University Technical College
VAT	Value Added Tax
VfM	Value for Money
XDIAS	Cross Departmental Internal Audit Services

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ISBN 978-1-4741-1191-1

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