Skills Funding Agency

Annual Report and Accounts 2014 to 2015

Skills Funding Agency Annual Report and Accounts 2014 to 2015

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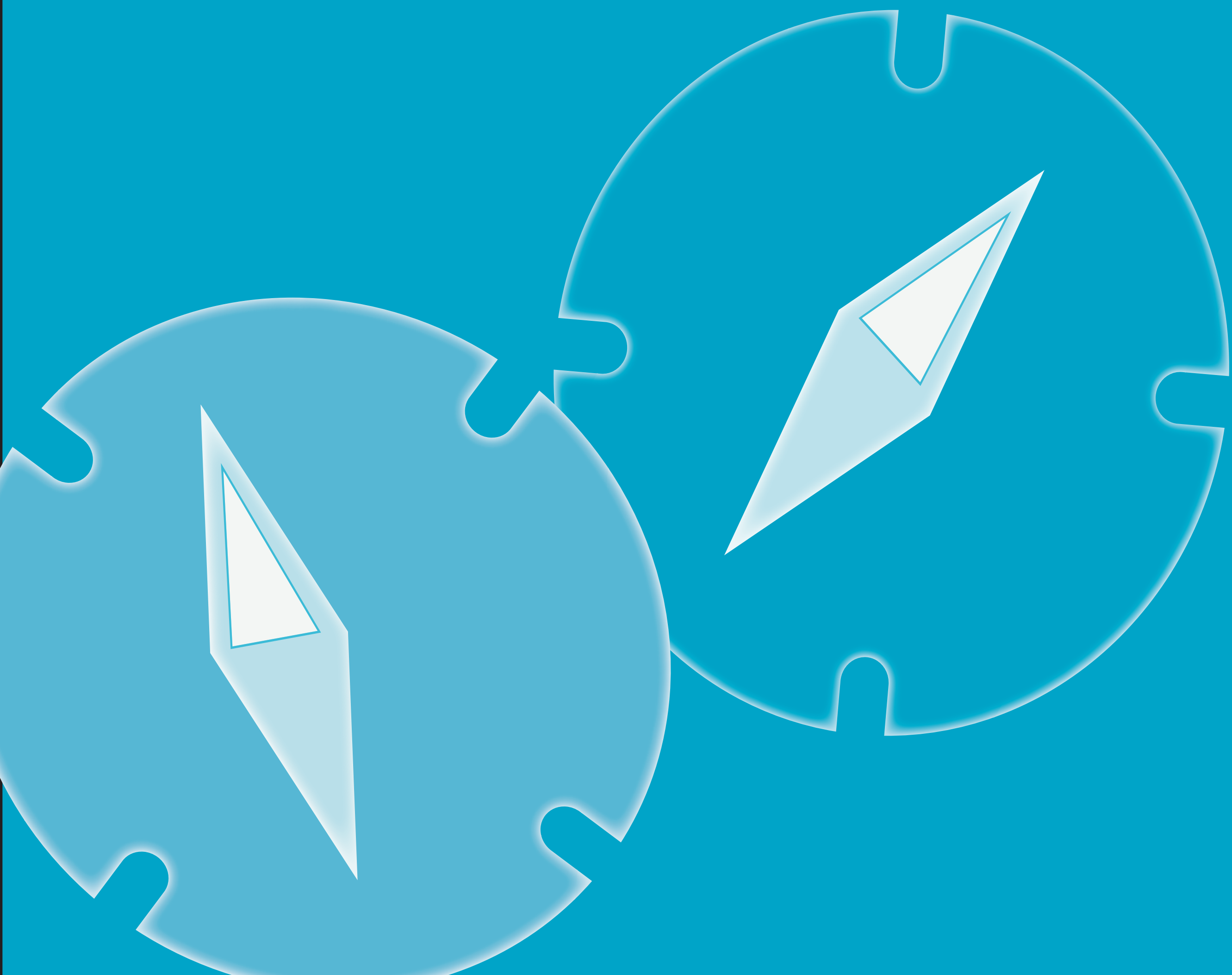


Chief Executive's Review

This financial year has seen a time of significant change for the Skills Funding Agency (SFA), as well as for the further education (FE) sector as a whole.

I was appointed permanent Chief Executive of Skills Funding in November 2014, following a period of interim chief executives. A restructure of the SFA was already underway, as part of the organisation's response to the Civil Service Reform Agenda and the changing landscape in the funding of adult skills. During this financial year, the SFA reduced the number of staff from 1,278 staff as at 31 March 2014, to a planned headcount of 925. These changes were to make sure that the SFA was structured so that it could meet its priorities as set out by government.

One of the main risks that the SFA has had to manage this year is the deteriorating financial health of the sector delivering the training provision we fund. Therefore I have continued to align the resources we have to put the SFA in the best position to support the FE sector and to deal with the increased possibility of calls on our intervention capacity.

We used our funding rules to fund the best-quality training provision and intervened when we had to, when training provision failed to meet our requirements. Working with the Department for Business, Innovation and Skills (BIS), the Education Funding Agency (EFA) and the FE Commissioner where appropriate, we handled 142 intervention cases last year.

In line with the government's policy to ensure that all transactions are digital by default wherever possible, we invested in our digital strategy, embedding sustainable digital capability across the SFA. This enabled us to allocate funding to 1,000 colleges and other training organisations online through a secure and reliable system. It also enabled us to move our key services to the 'cloud' and to new suppliers, maintaining business continuity throughout these changes.

The focus on delivering more high-quality apprenticeship opportunities continued throughout the year. We reached the target of starting two million apprenticeships in the last Parliament. This important achievement highlights our continued success in funding apprenticeships, giving people the skills they need to succeed and supporting businesses of all sizes to develop their staff. We have also made real progress on the traineeships programme.

Trailblazer employers are playing a crucial role in the future of apprenticeships. They are setting new standards and making sure that apprenticeships equip people with practical, relevant workplace experience; skills for now and in the future, and the ability to grow businesses and help organisations to be more effective.

The year culminated in a highly successful National Apprenticeship Week. This celebration of apprenticeships and traineeships included more than 500 events around the country, including events with the Prime Minister, Deputy Prime Minister and other ministers. During the week, employers pledged 23,000 new apprenticeship jobs.

So apprenticeships are at the heart of the government's skills strategy. And our programme of reform and raising quality standards has helped to ensure that apprenticeships are recognised as the 'gold standard' of vocational training.

Peter Lauener
Chief Executive
Skills Funding Agency

09 July 2015

What We Do

We fund skills training for FE in England. We support over 1,000 colleges, other training organisations and employers with more than £4 billion of funding each year.

The SFA funds the FE sector to deliver high-quality apprenticeships, traineeships, qualifications and skills. This will equip people of all ages with the qualifications and skills that employers need to compete locally, nationally and globally. Together, FE and vocational training create skills which contribute to growth and prosperity. We are responsible for giving colleges, other training organisations and employers the funding to help adults, young people, the unemployed and people with low skill levels, to achieve the skills they need for employment.

We operate nationally but ensure that we are adaptable and responsive enough so that local delivery can happen for individual employers, Local Enterprise Partnerships (LEPs) and local areas with devolved skills budgets.

Apprenticeships

Traineeships

National Careers Service

Our Achievements in 2014 to 2015

Achieved our target of delivering over **2 million apprenticeships** in the last Parliament by November 2014.

We are now able to allocate funds to, and pay, colleges and training organisations through The Hub, a secure online system.

We effectively managed over

£4.3 billion.

The Employer Ownership Fund has delivered **£10million** of skills investment supporting **51** employers.

Employers pledged **23,000 new apprentice jobs** during **National Apprenticeship Week 2015.**

120 apprenticeship standards now approved with more than 150 in development.

1,200+ employers involved in developing and designing these standards.

2,500 assessments on colleges and training organisations to assess their financial stability to deliver SFA funding.

The National Careers Service handled over 20 million visits on its website.

It gave 700,000 people careers advice.

2,500+ queries handled monthly by the CDS Service Centre.

Background and Objectives

The SFA is one of two successor organisations that emerged from the closure of the Learning and Skills Council (LSC). The LSC was established in April 2001 under the Learning and Skills Act 2000. It replaced the 72 Training and Enterprise Councils and the Further Education Funding Council for England.

In April 2010, the LSC was replaced by the SFA and the Young People's Learning Agency (YPLA). The YPLA then became the EFA.

The office of the Chief Executive of Skills Funding was established in law by the Apprenticeships, Skills, Children and Learning (ASCL) Act 2009. The Deregulation Act 2015 received Royal Assent in March 2015, which ensured that the SFA became an Executive Agency of BIS.

Our job is to fund and promote adult FE and skills training in England, including high-quality apprenticeship and traineeship opportunities, raising standards across vocational training.

During the financial year 2014 to 2015 we had five strategic objectives:

1. To deliver more high-quality apprenticeship and traineeship opportunities and to champion and encourage participation in apprenticeships and traineeships.
2. To convert government policy into practice and use the funding rules to buy the best-quality training provision and achieve the government's policy imperatives.
3. To provide financial assurance that we can properly manage and account for over £4 billion of public money spent on FE and skills.
4. To support businesses, local priorities and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs.
5. To achieve excellent business performance through our people.

Business Review

This section covers progress against strategic objectives, position at year-end, development and performance, risks and uncertainties.

1. To deliver more high-quality apprenticeship and traineeship opportunities and to champion and encourage participation in apprenticeships and traineeships.

We achieved our target of delivering over two million apprenticeships in the last Parliament by November 2014. Provisional data shows that there were 248,700 people who started on apprenticeships in the first two quarters of the academic year 2014 to 2015.

We have supported the reform of apprenticeships, with 120 apprenticeship standards now approved and more than 150 more in development. We have supported the employer-led Trailblazer groups to develop and design these new standards, with more than 1,200 employers now involved. As these new apprenticeship standards become ready for delivery we are also supporting the Trailblazers with this stage of their work.

We have developed traineeships, the new programme to support learners who need more help before starting an apprenticeship or a job. Provisional figures for August 2014 to January 2015 indicate that we delivered 9,200 traineeships in the first two quarters of the academic year 2014 to 2015.

The National Careers Service currently has the capacity to handle one million helpline calls from adults and 370,000 from young people. It gives 700,000 people face-to-face advice each year, and received 20 million hits on its website.

We commission regular research through an independent research company: IFF Research. Their final annual report of the 2013 to 2014 National Careers Service customer satisfaction and progression surveys indicated that most customers are satisfied by the service provided: 91% of face-to-face and telephone customers agreed that the overall quality of the service was good.

The survey also asked customers whether they had progressed in employment or learning in the six months since they had spoken to a National Careers Service adviser. The results were very positive: 94% of customers reported a positive benefit after using the service, including ‘personal added value’ such as increased motivation, confidence, developing skills and increasing their ability to make career decisions; 50% had progressed into employment.

We supported The Skills Show, now in its third year, which welcomed 73,858 visitors over three days in October 2014. The event featured a wide range of hands-on experiences and skills competitions designed to help shape the futures of those who attended. Independent careers advice was available throughout the event, with advisers placed alongside leading employer brands to inspire and encourage young people into work.

2. To convert government policy into practice and use the funding rules to buy the best-quality training provision and achieve the government’s policy imperatives.

Converting government policy into practice means ensuring that learners are able to access the right level and type of skills that employers need to help the economy grow. This also includes a role for the SFA in providing advice on how policy affects employers, colleges and other training organisations.

In line with the Open Data standards we collected and published information (to three-star format) to improve learner choice and strengthen colleges' and other training organisations' accountability. This supports the transparency agenda and encourages reusing FE data.

The SFA is undergoing a major digital transformation. Our 'Find an Apprenticeship' digital service is one of the 25 major services that has been redesigned to meet the Government Digital Service (GDS) digital by default service standard, as part of the GDS Transformation programme. The service helps people to search and apply for apprenticeships online and will replace the existing 'Apprenticeship vacancies' service.

The 'Find an Apprenticeship' digital service went into its public 'beta' phase in December 2014 and we have now passed our live assessment, allowing us to go fully live with the service to candidates in May 2015. The proportion of users who complete their registration currently stands at 91%.

We are also redesigning our own internal functions to meet the GDS transformation agenda. We have established a Central Delivery Service (CDS) to deliver and embed an end-to-end contract management service for colleges, other training organisations and employers, incorporating contract administration, contract compliance, robust performance management, operational procurement and risk management. The CDS core function is the first point of contact for the colleges, other training organisations and employers that contract with the SFA. This new approach is being shaped to support the sector to become more self-reliant and give them better access to digital resources such as e-contracting.

CDS has implemented a new service centre, which operates as a single point of contact and support system for all data-/system-related enquiries from colleges, other training organisations and employers. From August 2014 to March 2015 this service centre handled more than 2,500 queries each month.

We introduced a new funding model for Trailblazer standards from September 2014. As part of apprenticeships reform we supported the 'employer-routed funding' system by developing possible options for the funding mechanism. The chosen model, 'Apprenticeship Voucher', was announced in the March 2015 Budget.

We worked with BIS and the Student Loans Company to support the 24+ Advanced Learning Loans programme:

- maintaining and updating the qualifications eligible for funding with a loan, and the maximum loan amounts
- offering around 60 new colleges and other training organisations the ability to offer loans to learners
- developing and publishing a toolkit, and associated resources, for colleges and other training organisations to enable them to build their capacity and capability to offer provision funded with a loan

Our European Social Fund (ESF) compliance function works with colleges, other training organisations and employers to ensure that they have an in-depth understanding of their ESF contracts. This then means they are able to evidence their claims effectively, as well as supporting the colleges, private training organisations and employers selected to be used for match funding. This work is a critical element of risk management within the SFA and its primary focus is on minimising the error rate identified at the external audits carried out by the managing authority.

During 2014 we ran our fourth annual college and training organisation survey, which generated 594 responses, representing nearly 56% of our training providers. Overall, the results from the survey are very positive. We have consolidated our approval ratings in nearly all areas, whilst seeing increases in some. We have increased our approval rating for the timeliness of our funding allocations.

3. To provide financial assurance that we can properly manage and account for over £4 billion of public money spent on FE and skills.

We managed more than £4.3 billion of public money to a generally high standard, but my governance statement sets out circumstances which led to some £50 million of funding for college capital payments being made in advance of need, resulting in the qualification of the SFA's accounts for 2014-15. We spent 99 to 100% of each key element of our budget. We also provided assurance to the government and the public that we generally spent this money appropriately and achieved value for money. In addition, we have managed the closedown of our £1.6 billion 2007 to 2013 ESF programme and the start of activity for the £1 billion 2014 to 2020 ESF scheme. Both programmes support individuals not funded by the Adult Skills Budget (ASB).

With the EFA we have reviewed our financial health assessment model and developed a new counter-fraud policy. We completed 100% of our audit plan.

We recovered £1.2 million identified as being at risk and carried out over 2,500 assessments on colleges and other training organisations to assess their financial stability to deliver SFA funding.

In terms of our internal targets:

- sales invoices raised in 1.6 days (target three days)
- standing data changes made in 1.8 days (target two days)
- 98.9% of invoices paid in less than 30 days (target 95%)

Full details of our financial controls and accounts are available in the accounts section of this report.

4. To support businesses, local priorities and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs.

We have supported LEPs in developing plans for delivering the new ESF programme. We have also helped them to deliver their capital plans and their influence over skills provision through briefings, expert input and guidance and audit liaison. As the localism agenda and devolution of budget control accelerates, we expect this area of work to be a key aspect of how we commission and manage skills delivery.

Development of the Employer Ownership programme continues to shape skills to meet employers' needs. The first round of Employer Ownership projects finished in July 2014. Two further rounds of Employer Ownership projects have now started. Overall the Employer Ownership programme has supported 62 projects.

Of the new round 2 projects, there are a number of industrial partnerships (networks of employers) working to identify and solve skills issues related to the key industrial strategy sectors of the economy.

In addition, the Employer Ownership Fund has delivered £10 million of skills investment across five invitations to submit an application for funding. We have opened three invitations to the engineering sector and two for the automotive supply chain sector, supporting a total of 51 employers.

5. To achieve excellent business performance through our people.

Since the SFA was created in April 2010, the government has changed, skills policy has changed, our customers and stakeholders have changed, and our ways of working have changed. What has remained constant is our desire to improve what we do and how we do it. Our strongest asset is the dedication and commitment of our staff.

This year we have looked at the people elements of our Business Plan using our People Plan, which has built on the results from the Civil Service People Survey and the Civil Service Reform programme. Areas of focus include leadership and management of the SFA, embedding our performance management process and implementing our pay remit. This follows a year of organisational change during which the planned full-time headcount was reduced to 925 staff. We had an agreed pay remit for the financial year 2014 to 2015 that was intended to move the SFA closer in terms of pay to other Civil Service bodies doing similar work.

Position at the end of the year

Strategic Objective 1 – deliver high-quality apprenticeship and traineeship opportunities and to champion and encourage participation in apprenticeships and traineeships.	We have achieved this objective.
Strategic Objective 2 – convert government policy into practice and use the funding rules to buy the best-quality provision to achieve the government's policy imperatives.	We have achieved this objective. However, the general downward drift in financial health of colleges is of concern and the corresponding demand on SFA resources.
Strategic Objective 3 – provide financial assurance that we can properly manage and account for £4.6 billion of public money spent on FE and skills.	We have achieved this objective. However, the 2007 to 2013 ESF programme has been interrupted due to the level of provider errors.
Strategic Objective 4 – support businesses, local priorities and individuals to achieve outcomes related to employment and learning by commissioning and managing services that are based on customers' needs.	We have achieved this objective.
Strategic Objective 5 – to deliver excellent business performance through our people.	We have achieved this objective.

Principal risks and uncertainties

For more detail on these risks, please refer to the Governance Statement on page 39.

Significant Risk 1: **The Supply Chain Transformation programme stalls and consequently delays change within the SFA.**

To achieve our objectives we developed and managed a complex set of IT systems for our internal needs and the wider information needs of the whole FE and skills sector.

We mitigated these risks by maintaining strong controls over our information management programme and project-management processes. We worked closely with existing and prospective suppliers, BIS and Cabinet Office colleagues whilst maintaining good communications with the users of our systems. During the year there were significant improvements to our Data Collection and Funding Transformation (DCFT) programme, which is now a trusted and stable service.

Significant Risk 2: **Increasing weakness in the financial health of colleges, leading to increased intervention putting pressure on SFA staffing and financial resources.**

One of the most significant risks that the SFA has had to manage and will have to continue to manage over the coming years, is the deteriorating financial health of the sector delivering the training provision we fund. The financial pressure is due to reduced funding, and a more cautious stance by banks on lending. This will result in increased work for the SFA in managing intervention cases.

The SFA will continue to mitigate these risks by analysing early the financial plans of colleges most at risk to establish whether they are sufficiently robust. We will monitor potential cases for intervention through college management accounts and intervene early when there are signs of financial weakness to bring about recovery/structural change where appropriate.

Significant Risk 3: **The SFA is unable to meet the expectations of devolved administrations due to resource limitations and complexities of differentiated local deals.**

Since the SFA restructured in 2014, the government has agreed a number of new local deals, all of which have resource implications. The resource implications of the 2014 to 2020 ESF programme remain unclear, but they are greater than the 2007 to 2013 programme due to the devolution to LEPs of the local commissioning role and increased requirements from the European Union.

We will continue to mitigate this risk by continuing to work as planned with LEPs, areas with devolved skills budgets and with BIS to understand the resource implications of the increase in local devolution deals.

Forward look

Government priorities have remained broadly the same since 2010, signalling that it sees its role as setting strategic priorities, not micro-managing delivery.

The SFA must play its role and be flexible enough to respond to changing skills needs.

The SFA faces considerable challenges in the year ahead with reducing budgets, increased targets and changes to the political landscape. The SFA must simplify and standardise the funding system to work in the most efficient and effective way. For the 2015 to 2016 financial year, apprenticeships, traineeships, English and maths remain the key areas of focus for the SFA and the FE and skills sector.

There is cross-party political support for apprenticeship growth from now until 2020. And at the heart of apprenticeships are employers. We need to increase the number of employers that offer apprenticeships, particularly small and medium-sized enterprises (SMEs). Engaging with more employers is absolutely crucial because getting apprenticeships right for the changing workplace depends on their involvement and investment.

Apprenticeships will continue to be the key to solving skills shortages and coping resiliently with the country's future skills requirements.

We are working more closely with employers to recognise that investment in skills is an economic imperative. More of the skills budgets are in the hands of employers and, through the devolution of some skills powers through a number of bespoke local agreements, funding is being used specifically to boost apprenticeships or other locally tailored skills solutions.

We will have to achieve these objectives in an environment of increased pressure on budgets. Consequently, we will be looking at greater cost savings from closer working between the SFA and the EFA.

Apprenticeships are vital to boosting business competitiveness and crucial to giving individuals the skills they need to further their career aspirations, and as such they will continue to be a priority for both funding agencies.

Financial Commentary

Accounts direction and statutory background

1. We have prepared these accounts under an accounts direction issued by BIS in accordance with Schedule 4 of the ASCL Act 2009.

Going concern

2. The statement of financial position at 31 March 2015 shows net assets of £162.1 million (31 March 2014: £69.4 million net assets).

3. Funding from BIS and the Department for Education (DfE), taking into account the amount required to meet the SFA's liabilities falling due in the year, has already been included in the Departments' estimates for that year. Parliament has approved these estimates, and there is no reason to believe that the Departments' future sponsorship and future parliamentary approval will not be forthcoming.

4. Therefore, it is appropriate under the government's 'Financial Reporting Manual' ('FReM') to prepare this set of accounts on a going concern basis.

Year-end position

5. The net book value of non-current assets at 31 March 2015 was £53.3 million. This is a decrease of £10.3 million on the previous year as we added less to our intangible IT systems relative to last year.

6. The SFA's receivable balances rose significantly to £323.9 million (31 March 2014: £180.6 million), mainly due to a rise in receivables relating to the funding we claim to support our ESF programme.

7. At 31 March 2015, the SFA held cash balances of £97.9 million (31 March 2014: £149.9 million), including funds drawn down from the ESF. This reflects an increase in the receivable balances due in relation to the ESF programme.

8. At 31 March 2015, the SFA had payable balances of £272 million (31 March 2014: £269.6 million). This was very similar to last year's total, although there were some movements in the composition of the balance.

9. International Financial Reporting Standard (IFRS) 7 require organisations to disclose information on the significance of financial instruments to their financial position and performance, and we show this in note 8 to the accounts.

10. The most significant credit risk to the SFA arises from the failure of learners to repay loans provided to them under the Professional and Career Development Loan (PCDL) programme. In such circumstances, the SFA has an obligation to fund the cost of the default to the bank that provided the loan; we describe the situation for the financial year 2014 to 2015 in note 13 to the accounts.

11. Additional significant credit risk to the SFA arises from the non-payment of debts owed by private sector training organisations that are contracted to provide training services. The financial impact of this is largely attributable to training organisations' insolvency and the overall financial impact is currently not material – see note 19 to the accounts.

12. The SFA operates an unfunded multi-employer defined benefit pension that is provided by the Principal Civil Service Pension Scheme (PCSPS). We paid employer contributions of £7.87 million during the year (financial year 2013 to 2014: £10.49 million), but we are unable

to identify our share of the underlying assets and liabilities. Further information is available in note 2 to the accounts and at civil service-pensions.gov.uk.

Development and performance

13. The accounts cover the period from 1 April 2014 to 31 March 2015.

14. BIS funds the SFA and in the financial year to March 2015 it provided £4.27 billion (2013 to 2014: £4.36 billion). The largest source of income was ESF, which contributed £248.6 million (financial year 2013 to 2014: £159.5 million).

15. The results for the financial year to March 2015 show net expenditure of £4.18 billion (financial year 2013 to 2014: £4.35 billion), which is determined by the overall comparison of expenditure against income.

16. Capital expenditure on additions in the year, mainly on computer systems, was £14.1 million (financial year 2013 to 2014: £26 million) as relative to previous years the SFA's investment in IT systems was lower.

17. The Late Payment of Commercial Debts (Interest) Act 1998 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 invoice was received. The target set by the Cabinet Office for payment to suppliers within 30 days is 95%. In the financial year to March 2015, we paid 98.9% of our invoices within 30 days (financial year 2013 to 2014: 96.9%) and 92.3% of our invoices within three days (financial year 2013 to 2014: 92.9%). We incurred no interest charges in respect of late payments for the financial year 2014 to 2015 (2013 to 2014: £41.40 relating to one payment).

18. The SFA paid no political or charitable donations in the financial year to March 2015 (financial year 2013 to 2014: £nil).

19. Note 18 to the accounts shows the related party interests of the SFA and its senior staff, the most significant of which is the EFA, as we share the same Chief Executive, Peter Lauener.

Main trends and factors underlying development and performance

20. In relation to our own administration costs, by saving over £130 million between the financial years 2011 to 2012 and 2014 to 2015 we have exceeded our savings target of £120 million over that time.

21. We have completed our reorganisation programme, which has seen the number of SFA staff fall from 1,278 at the end of last year to 893 as at 31 March 2015 (see also note 2 to the accounts on page 62, for average equivalent full-time staff employed).

22. Overall programme expenditure was £4.34 billion, which is slightly lower than the previous financial year total of £4.39 billion.

23. The ASB continues to operate under the new freedoms and flexibilities, with the key principle of employer ownership of the skills agenda underpinning developments. Apprenticeships remain a key element of the skills system.

24. We are committed to improving quality and value for money in the skills system, while ensuring that the offer to young adults is tailored to the future needs of employers and thereby supports economic growth. The traineeships programme celebrated its first anniversary this year and will continue to grow, enabling more young people to compete for an apprenticeship or other job.

25. The apprenticeships Trailblazers programme focuses on some key economic areas, such as aerospace and digital services. Employers from these sectors will continue to lead groups that develop new, simpler apprenticeship

standards for their industry. Some of these are already in use, such as that for the ‘aerospace manufacturing electrical, mechanical and systems fitter’ (https://www.gov.uk/government/collections/apprenticeship-standards).

26. The programme of reform for adult skills will continue to impact on the SFA in future years. The government announced a voucher model for funding apprenticeships in the March 2015 budget and we have started to design this with employers. The government announced three Growth Deals that included skills in July 2014, covering Manchester, Sheffield and Liverpool. A further four devolution deals were announced in the spring of 2015 covering London, West Yorkshire and once again Manchester and Sheffield. The SFA is now working with BIS, LEPs and Combined Authorities in these areas to implement the deals. From 2015 the LEPs will take on specific responsibility for the capital budget that supports development of the FE college estate.

Auditor

27. The accounts are audited by the Comptroller and Auditor General, who is appointed by statute and whose Certificate and Report, appears on page 47. The notional audit fee is £150,000 (financial year 2013 to 2014: £150,000) and no other services were provided during the year.

28. As Accounting Officer I confirm that:

- there is no relevant audit information (as defined) of which the auditors are unaware
- I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information
- I have taken all the steps that I ought to in order to establish that the SFA’s auditors are aware of the audit information

Peter Lauener
Chief Executive
Skills Funding Agency

09 July 2015

Programme Assurance

This section explains how we make sure that colleges and other training organisations use the public funding we give to them properly.

Assurances on entitlement to, and the proper use of, Skills Funding Agency funds

1. To gain assurance about the proper use of public funds that colleges and other training organisations receive, the SFA has a Provider Financial Management and Assurance (PFMA) team. As set out in the Accounting Officer's Governance Statement, the PFMA team is responsible for planning, co-ordinating and carrying out audit and other work to secure this assurance. The SFA's audit and risk committee scrutinises the outcomes of this work.

Overview

2. The approaches we use to obtain assurance depend on the risks associated with colleges, training organisations and funding streams. We have designed them to minimise bureaucracy.

3. The PFMA team, the EFA and local authorities, working with us under the Joint Audit Code of Practice (JACOP), carry out reviews and audits that provide us with assurance.

4. The Higher Education Funding Council for England (HEFCE) funds higher education institutions that are often significant providers of 16 to 18 and adult learning. HEFCE provides assurance to the SFA on higher education institutions' funding as part of the mutual assurance arrangements between HEFCE and the SFA.

5. Where we provide grant funding to organisations, such as to FE colleges, the SFA places assurance on the audit work that those organisations' auditors carry out. The SFA's PFMA team reviews the findings of external auditors alongside other returns required from those organisations to ensure that they provide the required assurance.

6. For private sector and other training organisations funded under contract, the PFMA team undertakes direct assurance work, consisting of reviews to ensure that funds have been claimed in accordance with the funding rules.

7. The SFA's PFMA team carries out reviews under the SFA's funding assurance approach. We carry out these reviews on a sample of FE colleges and other training organisations, which allows the SFA to understand the most likely underlying level of errors across its key funding streams, and the nature of those errors. During the year we have reviewed and refined our methods to improve awareness of the underlying errors. In addition, the PFMA team carried out responsive work to cover known risk areas.

Assurance on grants

8. Included in these financial statements are grants to FE colleges and other training organisations that the SFA has paid for the academic years ending 31 July 2014 (four months) and 31 July 2015 (eight months).

9. The mismatch between financial and academic year accounting periods means that we only receive certain formal assurances on entitlement and the proper use of the funds from these colleges and other training organisations after the financial year-end. The overall picture is described in the section below.

FE colleges and other training organisations

10. During the financial year 2014 to 2015, we paid grants of £1.85 billion (2013 to 2014: £2.18 billion) to FE colleges and other training organisations. All colleges are required to return a year-end funding claim certified by the Principal. A total of 55 colleges received a review of their funding claim for the academic year 2013 to 2014, which the SFA's PFMA team completed jointly with a number of contracted audit firms. As a result of the reviews, no colleges received a qualified opinion.

11. For most colleges, the primary sources of assurance for the SFA's financial statements for the financial year 2013 to 2014 are the audit opinions on their own financial statements for the academic year ended 31 July 2014, and the regularity audit opinions. The regularity audit at colleges provides assurance about whether colleges have applied expenditure and income for the purposes intended by Parliament and takes place alongside the financial statements audit. Colleges provide the SFA with an audited statement on regularity, propriety and compliance, signed by the Chair and Principal on behalf of the governing body.

Table 1: Position of FE colleges in the academic year 2013 to 2014, representing £1.97 billion in grant funding (2012 to 2013: £2.08 billion)

	Due	Received	Qualified	Outstanding
Audited final funding claims	55	55	0	0
Financial statements audits	245	241	0	4
Final regularity opinions	245	241	0	4

12. There are four colleges that have their final financial statements audit opinion outstanding. Each of these also has its regularity opinion outstanding. We are pursuing the outstanding returns.

13. The SFA takes assurance from the EFA under the JACOP and from HEFCE on grant funding paid to institutions within their financial oversight arrangements.

Assurance on funding under contracts: private sector and other training organisations

14. For the financial year 2014 to 2015 the SFA's PFMA team has carried out audits at a sample of private sector and other training organisations to ensure that they have properly claimed the funds provided by the SFA under their contracts. We selected our sample of reviews using random sampling and targeted (responsive) reviews of known risk areas. Where we have identified errors from those reviews we have taken action to recover the funds.

Statistical sampling and extrapolation methodology

15. We seek assurance that colleges and other training organisations claim funding in accordance with our funding rules. We gain assurance through our systems and processes, including contract and performance management and data analysis, along with a programme of direct audit/assurance reviews and reliance on the work of other auditors, where appropriate.

Sampling methodology for direct assurance work

Provider level

16. We select colleges and other training organisations for review on mainstream funding on both a random and risk basis. As part of the agreed simplification and bureaucracy reduction programme, the selection of colleges is biased more towards a risk-based sample, to take into account the other information that we hold and other assurance available.

17. The selection of other training organisations is biased more towards a random sample but with coverage of those identified as at higher risk.

18. Carrying out random sampling of colleges and other training organisations allows us to estimate the underlying error based on an assumption that the results of the sample are representative of the whole population.

Learner level

19. The work carried out at each college or other training organisation includes the following:

    a. A review of data exception reports and testing arising from that review.

    b. Testing of a random sample of individual learner files and transactions to ensure that there is evidence that the funding has been claimed correctly.

20. Where we find errors, we seek to establish whether they are isolated or systematic. Where errors are systematic we carry out further work to identify the full extent of that type of error at the college or training organisation.

Extrapolation methodology

21. The extrapolation methodology aims to estimate the full extent of the error across all colleges and other training organisations. Isolated errors are extrapolated at the college or training organisation and across others. Systematic errors identified at a particular college or training organisation are extrapolated across others. We treat errors found from examining exception reports as 'known errors' and do not extrapolate them.

22. The results of the testing at colleges and other training organisations also produces a recovery of funding that we use to adjust the total estimated level of error.

23. The SFA tests a sample of colleges and other training organisations and a sample of learner files and transactions within them. Using statistical techniques we estimate the most likely level of error, as well as confidence intervals associated with the volume of testing undertaken.

The nature of errors

24. Almost all of the errors from testing relate to misapplication of our funding rules, or insufficient evidence to support the application of the funding rule, rather than ineligible learners or funding claimed where there is no learner.

25. We have improved our funding rules by clarifying both the rules and evidence requirements. This should reduce the incidence of misapplication errors. We also provide a data self-assessment toolkit to enable colleges and other training organisations to review their data and correct errors.

Intervention

26. The SFA regularly reviews the performance of colleges and training organisations. This is to assess the risk of them failing to provide training that makes efficient and effective use of public funds.

27. The document 'Rigour and Responsiveness in Skills' sets out the policy for intervention with colleges, training organisations and other bodies that we fund.

28. If formal intervention is triggered in an FE college, local authority maintained institution, or specialist designated institution, we will issue a 'Notice of Concern'. The notice will set out the matters that need rectifying, the timescale to remedy them, the conditions under which we would lift the notice and any additional conditions of funding during the notice period. Failure to comply with the terms of a notice may lead to further intervention.

29. The SFA will consider whether to refer cases to the FE Commissioner for review and advice at any point where intervention has been triggered.

30. The triggers for formal intervention are:

- notification to the college or training organisation of failure to meet Minimum Standards
- notification to the college or training organisation of failure to meet the SFA's criteria for financial health or control
- notification to the college or training organisation from Ofsted of an inadequate grade at inspection

31. With training organisations funded under a contract for services, the SFA may terminate the contract with three months' notice. In exceptional circumstances we will issue a 'Notice of Breach', setting out the conditions the training organisation must meet to continue to receive public funds. Failure to meet the conditions in the notice may lead to termination of the contract.

Table 2: Number of FE colleges and other training organisations under a notice as at 31 March 2015

FE college, local authority maintained institution, or specialist designated institution	66
Training organisations funded under a contract for services	7
Direct grant-funded large employers	4
Sixth-form colleges	2
Total	79

Social, Community and Human Rights Issues

FE and training creates skills which contribute to growth and prosperity. Our role is to deliver the government's skills priorities: to deliver more high-quality apprenticeship and traineeship opportunities, and raise standards across vocational training, with a particular focus on English and maths. These skills are essential for people to be productive citizens as well as in the workplace. In the academic year 2013 to 2014 more than 951,800 learners participated in basic English and maths learning.

We support government, employers and learners by developing informed users of skills and learning provision, through the National Apprenticeship Service (NAS), the National Careers Service and the provision of education and skills information. As part of the government's commitment to support unemployed people into work, we fully fund learning for people in receipt of employment-related benefits. We also give colleges and other training organisations the discretion to fully fund learners in receipt of other state benefits who are looking for work.

We are committed to playing our part as an active corporate citizen by sharing our expertise, skills and resources and creating partnerships which have a positive impact on our wider communities. Accordingly, we encourage our staff to engage as volunteers in a broad range of social, environmental and economic initiatives in the communities in which they live and work. Where this work is recorded on and supports their personal development plan, colleagues may take a reasonable amount of paid time off each year.

In the academic year 2013 to 2014 we supported the following specific groups:

581,900 unemployed learners.

657,200 learners through Community Learning to improve the social and economic well-being of individuals, families and communities.

95,300 offenders, through the Offenders' Learning and Skills Service (OLASS), which enables offenders in prisons and those supervised in the community to gain skills and qualifications they need to hold down a job and have a productive role in society.

Employee Information

As at 31 March 2015, we employed 893 dedicated staff. We have three divisions to enable us to focus on our priorities: Apprenticeships, Funding and Programmes, and Operations.

Composition of staff

Table 1: Headcount as at 31 March 2015

Band	Female	Male	Total
Business Support	71	18	89
Adviser	207	119	326
Managerial	184	166	350
Senior Managerial	52	50	102
Deputy Director	11	11	22
Executive Director	1	2	3
Chief Executive*	0	1	1
Total	526	367	893

* Employed by the Department for Education but role is shared between the EFA and SFA.

Our reorganisation programme saw the SFA reduce further in size relative to previous years from 1,278 staff as at 31 March 2014, to a planned headcount of 925. The SFA is currently below its planned full-time headcount of 925.

Table 2: Headcount as at 31 March 2014

Band	Female	Male	Total
Business Support	92	37	129
Adviser	251	130	381
Managerial	307	261	568
Senior Managerial	83	81	164
Deputy Director	15	15	30
Executive Director	3	3	6
Total	751	527	1,278

The reorganisation programme started in 2014 is now virtually complete. As part of this exercise we reduced the number of pay grades from 10 to 5. Also, in preparation for becoming an Executive Agency, we changed our pay scales as part of the Pay Remit 2014 submission. They are now more closely aligned to those in BIS. We are aware that we will be under continuing scrutiny and pressure to keep our pay scales under review.

We will focus on performance management to continue to get the best out of our staff. In 2015, we developed and launched an SFA People Plan to enable us to address the people-specific elements of our Business Plan.

Staff policies

The SFA has a comprehensive suite of policies, both to protect staff and maximise their engagement and productivity. Flexibility of resource will become a key priority for us in future. We will need robust recruitment and selection and flexible-working policies to support this aim.

Sickness absence

The table below shows that the average absence for each staff member has reduced significantly relative to last year:

Disability policies

We are committed to being an exemplar in terms of our approach to equality and diversity matters. We adhere to the duties outlined in the Single Equality Scheme but we also go further in our approach to recruitment, staff development and reward. Better reflecting the diversity of the community will also help us to serve learners and employers. We support staff who suffer ill-health or changes to any medical conditions by putting reasonable adjustments in place to ensure that they are able to continue working.

Table 3: Sickness absence

Financial Year	2014 to 2015	2013 to 2014
Total days lost to sickness	4,822	8,550
Average number of staff	945	1,257
Average days lost for each staff member	5.1	6.8

Employee engagement

Successful employee engagement is key to maximising our performance in light of continuing pressures on the administration budget and the pressure to reduce our average salary. The table below shows how we will continue to build employee engagement.

Table 4: Building employee engagement

What we will do	How we will do it
Provide employees with information on matters that concern them.	Through the internal staff bulletin, the intranet and through regular team meetings and Business in Brief sessions (which are a regular internal update for staff).
Consult employees /representatives regularly so that we take into account their views.	Through the Civil Service People Survey and the Staff Consultative Committee, as well as through formal consultation with the SFA's recognised union, the Public and Commercial Services Union.
Encourage involvement in organisational performance.	By linking organisational objectives to personal objectives and by incentivising good performance through staff recognition vouchers and the annual performance award.
Achieve common awareness for all employees of the financial and economic factors affecting organisational performance.	Primarily through Business in Brief and the Chief Executive's weekly newsletter, and through team meetings.

Directors Report

Our Management Team

Executive Officers of the Skills Funding Agency

Peter Lauener

Chief Executive of Skills Funding (from 3 November 2014)

Sue Husband

Director of the National Apprenticeship Service (from 12 May 2014)

Paul McGuire

Chief Operating (and Financial) Officer

Keith Smith

Director of Funding and Programmes (and Chief Executive from 24 August 2014 to 2 November 2014)

As far as the Executive Officers of the SFA are aware, at the time the annual report is approved:

- there is no relevant audit information of which the auditor is unaware
- they have taken all the steps that they ought to have taken as a director to make themselves aware of audit information and to establish that the auditor is aware of that information

The following were also Executive Officers of the SFA from the start of the financial year 2014 to 2015 until the date shown:

Barbara Spicer CBE*, Chief Executive of Skills Funding (until 24 August 2014)

Kim Thorneywork CBE*, Chief Executive of Skills Funding (until 31 July 2014)

Members of the Advisory Board

The Advisory Board ensures that the SFA has direct input from customer groups in shaping and influencing its work. It advises on the implementation of key policy initiatives and on the effectiveness of their delivery, as well as providing a challenge and feedback mechanism for employers, learners and stakeholders.

The Advisory Board met five times in the financial year 2014 to 2015 (2013 to 2014: four times) and minutes from each meeting are available on the SFA's website. Paul Drechsler remains Chair of the Advisory Board and a full list of members for the year is below:

The following were members of the Advisory Board for the financial year 2014 to 2015 to the date shown:

Barbara Spicer CBE* (to 24 August 2014)

Kim Thorneywork CBE* (to 31 July 2014)

Professor Ruth Farwell (to 8 May 2014)

Sue Husband (to 4 May 2014)

Ian Pryce (to 10 September 2014)

* Kim Thorneywork CBE was on extended leave due to ill health before leaving the SFA; Barbara Spicer CBE was appointed Chief Executive of Skills Funding for a nine-month, fixed-term period that ended on 24 August 2014.

Member	Role	From	To
Paul Drechsler CBE	Chairman, Teach First and Chairman, Bibby Line Group		
Peter Lauener	Chief Executive, SFA	3 November 2014	
Barbara Spicer CBE	Chief Executive, SFA		24 August 2014
Kim Thorneywork CBE	Chief Executive, SFA		31 July 2014
Michael Davis	Chief Executive, UK Commission for Employment and Skills		
Martin Doel OBE	Chief Executive, Association of Colleges		
Mark Farrar	Chief Executive, Association of Accounting Technicians		
Professor Ruth Farwell	Vice-chancellor, Buckingham New University		8 May 2014
Jon Graham	Chief Executive, JTL Training		
Ian Pryce	Principal, Bedford College and Vice-chair 157 Group		10 September 2014
Rachel Sandby-Thomas	Solicitor and Director General, Enterprise and Skills, Department for Business, Innovation and Skills		
Stewart Segal	Chief Executive, Association of Employment and Learning Providers		
Joe Vinson	Vice-president for Further Education, National Union of Students		
Rob Wall	Head of Education and Skills, Confederation of British Industry		
Les Walton CBE	Chair, Northern Education Trust and Education Funding Agency		
Tim Ward	Chief Executive, Learning Curve and Third Sector National Learning Alliance		
Tom Wilson	Director, unionlearn, Trades Union Congress		

Note: where no date is shown, the member served a full year.

Members of the Audit and Risk Committee

The committee met three times during the financial year 2014 to 2015 (2013 to 2014: three times) and comprises three independent non-SFA employees drawn from the Advisory Board, including an independent chair:

Member	Role
Mark Farrar (Chair)	Chief Executive, Association of Accounting Technicians
Martin Doel OBE	Chief Executive, Association of Colleges
Jon Graham	Chief Executive, JTL Training

Other attendees are: the Chief Executive of Skills Funding, the Chief Operating (and Financial) Officer, the Chief Internal Auditor, an observer from BIS and an observer from the National Audit Office (NAO).

Other information

Pension liabilities

Most pension benefits to SFA staff are provided by the PCSPS, which is an unfunded, multi-employer defined benefit scheme. We pay employers' contributions based on pensionable pay for members of the scheme.

We account for benefits of the scheme in line with our policy in note 1.13 on page 58. More information is available in note 2b to the accounts on page 61 and in the Remuneration Report for our most senior staff.

We are unable to identify our share of the underlying assets and liabilities of the PCSPS. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation at civilservicepensionscheme.org.uk.

Related parties

Note 18 to the accounts on page 79 shows that the EFA is a related party because Peter Lauener is Chief Executive of both organisations. No other directors of the SFA hold posts or have significant interests in addition to their role at the SFA that could be viewed as conflicting with their management responsibilities.

Auditor remuneration for non-audit work

The NAO charged a notional fee of £150,000 to audit our accounts for the financial year 2014 to 2015. The NAO undertook no further work on our behalf during this time.

Public sector information

The SFA is a holder of public sector information but we do not charge for any data we provide.

Political donations

We made no political donations during the financial year 2014 to 2015 (2013 to 2014: £nil).

Financial instruments and financial risk management

We are exposed to significant credit risk from two main sources: the PCDL programme (as a result of our obligation to fund the cost of student defaults on loans) and, to a lesser extent, private sector training organisations that become insolvent. For a more comprehensive explanation, please refer to paragraphs 9 to 11 in the Financial Commentary section on page 11.

Important events after 31 March 2015

There have been no events between 1 April 2015 and the date the accounts were signed that would have a material impact on the SFA.

Future developments

Two million people started an apprenticeship during the last Parliament and we expect this to continue to be a priority over the course of the new Parliament.

There will be further pressure on the availability of funds to support other FE and adult skills programme areas.

We expect further reductions in our administration budget, so we will continue to simplify our processes and systems and become more efficient and effective. We anticipate closer collaboration with our colleagues at the EFA to help us achieve this aim.

Research/development activities

There has been no expenditure on research and development in the current or previous financial year.

Employee sickness absence

We include details of employee sickness absence in the Employee Information section on page 20.

Personal Data-related Incidents

We have prepared the following tables in response to Cabinet Office guidance on reporting personal data-related incidents in the management commentary section of departmental resource accounts.

Table 1: Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office in 2014 to 2015

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No protected personal data-related incidents were formally reported to the Information Commissioner's Office.				
Further information on information risk	The Chief Executive of Skills Funding continues to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Table 2 below sets out incidents recorded centrally within the Department but that the Data Controller considers not to fall within the criteria for reporting to the Information Commissioner's Office. We do not record small, localised incidents centrally and we do not cite them in these figures.

Table 2: Summary of other protected personal data-related incidents in 2014 to 2015

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises.	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises.	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	Nil
IV	Unauthorised disclosure.	Nil
V	Other.	Nil

Sustainability Report

Overview

1. All public sector bodies reporting in accordance with the government's 'FReM' are required to produce a sustainability report.

2. This is the fourth year the SFA has monitored its environmental impact, which we compare against the baseline of the financial year 2011 to 2012.

Summary of performance

3. The SFA has met its target of a 25% reduction in CO_2 emissions by 2016. We have included information relating to performance in specific areas in the relevant data section.

4. We have put in place national contracts to allow the measurement of Scope 3 emissions. However, the SFA's estate comprises many types of occupancy: some are shared with other organisations and some are leased as part of multi-occupancy buildings, where the landlord provides services for a service charge. As a result, where landlords provide the SFA with electricity, gas and water supply in return for a service charge, we have estimated the cost.

5. The main direct impacts for the SFA are in its electricity and gas consumption and business travel. No greenhouse gas (GHG) emissions occur from sources we own or control.

Summary of future strategy

6. BIS Property Asset Management shared service provides the estate management function. The SFA's environmental policy objectives and environmental improvement projects align with those of BIS, which has a single estates strategy.

7. Increasingly the SFA's staff are co-located in premises that are occupied together with BIS staff and those from other BIS partner organisations, such as the Advisory, Conciliation and Arbitration Service (ACAS) and The Insolvency Service (INSS) or other government bodies.

Targets and direction of organisation

8. The SFA has met its single target, which was to reduce CO2 emissions by 25% by 2016.

Table 1: Performance data (GHG emissions)		2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Gross emissions tonne CO_2	Scope 1 – direct GHG emissions (including sources that the SFA controls).	Nil	Nil	Nil	Nil
	Scope 2 – indirect GHG emissions (including electricity supply and gas consumption). See note 3.	1,696	1,768	2,100	2,475
	Scope 3 – indirect GHG emissions (including business travel that the SFA pays for directly).	589	1,063	1,048	1,124

Table 2: SFA GHG emissions in the financial year 2014 to 2015

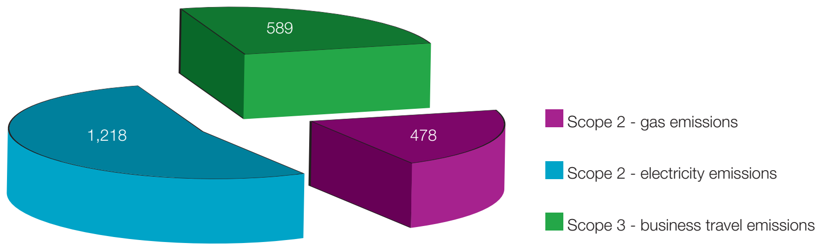
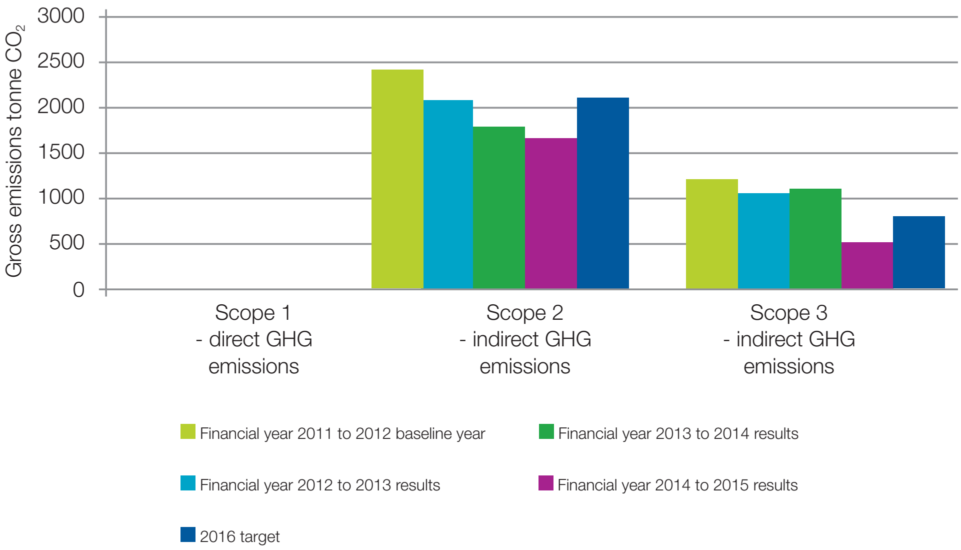


Table 3: SFA performance against CO_2 reduction target



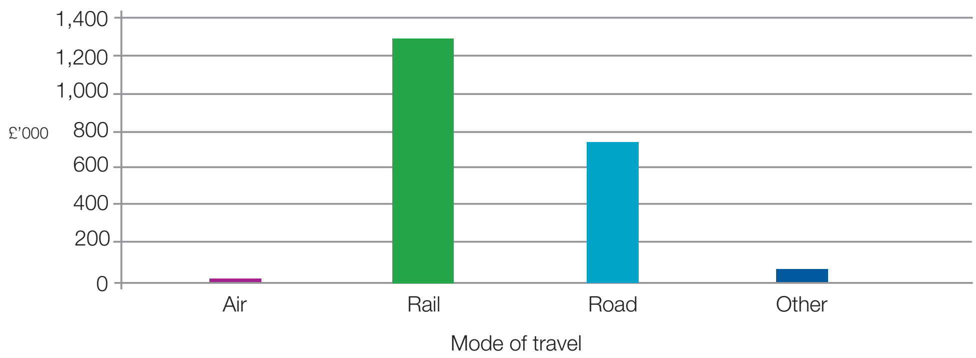
9. The SFA has met its target to reduce its scope 2 emissions by 25% from the baseline year. We have achieved this principally through estate rationalisation, which has been one of our major projects. We have reduced floor area by 8,552m² by vacating six offices. In addition, we check all plant regularly to optimise performance. With the upgrade to equipment and the installation of LED lighting at the SFA's largest site in Coventry, the Display Energy Certificate (DEC) score has improved from 148F in 2012 to 107E in 2014.

Table 4: GHG emissions-related performance data	2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Electricity kWh	2,285,058	2,540,158	2,738,227	3,887,740
Electricity kWh for each full-time equivalent member of staff	2,388	2,003	2,175	2,842
Gas kWh	2,588,515	3,507,714	3,506,228	3,963,050
Gas kWh for each full-time equivalent member of staff	2,705	2,766	2,785	2,897
Business km travelled	6,271,325	9,544,067	9,567,932	9,965,401
Business km travelled for each full-time equivalent member of staff	6,553	7,527	7,600	7,285

10. In line with the reduction in CO_2 emissions, we have reduced our gas and electricity consumption in the last year and the amount of business travel has decreased significantly. The SFA promotes the use of video and telephone-conferencing facilities to minimise the need to travel for internal and external meetings.

Table 5: Financial indicators	2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Energy expenditure – electricity	£326,605	£325,587	£340,551	£494,854
Energy expenditure – gas	£64,488	£112,195	£117,799	£163,484
Carbon reduction commitment-related expenditure	£19,782	£23,866	£31,752	£0
Expenditure on business travel	£2,135,550	£2,967,863	£2,899,122	£2,511,998

Table 6: Expenditure on travel in the financial year 2014 to 2015



11. The carbon reduction commitment (CRC) expenditure shown relates to resources consumed in the financial year 2013 to 2014, with allowances being purchased in the financial year 2014 to 2015 as required by the scheme. We expect to buy CRC allowances for consumption in the financial year 2014 to 2015 in the summer of 2015 and surrender them shortly after.

Table 7: Waste minimisation and management		2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Non-financial indicators (tonnes)	Total waste arising	174	344	933	2,667
	Waste recycled / reused	150	261	894	Not known
	Waste incinerated / energy from waste	10	61	7	Not known
	Waste sent to landfill	14	22	32	Not known
	Total waste arising for each full-time equivalent member of staff	0.18	0.27	0.74	1.95
Financial indicators	Waste disposal expenditure	£14,980	£26,945	£28,151	£47,989

12. We have reduced the total amount of our waste and the related cost as indicated in the table above. The actual (non-estimated) cost of waste disposal for the financial year 2014 to 2015, £9,587 was for recycling and general waste. The remaining value forms part of an estimate for buildings where the actual cost is not available.

Table 8: Finite resource consumption: water		2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012
Non-financial indicators	Estates water consumption in M^3	5,788	8,215	11,253	12,586
	Estates water consumption in M^3 for each full-time equivalent member of staff	6.05	6.48	8.94	9.20
Financial indicators	Estates water cost	£21,963	£26,567	£30,189	£52,367

Biodiversity action planning

13. The SFA has a minimal external estate and therefore has not been involved in biodiversity action planning.

Sustainable procurement

14. There are national contracts covering the following areas:

    a) rail, air and accommodation

    b) car hire

    c) conferencing

    d) desktop stationery

    e) government procurement card

15. All the national contracts were awarded through centralised, pre-tendered frameworks owned by the Crown Commercial Service. Therefore, all aspects of sustainability were considered as part of the tender exercises.

16. We have implemented the use of 'closed loop' copier paper through our Facilities Management programme. We receive recycled paper, which is recycled back into reusable paper after use and then put back into the paper supply chain.

17. We have also implemented a range of 'free to use' meetings and events facilities, which are free to use for public sector entities; we also offer our in-house meeting rooms on the same basis for general use when available.

Notes

1. We prepared the above report in accordance with the guidelines 'Public sector annual reports: sustainability reporting guidance 2014-15'.

2. We used conversion rates from the Department for Environment, Food and Rural Affairs (Defra) to account for carbon.

3. The proportion of estimated values in the figures quoted above is as follows:

Table 9: The proportion of estimated values %	
Electricity emissions	15
Electricity costs	8
Gas emissions	34
Gas costs	31
Water consumption	11
Water costs	10
Total waste arising	36
Waste disposal costs	36

These are estimates relating to offices where we pay a service charge to the landlord in place of actual metered usage. We have included waste estimates for offices where waste information is not yet available.

4. We have made further estimates for the consumption and cost data for the final period of the year, as not all costs were known before we compiled this Sustainability Report. We made estimates on a straight-line basis using the SFA's actual data for all other periods in the year.

Remuneration Report

Introduction and components of remuneration

1. The Chief Executive and members of the Executive Management Team (EMT, which comprises the directors) receive a total reward package made up of base salary, annual bonus, online benefits and a defined benefit pension scheme. Bonus payments are contractual but not guaranteed and are subject to affordability and successful performance.

2. In instances where the SFA may pay a bonus, we have structured the bonus plan to focus on encouraging and rewarding team-based, as well as individual, achievement at both the national and the divisional level, as assessed against agreed targets.

General

3. We set base salaries at the market median and recognise achievement through the bonus scheme (subject to affordability).

4. We use a range of methods to assess the performance of our EMT, which include (but are not necessarily limited to) the following:

    - Business Performance and Corporate Risk Management – to improve operational performance through achieving the business plan measures.

    - Change Leadership – to provide strong and effective leadership in implementing, communicating and embedding the organisation's change activities.

    - People Management – to manage the performance of individuals robustly.

5. The Chief Executive of Skills Funding is responsible for assessing performance over the course of the year.

6. We do not operate a remuneration committee; the Chief Executive of Skills Funding has statutory authority to determine the remuneration of the SFA's staff. When setting individual executive pay and bonuses, the SFA will consider guidance issued by Cabinet Office, HM Treasury, BIS and relevant information from external market data (for example Hay Group and Towers Watson) relating to pay and bonus levels.

7. We have not paid any expenses to our directors other than reimbursement of costs incurred wholly in the discharge of their duties for the SFA.

Chief Executive

8. The former Skills and Enterprise Minister, Matthew Hancock, appointed Peter Lauener as permanent Chief Executive of Skills Funding on 3 November 2014. At separate times, Keith Smith and Barbara Spicer CBE have also performed the role during the year (see below for further details).

9. The reward package for the Chief Executive of Skills Funding contains two key elements (base salary and bonus), which are determined by the BIS Permanent Secretary. Any potential bonus payment is assessed on achievement against corporate and personal targets. The Chief Executive's role does not attract an automatic salary progression award.

10. During the financial year 2014 to 2015 the Chief Executive of Skills Funding, Peter Lauener, did not receive a pay increase or a bonus payment.

11. During the financial year 2014 to 2015 the Chief Executive of Skills Funding, Keith Smith, did not receive a pay increase or a bonus payment. Keith was appointed on an interim basis from 24 August 2014 to 2 November 2014.

12. During the financial year 2014 to 2015 the Chief Executive of Skills Funding, Barbara Spicer CBE, did not receive a pay increase or a bonus payment. Barbara was appointed on an interim basis for the period 25 November 2013 to 24 August 2014 to cover the extended absence of Kim Thorneywork CBE.

13. During the financial year 2014 to 2015 the Chief Executive of Skills Funding, Kim Thorneywork CBE, did not receive a pay increase or a bonus payment. Kim was appointed on an interim basis for the period 1 August 2012 to 31 July 2013, which BIS extended to 31 July 2014 dependent on the appointment of a permanent Chief Executive of Skills Funding.

Base pay changes for the financial year 2014 to 2015

14. Base pay for directors of the SFA has not increased in the year.

Executive Management Team members and other senior staff

15. All members of the EMT and other senior staff are employed under contracts of employment requiring 12 weeks' written notice by either party.

16. There are no specific termination clauses in EMT member's employment contracts.

Highest-paid director and relation to median pay

Audited information

17. The annualised remuneration of the highest-paid director was £140,578 for Peter Lauener (financial year 2013 to 2014: Barbara Spicer CBE, £140,000) and this is 3.7 times (2013 to 2014: 3.3 times) greater than £38,270 (2013 to 2014: £42,070), which is the median remuneration of SFA employees at the end of March 2015. The change in the median is a consequence of the organisational restructure.

18. No SFA employee received remuneration in excess of the highest-paid director in either the financial year 2014 to 2015 or the previous financial year. Remuneration ranged from £12,500 to £140,000 (financial year 2013 to 2014: £12,022 to £140,000).

19. Total remuneration includes salary, bonus and benefit in kind. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions.

Chief Executive's Emoluments

Audited information

	Year ended 31 March 2015				Year ended 31 March 2014			
	Salary	Bonus*	Pension benefits	Total remuneration	Salary	Bonus*	Pension benefits	Total reumuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Peter Lauener*								
Chief Executive from 3 November 2014	29	0	3	32	0	0	0	0
Full-year equivalent salary	140							
Keith Smith**								
Chief Executive from 24 August 2014 to 2 November 2014	23	0	4	27	0	0	0	0
Full-year equivalent salary	121							
Kim Thorneywork CBE								
Chief Executive from 1 August 2012 to 31 July 2014	27	0	267	294	117	14	0	131
Full-year equivalent salary	117							
Barbara Spicer CBE								
Chief Executive from 25 November 2013 to 24 August 2014	56	0	21	77	49	0	0	49
Full-year equivalent salary	140				140			

* As Peter Lauener is also Chief Executive of the EFA his costs are shared equally with the EFA from the time he was appointed.

** As Keith Smith was also Director of Funding and Programmes throughout the year, we have apportioned his emoluments, including pension, between the two roles.

Senior management emoluments

Audited information

	Salary	Bonus*	Pension benefits	Year ended 31 March 2015 Total remuneration	Salary	Bonus*	Pension benefits	Year ended 31 March 2014 Total remuneration
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
National Directors								
Richard Field								
Chief Information Officer (until 5 January 2014)	0	0	0	0	95 - 100	0	25	120 - 125
Full-year equivalent					120 - 125			
Sue Husband								
Director of the National Apprenticeship Service (from 12 May 2014)	90 - 95	0	35	125 - 130	0	0	0	0
Full-year equivalent	105 - 110							
Paul McGuire								
Chief Operating (and Financial) Officer	110 - 115	0	16	125 - 135	110 - 115	10 - 15	27	150 - 155
Marinos Paphitis								
Executive Director, Provider Management (South) (until 20 January 2014)	0	0	0	0	85 - 90	0	0	85 - 90
Full-year equivalent					110 - 115			
Julie Robson								
Executive Director Growth (Midlands and North) (until 20 January 2014)	0	0	0	0	85 - 90	0	5	90 - 95
Full-year equivalent					110 - 115			
Keith Smith**								
Director Funding and Programmes (from1 April 2014 to 24 August 2014 and from 3 November)	85 - 90	10 - 15	17	110 - 125	105 - 110	10 - 15	104	225 - 230
Full-year equivalent	110 - 115							
Sally Stewart								
Executive Director, People (until 31 January 2014)	0	0	0	0	85 - 90	0	22	110 - 115
Full-year equivalent					110 - 115			
David Way CBE								
Executive Director, NAS (from 1 April 2013 to 18 October 2013)	0	0	0	0	65 - 70	0	0	65 - 70
Full-year equivalent					120 - 125			

* Bonus payments relate to previous year, unless stated otherwise.

** As Keith Smith was also Director of Funding and Programmes throughout the year, we have apportioned his emoluments, including pension, between the two roles.

Note: no member of the EMT received any benefits in kind in the financial year 2014 to 2015 (2013 to 2014: £nil).

Senior management pension entitlements

Audited information

	Accrued pension and related lump sum at pension age as at 31 March 2015	Real increase in pension and related lump sum at pension age earned in the year	CETV at 31 March 2015	CETV at 31 March 2014***	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executives					
Peter Lauener*					
Chief Executive of Skills Funding (from 3 November 2014)	65 - 70 and lump sum 205 - 210	0 - 2.5 and lump sum 2.5 - 5.	1,611	1,524	12
Barbara Spicer CBE					
Interim Chief Executive of Skills Funding (until 24 August 2014)	0 - 5	0 - 2.5	28	13	10
Kim Thorneywork CBE					
Interim Chief Executive of Skills Funding (until 31 July 2014)	60 - 65	10 - 15	1,133	859	244
National Directors					
Sue Husband					
Director of the National Apprenticeship Service (from 12 May 2014)	0 - 5	0 - 2.5	21	0	13
Paul McGuire**					
Chief Operating (and Financial) Officer	35 - 40	0 - 2.5	510	474	7
Keith Smith					
Director Funding and Programmes and from 24 August to 2 November 2014, Interim Chief Executive.	30 - 35 and lump sum 90 - 95.	0 - 2.5 and lump sum 2.5 - 5.	402	369	10

* Peter Lauener is also Chief Executive of the EFA. These values reflect the full pension benefits due to him. It is not possible to determine what portion of the pension, lump sum and the CETV relate to the SFA or EFA. These values are also reported in full in the EFA's 'Annual Report and Accounts 2014 to 2015'.

** Opted to join Premium.

*** The actuarial factors used to calculate CETV changed this year to reflect changes in demographic assumptions and the move to the Consumer Prices Index (CPI); there may be slight differences between last year's reported closing figures and this year's opening figures.

Salary

20. For the purposes of analysis, 'salary' includes the following, where applicable:

- gross salary payable
- other allowances
- overtime payable

21. We report bonuses and compensation or redundancy payments separately.

Benefits in kind

22. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument.

Civil Service pensions

23. Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

24. Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

25. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk-benefit cover (death in service and ill-health retirement).

26. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

27. Further details of the Civil Service pension arrangements are available at civilservice.gov.uk/pensions.

28. New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/.

Cash equivalent transfer values

29. 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.

30. The pension figures shown relate to the benefits 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 CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. This applies where the Civil Service vote has received a transfer payment commensurate with the additional pension liabilities being assumed. The CETV figures also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. This does not take account of any actual or potential reductions to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are drawn.

Real increase in CETV

31. This reflects the increase in CETV that the employer effectively funds. It takes account of the increase in accrued pension due to inflation, and contributions the employee has paid (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.

Peter Lauener
Chief Executive
Skills Funding Agency

09 July 2015

Statement of Accounting Officer's Responsibilities

1. The ASCL Act 2009 created the statutory post of Chief Executive of Skills Funding and sets out the legal framework for its duties and powers. The Skills Funding Agency is the collective term given to the Chief Executive of Skills Funding and the staff of the SFA.

2. Under Schedule 4 to the ASCL Act 2009, the Chief Executive of Skills Funding is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Business, Innovation and Skills with the consent of HM Treasury.

3. Under the Accounts Direction issued by the Secretary of State for BIS, the accounts must be prepared on an accruals accounting basis. They must show a true and fair view of the SFA's state of affairs at the year-end and of its income, expenditure and cash flows for the financial year.

4. In preparing the accounts, the Chief Executive of Skills Funding as Accounting Officer has been required to comply with the requirements of the government's 'FReM' and in particular to:

   - observe the Accounts Direction issued by the Secretary of State for BIS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies consistently
   - make judgements and estimates reasonably
   - state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements, and
   - prepare the financial statements on a going concern basis

5. The principal Accounting Officer for BIS has designated the Chief Executive of Skills Funding as the Accounting Officer for the SFA. The responsibilities of an Accounting Officer are set out in HM Treasury's document 'Managing Public Money'. These include responsibility for value for money, the feasibility, propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding public assets.

Governance Statement

The purpose of the Governance Statement

This statement explains how I, as Chief Executive of Skills Funding, and the SFA, have put in place arrangements for good corporate governance and reviews the effectiveness of these arrangements to ensure compliance with HM Treasury's 'Corporate Governance Code'. I was appointed in November 2014. Before then, Barbara Spicer CBE (from 1 April 2014 to 24 August 2014), Keith Smith (from 24 August 2014 to 2 November 2014) and the EMT maintained the arrangements for corporate governance of the SFA. Since my appointment I have reviewed and maintained these arrangements, including seeking assurance from my EMT that our arrangements for corporate governance have been in operation throughout the whole year.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the SFA's policies, aims and objectives, while safeguarding the public funds and SFA assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in HM Treasury's publication 'Managing Public Money' and the requirements of the 'Corporate Governance Code'.

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure, to achieve policy aims and objectives. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the SFA's policy aims and objectives
- evaluate the likelihood of those risks being realised and the impact should they be realised
- take reasonable steps to manage them efficiently, effectively and economically

The system of internal control has been in place in the SFA for the financial year ending 31 March 2015 and up to the date of approval of the 'Annual Report and Accounts', and accords with HM Treasury's guidance.

The organisation's governance framework

The Chief Executive of Skills Funding is a statutory post and a corporation sole established by the ASCL Act 2009. I perform the functions of the office on behalf of the Crown and have the statutory duty to secure and promote adult FE. In discharging this duty I make funding decisions independent of ministers, but under their policy and objective-setting direction and within the funding available and grant conditions they set. The Skills Funding Agency is the name used to describe the office of the Chief Executive of Skills Funding and the staff appointed by the holder of that post. It is not a legal entity.

The Chief Executive of Skills Funding is responsible for the direction and management of the SFA, which is a partner organisation of BIS. A corporation sole does not allow for a formal board or non-executive governance structure, as all the duties and associated powers are vested in the Chief Executive of Skills Funding. Nevertheless, the SFA has established an Advisory Board with external non-executive members to provide support and challenge in respect of how it implements policy. The organisation has also established an Audit and Risk Committee, drawn from members of the Advisory Board; the Advisory Board has met five times since 1 April 2014 and the Audit and Risk Committee on three occasions.

The risk and internal control framework

Risk management

Risk management is not a separate function, but rather is embedded within the SFA's management processes; EMT has reviewed and agreed a risk-management policy. Consistent with risk being the responsibility of all managers, there is no separate post of corporate risk manager. EMT members have each nominated staff to support the recording and dissemination of risk information.

The SFA's key management document, the 'Performance and Risk Report', is the means by which EMT reports progress against our objectives and risks. The 'Protective Security Risk Register' also supports this. We share these documents with BIS, ministers and our Advisory Board. Specific management arrangements support these reporting arrangements within each functional area, with each EMT member responsible for escalating risks from their area of responsibility to the 'Performance and Risk Report'. Furthermore, I review risks as part of my one-to-one reviews with each member of EMT.

Significant risks and mitigation

Significant Risk 1: The Supply Chain Transformation programme stalls and consequently delays change within the SFA.

To achieve our objectives we develop and manage a complex set of IT systems for our internal needs and the wider information needs of the whole FE and skills sector. The successful working of these complex systems is a matter of partnership between our suppliers, the SFA and our partner colleges and other training organisations. Wider government policy has shifted away from single, large, strategic supply partnerships, towards partnering with multiple, more agile, small to medium-sized firms. The SFA is at the forefront of this IT supply chain transformation and has made significant progress, but there still remains some work to complete which has inherent risks.

We mitigate these risks by maintaining strong controls over our information management programme and project-management processes. We continue to work closely with existing and prospective suppliers, BIS and Cabinet Office colleagues to achieve our objectives. A further key element of our strategy is always to maintain good communications with the colleges and other training organisations that use our systems, so that they can plan for change and development. During the year we have achieved a number of major changes, such as the Data Collection and Funding Transformation (DCFT) programme, and this is now accepted as a trusted and stable service.

Significant Risk 2: Increasing weakness in the financial health of colleges, leading to increased intervention putting pressure on SFA staffing and financial resources.

One of the most significant risks that the SFA has had to manage, and will have to continue to manage over the coming years, is the deteriorating financial health of the sector delivering the training provision we fund. The financial pressure is due to reduced funding, increased competition, increased costs and a more cautious stance by banks on lending. This will result in increased work for the SFA in managing intervention cases.

The SFA will continue to mitigate these risks by analysing early the financial plans of colleges most at risk to establish whether they are sufficiently robust. We will monitor potential cases of financial weakness through college management accounts. We will intervene early when there are signs of financial weakness to bring about recovery/ structural change where appropriate.

Significant Risk 3: The SFA is unable to meet the expectations of devolved administrations due to resource limitations and complexities of differentiated local deals.

Since the SFA restructured in 2014, the government has agreed a number of new local deals, all of which have resource implications. All of the major political parties have committed to further devolution after the general election. The resource implications of the 2014 to 2020 ESF programme remain unclear, but they are greater than the 2007 to 2014 programme due to the devolution to LEPs of the local commissioning role and increased requirements from the European Union.

We will continue to mitigate the risk by working as planned with LEPs and with BIS to understand the resource implications of the increase in local devolution deals. In Manchester, we are working to develop a new area-based model, which will serve as a basis for enabling cities/localities to focus on commissioning, investment and skills strategy, while we provide the technical service.

Audit and Risk Committee

We have a properly constituted Audit and Risk Committee, which has met three times during the year. It consists of non-executive Advisory Board members and other attendees, including a representative from BIS, the SFA's Internal Audit team and from the NAO. Its terms of reference reflect best practice and we review them regularly. In addition the committee has assessed its own effectiveness using a questionnaire from the NAO.

The committee has considered reports from the SFA's Internal Audit team on the system of internal control, risk management and governance, and from the PFMA team on the systems of control and use of public funds in colleges and other training organisations. The committee also considered reports on the SFA's hard-close final accounts and on counter-fraud, as well as reports from our external auditors, the NAO. The committee provided robust challenge and valuable support during the year and I wish to record my appreciation for that service.

The committee has recommended to the Chief Executive that this statement is an appropriate report on the risks the SFA faces and the processes and controls around them to manage those risks.

Executive Management Team

EMT comprises the Chief Executive and three senior SFA officers, who meet weekly by telephone conference call and formally each month (twice each month before December 2014) to consider:

- performance and risks that face the SFA
- progress in taking these matters forward
- mitigating and/or corrective action, where necessary

Internal audit

We maintain a professional and independent internal audit service. The Internal Audit team has direct access to the Chief Executive, and the Chief Internal Auditor has met regularly with the three Chief Executives in post during the year. The team provided monthly reports to the Chief Executive on audit findings, including progress against the internal audit plan. Internal audit work was targeted towards the higher-risk areas.

The Chief Internal Auditor also has direct access to the Chair of the Audit and Risk Committee as well as the BIS Chief Internal Auditor. The Internal Audit team may also conduct audits jointly with BIS Internal Audit. The Chief Internal Auditor receives, or has access to, any SFA documents on request and may attend any EMT meeting.

I received an Annual Internal Audit Report from the Chief Internal Auditor on findings, which included a professional opinion as to the level of control assurance that was applicable to the SFA.

For the financial year 2014 to 2015 the Chief Internal Auditor has concluded that, overall, the SFA has maintained sound systems of governance, internal control and risk management, but that there were some weaknesses to rectify. In his annual report, the Chief Internal Auditor identified the following significant issues:

- **Supply Chain Transformation (SCT)** – the SFA has managed the change from Capgemini (the SFA's main supplier of infrastructure and application management) to a larger number of smaller suppliers. This transformation has proved challenging, with a significant increase in costs above the original estimate. Consequently, we decided to stop or limit other projects to remain within budget and manage the operational risks.
- **European Social Fund (ESF)** – the Internal Audit team commented on the high risks faced due to the delayed approval of the ESF programme for 2014 to 2020. The delay has enabled the ESF team to better plan and develop processes to support LEPs. However, the suspension of procurement and contracting activities has increased the risk of a bottleneck in activity once it receives approval. Also, there is a risk that the time difference between the end of the current programme and start of the new one could lead to a disruption to training and other provision. This is a risk I am monitoring.
- **Security Policy Framework (SPF)** – the Internal Audit team noted that the SFA has effective protective security arrangements. They also noted that it has been a challenging year for the SFA due to our organisational restructure and the ICT infrastructure and application management transformation. The Internal Audit team recommended improvements, particularly in terms of governance and effective risk-management processes, which I have actioned.
- **Staff Expenses** – the Internal Audit team also commented on some non-compliance with the new staff expenses policy. The team found that work-based categorisations (WBCs) for many staff were not reflecting their actual travel patterns, leading to journeys that should be claimed as taxable. I have sought to rectify this with a review of all WBCs.

Through his reports, all of which I have read, the Chief Internal Auditor alerted me to where improvements were necessary. I took a personal interest in the implementation of improvement plans. I take into consideration the findings in internal audit reports when assessing the performance of EMT members.

The Internal Audit team's evaluation informed each of the personal 'Statements on Internal Control' that each of the EMT members submitted, and I have reviewed these.

Counter-fraud strategy

The SFA continually reviews its counter-fraud approach and has worked closely with BIS and its partners during the year to share best practice in this area of work. The SFA continues to promote a zero-tolerance approach to instances of potential fraud. The nature of fraud is itself constantly changing, presenting fresh challenges we need to anticipate, intercept and prevent. Our participation in the BIS Fraud Working Group and our close working with other government departments and agencies allows us to access information about the latest fraud trends and to influence emerging solutions in the public sector.

The SFA categorises activity as fraudulent when an investigation establishes that an individual or organisation provided information or documents that they knew to be false in order for them to make gain for themselves or another. Where a mistake or misunderstanding results in the individual or organisation claiming and receiving an incorrect amount, this is classed as error.

As Accounting Officer, I have a duty to safeguard public funds and ensure the SFA complies with HM Treasury's requirements in its publication 'Managing Public Money'. In support of this the SFA has in place the following:

- A senior director at board level with the lead on counter-fraud.
- A deputy director responsible for the co-ordination of the strategy and delivery of its objectives.
- An internal investigations function.
- An internal audit function.
- Further development for all staff on identifying potential fraud and error.

During the period 1 April 2014 to 31 March 2015, the SFA received 81 allegations of financial irregularity: 45 entered into our vetting process and we launched 27 investigations. We brought forward 37 cases from the financial year 2013 to 2014 (21 were live investigations). At 31 March 2015, we had 15 live cases and we are vetting a further eight cases.

Financial management

As Accounting Officer I had responsibility to ensure that there were effective systems to manage and monitor all funds granted to me. I have received assurances from all of my direct reports that effective systems are working in their individual areas of responsibility.

I can confirm that there were generally effective systems to manage and monitor the funds I was responsible for in line with BIS financial rules and procedures, and that we maintained accurate financial records. However, in the course of the year, an area emerged where Treasury agreement should have been secured in advance for payments made to colleges for profiled capital funding, which turned out to be in advance of need. This resulted in a qualification of the SFA Accounts for the 2014 to 2015 financial year – see para 5 of the Comptroller and Auditor General's report on page 49. I have arranged for a review of this area to be carried out to ensure that lessons are learned.

I also confirm that funds were spent on achieving the outputs and outcomes detailed in my funding letter from the Secretary of State for Business, Innovation and Skills. In addition, the SFA has complied with all Cabinet Office spending controls, receiving the appropriate approvals whenever required.

Provider Financial Management and Assurance Team

As Accounting Officer I am required to be satisfied that those organisations that the SFA funds make proper use of public money. The SFA has established a PFMA team, whose responsibility includes co-ordinating and carrying out a programme of audits designed to gain assurance over colleges' and other training organisations' use of public funds.

The scope of the PFMA team's work also covered EFA funding at colleges and other training organisations for which the SFA has a lead assurance role. The latter was in accordance with the JACOP, where it was agreed with the EFA that, with the exception of ESF funding, just one government agency will normally audit a training organisation and give assurance over both SFA and EFA funds.

In the financial year 2014 to 2015 the PFMA team's work included sampling across key funding streams in their entirety. The results of such work include, but are not biased towards, higher-risk areas, and therefore provide a statistically representative picture of the level of error in training organisations' funding data. The PFMA team's work also included audits at higher-risk organisations and areas based on known risks.

The result of this work is that the residual error rate within most of the SFA's funding remains around 1%. Errors are mainly data error and are not indicative of fraud. We refer any suspected fraud to the SFA's Investigations Unit.

The PFMA team's work considers further sources of assurance for colleges funded under a financial memorandum, including the results of work carried out by their external auditors.

During our year-end audit of expenditure in the financial year 2014 to 2015, it emerged that a number of colleges had secured payments in advance of need for capital projects funded by profile through the College Capital Investment Fund, which finished at the end of that year. While public funds were not at risk, I remain concerned that this arrangement was not optimal for the public purse and I have arranged for my PFMA team to provide me with a report about the cases involved.

Tax compliance

As required by the 'Alexander Tax Review' the SFA has reviewed the tax arrangements of individuals who provide it with services at a cost of £58,200 each year or more, but do not have PAYE and national insurance contributions deducted at source. Such individuals are described as 'off payroll' and at 31 March 2015, 38 individuals fell within the parameters for review (31 March 2014; 69). All these individuals have either provided detailed records to demonstrate their tax arrangements or they have provided the SFA with assurance from a suitably qualified person, such as an accountant, that they comply with tax legislation.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the SFA's system of governance, risk management and internal control. My review of the effectiveness of our systems is informed by:

- the work of the SFA's internal auditors
- EMT (who are responsible for the development and maintenance of the internal control framework)
- the NAO (our external auditor), in their management letters and other reports

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit and Risk Committee, EMT and the Internal Audit team, and we have a plan to rectify weaknesses and ensure continuous improvement of the system.

Internal control issues

As Accounting Officer I am generally satisfied that the SFA's governance, risk management and internal control systems are sound but an issue emerged late in the year where Treasury agreement should have been secured in advance for payments which were made for profiled capital funding to colleges which turned out to be in advance of need. These payments did not comply with HM Treasury's requirements in its publication 'Managing Public Money' and were therefore irregular payments which have resulted in the qualification of the SFA's Accounts for the financial year 2014 to 15. I have arranged for a review of this area to be carried out to ensure that lessons are learned.

Information assurance and protective security

Our Protective Security team has two dedicated staff (plus four further staff in other teams, covering data sharing, records management and business continuity). All are permanent members of staff. We have not had cause to report any data losses to the Information Commissioner's Office during the financial year 2014 to 2015. Due to our restructuring, the Senior Information Risk Officer (SIRO) changed during 2014. The current SIRO, who has been in place since May 2014, is a member of EMT and has taken a proactive role in the SFA's protective security arrangements.

The SIRO chairs a meeting of the Protective Security Governance Board (PSGB), which meets every two months. This is supported by a variety of lower-level divisional security working groups, which deal with lower-level risk and escalate issues to the PSGB when required.

From 2014 to 2016 the SFA is undertaking a Supply Chain Transformation (SCT) programme, which has involved retendering a wide range of ICT-based contracts. This has provided a significant challenge to the Protective Security team. The wider range of suppliers involved in delivering our services has prompted us to revisit our governance arrangements, to ensure that the SIRO is aware of all of the risks facing the SFA.

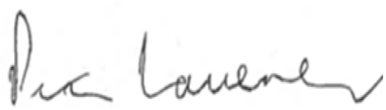
Counter-terrorism and physical security have been a focus over the past year. During this time we have introduced the Civil Service One Pass across the national estate and completed a round of physical surveys at SFA sites. This confirmed that security arrangements are commensurate with the data the SFA handles and senior field staff manage the low-level risks identified. We carry out these inspections each year.

During 2014 the Security Policy Framework was updated, with a change from attempting to meet 148 monitored control items to achieving a set of eight broader-based outcomes. The SFA welcomes this approach and recently we completed an internal audit against these outcomes. The report indicated areas for improvement, specifically on governance, which we are already correcting. The SCT programme provided an opportunity to improve technical controls. Specifically, it reduced the risk of leaking information by introducing new IT equipment to all staff that requires more sophisticated authentication processes.

Under the direction of our SIRO, EMT will continue to seek improvements in the areas of highest risk during the year 2015 to 2016.

Conclusion

I believe that the risks the SFA faced in the financial year 2014 to 2015 were generally managed effectively, with the exception of the management of capital grants to colleges which resulted in payments in advance of need and the qualification of these accounts. Work is under way to learn the lessons which will be shared with colleges and with BIS partner organisations. It will be a priority for me to enhance the existing processes and practices of the SFA in the coming financial year.



Peter Lauener
Chief Executive
Skills Funding Agency

09 July 2015

Accounts

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Skills Funding Agency for the year ended 31 March 2015 under the Apprenticeships, Skills, Children and Learning Act 2009. The financial statements comprise: the 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 Apprenticeships, Skills, Children and Learning Act 2009. 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 Skills Funding Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Skills Funding 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.

Basis for qualified audit opinion on regularity

The Skills Funding Agency made capital grants payments to Further Education Colleges totalling £49.9 million in 2014-15 that are payments in advance of need and do not comply with Managing Public Money. Further, these payments have been made without approval from Treasury and I conclude that these payments are materially irregular. I have qualified my regularity opinion on the Agency's financial statements in this regard.

Qualified opinion on regularity

In my opinion, except for the irregular capital grants payments made by the Agency described in the basis for a qualified audit opinion paragraph, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My report on these financial statements is at pages 49 to 50.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Skills Funding Agency's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Apprenticeships, Skills, Children and Learning Act 2009 and Secretary of State 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 Secretary of State directions made under the Apprenticeships, Skills, Children and Learning Act 2009; and
- the information given in the sections entitled Strategic Report and Directors Report 'Our Management Team', 'Financial Commentary' and 'Sustainability Report' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My report on these financial statements is at pages 49 to 50.

Sir Amyas C E Morse
Comptroller and Auditor General

09 July 2015

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

The Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The Skills Funding Agency (the Agency) is an Executive Agency of the Department for Business, Innovation and Skills (BIS). It assumed Executive Agency status on 25 May 2015, having previously being designated as a Corporation Sole. The Agency's main role is to provide £4 billion for skills training to support around 3.3 million learners aged 19-and-over in the Further Education sector. In addition, the Agency administers the College Capital Investment Fund (CCIF) to provide Further Education (FE) colleges funding for capital projects.

The purpose of my report

2. My report sets out the facts that have resulted in my qualification on the grounds of the irregularity of expenditure included in the Agency's accounts for the year-end 31 March 2015. I am required to examine, certify and report on the financial statements of the Agency. This involves satisfying myself that, in all material respects, the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and conform to the authorities which govern them (regularity). Regularity in the central public sector is defined and governed by HM Treasury's *Managing Public Money*, which establishes the principles for propriety and regularity.

3. During the course of my audit, I identified payments totalling £49.9 million from the Agency to 17 FE colleges that I consider to be 'payments in advance of need'. These payments do not comply with *Managing Public Money*, which specifically prohibits payments in advance unless in exceptional circumstances, since this leads to unnecessary financing costs for the Exchequer. If exceptional circumstances arise that mean such payments are necessary, *Managing Public Money* requires organisations to seek approval from HM Treasury in advance.

4. The Agency did not seek approval before making these payments. It subsequently sought retrospective approval from HM Treasury and this was refused on the grounds that the Agency had not sufficiently demonstrated the benefit or value for money from making these payments.

Overall Conclusion

5. £49.9 million of payments made in advance of need do not comply with Managing Public Money and therefore the authorities which govern the Agency. Accordingly, I have qualified my audit opinion on the grounds of a material irregularity.

Payments in advance of need to Further Education colleges

6. The CCIF is the Agency's capital funding mechanism established as a part of the FE College Investment Strategy in December 2012. 2014-15 was the final funding round and 95 colleges were

awarded funding to support approved capital projects. In 2014-15, the Agency incurred capital expenditure of £296 million (compared with £387.1 million in 2013-14).

7. From 1 April 2015, responsibility for public funding of capital projects at FE colleges passed from the Agency to local enterprise partnerships, which are sponsored by the Department for Communities and Local Government (DCLG). Ahead of this transfer of responsibility, the Agency decided to distribute the remaining capital funds for the remaining projects to colleges by 31 March 2015. At the time of the decision the colleges' assessed that the funds would be utilised in year.

   The Agency paid out £143 million in capital grants to FE colleges in February and March 2015. I have concluded that £49.9 million of these grants were paid in advance of need. The Agency has recognised prepayments of this amount in the accounts. Evidence of slippage in the capital programme was already evident in December 2014. However, the Agency did not challenge the revised expenditure profiles submitted by colleges sufficiently before deciding to make the remaining capital grant payments in February and March 2015.

8. As a consequence of the grants being paid in advance of need and HM Treasury's refusal to provide retrospective approval, the grant expenditure will score against the 2015-16 capital budget rather than 2014-15. The Agency will have to secure resources equivalent to this amount for 2015-16.

Action Planned by the Skills Funding Agency

9. The Agency's Chief Executive, as Accounting Officer, will be commissioning a review by the Government Internal Audit Service of the financial management and control arrangements relating to the CCIF which will report jointly to the Chief Executive and the BIS Director General, Finance and Commercial. The Chief Executive is also commissioning his programme assurance team to review the compliance by colleges with the financial programme management arrangements for the CCIF. If this review identifies that colleges claimed funds in advance inappropriately, the Agency will seek to recover those funds.

Sir Amyas C E Morse
Comptroller and Auditor General

09 July 2015

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	2014 to 2015 £'000	2013 to 2014 £'000
Administration costs			
Staff costs	2a	40,046	57,967
Other costs	3a	33,668	51,947
Depreciation, impairment and losses on disposal	3b	24,476	23,592
Total administration costs		98,190	133,506
Programme costs			
ASB	4.01	2,303,798	2,453,231
Employer Ownership Programme	4.02	47,963	22,060
Community Learning	4.03	210,228	210,729
Offender Learning	4.04	134,674	144,693
Learner Support Funds	4.05	159,737	154,581
National Careers Service	4.06	84,817	92,541
Skills infrastructure	4.07	48,108	32,312
Capital	4.08	296,022	381,752
DfE-funded programmes	4.09	801,261	728,049
ESF programmes	4.10	248,153	158,805
Other non-BIS-funded programmes	4.10	4,335	4,863
Total programme costs		4,339,096	4,383,616
Income			
EU income	5	(248,556)	(159,515)
Other income	5	(10,199)	(11,891)
Total income		(258,755)	(171,406)
Net expenditure		4,178,531	4,345,716

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

The notes on pages 55 to 81 form part of these accounts.

Statement of Financial Position

as at 31 March 2015

	Note	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Non-current assets			
Property, plant and equipment	6	567	1,348
Intangible assets	7	52,710	62,278
Total non-current assets		53,277	63,626
Current assets			
Trade and other receivables	9a	323,972	180,574
Cash and cash equivalents	10	97,946	149,884
Total current assets		421,918	330,458
Total assets		475,195	394,084
Current liabilities			
Trade and other payables	11a	(271,981)	(269,597)
Total assets less current liabilities		203,214	124,487
Non-current liabilities			
Provisions	12	(11,436)	(26,121)
Financial guarantee	13	(29,648)	(29,001)
Total non-current liabilities		(41,084)	(55,122)
Assets less liabilities		162,130	69,365
Represented by			
Taxpayers' equity			
General fund		162,130	69,365
Total taxpayers' equity		162,130	69,365

The notes on pages 55 to 81 form part of these accounts.

Signed:

Peter Lauener
Chief Executive
Skills Funding Agency

09 July 2015

Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014 to 2015 £'000	2013 to 2014 £'000
Cash flows from operating activities			
Net expenditure		(4,178,531)	(4,345,716)
Notional audit fee	3a	150	150
Depreciation charges	3b	20,333	20,914
Loss on disposal of non-current assets	3b	0	(12)
Loss on impairment	3b	4,143	2,690
(Increase) in receivables - excludes capital receivables	9a	(143,398)	(15,286)
Increase/(Decrease) in total payables - excludes capital payables	11a	5,077	(29,050)
(Decrease)/Increase in use of provisions for liabilities and charges	12	(14,685)	10,456
Increase/(Decrease) in use of financial guarantees	13	647	(3,735)
Net cash outflow from operating activities		(4,306,264)	(4,359,589)
Cash flows from investing activities			
Purchase of property, plant and equipment		(136)	(17)
Purchase of intangible assets		(16,684)	(28,593)
Proceeds of disposal of property, plant and equipment		0	18
Net cash outflow from investing activities		(16,820)	(28,592)
Cash flows from financing activities			
Financing from BIS		4,271,146	4,363,058
Net cash inflow from financing activities		4,271,146	4,363,058
Net increase in cash and cash equivalents in the period		(51,938)	(25,123)
Cash and cash equivalents at the beginning of the period	10	149,884	175,007
Cash and cash equivalents at the end of the period		97,946	149,884

The notes on pages 55 to 81 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	As at 31 March 2015 £'000	As at 31 March 2014 £'000
Balance at 1 April		69,365	51,873
Retained deficit		(4,178,531)	(4,345,716)
Reversal of notional audit fee	3a	150	150
Total recognised income and expense for the year		(4,178,381)	(4,345,566)
Financing from BIS		4,271,146	4,363,058
Balance at 31 March		162,130	69,365

The notes on pages 55 to 81 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

We have prepared this set of financial statements for the SFA in accordance with the government's 'FReM' for the financial year 2014 to 2015 issued by HM Treasury. The accounting policies contained in the 'FReM' apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the 'FReM' permits a choice of accounting policy, we have selected the accounting policy judged most appropriate to the particular circumstances of the SFA for the purpose of giving a true and fair view. The particular accounting policies that we have adopted have been applied consistently in dealing with items that are considered material to the accounts and they are described below.

1.1 Going concern

The SFA is a partner organisation of BIS and the Department's estimates and forward plans include provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

The SFA is expected to become an Executive Agency of BIS during 2015 to 2016 and this change is not expected to have any impact on the status of the SFA as a going concern.

1.2 Accounting convention

We have prepared these accounts under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets where material.

1.3 Property, plant and equipment

Property, plant and equipment is carried at fair value. Depreciated historical cost is used as a proxy of fair value for the following classes of assets because we consider this to be the best reflection of fair value:

- furniture and fittings
- plant and machinery
- computers and other IT hardware

Costs comprise purchase price and those costs that are directly attributable to making the asset capable of operating in the manner intended by our management.

The minimum level for capitalisation of a property, plant and equipment asset is £5,000. All assets falling into the following categories are capitalised:

- individual assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000
- groups of assets that individually may be valued at less than £5,000 but taken together form a single collective asset because the items fulfil all of the following criteria:

  a. They are functionally interdependent.

  b. They are acquired at about the same date and are planned for disposal at about the same date.

  c. They are under single managerial control.

  d. Each individual asset thus grouped has a value of more than £1,000.

1.4 Intangible assets

Intangible fixed assets are carried at fair value that is determined by reference to an active market where possible. Where there is no active market, we use depreciated replacement cost as a proxy for fair value.

Most intangible fixed assets comprise computer software systems that have been developed exclusively for the SFA. Expenditure on research of such systems is recognised as expenditure when incurred. Where separately identifiable, development expenditure to support the creation of a software system is capitalised where we can demonstrate all of the following criteria:

a. Completion of the system is technically feasible and adequate resources are available to do so.

b. An intention to complete the system for use.

c. Ability to use the system.

d. How the system can generate future economic benefits.

e. Attributable development expenditure can be reliably measured.

Computer software licences are capitalised if they are capable of being used for more than one year and have an initial cost, individually or as a group, equal to or greater than £5,000.

1.5 Depreciation – property, plant, equipment and intangibles

The depreciation methods that best reflect the pattern of the consumption of economic benefits and the periods over which such benefits are expected to be consumed by the SFA are summarised in the table below:

Summary of depreciation methods

	Category	Component (if applicable)	Method	Useful life
Property, plant and equipment	IT	Desktop IT	Straight line	Three years
		Other IT	Straight line	Five years
	Plant and machinery		Straight line	Five years
	Furniture and fittings	Furniture	Straight line	Five years
		Fitting out	Straight line	Lower of 10 years or the length of the building lease
Intangible assets	Internally developed systems		Straight line	Five years
	Software licences		Straight line	Life of the licence or three years where none given

For property, plant and equipment we review the residual values, depreciation methods and useful life assumptions described above at least annually by each financial year-end. We review intangible assets, amortisation periods and methods described above at least annually by each financial year-end. We account for any changes arising from these reviews as changes to accounting estimates.

1.6 Impairment – property, plant, equipment and intangibles

Property, plant and equipment and intangible assets are subject to impairment reviews to ensure they are carried at no more than recoverable amount; the higher of net selling price and value in use. For each financial reporting period, we assess whether there are any internal or external indications of impairment in assets and estimate the recoverable amounts of any such assets affected.

1.7 Leases

Operating leases and the rentals are charged to the statement of comprehensive net expenditure on a straight-line basis over the lease term.

1.8 Receivables – programme expenditure

Programme receivables derive from various programmes. They mostly reflect part of the normal operation of the reconciliation process of the respective programme, to ensure that only amounts earned on the basis of actual delivery are paid to colleges and other training organisations and recorded in the SFA's accounts. In most cases these amounts are offset against future payments to colleges and other training organisations, so we recover them over the short term.

The SFA also has receivables that are the result of assurance work that may determine either:

- an actual amount that needs recovering from a college or private training organisation, or
- a data error that is extrapolated across the data population to determine an amount to recover from a college or private training organisation

We only include these amounts in the accounts when we have established a reliable value for their recovery. In most cases, we recover the amounts through in-year data adjustments that result in reduced future payments to colleges and other training organisations.

1.9 Provisions

Provisions are recognised when it is probable that we will be required to settle a present obligation as a result of a past event and we can make a reliable estimate of that obligation. The obligation is normally the amount that we would pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time. Where the impact is material, expected future cash flows are discounted using HM Treasury's real discount rate of 1.5%.

1.10 Financial instruments

The SFA is party to many contracts in the course of providing programme funding, and in the course of its own operation that give rise to assets and liabilities in its statement of financial position. Where such financial instruments are deemed to have a significant impact on the medium- to long-term financial risk profile of the SFA, they are recognised in the financial statements in accordance with IAS 39 and details are disclosed in accordance with the provisions of IFRS 7.

1.11 Administration and programme expenditure

The statement of comprehensive net expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as 'administration' or as 'programme' reflects the determination of administration costs in HM Treasury's 'Consolidated Budgeting Guidance'.

Administration costs reflect the costs of running the SFA and include staff costs such as wages, salaries and other administrative costs, including travel, subsistence, IT maintenance and office expenditure.

Programme costs reflect the costs of programme delivery and may include staff and other costs where these relate to activities associated with frontline service delivery.

1.12 Programme accounting basis

The main groups of programme expenditure are recurrent programmes and capital programmes. Recurrent programmes include teaching and learning (incorporating the ASB) and recurrent support elements. The policies for the most significant elements of expenditure are described below.

Recurrent programmes

Teaching and learning: Adult Skills Budget

Freedoms and flexibilities

As part of the continuing effort to simplify funding arrangements, all organisations now receive a single ASB encompassing the elements described below, and they have the freedom and flexibility to vire amounts between programme strands to reflect their individual pattern of delivery.

Overall college allocations across the ASB are reconciled annually at the end of each academic year. Other training organisations are paid on an actual basis over the year.

Classroom-based

Classroom-based programme expenditure is recognised in the accounts when the grant is paid to colleges and other training organisations in line with agreed profiles, which are periodically updated throughout the academic year.

Sometimes, we pay advances of funding to colleges that experience cash flow difficulties. These are repayable, usually over a short term, through profiled deductions from future payments. Where they have not been recovered by the year-end, the balances are included within 'advances and FE college receivables'.

Apprenticeships

Apprenticeships programme expenditure is accounted for on the basis of actual training delivery (subject to contract value) in the financial year concerned, except when the expenditure is made to colleges. In that case it is recognised in the accounts when the grant is paid to colleges in line with the agreed profile for the academic year, as this value provides the best reflection of training delivery for accounting purposes; 16 to 18 apprenticeship funding is all paid on actual training delivery.

Other workplace training and Train to Gain

The workplace training programme is accounted for on profile for colleges and on actual training delivery for other organisations.

Other teaching and learning

Offender Learning

Offender Learning expenditure is accounted for on the basis of an agreed profile of training delivery.

Community Learning

We account for Community Learning programme expenditure on the basis of the use of funds paid to local authorities. We recognise a receivable at each year-end representing the amount of unspent funds, based on use of funds statements submitted by local authorities for the academic year that has ended within the financial year. We may recover any unspent funds or may allow local authorities to use the unspent funds in the following year.

Recurrent support programmes

Discretionary learner support funds

The expenditure for these programmes mostly represents grant payments to support learners either directly or indirectly through the private training organisation that they attend. Payments made for a particular academic term are accounted for in the period to which they relate and specific grant payments are accounted for when they are paid.

Capital programmes

Expenditure on FE capital buildings is recognised in line with agreed profiles that reflect the underlying delivery and costs of the project. Projects are subject to quarterly reconciliation reviews to ensure profiles continue to keep pace with the colleges' own expenditure on the project.

A prepayment is recognised where actual expenditure is less than the grant paid to the end of the financial year.

The SFA reserves the right to recover funds and change profiles where costs are materially less than profiled. Also, the conditions of funding allow the SFA to bring forward profiled payments where they are based on evidenced capital expenditure. However, this will only be where we have the funds available to do so.

1.13 Employee benefits

Pension and superannuation costs

Present and past employees are covered by the provisions of the PCSPS, which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS and the SFA is unable to identify its share of the underlying assets and liabilities.

The cost of pension cover provided for staff employed by the SFA is met by payment of charges calculated on an accruing basis. The accruing cost of providing for future benefits for current employees is charged to the statement of comprehensive net expenditure, so as to spread the total cost over the estimated remaining service lives of employees in each scheme. For unfunded schemes such as the PCSPS this is achieved by charging the actuarially calculated accruing superannuation liability charges paid by each individual body.

There is a separate scheme statement for the PCSPS as a whole.

Early retirement costs

Where we are required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of staff who retire early, provision is made in full for this cost when the early retirement programme has been announced and is binding. In certain circumstances, settlement of some or all of the liability may have been made in advance by making a payment to the Paymaster General's account at the Government Banking Services (GBS) Citibank for the credit of the civil superannuation vote. The prepayment and provision are disclosed separately.

Other employee benefits

This includes the value of untaken holiday leave at the financial year-end, which is recognised on an accrual basis.

1.14 Value-added tax

Irrecoverable value-added tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.15 Other income: European Social Fund

The European Commission provides funding for certain projects. This income is matched to the expenditure profile for each project concerned and any balance at the end of the financial year transferred to deferred income (or income may be accrued where the expenditure exceeds income received for any particular financial year as appropriate).

1.16 Segmental reporting

Under HM Treasury guidance in the 'FReM', the SFA is expected to meet the requirements of IFRS 8 to report information concerning operating segments where the criteria under IFRS 8 are met.

We managed our assets and liabilities at the entity level during the year and therefore we have not disclosed the distribution of assets and liabilities to those programmes and administration.

1.17 Accounting judgements and estimates

Other than for the determination of provisions for liabilities and charges, and financial guarantees, we made no material accounting estimates or judgements in preparing these accounts.

1.18 Accounting developments

Accounting standards: issued but not effective

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and interpretations with an effective date after the date of these financial statements. Where the changes are relevant to the SFA's circumstances we will adopt them at the effective date. Those detailed below have not been adopted early and the table indicates whether we consider that adoption will have an impact on our financial statements.

1.18 Accounting developments (continued)

Standard affected	Issued date	Future effective date	Impact on the SFA
IFRS 9 Financial Instruments.	December 2011.	1 January 2018.	No impact expected.
IFRS 15 Revenue Contracts with Customers. Provides a principles-based model to be applied to all contracts with customers.	May 2014.	1 January 2017.	Possible impact on recognition process but no impact expected on overall values.

2a Staff costs

The Remuneration Report on pages 31 to 37 provides information in respect of senior employees' emoluments and pension entitlements.

	Year ended 31 March 2015	Year ended 31 March 2014
	£'000	£'000
The aggregate payroll costs for the SFA were as follows:		
Salaries*	38,804	54,643
Social security	3,522	4,984
Pension costs	7,815	10,551
Redundancies and payment in lieu of notice	0	18,275
	50,141	88,453
Other staff (includes agency/contract/seconded staff)	8,259	9,854
Recoveries in respect of outward secondments	(107)	(450)
	58,293	97,857
Staff costs related to programmes	(18,247)	(39,890)
Total net staff costs	40,046	57,967

* The current year value contains £nil (financial year 2013 to 2014: £5.4 million) relating to the reorganisation provision.

2b Pension costs – Principal Civil Service Pension Scheme employer contributions

Pension benefits are provided through the PCSPS. The PCSPS is an unfunded multi-employer defined benefit scheme. The SFA is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation (civilservice.gov.uk/pensions).

For the financial year 2014 to 2015, employers' contributions of £7,866,578 were paid to the PCSPS by 31 March 2015 (financial year 2013 to 2014: £10,488,134) at one of four rates in the range 16.7% and 24.3% of pensionable pay (financial year 2013 to 2014: 16.7% and 24.3%), based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during the financial year 2014 to 2015 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £49,941 (financial year 2013 to 2014: £62,102) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay (financial year 2013 to 2014: 3% to 12.5%). Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,636 (financial year 2013 to 2014: £4,806), representing 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill-health retirement.

No contributions were outstanding to the partnership pension providers at the Statement of Financial Position dates of 31 March 2015 and 31 March 2014.

2c Average number of staff employed

(i) Year to 31 March 2015

	Permanent		Other		
	Senior management staff	Payroll staff	Inward seconded staff	Agency/ temporary staff	Year ended 31 March 2015 total staff
The average number of staff employed during the year, including the Chief Executive was:					
Apprenticeships and Delivery Service	1	385	1	1	388
Chief Executive's Office	1	50	0	0	51
Funding and Programmes	1	165	0	0	166
Finance and Operations	1	341	0	10	352
	4	941	1	11	957

(ii) Year to 31 March 2014

	Permanent		Other		
	Senior management staff	Payroll staff	Inward seconded staff	Agency/ temporary staff	Year ended 31 March 2014 total staff
The average number of staff employed during the year, including the Chief Executive was:					
Apprenticeships	1	307	5	0	313
Chief Executive's Office	2	48	0	0	50
Finance and Operations	1	269	0	0	270
Funding and Programmes	1	124	0	0	125
Growth	1	154	0	0	155
Human Resources and Facilities	1	23	0	0	24
Information Management Services	1	162	1	4	168
Provider Management	1	161	0	1	163
	9	1,248	6	5	1,268

Note: the SFA has a new structure in place for the financial year 2014 to 2015.

2d Civil Service Compensation Scheme Analysis

Value	Compulsory redundancies 2014 to 2015	Compulsory redundancies 2013 to 2014	Other departures 2014 to 2015	Other departures 2013 to 2014	Total departures 2014 to 2015	Total departures 2013 to 2014
< £10,000	0	0	6	3	6	3
£10,000 to £24,999	9	0	25	40	34	40
£25,000 to £49,999	46	0	19	91	65	91
£50,000 to £99,999	9	0	11	90	20	90
£100,000 to £149,999	0	0	0	21	0	21
£150,000 to £200,000	0	0	0	2	0	2
Total number of exit packages	64	0	61	247	125	247
Total resource cost of exit packages (£'000)	2,526	0	1,897	13,279	4,423	13,279

The figures above include actual and agreed departures up to 31 March 2015.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where we have agreed early retirements, the SFA meets the additional costs, not the PCSPS. The PCSPS meets the costs of ill-health retirement, which are not included in the table above.

2e Retirements due to ill health

In the financial year 2014 to 2015 there was one retirement due to ill health (financial year 2013 to 2014: nil).

3a Other costs

Some of the expenditure is incurred in the administration of the SFA and some is incurred in providing a shared service to the EFA. Some costs are programme in nature because, in addition to funding provision in the sector, the SFA also provides some programmes directly.

The 'Total SFA administration costs' line at the foot of the table shows the actual cost of administration for the SFA.

	Year ended 31 March 2015	Year ended 31 March 2014
	£'000	£'000
Staff expenditure – travel, training and other	3,150	3,922
Publications, printing and publicity	1,034	1,369
Telecoms	1,263	1,417
Audit costs (non-cash)*	150	150
Computing**	94,814	50,286
Premises***	(1,694)	20,170
General administration, professional services and other costs	2,846	6,797
LSIS administration grant	0	2,499
Total other costs	101,563	86,610
Non-pay costs to programmes**	(67,895)	(34,663)
Total SFA administration costs	33,668	51,947

* The SFA was charged a notional audit fee of £150,000.

** The increase in computing costs and non-pay costs to programme reflects additional expenditure incurred in the delivery of the Supply Chain Transformation programme.

***The current year value reflects the reversal of provisions relating to properties transferred to BIS.

3b Depreciation, impairment and losses on disposal

	Year ended 31 March 2015	Year ended 31 March 2014
	£'000	£'000
Property, plant and equipment (note 6)		
Depreciation charge for period	545	592
Loss/(Profit) on disposal	0	(12)
Loss on impairment	372	0
Intangible fixed assets (note 7)		
Depreciation charge for period	19,788	20,322
Loss on impairment	3,771	2,690
Total charged for period	24,476	23,592

4 Programme costs

Overall, programme expenditure has remained at a similar level to last year. ASB expenditure (4.01) has fallen over the year in line with the government's Comprehensive Spending Review and skills infrastructure expenditure. There were notable increases in expenditure in DfE-funded programmes (4.09), particularly for 16 to 18 apprenticeships due to more young people taking up apprenticeships. Expenditure on ESF increased in line with underlying activity.

Expenditure within this note contains staff costs for the financial year 2014 to 2015 of £18.2 million (financial year 2013 to 2014: £39.9 million) in relation to staff involved in the delivery of programmes (as shown in note 2a). It also contains for the financial year 2014 to 2015 £67.9 million of other expenditure (financial year 2013 to 2014: £34.7 million), mostly IT systems-related (as shown in note 3a).

		Year ended 31 March 2015	Year ended 31 March 2014
		£'000	£'000
4.01	ASB		
	Classroom-based	1,425,761	1,565,458
	Adult apprenticeships	776,573	737,022
	Other workplace training	94,735	144,526
	City Deals	6,729	6,225
	Total ASB	2,303,798	2,453,231
4.02	Employer Ownership Programme		
	Employer Ownership Programme	47,963	22,060
	Total Employer Ownership Programme	47,963	22,060
4.03	Community Learning		
	Community Learning	210,228	210,729
	Total Community Learning	210,228	210,729
4.04	Offender Learning		
	Offender Learning	125,236	134,492
	National Careers Service in custody	9,438	10,201
	Total Offender Learning	134,674	144,693
4.05	Learner Support Funds		
	Discretionary Learner Support	97,991	121,431
	PCDL*	3,293	3,411
	Adult Education Bursary	0	1,119
	Dance and drama	7,757	7,859
	24+ Advanced Learning Loans Bursary	50,696	20,761
	Total Learner Support Funds	159,737	154,581

4 Programme costs (continued)

		Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
4.06	**National Careers Service**		
	Telephone Helpline	10,611	10,613
	Operation	648	1,393
	Development	4,330	4,863
	Face-to-face	51,330	61,106
	Infrastructure	5,858	809
	Young People's helpline (formerly part of DfE-funded programmes)	3,369	4,165
	IM Revenue	1,140	2,092
	Learning Records Service	7,531	7,500
	Total National Careers Service	84,817	92,541
4.07	**Skills infrastructure**		
	Apprenticeships BIS non-participation	8,183	10,353
	Systems development**	21,626	0
	FE Choices	908	1,940
	LSIS	0	2,826
	Equality and diversity	663	1,765
	Learning Records Service	1,207	2,831
	the information authority	0	877
	Data services	16,687	6,994
	National Skills Academies	1,098	2,675
	EFA recharge (revenue)	(3,228)	(816)
	VES	1,283	0
	Discontinued programmes	(319)	2,867
	Total skills infrastructure	48,108	32,312
4.08	**Capital**		
	FE capital buildings	289,419	362,333
	Systems development**	0	17,114
	Local education authority loan liabilities	3,029	3,183
	PCDL default expenditure ***	6,746	3,102
	PCDL receipts	(3,546)	(4,735)
	EFA recharge capital	0	(2,545)
	City Deals – capital	497	3,195
	Specialisation fund	0	105
	National Careers Service systems development	(123)	0
	Total capital	296,022	381,752

4 Programme costs (continued)

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
4.09 DfE-funded programmes		
16 to 18 apprenticeships	703,429	650,759
Apprenticeships DfE non-participation	1,495	5,676
Apprenticeship Grant for Employers (16 to 18)	66,461	55,474
16 to 18 Employer Ownership Programme	13,308	11,342
16 to 18 traineeships	15,269	4,798
16 to 18 traineeships marketing	1,299	0
Total DfE-funded programmes	801,261	728,049
4.10 ESF and other non-BIS-funded programmes		
ESF	244,507	155,125
Train to Gain ESF response to redundancy	(745)	(1,373)
Next Step ESF response to redundancy	4,391	5,053
Other funding	4,335	4,863
Total ESF and other non-BIS-funded programmes	252,488	163,668
Total programme costs	4,339,096	4,383,616

Note: we have changed the descriptions and classification of some programmes in the financial year 2014 to 2015 to reflect the funding letter and reporting requirements of BIS for the same year. We have amended the comparatives for the financial year 2013 to 2014 to ensure consistency. There is no financial impact as the change represents a reanalysis of the same programmes.

Grants to the private sector totalling £1.4 billion (financial year 2013 to 2014: £1.29 billion) are included in the values above.

* The current year total contains £1.8 million (financial year 2013 to 2014: £1.8 million) relating to the additional and unused elements of the provision, as shown in note 12.

** This relates to expenditure on systems that the SFA uses to deliver its programmes and is not paid out as grants.

*** The current year total contains £5.1 million (financial year 2013 to 2014: £3.1 million) relating to the additional and unused elements of the Financial Guarantee balance, as shown in note 13.

5 EU and other income

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Other funding for activities		
ESF academic years 2007 to 2013*	248,556	159,515
Other programme income**	4,335	4,863
	252,891	164,378
Income from activities		
Sub-letting of part of premises	576	504
Other activities income**	5,288	6,524
	5,864	7,028
Total EU and other income	258,755	171,406

* This includes administration income of £6.5 million (financial year 2013 to 2014: £20.5 million).

** This includes £5.3 million (financial year 2013 to 2014: £9.3 million) relating to income from the EFA for shared services.

6 Property, plant and equipment

as at 31 March 2015

	Furniture and fittings	Plant and machinery	Computers and other IT	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2014	10,844	143	3,334	14,321
Additions	136	0	0	136
Disposals	(100)	0	0	(100)
Impairment	(2,413)	0	0	(2,413)
At 31 March 2015	8,467	143	3,334	11,944
Depreciation				
At 1 April 2014	(9,862)	(112)	(2,999)	(12,973)
Disposals	100	0	0	100
Charge for period	(409)	(15)	(121)	(545)
Impairment	2,041	0	0	2,041
At 31 March 2015	(8,130)	(127)	(3,120)	(11,377)
Net book value (NBV)				
At 1 April 2014	982	31	335	1,348
Total NBV tangible non-current assets at 31 March 2015	337	16	214	567

as at 31 March 2014

	Furniture and fittings	Plant and machinery	Computers and other IT	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	10,827	167	3,334	14,328
Additions	17	0	0	17
Disposals	0	(24)	0	(24)
At 31 March 2014	10,844	143	3,334	14,321
Depreciation				
At 1 April 2013	(9,410)	(121)	(2,874)	(12,405)
Disposals	0	24	0	24
Charge for period	(452)	(15)	(125)	(592)
At 31 December 2014	(9,862)	(112)	(2,999)	(12,973)
Net book value (NBV)				
At 1 April 2013	1,417	46	460	1,923
Total NBV tangible non-current assets at 31 March 2014	982	31	335	1,348

7 Intangible assets

as at 31 March 2015	IT AUC	IT systems	IT software	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2014	9,040	138,743	920	148,703
Transfer from 'assets under construction' (AUC)	(12,848)	12,848	0	0
Additions	13,991	0	0	13,991
Disposals	0	(6)	0	(6)
Impairment	(2,588)	(7,213)	0	(9,801)
At 31 March 2015	7,595	144,372	920	152,887
Depreciation				
At 1 April 2014	0	(85,520)	(905)	(86,425)
Disposals	0	6	0	6
Charge for period	0	(19,778)	(10)	(19,788)
Impairment	0	6,030	0	6,030
At 31 March 2015	0	(99,262)	(915)	(100,177)
Net book value (NBV)				
At 1 April 2014	9,040	53,223	15	62,278
Total NBV intangible non-current assets at 31 March 2015	7,595	45,110	5	52,710

as at 31 March 2014	IT AUC	IT systems	IT software	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	13,613	112,498	1,035	127,146
Transfer from AUC	(27,963)	27,963	0	0
Additions	25,958	0	0	25,958
Disposals	0	0	(115)	(115)
Impairment	(2,568)	(1,718)	0	(4,286)
At 31 March 2014	9,040	138,743	920	148,703
Depreciation				
At 1 April 2013	0	(66,804)	(1,010)	(67,814)
Disposals	0	0	115	115
Charge for period	0	(20,312)	(10)	(20,322)
Impairment	0	1,596	0	1,596
At 31 March 2014	0	(85,520)	(905)	(86,425)
Net book value (NBV)				
At 1 April 2013	13,613	45,694	25	59,332
Total NBV intangible non-current assets at 31 March 2014	9,040	53,223	15	62,278

8 Financial instruments

IFRS 7 requires the SFA to disclose information on the significance of financial instruments to its financial position and performance.

In addition to the risks associated with the financial guarantee relating to the PCDL programme (note 13) the SFA is exposed to credit risk resulting from the non-payment of debts relating to private sector provision of training services; this is most usually attributable to insolvency. Private sector training organisations are subject to quality and financial status reviews before receiving contracts. Provision of funding is reconciled to earned values on a monthly basis, with future payments adjusted to minimise the risk of accumulating debt. The overall financial impact of such instances is not material, as shown in notes 9 and 19.

As a partner organisation of BIS and with no borrowings, the SFA is not exposed to any market or liquidity risk.

The SFA has no material deposits in interest-bearing accounts and, as all material assets and liabilities are denominated in sterling, it is not exposed to any significant interest rate or currency risk.

9a Trade receivables and other current assets

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Amounts falling due within one year		
Advances and other FE college receivables	59,197	43,250
Workplace training receivables	1,503	697
Trade receivables	191	313
ESF and other receivables	67,340	2,378
	128,231	46,638
Prepayment and accrued income		
ESF and other accrued income	144,766	131,060
FE college prepayments	49,877	0
Administration cost prepayments	1,098	2,876
	195,741	133,936
Total trade receivables and other current assets	323,972	180,574

Receivables include a provision for doubtful debts of £4.4 million at 31 March 2015 (£15.5 million at 31 March 2014).

9b Trade receivables and other current assets: analysed by type of organisation

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Current receivables		
Local authorities	727	2,240
Other central government bodies	202,708	132,854
Balances with other government bodies	203,435	135,094
Balances with non-governmental bodies	120,537	45,480
Total trade receivables and other current assets by organisation type	323,972	180,574

10 Cash and cash equivalents

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Balance at 1 April	149,884	175,007
Net change in cash and cash equivalent balances	(51,938)	(25,123)
Balance at 31 March	97,946	149,884

The following balances at 31 March were held at:		
Government Banking Service	97,946	149,884
Balance at 31 March	97,946	149,884

11a Trade payables and other current liabilities

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Amounts falling due within one year		
Trade payables	250	147
FE college payables	1,574	52
Workplace training payables	1,106	1,391
Tax and social security	31	342
ESF and other payables	952	1,362
	3,913	3,294
ESF and other deferred income	470	23,829
Workplace training accruals	139,934	131,773
ASB, programmes and administration accruals	126,381	106,725
	266,785	262,327
Sub-total payables, deferred income and accruals	270,698	265,621
Capital payables	1,283	3,976
Total trade payables and other current liabilities	271,981	269,597

11b Trade payables and other current liabilities: analysed by type of organisation

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

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Local authorities	2,774	3,759
Public corporations and trading funds	0	85
Other central government bodies	1,271	22,849
Balances with other government bodies	4,045	26,693
Balances with non-government bodies	267,936	242,904
Total trade payables and other current liabilities by organisation type	271,981	269,597

12 Provisions for liabilities and charges

	Reorganisation	SCT	Early retirement	PCDL interest	Property	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Provision balance at 1 April 2013	0	0	8,774	2,229	4,662	15,665
Additional charge in year	10,599	582	0	1,831	5,266	18,278
Provision used in year	0	0	(2,591)	(1,680)	(3,457)	(7,728)
Provision unused and reversed during the year	0	0	0	0	(94)	(94)
Balance of provision at 31 March 2014	10,599	582	6,183	2,380	6,377	26,121
Provision balance at 1 April 2014	10,599	582	6,183	2,380	6,377	26,121
Additional charge in year	0	1,861	0	1,793	0	3,654
Provision used in year	(5,211)	(443)	(2,220)	(1,876)	(474)	(10,224)
Provision unused and reversed during the year	(2,212)	0	0	0	(5,903)	(8,115)
Balance of provision at 31 March 2015	3,176	2,000	3,963	2,297	0	11,436
Indicative timing of outflows required to settle obligation						
Within one year	1,761	2,000	1,975	1,876	0	7,612
From two to five years	1,166	0	1,988	421	0	3,575
Greater than five years	249	0	0	0	0	249
Balance of provision at 31 March 2015	3,176	2,000	3,963	2,297	0	11,436

12 Provisions for liabilities and charges (continued)

Reorganisation

This covers the SFA's liabilities in relation to its current reorganisation programme that are charged against administration expenditure and includes elements relating to severance costs and surplus space in SFA properties.

Supply chain transformation

This relates to the SFA's liability for costs chargeable to administration that may be incurred by suppliers that make individuals redundant as a consequence of the SFA's supply chain transformation (SCT) work. In line with government objectives, the SFA's SCT programme is reforming the way we use our ICT. One aspect of this work is to provide opportunities for SMEs to support and deliver ICT services to achieve value for money through competition and innovation.

Early retirement

This covers the SFA's additional pension contributions for all early retirements up to October 2010 that are charged against programme expenditure. These are defined by and made to the scheme administrator for the period up to normal retirement age for individuals that retired early under the former LSC's reshaping programme.

Professional and Career Development Loans

The SFA has a liability to cover interest payments that occur under this programme while the learners are in learning. This provision reflects the probable outflow of funds in relation to the cost of covering interest-driven liabilities while the recipients of the loans complete their course.

Property

The SFA had at the start of the financial year some property not in use. This provision reflected the probable cost of retaining the space or disposing of the property. During the year the property, along with any financial obligations, was transferred to BIS. As the SFA will not incur any further costs relating to these properties, the provision is no longer required.

13 Financial Guarantee: Professional and Career Development Loans (Defaults)

	Professional and Career Development Loans (Defaults)
	£'000
Opening balance at 1 April 2013	32,736
Increase in the year	8,081
Expenditure in the year	(6,837)
Decrease in the year	(4,979)
Balance at 31 March 2014	29,001
Opening balance at 1 April 2014	29,001
Increase in the year	5,104
Expenditure in the year	(4,457)
Decrease in the year	0
Balance at 31 March 2015	29,648

Exposure to risk

The PCDL programme operates by providing loans to learners to enable them to complete a course of study. High street banks provide the loans to learners at a rate of interest below what might ordinarily be offered to them in such circumstances. The SFA has a liability for the cost of default on such loans and for the interest costs of the loans while the learners are in learning. Most of the liability is for the default on the loans that is classified as a financial guarantee, in accordance with IAS 39.

Credit risk: exposure at end of period

Most of the liability arises from the credit risk that learners will not repay the loans and the values above show the expected value of this liability at the end of the reporting period. The values have been estimated as 12% of the total forecast value of loans outstanding at the end of the reporting period.

The exposure to credit risk is mitigated by the application of credit and other checks before the loan is granted by the commercial banks operating PCDL schemes.

In accordance with the terms of the agreement with the banks, the maximum possible value of the guarantee to cover the cost of defaults is capped at 15% of the total loan portfolio advanced since the beginning of the programme; it is estimated to be £49 million.

Liquidity risk

As a partner organisation funded by BIS, it is unlikely that the SFA will encounter any difficulty meeting its obligations under this financial guarantee. The rate of interest on the loans is fixed (currently at 9.9%), so it is unlikely that the future cash flows to settle the obligation will change as a result of changes in the market interest rate.

Market risk

The rate of interest on the loans is fixed (currently at 9.9%), so it is unlikely that the future cash flows to settle the obligation will change as a result of changes in the market interest rate. Changes in the general level of market prices or changes in foreign exchange rates are unlikely to impact on the value of the outstanding liability.

14 Operating lease commitments

Total future minimum lease payments due under operating leases are given in the table below within each of the following periods:

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Obligations under operating leases at 31 March comprise:		
a) Land and buildings*		
Not later than one year	3,375	5,235
Later than one year and not later than five years	10,125	16,552
Later than five years	5,682	9,828
	19,182	31,615
b) Others		
Not later than one year	148	161
Later than one year and not later than five years	62	227
	210	388

* During the year the SFA estate has been reduced. We relocated some offices and transferred other property surplus to requirements to BIS. This has reduced future commitments under lease obligations.

15 Capital commitments

The SFA had no commitments for capital expenditure as at 31 March 2015 (31 March 2014: £nil).

16 Commitments to make grants to colleges

Commitments to make grants to colleges at 31 March 2015 for adult skills related to the remaining period of the academic year April to July, together with capital commitments, were as follows:

	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Payable within one year		
Adult skills (colleges)	583,738	576,142
FE capital	0	329,900
	583,738	906,042

Responsibility for the funding of capital expenditure in colleges transferred from the SFA to LEPs in the financial year 2014 to 2015.

17 Contingent liabilities

The SFA had no material contingent liabilities as at 31 March 2015 (31 March 2014: £nil).

18 Related-party transactions

The SFA is a partner organisation of BIS, which is regarded as a related party.

During the financial year 2014 to 2015 the main entities with which the SFA has had material transactions within government and the BIS group are the following:

- BIS (provision of grant funding to the SFA)
- Department for Work and Pensions (provision of ESF funding to the SFA)
- ConstructionSkills (provision of funding by the SFA)
- EFA (provision of shared services by the SFA)

As Peter Lauener is Chief Executive of the EFA, the EFA is a related party. Details of Peter's remuneration and that of all the SFA's directors are available in the Remuneration Report on pages 31 to 37.

SFA Director / Close Family Member	SFA Role / Relationship	Related Organisation Role / Relationship	Related Organisation	Transaction(s)	Value (£'000)	Amounts owed to related party (£'000)	Amounts owed by related party (£'000)	Bad Debts (£'000)
Peter Lauener	Chief Executive and Accounting Officer	Chief Executive and Accounting Officer	EFA	Programme grants expenditure with EFA	8,780	645	834	
				Shared services income from EFA	8,482			

As explained on pages 23 to 24, the SFA has various Advisory Board members. Some are related parties of organisations that receive funding from the SFA. As these members are employed by the SFA in an advisory capacity, they have no influence over the SFA's funding decisions and allocations.

19 Losses and special payments

19a Losses statement

The SFA incurred the following material cash losses in the period to 31 March 2015. The losses have been charged to the relevant programme in note 4 or other cost in note 3a.

	Year ended 31 March 2015	Year ended 31 March 2014
	£'000	£'000
Description		
Workplace training and apprenticeships, including Train to Gain		
Cases above £300,000 individually	986	1,894
Cases below £300,000 individually	259	396
	1,245	2,290
ESF provision		
Cases below £300,000 individually	173	315
	173	315
Administration expenditure		
Cases below £300,000 individually	0	2
	0	2
Total cash losses	1,418	2,607

At 31 March 2015 there were 13 cases, of which two were above the reporting threshold of £300,000 individually. The two cases above the reporting threshold were as follows:

	£'000
Elmfield Training	563
Management and Personnel Services Ltd	423

Most of these losses are the result of errors found following an audit of programme funding. The losses listed above relate to cases where the SFA has been unable to recover these overpayments, usually as the training organisations have gone into liquidation. These losses are subject to approval from the relevant authority in the table below.

The Chief Executive of Skills Funding has delegated authority to approve write-off of cash losses with an item value of up to £10,000, with no limit to the total amount in any one year (financial year 2013 to 2014: no limit). BIS has approved the other cases within their respective authorities as summarised below:

		31 March 2015 Number of cases	31 March 2015 Loss
			£'000
Authority	**Item value**		
SFA	Up to £10,000	5	16
BIS	£10,000 to £300,000	6	416
BIS	£300,000 to £2,000,000	2	986
Total losses		13	1,418

19b Special payments

The SFA made three special payments in the period to 31 March 2015 (31 March 2014: one payment). HM Treasury approved all of these special payments.

19c Fruitless payments

The SFA incurred no fruitless payments in the period to 31 March 2015 (31 March 2014: £158,000).

19d Constructive losses

The SFA incurred no constructive losses in the period to 31 March 2015 (31 March 2014: £1.3 million).

20 Events after the date of the Statement of Financial Position

There have been no events between the statement of financial position date and the date the accounts were authorised for issue requiring an adjustment to the financial statements.

The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Glossaries

Glossary of Further Information

16 to 18 Apprenticeships
Apprentices earn a wage and work alongside experienced staff to gain job-specific skills. Off the job, usually on a day-release basis, apprentices receive training to work towards nationally recognised qualifications. Anyone living in England, over 16-years-old and not in full-time education can become an apprentice.

16 to 18 Employer Ownership Programme
Funding available in a bid to design the vocational training programmes needed to grow and create tens of thousands of opportunities for young people.

24+ Advanced Learning Loans
24+ Advanced Learning Loans (previously known as FE Loans) were introduced during the academic year 2013 to 2014 and provide support for learners aged 24 and over to access skills provision at Levels 3 and 4 (including advanced and higher apprenticeships).

157 Group
The 157 Group is a membership organisation that represents 27 large, successful and regionally influential FE colleges in England. It is committed to excellence and achieving success for the sector, leading policy development, and improving the quality and reputation of FE.

Adult apprenticeships
Each year tens of thousands of adults gain the skills and qualifications they need to progress and increase their earning power by becoming an adult apprentice.

Adult Skills Budget
As part of the new streamlined funding system for adult skills, a single ASB is allocated to fund the delivery of education and training services. The single ASB provides the freedoms and flexibility for colleges and other training organisations to meet the needs of learners and employers.

Apprenticeship standards
The standards show what an apprentice will be doing and the skills required of them, by job role. Employer groups known as 'trailblazers' develop the standards.

Apprenticeship trailblazers
Groups of employers ('trailblazers') have been leading the way in carrying out changes to apprenticeships. They have been working together to design apprenticeship standards and improve assessment approaches.

Apprenticeship training
An apprenticeship is a work-based training programme, designed around the needs of employers, which leads to nationally recognised qualifications.

Association of Colleges
The Association of Colleges (AoC) is a not-for-profit organisation that represents and promotes the interests of colleges and provides members with professional support services. The membership includes general and tertiary, FE colleges, sixth-form colleges and specialist colleges in England.

Association of Employment and Learning Providers
The Association of Employment and Learning Providers (AELP) is a national membership organisation and the recognised voice of independent training organisations that engage in government-funded skills training and employability programmes throughout England.

Awarding bodies
Organisations that award vocational qualifications.

Cabinet Office
The Cabinet Office is a department of the government of the United Kingdom responsible for supporting the Prime Minister and Cabinet of the United Kingdom.

Carbon reduction commitment allowances
Organisations that decrease their emissions can lower their costs under the carbon reduction commitment (CRC).

Central Delivery Service
We have established a Central Delivery Service (CDS) to deliver and embed an end-to-end contract management service for colleges, other training organisations and employers, incorporating contract administration, contract compliance, robust performance management, operational procurement and risk management.

The CDS core function is the first point of contact for colleges, other training organisations and employers that contract with the SFA.

City Deals
City Deals are agreements between the government and a city that give that city control to take responsibility for decisions that affect their area, do what it believes is best to help businesses grow,

create economic growth and decide how to spend public money.

Civil Service Compensation Scheme
The Civil Service Compensation Scheme sets out the level of compensation that departments can pay their staff if they leave under voluntary or compulsory redundancy.

Civil superannuation vote
The civil superannuation vote covers the payment and associated non-cash items of pensions and other benefits to those covered by the PCSPS. It also covers certain other statutory schemes, including schemes for civil servants made under the Superannuation Act 1972.

Comprehensive Spending Review
The Comprehensive Spending Review is the HM Treasury-led process that allocates public expenditure.

ConstructionSkills
ConstructionSkills are tasked by government to ensure that the UK's construction industry has the skilled workforce it requires.

Contract for Services – Education and Training
The annual update of the main terms and conditions of agreements for colleges and other training organisations.

Corporate governance
Corporate governance is the system of rules, practices and processes by which a company is directed and controlled.

Data Collections and Funding Transformation Programme
The Data Capture and Funding Transformation (DCFT) programme is our response to BIS's document 'New Challenges, New Chances (Skills Investment Statement 2011-14: Investing in a World Class Skills System)'. The programme aims to create an IT platform to enable the efficient delivery of the funding simplification and 24+ Advanced Learning Loans aspects of 'New Challenges, New Chances'. It will replace legacy systems with new systems that comply with Cabinet Office's digital strategy and support changes to the funding rules for the academic year 2014 to 2015.

Display Energy Certificate
Display Energy Certificates (DECs) show the energy performance of public buildings. They use a scale that runs from 'A' to 'G', with 'A' the most efficient and 'G' the least.

Education Funding Agency
Under the Education Act 2011, the responsibilities of the former Young People's Learning Agency (YPLA) transferred to the EFA on 31 March 2012.

Employer Ownership Pilot
Employer ownership of skills is the UK Commission for Employment and Skills' long-term vision for skills in England.

End-to-end intervention process
The end-to-end intervention process is the assessment and management of risk associated with colleges and other training organisations in receipt of funding for education and training from the Chief Executive of Skills Funding.

European Social Fund
The ESF is the European Union's main financial instrument for supporting employment in its member states.

FE Choices website
A publication of four performance indicators published as part of the FE Public Information framework, previously published under the Framework for Excellence. It updates the information available on 'success rates', 'learner satisfaction' and 'employer satisfaction'.

Further education
There are two streams of education for people over 16: further education (FE) and higher education (HE). FE covers learning opportunities up to A-level and NVQ Level 3 standard.

Government Digital Service Transformation Programme
In January 2013, the government gave itself 400 days to transform 25 major services, making them digital by default and simpler, clearer and faster to use. This is the GDS Transformation Programme.

With help from the Government Digital Service, eight departments across government set about redesigning these digital exemplars based on the needs of users, not the needs of government. The SFA is reviewing all of its services to ensure that they are digital by default.

Government procurement card
Purchasing cards and corporate cards designed to satisfy government efficiency targets.

Higher education
Higher education (HE) includes courses above A-level or NVQ Level 3 standard, such as Higher National Diplomas (HNDs) and degree and postgraduate courses.

Higher Education Funding Council for England
The Higher Education Funding Council for England (HEFCE) distributes public money for teaching and research to universities and colleges. It aims to promote high-quality education and research that meet the needs of students, the economy and society.

Hub (The)
The Hub provides online services for use by organisations working with the SFA. These organisations are mainly colleges, training organisations and employers that have a funding agreement to provide education and training.

On the Hub, organisations can access funding contracts and finances; they can also use it to send their Individualised Learner Record (ILR) return.

Joint Audit Code of Practice
The JACOP outlines changes to streamline and simplify the 16 to 19 funding and allocations system.

Learning and Skills Improvement Service
The Learning and Skills Improvement Service (LSIS) was a sector-owned body formed from the Quality Improvement Agency and the Centre for Excellence in Leadership. Focusing on learners, it aimed to develop excellent and sustainable FE provision across the sector, implementing the government's reforms for learning and skills.

Learning Records Service
The Learning Records Service (LRS) supports learners at all levels to access, manage and use their own achievement information as they progress through education, training and lifelong learning.

Local authorities
Local authorities are responsible for meeting the learning needs of all young people up to the age of 18. They develop strategic commissioning plans for their area, working with neighbouring authorities, assessing demand for and required supply of 16 to 18 provision, including the academic route, Diplomas, apprenticeships and the Foundation Learning Tier.

Local Enterprise Partnerships
LEPs are led by local authorities and businesses across natural economic areas. Currently there are 39 agreed partnerships across England and they provide the vision, knowledge and strategic leadership needed to promote sustainable private sector growth and job creation in their area.

National Apprenticeship Service
The National Apprenticeship Service (NAS) focuses on increasing the number of apprentices in England. NAS works with employers to help them introduce apprentices into their businesses, helps those looking to start their careers find an apprenticeship job opportunity, and contributes towards the costs of the training and qualifications within an apprenticeship.
gov.uk/further-education-skills/apprenticeships

National Careers Service
The National Careers Service (formerly Next Step) provides information, advice and guidance to help make decisions on learning, training and work opportunities. The service offers confidential, helpful and impartial advice, supported by qualified careers advisers.
nationalcareersservice.direct.gov.uk

National Skills Academies
National Skills Academies are employer-led organisations with a leading role in developing the infrastructure needed to deliver specialist skills for key sectors and sub-sectors of the economy.

Policy framework
A logical structure that is established to organise policy documents into groupings and categories.

Principal Civil Service Pension Scheme
The PCSPS is a voluntary pension scheme, which members can join at any time during their employment within the Civil Service.

Professional and Career Development Loan
The PCDL programme offers financial assistance to improve prospects, and the government pays the interest.

Protective security
Government departments and agencies are responsible for protecting their information, personnel and physical assets in accordance with protective security policies that Cabinet Office issue.

Provider Financial Management and Assurance team
The PFMA team ensures that colleges and other training organisations use SFA funds for the intended purposes.

Relevant audit information
Information that is relevant to an audit.

Response to redundancy
Short, sharp, job-focused interventions to redundancy will enable individuals to be ready to continue in, enter or re-enter sustainable employment, including apprenticeships and self-employment, and contribute positively to the local labour market.

Skills Investment Statement
On 1 December 2011, the government published 'New Challenges, New Chances: The Skills Investment Statement 2011–2014: Investing in a World Class Skills System', setting out the Skills Investment Strategy, key policy objectives and operational drivers for the FE and skills sector for the academic years 2011 to 2014.

Strategic Intervention team
The Strategic Intervention team deals with complaints about private training organisations and those underperforming.

the information authority
Previously, *the information authority* set data

standards and governed data collection and use for FE and training provision in England.

Train to Gain
Government-funded initiative to deliver vocational training to employed individuals in the UK, primarily those over 25 years old.

Training Quality Standards
The Training Quality Standard represents a commitment to a journey of continuous improvement and innovation.

Transparency agenda
The transparency agenda is a pledge by the coalition government to make government more open.

UK Commission for Employment and Skills
The UK Commission for Employment and Skills (UKCES) is a non-departmental public body that provides strategic leadership on skills and employment issues in the four nations of the UK.

Workplace training
Workplace training bridges the skills gap between education and employment.

Young People's Learning Agency
The YPLA funded the FE provision for 16- to 19-year-olds in England, including education delivered by academies, FE colleges and sixth-form colleges. Under the Education Act 2011, the YPLA ceased to exist on 31 March 2012. As a result, the responsibilities of the YPLA have transferred to the EFA.

Glossary of Financial Terms

The definitions that follow are simplified. They are not a comprehensive statement of the full accounting meaning and nor do they fully reflect accounting policy within the SFA. The definitions are not a substitute for accounting standards, practices, laws and government guidelines as relevant to the SFA. For further information, please refer to a suitably qualified finance professional or to the SFA directly.

Alexander tax review
Chief Secretary to the Treasury Danny Alexander announced in January 2012 that the government would hold a review into the tax arrangements of public sector appointees.

Asset
Asset has a broad but specific meaning in accounting terminology. An asset is something that the SFA has control over that it can use as part of the process of delivering its objectives. It may be tangible such as an item of office equipment or it may be intangible such as a computer system. Receivable balances and cash balances are also assets.

Cash equivalent transfer value
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.

Closing carrying value
This is the same as the net book value (NBV) at the end of the year.

Consumer Prices Index
The Consumer Prices Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their proportionate value of the basket.

Contingent liabilities
Contingent liabilities are liabilities that are not yet certain because their existence can only be confirmed by a future event outside of the SFA's control. The SFA does not have any such liabilities.

Default expenditure
Expenditure incurred as a consequence of students failing to repay loans under the PCDL programme.

Deferred income
This is income that the SFA has received in the current financial year but relates to a future period.

Depreciation, impairment and losses on disposal
Depreciation is explained below. Impairment is where the value of an asset has permanently fallen below its current recorded value. A loss on disposal refers to the situation where an asset is disposed of before it has been fully depreciated and any sales proceeds do not outweigh the remaining value.

Depreciation
Depreciation is an estimate of the value of an asset consumed in its use during the reporting period. For example, if the SFA bought a computer system for £1 million and expected it to be used for five years, the depreciation charge would be £200,000 each year.

Depreciated historical cost
Depreciated historical cost is the depreciation charge worked out on the historical cost.

EFA recharge
This refers to the recharge of costs to the EFA. There are both revenue and capital elements to this recharge.

Financial guarantee
This is a type of liability but it is characterised by being less certain than other liabilities. The SFA has a liability under the PCDL programme to cover the cost of loans provided to students that default. At the time of preparing the accounts, we do not know with certainty how much this will be, so we have estimated it.

Financial Reporting Manual
The government's 'Financial Reporting Manual' ('FReM') is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The manual is prepared following consultation with the Financial Reporting Advisory Board and it is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland.

General fund
This is also known as the 'general reserve'. It is best thought of as the value held in the SFA that the taxpayer owns.

Historical cost
Historical cost is the purchase cost of an item. For example, if the SFA bought a computer system for £1

million two years ago, its historical cost would be £1 million.

Historical cost convention
This is the convention that all costs are quoted on a consistent basis using historical cost.

Intangible asset
Intangible asset has a specific meaning in accounting. It is an identifiable asset under the control of the SFA that is not money and does not have physical substance. An example of an intangible asset is computer system software.

International Accounting Standards Board
The independent, accounting standard-setting body of the IFRS Foundation.

International Financial Reporting Standards
International Financial Reporting Standards refer to the rules and practices as issued by the International Accounting Standards board. These have been adapted for use by government bodies in the UK, as explained in the government's 'FReM' and it is these rules that the SFA applies in the preparation of its accounts.

Liabilities
Liabilities have a broad but specific definition in accounting terms. A liability is an obligation the SFA has that arises from past transactions or events. For example, if the SFA agrees to occupy a building for a certain period of time, it will have a liability to pay the rent. Liabilities are linked to the expenditure the SFA incurs and the value of liabilities in the accounts represents amounts that we have not yet paid. Payable balances, provisions and financial guarantee balances are all liabilities.

Net assets
This refers to the total assets, less the total liabilities under the SFA's control.

Net book value
The net book value (NBV) of an asset is the original cost of the asset, less any depreciation that has been charged against it. For example, a computer system bought for £1 million and expected to last five years will have a net book value of £800,000 after the first year.

Non-current assets
Non-current assets are assets that the SFA expects to use over more than one accounting period. For example, a computer system expected to last five years is a non-current asset.

Non-current liabilities
Non-current liabilities are liabilities that are expected to be paid more than one year beyond the end of the financial year. For example, the SFA has an obligation to fund loan defaults in relation to the PCDL programme. This obligation is already in existence but not expected to require payment until sometime in the future.

Payables
Payables refer to the SFA's liabilities to pay colleges and other training organisations, suppliers and others. For example, where the SFA owes money to colleges and other training organisations for work they have delivered.

Provisions
Provisions are a type of liability but they have the characteristic of being less certain than other liabilities, so they are disclosed separately.

Receivables
Receivables refer to the amounts due to the SFA. For example, where the SFA has sent an invoice to the Department for Work and Pensions for it to provide funding to cover the costs of delivering the ESF programme.

Workplace training balances
These are the amounts the SFA recovers from training organisations in relation to delivering the ASB.

Year-end
The end of the financial year, which for the SFA runs from 1 April to the following 31 March.

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