



Young People's  
Learning Agency

# Young People's Learning Agency Annual Report and Accounts 2010-11

July 2011



Championing Young  
People's Learning



**The Young People's Learning Agency's  
Annual Report and Accounts  
for 2010-11**

**Presented to Parliament pursuant to paragraphs 14 and 15 of Schedule 3  
to the Apprenticeships, Skills, Children and Learning Act 2009**

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## Chair's Statement

When I reflect on the past year I have great pride in the achievements of the YPLA, particularly in light of the context in which it carried out its first year of business. We have been on a journey that has taken us through significant changes in policy following the General Election in 2010, leading to considerable changes in our remit and major growth in our responsibilities.

I was appointed by the Secretary of State as Chair of the Young People's Learning Agency (YPLA) Committee within the Learning and Skills Council (LSC) National Council. I also established a Transition Committee, with the purpose of establishing good governance arrangements for the YPLA. I was very keen to recruit members who were expert in their fields and able to give informed, real time judgements on the impact of the work of the YPLA. From the start, I was keen to build collaborative relationships with the key stakeholder bodies and therefore invited them to be observers to the Board to ensure our processes were transparent and to share responsibility and ownership for improving the services we provide to our partners.

Only a month after our first Board meeting in April 2010 the election was held and the coalition Government was formed. It was at this point that the value of having such diverse and experienced Board members really demonstrated itself. All of the partners around the table were facing new challenges as the Government developed its strategy and we were able to come together, as stakeholders in the 16-19 sector, to share our experiences and apply them to the YPLA's tasks and objectives – and ultimately providing the best support to young people throughout the system.

Two early decisions by the coalition Government that took office in May 2010 were to have a huge impact on our work. Firstly, the Academies Bill was introduced, enabling many more schools, including primaries and special schools, to convert into Academies. Secondly, from August 2010, we were asked to resume direct funding of colleges and training providers. These decisions changed the basis of our relationships with some partners. The Board continued to maintain its commitment and support for our whole agenda and for putting learners at the centre of our thinking.

Also significant to the YPLA Board was the debate on the reform of the public sector and in particular the role of quangos or arm's length bodies. There was a considerable period of speculation in the press and inevitably some uncertainty about our role. Through our regular reviews with Ministers it was clear that they had been impressed by the early work of the YPLA, and by the efficient and effective way in which we had responded to the Government's new agenda. Clearly there was much good practice that needed to be retained and in the Schools White Paper, published in November, it was announced that the YPLA would be abolished and the Education Funding Agency would be established as an executive agency of the Department for Education, responsible for funding.

Peter Lauener and I were asked in November 2010 by the Secretary of State to lead the transition of the YPLA to the Education Funding Agency. We have done this with the support of the Board, through its Transition Sub Committee and with the department. Our close working with the department has led to a smooth handling of transition to prepare the way for the Education Funding Agency to deliver its remit and the transfer of YPLA staff to roles in the new structure. The Board has been very focused on the well being of the staff who are working hard to deliver the current remit while planning for new arrangements.

Throughout the year, the Board and I have returned to the vision and values of the YPLA to help us navigate our way through complex issues. I believe this has made us an effective Board. Despite the turbulence, our values have remained the same and still reflect the way we wish to carry out our work. This has helped to embed a positive culture in the YPLA, one that values the flexibility and expertise of our staff; reinforces a 'can do' attitude towards change; and supports their resilience and focus during times of uncertainty. It is clear that doing the job well is of utmost importance to this organisation and this is demonstrated in the achievements of the first year.

I am confident that we can build on these successes in our second year, continue learning from our partners and colleagues across the sector, keep the learner at the centre of our thinking to improve and refine the funding system.



**Les Walton**  
**Chair**  
**Young People's Learning Agency**  
29 June 2011

## Chief Executive's Review

Whilst the Young People's Learning Agency (YPLA) was formally established from 1 April 2010, a great deal of work had been done to ensure that we "hit the ground running". I was appointed as Chief Executive designate in July 2009, and took up the post in September 2009. By that time the senior staff of the YPLA had been identified, and my first big task was working with them to set in place the structures that would enable us to take on our responsibilities.

The first challenge was to ensure that local authorities were ready to take over from the Learning and Skills Council (LSC) the responsibility for making payments to around 700 colleges and other providers, and that we were ready to take over from the Department for Education the responsibility for making payments to open Academies. No matter how much preparation, testing and dry runs we had done, it was still a relief when, on 18 April, the first payment run to local authorities – and from local authorities to colleges and other providers went smoothly, and all payments to Academies were made on time.

On 31 August 2010, we were funding 203 Academies. The next day we had the first batch of converters as well as some new sponsored Academies. By the end of March 2011 this had risen to 467 – more than one new Academy every day (including Saturdays and Sundays) since the start of September. At the time of writing there are 704 Academies up and running.

In October 2010, the Spending Review was announced. It was clear that everyone – whether Academy, school, college, other provider, or the YPLA – would have to find more efficient ways of operating. The Spending Review also announced the planned closure to new applicants of the Education Maintenance Allowance, a major responsibility for the YPLA.

In December, we published our Funding Guidance and Funding Statement for 16-19 education and training. These documents described the new, and much simplified, approach we would be taking to making funding allocations, and also set out changes to funding rates that were necessary in order that we could fund increasing numbers of learners within a limited budget. We put in place transitional measures to help those providers who were most affected by the changes.

In January 2011, the Government announced that the YPLA would be responsible for three new capital funds for 16-19 education, two of them to improve the premises of sixth form colleges, and the third to enable Academies, school sixth forms and sixth form colleges to expand to meet demographic growth. Plan for these new programmes have been drawn up and are being implemented in 2011-12.

The period to the end of March 2011 was dominated by the allocations round. We had to calculate, and agree, allocations for over 2,500 Academies, school sixth forms, colleges and other providers. For 16-19, we were able to make allocations on time; but for Academy funding pre-16, there were some delays and we will be making every effort in 2011-12 to make sure that this aspect of our work is managed as efficiently and effectively as possible.

All of this has only been possible because of the flexibility and professionalism of YPLA staff. As the number of Academies has increased well beyond the figure on which our staffing establishment was based, we have moved staff across to strengthen our capacity on this part of our remit. I am immensely grateful to all my staff for their dedication, professionalism and skill in a very challenging year. I am proud to have them as colleagues.

So what does the next year hold for the YPLA?

The number of Academies will continue to grow, and there will be the first Free Schools and University Technical Colleges. The Government is consulting on changes to school funding, and we will continue to work to simplify the 16-19 funding system. In that work, we will have to consider the implications of the Wolf Review of vocational qualifications. We will also be working with DfE on the new bursaries for 16-19 year olds.

And those are just the things we know about!

A handwritten signature in black ink, appearing to read 'Peter Lauener', with a stylized flourish at the end.

**Peter Lauener**  
**Chief Executive and Accounting Officer**  
**Young People's Learning Agency**  
29 June 2011

## Our work

The Young People's Learning Agency for England (YPLA) is a non-departmental public body (NDPB) of the Department for Education<sup>1</sup>, established under the Apprenticeships, Skills, Children and Learning Act 2009.

Since April 2010, the YPLA has been responsible for securing the funding for the education and training (other than Apprenticeships) of young people aged 16-19, for all those attending Academies, and for those aged 19-24 who are subject to learning difficulty assessment.

Other than funding Academies, these functions were previously undertaken by the Learning and Skills Council. Following its abolition, the Chief Executive of the Skills Funding Agency took over from the Learning and Skills Council the statutory responsibility for 16-18 Apprenticeships, and for all other education and training for those over the age of 19.

We work in partnership with local authorities, in their key strategic role as champions of young people, and with Academies, schools, colleges and other providers, to ensure the best possible outcomes for young people up to the age of 19 and up to the age of 25 for those with learning difficulties and/or disabilities.

In 2010-11 the YPLA was responsible for three main programmes of work:

- Funding support for young learners.
- Funding and supporting Academies.
- Funding learning opportunities for 16-19 year olds.

Our budget for the financial year 2010-11 was £9.5 billion, which provided:

- Direct financial support for around 600,000 young learners, mainly through the Education Maintenance Allowance.
- Funding and support for Academies for all their work. The number of Academies has increased significantly. In April 2010 there were 203 open Academies; the total at the end of March 2011 was 467.
- Funding for the education and training of around 1.6 million young people.

A key feature of our work in 2010-11 was to streamline and simplify the structures and processes for 16-19 funding. We also provided local authorities with comprehensive information on supply and demand in their area. Our, and the Government's aim, was to free up local authorities to concentrate on their strategic commissioning and influencing roles – identifying gaps, enabling new provision and developing the market.

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<sup>1</sup> The Department for Children, Schools and Families (DCSF) was re-named as the Department for Education (DfE) in May 2010.

# Management and Governance

## Management Group

Peter Lauener  
Chief Executive

Neil Flint  
Director of Academies

David Russell  
Strategic Director, Finance, Funding and Corporate Services

Rob Wye  
Strategic Director, Strategy and Implementation (until 31<sup>st</sup> December 2010)

Sue Samson  
Interim Strategic Director, Strategy and Implementation (from 1<sup>st</sup> January 2011)

## National Board

### Chair

Les Walton  
Founder, Northern Education

### Members

Peter Birkett  
Chief Executive, Barnfield Federation

Peter Box  
Leader, Wakefield City Council

Gareth Dawkins  
Principal, Bradford Academy

Sir Dexter Hutt  
Executive Leader, Hastings Federation of Schools

Peter Lauener  
Chief Executive, Young People's Learning Agency

David Pearmain  
Headteacher, Kenton School, Newcastle

John Merry  
Leader, Salford City Council

Emma Pearson-Winstone  
Legal Executive, Mills & Reeve

Mark Sanders  
Formerly Chief Executive, Bury Council

Helen Sexton  
Formerly Chief Executive and Principal, National Star College

Michele Sutton  
Principal, Bradford College

David Wootton  
Chief Executive, The Emmanuel Schools Foundation

### **Observers**

Sue Baldwin, Department for Education

Anne Marie Carrie, Executive Director of Family and Children's Services, Royal Borough of Kensington and Chelsea (until July 2010)

Lesley Davies, Assistant Chief Executive and Director of Policy, Association of Colleges

Ian Ferguson, Chairman of Metaswitch Networks, representing employers and independent learning providers

John Freeman, Local Government Association (until September 2010)

David Igoe, Chief Executive, the Sixth Form Colleges' Forum

Helen Johnston, Local Government Association (from December 2010)

Frankie Sulke, Executive Director for Children and Young People, London Borough of Lewisham (from September 2010)

Malcolm Trobe, representing the Association of School and College Leaders

### **Other committees**

Audit and Risk Management Committee  
Organisational Development and Remuneration Committee

# The YPLA as an Organisation

## Structure

The YPLA operates out of four national offices, in Coventry, London, Sheffield and Darlington, and nine regional offices. We have approximately 520 staff, based in offices around the country which we share with various partners – the Skills Funding Agency, the Department for Education and Government Offices. Service level agreements cover services that are shared with those organisations.

The YPLA Board, which includes representatives from our major stakeholder groups, oversees our work. The delivery of our objectives is monitored by our Executive Management Board.

Three programme boards, for each of the YPLA key areas of work have reported to the Executive Management Board on all aspects of the YPLA's remit.

## Staff development

We have an Organisational Development Group, with membership across the YPLA.

The objectives of the group are to:

- Establish the YPLA as a learning organisation.
- Work with the Executive Management Board to ensure that our mission, vision and values are central to the way we work and the way we communicate, internally and externally.
- Advise the Executive Management Board and the HR Star Chamber when they are developing policies that will affect staff development and organisational culture.

All staff have two formal review meetings each year with their line manager, where their performance is reviewed, their objectives are agreed, and where they discuss and plan their learning and development.

We have a comprehensive prospectus of learning and development opportunities for staff. Some of this is mandatory for all staff, for example equality and diversity and information security training.

Many people take advantage of training opportunities. Training on financial probity was provided to some 116 staff with financial responsibilities, and over 100 staff (one-fifth of our workforce) received training on business writing skills.

YPLA staff deliver many internal staff training sessions, and external specialists supplement these as required. Staff have access to a wide range of e-learning opportunities, so that they can undertake training at times which best suit them.

Members of the Board, including the Chair, have led open discussion forums for staff, at which they have talked about their role and that of the Board. These sessions have been highly interactive, and well received.

Individual staff have attended a number of the Executive and Senior Management Team meetings, as part of their personal development. Much benefit has derived from this.

## Consultative forum

We have a staff consultative forum, which enables YPLA employees to talk to management about important issues which might affect them.

In 2010-11, the forum discussed:

- YPLA corporate strategy and business plans.
- Organisational change.
- Changes in operations and working methods.
- Ideas for improving standards of performance, efficiency and productivity.
- Employment policies.
- Learning and development strategy and policy.
- Health and safety at work, environmental issues and staff welfare.

## Equality and diversity

In March 2011 we published our single equality scheme. The scheme summarises our commitment to inclusion, equality and diversity. An action plan supports the scheme. It will be reviewed and updated regularly.

We have four objectives for inclusion, equality and diversity:

- to recruit and retain an inclusive and diverse workforce which is appropriately developed to ensure each individual has the opportunity to reach their full potential.
- to make data available on Academies' performance to brief school improvement partners (SIPs) to support awareness and to help Academies improve their performance in inclusion, equality and diversity.
- to have in place comprehensive and transparent equality impact assessment arrangements, which are integral to the business cycle and the governance structure. This will be a key aspect of monitoring proposals to inform decision making and ensure that those making decisions are mindful of the impact on inclusion, equality and diversity.
- to improve the analysis and availability of data on the nine protected groups and their inclusion within YPLA funded activities; and to support the identification of gaps and challenge performance.

## Information security

The YPLA approach to information security is based on Her Majesty's Government's security policy framework.

We have set out a governance framework as follows:

- YPLA Chief Executive as Accounting Officer, has overall responsibility for assessing and mitigating information risks. He leads and fosters a culture within the organisation that values, protects and uses information for the public good.
- A Senior Information Risk Owner (SIRO), at Executive Management Board level, has a primary focus for the management of information risk within the organisation. The SIRO owns the YPLA's information security policy and information risk assessment process, and advises the Accounting Officer on information risk.

- Information Asset Owners (IAO) are appointed by, and accountable to, the SIRO. All information assets in the possession of, or under the control of, the YPLA have a designated IAO, who is a senior member of staff (a national or regional director) and is responsible for the management of risk arising from the holding or use of their information assets.
- Information Asset Leads (IAL) provide support and undertake day-to-day responsibilities on behalf of the IAOs.

All the above staff have received specialist training in their roles. Support is provided by:

- The Accreditor, who provides an internal independent assessment to the SIRO on whether an information system meets the organisation's security requirements.
- An information services security team provides a single point of contact for the IALs, to co-ordinate help, advice and guidance. This team maintains a central information asset risk register on behalf of the SIRO.
- The Information Security Working Group, which reviews and ensures that the organisation's information security policies meet all legal and regulatory requirements and are current and effective. The group also reviews, supports and aids the implementation of the security education, training and awareness programme.

Our internal auditors have undertaken work across the information security framework. A number of concerns have been raised, and are highlighted in the Statement on Internal Control.

## Sustainability

HM Treasury published guidance in June 2010 on *Sustainability Reporting in the Public Sector*. This document sets out the underlying principles to be adopted in preparing the Annual Report.

As we are not directly responsible for any of the premises we occupy, operating instead under shared services agreements, we work with those organisations on sustainability issues.

The Skills Funding Agency is leading on the development of a five-year carbon management plan, concentrating on five offices within its estate, all of which are shared by the YPLA, including our national office in Coventry. The aim of the plan is to reduce carbon emissions by 25 per cent by April 2016. A series of projects have been initiated, including awareness-raising campaigns and adopting new technologies, such as changing to LED bulbs in some areas and installing movement-sensitive lighting.

We are committed to reducing the amount of travel undertaken by staff, by better management of meetings and by increased use of telephone and video conferencing. We encourage staff to reduce the travel associated with getting to and from their workplace, through car-sharing, cycling, use of public transport and, where appropriate, home-working. Increasingly, our communication with providers and other partners is by e-mail, and we are developing our extranet as our primary means of communication.

## Social and community issues

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 wider communities. Accordingly, the YPLA encourages its employees to engage as volunteers in a broad range of social, environmental and economic initiatives in the communities in which they live and work.

We support employees undertaking community or charitable activities that can be connected to our business objectives including:

- Working in schools or organisations that are involved in learning and skills activities.
- Working with third sector organisations that are involved in raising the profile of learning and skills within communities or client groups.

We support employees who want to undertake voluntary work in their free time. Where this work is part of their personal development plan, a maximum of five days (pro-rated for part time staff) per year can be taken from the ten day entitlement to learning and development activities. We support employees by considering requests for flexible working arrangements to facilitate the volunteering activity,

Staff undertake activities to raise money for charity. Examples include:

- Sale of plants and preserves.
- Quizzes.
- Bike rides.
- London Marathon.

Organisations supported include:

- Barnardo's.
- Cancer Research UK.
- Children in Need.
- CRY (Cardiac Risk in the Young).
- Guide Dogs for the Blind.
- The Prostrate Cancer Charity.

## Business continuity planning

Business continuity planning is essential to ensure that we can continue to deliver an acceptable level of critical activities in the event of any disruption.

As noted previously, we share our four national offices (Coventry, Sheffield, London and Darlington) and our nine regional offices with partners such as the Skills Funding Agency, Department for Education and Government Offices. As we are not responsible for the maintenance of any of those offices, business continuity plans have been developed in partnership with those other bodies.

In conjunction with the Skills Funding Agency, we are developing a joint business continuity plan in line with BS25999, the industry standard for business continuity management.

Each directorate in the Coventry office undertook an analysis of core functions and resource requirements. The location-specific plans take into consideration the business needs following a disaster.

The plans identify the roles and responsibilities of individuals and teams in the event of a disaster. They include a recovery plan and a plan for internal and external communications.

Plans for all other YPLA offices will be reviewed by the joint working group during the course of 2011-12.

In the event of a disaster our core objectives are to:

- Establish a Recovery Operations Centre.
- Establish communication channels both internally and externally.
- Relocate staff either to alternative offices or temporarily to a home base.
- Implement key business processes through individual directorate and organisational business continuity plans.
- Supply IT equipment to essential users as identified in detailed plans.
- Ensure IT network is operational.
- Implement salvage operations as required.

## **Transparency**

In October we published details of all our expenditure since April 2010 including invoices, grant and expenses payments, and we continue to publish that information on a monthly basis. As an organisation, we are expected to operate transparently.

# Management Commentary

## Report on personal information breaches

In the report *Data Handling Procedures in Government*, published by the Cabinet Office in June 2008, the Government committed to report on information breaches in summary form in annual reporting. Our report is set out in the tables below.

**Table 1: a summary of protected personal data related incidents formally reported to the Information Commissioner in 2010-11**

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2011	Data sent in the post did not arrive on time but was later advised as received with no report of any compromise.	Personal sensitive data relating to a learner.	One	SIRO informed. Incident investigated and learner, Commissioner and DfE informed.
<b>Further information on information risk</b>	The YPLA continues to monitor and assess its information risks, in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Some incidents were deemed not to fall within the criteria for reporting to the Information Commissioner's Office. These are set out in table 2. Small, localised incidents are not recorded centrally and are not cited in these figures.

**Table 2: a summary of centrally recorded protected personal data related incidents not formally reported to the Information Commissioner in 2010-11**

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	One
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

**Table 3: a summary statement of actions to manage information risk**

Information risk is managed through a formal structure headed by our Senior Information Risk Owner (SIRO). Information Asset Owners provide assurance to the SIRO on information assets under their control. This process is supported by the Information Management shared service provided by the Skills Funding Agency who advise on policy, provide professional technical support and deliver information security awareness training to YPLA staff. We have policies on Data Protection and Data Sharing which are derived from the legal requirements of the Data Protection Act and relevant codes of practice available from the Information Commissioner.

## Financial commentary

### Accounts Direction and Statutory Background

- 1 These accounts have been prepared under an accounts direction issued by the Department for Education (DfE) in accordance with the Apprenticeships, Skills, Children and Learning Act 2009 and the framework document between the DfE and the YPLA dated 2 June 2010.

### Going Concern

- 2 The Statement of Financial Position at 31 March 2011 shows net assets of £20.2 million (opening balance: £19.0 million net liabilities). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the YPLA's other sources of income, may only be met by future grant-in-aid from the YPLA's sponsoring department. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grant-in-aid may not be issued in advance of need.
- 3 Grant-in-aid for 2011-12, taking into account the amount required to meet the YPLA's liabilities falling due in the year, has already been included in the DfE's estimates for that year. These estimates have been approved by Parliament, and there is no reason to believe that the DfE's future sponsorship and future Parliamentary approval will not be forthcoming.
- 4 The Education Bill – published in January 2011 – provides for the dissolution of the YPLA and the transfer of functions, staff and property to the Education Funding Agency, an executive agency of the DfE, on behalf of the Secretary of State. Whilst it is expected that the YPLA's functions will continue, albeit through a different delivery body, these proposals are subject to legislation and therefore uncertain.

### Year-end position

- 5 The net book value of YPLA's non-current assets at 31 March 2011 is zero as the YPLA does not own any non-current assets; instead they are provided as part of the shared service agreement with Skills Funding Agency. The shared service agreement with the Skills Funding Agency is an operating lease, as the risks and rewards of ownership lie with the Skills Funding Agency.
- 6 At 31 March 2011, the YPLA had receivables of £20.6 million (opening balance: £18.9 million). The main reason for the increase is the expansion of the Academies programme.
- 7 At 31 March 2011, the YPLA held cash balances of £55.2 million (opening balance: £0 million). DfE authorises a working balance of 2 per cent of the annual resource budget throughout each financial year. The YPLA received no cash from the splitting of the LSC balance sheet as all DfE cash was utilised prior to 31 March 2010.
- 8 At 31 March 2011, the YPLA had payables of £49.6 million (opening balance: £37.8 million). The main reason for the increase is the expansion of the Academies programme.

- 9 A credit risk to the YPLA arises from the non-payment of debts owed by private commercial and charitable providers that are funded to provide training services. The likelihood of such an eventuality is mitigated by assessing the provider's financial standing in advance of and during funding, and through an in-year reconciliation of providers' entitlement to funding and subsequent amendment to future funding. The financial impact of this is largely attributable to provider insolvency and the overall financial impact is currently not material – see note 17 of the accounts on losses.

## Development and performance

- 10 The accounts cover the period from 1 April 2010 to 31 March 2011.
- 11 The majority of the YPLA's funding is grant-in-aid from government. In 2010-11, this summed to £9,499.6 million (2009-10: £8,490.6 million).
- 12 The largest source of income was from the Skills Funding Agency in respect of the shared services arrangement, which contributed £1.5 million (2009-10: £0 million).
- 13 The results for 2010-11 show net expenditure of £9,460.4 million (2009-10: £8,479.3 million). This is derived from the comparison of expenditure against income for the year. The total expenditure for 2010-11 was within the resource budget set by DfE of £9,473.1 million. Total reserves in the same period increased by £39.2 million.
- 14 The YPLA had no capital expenditure in the year.
- 15 The YPLA had no research and development expenditure during the year.
- 16 During the year the YPLA spent £19.2m with trade suppliers and the outstanding balance at the 31 March 2011 is £0.1m; this equates to an average of 1.89 creditor days.
- 17 The Late Payment of Commercial Debts (Interest) Act requires government bodies, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services, or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95 per cent. In 2010-11, the YPLA paid 92.1 per cent (2009-10: 96.5 per cent) of its invoices within 30 days and 80.3 per cent (2009-10: 81.3 per cent) of its invoices within 10 days. It incurred £nil in interest charges in respect of late payments for 2010-11.
- 18 During the year, 3,615 days (2009-10: 3,496 days) were attributable to sickness absence. Using the average number of staff employed over the year (per note 4c of the accounts) this equates to approximately 7.3 days (2009-10: 7.7 days) sickness per employee per year.

## Main trends and factors underlying development and performance

- 19 This is the first set of accounts for the YLPA.
- 20 During the year the YPLA went from routing all 16-19 funding through the 152 local authorities to paying 900+ educational providers directly.

21 From May 2010 the Academies programme was changed to allow any outstanding school the option to apply to become an Academy. The YPLA was funding 203 Academies at 1 April 2010 and 467 by 31 March 2011. This increased the overall programme by 132 per cent.

### **Main trends and factors likely to affect future development and performance**

22 The Academies programme is very likely to expand further in 2011-12 as all schools in England may now voluntarily convert. The Academies programme will also include Free Schools in the coming year as well as further sponsored Academies.

23 Commissioning for young people's learning will be focused on improving participation, attainment and progression, while reducing the numbers of young people not in education, employment or training (NEET) and raising the participation age.

24 Public finance restraint is expected, at the very least over the short to medium term. Although the precise impact is currently unknown, the YPLA has achieved all of its Comprehensive Spending Review efficiency targets to date, enabling it to manage within its administration budget, and providing a solid starting position for successor bodies.

25 The YPLA is working with DfE to ensure a smooth transition to the new Education Funding Agency so that there is no impact on learners and the funding of providers.

26 On 7 June 2011 the closure of Partnership for Schools (PfS), an executive agency of DfE, was announced with its functions transferring to the DfE policy directorates and the Education Funding Agency. The YPLA will work with PfS and DfE on a successful merger.

### **Auditor**

27 The accounts are audited by the Comptroller and Auditor General, who is appointed by statute, and whose Certificate and Report appears on pages 36 and 37. Total audit fee expenditure is £175,000 which relates to the statutory audit of the YPLA's accounts. No other services were provided by the external auditors during the year.

28 As Accounting Officer I confirm that:

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



**Peter Lauener**  
**Chief Executive and Accounting Officer**  
**Young People's Learning Agency**  
29 June 2011

# Remuneration Report

**The Organisational Development and Remuneration (ODR) Committee forms an important part of our governance structure and process, providing informed and independent decisions on reward policy and practice.**

Given our status as a non-departmental public body, the existence of the ODR Committee allows us greater freedom from our sponsoring department (DfE) on reward policy and practice.

## Chairman

### **Pete Birkett**

Principal and Chief Executive, Barnfield College, since 2005.

## Members

### **Gareth Dawkins**

Principal, Bradford Academy, since 2006.

### **David Pearmain**

Headteacher, Kenton School, Newcastle, since 1999.

### **Malcolm Trobe**

Representing the Association of School and College Leaders.

### **Lesley Davies**

Assistant Chief Executive of the Association of Colleges.

The committee met four times during the period April 2010 to March 2011.

The committee determines the reward for members of the management group and other key senior executives. Honoraria for Board members are determined by the Secretary of State. The reward policy complies with relevant HM Treasury guidance and is based on the philosophy that remuneration arrangements should support the YPLA in the achievement of its business objectives. The reward policy is designed to attract and retain the right calibre of people, to focus individuals to deliver superior performance and to encourage team-based collaboration across the YPLA.

In determining the appropriate levels of reward, the YPLA takes into account local market competitiveness, the views of major stakeholders and the UK regulatory framework. Reward levels are compared with those in organisations of similar size and focus in each of the YPLA's regions.

The ODR Committee's terms of reference are as follows:

- to consider and advise on ways of embedding organisational mission, vision and values, including developing partner relationships;
- to consider and advise on communication and employee engagement strategies;
- to consider and advise on ways of working, organisational structure including organisational and job design, resource planning and business readiness;

- to approve an equality and diversity HR action plan, and monitor and evaluate its implementation and impact;
- to review and advise on the framework and policy for the appointment, pay and performance of staff of the YPLA;
- subject to any determination relating to the Chief Executive's appointment made by the Secretary of State, to review and make recommendations to the Chairman on any revisions to the Chief Executive's terms and conditions of employment, including remuneration;
- to assist the Chairman in monitoring annually the performance of the Chief Executive against the annual performance plan and, in light of that performance appraisal to advise the Chairman on any performance-related pay increase or bonus to be paid; and
- to approve frameworks for managing performance, career development, establishing performance and conduct standards, expectations and organisation competencies.

## Components of remuneration

The Chairman of the YPLA and members of the YPLA Board receive a salary (Chairman) or an honorarium. There is no bonus payment attached to any of these appointments.

The Chief Executive and members of the management group (the national and the regional directors) receive a total reward package made up of base salary, annual bonus, flexible benefits and a defined benefit pension. Bonus payments are not guaranteed.

Since April 2010, the YPLA bonus plan has been structured to focus on encouraging and rewarding team-based achievement at both the national and regional level. For senior staff, a discretionary element recognises outstanding individual contributions.

## Relationship between base salary and variable reward

### General

The YPLA sets base salaries at the market median and recognises achievement through the bonus scheme.

Salaries for national, regional and other senior directors are benchmarked using a range of appropriate data sources including the Association of Colleges' Principal Salary survey, Hay Group management consultants and Senior Civil Service pay scales. If an individual's salary falls below 90 per cent of the pay benchmark, an adjustment should normally be made to bring it to that minimum level.

### Chief Executive

The reward package for the Chief Executive involves two key elements (base salary and bonus), which are determined by the Secretary of State after considering proposals from the Chairman. The bonus is assessed on achievement against corporate and personal targets. During 2010-11 the Chief Executive, Peter Lauener, received no pay increase.

Due to the nature of his role, the Chief Executive does not receive an automatic salary progression award.

### **Base pay changes 2010-11**

Base pay for national and regional directors did not rise in 2010-11. The remainder of the YPLA staff received a 2 per cent pay increase (last year of agreed 3 year pay deal) plus a pay progression award. The table below shows an average percentage by grade increase per employee, including both the annual and progression pay awards.

<b>Band</b>	<b>Average %</b>
1	4.05
2	3.80
3	4.52
4	4.64
5	0.00

### **Duration of contracts, notice periods and termination arrangements**

#### **Members of the YPLA Board**

Members of the Board do not have service contracts and are appointed by the Secretary of State for Education.

Appointment is for part-time service for a fixed term, usually three years.

Generally, members can expect nine Board meetings per year.

An annual honorarium is offered for these appointments, normally of £4,000. Travel, subsistence and other expenses are payable in line with the current terms for YPLA executive staff. There are no bonus payments for these appointments.

One member of the Board is appointed by the Secretary of State to be the Chairman. Appointment is for a fixed term, usually four years. At least two days a week are expected to be devoted to the work of the YPLA. The Chairman's salary for the year to 31 March 2011 was £40,000. Salary is reviewed in accordance with guidance provided by the Cabinet Office covering pay of statutory office holders (their salaries are linked to movements in the senior civil service pay bands). Travel, subsistence and other expenses are payable in line with the current terms for YPLA's executive staff. There are no bonus payments for this appointment.

The Chairman and other members may resign from office at any time by giving written notice to the Secretary of State. The Secretary of State may remove a member from office on either of the following grounds:

- a. inability or unfitness to carry out the duties of the office; or
- b. absence from the YPLA's meetings for a continuous period of more than six months without the YPLA's permission.

If the Chairman ceases to be a member, the person also ceases to be the Chairman.

## YPLA Management Group members and other senior staff

Appointment is by service contract, which can be ended by either party giving 12 weeks' written notice.

The current Chief Executive, Peter Lauener, has been appointed on a fixed term contract. The appointment can be ended by either party giving three months' written notice.

There are no specific termination clauses in management group member service contracts. The YPLA holds no contracts with a notice period greater than 12 months.

## Chairman and Chief Executive emoluments

The Chief Executive, Chairman and national board are appointed by the Secretary of State for Children Schools and Families (now the Department for Education)

The sum of the Chief Executive's bonus is decided by the ODR Committee, which reviews performance against an annual personal responsibility plan agreed by the Chairman. The bonus is also approved by the Secretary of State.

## Audited Information

### Chairman and Chief Executive

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<hr/>		
The emoluments of the Chairman (Les Walton) for the period:		
<hr/>		
Salary	40	30*
<hr/>		
Taxable benefit	0	0
<hr/>		
<b>Total</b>	<b>40</b>	<b>30</b>
<hr/>		
The emoluments of the Chief Executive (Peter Lauener**) for the period:		
<hr/>		
Basic salary and other emoluments	140	118
<hr/>		
Taxable benefit in kind	0	0
<hr/>		
Bonus	0	13
<hr/>		
<b>Total</b>	<b>140</b>	<b>131</b>

Notes:

\* Emolument was for the role of chair of the YPLA committee of the LSC National Council.

\*\*Peter Lauener transferred from the DCSF to become the new Chief Executive of the newly formed Young People's Learning Agency on 1 April 2010.

## National Board Members

The non-executive members of the National Board are appointed by the Secretary of State for Education.

	<b>Date commenced/ reappointed/ or Extended</b>	<b>Current term Years*</b>	<b>Emoluments year ended 31 March 2011 £'000</b>	<b>Emoluments year ended 31 March 2010 £'000**</b>
<b>Non-executive members</b>				
Emma Pearson-Winstone	01/04/2010	2	4	4
Pete Birkett	01/04/2010	2	4	
John Merry	01/04/2010	2	4	
Mark Sanders	01/04/2010	2	4	4
Peter Box	01/04/2010	2	4	
Helen Sexton	01/04/2010	2	4	
Gareth Dawkins	01/04/2010	2	4	
Michele Sutton	01/04/2010	2	4	
Dexter Hutt	01/04/2010	2	4	
David Wootton***	01/04/2010	2	0	
David Pearmain	01/04/2010	2	4	

Notes:

\* On 1 April 2012, the YPLA is planned to be replaced by a new Education Funding Agency as an executive agency of the Department for Education.

\*\* Emoluments for Learning and Skills Council National Council, of which only Emma Pearson-Winstone and Mark Sanders were members.

\*\*\* Opted not to be paid for his services to the YPLA board.

## Senior management group emoluments

	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010	Year ended 31 March 2010
	Salary	Benefits in kind (to nearest £100)	Bonus	Total	Salary	Benefits in kind (to nearest £100)	Bonus	Total
	£'000	£100)	£'000	£'000	£'000	£100)	£'000	£'000
<b>David Russell *</b> Strategic Director Finance, Funding and Corporate Services	125-130	0	0	125-130	125-130	3,100	10-15	140-145
<b>Rob Wye **</b> Strategic Director of Strategy and Implementation	90-95	0	0	90-95	110-115	0	10-15	130-135
<b>Neil Flint ***</b> Director of Academies	85-90	0	0	85-90	N/A	N/A	N/A	N/A
<b>Sue Samson ****</b> Interim Strategic Director of Strategy and Implementation	20-25	0	0	20-25	N/A	N/A	N/A	N/A

Notes:

\* David Russell retired 30 April 2011.

\*\* Figure quoted is for the period 1 April 2010 to 31 December 2010 as Rob Wye left the YPLA on 31 December. His full year equivalent salary would be £120,827.

\*\*\* All appointed on 1 April 2010 except for Neil Flint who was seconded to YPLA from the DfE for the original fixed term of one year from 1 June 2010. Annual salary equivalent £102,000.

\*\*\*\* Commenced 1 January 2011, her full year equivalent salary would be £94,480.

### Salary

'Salary' includes gross salary; overtime; holiday pay; flexible benefit allowance; salary sacrificed for childcare vouchers/green travel and additional payments.

### Benefits in kind

No benefits in kind were paid by the YPLA in 2010-11. David Russell received a lease car allowance for 2009-10 provided by the Learning and Skills Council.

### Bonuses

No bonuses were paid to YPLA staff for the year ended 31 March 2011.

## Chief Executive and Management Group Pension Entitlements

	Accrued pension and related lump sum at age 60 as at 31 March 2011 £'000	Real increase in pension and related lump sum at age 60 earned in the year £'000	CETV at 31 March 2011 £'000	CETV at 31 March 2010 £'000	Real Increase in CETV £'000
<b>Peter Lauener</b> Chief Executive	60-65 and lump sum 185-190	5-7.5 and lump sum 15-17.5	1,289	1,082	113
<b>David Russell</b> Strategic Director Finance, Funding and Corporate Services	60-65 and lump sum 190-195	0 and lump sum 0	1,469	1,435	0
<b>Rob Wye</b> Strategic Director of Strategy and Implementation (until 31 December 2010)	45-50 and lump sum 145-150	0-2.5 and lump sum 0-2.5	975	914	3
<b>Neil Flint *</b> Director of Academies	35-40 and lump sum 110-115	7.5-10 and lump sum 27.5-30	776	560	199
<b>Sue Samson</b> Interim Strategic Director of Strategy and Implementation (from 1 January 2011)	45-50 and lump sum 0	0-2.5 and lump sum 0	951	877	5

Note:

\* Seconded from DfE for an original fixed term of one year from 1 June 2010.

The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.



**Peter Lauener**  
Chief Executive and Accounting Officer  
Young People's Learning Agency  
29 June 2011

## Statement of the YPLA's and Chief Executive's responsibilities

Paragraph 15 of Schedule 3 of the Apprenticeships, Skills, Children and Learning Act 2009, requires the YPLA to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the YPLA and of its income and expenditure for the financial year.

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

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Education (formerly Department for Children, Schools and Families) designated the Chief Executive of the YPLA as Accounting Officer of the YPLA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is accountable, for keeping proper records and for safeguarding the YPLA's assets, are set out in the Framework Document for Executive NDPBs at annex 7.4 of *Managing Public Money*, published by HM Treasury, and in particular items 5 and 6 under Governance and Accountability.

# Statement on internal control

## Scope of Responsibility

As Accounting Officer for the YPLA, I have responsibility for maintaining a sound system of internal control that supports the achievement of the YPLA's policies, aims and objectives while safeguarding the public funds and YPLA assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The YPLA is a non-departmental public body established from 1<sup>st</sup> April 2010 by the Apprenticeships, Skills, Children and Learning Act 2009. The YPLA Board consists of 12 ordinary members, one of whom (Les Walton) was appointed as the Chair. They met regularly with me and with my senior management group to provide strategic guidance and oversight. As Chief Executive I am also a member of the Board. Schemes existed for delegation of authority from the Board to me and in turn from me to the Management Group.

Sponsorship of the YPLA is by the Department for Education. The Department's expectations are set out in the YPLA's Grant Letter, Remit Letter and Financial Memorandum, in addition to my appointment letter as Accounting Officer. YPLA performance in meeting these expectations is discussed in regular Performance Reviews, including at Ministerial level. The Department for Education has an observer seat at the YPLA Board.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore 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 YPLA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the YPLA for the year ended 31<sup>st</sup> March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## The risk context for the YPLA

The YPLA has a budget of £9.5 billion. We provide the funding for all 16-19 year olds (or aged 19-24 and subject to learning difficulty assessment) in government-supported education and training in England (other than for Apprenticeships). We fund all open Academies for all their work. We fund education and training for young people aged 10-18 in youth custody.

Any significant failure in the our mainstream operations could have a significant impact – we provide the funding for the learning of around 1.6 million young people, in over 2,500 schools, colleges and other organisations.

We began our operations on 1<sup>st</sup> April 2010, inheriting our responsibilities for 16-19 education and training from the Learning and Skills Council, and taking over from the then Department for Children, Schools and Families (DCSF) responsibility for funding, challenging and supporting Academies.

Allocations for the 2010/11 academic year had already been agreed and communicated to providers, and from April 2010 we began to make payments to local authorities in respect of school sixth forms.

At the same time, local authorities came under a duty to secure enough suitable education and training to meet the reasonable needs of 16-19 year olds in their area and of those aged 19-24 subject to learning difficulty assessment.

Subsequent simplifications to the system meant that, from August 2010, the YPLA, not local authorities, would make payments to sixth form colleges, general further education colleges and other providers. We have been fully effective in meeting this requirement.

The Academies Act 2010 received Royal Assent in July 2010. Initially, only schools rated by Ofsted as outstanding could convert to Academy status, and 35 schools did so in September 2010, with more in subsequent months. In November, the Secretary of State announced that he would open up the route to Academy status to all other schools, including primary and special, if they were rated by Ofsted as good with outstanding features, or if they worked in partnership with a high-performing school. In April 2010, there were 203 open Academies; by 31<sup>st</sup> March 2011 this had risen to 467. The Government had committed that the funding for each Academy would replicate that which they would have received from their local authority, together with a share of local authority central costs. This meant that over 100 different funding formulae were used in making allocations.

The increased flow in the number of Academies placed significant pressure on our staffing resources. We increased our capacity through a combination of recruitment to vacant posts from within the Department for Education “family” (the Department itself and its agencies) and through temporary internal transfers.

The risks associated with these staffing pressures were managed through the YPLA’s risk management framework. We put in place mitigating actions which were scrutinised by the programme board, the Executive Management Board, the YPLA Audit and Risk Management Committee, the YPLA Board and the Department for Education. Concerns raised as a result of internal audit assignments are outlined in the directorate statement on internal control later in this report.

Changes to the system of determining 16-19 allocations and making payments meant that statutory guidance had to be revised. The Department for Education agreed that we should adopt an interim process for 2011/12 allocations and consult on the process for 2012/13. The implication of this risk is set out within the internal control section.

As part of the Spending Review, the Government announced that the Education Maintenance Allowance (EMA) scheme would be replaced by an enhanced discretionary learner support fund, with decisions about which young people should receive financial support being made by schools, colleges, and training providers. EMA would be closed to new learners from January 2011, and would end in July 2011. In March 2011, the Government announced proposed transitional arrangements for learners part way through their studies who were already receiving EMA. Consultation began on a new bursary scheme to help the most vulnerable 16-19 years olds continue in full-time education. The proposed bursary scheme is made up of two parts – a guaranteed payment to a small group of the most vulnerable, and a discretionary fund for schools and colleges to distribute.

In November 2010, the Secretary of State announced that the Government intended, subject to legislation, to dissolve the YPLA in April 2012 and establish the Education Funding Agency, as an executive agency of the Department for Education. The YPLA Board agreed that transition to the Education Funding Agency would require some risks to be managed, especially relating to capacity. The capacity risk and a risk relating to information security are highlighted in each Director's statement on internal control and reported in the internal control issues section of this report.

These changes would present very serious challenges to any organisation, and not least to one in its first year of operation. We met those challenges ably. The YPLA has very quickly become recognised as effective, and, spending just 0.5 per cent of its budget on administration, an efficient organisation. This is testament to the professionalism, flexibility and hard work of the YPLA staff, supported by a strong, and very experienced, Board.

### **Performance reporting and risk management**

The YPLA approach to risk management is based on the principles and concepts set out in guidance published by HM Treasury (known as *The Orange Book*).

Our approach is to ensure that relevant boards and committees are provided with reports that:

- summarise key indicators relating to the wider system, in order to track progress in terms of improving levels of participation and achievement, which are fundamental to achieving the YPLA's strategic objectives;
- provide assurance as to the management of the YPLA's budgets, reporting on expenditure compared to budget profile and year-end forecasts, and giving explanations of any over-spend or under-spend;
- set out the extent to which the YPLA is delivering its core remit, in terms of meeting planned milestones and targets, and giving explanations of any areas where progress is at risk or behind plan; and
- explain the key risks the organisation is facing, and providing assurance that these risks are being well-managed.

### **The risk and control framework**

The key elements in the control system for the YPLA are described in the following sections.

#### **The Board**

The YPLA Board considered and agreed at its first meeting in April 2010 a framework for performance reporting and risk management. As the year progressed, the approach to risk management became more sophisticated. Initially, we reported risks against a five-stage "traffic light" of Red, Red/Amber, Amber, Amber/Green and Green. In August, it was agreed that the use of Amber alone should be discontinued, and we now report against a four-stage "traffic light". The Audit and Risk Management Committee was updated on the approach in October, including consideration of a case study of risk management.

## **The Audit and Risk Management Committee**

A duly-constituted Audit and Risk Management Committee was established and met three times during 2010-11. Its terms of reference reflect best practice. The Committee includes YPLA Board members and co-opted members recruited for their expertise. Officials from the National Audit Office and the Department for Education attend the Committee as observers.

The Committee considers at each of its meetings reports on: internal audit; external assurance; and performance and risk, together with other occasional reports. The Committee then reports, with recommendations where appropriate, to the YPLA Board.

### **Internal Audit**

Our Internal Audit service provides regular reports to me, and quarterly reports to the Audit and Risk Management Committee, including findings from audit reviews and a report on progress against the agreed 2010-11 internal audit assurance plan.

I meet regularly with the Head of Internal Audit, and received an Annual Report which includes a professional opinion as to the level of assurance that was applicable to the YPLA for 2010-11.

At my meetings with the Head of Internal Audit, I am alerted to any areas where improvements are needed and the progress being made with implementation plans resulting from reviews.

Internal Audit rigorously evaluated the self-assessment by senior staff of the areas for which they were responsible, which informed those staff in preparing their personal Statements on Internal Control.

### **Financial management**

As Accounting Officer, I am responsible for ensuring that there are effective systems in place to manage and monitor all budgets delegated to me. I can confirm that all budgets for which I was responsible in 2010-11 were managed and monitored in line with the YPLA's financial memorandum with its sponsor department, that there were effective systems in place to manage and monitor budgets and that accurate financial records were kept. I can also confirm that budgets were spent on achieving the outputs and outcomes detailed in our Grant Letter.

The personal statements on internal control signed by the five senior staff reporting directly to me during 2010-11 indicated that the formal system of internal budget delegation operated across the YPLA. A number of material risks were identified in those statements that had exposed the YPLA to potential failure in its financial management; those are described below in the section headed "Internal control issues".

### **External Assurance**

As Accounting Officer, I am required to be satisfied that those organisations that are in receipt of YPLA funds operate in an appropriately controlled environment.

I have established an Assurance and External Audit function to provide me with the assurances I require in this regard. We have agreed a Joint Audit Code of Practice with the Skills Funding Agency and local authorities which assigns lead responsibility for assurance over all funding paid to providers by the funding bodies. This ensures

that assurance responsibility is clearly defined while minimising the accountability requirements on providers.

Our Assurance and External Audit function is the assurance lead for sixth form colleges, Academies and those charitable and private providers which receive a higher proportion of 16-19 than adult funding. Assurance is obtained through a combination of direct assurance and by reviewing providers' financial returns; both statutory and those required by the funding bodies. The YPLA Assurance and External Audit function also co-ordinates the receipt of assurances from the Chief Executive of Skills Funding and from local authorities over the providers on which they lead for assurance purposes.

These lead responsibilities changed in year with the change in responsibility for 16-19 funding. This and the significant increase in the number of Academies mean that the YPLA Assurance and External Audit function leads on many more individual providers than originally envisaged. This has significantly increased the work of the YPLA Assurance and External Audit function. Progress reports on Assurance have been presented to each meeting of the Audit and Risk Management Committee. Overall assurance for the year is summarised in an annual assurance report and assurance statement.

I have received substantial assurance from the work of the YPLA assurance and financial monitoring team, drawing on assurance provided in turn by the Skills Funding Agency and through returns from local authorities.

## **Risk management**

Management boards were established for each of the YPLA's three main programmes of work:

- Funding support for young learners.
- Funding and supporting Academies.
- Funding learning opportunities for 16-19 year olds.

These Boards, which include staff from across the YPLA, met on a monthly basis, and included a risk report on each agenda. The Boards considered the risks and the mitigating actions taken or proposed, agreed changes to the risk register, and recommended which risks should be reported to the Executive Management Board (EMB).

I chair the EMB, which includes national Strategic Directors and a range of other senior staff. The EMB meets on a monthly basis, and receives a performance, delivery and risk report which gives details of risks escalated from the programme Boards and corporate risks which fall outside the remit of those Boards. The EMB considers the risks and the mitigating actions taken or proposed, agrees changes to the risk register and recommends which risks should be reported to the YPLA Board. The report to the EMB is also sent to the Department for Education. The first of these reports was produced in June 2010, and from then until March 2011 the report was considered at a performance review meeting between Department for Education officials and the YPLA Executive.

A quarterly report is produced for the YPLA Board, providing an overview of the YPLA budget, system performance, organisational performance and the management of risk. This report is considered first by the YPLA's Audit and Risk Management Committee, which makes any necessary recommendations to the full Board. The report is also shared with the Department for Education.

Risk management across the organisation is managed within the Business Performance and Communications directorate, with the Director reporting to the Chief Executive. During the course of 2010-11, the programme management office transferred to this directorate, resulting in a much closer working relationship between the monitoring of programme delivery and the corporate reporting of risk.

In December 2010, the YPLA's Head of Internal Audit reported on a review of the YPLA's corporate risk management, as part of the 2010-11 internal audit assurance plan. The Head of Internal Audit's assurance opinion was that the YPLA's risk management framework was basically sound, but with some room for improvement. An improvement plan has been agreed which will address the Head of Internal Audit's recommendations to ensure that the framework for risk management is applied consistently across all areas of the YPLA. In addition, we have developed risk assurance maps for our corporate risks and are considering the value of extending this across all identified risks.

## **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior staff within the YPLA who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office as the YPLA's external auditors in their management letter 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 Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement is in place.

## **Internal control issues**

### **Readiness Review**

The 2009-10 Statement on Internal Control set out the actions that the Learning and Skills Council (LSC) took to address the Machinery of Government changes and transition to the YPLA. Shadow structures operated within the YPLA to March 2010 with LSC risks transferring to the appropriate new organisations.

As the YPLA Chief Executive designate, I commissioned a YPLA Readiness Review in order to gain assurance on the adequacy of systems of internal control in place for the YPLA. The review, which was based on the Treasury publication "Managing Public Money", took the form of a validated self assessment, with fieldwork undertaken during January and February 2010 by our internal auditors.

The Internal Audit opinion was that adequate systems of internal control were either in place or, where they were transitioning from existing LSC processes, were scheduled to be in place with controls being aligned to YPLA structures and processes. There were two exceptions to this, where arrangements were inadequate: budget arrangements for learners with learning difficulties and/or disabilities (LLDD); and the YPLA's Academies' functions, where there was a transfer of responsibilities from the DCSF to the YPLA.

There were two concerns about LLDD budget arrangements. First was a concern about inconsistency in decision-making, where decisions would be made by 150 local authorities, rather than the nine LSC regional offices, making it highly likely that the

number of appeals would increase, which might impact on budget management. Secondly, there were difficulties with the oversight of budget arrangements with local authorities due to their duty of care to secure appropriate provision against the YPLA's responsibility for budgetary control; this meant that Internal Audit could not give assurance that the LLDD budget would not over-spend in the next and future years.

For the YPLA's Academies' functions, the review concluded that there were significant issues which meant that adequate systems of internal control were not fully in place at the point of transfer; this was in the context of the continued growth of the programme. This risk was mitigated by a transition programme board which was put in place and chaired jointly between the Department and YPLA to secure the transition of responsibility while building up staff resource in the YPLA. I believe that there remain significant challenges for the YPLA to build the systems that are needed for effective delivery, but that the transition to the YPLA was managed successfully.

The YPLA internal audit opinion was supported by a DCSF Internal Audit review of YPLA readiness that provided an Amber/Green assurance. They reviewed the work undertaken by LSC Internal Audit on the transition process and the Gateway review of the Machinery of Government Information Management Programme.

### **Internal Audit Investigations Unit**

The Internal Audit Investigation Unit (IAIU) is part of the Skills Funding Agency, and provides a shared service to the YPLA. As part of that process, a tailored monthly report is produced for both the Skills Funding Agency and the YPLA. This report includes an annex on the impact of the IAIU's work.

The YPLA inherited just one case from the LSC, and that case was closed as far as IAIU involvement was concerned, and was being led by the Police.

During the year, a further eight allegations were referred to the IAIU in respect of YPLA funds. Of these eight:

- Three were investigated. Whilst work is still in progress in one case, two have been successfully closed. Of the two that have been closed:
  - a. One involved a significant contract being terminated, with funds at risk identified of £1,311,496.90 (although still to be recovered), and further contracting risk has been materially reduced.
  - b. One led to an internal disciplinary case, the result of which was a final written warning.
- One allegation remains to be vetted.
- Four allegations (50%) were "vetted out" as they were considered to be outside of the IAIU's remit, or not possible to take forward in any practical manner.

The original case remains on the IAIU's books and is still being considered by the Police.

### **Transition**

Transition to the Education Funding Agency (EFA) brings with it risks that we need to manage. The YPLA finance and performance report for January 2011 noted that the YPLA Board agreed that the transition to the EFA would have specifically identified

risks. Internal audit's view was that the risks around the impact the transitional arrangements will have on delivery of current YPLA priorities are likely to increase as the programme progresses through the transition phase and it may be that the YPLA will be limited in its ability to manage these whilst maintaining delivery of YPLA priorities. Although the risk has been managed within each directorate, Internal Audit's opinion was that it should be mentioned in all directorates' statements on internal control.

This risk has been acknowledged by the YPLA Board. Regular communications are to be made to all staff to inform them of progress, a transition project team is developing the appropriate structure and relevant processes, a transition page has been set up on the Intranet, and a staff consultation process has been designed to include an ideas and suggestions element.

### **Information Security**

The Annual Report on Information Assurance produced by the YPLA's Senior Information Risk Owner reported to me that the YPLA is compliant with the relevant protective security requirements set out in the HMG Security Policy Framework (SPF) and HMG IA Standard No 6 with the exception of a number of concerns.

Areas such as physical security, removable media and business continuity management require further action to reach compliance with the Security Policy Framework (SPF). Ensuring compliance with the SPF will be more challenging through 2011-12 alongside the transition to the EFA.

### **Internal audit recommendations**

Internal Audit have expressed to me some concerns over the pace at which agreed Internal Audit recommendations are being implemented, including a number of LSC legacy recommendations. Steps are being taken by those responsible to me to ensure all recommendations are implemented within an agreed time-frame. I am monitoring this progress.

### **Academies**

Internal Audit concluded from their in-year reviews that, given the inherited position at the point of transfer of responsibilities from the Department for Education (DfE), significant progress continues to be made to establish an effective control framework over Academies' operations. There remain, however, significant risks around the speed of Academies' expansion and capacity to deliver the required level of change. The latter concern is subject to a resource review which has been undertaken during May to July 2011 in readiness for transition to the Education Funding Agency.

There also remain significant risks about the management of the processes for the general annual grant calculation for open and converting Academies' funding. This was due to the need to build new control frameworks, data and IT systems in relation to YPLA responsibilities. This will be a priority area for development during 2011-12; meantime additional compensating quality assurance mechanisms and controls have been put in place for the current year and actions identified to address the issues in time for allocations for the academic year 2012/13.

Other areas which have been developed during the 2010-11 year and where work will continue during 2011-12 are the consideration of any exceptional payments to Academies and the development of a new performance grid to combine education and financial performance.

The National Audit Office published a report in September 2010 on the Academies programme. This report concluded that many Academies were performing impressively in delivering the Academies programme's intended improvements, and most were achieving greater rates of improvement than their predecessor schools.

Following the publication of the report, I was called to give evidence to the Public Accounts Committee. The Committee published its report in January 2011, welcoming the progress made by the programme of sponsored Academies. The Committee made a number of recommendations for the Department for Education, two of which referred to the YPLA: that in developing a new financial handbook and governance framework, the YPLA should make it compulsory for all Academies to comply with basic standards of governance and financial management; and the Department for Education and the YPLA should regulate funding and monitoring to make processes as efficient as possible, and regularly review their capacity to keep pace with the number of Academies. Both those recommendations are being implemented.

### **Direct Funding**

We became responsible from 1<sup>st</sup> August 2010 for directly funding 16-19 provision in sixth form colleges (SFCs), general further education colleges and private training providers. As a consequence, we also became responsible for providing assurance over SFCs and private training providers. Changes to the system of determining allocations and making payments meant that statutory guidance had to be revised. Procedures to direct the intervention process with sixth form colleges operated on an informal basis between YPLA, local authorities and the Department for Education whilst the guidance was being revised.

The pace of this and other changes led to related capacity and capability issues impacting on the YPLA's ability to establish effective control frameworks.

### **Control frameworks**

The announcement in October 2010, that the Education Maintenance Allowance was to be discontinued from August 2011, with no new entrants from January 2011, had a significant impact on this work programme. The pace of this change led to related capacity and issues impacting on the YPLA's ability to establish effective control frameworks.

### **IT Strategies and data**

Internal Audit have raised concerns around the links between business needs and the development of information technology (IT) and information systems (IS). In particular, business cases for IT/IS development are not always robust, and business benefits are not routinely tracked.

### **Shared services**

Shared services agreements are in place between the YPLA and the Skills Funding Agency covering six areas. The Chief Executive of Skills Funding is required to ensure that appropriate systems of governance, risk management and internal control operate within the services.

His Chief Internal Auditor is satisfied that the Skills Funding Agency has operated appropriate and effective systems in respect of the shared services for the period

ending 31<sup>st</sup> March 2011. This will be confirmed by an exchange of Accounting Officer letters between the Chief Executive of Skills Funding and the YPLA Chief Executive.

Having reviewed the effectiveness of the system of internal control, the Chief Internal Auditor noted a number of issues in the areas of:

- business continuity planning, which was being developed;
- information assurance, which was not compliant in five out of six information assurance areas, nor in 26 out of 125 control items;
- IT assets, where actions to improve asset control were being introduced;
- internet usage, where policies in respect of internet usage by staff needed to be strengthened;
- the financial information system (CODA), where an upgrade had been delayed, and a post-project review could identify important improvements to future project management arrangements; and
- ESF matching, where arrangements, whilst generally sound, could be significantly weakened when Single Account Management and/or lighter touch and flexibilities were applied.

The Chief Internal Auditor identified two contextual issues, which might have an impact on governance, internal control and the risk management framework:

- re-organisation of the Skills Funding Agency, where risks to internal control during periods of change would need to be addressed, in addition to the control and management of the changes; and
- the Investigations Unit, where increased numbers of allegations had placed the limited resources of the service under pressure.

### **National Audit Office**

In March 2011, the National Audit Office published a report on getting value for money from the education of 16-18 year olds. The report noted that increases in expenditure for 16- to 18-year-olds had been matched by improvements in students' achievements and increasing participation. Nevertheless, the National Audit Office was unable to conclude that value for money was being delivered across the system, because of variations in the arrangements for accountability, performance monitoring and intervention where poor performance exists.

The Public Accounts Committee will consider the report in 2011-12.



**Peter Lauener**  
**Chief Executive and Accounting Officer**  
**Young People's Learning Agency**  
29 June 2011

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the financial statements of the Young People's Learning Agency (YPLA) for the year ended 31 March 2011 under the Apprenticeships, Skills, Children and Learning Act 2009. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow the Statement of 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 YPLA, the Chief Executive and auditor**

As explained more fully in the statement of the YPLA's and Chief Executive's responsibilities, the YPLA and the Chief Executive are 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 YPLA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the YPLA; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the YPLA's affairs as at 31 March 2011 and of its 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.

## **Emphasis of matter – uncertainty regarding going concern**

Without qualifying my opinion, I draw attention to Note 1 of the financial statements concerning the application of the going concern principle in the light of the proposed abolition of the YPLA. This is subject to legislation and there is therefore uncertainty over whether the YPLA will continue to operate in its current form and with its current functions.

## **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 issued under the Apprenticeships, Skills, Children and Learning Act 2009; and
- the information given in the sections entitled “Management and Governance”, “Our Work” and the Management Commentary 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 on which I report to you if, in my opinion:

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

## **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**

July 2011

# Statement of Comprehensive Net Expenditure

for the year to 31 March 2011

	Note	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
<b>Expenditure</b>			
Programme expenditure			
School sixth forms (local authority maintained)	2	2,184,108	2,200,894
School sixth forms (Academies)	2	225,887	133,473
16-19 further education	2	3,977,931	3,793,925
Pre-16 participation (Academies)	2	1,782,669	1,067,490
Learners with learning difficulties and/or disabilities	2	260,246	234,035
Education maintenance allowance	2	554,811	587,902
Learner support 16-18	2	87,771	91,326
14-19 reform	2	51,446	85,368
Free childcare for training and learning at work	2	5,051	11,565
Capital	2	230,337	232,271
Other expenditure funded by other government departments	2	51,449	50,369
Other programme expenditure	2	58	0
Administration costs			
Staff costs	4a	27,425	24,902
Other costs	5	22,765	12,549
<b>Total expenditure</b>		<b>9,461,954</b>	<b>8,526,069</b>
<b>Income</b>			
Other income	6	(1,544)	(46,721)
<b>Total income</b>		<b>(1,544)</b>	<b>(46,721)</b>
<b>Net expenditure</b>		<b>9,460,410</b>	<b>8,479,348</b>

All activities are continuing, with the exception of free childcare for training and learning at work, aspects of performance management of Academies and the wind down of the education maintenance allowance.

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

The notes on pages 42 to 69 form part of these accounts.

# Statement of Financial Position

as at 31 March 2011

	Note	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
<b>Current assets</b>				
Trade and other receivables	7a	20,625	18,862	23,330
Cash and cash equivalents	8	55,157	0	0
<b>Total current assets</b>		<b>75,782</b>	<b>18,862</b>	<b>23,330</b>
<b>Total assets</b>		<b>75,782</b>	<b>18,862</b>	<b>23,330</b>
<b>Current liabilities</b>				
Trade and other payables	9a	(49,614)	(37,831)	(53,523)
<b>Total assets less current liabilities</b>		<b>26,168</b>	<b>(18,969)</b>	<b>(30,193)</b>
<b>Non-current liabilities</b>				
Provisions	10	(5,987)	0	0
<b>Assets less liabilities</b>		<b>20,181</b>	<b>(18,969)</b>	<b>(30,193)</b>
<b>Reserves</b>				
General reserve		20,181	(18,969)	(30,193)
<b>Total reserves</b>		<b>20,181</b>	<b>(18,969)</b>	<b>(30,193)</b>

The notes on pages 42 to 69 form part of these accounts.



**Peter Lauener**  
**Chief Executive and Accounting Officer**  
**Young People's Learning Agency**  
 29 June 2011

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000
<b>General reserve balance at 1 April</b>	<b>(18,969)</b>	<b>(30,193)</b>
Total Comprehensive Net Expenditure	(9,460,410)	(8,479,348)
<b>Total recognised income and expense for the year</b>	<b>(9,460,410)</b>	<b>(8,479,348)</b>
Grant-in-aid funding from sponsor Departments	9,499,560	8,490,572
<b>General reserve balance at 31 March</b>	<b>20,181</b>	<b>(18,969)</b>

The notes on pages 42 to 69 form part of these accounts.

## Statement of Cash Flows

for the year to 31 March 2011

	Note	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
Cash flows from operating activities			
Net expenditure		(9,460,410)	(8,479,348)
(Increase)/Decrease in receivables - excludes capital receivables	7a	(1,763)	4,468
Increase/(Decrease) in payables - excludes capital payables	9a	11,783	(15,692)
Increase/(Decrease) in provisions for liabilities and charges	10	5,987	0
<b>Net cash outflow from operating activities</b>		<b>(9,444,403)</b>	<b>(8,490,572)</b>
Cash flows from investing activities			
<b>Net cash outflow from investing activities</b>		<b>0</b>	<b>0</b>
Cash flows from financing activities			
Grant-in-aid funding from sponsor departments		9,499,560	8,490,572
<b>Net cash inflow from financing activities</b>		<b>9,499,560</b>	<b>8,490,572</b>
Net increase in cash and cash equivalents in the period		55,157	0
Cash and cash equivalents at 1 April 2010	10	0	0
<b>Cash and cash equivalents at 31 March 2011</b>		<b>55,157</b>	<b>0</b>

The notes on pages 42 to 69 form part of these accounts.

# Notes to the Accounts

## 1 Accounting Policies

### Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) 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, the accounting policy which is judged to be most appropriate to the particular circumstances of the YPLA for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the YPLA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### Going Concern

The Education Bill – published in January 2011 – provides for the dissolution of the YPLA and the transfer of functions, staff and property to the Education Funding Agency, an executive agency of the Department for Education (DfE), on behalf of the Secretary of State. Whilst it is expected that the YPLA's functions will continue, albeit through a different delivery body, these proposals are subject to legislation and therefore are uncertain.

The estimates and forward plans of the DfE, the YPLA's sponsoring department, include provision for the continuation of the YPLA's activities under the Machinery of Government changes, so there is no reason to believe this future funding will not be forthcoming. Therefore, these accounts have been prepared on a going concern basis as set out in paragraph 2.1.15 of the FReM.

### Accounting Convention

These accounts are prepared under the modified historical cost accounting convention so property, plant and equipment, intangible assets and inventories are reflected at current values where the impact of doing so is material.

### Machinery of Government

As a consequence of Machinery of Government changes, the Learning and Skills Council (LSC) closed on 31 March 2010, but its functions and responsibilities transferred to the YPLA, Skills Funding Agency and the Department of Business, Innovations and Skills (BIS). The Skills Funding Agency is an executive agency of BIS with responsibility for adult provision, including Apprenticeships. BIS also took on certain assets and liabilities from the LSC, including the property provision for onerous leases. On 1 April 2010 the YPLA took over responsibility for open Academies from DfE.

Note 18 details how the restatements of comparatives for the YPLA have been calculated. Starting from the LSC closing position as published plus the transfer in of the Academies expenditure, assets, liabilities and reserves.

## Property, Plant and Equipment

As a consequence of Machinery of Government changes, on 31 March 2010 the LSC closed and all property, plant and equipment assets transferred to the Skills Funding Agency under the property transfer order. The YPLA has a shared service agreement with the Skills Funding Agency which states that they provide the YPLA with a working environment which allows the YPLA to conduct its day to day business. This working environment includes furniture, IT hardware and computers. Access to these assets does not constitute control and therefore they have not been recognised in the Statement of Financial Position.

If the YPLA purchases any property, plant and equipment it is carried at fair value. The minimum level for capitalisation of property, plant and equipment 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 value equal to or greater than £5,000.
- Groups of assets that individually may be valued at fewer than £5,000 but taken together form a single collective asset of value equal to or greater than £5,000 because the individual assets fulfil all of the following criteria:
  - a. the individual assets are functionally interdependent;
  - b. the individual assets are acquired at about the same date and are planned for disposal at about the same date;
  - c. the individual assets are under single managerial control; and
  - d. each individual asset thus grouped has a value of over £1,000.

For the financial year 2010-11 the YPLA has had no expenditure that meets the capitalisation criteria as set out above.

## Intangible Assets

As a consequence of Machinery of Government changes, on 31 March 2010 the LSC closed and all property, plant and equipment assets transferred to the Skills Funding Agency under the property transfer order. The YPLA has a shared service agreement with the Skills Funding Agency which states that they provide the YPLA with a working environment which allows the YPLA to conduct its day to day business. This working environment includes software, an intangible asset.

For the financial year 2010-11 the YPLA has had no expenditure on intangible assets.

## Leases

The shared service agreement with the Skills Funding Agency is renewed annually. The risks and rewards of ownership are considered to be with the Skills Funding Agency and therefore the YPLA treats the Shared Services Agreement with the Skills Funding Agency as an operating lease.

The cost of operating leases and the rentals are charged to the Statement of Comprehensive Expenditure as equal annual instalments over the lease term.

## **Receivables: programme expenditure**

Programme receivables derive from various learning programmes the YPLA funds learning providers to deliver. Programme receivables mostly reflect part of the normal operation of the reconciliation process of the respective programmes to ensure that only sums earned by providers' actual delivery are paid to providers and recorded in the YPLA's accounts

The YPLA also has programme receivables that are the result of audits of YPLA learning providers' use of funds. These audits may determine sums to be recovered from providers in respect of either:

- individual instances of delivery by providers that is ineligible to be funded; or
- an error rate identified from sampling that is extrapolated across all delivery by the provider.

In the vast majority of cases, programme receivables arising from whatever cause are offset against and recovered from future payments to providers.

## **Provisions**

Provisions are recognised when it is probable that the YPLA will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the sum that the YPLA 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 an appropriate discount rate.

## **Financial Instruments**

The YPLA has been party to many funding agreements in the course of funding providers to deliver learning and in the course of procuring goods and services for the YPLA's own operation. These funding agreements have given rise to assets and liabilities in its Statement of Financial Position, and may be classed as financial instruments. Where such financial instruments are deemed to have a significant impact on the medium to long term financial risk profile of the YPLA, they have been recognised in the financial statements in accordance with International Accounting Standards (IAS) 39 and details are disclosed in accordance with the provisions of International Financial Reporting Standard (IFRS) 7.

## **Grant-in-aid from the Department for Education**

All grant-in-aid (GIA) has been recorded as financing, as it is a contribution from the YPLA's controlling party giving rise to a financial interest. It is recorded as financing in the Statement of Cash Flow and credited to the general reserve.

## **Programme accounting basis**

### *Learning participation by young people aged 16-19*

Learning Participation programme expenditure is recognised in the accounts when the grant is paid to colleges and other providers in line with an agreed profile for the colleges' and providers' academic year. The grant paid is calculated according to the YPLA's funding formula for young people aged 16-19.

The YPLA may pay advances of funding to sixth form colleges that experience cash flow difficulties. The YPLA recovers these advances, usually with a few months, by reducing future payments to the college concerned. Where advances have not been recovered by the YPLA's year-end, the balances are included within Advances and Other FE College Receivables.

### *Capital Funding*

The YPLA funds local authority maintained schools with sixth forms to increase the number of places for young people aged 16-19. The YPLA recognises the value of this capital funding in the financial year that the funding is fully approved and in accordance with the YPLA's capital funding agreement with the local authority maintaining each school. The YPLA pays the local authority funding monthly and reconciles quarterly the cumulative value of payments made to actual expenditure to date on the school's capital works. The YPLA adjusts for differences on reconciliation in subsequent payments to the local authority. Prior to the final payment being made to the local authority or school the YPLA reconciles the total cost of the capital works to total payments made and the final payment is adjusted accordingly.

### *Local Authority Maintained Schools with Sixth Forms (School Sixth Forms)*

Expenditure on learning by young people aged 16-19 at school sixth forms is accounted for as sums that are due to local authorities in order to pay their maintained schools with sixth forms. The sums due are based on the YPLA formula for young people aged 16-19 and the Government's real terms funding guarantee.

### *Academies*

Expenditure on learning by young people aged under 16 at Academies is recognised in the financial statements when the grant is paid to Academies in line with an agreed profile for the Academies' academic year. Grant payable to Academies is based upon replication of the Academy's former local authority's formula for funding the local authority's maintained schools.

The YPLA sometimes pays advances of funding to Academies that experience cash flow difficulties. The YPLA recovers these advances, usually with a few months, by reducing future payments to the Academy concerned. Where advances have not been recovered by the YPLA's year-end, the balances are included within Advances and Other Academies Receivables.

### *Education Maintenance Allowance*

Expenditure on Education Maintenance Allowance (EMA) is recognised in the financial statements when the administrator of the scheme has certified attendance by invoice. The costs of administering EMA are charged to the accounts according to activity completed by the end of the financial year.

## Employee Benefits

### *Pension and superannuation costs*

The YPLA's employees are covered by the provisions of the Principal Civil Service Pension Scheme ([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 YPLA has been unable to identify its share of the underlying assets and liabilities. The cost of pension cover provided for the staff employed by the YPLA is met by payment of accrued charges. The accruing cost of providing for future benefits for current employees is charged to the Statement of Comprehensive 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 the YPLA is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees 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 incurred in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote.

### *Other Employee Benefits*

This includes the value of untaken holiday leave at the financial year-end.

## Segmental reporting

According to the FReM, the YPLA is expected to consider how the requirements of IFRS 8 to report information concerning operating segments apply to the activities the YPLA funds.

The YPLA considers that segmental reporting does apply to its accounts. However, the YPLA does not consider there to be separately identifiable reporting segments. Activities the YPLA funds have contributed to an overall mission within the same business environment and there have been no separable operating segments. The analysis of programmes and administration expenditure and income in these financial statements reflects the presentation of financial information in the YPLA's management accounts which have been reviewed regularly by the YPLA's Board, the Chief Executive and the senior management team.

## Accounting Judgments and Estimates

Other than those described in these accounting policies, no material accounting estimates or judgements were made by the YPLA in preparing these accounts.

## Accounting developments

### *Changes in Accounting Policies Applied for the First Time in the Current Period*

The YPLA's only change in accounting policy is the removal of cost of capital. In accordance with the FReM the YPLA has renamed the Net Expenditure Statement as the Statement of Comprehensive Net Expenditure.

### *Accounting Standards: Issued but not in Effect*

At the end of the reporting period, the accounting standards and interpretations detailed in Table 2 were in issue but were not yet in effect or were not considered to have a significant impact on the YPLA's accounts.

**Table 2: Accounting standards**

Standard	Issued date	Future effective date	Impact on YPLA
<b>IFRS 9:</b> Financial instruments	November 2009	1 January 2013	Covers the classifications and measurements of financial assets and intended to replace IAS 39.  No significant impact.
<b>IFRS 1:</b> First-time adoption of IFRSs	January 2010	1 July 2010	Exempts first-time adopters from providing the additional disclosures introduced by <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> .  No significant impact.
<b>IFRS 7:</b> Financial Instruments: Disclosure	October 2010	1 July 2011	Requires more disclosure on transfer transactions involving financial assets, including the extent of any risks which may remain with the entity following the transfer.  No significant impact.
Various minor amendments to IFRS and IFRICs in the 'Annual Improvements Process'		Ongoing, effective date of 1 January each year	No significant impact.

## 2 Programme expenditure

	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
<b>2.01 School sixth forms (local authority maintained)</b>		
School sixth form	1,870,961	1,883,450
School sixth form - teachers pay grant	74,797	74,490
School sixth form - significant growth	0	583
School sixth form pensions	50,056	49,727
Special education needs	188,294	192,644
<b>Total school sixth forms (local authority maintained)</b>	<b>2,184,108</b>	<b>2,200,894</b>
<b>2.02 Sixth form (Academies)</b>		
Sixth form (Academies)	225,887	133,473
<b>Total sixth form (Academies)</b>	<b>225,887</b>	<b>133,473</b>
<b>2.03 Further education for young people aged 16-19</b>		
Further education for young people aged 16-19/Foundation Learning	3,657,167	3,350,742
Further education for young people aged 16-19/Additional Learner Support	246,664	222,071
Entry to Employment (April to July 2010)	74,100	221,112
<b>Total further education for young people aged 16-19</b>	<b>3,977,931</b>	<b>3,793,925</b>
<b>2.04 Participation by young people aged under 16 (Academies)</b>		
General Annual Grant	1,717,002	1,014,552
Insurance	28,141	16,628
Annual per capita grant	15,111	14,944
National challenge advisers	6,931	9,457
Miscellaneous programme costs (inc SIPs)	714	5,409
TUPE, staff restructuring and other	7,568	6,500
Deficit funding	6,967	0
City Challenge	235	0
<b>Total Participation by young people aged under 16 (Academies)</b>	<b>1,782,669</b>	<b>1,067,490</b>
<b>2.05 Learners with learning difficulties and/or disabilities (LLDD)</b>		
LLDD Placements	222,196	216,701
LLW Development Fund	312	11,122
LLDD Forensic Units	6,212	6,212
Higher Discretionary Support in FE for 19-24 Year Olds	31,526	0
<b>Total LLDD</b>	<b>260,246</b>	<b>234,035</b>

	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
<b>2.06 Learner support for young people aged 16-19</b>		
16-19 School Sixth Form Hardship	3,429	3,188
16-19 Further Education Hardship	22,230	20,583
LEA Transport Partnership	11,746	10,552
16-19 Residential Bursaries	5,146	4,891
Care to Learn	31,579	38,259
Dance And Drama Awards	13,641	13,853
<b>Total Learner support for young people aged 16-19</b>	<b>87,771</b>	<b>91,326</b>
<b>2.07 Education Maintenance Allowance (EMA)</b>		
EMA – Student Payments	529,154	553,614
EMA – Contract Compliance	25,657	34,288
<b>Total EMA</b>	<b>554,811</b>	<b>587,902</b>
<b>2.08 14-19 reform</b>		
Education Business Partnerships	24,862	25,095
Learning Agreement Pilots	(834)	2,708
Young Apprenticeships	26,970	27,872
14-19 fighting funds	0	14,297
16-18 Structural Support	0	7,945
Entry to Employment Youth Community Action Capacity	83	1,115
Parents To Be scheme	0	3,672
14-19 Apprenticeship Improvements	0	1,566
Key Stage 4 engagement programme	0	811
Framework for Excellence school sixth form pilot	0	287
JACQA	98	0
Learner Achievement Tracker	154	0
Online Learner Panel	113	0
<b>Total 14-19 reform</b>	<b>51,446</b>	<b>85,368</b>
<b>2.09 Free childcare for training and learning at work</b>		
Free childcare for training and learning at work	5,051	11,565
<b>Total free childcare for training and learning at work</b>	<b>5,051</b>	<b>11,565</b>
<b>2.10 Capital</b>		
LLDD Capital	4,995	7,605
16-19 Joint Capital Fund	212,371	205,177
Academies Devolved Formula Capital	12,971	19,489
<b>Total capital</b>	<b>230,337</b>	<b>232,271</b>

	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
<b>2.11 Other expenditure funded by other government departments</b>		
Adult Learner Grant (BIS)	30,217	30,403
Residential Support Scheme (BIS)	3,350	2,274
Sixth Form College Childcare Costs (BIS)	1,509	2,530
Education in Youth Custody (MoJ)	16,373	15,162
<b>Total other expenditure funded by other government departments</b>	<b>51,449</b>	<b>50,369</b>
<b>2.12 Other programme expenditure</b>		
Other Ministry of Justice programmes	37	0
Other non-departmental programmes	21	0
<b>Total other programme expenditure</b>	<b>58</b>	<b>0</b>
<b>Total programme expenditure</b>	<b>9,411,764</b>	<b>8,488,618</b>

Note:

The descriptions and classifications of some programmes have been changed in 2010-11 to reflect the grant letter and reporting requirements of DfE for the same year. Comparatives for 2009-10 have been amended so as to ensure consistency. There is no financial impact as the change represents a re-analysis of the same programmes.

### **3. Assurances on Learner Providers' Entitlement to, and their Proper Use of, YPLA Funding**

Under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCL Act 2009), from 1 April 2010 the Chief Executive of Skills Funding, the Young People's Learning Agency (YPLA) and local authorities (the funding bodies) took over the responsibility for commissioning and funding further education from the Learning and Skills Council.

The respective roles of the funding bodies for assurance over learning providers' use of public funds are set out in Part 1 of the Joint Audit Code of Practice (JACOP), issued by the funding bodies and effective from 1 April 2010. These relationships are based around mutual exchanges of assurance between the funding bodies and establish the principle of 'one provider, one funding assurer'. This avoids overlapping and duplicated assurance arrangements in order to minimise burdens on learning providers.

Under JACOP, the YPLA was initially responsible for directly assuring the use of funds by Academies and certain commercial and charitable providers, with the majority of assurance over YPLA funding being provided by the other funding bodies. In July 2010 the Secretary of State for Education (the Secretary of State) announced changes to streamline and simplify the funding and allocations system for young people aged 16-19. As part of these changes, the Secretary of State asked the YPLA to directly fund colleges and other providers delivering learning to young people aged 16-19, rather than funds for colleges and these providers being channelled through local authorities.

As a consequence of the above changes, effective from 1 August 2010, the YPLA assumed from local authorities responsibility for the assurance of provision to young people aged 16-19 at sixth form colleges and many more commercial and charitable providers. The assurance of local authorities' own provision and funding provided for local authority maintained school sixth forms remains with local authorities, who are required to make a grant return and use of funds statement to the YPLA.

In order to gain assurance over the proper use of public funds by learning providers, the YPLA has established an Assurance and Financial Monitoring (AFM) team within the Finance function. As set out in the Accounting Officer's Statement on Internal Control within the YPLA's Annual Report for 2010-11, the AFM team are responsible for planning, co-ordinating and delivering a programme of audit work to secure this assurance. Audit plans and the outcomes of audit work are scrutinised by the YPLA's Audit and Risk Management Committee.

The approaches used to obtain assurance depend on the risks associated with providers and funding streams, and the approaches are designed to minimise bureaucracy on providers. In broad terms, where grant funding is provided to other public bodies such as sixth form colleges, the YPLA relies on audit work carried out by the public bodies' auditors, currently working to standards agreed with the YPLA. For many commercial and charitable providers funded under contract, the YPLA's AFM team undertakes its own audit work to ensure that funds have been properly applied in the delivery of those contracts.

Where the Skills Funding Agency has lead assurer responsibility (for all FE colleges and for the majority of commercial and charitable providers) reliance is placed on an assurance statement provided to the YPLA by the Chief Executive of Skills Funding.

As in the note on Receivables: Programme Expenditure, the results of assurance work may lead to recoveries of funding from providers.

### **3a. School Sixth Forms**

During financial year 2010-11 the YPLA paid local authorities £2,184 million (2009-10: £2,201 million) for provision to young people aged 16-19 attending local authority maintained schools with sixth forms (school sixth forms) .

During October 2009 and May 2010 all school sixth forms were required to make two census returns to the DfE through their respective local authority. The YPLA calculated funding for each school sixth form in the year ending 31 July 2011 using data from the October 2009 census return. In accordance with JACOP, local authorities are the lead assurers over the funding provided to the schools with sixth forms the local authorities maintain. It is the responsibility of each local authority to carry out a risk assessment to determine the level of assurance work required to enable their respective Chief Financial Officer to sign off a 2010-11 Grant Return and Use of Funds Statement, which was required to be submitted to the YPLA by 30 April 2011. The YPLA received all 152 Grant Returns and Use of Funds Statements. Reviews of the Statements have been carried out and no material qualifications have been found.

### **3b. Further Education**

During financial year 2010-11, the YPLA paid £3,978 million (2009-10: £3,794 million) for learning by young people aged 16-19 to sixth form and general further education colleges, local authorities as learning providers and commercial and charitable providers.

The YPLA's payments included in these financial statements relate to the academic year ended 31 July 2010 (four months ending 31 July 2010, when payments were made via local authorities) and the academic year ended 31 July 2011 (eight months ending 31 March 2011) when the YPLA paid funds to providers direct.

Sixth form and general further education colleges receive the very large majority of further education funding included in the sum above. The primary sources of assurance over colleges' use of funds are regularity audit opinions on colleges' financial statements for the academic year ended 31 July 2010. In addition the YPLA receives and reviews sixth form colleges' internal audit annual reports, financial statements audit management letters and financial management control evaluation questionnaire returns. Finally, the YPLA in collaboration with the Skills Funding Agency commissioned a sample of 77 funding audits of colleges, including five sixth form colleges, and seven other education institutions.

The YPLA mitigates the mis-match between the 31 July 2010 reporting date for colleges' formal assurances and the YPLA's own financial year-end by requiring sixth form colleges to notify the YPLA if there are any changes to the college's controls over regularity and propriety in the use of public funds for the period 1 August 2010 to 31 March 2011. FE colleges are similarly required to notify the Skills Funding Agency.

### **3c. Academies**

During financial year 2010-11 the YPLA paid Academies £2,009 million (2009-10: £1,201 million) for learning by young people. These payments were in respect of five months of Academy academic year ended 31 August 2010 and seven months in respect of Academy academic year ending 31 August 2011.

The YPLA obtained assurance on Academies' entitlement to and their proper use of YPLA fund by the AFM team's receipt and review of Academies' audited financial statements and audit reports for the year ended 31 August 2010. The YPLA further required all Academies open as at January 2011 to self assess their financial management and governance and make a return to the YPLA by March 2011. The AFM team have conducted a programme of visits to a sample of Academies to validate their self assessments. The YPLA also carried out a programme of funding audit visits to a sample of Academies in order to gain assurance over a number of areas including pupil existence, eligibility and data accuracy.

### **3d. Learners with Learning Difficulties and/or Disabilities (LLDD)**

During financial year 2010-11 the YPLA paid providers of learning to learners with learning difficulties and/or disabilities £260 million (2009-10: £234 million). The AFM team delivers assurance over providers' use of funds through a risk based cycle of funding audits. In addition a number of providers were required to submit a self assessment of their financial management and control for review by the AFM team.

### **3e. Education Maintenance Allowance (EMA) and other Learner Support Funds**

During financial year 2010-11 the YPLA paid Education Maintenance Allowances (EMA) worth £555 million (2009-10: £588 million). The AFM team undertakes a programme of assurance work on EMA expenditure.

Assurance is obtained through direct audit work carried out by the AFM team on the contractor responsible for processing and paying EMA applications. Further direct assurance work as appropriate by the AFM team and the Skills Funding Agency's Provider Financial Assurance team takes place or is commissioned at colleges and commercial and charitable providers and other learning providers

During financial year 2010-11 the YPLA paid £88 million of other youth Learner Support funds (2009-10: £91m). The AFM Team gains assurance on use of these funds by direct assurance work or by placing reliance on the work of other auditors.

## 4a Staff costs

Information in respect of Board Members' and Senior Employees emoluments and pension entitlements is provided in the Remuneration Report on pages 18 to 24.

	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
The aggregate payroll costs for the YPLA were as follows:		
Permanent staff		
YPLA board members' emoluments	80	156
Salaries	21,045	20,314
Social security	1,848	1,670
Pension costs	4,144	3,516
Redundancies and payment in lieu of notice*	1	199
	<b>27,118</b>	<b>25,855</b>
Other staff (includes agency/contract/seconded staff)	481	547
	<b>27,599</b>	<b>26,402</b>
Costs related to seconded staff	(107)	0
Staff costs related to programmes	(67)	(1,500)
<b>Total staff costs</b>	<b>27,425</b>	<b>24,902</b>

Note:

\*One compromise agreement was made during 2010-11. 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.

## 4b Pension costs - Principal Civil Service Pension Scheme employer contributions

Pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the YPLA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2010-11, employers' contributions of £4,096,231 were paid to the PCSPS by 31 March 2011 (2009-10: £3,349,331) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay (2009-10: 16.7 per cent to 24.3 per cent), based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full Scheme valuation.

The contribution rates were set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £16,689 (2009-10: £24,932) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions were age related and range from 3 per cent to

12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,041 (2009-10: £1,950) representing 0.8 per cent 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 2011 and 31 March 2010.

#### 4c Average number of staff employed

##### (i) Year to 31 March 2011

	Senior management staff number	Payroll staff number	Inward seconded staff number	Outward seconded staff number	Agency/ Temporary staff number	Total staff number
The average number of staff employed during the year, including the Chief Executive was:						
Chair and Chief Executive	1	2	1	0	1	5
Academies	1	32	31	0	0	64
Business Performance and Communications	1	10	1	0	3	15
Finance, Funding and Corporate Services	1	134	0	0	7	142
Strategy and Implementation	1	266	0	3	1	271
<b>Total</b>	<b>5</b>	<b>444</b>	<b>33</b>	<b>3</b>	<b>12</b>	<b>497</b>

##### (ii) Year to 31 March 2010

	Senior management staff number	Payroll staff number	Inward seconded staff number	Outward seconded staff number	Agency/ Temporary staff number	Total staff number
The average number of staff employed during the year, including the Chief Executive was:						
Chair and Chief Executive	1	2	0	0	1	4
Academies	1	6	31	0	1	39
Business Performance and Communications	1	8	0	0	1	10
Finance, Funding and Corporate Services	1	134	0	1	11	147
Strategy and Implementation	1	273	0	6	6	286
<b>Total</b>	<b>5</b>	<b>423</b>	<b>31</b>	<b>7</b>	<b>20</b>	<b>486</b>

## 4d Staff costs by type

### (i) Year to 31 March 2011

	<b>Total Staff £'000</b>	<b>YPLA board members £'000</b>	<b>Payroll staff £'000</b>	<b>Inward secondees £'000</b>	<b>Other staff £'000</b>
Emoluments	80	80	0	0	0
Wages and salaries	21,526	0	20,059	986	481
Social security costs	1,848	0	1,769	79	0
Other pension costs	4,144	0	3,958	186	0
Redundancy and payment in lieu of notice	1	0	1	0	0
Costs related to inward secondees	(107)	0	(107)	0	0
Staff costs related to programmes	(67)	0	0	0	(67)
<b>Total</b>	<b>27,425</b>	<b>80</b>	<b>25,680</b>	<b>1,251</b>	<b>414</b>

## 5 Administration (other costs)

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
National and regional council members' associated travel and subsistence costs	2	7
Travel and subsistence - staff	1,229	1,594
Recruitment and training	248	517
Furniture and office equipment	4	21
IT and computer maintenance	2,339	1,806
Telecommunications and postage	86	525
Publications, printing and publicity	152	218
General administration expenditure	246	349
Premises*	239	0
HR shared service**	993	832
Estates and Facilities shared service**	162	161
Information management shared service**	14,565	4,639
Accounting services shared service**	501	704
Investigations Unit shared service**	110	115
External audit fee	175	181
Legal fees and other audit fees	410	2,380
Consultancy fees	0	0
Transition costs	1,307	0
	<b>22,768</b>	<b>14,049</b>
Non pay costs related to programmes***	(3)	(1,500)
<b>Total</b>	<b>22,765</b>	<b>12,549</b>

Notes:

\* £2.2 million is top-sliced by DfE from the YPLA's administration budget and paid direct to the Skills Funding Agency in respect of office costs for those premises that are jointly occupied by both organisations and for YPLA office space in DfE Sanctuary Buildings.

\*\* The comparatives for shared services have been calculated based on staff and administration costs per head. The Learning and Skills Council recharged significant elements of its IT expenditure to programmes; these costs have not been included in the 2009-10 figure for IT and computer maintenance.

\*\*\* The 2009-10 figure relates to non-pay staff costs that were rechargeable to the youth element of programmes (assurance, health and safety).

## 6 Other Income

	Year ended 31 March 2011 £'000	Restated Year ended 31 March 2010 £'000
Other funding for activities		
Education in Youth Custody programme income	37	19,673
Other programme income	21	27,044
	<b>58</b>	<b>46,717</b>
Income from activities		
Shared Service Income	1,484	0
Other activities income	2	4
	<b>1,486</b>	<b>4</b>
<b>Total other income</b>	<b>1,544</b>	<b>46,721</b>

In 2010-11 funding from other government departments was transferred between departments and included in the YPLA's grant letter, whereas in 2009-10 the LSC issued invoices for this funding directly.

## 7a Trade and other receivables

	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
<b>Amounts falling due within one year</b>			
<b>Trade and other receivables</b>			
Advances and other FE college receivables	431	1,686	2,547
School sixth form receivables	11	60	0
Commercial and charitable provider receivables	2,798	(806)	0
Trade receivables	497	6	5
Other receivables	772	948	1,137
	<b>4,509</b>	<b>1,894</b>	<b>3,689</b>
<b>Prepayment and accrued income</b>			
FE college prepayments	7,567	12,807	14,318
Academy prepayments	4,750	0	0
Other prepayments	3,799	4,161	5,323
	<b>16,116</b>	<b>16,968</b>	<b>19,641</b>
<b>Total receivables and other current assets</b>	<b>20,625</b>	<b>18,862</b>	<b>23,330</b>

Receivables include a provision for doubtful debts of £0.13 million at 31 March 2011 (2009-10: £1.84 million).

Debts transferred to the YPLA of £0.95 million were written off during the year, these losses were declared in the LSC's final accounts for 2009-10.

Bad debt provision of £0.83 million was released during the year following payment of doubtful debts.

## 7b Trade receivables and other current assets: Analysed by type of organisation

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

	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
<b>Current receivables</b>			
Local authorities	5,436	4,971	6,149
NHS trusts	7	7	8
Other central government bodies	12,479	11,412	14,116
<b>Balances with other government bodies</b>	<b>17,922</b>	<b>16,390</b>	<b>20,273</b>
Balances with non-governmental bodies	2,703	2,472	3,057
<b>Total receivables by organisation type</b>	<b>20,625</b>	<b>18,862</b>	<b>23,330</b>

## 8 Cash and cash equivalents

	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
Cash held at other banks and in hand	55,157	0	0
	<b>55,157</b>	<b>0</b>	<b>0</b>

All Learning and Skills Council cash was transferred to the Skills Funding Agency at 31 March 2010.

DfE authorises a working balance at 31 March of 2 per cent of the total resource budget agreed for the financial year.

The YPLA does not hold any cash equivalents.

The performance against the DfE working balance target is detailed below:

	As at 31 March 2011 £'000	As at 31 March 2010 £'000	As at 31 March 2009 £'000
Total resource budget	9,473,059		
2% thereof	189,461	0	0
<b>Account balance for DfE funding</b>	<b>55,157</b>	<b>0</b>	<b>0</b>

## 9a Trade and other payables

	As at 31 March 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
<b>Amounts falling due within one year</b>			
Trade payables	(100)	(412)	(428)
FE college payables	(898)	(761)	(10,871)
Commercial and charitable provider payables	(72)	0	0
Academies payables	(782)	0	0
School sixth form payables	0	(28)	(306)
Tax and social security	19	0	0
Other payables	(76)	(2,410)	(3,820)
	<b>(1,909)</b>	<b>(3,611)</b>	<b>(15,425)</b>
Academy accruals	(17,728)	0	0
Administration accruals	(2,196)	0	0
Other programme accruals	(27,781)	(34,220)	(38,098)
	<b>(47,705)</b>	<b>(34,220)</b>	<b>(38,098)</b>
<b>Total payables and other current liabilities</b>	<b>(49,614)</b>	<b>(37,831)</b>	<b>(53,523)</b>

## 9b 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 2011 £'000	Restated As at 31 March 2010 £'000	Restated As at 31 March 2009 £'000
Local authorities	(2,069)	(1,578)	(2,232)
Public corporations and trading funds	(3)	(2)	(3)
Other central government bodies	(25,276)	(19,273)	(27,268)
<b>Balances with other government bodies</b>	<b>(27,348)</b>	<b>(20,853)</b>	<b>(29,503)</b>
Balances with non-government bodies	(22,266)	(16,978)	(24,020)
<b>Total payables by organisation type</b>	<b>(49,614)</b>	<b>(37,831)</b>	<b>(53,523)</b>

## 10 Provisions for liabilities and charges

	<b>Education Maintenance Allowance closure £'000</b>	<b>EFA transition £'000</b>	<b>Total £'000</b>
Provision balance at 1 April 2010	0	0	0
Additional charge in year	4,680	1,307	5,987
Provision utilised in year	0	0	0
Unwinding of discount	0	0	0
Provision unused and reversed during the year	0	0	0
<b>Balance of provision at 31<sup>st</sup> March 2011</b>	<b>4,680</b>	<b>1,307</b>	<b>5,987</b>
<b>Indicative timing of outflows required to settle obligation</b>			
Within 1 year	4,680	1,307	5,987
Between 2 - 5 years	0	0	0
Greater than 5 years	0	0	0
<b>Balance of provision at 31<sup>st</sup> March 2011</b>	<b>4,680</b>	<b>1,307</b>	<b>5,987</b>

### Education Maintenance Allowance Closure

The Government announcement on the closure of the Education Maintenance Allowance programme has resulted in clause 21 of the Capita contract being implemented. The provision covers the breakage, redundancy and associated costs in closing the programme.

### EFA Transition

*The importance of Teaching* – the Schools White Paper 2010 – set out the Government's intention to abolish the YPLA and set up a new Education Funding Agency (EFA) as an executive agency of DfE with responsibility for a number of functions currently undertaken by the YPLA – direct funding of Academies and Free schools and 16-19 education and training. The necessary legislative provisions to effect this change are set out in part 7 of the Education Bill introduced in January 2011.

The EFA transition provision recorded in the YPLA's accounts recognises the resultant constructive obligations (eg severance/compensation and logistical costs) that can be reliably estimated at this time.

## 11 Operating lease commitments

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Obligations under operating leases at 31 March comprise		
<b>Buildings</b>		
Not later than one year	92	0
Later than one year and not later than five years	290	0
Later than five years	0	0
	<b>382</b>	<b>0</b>

## 12 Capital commitments

The YPLA has not entered into any commitments for capital expenditure in the 2010-11 financial year. All capital commitments under the Learning and Skills Council transferred to the Skills Funding Agency.

## 13 Commitments to make grants to colleges and schools

Commitments to make grants to colleges and schools at 31 March 2011 for FE participation, school sixth forms and Academies' funding related to the remaining period of the academic year for colleges and school sixth forms April to July and for Academies April to August, together with capital commitments were as follows:

	As at 31 March 2011 £'000	As at 31 March 2010 £'000
<b>Payable within one year</b>		
FE participation	1,345,279	1,298,769
School sixth forms	610,618	646,929
Academies	1,090,308	557,610
FE capital project support	1,775	0
	<b>3,047,980</b>	<b>2,503,308</b>

## **14 Contingent liabilities**

The YPLA had no contingent liabilities as at 31 March 2011.

## **15 Financial instruments**

International Financial Reporting Standard (IFRS) 7 requires the YPLA to disclose information on the significance of financial instruments to its financial position and performance.

The YPLA is exposed to credit risk resulting from the non-payment of debts relating to private sector provision of training services, and this is most usually attributable to insolvency. Private sector training providers are subject to quality and financial status reviews prior to being awarded contracts. The overall financial impact of such instances is not material, as shown in notes 7 and 17.

As a non-departmental public body (NDPB) almost wholly funded by DfE and with no borrowings, the YPLA is not exposed to any market or liquidity risk.

The YPLA 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.

## 16 Related party transactions

The YPLA is a non-departmental public body of the DfE. DfE is regarded as a related party. During the year, the YPLA has had a number of material transactions with the DfE and with other entities for which the DfE is regarded as the parent department.

In addition, the YPLA has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Skills Funding Agency, Ministry of Justice, Department for Communities and Local Government, Department for Health, and Department for Work and Pensions.

During the year, YPLA Board members, key managers or other related parties also entered into the following material transactions:

YPLA board member / director / close family member	YPLA role / relationship	Related organisation role / relationship	Related organisation	Transaction(s)	Value (£'000)	Amounts owed to related party (£'000)	Amounts owed by related party (£'000)
Les Walton	Chairman	Governor	Kearsley Academy	YPLA provided funding allocation	2,200	0	0
Peter Birkett	Board member	Chief Executive	Barnfield College	YPLA provided funding allocation	7,150	0	0
Peter Birkett	Board member	Chairman	Barnfield Academies	YPLA provided funding allocation	17,897	0	0
Peter Box	Board member	Leader	Wakefield Council	YPLA provided funding allocation	17,336	0	0
Peter Box	Board member	Governor	Wakefield College	YPLA provided funding allocation	10,003	0	0
Gareth Dawkins	Board member	Executive Principal	Bradford	YPLA provided funding allocation	8,206	0	0
Sir Dexter Hutt	Board member	Chief Executive	Ninestiles Plus (Ninestiles School)	YPLA provided funding allocation	2,004	0	0
Mark Sanders	Board member	Chief Executive (until 28 February 2011)	Bury Metropolitan Borough Council *	YPLA provided funding allocation	158,475	0	0
Helen Sexton	Board member	Chief Executive (until 31 August 2010)	National Star College **	YPLA provided funding allocation	5,889	0	0
Michelle Sutton	Board member	Principal	Bradford College	YPLA provided funding allocation	11,707	0	0
Michelle Sutton	Board member	Governor	Appleton Academy Trust	YPLA provided funding allocation	5,795	0	0
Michelle Sutton	Board member	Director	Beacon Employment	YPLA provided funding allocation	409	0	0
David Wooton	Board member	Chief Executive	Emmanuel Schools Foundation	YPLA provided funding allocation	31,513	0	0
Amanda Daniels, spouse of Geoff Daniels	Related to Senior Management Director	Chief Educational Psychologist	Birmingham City Council	YPLA provided funding allocation	86,843	0	0
Anna Wright, spouse of Bob Walding	Related to Senior Management Director	Director of Children's Services	Reading Borough Council	YPLA provided funding allocation	5,953	0	0
Mary Heslop, partner of Rob Wye	Related to Senior Management Director (left 31 December 2010)	Vice-Principal	Warwickshire College ***	YPLA provided funding allocation	9,345	0	0

\* Mark Sanders ceased to act in his role at Bury Metropolitan Borough Council on 28 February 2011, and a further £3,083,536.10 of transactions took place with this party between this date and 31 March 2011

\*\* Helen Sexton ceased to act in her role at National Star College on 31 August 2010, and a further £5,170,186.79 of transactions took place with this party between this date and 31 March 2011.

\*\*\* Rob Wye ceased to act in his role at YPLA on the 31 December 2010, and a further £3,340,146.03 of transactions took place with this party between this date and 31 March 2011.

## 17 Losses statement

The YPLA incurred the following material losses in the period to 31 March 2011. The losses have been charged to the relevant programme in Note 2a.

Description	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
<b>Programme Provision</b>		
2010-11 - Cases above £250,000 individually	1,234	0
2009-10 - Cases above £250,000 individually	0	340
2010-11 - Cases below £250,000 individually	0	0
2009-10 - Cases below £250,000 individually	0	620
	<b>1,234</b>	<b>960</b>
<b>Administration expenditure</b>		
2010-11 - Cases above £250,000 individually	0	0
2009-10 - Cases above £250,000 individually	0	0
2010-11 - Cases below £250,000 individually	0	0
2009-10 - Cases below £250,000 individually	0	0
	<b>0</b>	<b>0</b>
<b>Total cash losses</b>	<b>1,234</b>	<b>960</b>

At 31 March 2011 there were 3 cases (Academy related) all of which were above the reporting threshold of £250,000 individually.

In April 2010 an error was found in the way the Department for Children, Schools and Families (now DfE) calculated general annual grant payable to four Academies. This error resulted in significant over-funding for those Academies in both 2008/09 and 2009/10 academic years. In February 2011 the DfE and HM Treasury agreed to write off overpayments made to three Academies totalling £4.819 million. The losses declared above relate to overpayments made by the YPLA after 1 April 2010 when it took over the Academy programme.

The Chief Executive of the YPLA has delegated authority to approve write-off of cash losses with an item value of up to £1,000 and subject to a limit of £10,000 in any one year. The YPLA has requested the DfE and HM Treasury approval to write off the cases above, within their respective delegated authorities as summarised below:

Authority	Item value	31 March 2011 Number of cases	31 March 2011 Loss £'000
YPLA	Up to £10,000	0	0
DfE	£10,000 to £100,000	0	0
HM Treasury	Over £100,000	3	1,234
	<b>Total Losses</b>	<b>3</b>	<b>1,234</b>

## 18 Machinery of Government changes

As a consequence of Machinery of Government changes, the Learning and Skills Council (LSC) closed on 31 March 2010, but its functions and responsibilities transferred to the YPLA, Skills Funding Agency, BIS and local authorities (LAs). The Skills Funding Agency is an executive agency of BIS with responsibility for adult provision, including Apprenticeships. BIS also took on certain assets and liabilities from the LSC, including the property provision for onerous leases. On 1 April the YPLA took over responsibility for open Academies from DfE.

The tables below detail how the restatement of comparatives for the YPLA have been calculated. Starting from the LSC closing position as published plus the transfer in of the Academies expenditure, assets, liabilities and reserves.

### Statement of Comprehensive Net Expenditure

Expenditure	LSC Year ended 31 March 2010 £'000	Restated SFA/BIS/LA Year ended 31 March 2010 £'000	Restated Academies Year ended 31 March 2010 £'000	Restated YPLA Year ended 31 March 2010 £'000
<b>Programme expenditure</b>				
School sixth forms (local authority maintained)	2,200,894	0	0	2,200,894
Sixth forms (Academies)	0	0	133,473	133,473
Further education for young people aged 16-19	3,793,925	0	0	3,793,925
Participation by young people aged under 16 (Academies)	0	0	1,067,490	1,067,490
Family Learning Impact Fund	9,125	9,125	0	0
Young People Apprenticeships	687,815	687,815	0	0
Learners with learning difficulties and/or disabilities	234,035	0	0	234,035
Education maintenance allowance	587,902	0	0	587,902
Learner support for young people aged 16-19	91,326	0	0	91,326
Free childcare for training and learning at work	11,565	0	0	11,565
14-19 reform	102,754	17,386	0	85,368
DfE/DCSF capital	212,782	0	19,489	232,271
19+ further education	1,584,184	1,584,184	0	0
Other adult responsive	192,993	192,993	0	0
Adult Apprenticeships	384,220	384,220	0	0
Train to Gain	881,038	881,038	0	0
Adult safeguarded learning	210,871	210,871	0	0
Learner Support 19+	85,925	85,925	0	0
Offender Learner	125,373	125,373	0	0
Adult skills reform	89,423	89,423	0	0
Quality reform	65,826	65,826	0	0
Capacity and infrastructure	67,219	67,219	0	0
BIS/DIUS Capital	944,379	944,379	0	0
Other departmental programmes	50,369	0	0	50,369
Non-departmental programmes	329,569	329,569	0	0
<b>Administration costs</b>				
Staff costs	135,055	111,507	1,354	24,902
Other costs	82,789	70,348	108	12,549
Depreciation, impairment and losses on disposal	29,048	29,048	0	0
<b>Total expenditure</b>	<b>13,190,404</b>	<b>5,886,249</b>	<b>1,221,914</b>	<b>8,526,069</b>
<b>Income</b>				
Other income	(331,204)	(284,483)	0	(46,721)
<b>Total income</b>	<b>(331,204)</b>	<b>(284,483)</b>	<b>0</b>	<b>(46,721)</b>
<b>Net expenditure before interest</b>	<b>12,859,200</b>	<b>5,601,766</b>	<b>1,221,914</b>	<b>8,479,348</b>
Cost of capital – notional income	(8,967)	(8,967)	0	0
<b>Net expenditure after cost of capital charge and interest</b>	<b>12,850,233</b>	<b>5,592,799</b>	<b>1,221,914</b>	<b>8,479,348</b>

## Statement of Financial Position

	LSC Balances	Skills Funding Agency/BIS element	Academy element	YPLA element	LSC balances	Skills Funding Agency/BIS element	Academy element	YPLA element
	As at 31 March 2010 £'000	As at 31 March 2010 £'000	As at 31 March 2010 £'000	As at 31 March 2010 £'000	As at 31 March 2009 £'000	As at 31 March 2009 £'000	As at 31 March 2009 £'000	As at 31 March 2009 £'000
<b>Non-current assets</b>								
Property, plant and equipment	5,735	5,735	0	0	12,525	12,525	0	0
Intangible assets	86,071	86,071	0	0	67,557	67,557	0	0
<b>Total non-current assets</b>	<b>91,806</b>	<b>91,806</b>	<b>0</b>	<b>0</b>	<b>80,082</b>	<b>80,082</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>								
Trade and other receivables	240,507	221,645	0	18,862	248,916	225,586	0	23,330
Cash and cash equivalents	150,987	150,987	0	0	111,287	111,287	0	0
<b>Total current assets</b>	<b>391,494</b>	<b>372,632</b>	<b>0</b>	<b>18,862</b>	<b>360,203</b>	<b>336,873</b>	<b>0</b>	<b>23,330</b>
<b>Total assets</b>	<b>483,300</b>	<b>464,438</b>	<b>0</b>	<b>18,862</b>	<b>440,285</b>	<b>416,955</b>	<b>0</b>	<b>23,330</b>
<b>Current liabilities</b>								
Trade and other payables	(491,836)	(454,005)	0	(37,831)	(561,212)	(507,689)	0	(53,523)
<b>Total assets less current liabilities</b>	<b>(8,536)</b>	<b>10,433</b>	<b>0</b>	<b>(18,969)</b>	<b>(120,927)</b>	<b>(90,734)</b>	<b>0</b>	<b>(30,193)</b>
<b>Non-current liabilities</b>								
Provisions	(46,566)	(46,566)	0	0	(21,409)	(21,409)	0	0
Financial guarantees	(31,408)	(31,408)	0	0	(21,933)	(21,933)	0	0
<b>Assets less liabilities</b>	<b>(86,510)</b>	<b>(67,541)</b>	<b>0</b>	<b>(18,969)</b>	<b>(164,269)</b>	<b>(134,076)</b>	<b>0</b>	<b>(30,193)</b>
<b>Represented by</b>								
<b>Taxpayer's equity</b>								
General reserve	(86,510)	(67,541)	0	(18,969)	(164,269)	(134,076)	0	(30,193)
<b>Total reserves</b>	<b>(86,510)</b>	<b>(67,541)</b>	<b>0</b>	<b>(18,969)</b>	<b>(164,269)</b>	<b>(134,076)</b>	<b>0</b>	<b>(30,193)</b>

## Statement of Cash Flows

For the Year to 31 March 2010

	LSC Year ended 31 March 2010 £'000	Restated SFA/BIS Year ended 31 March 2010 £'000	Restated Academies Year ended 31 March 2010 £'000	Restated YPLA Year ended 31 March 2010 £'000
Cash flows from operating activities				
Net expenditure	(12,850,233)	(5,592,799)	(1,221,914)	(8,479,348)
Adjustment for cost of capital charge	(8,967)	(8,967)	0	0
Depreciation charges	23,177	23,177	0	0
Loss on disposal of non-current assets	5,871	5,871	0	0
Loss on impairment	0	0	0	0
Decrease in debtors – excludes capital debtors	8,452	3,984	0	4,468
Increase in creditors – excludes capital creditors	(73,957)	(58,265)	0	(15,692)
Decrease in provisions for liabilities and charges	25,157	25,157	0	0
Increase in financial guarantees for liabilities and charges	9,475	9,475	0	0
<b>Net cash outflow from operating activity</b>	<b>(12,861,025)</b>	<b>(5,592,367)</b>	<b>(1,221,914)</b>	<b>(8,490,572)</b>
Cash flows from investing activities				
Purchase of property, plant and equipment	(247)	(247)	0	0
Purchase of intangible assets	(36,002)	(36,002)	0	0
Proceeds of disposal of property, plant and equipment	15	15	0	0
Proceeds of disposal of intangible assets	0	0	0	0
<b>Net cash outflow from investing activities</b>	<b>(36,234)</b>	<b>(36,234)</b>	<b>0</b>	<b>0</b>
Cash flows from financing activities				
Grant-in-aid funding from DfE/BIS	12,936,959	5,692,262	1,245,875	8,490,572
<b>Net cash inflow from financing activity</b>	<b>12,936,959</b>	<b>5,692,262</b>	<b>1,245,875</b>	<b>8,490,572</b>
Net increase in cash and cash equivalents in the period	39,700	63,661	23,961	0
Cash and cash equivalent at 1 April	111,287	87,326	(23,961)	0
<b>Cash and cash equivalents at 31 March</b>	<b>150,987</b>	<b>150,987</b>	<b>0</b>	<b>0</b>

## 19 Events after the reporting period

The accounts were authorised for issue by the Accounting Officer on 5 July 2011. Events after that date have not been considered.

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