



Department  
for Education



Education  
Funding  
Agency

# Education Funding Agency

**Framework Document**

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## Ministerial foreword



I am delighted to introduce the Framework Document for the Education Funding Agency (EFA). It sets out the arrangements for the governance, accountability, financing, staffing and operation of the EFA.

The EFA has an important role to allocate funding across the education and training sectors; to deliver key capital programmes; and to provide assurance that money is properly spent and delivers value for money. It will support the Government's education reforms by using available funding to best effect to provide places to which parents want their children to go.

The creation of the EFA as an executive agency within the Department for Education makes responsibilities clearer and lines of accountability more transparent. It also provides an opportunity to deliver functions more efficiently, thus ensuring that the maximum level of resources can be directed to the education and training of our children and young people.

I look forward to working closely with the EFA's Chief Executive and his staff and wish them every success in their work

A handwritten signature in black ink, which appears to read "Peter Hill". The signature is written in a cursive style.

**Lord Hill of Oareford**

**Parliamentary under Secretary of State for Schools**

## Introduction

- The Education Funding Agency ("the EFA") is an executive agency of the Department for Education ("the Department"). It has responsibility, on behalf of the Secretary of State for Education ("the Secretary of State"), for the revenue and capital funding of education and training for 3 to 19 year olds<sup>1</sup>. At the point of opening (April 2012), the EFA has approximately 750 staff located across the Department's estate and is responsible for funding of around £50 billion.
- This Framework Document sets out the arrangements for the governance, accountability, financing, staffing and operation of the EFA. It has been agreed between the Secretary of State and the Chief Executive of the EFA and approved by Her Majesty's Treasury (HMT).
- The Department's operating model places the day-to-day management of its executive agencies within its directorate structures. This Framework Document reflects that model. This includes the delegation by the Permanent Secretary of the performance management of the EFA to the Director General of the Infrastructure and Funding Directorate ("the DG IFD").
- This Framework Document will be formally reviewed after one year and at least every three years thereafter under arrangements agreed by the Secretary of State and the Chief Executive. The document may be reviewed at any time if they so wish.
- Any amendments to this Framework Document must be agreed by the Secretary of State and the Chief Executive, and by HMT. Any departure from the provision of this Framework Document must be agreed in writing on a case-by-case basis between the Secretary of State, or his delegate, and the Chief Executive, and, if appropriate, an HMT minister.
- Any questions concerning the interpretation of the Framework Document will be resolved by agreement between the Chief Executive and the DG IFD. In default of agreement, questions will be referred for decision to the Permanent Secretary and, if still unresolved, to the Secretary of State.
- Copies of this Framework Document will be published on the Department's website and placed in the libraries of both Houses of Parliament.

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<sup>1</sup> The funding referred to in this document is predominantly for the education and training of 3-19 year olds, so this is the term used throughout. However, elements of the funding cover disabled children from birth and disabled young people up to age 25.

# 1. Responsibilities and objectives

- 1.1 The EFA's principal responsibilities are:
- to fund academies, city technology colleges, free schools, studio schools and university technical colleges;
  - to distribute funding to local authorities to pass to their maintained schools;
  - to fund providers of 16-19 education and training;
  - to deliver schools capital programmes; and
  - to administer capital funding for schools and sixth form colleges.
- 1.2 The EFA plays its part in delivering the Department's key objective of reforming the education system so that it raises standards, closes achievement gaps and supports all children and young people, particularly the disadvantaged:
- by delivering on time and to budget;
  - by working collaboratively with providers and partners, providing them with the best possible customer service; and
  - by securing the best value for taxpayers' money, satisfying Ministers and Parliament that money is well spent.
- 1.3 The EFA will publish a business plan each year setting out in detail its objectives, resources and measures of performance.
- 1.4 The EFA is not responsible for managing the performance of schools, colleges or other providers in delivering education and training to children and young people. That is the responsibility of the Department's policy teams and the Office of the Schools Commissioner. The responsibility for the maintenance and development of education funding policy and legislation rests with the policy teams.

## 2. Roles and responsibilities

### Secretary of State for Education

- 2.1 The Secretary of State has overall responsibility for the policy framework within which the EFA operates; for determining its strategic objectives; for setting its annual key financial and performance targets; approving its business plan; and for monitoring performance against targets.

### Permanent Secretary

- 2.2 The Permanent Secretary is the Departmental sponsor of the EFA. The Permanent Secretary advises the Secretary of State on how well the EFA is performing. In line with the Department's operating model, he has delegated the day-to-day responsibility for this to the DG IFD.
- 2.3 The Permanent Secretary is the Principal Accounting Officer.

### Director General for Infrastructure and Funding

- 2.4 The DG IFD has delegated responsibility from the Permanent Secretary:
- for advising Ministers on the strategic direction of the EFA;
  - for setting the EFA's performance indicators and administration budget and agreeing business plans before they are submitted to the Secretary of State for approval;
  - for monitoring the EFA's performance; and
  - for making sure the EFA conforms to Departmental and wider Government policy and has the delegations and authorities necessary for effective and efficient delivery and continuous improvement.
- 2.5 The DG IFD will advise the Permanent Secretary, for the purposes of his role as Principal Accounting Officer, on the adequacy of the EFA's financial management systems and procedures: that they are in line with Government standards and operate with propriety and regularity. The DG IFD will confirm that the EFA is using its funds for the purposes intended by Parliament and advise the Principal Accounting Officer accordingly.

### Chief Executive of the Education Funding Agency

- 2.6 The appointment of the Chief Executive is overseen by the Office of the Civil Service Commissioners with the process chaired by a Commissioner and the appointment made on merit<sup>23</sup>. The Chief Executive's remuneration is agreed in accordance with the performance and reward arrangements for members of the Department's Senior Civil Service.
- 2.7 The Chief Executive is responsible for the leadership of the EFA and its day-to-day management. The Chief Executive's responsibilities also include:

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<sup>2</sup> These arrangements apply to future appointments; the first EFA chief executive had a "COSOP" right to transfer to the post.

<sup>3</sup> The Commissioners may propose changes to these arrangements at any time.

- securing the capacity and capability required for the EFA to deliver the funding arrangements for the education and training of 3 to 19 year olds efficiently and effectively;
  - ensuring that the EFA has the financial and accounting systems that allow it to make payments efficiently and on time and secure proportionate assurance about the regularity, propriety and value for money of its programme spend;
  - developing operational policies and practices that support improved outcomes for children and young people and that deliver Ministerial targets for the EFA;
  - advising the Secretary of State and the DG IFD of the impact of policy proposals and decisions on the delivery of policy and of Ministers' objectives; and
  - reporting regularly on delivery performance, expenditure, risk management and forward planning.
- 2.8 The Chief Executive will advise the Secretary of State on operational matters relating to the revenue and capital funding of education and training for 3 to 19 year olds.
- 2.9 The Chief Executive will consult the Secretary of State and the DG IFD on the handling of novel or contentious operational matters that could give rise to substantial Parliamentary, Ministerial or public concern.
- 2.10 The Chief Executive is designated as the EFA Accounting Officer by the Principal Accounting Officer of the Department and is accountable to that person and to Parliament for those responsibilities. On day-to-day business, the Chief Executive is accountable to the DG IFD. The Chief Executive is ultimately accountable to the Secretary of State.

## External support and challenge

- 2.11 External support and challenge for the EFA comes from the Department's non-executive directors – see paragraphs 4.2 and 4.3 below. In addition, the Chief Executive will establish a group of experts from the sector. The group will have an independent chair and it will advise the Chief Executive on the development of its functions and the practical implementation issues arising from its business plan. The group will be reviewed within two years of its creation.

### **3. Relationships within the Department and with other bodies**

- 3.1 The Department develops strategic policies under the direction of ministers. Those developing policy in the Department will consult the EFA's Chief Executive, or appropriate Director, on the operational impact of strategic policy changes that might affect the operation and delivery of education provision. It is the responsibility of the Chief Executive to implement the strategic policy set by the Department in the most effective manner.
- 3.2 The EFA will work collaboratively with other bodies, including other government departments, that have an interest in its work and with which the EFA can engage to deliver an efficient and effective service.



## 4. Governance

- 4.1 The Chief Executive will establish and lead a senior management team ("the SMT"). The SMT will be responsible for overseeing the delivery of the EFA's work, the distribution of staff and resources and the management of risks and issues. It will be for the SMT to determine the architecture and membership of the EFA's programmes and projects and its arrangements to monitor and review performance.
- 4.2 One of the Department's non-executive directors will have oversight of the Agency for at least the first year of operation (April 2012 – April 2013). This person will work with the DG IFD to support and challenge the EFA's performance.
- 4.3 The EFA will have one or two further non executive directors, who are independent from any commercial interest, to provide expert support and challenge to the Chief Executive on an ongoing basis. The non executive director(s) will be expert in a relevant field, such as finance or property. The DG IFD will have access to the non executive directors as part of his performance management of the EFA.
- 4.4 The Chief Executive and the DG IFD will jointly agree the skills specification for the experts and their appointments will be approved by the Department's Nominations and Governance Committee (a sub-committee of the Department's Board).
- 4.5 The DG IFD will hold strategic performance reviews with the Chief Executive, the relevant non-executive Director, the EFA's Finance Director and the appointed external experts. These meetings will be at least quarterly and will cover the EFA's delivery performance, expenditure, risk management and forward planning.
- 4.6 The Chief Executive and Secretary of State will meet in person at least once a year to discuss and review the Agency's performance. They may also raise matters of concern with one another directly as necessary. The Chief Executive will meet the Minister with responsibility for education funding regularly and as priorities demand.

### Department's governance

- 4.7 The Department's operating model includes the Department Board, chaired by the Secretary of State, and the Executive Management Board, chaired by the Permanent Secretary. The Chief Executive is not a member of either Board, but may attend by invitation as necessary. The EFA's work will feature in the DG IFD's regular reporting to both Boards.
- 4.8 The Department's operating model also includes a structure of programme and sub programme boards that oversee the performance of the Department as a whole. The Chief Executive and his Directors will be members of and will report to those boards as appropriate. Where appropriate, they will chair or jointly chair boards.

## 5. Finance, performance and reports

### Funding Allocation to the EFA

- 5.1 Gross spending of the EFA is funded by:
  - a budget delegated by the Department, net of income;
  - allowable income from other commissioners; and
  - allowable income from sources other than commissioning.
- 5.2 The Department will delegate an annual budget to the EFA in line with agreed outcomes and level of service as set out in the EFA's business plan. Where possible, the Department will also provide provisional budgets for future years to inform planning.
- 5.3 The DG IFD will, through consultation, reach agreement with the EFA's Chief Executive in respect of the initial delegated budget and on any significant in year adjustments to the EFA's delegated budgets. The initial and revised budgets will be agreed by the Secretary of State, on the advice of the DG IFD, as part of the Department's annual business planning or the Spending Review process.
- 5.4 In exceptional circumstances, the Chief Executive may put forward proposals to the DG IFD to seek additional funding above the EFA's delegated budget.
- 5.5 At every stage of the budget delegation process the Directorate's finance and policy teams and the EFA's staff will act openly and transparently and will ensure the Chief Executive and DG IFD are fully appraised of all aspects of the plans for the EFA's budgets, both prior to and after HM Treasury has agreed a delegated expenditure limit and annually managed expenditure with the Department.

### Financial Management

- 5.6 The EFA has responsibility for setting detailed budgets to match outcomes, monitoring and forecasting expenditure against budgets, reporting against budgets to EFA management and drawing down funds from HM Treasury in line with needs. The EFA will provide information on its expenditure and its income to the Department and to HM Treasury at such times and in such a manner as is reasonably required.
- 5.7 The EFA will also share financial management information with its delivery partners where appropriate.
- 5.8 The Chief Executive is responsible for raising concerns with the Principal Accounting Officer should the EFA's financial management information and accounting systems not allow for detailed and effective control over its use of resources. The Department's Corporate Finance and Commercial Director will work with the EFA's Director of Finance and Performance to ensure the EFA can comply with its financial responsibilities.

### Financial Delegations

- 5.9 The Principal Accounting Officer will delegate responsibility for all financial matters relating to the delivery of EFA outcomes in writing to the Chief Executive.

- 5.10 The DG IFD will set out the budget and resource allocation to the Chief Executive in a budget delegation letter, which will be reviewed at least annually.
- 5.11 The EFA will operate within the limits confirmed in the written delegations. The Chief Executive is accountable for expenditure incurred within the EFA in delivering its outcomes and for the income it receives.
- 5.12 The Chief Executive, as the EFA's Accounting Officer, will have the right to approve all items of expenditure, apply income (subject to guidance), write off bad debts and losses and make special payments that are within the provisions of this Framework Document and are consistent with the EFA's business and operating plans. This is subject to controls and approval processes and limits set by the Department, HM Treasury and the Cabinet Office.
- 5.13 The Chief Executive will have responsibility for making sure that the EFA can safeguard and account for its assets.
- 5.14 The EFA will have effective financial management and governance arrangements agreed by the Chief Executive and consistent with the Department's controls, through which expenditure on those programmes is managed. This includes change programmes.

## Financial Framework

- 5.15 The EFA is subject to public expenditure controls as well as the rules and policies laid down by the Department and by HM Treasury in *Managing Public Money*, consolidated budgeting guidance, the *Financial Reporting Manual* and other accounting instructions that are issued from time to time.

## Transparency Framework

- 5.16 The Chief Executive will work with the Department and other Government Department officials to agree input and impact indicators, costs and the performance data for the EFA. These will be made available to help to ensure the principles of "transparency" are met.
- 5.17 The Chief Executive will put in place and maintain appropriate management systems that hold all providers accountable for delivering outcomes within agreed resources.
- 5.18 The Chief Executive will collect and consolidate into its annual financial statements the financial results of relevant central government public sector bodies as designated annually by HM Treasury.
- 5.19 All EFA records and personnel will be made available on request by the DG IFD for any "transparency" purpose including audits and investigations. The EFA's head of internal audit will be responsible for investigating any allegations of fraud or impropriety made against the EFA itself or relevant organisations the EFA funds.

## Risk Management

- 5.20 The EFA will maintain a risk management process in accordance with the Department's risk management policy and principles of good risk management. The EFA will share risk information with the DG IFD and notify the DG IFD or their representative of risks that need or may need action.

5.21 The EFA will maintain robust contingency and business continuity plans and will review and test these frequently & regularly.

## **Business plan, annual report and accounts**

5.22 The EFA's business plan will be set within the context of the wider Department business plan to deliver the objectives and outcomes set by the Secretary for State. The Chief Executive is responsible for developing the EFA's business plan, in consultation with interested parties, and for making sure that the EFA has integrated planning and performance arrangements in place.

5.23 The business plan will include:

- objectives, deliverables and milestones for the year;
- performance indicators; and
- information on resources.

5.24 The plan will be approved by the Secretary of State following its agreement by the DG IFD.

5.25 The Chief Executive will prepare the Annual Report and Accounts for the EFA in accordance with Cabinet Office, HM Treasury and Departmental guidance, consolidating Academies' budgets and accounts into EFA budgets and accounts.

5.26 The EFA Audit Committee will advise the Chief Executive on the adequacy of the EFA's governance and assurance arrangements and he will report on these in the EFA's annual report.

5.27 The Chief Executive, as Accounting Officer, is responsible for signing the EFA's Annual Report and Accounts and the Governance Statement, passing them to the Comptroller and Auditor General for external audit.

5.28 These will be submitted to the Secretary of State following endorsement by the Permanent Secretary and audit by the Comptroller and Auditor General. The Accounts will form part of the consolidated return for the Department.

5.29 The Secretary of State will lay the Annual Report and Accounts in Parliament.

## 6. Audit and assurance

### Internal Audit

- 6.1 The EFA's risk management processes will be scrutinised by the EFA Audit Committee (notwithstanding any operational arrangements the Chief Executive might put in place to manage risk, such as through the SMT). The EFA Audit Committee will report to the Department's Audit and Risk Assurance Committee (DARAC) at least twice yearly. The EFA Audit Committee should approach the DARAC at any time should emerging issues or heightened risks warrant it. The chair and members of the EFA Audit Committee will be appointed by the EFA Chief Executive with the advice of the Department's Head of Internal Audit and with the agreement of the DG IFD.
- 6.2 The EFA will receive internal audit and assurance services from the Department's Internal Audit Unit (IAU). IAU will also provide independent and objective assurance to the EFA Accounting Officer on the adequacy and effectiveness of the EFA framework of governance, risk management and control by measuring and evaluating the EFA's effectiveness in achieving its agreed objectives. This will be timed to support the Accounting Officer's annual Governance Statement.

### External Audit

- 6.3 The Comptroller and Auditor General will, in line with an audit timetable agreed with the Department:
- conduct a financial audit of the EFA's accounts;
  - examine their regularity and the propriety of transactions;
  - give an opinion on the accounts and transactions to Parliament; and may
  - carry out investigations into the value for money of EFA spending.
- 6.4 The Comptroller and Auditor General will have access to any books and records of the EFA in order to follow up any concerns over matters of regularity and propriety and to carry out examinations into economy, efficiency and effectiveness with which the EFA has used its resources in discharging its functions.

## **7. Accountability to Parliament**

### **Parliamentary Committees**

- 7.1 The Chief Executive and the Permanent Secretary may be asked to appear before the Public Accounts Committee concerning their respective Accounting Officer responsibilities.
- 7.2 The Chief Executive may be asked to represent and answer for the Secretary of State at hearings of Parliamentary Committees when operational matters concerning the EFA are discussed. Any such invitations will be considered by the Chief Executive and he will consult and advise the Permanent Secretary or DG IFD as appropriate.

### **Parliamentary Commissioner for Administration**

- 7.3 The EFA is subject to the jurisdiction of the Parliamentary Commissioner for Administration (PCA). Cases may be referred to the PCA by an MP once the Department's complaints procedure<sup>4</sup> has been exhausted.
- 7.4 The Permanent Secretary is the Principal Officer of the Department for the purposes of PCA referrals, but he will usually delegate the responsibility for handling any matters concerning the EFA to the Chief Executive.

### **Parliamentary Questions and Parliamentary Correspondence**

- 7.5 The Chief Executive, or nominated representative, will advise Ministers on Parliamentary Questions (PQs) and Parliamentary correspondence addressed to Ministers as required on all operational education funding matters. Where appropriate, the EFA and policy teams will work closely on responses to PQs and correspondence. The Secretary of State can direct the Chief Executive himself to write to MPs or Lords in respect of their PQs or correspondence.

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<sup>4</sup> Set out at [www.education.gov.uk/aboutdfe/complaintsprocedure](http://www.education.gov.uk/aboutdfe/complaintsprocedure)

## 8. Education Funding Agency staff

- 8.1 The EFA's staff are civil servants employed by the Department on its terms and conditions of employment. The Chief Executive will have delegated responsibility to recruit staff within the parameters provided by the Department's policies and procedures.
- 8.2 The Permanent Secretary will give the Chief Executive the freedom to appoint to Senior Civil Service (SCS) pay band 1, but within a maximum number of SCS pay band 1 posts agreed each year. If additional posts are required above this limit, the Permanent Secretary's approval will be required. SCS appointments will follow the recruitment principles of the Civil Service Commission.
- 8.3 The Chief Executive will ensure:
- the EFA maintains a workforce plan that includes ensuring all staff meet appropriate competency levels and standards;
  - there is a working environment in which diversity is recognised and valued, legislation is complied with and that equality and diversity policies support business needs and objectives; and
  - the EFA discharges its statutory health and safety duties.
- 8.4 In devising the plan, the dispersed estate and the needs of home workers will be taken into account. The Chief Executive will consult staff and their trade union representatives as appropriate, will follow Civil Service and Departmental human resources policy and guidance and will comply with all relevant legislation.

## 9. Shared services

- 9.1 The Department's operating model provides a range of corporate functions as "shared services" across its directorates, including the executive agencies. The functions to be provided are:
- human resources;
  - estates and facilities management;
  - communications;
  - legal services;
  - information, communication and technology services; and
  - internal audit and assurance.
- 9.2 The provision of these services includes the management of third party contractors. The EFA will provide its own finance and procurement services and will be responsible for operational communications relating to its core business.
- 9.3 The quality of service provision will be reviewed at regular intervals and any issues discussed between the Chief Executive and the Director responsible for the relevant shared service.





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