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**Office for Standards in  
Education, Children's  
Services and Skills**

**Annual Report and  
Accounts  
2011-12**

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**Office for Standards in Education,  
Children's Services and Skills**

**Annual Report and Accounts  
2011-12**

**(For the Year ended 31 March 2012)**

Accounts presented to the House of Commons pursuant to Section  
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Her Majesty

Annual Report and Accounts presented to the House of Lords by  
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# **Annual Report and Accounts**

## **Introduction**

The last year has been a significant one for Ofsted. As this report shows, in addition to delivering our full programme of inspection and regulatory work, we have made important improvements to the way we inspect, and continued to reduce our costs in line with the challenging targets set by the Comprehensive Spending Review. At the same time, we have consulted on further changes to the way we work to drive improvement where it is most needed.

First of all, I am pleased to report that Ofsted carried out its inspection and regulatory programme for the year in full, and in line with statutory requirements. This is a major undertaking. In 2011–12, Ofsted carried out more than 30,000 inspections across the education, children's services and skills sectors. In each inspection, specialist inspectors observed practice on the ground, focused on what the service was like for those using it, and reported on its quality and how it could improve. After each inspection, we asked those inspected for their feedback. This year an overwhelming majority of providers – more than nine out of ten in most types of inspection – were both happy with the way their inspection was carried out and, more importantly, reported that it would make a positive difference to their work.

However, if Ofsted is to continue to raise standards and improve people's lives, inspection cannot stand still. This year saw some important changes to the way we work. In children's social care, for example, we implemented a new framework for the inspection of children's homes, designed to put the child at the centre of every inspection. This focus on the child's experience also informed changes to the inspection of adoption and fostering services, and will be central to a significant piece of work for the year ahead, the development of multi-inspectorate arrangements for the joint inspection of services for the protection of children. This new framework will be overseen by John Goldup (National Director, Social Care) newly designated as Deputy Chief Inspector, as a mark of the importance of this work.

On my appointment as Chief Inspector in January 2012, I oversaw the introduction of new arrangements for the inspection of maintained schools and academies. I strongly supported this new framework, with its focus on just four key areas (achievement, teaching and learning, leadership and management, and behaviour and safety). However, I believe we must do more to raise expectations and drive improvement, particularly in those schools that are coasting and are not doing enough for their pupils. That's why, in February 2012, Ofsted began a consultation on more radical proposals, including: introducing more unannounced inspections, replacing the 'satisfactory' judgement with 'requires improvement' and inspecting such schools with greater frequency, and focusing even more closely on the quality of teaching and how that is reflected in performance management arrangements. Ofsted received several thousand responses to this consultation and, along with Ofsted colleagues, I engaged in discussions with parents, teachers and headteachers across the country to understand their views. Having listened hard, I am confident that the inspection instruments we are publishing in June 2012 will make a real contribution to improving education in England.

One of the recurring themes in all the discussions I had with headteachers and teachers was the importance of inspectors continuing to work with schools as they strive to provide a good standard of education for pupils. This was also reflected in two independent studies of school inspection published during 2011–12, which noted that being found inadequate by Ofsted acts as a catalyst for improvement. A priority for the year ahead will be how we can build on the successful work we currently do with schools in 'special measures', with more schools that are not yet good enough – visiting them to check their action plans, monitoring their progress and making sure they are getting the support they need.

As well as new school inspection arrangements from September 2012, we will also be introducing new arrangements for the inspection of colleges and further education providers, Initial Teacher Education (ITE) and early years childcare providers. These new frameworks have also been the subject of extensive development work and consultation during 2011–12, and are each designed to raise standards in these vital areas of our work. The new inspection frameworks for further education and Initial Teacher Education, for example, will both have a closer focus on what really matters to learners in terms of their achievement, next career steps, and future success. We are also ensuring that these new inspection arrangements, along with those for early years and schools, pay close attention to the teaching of basic skills and in particular literacy, early reading and phonics.

Ofsted's success depends on the quality of our workforce. We are bringing more current practitioners into Ofsted so we can learn from their experience and they can share what they learn with others. I have been particularly pleased with the work we have been carrying out with the National College for School Leadership to bring more outstanding headteachers into the inspection workforce. This builds on established programmes bringing social care, school and further education professionals into Ofsted as seconded HMI. It is important for the continued credibility of our work that our inspection teams are recognised as experts in their field who make consistent judgements against national expectations. That is also why we place so much importance on the training, development and performance management of our staff.

We are doing all we can to protect the amount we spend on frontline inspection and regulation, while managing significant reductions to Ofsted's budget overall. In 2010–11, our net resource outturn was £182 million. In the year covered by this report, the total cost of our work had stepped down to £167 million, and our budget is set to reduce year on year, down to £146.2 million by 2014–15, the end of the spending review period. Managing a reduction of this size – and the scale of change required in terms of people, processes and organisation – is significant. Savings so far have largely come from reductions to our 'back-office' (including Information Services, Finance, Communications, HR and inspection administration support teams) and our corporate costs. This last year has seen significant progress in our work to further rationalise our estates, review our corporate contracts and streamline our processes, all carried out in close consultation with the staff involved. This is enabling very real reductions in staff numbers, and there will be further reductions over the next few years as planned changes to teams across the organisation take effect.

Much of Ofsted's inspection and regulatory work is required by legislation and/or is carried out at the request of the relevant Government department. That means we have to work closely

with Government and, ultimately, Parliament, if there are to be changes to what we inspect and the frequency with which we inspect it. Currently before Parliament is a draft legislative reform order which, if agreed, would end the requirement on Ofsted to undertake annual assessments of Children's Services in local authorities, which the Government has decided are no longer required. This year also saw legislation enacted which has removed the requirement on Ofsted to inspect regularly outstanding schools and colleges unless there are concerns about their performance. Such changes are not without their risks and we will continue to work closely with the Government as policy develops in relation to other areas of our work and to draw attention to any concerns or issues as they emerge.

An important part of our work continues to be sharing and celebrating what is working well in the sectors we inspect and regulate. This year has seen the continuing expansion of our online good practice database, including hundreds of examples of excellence in education, children's services and learning and skills sectors. We have also started to link up with other organisations to draw attention to this important resource, including, for example, through the website of the *Times Educational Supplement*. Videos of good practice have also proven to be popular on our YouTube channel. Making the most of our data and information to share good practice and support improvement will be of increasing importance as we strive to make a greater impact. The last 12 months have also seen a marked increase in the amount of data we publish on Ofsted's website about inspection outcomes and in our work to disseminate information about what we know works.

In 2011–12, we made wide-ranging improvements to our website, which continues to be amongst the most popular Government resources online – receiving more than one million visitors a month. The relaunched site with its new design has resulted in much greater user satisfaction, with 90% of users reporting that they can find the inspection report they want, compared with less than 10% in 2009. Building on this new technology will be a priority for the year ahead, with work underway to make it easier still to find information about providers on the site, along with introducing more interactive functionality, including enabling childcare and social care providers to update their details online. A significant driver of traffic to the website has been Parent View, an online questionnaire that allows parents to give their views on their child's school at any point during the year. We will also look to expand this type of service to other areas we inspect.

This is the first time I have laid Ofsted's Annual Report and Accounts before Parliament. It represents an important form of scrutiny for our work as we focus on the ambition, held by my predecessors as Her Majesty's Chief Inspector, that all services be as good as the best in the sector. I am determined that we will do all we can to help bring that about and I look forward to reporting next year on the impact we are making on better outcomes for children, young people and learners.

**Sir Michael Wilshaw, Her Majesty's Chief Inspector**

## **About this report**

The Annual Report and Accounts 2011–12 has been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

The accounts represent the net expenditure and financial position of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2012. The report also contains a review of Ofsted's work during the year, noting the volume and quality of our inspection and regulatory activity; the improvements we are making; how we involved and communicated with the public; and how we are delivering results by making the most of our resources.

The report does not present the comprehensive findings from our regulatory and inspection work during the year. These are found in the Annual Report of Her Majesty's Chief Inspector, which Ofsted publishes to report on the state of education, children's services and skills in England. The most recent annual report was published in November 2011 and is available from our website: [www.ofsted.gov.uk](http://www.ofsted.gov.uk).

## **Who we are and what we do**

### **Our vision**

1. Ofsted is the Office for Standards in Education, Children's Services and Skills in England. Ofsted inspects and regulates to achieve excellence in the care of children and young people, and in education and skills for learners of all ages, thereby raising standards and improving lives.

### **Our work**

#### **Inspection**

2. Ofsted publishes what inspectors look for during inspections to ensure that those providing services know what is expected of good and outstanding care, education and training and can use our frameworks to bring about their own improvement.
3. Our specialist inspectors are experts in the type of service they inspect. When they visit a service, be it a children's home, a nursery, a school or a college, they focus on the quality of the service for individual children, young people or older learners. During an inspection, inspectors collect first-hand evidence based on the practice they observe and what they learn from the people using the service. They use this evidence, and other available information, to make their professional judgements.
4. We share our inspection findings in published inspection reports. Parents, learners and employers use and trust this information to help them make choices about the services they use. Those responsible for services, including local and national government, also use the information to hold them to account. Our inspection reports contain clear recommendations so that those providing services know what they need to do to improve. We inspect weaker services more frequently to help ensure they get better quickly.
5. We inspect the following services: maintained schools and academies; some independent schools; early years and childcare; children's centres; children's homes; family centres; adoption and fostering services and agencies; Cafcass; children's services in local authorities; initial teacher training; further education colleges and 14 to 19 provision; a wide range of work-based learning and skills training; adult and community learning; probation services; and education and training in prisons and other secure establishments.

#### **Regulation**

6. For a range of early years and children's social care services, we also act as a regulator, deciding whether people, premises and the services provided are suitable to care for children and potentially vulnerable young people. Where those wanting to provide childcare or children's social care do not meet the required standards, we do not allow them to operate.
7. We check whether the childcare and children's social care services we regulate are meeting the required standards, looking into concerns when raised. If we find they are not, we use our enforcement powers to make sure they make the necessary improvements. If they are unable to meet the required standards, we act in the interests of the children and/or young people in their care and suspend or cancel their licence to operate.

### **In-depth surveys and good practice studies**

8. We also investigate and report on the quality of provision in National Curriculum subjects and aspects of social care, childcare, education, and learning and skills. In these surveys we use our rights of access and our ability to make expert judgements on the effectiveness of services to provide unique evidence to local and national policy makers. We share the practice we find to ensure that those providing services can learn from what is working well and what is not. To make this information more accessible, we have introduced a new good practice section on our website drawing on the wide range of evidence we have available.

### **The Children's Rights Director**

9. The role of the Children's Rights Director is statutory, with specific powers and functions related to safeguarding and promoting the rights and welfare of children living away from home, receiving any form of social care, or leaving care.
10. As part of a set of statutory functions, the Children's Rights Director:
  - finds out and reports on the views of children and young people in care or receiving social care services, care leavers, and any child in any boarding school, residential special school or residential further education college
  - advises on children's rights and welfare
  - raises any matters the Children's Rights Director considers significant to the rights or welfare of a child or group of children within his remit
  - advises Her Majesty's Chief Inspector and the Government.
11. The work includes carrying out a programme of consultations with children on social care, residential education, rights and welfare matters and publishing the findings on [www.rights4me.org](http://www.rights4me.org); publishing guidance for children on children's rights issues and referring and advising on individual cases. The Children's Rights Director produces a series of children's guides to key regulations and government documents, and carries out two children's surveys (Care4Me and AfterCare) which contribute to safeguarding and looked after children inspections.
12. Preparation to transfer the role of the Children's Rights Director to the Office of the Children's Commissioner, in line with recommendations in the 2010 Dunford review, is underway. In December 2011 the Government responded to the consultation on the legislation to be introduced to replace both the present Children's Commissioner for England and the present Children's Rights Director for England with a new Office of the Children's Commissioner for England. Ofsted and the Children's Rights Director for England welcome the legal provisions on which the new Commissioner will be founded, and particularly the confirmation that the future Commissioner will focus on two key areas – children's rights, and the interests of those children who are particularly vulnerable to their rights being breached.

## **Our priorities**

13. The Education and Inspections Act 2006 requires us to carry out our work in ways that encourage the services we inspect and regulate to:
  - improve
  - be user-focused
  - be efficient and effective.
  
14. We think it is right that Ofsted should have the same commitment to improve, to focus on the users of services and to work efficiently and effectively. Our first priority is to achieve better outcomes, and we will work to make this a reality through:
  - better inspection and regulation
  - better public involvement
  - better ways of working.
  
15. This report outlines how we have performed against each of these priorities during 2011–12.

## How we have performed

### Better outcomes

Objective and independent inspection and regulation help to raise standards in services, improving the lives of children and learners of all ages. People use our reports to understand the quality of services and inform their choices; providers take action in line with our inspection frameworks and follow our reports to improve their service; and policy makers use our reports to learn what is working well and what is not. This section outlines how we delivered our inspection and regulatory programmes during 2011–12 and contributed to improvement across the sectors in our remit.

### Meeting our inspection targets

16. Between April 2011 and March 2012 we carried out over 30,000 inspections across the range of services we inspect.
17. In education, Ofsted carried out:
  - 5,769 maintained school inspections, as part of our programme to inspect all schools in England – with the exception of those that continue to be 'outstanding' – within a five-year period. We inspect weaker schools more frequently, and this year carried out 656 monitoring visits to schools graded 'satisfactory'. We also carried out 783 'special measures' and 148 'notice to improve' monitoring visits to maintained schools to help their improvement.
  - 55 new academy and 19 free school pre-registration visits two months prior to opening. In addition, 66 academies had a full inspection within their third year and 74 academies had a monitoring visit within their third year.
  - 265 inspections of education in independent schools, 338 pre-registration, emergency and material change and follow-up visits of independent schools. In addition, 63 newly registered independent schools received an inspection within one year of opening.
  - 10 inspections of service children's education schools, as agreed with the Ministry of Defence.
  - 54 initial teacher education provider inspections, as part of our four-year cycle of inspections of all initial teacher education.
18. In learning and skills, Ofsted carried out:
  - 90 college inspections, and 78 focused monitoring visits, as informed by risk assessment. In September 2009 we introduced new, more proportionate, inspection arrangements, inspecting weaker colleges more frequently. We also inspected 17 further education colleges for welfare.

- 153 inspections of work-based learning and 84 focused monitoring visits on a number of varied establishments offering apprenticeships and other vocational learning.
- 36 inspections of publicly funded adult and community learning and 20 focused monitoring visits. Adult and community learning includes courses on information and communication technology skills, numeracy skills and English for speakers of other languages.
- 82 inspections of judicial services, including inspections of education in adult and juvenile prisons, inspections of care and education in secure training centres, inspections of probation services, and inspections of immigration removal and detention centres.
- two inspections of nextstep services and nine focused monitoring visits. Next step services help adults get advice on skills, careers, work and life choices.
- 10 reports on Armed Services training establishments. Each year Ofsted carries out inspections of the welfare and care experienced by recruits and trainees in the United Kingdom's Armed Services. A detailed report is sent to each establishment, but remains confidential to the establishment, Ofsted and the Ministry of Defence.

19. In early years, Ofsted carried out:

- 13,643 inspections of early years childcare providers on Ofsted's early years register, including childminders and nurseries. We inspect the quality of each provider on this register at least once every four years. We carried out a re-inspection or monitoring visit to 596 inadequate childcare providers to make sure they were making the required improvements.
- 1,336 inspections of childcare providers on the Ofsted childcare register. There are 12,218 providers who are only on this register and these registered providers are monitored through inspections carried out on a random basis or when parents tell us they have concerns about the care provided.

20. For family services, Ofsted carried out:

- 736 children's centre inspections. Children's centres are inspected on or before the fifth anniversary of their establishment, and thereafter on or before the fifth anniversary of their last inspection. Ten children's centres received an additional inspection after being found inadequate.
- 14 Residential Family Centre inspections. All centres are inspected within a three-year cycle.

21. In children's social care, Ofsted carried out:

- 4,096 inspections of children's homes, including 32 secure children's homes, inspecting each home in England twice during the year in order to make sure that standards in each home were appropriate for the potentially vulnerable children and young people in its care.

## **Office for Standards in Education, Children's Services and Skills**

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- 264 adoption and fostering inspections, inspecting voluntary adoption and adoption support agencies, local authority fostering and adoption agencies and independent fostering agencies against the agreed national standards.
- four inspections of Children and Family Court Advisory and Support Service (Cafcass) service areas and five post inspection monitoring visits. During these inspections of Cafcass, inspectors observe practice and take into account the views of children and young people and other stakeholders.
- 202 residential special schools inspections. Inspection of residential provision in maintained or independent residential special schools takes place on an annual basis.
- 82 welfare inspections in independent boarding schools.

### **Assessment and inspection of local authority children's services**

22. Ofsted also carries out a programme of inspections of child protection, safeguarding and looked after children's services in local authorities. In 2011–12, Ofsted carried out:
  - 57 two-week inspections and seven follow-up inspections of safeguarding and looked after children services in local authorities, which were carried out jointly with the Care Quality Commission. The inspections of safeguarding and looked after children services are carried out as a single inspection event unless there are particular concerns about either area.
  - 65 short unannounced inspections of local authority contact, assessment and referral centres, which looked closely at the quality of assessment practice in protecting children.
23. Ofsted currently has responsibility for annually assessing the overall quality of children's services in local authority areas. In 2011–12, Ofsted published the annual children's services assessments for 145 local authorities in England on 8 November 2011. Assessment for 5 local authorities were published at a later date as the outcome was subject to further inspection. A Legislative Reform Order to repeal s138 of the Education and Inspections Act 2006 (the requirement on Ofsted to annually review and rate local authority children's services) was laid before Parliament on 10 May 2012 in order to secure repeal before the summer recess beginning on 17 July 2012.

### **Evaluation of serious case reviews**

24. Serious case reviews are local enquiries into the death or serious injury of a child where abuse or neglect is known or suspected to be a factor. They are carried out by Local Safeguarding Children Boards so that lessons can be learned. In 2011–12 we evaluated 69 serious case reviews.
25. In October 2011 we published *Ages of Concern: Learning Lessons from Serious Case Reviews*. This report provides a thematic analysis of 482 serious case reviews that Ofsted evaluated between 1 April 2007 and 31 March 2011. The main focus of the report is on the reviews that concerned children in two age groups: babies less than one year old and young people aged 14 or above.

26. Ofsted took responsibility for evaluating these reviews in 2007. Since that time serious case reviews have significantly improved and have come to be published as a matter of course. In 2011, an independent review of child protection in England, commissioned by the Government and led by Professor Munro, recommended that Ofsted's responsibility for the evaluation of serious care reviews should end. Government accepted the recommendation and the expected timetable is that evaluations will cease in summer 2012. As part of the transitional arrangements, we implemented streamlined arrangements from January 2012 which reduce the number of evaluation criteria and replaces the graded judgements with an evaluation letter.

### **Regulation of childcare and children's social care**

27. For a range of early years and children's social care services, we also act as a regulator, deciding whether people, premises and the services provided are suitable to care for children and potentially vulnerable young people. We carry out checks to ensure those applying to provide these services meet the required standards and, where they do not, we do not allow them to operate.
28. We commit to registering childcare and children's social care providers within various target timescales, depending on the type of registration.
- In 2011–12, we registered 10,173 new providers and inspected 8,214 new providers. We exceeded our aim for timely registrations to the childcare register and registrations to the early years register for providers other than childminders. However, we missed our aim for timely registrations for childminders to the early years register because of delays in receiving checks from external agencies.
  - We carried out 95 registrations of children's social care providers and inspected 121 newly registered children's homes. We missed our aim for timely registration of new providers, but met our aim for carrying out inspections within a year of registration.

### **Complaints about providers**

29. We investigate concerns about compliance for the childcare and children's social care services we regulate to make sure they are meeting the required standards. In 2011–12, we:
- opened 7,613 cases as a result of concerns or complaints received against registered and unregistered childcare providers, and completed 93.5% of investigations within 30 working days. Where providers are not able to meet the required standards or children are at risk of harm, Ofsted has the power to suspend or ultimately to cancel registration. In 2011–12, 10 cases resulted in Ofsted cancelling the provider and we are currently in the process of cancellation in another two cases. In 362 cases we took enforcement action such as issuing a Welfare Requirement Notice or issuing a formal warning to the provider. In a further 1,808 cases we issued a Notice to Improve setting out actions that the provider must complete to meet the requirements. In 4,780 cases we either found the provider to be meeting the requirements, or the provider resigned during the course of our investigation. The remaining 663 cases are still under investigation.
  - opened 661 cases as a result of concerns received against registered and unregistered social care providers. In 424 cases we were able to secure

improvements and compliance with the law without using statutory enforcement action, and set non-statutory actions in 73 cases. As a result of these cases we served two statutory notices to ensure that unsuitable people were not looking after young people. We served a further 10 of these notices to providers that had been found inadequate at inspection.

30. Ofsted also has powers to investigate qualifying complaints about schools where a qualifying complaint raises serious whole-school issues. Where a complaint does not qualify for investigation by Ofsted (for example, a complaint that concerns solely an individual pupil) we provide complainants with information about appropriate sources of help and advice.
31. In 2011–12, Ofsted received 3,059 complaints about schools, and responded to 96% within 20 days. Of this number, 107 complaints qualified for investigation under Ofsted's powers, compared with 143 that qualified in 2010–11.
32. The majority of these complaints concerned the leadership and management of a school and pupils' well-being. Three complaints required waivers prior to being qualified. Ofsted has specific powers (under section 11A-C of the Education Act 2005, as amended) to investigate certain complaints, known as qualifying complaints. Forty-three qualifying complaints resulted in an investigation. In 64 complaints, the information from the complaint was retained until the next scheduled school inspection so that the issues raised could be taken into account. On two occasions, Ofsted conducted an immediate inspection of a school as a result of a complaint.

### **In-depth surveys**

33. Ofsted is able to draw on the expertise and knowledge of its inspectors to determine, investigate and report on cross-cutting issues facing education, children's services and the learning and skills sector. Ofsted has rights of access to where people learn and are cared for, which means we can see what is really happening in practice and so ground our reports in evidence. This gives us the ability to carry out survey that report on subjects over time and in depth, such as:
  - themes of national importance, for example post-16 learning difficulties and disabilities, safeguarding in schools, and learning lessons from serious case reviews.
  - subjects, for example our reports: on economics, business and enterprise education; sports partnerships in schools; excellence in English; numeracy skills in young people and adults; and information and communication technology (ICT) in schools.
  - good practice, for example our reports on good practice in Local Safeguarding Children Boards and school governance. Significant improvements to our website have enabled us to enhance survey reports with additional multi-media materials. For example, a survey report published in March 2012 examining music teaching was accompanied by six films exemplifying good practice in a wide range of settings.
34. There is a full list of survey report titles that have been published in 2011–12 at appendix A.

## **Good practice studies**

35. We profile good practice through a dedicated section of our website, which can be found at the following address: [www.ofsted.gov.uk/resources/goodpractice](http://www.ofsted.gov.uk/resources/goodpractice).
36. This area of our website supports improvement by showcasing a diverse range of good practice examples across all the sectors that we inspect and regulate. The supporting materials are quality assured, and include videos that can be watched and shared with colleagues through social media links.
37. Since its launch in March 2011 our bank of good practice case studies has increased steadily. Up to the end of March 2012 we had published 178 case studies in total, including:
  - 61 schools resources
  - 13 children and families case studies
  - 25 early years and childcare case studies
  - 79 adult learning and skills resources.

## **Inspection outcomes**

38. We regularly review inspection outcomes to identify trends and understand where quality is improving and declining.
39. An independent study from the London School of Economics<sup>1</sup>, based on 500 schools and 16,000 pupils, showed that test scores 'significantly' improved at schools after their being failed by Ofsted inspectors. The study also noted the importance and reliability of school inspection reports, noting that even where control variables are used 'inspection ratings appear to have substantial power in predicting underlying quality.'
40. More than nine out of 10 providers across our remit tell us in surveys following their inspection that the inspection will help them improve, and that they are satisfied with the way the inspection was carried out. In the vast majority of cases, they also say that any negative elements are outweighed by the positive. Independent studies support this view.
41. In 2011 an independent research group carried out an evaluation of the impact of school inspections. They found that 87% of schools said inspection had contributed to improvements in overall school effectiveness.
42. In December 2011 the National Audit Office published the report Reducing bureaucracy in further education in England. The report found that Ofsted is 'perceived as the main quality regulator within the sector'. They went on to say that:

'[Ofsted's] assessment process, although time consuming, was seen by the colleges we visited as rigorous, fair, accurate and valuable. Ofsted's reports were perceived as important to draw out good practice as well as making recommendations. Outstanding colleges were exempted and inspections were performed cooperatively using data already gathered by others.'

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<sup>1</sup> I Hussain, Subjective Performance Evaluation in the Public Sector: Evidence from School Inspections, Centre for the Economics of Education, 2012

<b>Indicator</b>	<b>Remit</b>	<b>2010–11</b>	<b>2011–12</b>
Feedback from those Ofsted inspects or regulates. Percentage of providers who agree or strongly agree that overall they are satisfied with the way the inspection was carried out.	Schools	94%	93%
	Learning and skills	99%	98%
	Initial teacher education	* <sup>2</sup>	93%
	Independent schools	92%	93%
	Children’s Centres	* <sup>2</sup>	96%
	Social Care	* <sup>2</sup>	97%
	Early Years register	* <sup>2</sup>	93%
	Childcare register	* <sup>2</sup>	97%

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<sup>2</sup> Data not available as post-inspection surveys for these remit areas did not commence until 2011–12.

## Better inspection and regulation

To support our vision of raising standards and improving lives we must provide high-quality, well-coordinated and targeted regulation and inspection. We are making sure that our services continue to improve by reviewing how and where we work, and making a number of reforms to our inspection frameworks and regulatory programmes. This section outlines inspection and regulatory developments.

### Reforming our inspection frameworks

43. Throughout 2011–12 we reviewed and revised a number of frameworks for our inspection and regulatory programmes. This was to ensure that they reflected recent policy changes, for example new legislation in the form of the Education Act 2011, Government policy reviews and revised National Minimum Standards.
44. Some of the changes that we anticipated in last year's Annual Report and Accounts required legislative change, and some required further consultation with those who provide and use the services we inspect and regulate. In addition, a new HMCI taking up post in January 2012 presented an opportunity to review our methodologies and consider how further revisions could help to ensure Ofsted's work has the greatest impact on provider improvement.

### New frameworks implemented in 2011–12

#### Inspection of children's homes

45. This framework was implemented in April 2011 to bring inspection in line with new National Minimum Standards. The framework replaces previous benchmarking guidance with a clear statement of what Ofsted reports on and judges against. This is improving the quality of inspections and consistency of judgements, while putting the child's experience at the centre of inspection, and increasing focus on improving outcomes for children.

#### Inspection of maintained schools and academies

46. This framework covers the inspection of maintained schools and academies, and sets out the basis for inspection underpinned by the Education Act 2011. Inspections under this framework commenced in January 2012.
47. Inspections under this framework focus on four key areas: the achievement of pupils; the quality of teaching and learning; the effectiveness of leadership and management; and standards of behaviour and safety in schools. As part of this new framework, inspectors spend even more time observing lessons and listening to children read, and there is a far greater focus on the quality of teaching and its impact on pupils' learning and progress. Schools are held even more to account for the rates of progress achieved by all groups of pupils, and whether they are succeeding in narrowing gaps in attainment. There are higher expectations that teaching and other support for pupils will be effective in accelerating progress for those who need it most. Additionally, schools must account for the progress of pupils with special educational needs and disabilities, and ensure that provision takes into account the spiritual, moral, social and cultural development of learners. Under the new framework there is a greater commitment to consider even more the views of pupils, parents and staff.

48. An amended framework for the inspection of maintained schools and academies will take effect in September 2012, following Ofsted's consultation A Good Education for All. Further details about the amended framework can be found in the selection below, which outlines work that has taken place this year to revise inspection frameworks for 2012–13.

### **Inspection of boarding and residential special schools**

49. This framework covers the inspection of residential provision in maintained and independent boarding schools and residential special schools. The framework was revised to align with the new National Minimum Standards introduced in August 2011. Inspections under this new framework commenced in January 2012.
50. The new framework ensures a closer focus on what is important in boarding or residential special schools: that they are well managed; that children are safe and well cared for; and that children's experiences of living away from home contribute in a positive way to their personal and social development.

### **Inspection of local authority private fostering**

51. Fostering services are inspected every three years. Inspectors focus on how well the service meets the national minimum standards and the Fostering Services (England) Regulations 2011.
52. Following consultation, a new framework for the inspection of local authority private fostering services was published in February 2012. Twelve inspections will be completed between April 2012 and March 2013 under this framework before all future inspections are carried out as part of local authority child protection inspections.

## **Frameworks under development for implementation in 2012–13**

### **Inspection of maintained schools and academies**

53. Ofsted consulted widely on proposals to amend the framework for the inspection of maintained schools and academies as part of the A Good Education for All consultation, launched in February 2012.
54. As part of the new inspection framework, which will be implemented from September 2012 Ofsted will:
- require 'outstanding' schools to have 'outstanding' teaching
  - define an acceptable standard of education as being 'good'
  - replace the current 'satisfactory' judgement with 'requires improvement' where schools are not inadequate but are not yet providing a good standard of education
  - replace the 'notice to improve' category with 'serious weaknesses'
  - introduce earlier full re-inspection of schools judged as 'requires improvement'

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- usually limit the number of times schools can be deemed to 'require improvement' to two consecutive inspections before they are judged 'inadequate' and deemed to require 'special measures'
- shorten the notice we give of an inspection
- request that schools provide anonymised information on the outcomes of the most recent performance management of all teachers.

55. We will continue to focus on four key aspects of a school's work: achievement; teaching; behaviour and safety; and leadership and management.

### **Inspection of learning and skills**

56. This framework covers the inspection of education and training for young people who are mostly over the age of 16 and for adults in a wide range of provision, including colleges, independent learning providers, employer providers, adult and community learning providers, prisons and young offender institutions.

57. The new framework will focus more sharply on the core purpose of the provider, with an even closer examination of teaching and learning outcomes, together with an evaluation of the impact of leadership and management for all learners. Under the new framework Ofsted will:

- only consider a provider to be outstanding for overall effectiveness if they have outstanding teaching, learning and assessment
- introduce a new judgement of 'requires improvement'
- introduce earlier re-inspection of learning and skills providers judged as 'requires improvement'
- limit the number of times a provider can be judged as 'requires improvement' for overall effectiveness
- reduce the notice period for inspections
- request an anonymised summary of performance management information.

58. Inspections under the new frameworks are planned to commence in September 2012.

### **Inspection of children's services in local authorities**

59. This inspection framework covers the inspection of safeguarding and looked after children services, and the unannounced inspections of child protection services. The framework was revised to streamline inspection, support improvement and take into account recommendations from the Munro review of child protection.

60. Inspections will be undertaken under this new framework from May 2012. However, in light of new policy developments, including the recent agreement with partner inspectorates to develop a fully joint multi-inspectorate framework for the inspection of local area arrangements for the protection of children from 2013–14, and the recent agreement with the Department for Education to pursue a regulatory change that will allow the streamlining of arrangements for the inspection of looked after children services,

this framework will be subject to further review. A new multi-inspectorate programme of inspection of child protection services will be implemented in April 2013.

### **Inspection and regulation of childcare and early years**

61. This framework covers the inspection and regulation of registered early years provision, including childminders and childcare on non-domestic premises such as nurseries. Revisions to the framework will reflect the changes made to the Early Years Foundation Stage following the Government's response to the Tickell Review, to streamline regulation, and reduce costs by placing more responsibility on providers to manage their own services.
62. Subject to consultation, proposals are likely to include the removal of routine conditions of registration to give providers more flexibility in how to run their provision, and stopping the routine interviewing of managers and nominated persons when they change and replacing this with an interview at inspection. We will look to carry out inspections rather than investigations, for the majority of occasions, where information is shared with us suggesting non-compliance. In addition we will look to reduce the number of inspection judgements. There will be an increased focus on children's learning and development. Regulation and inspection under the new framework is planned to commence in September 2012.

### **Inspection of independent schools**

63. This framework covers the inspection of education in non-association independent schools, including some preparatory and pre-preparatory schools, faith schools, and those set up for a particular purpose. The Department for Education's decision to revise the Independent Schools Standards (England) (Regulations) provided an opportunity for Ofsted to revise the framework for inspection at the same time.
64. Subject to consultation, proposals for the new inspection framework include closer links between the quality of teaching and its impact on progress and achievement to raise the bar for 'outstanding' and 'good' teaching, and introducing a judgement on leadership and management with clear grade descriptors to inform inspection and ensure greater consistency. There will be a focus on attainment in reading and literacy, and the assessment of the teaching of synthetic phonics to raise expectations for achievement. In addition, the new framework will move to more proportionate inspection for higher performing schools, and the introduction of an 'overall effectiveness' judgement to provide better information for parents, pupils, schools and placing authorities.
65. Inspections under the new framework are planned to commence in November 2012. Some elements of the new regulations will be dependent on other legislation and may be enacted at a later date. As a result, further changes to the framework may take place in September 2013.

### **Inspection of initial teacher education**

66. This framework covers the inspection of providers of initial teacher education, including: providers offering employment-based routes into teaching in the maintained sector; all higher education institution-led partnerships offering initial teacher education in the further education and lifelong learning sector; school-centred initial teacher training partnerships; and the Teach First programme.

67. The framework is being revised to take account of recommendations made in The Importance of Teaching, The Schools White Paper, November 2010 to change initial teacher education arrangements in the maintained sector; the February 2010 Select Committee recommendations for the future inspection of initial teacher education; and the Department for Education's improvement strategy document Training our next generation of outstanding teachers (June 2011) and subsequent Initial Teacher Training Implementation Plan (November 2011).
68. Following the outcomes of Ofsted's consultation A Good Education for All, the new framework will ensure a sharper focus on trainee outcomes in relation to impact on learners' progress, using the views of current trainees gathered via online questionnaires, and the observation of teaching by newly qualified teachers. Inspections will be more proportionate to risk, and will be informed by a robust annual process of risk assessment to ensure that resources are targeted where improvement is needed most. These new inspection arrangements will pay close attention to the teaching of basic skills, particularly early reading, literacy and phonics.
69. Under the new inspection framework Ofsted will:
- introduce a single judgement of 'requires improvement' to replace the current 'satisfactory' judgement
  - introduce earlier full inspection of initial teacher education (ITE) partnerships judged as 'requires improvement'
  - introduce a protocol that limits the number of times a provider can be deemed as 'requires improvement' to two consecutive inspections before it is deemed 'inadequate'
  - change the notice period for inspections – ITE partnerships will normally be contacted two working days before an ITE inspection is scheduled to start by the relevant inspection service provider
  - introduce no-notice monitoring inspections.
70. The new framework will be implemented from September 2012. The inspection of ITE for Further Education will be reconsidered following publication the review of professionalism in the Further Education sector, to be undertaken by the Department of Business Innovation.

### **Inspection and regulation of children's social care**

71. We have been working to develop new inspection frameworks for a range of social care providers, as part of a package of inspection for children's social care provision.
72. Ofsted, the Care Quality Commission, Her Majesty's Inspectorate of Constabulary and Her Majesty's Inspectorate of Probation (with Her Majesty's Inspectorate of Prisons where appropriate) have agreed in principle to develop a joint framework for a multi-agency inspection of services for the protection of children in local authority areas. It is anticipated that this will be implemented during 2013–14. Work has been underway to prepare for this, and many of the following arrangements will be subject to review following the development of a joint framework.

73. *Local authority and voluntary adoption agencies and local authority fostering services and independent fostering agencies:* these frameworks have been revised for implementation in April 2012. This is to bring inspection in to line with new national minimum standards and statutory guidance that came into force on 1 April 2011. The frameworks ensure that inspection focuses on the factors shown to have the most impact on improving outcomes for looked after children and young people, and on children and young people's views and experiences.
74. *Adoption support agencies:* work has been underway during 2011–12 to prepare for the implementation of a revised framework in September 2012. The revisions will see the framework brought in to line with the new National Minimum Standards for adoption (implemented in April 2011), which replaced the adoption support agency standards. It is anticipated that inspection will have an increased focus on the factors that make the greatest contribution to improving outcomes and put service users' experiences, outcomes and progress at the centre of inspection.
75. *Secure Training Centres:* the development of new joint inspection arrangements with Her Majesty's Inspectorate of Prisons has been underway throughout 2011–12. Plans are for inspection to focus on the experiences of young people in secure training centres and particularly on their safety, behaviour, well-being, achievement and resettlement.

## Better public involvement

Ofsted inspects and regulates services to ensure they are good enough for the people who use them: children; young people; parents and carers; adult learners and employers. It is important that their views, alongside other evidence, inform how and when we inspect and regulate. We are also working to empower users with the information they need to make informed choices about the services available and to hold the services they use to account for their performance and improvement.

### Consulting on our work

#### Formal consultations

76. We know that consultation and involvement are integral to developing effective inspection and regulatory policies and procedures. We undertake formal consultations whenever we develop new inspection frameworks.
77. In 2011–12 we undertook 31 formal consultations, to which 12,322 people who use the services we inspect, providers and interested parties responded. The feedback we received has helped us to improve the way we work and shape our inspection and regulatory practice.
78. Consultation is undertaken via established panels, such as the Ofsted Parents' and Children and Young People's Panels, and externally through the National Learner Panel and a number of Employer Panels. We also use telephone surveys, questionnaires, focus groups and individual interviews with users and interested parties.
79. As well as consulting on changes to inspection frameworks, our consultations have included:
  - an online survey to give feedback on the new Parent View website
  - an evaluation of the inspection arrangements for Children's Homes
  - a national survey on supporting social workers.
80. We publish the full details of all our consultations on our website, including reports on consultation outcomes.

#### What those who use the services we inspect tell us about our work

81. Ofsted also listens carefully to the views of those who use the services we inspect and regulate. These views are crucial in helping us understand where we need to focus our efforts, and we regularly ask parents and carers, children and young people, adult learners and employers to tell us what they think works and what does not.
82. We will continue to improve the opportunities that users have to give their views to Ofsted. As part of this, we will make sure to highlight where we have taken action as a result of feedback.

#### Increasing the involvement of those using services during inspections

83. We are expanding the variety of ways in which users and interested parties can give their views during and between inspections. This will involve more direct time with inspectors,

and meeting the key commitments of the 'digital by default' agenda by offering more interactive opportunities for users and stakeholders to give their views online.

84. We now conduct online consultations for all framework changes, which enables people to respond at any time. All consultations are available via [www.ofsted.gov.uk](http://www.ofsted.gov.uk) and are publicised to registered users through our alerting systems.

### **Further enabling those using services to feed back on their quality between inspections**

85. In October 2011 we launched Parent View, a new website dedicated to giving parents the opportunity to share their views of school performance. There are 12 closed questions, giving parents an opportunity to indicate how they feel about their child's school. The website is attracting around 1,000 new responses a week, and to date we have had over 25,000 responses. One of the functions of Parent View is to enable parents to flag significant concerns which may result in a school inspection being brought forward.
86. Responses to Parent View are used as part of a jigsaw of information that contributes to the risk assessment process. From January 2012 inspectors are using the results as part of the information they consider in preparation for routine school inspections. Information was also considered as part of risk assessments of good and outstanding schools in November and December 2011.

### **Making information about the quality of services more available, accessible and transparent**

87. During 2011–12, Ofsted rolled out a significantly enhanced programme of official statistics, releasing inspection data and information for the following:
- early years and childcare – including inspections, outcomes and childcare provider and place numbers
  - maintained schools – including inspections, outcomes and schools causing concern
  - independent schools – including inspections and outcomes
  - children and families services – including inspections and outcomes for children's centres, children's social care and local authority children's services, and children's social care provider and place numbers
  - adult learning and skills – including learning and skills inspections and outcomes, and initial teacher education inspections and outcomes.
88. We have made changes to our inspection reports to make them even more accessible and readable, and further improvements are in hand based on feedback from users. Reports will set out precisely why a provider such as a school or college is not yet good or outstanding, as well as recognising areas where it is doing well. Further changes will be introduced from September 2012 so that inspection reports include more contextual information to help parents see how well other schools or colleges are doing in similar circumstances.

89. We also track how quickly we publish inspection reports on our website following an inspection.

	<b>Report publication due within:</b>	<b>2011–12</b>
Section 5 school inspection reports	15 days of inspection	99.6% 6,425/6,454
Independent school inspection reports	15 days of inspection	92% 410/445
Schools judged to be inadequate inspection reports (notice to improve)	25 days of inspection	95% 177/185
Schools judged to be inadequate inspection reports (special measures)	28 days of inspection	97% 189/195
Children’s centre inspection reports (grade 1–3)	15 days of inspection	99% 745/756
Children’s centre inspection reports (grade 4)	25 days of inspection	79% 15/19
ITE inspection reports	25 days of inspection	98% 54/55
Learning and skills inspection reports	25 days of inspection	90% 256/283
Cafcass	20 days of inspection	100% 3/3
Safeguarding and looked after children inspection reports	25 days of inspection	100% 47/47
Unannounced inspection of local authority contact, assessment and referral centres reports	20 days of inspection	100% 77/77

## **Improving our website and use of technology**

90. In July 2011 we launched our new website, [www.ofsted.gov.uk](http://www.ofsted.gov.uk), with significantly improved layout, search facilities, usability and the ability to include diverse media such as video and mapping. The website is one of Ofsted’s primary communication tools, receiving in excess of one million visitors per month, and more than 7.5 million page views per month.
91. As part of this suite of work we re-launched Ofsted News, our free online newsletter, which offers registered users a number of ways to receive personalised content relevant to their needs. Of the 35,000 registered users on the website, over 25,000 receive a monthly newsletter from Ofsted. This is coupled with the distribution of over 6,500 daily and 7,000 weekly personalised branded email alerts sent to users highlighting key content of interest to their preferences.
92. During 2011–12 we extended our use of social media to help engage with our diverse audience, and share information and data about Ofsted in a timely manner. Media such as Twitter ([www.twitter.com/ofstednews](http://www.twitter.com/ofstednews)) and YouTube ([www.youtube.com/ofstednews](http://www.youtube.com/ofstednews)) allow people to keep up to date with our news and our work. We now have over 6,500 followers on Twitter and our YouTube videos have been viewed over 40,000 times.

93. A number of new content areas have been launched on [www.ofsted.gov.uk](http://www.ofsted.gov.uk) this year, including dedicated areas for transparency (in line with the Government's open data agenda), surveys, statistics and good practice.
94. Significant improvements have been made to the search functionality on [www.ofsted.gov.uk](http://www.ofsted.gov.uk), allowing users to filter by areas of interest to them (subject, remit area, resource type and so on), as well as providing RSS feeds of all content. The website has also been optimised to cater for the 10% of our users who visit it via a mobile device.
95. The re-launched website has been built using open source technology, which allows Ofsted to make changes to it in a cost-effective and agile manner. Since its launch, feedback has been overwhelmingly positive and traffic has increased.
96. In October 2011, we conducted independent accessibility and usability reviews of [www.ofsted.gov.uk](http://www.ofsted.gov.uk). The usability test data showed that the new design has resulted in improvements in task completion and user satisfaction, and 90% of users said that they could find the inspection report that they wanted, compared with just 8% of participants in 2009.

### **Provision of information**

97. Under the Freedom of Information Act 2000, Ofsted has procedures in place to ensure that we handle all requests for information correctly. All requests are logged and the time taken to satisfy them is monitored in management information reports that are regularly provided to the senior management of Ofsted. Ofsted's performance, in relation to Freedom of Information responses, is also published by the Ministry of Justice.
98. Between 1 April and 31 December 2011, we responded to 548 Freedom of Information Act requests, and 98% of these were within the permitted timescales. Freedom of Information data is reported one quarter in arrears.

### **Parliamentary Questions**

99. On occasion, Members of Parliament pose questions for the Department of Education to which Ofsted is best placed to respond. We have an agreement with the Department for Education to provide a response within five working days so that the department can meet its commitments to parliamentarians. In 2011–12, Ofsted received 24 requests for information in this way. All responses were given within five working days and the average time taken to respond overall was two days.

### **Correspondence to Her Majesty's Chief Inspector**

100. Any member of the public is free to raise a question or concern directly with the Chief Inspector. To date, HMCI has received 612 pieces of correspondence. HMCI responded to 86% of these items of correspondence within 15 days.

### **Customer Service**

101. We are committed to providing a high quality of customer service in all our interactions with the public and stakeholders. One aspect of our interaction with the public and stakeholders is the provision of a customer service centre. In 2011–12 our customer service centre received over 581,500 calls and over 152,500 emails. The average time taken to answer each call was 42 seconds. All emails were responded to within 24 hours

and met our targets for customer satisfaction and for the quality of help given in response to inquiries.

### **Handling complaints about Ofsted**

102. While we try to ensure that all our work goes well, we do receive some complaints. Where concerns relate to an Ofsted inspection, we encourage the complainant to raise these with the lead inspector as soon as possible, so that they can be dealt with quickly while the inspection is taking place. However, individuals may also raise concerns formally with Ofsted. These are managed through three stages as set out in our published complaints procedure.
103. The first stage is a thorough investigation into any concerns raised and this results in a written response to the complainant addressing all issues. Where complainants remain dissatisfied, they can ask for a review of the first stage investigation into how their complaint was handled. If they are still dissatisfied after the second stage investigation, the complainant may escalate their concerns to the external Independent Complaints Adjudication Service for Ofsted. The adjudication service is accountable to the Secretary of State for Education and is obliged to produce an annual report on its work. More information about the work of the adjudication service can be found at its website, [www.ofstedadjudicationservice.co.uk](http://www.ofstedadjudicationservice.co.uk).
104. In 2011–12, we received and dealt with 1,828 complaints about Ofsted. This equates to 153 complaints per month. The total number of complaints received this year represents 2.6% of the inspection and regulatory visits undertaken in 2011–12. Just over half of all the complaints we investigated were about inspection judgements.
105. During 2011–12, complainants asked for a second stage investigation on 222 occasions. On 24 occasions the complainant asked the Independent Complaints Adjudication Service for Ofsted to look into their concerns.
106. Ofsted monitors and evaluates all the outcomes of complaints to ensure that any lessons learnt inform organisational practice and performance. Learning from complaints is communicated to the inspection service providers, our inspectors and their managers as part of Ofsted's performance management system. The learning outcomes also inform training and development programmes for inspectors.

### **Complaints to the Parliamentary Ombudsman**

107. In 2011–12 one new complaint case was considered at the 'further assessment' stage by the Parliamentary Ombudsman. This was closed with no further action taken. One case started in 2010-11 continued through the 'investigation' stage in 2011–12 and was upheld by the Ombudsman.

## Better ways of working

Our high-quality services and reputation depend on the performance of our experienced, skilled and professional employees and the contracted inspectors who work with us. We constantly seek to improve the ways we support our staff, and to become an exemplary employer. We aim to use resources responsibly in an effective, efficient and sustainable way that focuses on the frontline, further reducing the overall amount spent on the inspection and regulation of education, children's services and skills. We target resources where they make the most difference, driving improvement and value for money in public services.

### Our budget

108. Our budget is reducing over five years from £193m in 2010–11, to £142m in 2014–15. This follows substantial savings of 19% since the creation of Ofsted in 2007. Making further savings on this scale will be challenging, but we are protecting frontline inspection and regulation as much as possible and trying to reduce our expenditure on the functions that support inspection where we can.
109. Many of the changes that we have made – or propose to make – to our inspection and regulatory frameworks enable us to reduce the cost of inspection and regulation. By inspecting some areas, particularly the best providers, less frequently; stopping some of the work that we do, such as the evaluation of Serious Case Reviews; and changing the way we carry out some of our work, we can realise some significant savings.
110. In some cases, we can only stop or reduce what we do if there is corresponding legislative change. Any changes to our inspection and regulatory work will be subject to consultation.

### Workforce

111. Ofsted directly employs over 1,400 staff across England. We also have contracts with inspection service providers to supply additional inspectors for schools, colleges and early years inspections.
112. Ofsted's approach to its people is based on developing skilled and motivated staff members who take pride in their work, find new ways of working and take responsibility for their actions. We recruit, train and promote them according to their ability to fulfil the requirements of the post. We are committed to the learning and development of all our staff in order to improve our performance and so make more of a difference for the children and learners on whose behalf we work.

### Recruitment practice

113. Since May 2010, there has been a Civil Service-wide freeze in place on external recruitment. Ofsted has been able to recruit internally within the wider Civil Service during this period but can only recruit externally to frontline and/or business critical roles with the approval of the Secretary of State for Education.
114. We have carried out five external recruitment campaigns during 2011–12, including the recruitment of schools and social care inspectors, and social care regulatory inspectors. It is important that we are able to appoint inspectors with relevant experience in the field.

115. We have a comprehensive recruitment policy that is adhered to in order to ensure fairness, consistency and that appointments are made on merit. An external recruitment audit during the year provided a substantial assurance on our recruitment practice.

### **Investors in People**

116. In 2010 Ofsted was awarded Investors in People silver status. This achievement demonstrates that we meet best practice standards. As of December 2011, only 2.5% of those employers awarded Investors in People achieved this higher level.

117. Our last assessment found that significant progress had been made in raising levels of employee engagement, and in staff's perception of Ofsted as an employer. We are continuing to use Investors in People as a tool to help ensure we lead and manage the organisation effectively and remain fit for purpose during the coming changes.

### **Employee involvement**

118. Ofsted has a policy of actively engaging its staff and representatives through a number of well-defined and established channels. We benefit from the knowledge, expertise and commitment of our employees and it is through them that we are able to deliver high-quality regulatory and inspection activities.

119. Ofsted took part in this year's Civil Service People Survey as part of our commitment to continuously improve the way we manage and develop our people.

120. The purpose of the survey was to seek views about working for Ofsted, identify levels of staff engagement and benchmark our performance against other Civil Service departments. We had a strong response from staff – our overall engagement index score was 54% – up from 52% in 2010 – and we saw the sixth highest increase in response rates across the Civil Service.

121. The survey shows that Ofsted's staff are clear about Ofsted's purpose and objectives. A significantly higher number of staff feel they have the skills needed to carry out their jobs, and we exceed other Civil Service departments when it comes to being clear about the purpose of our roles.

### **Internal consultation**

122. Ofsted staff are frequently consulted on matters that are important to them, to the organisation and to the delivery of our objectives. A key area of internal consultation and staff involvement is strategic planning: there is a strong understanding in Ofsted of how team, directorate and corporate plans all relate to our strategic priorities and strategic direction, and our staff are aware of how wider policy and financial considerations influence their work.

123. Ofsted's corporate meetings framework encourages good communication within and between teams and ensures that the views of a wide range of people are taken into account in decision-making.

### **Staff development**

124. We work to attract and retain the right people through our range of learning and development programmes for all staff. We think it is important that our inspection workforce benefits from the recent experience of the very best practitioners, and Ofsted also has a well-established and successful programme of secondments of senior leaders from the schools, ITE and children's services sectors.

## **Inspector learning and development**

125. Over the course of the year there have been three main forms of centrally arranged inspector learning and development activities, including induction, orientation and training for new HMI, seconded Additional Inspectors and social care regulatory inspectors; inspector remit update meetings for all of the main remits across Ofsted; and inspector technical workshops. In addition, a team of trained advanced practitioners from each remit have been made available to work with individuals or small groups of inspectors to develop and refine specific skill areas.

## **Equality and diversity**

126. Ofsted has a single equality and diversity scheme which covers all the protected equality characteristics, extending to age, religion or belief and sexual orientation and, where appropriate, poverty. Our single scheme builds on the foundations laid in our previous, separate schemes for disability, race and gender, and the priorities have been shaped with the help of users and stakeholders. The scheme is an important step towards delivering our strategic goals.

127. A wide range of equalities and diversity training has been provided throughout the year. We are using equality impact assessments and ensuring that they are integrated into our policy development. Additionally, we are using our revised suite of human resources policies – which have all been equality impact assessed – to ensure more equitable working practices.

128. To ensure the development of an effective and diverse workforce, we are:

- using our equality standard, which is subject to external challenge, to support our equalities self-assessment and inform improvement activities across the organisation
- supporting three staff diversity forums to provide a stronger voice for disabled staff, black staff and lesbian, gay, bisexual and transgender staff
- monitoring and reporting on an extended range of employment information about Ofsted and our staff
- implementing positive actions to encourage recruitment and career progression for people from under-represented groups.

129. At 31 March 2012, 6.7% of staff at Ofsted had classified themselves as disabled, 11% of staff at Ofsted were from black and minority ethnic groups, and 59.1% of the Ofsted workforce were female.

## **Employee well-being**

### **Health and safety reporting**

130. Ofsted's Executive Board considers reports on health and safety incidents quarterly. In 2011–12 there were 46 reported incidents with only two being serious enough to report to the Health and Safety Executive. This is a slight increase on the previous year, when there were 41 incidents and one was reportable to the Health and Safety Executive.

## **Sickness absence**

131. Ofsted monitors sickness absence regularly and reports are produced each month for managers to review. Processes are in place to ensure that long-term absences are monitored and managed in a consistent way across the organisation. This involves obtaining advice and support from occupational health specialists where this is appropriate. The attendance policy and procedures emphasise the role of the manager in conducting return to work interviews and in review meetings on absence with staff.
132. The average number of working days lost per employee to sickness for the year was 7.4. This is slightly lower than the latest Civil Service average of 8.0 average working days lost and somewhat lower than the overall public sector average of 9.1 average working days lost (Chartered Institute of Personnel and Development Absence Survey Report 2011). This also represents a decrease on Ofsted's figure from last year which was 8.6 working days.
133. Sickness absence statistics for 2011–12 show that the total days lost were 10,355, of which 59.6% were lost to long-term sickness. The main reason for absence varied within each quarter, but the significant reasons included depression (12.8%), operations (10.3%), stress (10.0%), cold/flu (6.7%) and cancer/cancer-related (4.9%).

## **Estates and home-working**

134. In 2011–12 we evaluated our office accommodation to help the Government meet its priority of reducing its property portfolio. As part of a strategy for estate management, where leases allowed, departments were expected to exercise any lease break clauses and to move into alternative government premises where possible.
135. Ofsted's inspectors are home-based, and the inspectors we receive administrative support from our offices in Bristol, Nottingham, Manchester and London.
136. In June 2011, our Manchester-based staff moved to new premises, shared with a number of other government departments. In November 2011, we exercised lease breaks in our London accommodation to enable us to reduce the floor space that we have in a shared government building. These changes have resulted in significant financial savings. Throughout the accommodation reviews we worked closely with staff to ensure that the moves were managed as effectively as possible, and gave careful consideration to how to make the best use of reduced floor space, including increasing the use of hot-desking and flexible working.

## **Sustainable development**

137. Our Sustainable Development Action Plan 2011–12 sets out how Ofsted and its staff will:
- influence behaviours and attitudes through inspection and regulation activities
  - support sustainable development by promoting activities that demonstrate our commitment to corporate social responsibility
  - ensure that all staff are aware of and engaged in our drive towards sustainability
  - reduce Ofsted's energy consumption
  - increase the use of sustainable transport for staff business travel

- integrate sustainable development principles into procurement practice
- reduce waste and increase recycling across the Ofsted estate
- reduce Ofsted's consumption of natural resources.

## **Carbon Emissions**

138. The Greening Government Commitment (2011) requires a reduction of greenhouse gas emissions by 25% from a 2009–10 baseline from the whole estate and business-related transport.
139. In 2010–11 indirect energy emissions were 2,288 tonnes. By 2011–12 this had reduced by 60% to 914 tonnes. Baseline data for 2009–10 is unavailable for business travel related travel.
140. Ofsted is required to publish sustainability data on carbon emissions on the following basis:

Scope 1	Emissions from sources owned by the organisation such as boilers, air conditioning units or vehicles. We do not produce any scope 1 emissions.
Scope 2	Emissions from sources owned by the organisation such as emissions consumed by the entity but supplied by another party such as electricity.
Scope 3	All other emissions. However the disclosure requirements are limited to emissions relating to official business travel directly paid for by the organisation (not recharged by a contractor).

## **Energy**

141. Property moves in 2011–12, a reduction in the size of our estate, and prudent energy management have all contributed to energy savings this year. As an example, moving the Manchester operations from a Grade 2 listed building in central Manchester to a Government building, which has BREEAM excellence status and is adjacent to the main railway station, has seen savings accrue through reduced travel and the greater efficiency of the building.

### **Scope 2 – Energy (indirect) emissions**

<b>Area</b>	<b>2009–10</b>	<b>2010–11</b>	<b>2011–12</b>
Carbon dioxide emissions (tonnes)	2,288	1,705	914
CRC-related expenditure (£)	Not available	2,240	£2,240
Electricity (Kwh)	4,084,688	3,001,626	1,630,770
Gas (Kwh)	712,749	639,585	284,985
Total energy consumption (Kwh)	4,797,437	3,641,211	1,915,755
Buildings energy consumption (Kwh)	4,797,437	3,641,211	1,915,755
Total energy expenditure (£)	560,244	239,086	168,197

## **Travel**

142. Changes in inspection requirements and in particular the reducing of the frequency of inspections for some providers has had a significant impact on the travel to inspection.

143. Much of our workforce, including the entire inspection workforce, is home-based or remote. We have done much to reduce business travel by ensuring that Ofsted staff travel only when necessary and use the most sustainable modes and cost-effective travel options available. We have introduced new technologies which enable meetings to be held virtually and, although the benefits of this technology have not yet been fully realised, we are already seeing resource savings.

**Scope 3 – Official Business Travel emissions**

<b>Area</b>	<b>2009–10</b>	<b>2010–11</b>	<b>2011–12</b>
Business travel – train/tram/underground (miles)	3,369,047	2,941,893	2,017,638
Business travel – train carbon emissions (tonnes)	Not available <sup>3</sup>	253	243
Business travel – train cost (£)	1,787,238	1,458,319	1,369,956
Business travel – air miles	153,466	Not available	87,916
Business travel – air carbon emissions (tonnes)	Not available <sup>3</sup>	Not available	1
Business travel – air cost (£)	54,138	30,759	24,545
Business travel – private vehicle miles	4,851,818	2,790,844	2,069,861
Business travel – private vehicle carbon emissions (tonnes)	Not available <sup>3</sup>	885	374
Business travel – private vehicle cost (£)	Not available <sup>3</sup>	1,089,235	847,787
Business travel – hire car miles	Not available <sup>3</sup>	Not available	1,462,850
Business travel – hire car carbon emissions	Not available <sup>3</sup>	Not available	305
Business travel – hire car cost (£)	Not available <sup>3</sup>	187,349	670,153
Business travel – taxi number of journeys	Not available <sup>3</sup>	Not available	7,926
Business travel – taxi carbon emissions	Not available <sup>3</sup>	Not available	6
Business travel – taxi cost (£)	Not available <sup>3</sup>	100,898	79,547
Total carbon emissions from travel (tonnes)	Not available <sup>3</sup>	Not available	929

<sup>3</sup> 2009–10 travel data are not available as data collection of this type was not in the previous travel provider's contract. However, a change in travel provider in 2010–11 means that the majority of this data is now available.

## Waste

144. This year has seen an increase in the waste produced by the estate. This is a result of one-off transactions that will yield long-term benefits, such as the Manchester office relocation and the planned replacement of our information and communication technology equipment.

Area	2009-10	2010-11	2011-12
Total waste (tonnes)	121	82	86
Recycled waste including composted waste (tonnes)	38	38	42
Incinerated waste energy recovery (tonnes)	31	0	6
Incinerated waste no energy recovery (tonnes)	0	0	0
Residual office waste (tonnes)	83	31	49
ICT waste (tonnes)	Not available	Not available	30
Total waste expenditure (£)	44,966	21,678	24,465

## Use of finite resources

145. Seventy per cent of our office consumables are recycled or recyclable. We have taken action in offices to reduce water and have reduced the use of bottled water at conferences and meetings.

Area	2009-10	2010-11	2011-12
Water consumption (m3)	Not available	Not available	7,207
Water expenditure (£)	18,343	20,431	8,338

## Biodiversity and adaption action plans

146. Our administrative functions are located in shared buildings and we have very little outside space. In one location we have a well planted garden with a pond and in another the roof of the building is sedum and waste water is collected and used.

## Climate change

147. The risks posed by climate change will affect a number of our key areas of work, including the ability to carry out inspection. Business continuity work already underway, will recognise and incorporate thinking on climate change issues especially flooding and the impact on providers and inspection. By preparing for these potential issues in advance, we will help to reduce the likelihood of disruption and ensure the continued delivery of the key services we provide.

## Sustainable procurement

148. We have an action plan in place to ensure that we achieve against the Procurement Flexible Framework. In 2011-12, we achieved the first two levels.

**Governance**

149. Our Sustainable Development Action Plan is a working document, and progress against the milestones and outcomes are monitored and reported, with recommendations for any remedial action, to the Sustainable Development Group bimonthly and to Executive Board at six-monthly intervals.

**Common areas of spend**

<b>Function</b>	<b>Indicator</b>	<b>2010–11<sup>4</sup></b>	<b>2011–12</b>
Finance	Cost of Finance as a % of Organisational Running Costs	1.91%	1.83%
IT	Cost of IT as a % of Organisational Running Costs	7.79	7.57%
HR	Cost of HR as a % of Organisational Running Costs	2.94%	2.29%
Procurement	Cost of Procurement as a % of Organisational Running Costs	0.42%	0.32%
Procurement	Cost of Procurement as % of Total Procured Spend	0.82%	0.55%
Estates	Cost of Estates per square metre	£531	£596
Communications	Cost of Communications Function as % of Organisational Running Costs	1.72%	1.57%
Legal	Cost of Legal Services Function as % of Organisational Running Costs	0.92%	0.68%

Sir Michael Wilshaw:

Date: 11 June 2012

Accounting Officer for the Office of Her Majesty's Chief Inspector of Education, Children's Services & Skills

<sup>4</sup> 2010-11 data has been restated to reflect updated definitions

## Remuneration Report

### Ministers

150. Ofsted is a non-ministerial government department.

### Appointment of non-executive Board members

151. The Education and Inspections Act 2006 established the Office for Standards in Education, Children's Services and Skills on 1 April 2007. The Act also established the Ofsted Board. The Secretary of State for Education oversees the recruitment of the Ofsted Board members in line with government guidelines. Board members are subject to a three-month notice period. Full details of the membership of the Board and their dates of appointment are provided in the Governance Statement.

### Appointment of the Permanent Head of the Department and Directors

#### Service contracts

152. Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
153. Full details of the membership of the Executive Board and their dates of appointment are provided in the Governance Statement. Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
154. Further information about the work of the Civil Service Commissioners can be found at: [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).
155. Miriam Rosen was appointed to the position of Her Majesty's Chief Inspector (HMCI) and Accounting Officer of the Department on an interim basis from 1 July 2011. Sir Michael Wilshaw was appointed as HMCI from 1 January 2012, this is a crown appointment for an initial period of five years.
156. Jean Humphrys was appointed as Interim Director, Development, Education and Care on an interim basis until 31 March 2012. Unless otherwise stated the Directors are all permanent civil servants.
157. HMCI and the other members of the Executive Board are covered by the Civil Service Management Code. None of the Ofsted Directors hold any company directorships or other significant interests that might conflict with their management responsibilities. The Register of Interests is open to the public and written requests for information should be addressed to the Ofsted Audit Committee Secretariat at the Ofsted office in London.

#### Remuneration policy

158. The Directors are paid as senior civil servants and are subject to the recommendations of the Senior Salaries Review Body.
159. Ofsted has established a Senior Civil Service (SCS) Pay Committee comprising HMCI, Directors and one non-executive Board member. This Committee decides on all annual pay and bonus awards for members of the SCS, as well as agreeing any changes to Ofsted's

SCS pay strategy. John Roberts, a member of the Board and Chair of Ofsted's Audit Committee, served as the independent member on the SCS Pay Committee during 2011–12. The role of the independent member is to quality assure the process, ensuring that pay decisions are consistent with the evidence of individuals' performance and that consistent criteria are applied to arrive at individual pay decisions.

160. Ofsted's approach to the performance assessment of staff within the SCS cadre has adhered to the criteria detailed in the Cabinet Office guidance on managing performance in the SCS. The assessment has therefore been based on whether objectives have been met, the demonstration of leadership behaviours or professional skills, and the degree of difficulty in meeting the objectives in light of actual events.
161. The allocation of staff to particular performance groups was undertaken following a two-stage process. Initially, Directors differentiated and then ranked their SCS staff against the appropriate assessment criteria. Subsequently, Ofsted's SCS Pay Committee robustly challenged and validated the rank order and merged the agreed lists into the four performance distribution groups Ofsted-wide.
162. The final allocation therefore reflected how the job had been performed by each post holder, their overall track record and their growth in competence, as well as what has been achieved against individual performance agreements.

### **Remuneration (including salary) and pension entitlements**

163. The following sections provide details of the remuneration and pension interests of the most senior management (that is, Board members) of the Department. These disclosures have been subject to external audit.

#### **Non-executive remuneration**

164. During 2011–12 Baroness Sally Morgan of Huyton received a salary in the £45,000–£50,000 band (2010–11 – £0–£5,000) and John Roberts received a salary in the £0–£5,000 band (2010–11 – £20,000–£25,000). All other non-executives received a salary in the £0–5,000 band (2010–11 – £0–£5,000).

165. The salary entitlements of the most senior members of Ofsted for the year ending 31 March 2012 were as follows:

	2011-12		2010-11	
	Salary	Bonus Payment	Salary	Bonus Payment
	£000	£000	£000	£000
Sir Michael Wilshaw	45-50 (195-200 full year equivalent)	-	Not in post	-
Christine Gilbert	80-85 (195-200 full year equivalent)	-	195-200	-
Miriam Rosen (From 1 July until 31 December 2011)	70-75 (140-145 full year equivalent)	-	5-10 <sup>5</sup> (130-135 full year equivalent)	10-15
Lorraine Langham	145-150	10-15	165-170	10-15
Richard Brooks	110-115	-	110-115	5-10
John Goldup	150-155	10-15	150-155	5-10
Patrick Leeson (Until 14 October 2011)	85-90 (150-155 full year equivalent)	-	150-155	5-10
Darryl Nunn (From 1 January 2011)	120-125	-	30-35 (120-125 full year equivalent)	-
Susan Gregory (From 1 January 2011)	125-130	10-15	30-35 (120-125 full year equivalent)	-
Matthew Coffey (From 1 April 2011)	130-135	10-15	-	-
Jean Humphrys (From 10 October 2011)	60-65 (115-120 full year equivalent)	-	150-155	10-15

166. Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitments and retention allowances; and Private Office allowances and other allowances (including disturbance allowances) to the extent that it's subject to UK taxation.

**Pay multiples**

167. Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and median remuneration of the organisation's workforce.

168. The banded remuneration for the Permanent Secretary in Ofsted for the financial year 2011-12 was £195,000-£200,000 (2010-11: £195,000-£200,000). This was 5.64 times

<sup>5</sup> Until 16 April 2010

(2010–11: 5.58) the median remuneration of the workforce, which was £35,018 (2010–11: £35,424).

169. In 2011–12, no employees received remuneration in excess of the highest-paid director (2010–11: zero). Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.
170. Ofsted is awaiting confirmation from the Department for Education that it can introduce a one-year pay award commencing on 1 August 2011. The underlying principles of the current pay arrangements have been derived from the preceding single salary model: one of the purest forms of equal pay for equal work. This latest adaptation to the pay system has continued to harmonise the level of pay within each job family and build upon the notion of equal pay for equal work
171. Ofsted is currently in the Civil Service-wide two-year pay freeze until 31 July 2013.

### **Benefits in kind**

172. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenues and Customs as a taxable emolument. In 2011–12 no benefits in kind were provided by the employer (2010–11 Christine Gilbert received a Government Car Service allowance of £8,300).

**Pension benefits**

173. The pension entitlements of the most senior members of Ofsted for the year ending 31 March 2012 were as follows:

	Accrued pension at pension age as at 31/3/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11 <sup>6</sup>	Real increase in CETV
	£000	£000	£000	£000	£000
Christine Gilbert	95–100 <sup>7</sup>	0–2.5	1,935 <sup>8</sup>	1,919	0
Lorraine Langham	50–55	0–2.5	712	640	15
Richard Brooks	5–10	0–2.5	47	33	8
John Goldup	5–10	3–3.5	124	73	40
Patrick Leeson	100–105 <sup>9</sup>	98–98.5	1,404 <sup>10</sup>	62	212
Darryl Nunn	15–20	0–2.5	224	189	15
Susan Gregory	70–75	15–17.5	1,364	990	288
Matthew Coffey	15–20 plus lump sum of 55–60	3.75–4 lump sum 11.5–12	288	213	56
Jean Humphrys <sup>11</sup>	N/a	0–2.5	18	N/a	16

**Compensation for loss of office**

174. No payments were made in compensation for loss of office in 2011–12 (2010–11 nil).

Sir Michael Wilshaw:

Date: 11 June 2012

Accounting Officer for the Office of Her Majesty's Chief Inspector of Education, Children's Services & Skills

<sup>6</sup> The actuarial factors used to calculate CETVs were changed in 2011–12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors

<sup>7</sup> As at 30/6/12

<sup>8</sup> CETV at 30/6/12

<sup>9</sup> As at 14/10/11

<sup>10</sup> As at 14/10/11

<sup>11</sup> Disclosure not required as a pension is in payment.

## Financial Performance

175. The total net request for resources approved in the Main Estimate was £173.0m. As part of the Supplementary Estimate Process total net request for resources was amended to £169.5m, which included £0.3m for capital. This amendment was required to reflect revisions requested through the Budget Exchange mechanism and minor amendments to support the continued delivery of Ofsted's priorities. Copies of the Estimate are available on the HM Treasury website [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).
176. Ofsted's net resource outturn was £165.5m, meaning that Ofsted realised savings of £4.0m. The most significant factors contributing to the savings was ringfenced depreciation where the actual depreciation was less than the parliamentary Estimate.
177. Ofsted's net request for resources approved by Parliament for 2011–12 of £169.5m was £23.7m (12.3%) lower than the net request for resources approved for 2010–11 (£193.2m), demonstrating Ofsted's achievements in lowering its costs and achieving value for money.
178. Ofsted's agreed limit for its administration costs reduced by £4.6m (17%) from £27.4m in 2010–11 to £22.8m in 2011–12. Actual expenditure in 2011–12 against this limit was £18.1m, a saving of £4.7m. Ofsted are continuing to drive down administration costs to meet Spending Review targets.
179. The net cash requirement for 2011–12 was £168.6m compared with an estimate of £171.4m. The most significant factors contributing to the cash variation of £2.8m was resource underspend.
180. Departments preparing resource accounts under the Government Resources and Accounts Act 2000 are required to produce the following analysis. It is a reconciliation of resource expenditure between Estimates, Accounts and Budgets.

	2011–12	2010–11
	<b>£'000</b>	£'000
<b>Departmental Expenditure Limit</b>		
- Resource	<b>171,573</b>	184,998
- Capital	<b>173</b>	38
<b>Annually Managed Expenditure</b>		
- Resource	<b>(6,218)</b>	(3,045)
- Capital	-	-
<b>Total Budget</b>	<b>165,528</b>	181,991

181. In accordance with IFRS8, departments are required to identify and report against operating segments. Operating segments are identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. Ofsted has two operating segments: Delivery, and Development and Strategy. A breakdown of performance by operating segments can be found in note 11 of the Annual Accounts.
182. Ofsted does not hold any significant remote contingent liabilities.

## **Going concern**

183. The statement of financial position at 31 March 2012 shows Net Liabilities of £29.2 million. This reflects the policy, under the Government Resources and Accounts Act 2000, that no money may be drawn from the Consolidated Fund other than that required for the service of the specified year to meet the net cash requirement. All unspent monies, including those derived from Ofsted's income, are surrenderable to the Consolidated Fund and are disclosed as a year-end liability.
184. Ofsted's funding for 2012–13 has been agreed by Parliament as part of the Main Estimate.

## **Risk and uncertainties**

185. Ofsted faces a range of strategic, operational, financial and external risks. The principal risks facing Ofsted are captured on the strategic risk register and action is taken wherever possible to mitigate these risks. The Governance Statement demonstrates Ofsted's capacity to handle these risks.
186. Ofsted is required to develop plans to deliver against its statutory requirements, whilst operating within the funding envelope set out in the Spending Review outcome. The Executive Board approved the 2012–13 budget on 22 February 2012 and work has been undertaken through 2011–12 to develop the plans that will enable Ofsted to further reduce costs over the following three years to operate within the funding allocation.

## **Payment of suppliers**

187. Under the standard payment terms set out in the Office of Government Commerce model contracts, and therefore a model for contractually-binding arrangements, departments must pay invoices within 30 days of receipt. For the period ending 31 March 2012, Ofsted made 99.5% (2010–11: 99.4%) of all payments within this timeframe.
188. In October 2008, the government encouraged all departments to set a target of paying invoices from small and medium sized enterprise suppliers (SMEs) within 10 days of the later of receipt of goods/services or receipt of a valid invoice. Ofsted now aims to pay undisputed invoices from all suppliers within this target timeframe. For the year ended 31 March 2012, 80.8% (2010–11: 84.6%) of all our payments were paid within this 10-day target.
189. In addition, as announced in the Budget 2010, to build on recent prompt payment success, all central government departments are also now expected to aim to pay 80% of all undisputed invoices within five days. For the year ended 31 March 2012, Ofsted paid 39.9% of all undisputed invoices within five days (2010–11: 48.2%).
190. For the financial year commencing 1 April 2012, Ofsted will continue to use and abide by the same policy of paying all suppliers within 10 days of the later of receipt of goods/services or receipt of a valid invoice, and will also continue to monitor against the 30-day standard. This policy can be found on the Office of Government Commerce website under the heading 'Model Terms and Conditions of Contract':  
[www.ogc.gov.uk/Model terms and conditions for goods and services.asp](http://www.ogc.gov.uk/Model_terms_and_conditions_for_goods_and_services.asp).
191. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

192. The aggregate amount owed to trade creditors at 31 March 2012 compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year, is equal to 1.5 days.

### **Monitoring on consultancy and temporary staff**

193. Ofsted has framework in place for procuring new agency temporary staff and contractors.

	<b>2011-12</b> <b>£000</b>
Total consultancy expenditure	3
Total temporary staff expenditure	544

### **Number of Senior Civil Servants by pay band**

194. As part of a government-wide transparency drive, Ofsted has released details about the salaries of top band Senior Civil Servants (SCS). These figures have been in accordance with Cabinet Office guidance. Further details can be found on the Ofsted website under the heading 'Disclosure organograms and senior salaries':

[www.ofsted.gov.uk/publications/20100024](http://www.ofsted.gov.uk/publications/20100024).

	<b>1 April 2011</b>	<b>31 March 2012</b>
SCS Band 1	26	24
SCS Band 2	7	7
Permanent Secretary Equivalent	1	1

### **Pension liabilities**

195. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). See the 'Remuneration Report' for more details on the scheme.

196. During the transfer of staff to Ofsted from local authorities in 2001 and from the children's part of the Commission for Social Care Inspection in 2007 as the remit of Ofsted expanded, there were some staff who elected to remain in their existing Local Government (LG) Pension schemes. Ofsted pays annual pension contributions to these LG schemes, and reports any associated assets or liabilities under IAS19.

### **Auditor**

197. The Department's auditor is the Comptroller and Auditor General. The accounts have been prepared under direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General.

198. As far as the Accounting Officer is aware there is no relevant audit information of which Ofsted's auditors are unaware. The Accounting Officer has taken all the necessary steps to make himself aware of any relevant audit information, and to ensure that the auditors have also been provided with this information.

199. A notional fee of £78,000 has been charged for the audit.

## Core tables

Table 1: Total departmental spending

	£'000							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
<b>Resource DEL</b>								
Administration and Inspection	214,263	198,846	200,187	178,448	171,573	174,721	163,421	146,189
<b>Total Resource DEL</b>	<b>214,263</b>	<b>198,846</b>	<b>200,187</b>	<b>178,448</b>	<b>171,573</b>	<b>174,721</b>	<b>163,421</b>	<b>146,189</b>
<i>Of which:</i>								
-Pay	8,747	15,670	13,413	9,672	10,757	-	-	-
-Net current procurement	204,546	181,858	180,184	166,676	152,614	170,430	159,153	141,863
-Depreciation	909	573	3,659	2,016	767	4,213	4,268	4,326
-Other	61	745	2,931	84	7,435	78	-	-
<b>Resource AME</b>								
Activities to Support All Functions	-347	9,329	1,755	3,505	-6,218	-2,771	-	-
<b>Total Resource AME</b>	<b>-347</b>	<b>9,329</b>	<b>1,755</b>	<b>3,505</b>	<b>-6,218</b>	<b>-2,771</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>								
-Take up of provisions	7,548	13,886	10,316	3,505	1,139	943	-	-
-Release of provisions	-7,895	-4,557	-8,561	-	-7,357	-3,714	-	-
<b>Total Resource Budget</b>	<b>213,916</b>	<b>208,175</b>	<b>201,942</b>	<b>181,953</b>	<b>165,355</b>	<b>171,950</b>	<b>163,421</b>	<b>146,189</b>
<i>Of which:</i>								
-Depreciation	909	573	3,659	2,016	767	4,213	4,268	4,326
<b>Capital DEL</b>								
Administration and Inspection	-	809	1,366	37	173	500	-	-
<b>Total Capital DEL</b>	<b>-</b>	<b>809</b>	<b>1,366</b>	<b>37</b>	<b>173</b>	<b>500</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>								
-Net capital procurement	-	809	1,366	37	173	500	-	-
-Other	-	-	-	-	-	-	-	-
<b>Total Capital Budget</b>	<b>-</b>	<b>809</b>	<b>1,366</b>	<b>37</b>	<b>173</b>	<b>500</b>	<b>-</b>	<b>-</b>
<b>Total departmental spending</b>	<b>213,007</b>	<b>208,411</b>	<b>199,649</b>	<b>179,974</b>	<b>165,528</b>	<b>168,237</b>	<b>159,153</b>	<b>141,863</b>
<i>of which:</i>								
-Total DEL	214,263	199,655	201,553	178,485	170,979	175,221	163,421	146,189
-Total AME	-347	9,329	1,755	3,505	-6,218	-2,771	-	-

Table 2: Estimate to outturn 2011-12

	£'000		
	2011-12 Original Estimate	2011-12 Final Estimate	2011-12 Outturn
<b>Resource DEL</b>			
Administration and Inspection	180,163	175,343	171,573
<b>Total Resource DEL</b>	<b>180,163</b>	<b>175,343</b>	<b>171,573</b>
<b>Resource AME</b>			
Activities to Support All Functions	-7,130	-6,130	-6,218
<b>Total Resource AME</b>	<b>-7,130</b>	<b>-6,130</b>	<b>-6,218</b>
<b>Capital DEL</b>			
Administration and Inspection	-	300	173
<b>Total Capital DEL</b>	<b>-</b>	<b>300</b>	<b>173</b>

Table 3: Capital employed

	£'000							
	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
<b>Assets and liabilities on the statement of financial position at the end of year:</b>								
<b>Assets</b>								
Non-current assets	7,515	6,311	3,997	2,019	1,425	1,171	454	366
Intangible	6,852	5,412	3,339	1,743	1,267	1,080	423	360
Property, plant and equipment	663	899	658	276	158	91	31	6
<i>of which:</i>								
Land and buildings	-	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-	-
Equipment	663	899	658	276	158	91	31	6
Software licences	6,852	5,412	3,339	1,743	1,425	1,080	423	360
Current assets	8,909	11,705	7,633	6,517	8,507	8,654	8,654	8,654
<b>Liabilities</b>								
Current (<1 year)	-25,675	-18,179	-17,955	-20,983	-25,325	-21,623	-21,623	-21,623
Non-current (>1 year)	-137	-653	-1,392	-469	-1,365	-803	-803	-803
Provisions	-10,616	-19,945	-21,743	-18,698	-12,480	-7,024	-5,593	-4,162
<b>Total capital employed in Department</b>	<b>-20,004</b>	<b>-20,761</b>	<b>-29,460</b>	<b>-31,614</b>	<b>-29,238</b>	<b>-19,625</b>	<b>-18,911</b>	<b>-17,568</b>

Table 4: Administration costs

	£'000							
	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Plans	2013-14 Plans	2014-15 Plans
Administration and Inspection	21,516	28,091	28,017	21,424	18,075	22,674	20,237	18,765
<i>of which:</i>								
Paybill	8,747	15,670	13,413	11,982	10,757	-	-	-
Expenditure	12,774	12,421	14,687	9,467	7,318	22,674	20,237	18,765
Income	-5	-	-83	-25	-	-	-	-

**Table 5: Staff in post**

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn
Civil service full time equivalents	2055	1446	1395
Consultants and contingent labour	254	46	10
<b>Total</b>	<b>2309</b>	<b>1492</b>	<b>1405</b>

**Table 6: Total identifiable expenditure on services by country and region**

	£ million				
	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn
North East	10	12	11	9	8
North West	31	30	28	25	23
Yorkshire and the Humber	20	22	21	18	17
East Midlands	19	19	18	17	15
West Midlands	23	23	22	19	17
East	24	25	23	22	20
London	26	27	26	29	26
South East	35	33	31	34	31
South West	21	21	20	20	18
<b>Total England</b>	<b>209</b>	<b>213</b>	<b>198</b>	<b>195</b>	<b>176</b>
Scotland	0	0	0	0	0
Wales	0	0	0	0	0
Northern Ireland	0	0	0	0	0
<b>UK identifiable expenditure</b>	<b>209</b>	<b>213</b>	<b>198</b>	<b>195</b>	<b>176</b>
Outside UK	0	0	0	0	0
<b>Total identifiable expenditure</b>	<b>209</b>	<b>213</b>	<b>198</b>	<b>195</b>	<b>176</b>
Non-identifiable expenditure	0	0	0	0	0
<b>Total expenditure on services</b>	<b>209</b>	<b>213</b>	<b>198</b>	<b>195</b>	<b>176</b>

**Table 7: Total identifiable expenditure on services by country and region, per head**

	£ per head				
	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn
North East	4	5	4	3	3
North West	4	4	4	4	3
Yorkshire and the Humber	4	4	4	3	3
East Midlands	4	4	4	4	3
West Midlands	4	4	4	4	3
East	4	4	4	4	3
London	3	4	3	4	3
South East	4	4	4	4	4
South West	4	4	4	4	3
<b>England</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>
Scotland	0	0	0	0	0
Wales	0	0	0	0	0
Northern Ireland	0	0	0	0	0
<b>UK identifiable expenditure</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**Table 8: Total identifiable expenditure on services by function, country and region**

	<b>£ million</b>	
	<b>2010-11 outturn</b>	
	Education	Total education
North East	8.1	8.1
North West	23.2	23.2
Yorkshire and The Humber	16.5	16.5
East Midlands	15.4	15.4
West Midlands	17.4	17.4
East	20.2	20.2
London	26.4	26.4
South East	31.1	31.1
South West	18.1	18.1
England	176.3	176.3
Scotland	0.0	0.0
Wales	0.0	0.0
Northern Ireland	0.0	0.0
UK Identifiable expenditure	176.3	176.3
OUTSIDE UK	0.0	0.0
Total Identifiable expenditure	176.3	176.3
Not Identifiable	0.0	0.0
<b>Totals</b>	<b>176.3</b>	<b>176.3</b>

## Statement of Accounting Officer's Responsibilities

Under the Government and Resources Act 2000, Ofsted is required to prepare accounts for each financial year, in conformity with a Treasury Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows 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 HM Treasury, 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 accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed HMCI as Accounting Officer of Ofsted. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofsted's assets, are set out in *Managing Public Money* published by the HM Treasury.

## Governance Statement

200. Her Majesty's Chief Inspector (HMCI), as Accounting Officer for the Office for Standards in Education, Children's Services and Skills (Ofsted), is ultimately responsible for the management and control of the resources used by Ofsted. This governance statement manifests how these duties have been carried out in the course of the financial year 2011–12.

## Governance Structure

### Ofsted Board

201. Part 8 of the Education and Inspections Act 2006 established the role, remit and composition of the Ofsted Board. The Ofsted Board performs its functions in order to encourage improvement, the development of a user-focus, and the efficient and effective use of resources within the services that Ofsted inspects and regulates.

202. The non-executive members are appointed by the Secretary of State for Education for terms no longer than three years. Existing Board members are able to seek reappointment as their terms expire; however, there is no automatic right for board members to be reappointed.

203. During 2011–12, the membership of the Ofsted Board and their attendance record was:

Member	Date of appointment	Attendance record
Baroness Sally Morgan of Huyton Chair of Ofsted	1 March 2011	Full attendance
Christine Gilbert HMCI	1 October 2006 (resigned 30 June 2011)	Full attendance
Miriam Rosen HMCI	1 July 2011 (interim until 31 December 2011)	Full attendance
Sir Michael Wilshaw HMCI	1 January 2012	Full attendance
Linda Farrant	1 August 2011	Full attendance
Andy Palmer	1 August 2011	Full attendance
Dame Dr Jane Roberts	Reappointed 12 December 2009 (end of term 11 December 2011)	Full attendance
John Roberts CBE	Reappointed 12 December 2011	Full attendance
Paul Snell CBE	1 August 2011	Full attendance
Vijay Sodiwala	2 June 2008	Full attendance
Sir Alan Steer	Appointed 1 August 2011 <sup>12</sup>	Full attendance
Museji Takolia CBE	Reappointed 12 December 2009	Full attendance
Christopher Trinick	Reappointed 12 December 2008 (end of term 11 December 2011)	Partial attendance (2 out of 3 meetings)
Professor Geoff Whitty CBE	1 August 2011	Full attendance

204. All Ofsted Board members, and members of its sub-committees, are required to declare any potential conflicts of interests on appointment and confirm that the register of their interests is up-to-date on an annual basis: the Register of Interests is open to the public (written requests for information should be addressed to Ofsted's Corporate Governance Team). Where potential conflicts of interests are identified, Board members take no part in any discussions and are not involved in any decisions that relate to those interests. During 2011–12, none of the Ofsted Board members declared any directorships or other significant interests that may have conflicted with their responsibilities.

205. The Ofsted Board has two formal sub-committees.

206. The **Chair's Committee** is responsible for: the performance framework; annual assessment of HMCI; the framework for evaluating Board performance; and Board learning and development. In addition, it offers advice to the Secretary of State for Education on the appointment of Board members.

207. The Chair's Committee does not have a formal membership: the Chair of Ofsted invites any two non-executive members of the Ofsted Board to join the Committee. In 2011–12 the Committee met in October to discuss the membership of the Audit Committee; the learning and development framework for Ofsted Board members; the framework for evaluating the Board's performance; and, the performance assessment framework for HMCI. It also met in March to further discuss the performance assessment framework for HMCI.

<sup>12</sup> Sir Alan Steer was previously a co-opted member,

208. The **Audit Committee** is responsible for providing advice and assurance to the Accounting Officer and the Ofsted Board on the adequacy and effectiveness of internal controls, risk management processes and Ofsted’s governance arrangements. It also oversees internal and external audit arrangements including both financial and non-financial systems.
209. The Audit Committee Chair provides a synopsis of the work of the Audit Committee to the Ofsted Board at each meeting. The Committee also provides an annual, formal assessment of Ofsted’s risk management and control processes to HMCI, as Accounting Officer. A regular dialogue is maintained between the Chair of the Audit Committee and HMCI.
210. Members of the Audit Committee are proposed by the Chair’s Committee and appointed by the Ofsted Board, for a term of one year, with the option of reappointment. The Audit Committee comprises of non-executive members, supported by an independent financially qualified committee member. During 2011–12, the membership of the Audit Committee and their attendance record was:

Member	Date of appointment	Attendance record
Christopher Trinick Audit Committee Chair	Reappointed 17 May 2011 (term ended on 11 December 2011)	Partial attendance (3 out of 4 meetings)
Linda Farrant	2 December 2011	Full attendance
Andy Palmer	1 December 2011	Full attendance
John Roberts CBE Audit Committee Chair from 12 December 2011	Reappointed 12 December 2011	Partial attendance (5 out of 6 meetings)
Vijay Sodiwala	1 January 2011	Full attendance
Museji Takolia CBE	Reappointed 17 May 2011 (resigned January 2012)	Partial attendance (1 out of 4 meetings)
Richard Harbord Independent member	Reappointed 17 May 2011	Partial attendance (5 out of 6 meetings)

211. The Accounting Officer, the Director of Finance and Resources, the National Director of Delivery and Divisional Manager of Finance were all regularly invited to attend committee meetings. Representatives of Ofsted’s internal auditors, Deloitte, and external auditors, the National Audit Office, were regular attendees of committee meetings.
212. The Chair’s Committee has not produced any formal reports during 2011-12. The Audit Committee has produced the Annual Report of the Audit Committee.
213. Further details about the Ofsted Board, and its sub-committees, can be found in Ofsted’s [Corporate Governance Framework](#).

## **Executive Board**

214. HMCI is supported by an Executive Board that helps ensure that Ofsted has effective strategic and corporate management, including the leadership of the risk management process. The Executive Board meets at least fortnightly and is responsible for making executive decisions about operational, resource, communications and other administrative

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matters in order to deliver the [Strategic Plan](#) and Corporate Business Plan, and for monitoring performance.

215. During 2011–12, the membership of the Executive Board was:

Member	Date of appointment
Christine Gilbert HMCI	1 October 2006 (resigned 30 June 2011)
Miriam Rosen HMCI	1 July 2011 (interim until 31 December 2011)
Sir Michael Wilshaw HMCI	1 January 2012
Susan Gregory National Director, Inspection Delivery	1 January 2011
John Goldup Deputy Chief Inspector and National Director (Social Care)	7 September 2009
Patrick Leeson Director, Development, Education and Care	14 September 2009 (resigned 14 October 2011)
Jean Humphrys Interim Director, Development, Education and Care	10 October 2011 (interim until 31 March 2012)
Matthew Coffey National Director (Learning and Skills)	1 April 2011
Lorraine Langham Director, Performance and Operations	27 June 2007
Darryl Nunn Director, Finance and Resources	1 January 2011
Richard Brooks Director, Strategy	23 July 2009

216. The work of the Executive Board is supplemented by an **Extended Executive Board** and an **Operations Executive Board**. Membership of the Extended Executive Board includes all members of the Executive Board, Ofsted's Regional Directors, the Head of Corporate Affairs and Communications and the Children's Rights Director, and focuses on inspection and regulation. The Operations Executive Board is chaired by the Director, Performance and Operations and attended by all directors and the Head of Corporate Affairs and Communications. Operations Executive Board meetings focus on corporate and operational issues.

217. In January 2012, the Performance and Operations Directorate was established as a direct response to HMCI's priorities and in particular to make more of our insights and evidence, in order to have a greater impact on raising standards. The directorate brought together accountabilities for data and information, challenge and analysis, HMCI's Annual Report and surveys, communications, projects, planning and performance, and corporate governance and support. These areas have been pulled together to make the most of our inspection evidence.

## **Other Committees**

218. The formal governance structure of Ofsted is supported by a number of other groups that support the formulation, steering and dissemination of policy and ensure the general consistency and quality of Ofsted's work. These groups<sup>13</sup> are:

- Senior Civil Service Pay Committee
- Equality and Human Rights Steering Group
- People Development Group
- Risk Management Moderation Group
- Safeguarding Group
- Sustainable Development Group.

## **Risk Management**

219. A function of Ofsted's governance structure is to ensure the effective management of risk. The Audit Committee supports the Ofsted Board in reviewing the comprehensiveness, reliability and integrity of Ofsted's internal controls and risk management processes.

220. Executive Board are supported by the Risk Management Moderation Group. This group is led by the Director, Finance and Resources and consists of a further Executive Board member and representatives from each Directorate. Details of the work of the Risk Management Moderation Group can be found in the Assessment of Risk section.

## **Effectiveness of the Corporate Governance Framework**

221. In March 2012, Ofsted Board members considered the performance of the Board against the standards set out in the [Corporate Governance Code](#). The role, remit and composition of the Ofsted Board are defined in Part 8 of the Education and Inspection Act 2006. Where appropriate Ofsted's Corporate Governance Framework also follows the good practice set out in the Corporate Governance Code.

222. The Ofsted Board comprises of HMCI and non-executive Directors with a wide range of skills and expertise including a qualified accountant. Executive Directors are invited to attend Board discussions that cover their areas of responsibility.

223. Ofsted's internal auditors reviewed the Corporate Governance Framework in July 2011 and provided substantial assurance that the arrangements in place are effective and provide the necessary oversight of Ofsted's remit. This review identified two low-priority improvement areas:

- the regular review of the assessment framework for HMCI and the Ofsted Board
- updates to Ofsted's Corporate Governance Framework to reflect recent changes to the structure of Ofsted.

Action has been taken to address these findings.

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<sup>13</sup> The SCS Pay Committee is a Committee of the Ofsted Board. The remainder are sub-committees of the Executive Board.

## **The Assessment of Risk**

224. The environment that Ofsted operates in is constantly evolving. These changes require Ofsted to manage its risks carefully to ensure that excellence in the care of children and young people and in education and skills for learners of all ages continues to be achieved.
225. To deliver its remit, Ofsted maintains a skilled and motivated workforce and builds effective relationships with major stakeholders, whilst maintaining its independence. Ofsted manages the risks to its strategic priorities by:
- clearly aligning operational and strategic risks to them
  - assigning and communicating clear roles and responsibilities for the management of risks
  - putting risk management at the heart of everything that it does
  - regular and timely management information outlining the use of Ofsted's resources and the achievement of its objectives
  - regular review of its risk profile by the Ofsted Board and Executive Board, supported by the Audit Committee and Risk Management Moderation Group
  - assurance statements outlining the effectiveness of internal controls in place, signed by directors and divisional managers
  - continuous review of its control mechanisms to ensure that they are robust and proportionate to the risks faced.
226. As a statutory body funded by public resources approved each year by Parliament, Ofsted has limited exposure to commercial risks.
227. Ofsted's risk management processes are designed to manage risk to a reasonable level, rather than to eliminate all risk; therefore, the processes in place only provide a reasonable, rather than absolute, assurance that risks are being managed effectively. An ongoing process of risk assessment is used to identify and prioritise risks; to evaluate the likelihood of those risks being realised and the impact if they are realised; and to manage them efficiently and economically.
228. The Risk Management Moderation Group analyses the operational and strategic risks to Ofsted to ensure that they are being assessed and managed in a consistent manner to minimise the probability of a risk happening and mitigating the impact if it does. As part of this assessment, the Risk Management Moderation Group reviews all cross-Directorate risks to ensure that there is an end-to-end risk assessment of processes within Ofsted and all systematic risks are identified. The Group provides advice to the Executive Board on the effectiveness of the processes in place to manage risks and the level of risk across the whole of Ofsted.
229. Ofsted has identified a set of tolerances for different risk themes that reflects their importance to its strategic priorities. The tolerances for each risk theme are reviewed on an annual basis, as part of the review of the risk management process.
230. Ofsted's internal auditors reviewed the risk management framework in June 2011 and provided substantial assurance that the processes and procedures in place were effective. This review identified some minor improvement areas surrounding the standardisation and

centralisation of risk reports; provision of refresher training for risk management; and, clarification of the escalation process. Action has been taken to address these findings.

231. In February 2011, the Risk Moderation Group reviewed the management and structure of Ofsted's strategic risks within the context of the model outlined in *The Orange Book: Management of Risk – Principles and Concepts* published by HM Treasury. With the implementation of the Spending Review and the focus on efficiencies and savings, allied to the increased emphasis on transparency and accountability across the public sector Ofsted's approach should be revised accordingly. It is considered that an approach to risk which provides greater focus at a strategic level on future events and contingencies, whilst retaining a clear and effective control of day-to-day operational risk would be more appropriate.

### **Reporting of Risk**

232. The most significant risks to Ofsted are reported to the Executive Board each month. This report includes a summary of the controls in place to reduce Ofsted's exposure to each risk. The Audit Committee review Ofsted's risk register at each meeting to provide an external challenge to how Ofsted's risk are being managed.

### **Information Risk**

233. Ofsted's staff and contractors have privileged access to sensitive data and information to ensure that excellence in the care of children and young people and in education and skills for learners of all ages is achieved. Ofsted has a duty to respect this privileged access and to ensure that all personal information it holds is appropriately safeguarded.

234. Ofsted adheres to the Government's [Security Policy Framework](#) and Information Security Policy Number 6, which sets out mandatory requirements to safeguard personal information. Policies and procedures have been implemented to ensure that information is managed and safeguarded appropriately throughout its lifecycle. All Ofsted staff and contractors are made aware of these requirements, which are reinforced through mandatory information security training.

235. The Director of Finance and Resources has been appointed Ofsted's Senior Information Risk Officer (SIRO) and is responsible for ensuring that all information risks are assessed and controlled to an acceptable level. The SIRO is supported by the Departmental Security Officer and a network of Information Asset Owners who review the procedures for securing all information assets.

236. The Information Asset Owners provide assurance on a six-monthly basis that the controls in place to secure sensitive information are working effectively. The SIRO receives an annual report from the Departmental Security Officer that highlights the major risks to information security and the processes in place to control them.

237. Internal audit reviewed the arrangements for information risk management and data security in January 2012 and provided substantial assurance that the systems and controls in place to manage information risks were effective.

238. Incidents, the disclosure of which would in themselves create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

**Summary of protected personal data related incidents formally reported to the Information Commissioner’s Office in 2011–12**

<b>Date of incident</b>	<b>Nature of incident</b>	<b>Nature of data involved</b>	<b>Number of people potentially affected</b>	<b>Notification steps</b>
May 2011	Loss of inadequately protected paper documents	Name; employment information	30	Relevant parties informed

239. The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

**Summary of other protected personal data related incidents in 2011–12**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner’s Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

<b>Category</b>	<b>Nature of incident</b>	<b>Total</b>
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	5
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	9
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
iv	Unauthorised disclosure	35
v	Other	6

240. Due to the nature of its business Ofsted sends approximately 200,000 letters and e-mails on an annual basis. The above table demonstrates Ofsted’s performance and commitment to protecting personal data. The incident rate for correspondence being sent to the wrong address is 0.02%.

**Internal Audit**

241. Ofsted’s governance arrangements and risk management processes are supported by an internal audit function that reviews the procedures and controls in place to manage its most significant risks. An audit programme is developed on an annual basis, which focuses on Ofsted’s major risks. Both the Executive Board and Audit Committee are consulted on the development of the annual audit programme.

242. The work carried out by Internal Audit meets the requirements defined in the [Government Internal Audit Standards](#). All audit reports include the Head of Internal Audit’s independent opinion on the adequacy and effectiveness of Ofsted’s system of internal control together with any recommendations for improvement. Where weaknesses in the control environment are identified action is taken to strengthen the controls.

## **Effectiveness of the Internal Control Framework**

243. HMCI, as Accounting Officer, reviews the effectiveness of Ofsted's system of internal control on an annual basis. This review is informed by the work of the internal auditors; the Corporate Leadership Team, who have responsibility for the development and maintenance of the internal control framework; and, comments made by the external auditors in their management letter and other reports. Comments and recommendations made by the Education Select Committee have also been taken into account. The Audit Committee provides advice on the implications of this review and monitor process against the plan to tackle identified weaknesses to ensure that there is a continuous improvement of the system of internal control.
244. Internal Audit conducted 18 reviews of processes or systems operating in Ofsted during 2011–12. One of these received 'full' assurance and 16 received 'substantial' assurances, including the Procurement and Contract Management, which received 'partial' assurance in 2010–11.
245. The audit of the Working Time Regulations received 'partial' assurance where timing of the audit meant that appropriate reporting mechanisms were not yet in place. The monthly reporting cycle is now fully established with follow up action being taken in respect of staff who are recording in excess of 44 hours average weekly working time.
246. These reviews highlighted areas where improvements to the internal control framework should be made. These recommendations have been adopted and steps have been taken to address the findings of these audits. Progress against plans to strengthen these areas is reported to the Executive Board on a monthly basis. The Audit Committee review progress at each meeting.
247. The Head of Internal Audit provides an annual, independent opinion on the adequacy and effectiveness of Ofsted's governance, risk and control arrangements. The programme of work completed by Internal Audit has enabled the Head of Internal Audit to state that 'in our opinion Ofsted has adequate and effective systems over the processes for governance, risk and control'.
248. The departure of HMCI Christine Gilbert in June 2011 led to the appointment of an interim HMCI. As a former Ofsted director, the interim HMCI provided stability and an effective handover when the permanent HMCI took up office in January 2012. Despite changes in leadership the focus throughout the year has remained on promoting high-quality inspection in our development work and in our delivery and reporting, in order to promote the best possible outcomes for children and young people. To complement the skills and expertise of the new HMCI a Deputy Chief Inspector, Social Care was appointed from January 2012.
249. Each director and divisional manager was required to review the controls that they have in place to manage risks and report by way of written assurance that these controls are effective. This supplements the regular reporting to Executive Board on the stewardship of risk. To provide assurance to the incoming HMCI the interim HMCI prepared a Governance Statement as at 23 December 2011. This included interim written assurances from all directors and divisional managers. Written assurances were also obtained from all directors and divisional managers as at 31 March 2012 to support the preparation of the full year-end Governance Statement.

250. A significant challenge facing Ofsted is reducing our budget in accordance with the Spending Review targets announced in October 2010; we have developed robust plans to deliver the savings and implemented effective risk management and control systems. Ofsted's strategic approach to delivering the spending targets is to remove process waste and duplication and drive efficiencies throughout the organisation and protect as far as possible, core inspection and regulation activity.
251. In December 2011, the Executive Board established the Spending Review Group. Co-chaired by the Director, Performance and Operations and the Director, Finance and Resources, the group meets on a regular basis to provide both support and challenge to a number of manager-led reviews across inspection support and corporate areas. The Spending Review Group provides effective support to those directly leading the reviews, while examining the practicalities and robustness of emerging proposals.
252. The adequacy and effectiveness of the procedures and controls in place for Ofsted's Spending Review were reviewed by Internal Audit. Substantial assurance was provided and work has been undertaken to strengthen areas of weaknesses identified.
253. In September 2011 Ofsted commenced a new information technology (IT) contract, with a recognised IT outsourcing supplier, covering the next five years from 1 April 2012, with the option to extend for two further one year periods. This contract has been structured in line with recognised Cabinet Office frameworks and has achieved identifiable savings of over 30% in Ofsted's IT running costs over the next five years, whilst transferring risk to the supplier. Similar contracts are already in place for the outsourcing of Education, Learning and Skills inspection activity and, more recently, the outsourcing of Early Years inspection work. Those contracts that were already in place before the start of the financial year have already realised substantial savings and, in the case of the Early Years contract, gain share windfalls, whilst sharing the delivery of our public sector objectives with private sector partners. The Ofsted Board and the Audit Committee receive regular reports on key IT projects.
254. Assurance on the adequacy and effectiveness of Ofsted's governance, risk and control arrangements has been provided by the Head of Internal Audit, the Corporate Leadership Team and the interim HMCI. This has been complemented by objective advice and support from the Audit Committee on matters concerning control and governance throughout the financial year.
255. I have considered the evidence that supports this Governance Statement and I am assured that Ofsted has strong governance, risk and internal control arrangements that supports deliver of the Department's aims and objectives.

Sir Michael Wilshaw:

Date: 11 June 2012

Accounting Officer for the Office of Her Majesty's Chief Inspector of Education, Children's Services & Skills

## **Certificate and Report of the Comptroller and Audit General to the House of Commons**

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

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

### **Scope of the audit of the financial statements**

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date :** 14 June 2012

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

## Statement of Parliamentary Supply

### Summary of resource and capital outturn 2011-12

Note	Estimate			Outturn			2011-12	2010-11
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Net total outturn compared with estimate saving / (excess)	Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Net Total
<b>Departmental Expenditure Limit</b>								
- Resource	175,343	-	175,343	171,573	-	171,573	3,770	184,998
- Capital	300	-	300	173	-	173	127	38
<b>Annually Managed Expenditure</b>								
- Resource	(6,130)	-	(6,130)	(6,218)	-	(6,218)	88	(3,045)
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>169,513</b>	<b>-</b>	<b>169,513</b>	<b>165,528</b>	<b>-</b>	<b>165,528</b>	<b>3,985</b>	<b>181,991</b>
<b>Non-Budget</b>								
- Resource	-	-	-	-	-	-	-	-
<b>Total Resource</b>	<b>169,213</b>	<b>-</b>	<b>169,213</b>	<b>165,355</b>	<b>-</b>	<b>165,355</b>	<b>3,858</b>	<b>181,953</b>
<b>Total Capital</b>	<b>300</b>	<b>-</b>	<b>300</b>	<b>173</b>	<b>-</b>	<b>173</b>	<b>127</b>	<b>38</b>
<b>Total</b>	<b>169,513</b>	<b>-</b>	<b>169,513</b>	<b>165,528</b>	<b>-</b>	<b>165,528</b>	<b>3,985</b>	<b>181,991</b>

### Net Cash Requirement 2011-12

Note	2011-12		2011-12 Outturn compared with estimate saving / (excess) £'000	2010-11
	Estimate Total £'000	Outturn Total £'000		Outturn Total £'000
Net Cash Requirement	<b>171,385</b>	<b>168,608</b>	<b>2,777</b>	179,512

### Administration Costs 2011-12

Note	2011-12		2011-12 Outturn compared with estimate saving / (excess) £'000	Re-stated* 2010-11
	Estimate Total £'000	Outturn Total £'000		Outturn Total £'000
Administration Costs	<b>22,753</b>	<b>18,075</b>	<b>4,678</b>	20,173

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this. In addition to this all AME expenditure has been re-classified as programme in line with the HM Treasury directive issued during 2011-12 (see note 1.5).

Explanations of the key variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 66 to 89 form part of these accounts.

**Office for Standards in Education, Children's Services and Skills**  
**Statement of Comprehensive Net Expenditure**

for the year ended 31 March 2012

		2011-12			Re-stated*
	Note	Staff Costs	Other Costs	Income	2010-11
		£'000	£'000	£'000	£'000
<b>Administration costs</b>					
Staff Costs	6	10,757			10,687
Other administration Costs	8		7,318		9,486
Operating Income	10			-	-
<b>Programme expenditure</b>					
Staff Costs	6	67,886			82,621
Programme costs	9		92,793		93,730
Income	10			(13,399)	(14,571)
<b>Totals</b>		<b>78,643</b>	<b>100,111</b>	<b>(13,399)</b>	
<b>Net Operating Cost</b>				<b>165,355</b>	<b>181,953</b>
<b>Other comprehensive net expenditure</b>					
Net (gain)/loss on:					
Actuarial revaluation of pension scheme				893	(201)
<b>Total comprehensive expenditure</b>				<b>166,248</b>	<b>181,752</b>

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this. In addition to this all AME expenditure has been re-classified as programme in line with the HM Treasury directive issued during 2011-12 (see note 1.5).

The notes on pages 66 to 89 form part of these accounts.

## Statement of Financial Position

as at 31 March 2012

	Note	31 March 2012		* Re-stated 31 March 2011	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	11	158		276	
Intangible assets	12	1,267		1,743	
<b>Total non-current assets</b>			<b>1,425</b>		2,019
<b>Current assets:</b>					
Trade and other receivables	15	5,730		6,048	
Cash and cash equivalents	16	2,777		469	
<b>Total current assets</b>			<b>8,507</b>		6,517
<b>Total assets</b>			<b>9,932</b>		8,536
<b>Current liabilities</b>					
Trade and other payables	17	(25,325)		(20,983)	
Provisions	18	(5,456)		(9,491)	
<b>Total current liabilities</b>			<b>(30,781)</b>		(30,474)
<b>Non-current assets less net current liabilities</b>			<b>(20,849)</b>		(21,938)
<b>Non-current liabilities</b>					
Provisions	18	(7,024)		(9,207)	
Other payables	17	(75)		-	
Net retirement benefit schemes liability	26	(1,290)		(469)	
<b>Total non-current liabilities</b>			<b>(8,389)</b>		(9,676)
<b>Assets less liabilities</b>			<b>( 29,238)</b>		( 31,614)
<b>Financed by:</b>					
<b>Taxpayers' equity</b>					
General fund			( 27,130)		( 30,399)
Pension reserve			(2,108)		( 1,215)
<b>Total taxpayers' equity</b>			<b>( 29,238)</b>		( 31,614)

**Sir Michael Wilshaw**  
**Accounting Officer for the**  
**Office for Standards in Education, Children's Services and Skills**

11 June 2012

\*The 2010-11 comparator figures have been re-stated to split the provisions liabilities between current and non-current liabilities.

The notes on pages 66 to 89 form part of these accounts.

## Statement of Cash Flows

for the year ended 31 March 2012

	2011-12	2010-11
Note	<u>£'000</u>	<u>£'000</u>
<b>Cash flows from operating activities</b>		
Net operating cost	<b>165,355</b>	181,953
Adjustment for non-cash transactions	9.1 <b>(1,984)</b>	(5,608)
IAS 19 Pension Liability - staff costs	<b>72</b>	722
(Decrease)/Increase in trade and other receivables	<b>(318)</b>	(1,282)
(Increase)/Decrease in trade payables	<b>(4,417)</b>	(3,095)
<i>less:</i> movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	<b>2,455</b>	167
Use of provisions	18 <b>7,357</b>	6,550
<b>Net cash outflow from operating activities</b>	<b>168,520</b>	179,407
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	11 -	38
Purchase of intangible assets	12 <b>18</b>	-
Proceeds of disposal of property, plant and equipment	-	-
<b>Net cash outflow from investing activities</b>	<b>18</b>	38
<b>Cash flows from financing activities</b>		
Advances from the Contingency Fund	-	-
Repayments to the Contingency Fund	-	-
From the Consolidated Fund (Supply) - current year	<b>170,916</b>	179,678
From the Consolidated Fund (Supply) - prior year	-	-
Capital element of payment in respect of finance lease	<b>(70)</b>	(67)
<b>Net Financing</b>	<b>170,846</b>	179,611
<b>Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>	<b>2,308</b>	166
Payments of amounts due to the Consolidated Fund	-	-
<b>Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>2,308</b>	166
Cash and cash equivalents at the beginning of the period	16 <b>469</b>	303
Cash and cash equivalents at the end of the period	16 <b>2,777</b>	469

The notes on pages 66 to 89 form part of these accounts.

## Statement of Changes in Taxpayer's Equity

for the year ended 31 March 2012

	General Fund £000	Pension Reserve £000	2011-12 Total Reserves £000
<b>Balance at 31 March 2010</b>	<b>(28,044)</b>	<b>(1,416)</b>	<b>(29,460)</b>
Net Parliamentary Funding - drawdown	179,678	-	179,678
Net Parliamentary Funding - deemed	303	-	303
Supply payable/(receivable) adjustment	(468)	-	(468)
Comprehensive Expenditure for the year	(181,953)	-	(181,953)
<b>Non-cash adjustments:</b>			
Non-cash charges - auditors remuneration	85	-	85
<b>Movement in reserves:</b>			
Net actuarial gain/(loss) in pension schemes	-	201	201
<b>Balance at 31 March 2011</b>	<b>(30,399)</b>	<b>(1,215)</b>	<b>(31,614)</b>
Net Parliamentary Funding - drawdown	170,916	-	170,916
Net Parliamentary Funding - deemed	468	-	468
Supply payable/(receivable) adjustment	(2,775)	-	(2,775)
Comprehensive Expenditure for the year	(165,355)	-	(165,355)
<b>Non-cash adjustments:</b>			
Non-cash charges - auditors remuneration	78	-	78
Finance lease recognition value adjustment	(63)	-	(63)
<b>Movement in reserves:</b>			
Net actuarial gain/(loss) in pension schemes	-	(893)	(893)
<b>Balance at 31 March 2012</b>	<b>(27,130)</b>	<b>(2,108)</b>	<b>(29,238)</b>

The notes on pages 66 to 89 form part of these accounts.

## Notes to the Ofsted Resource accounts

### 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofsted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FRoM also requires Ofsted to prepare one additional primary statement (The Statement of Parliamentary Supply). The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the Net Cash Requirement.

#### 1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention, modified to account for the revaluation of non-current assets and certain financial assets and liabilities.

#### 1.2 Valuation of Non Current Assets

Plant and equipment assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2011-12 FRoM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted has a small asset base. Revaluation adjustments are very minor and have not been used in the preparation of these accounts.

Plant, equipment and purchased software licenses are capitalised if they are intended for use on a continuous basis for more than one year. The threshold for capitalising non current assets is £10,000. Individual items are not grouped.

The Regulatory Support Application (RSA) element of the Ofsted contract for outsourced IS services is capitalised as a Finance Lease at the net present value of the minimum lease payments using the HM Treasury's discount rate of 3.5% with any enhancements capitalised as separate additions in the year the asset is enhanced. These assets are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

#### 1.3 Depreciation and Amortisation

Depreciation is provided on all tangible non current assets on a straight line basis to write off costs (less any estimated residual value) evenly over the asset's anticipated life. A full year depreciation charge is made in the year of acquisition.

Amortisation is provided on all intangible non current assets on a straight line basis to write off costs evenly over the asset's anticipated life. A full year amortisation charge is made in the year of acquisition.

Asset lives are in the following ranges:

- Information Technology - 3 to 5 years
- Furniture and Fittings - 4 to 15 years
- Purchased Computer Software - 5 years
- Finance Lease (RSA) - 11 years from the inception of the lease. Enhancements are depreciated over the remaining life of the asset

#### 1.4 Operating and Other Income

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises principally fees for registration and inspection of privately and publicly funded provisions. Although there are moves towards recovering full cost, the charges to the majority of providers do not currently represent Ofsted's full costs. Ofsted's income includes income appropriated-in-aid of the Estimate, which in accordance with the FRoM should be treated as operating income.

Income has been adjusted for deferred income relating to invoices sent out before the year end but which relate to registration renewals for the new financial year in the case of both Childcare and Social Care. Due to a change in the regulations relating to independent school inspections during the period 1 September 2008 to 31 August 2009, the fee charged after the first inspection of the cycle covered both inspections during the 6 year cycle and is collectable in equal instalments annually over the cycle. The debt is included within Trade Receivables, analysed to reflect the date when it is due and subject to specific bad debt provision in recognition of the extended collection period. The income relating to the first inspection is recognised when the inspection takes place. The balance has been deferred and will be recognised in future years. From 1 September 2009, schools which have not been billed under the previous arrangements are being billed one sixth of the fee for the 2 inspections in the 6 year cycle each year. This is recognised as income when billed as it approximates to the value of inspections completed in the year.

**1.5 Administration and Programme Expenditure**

The Statement of Net Comprehensive Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out in FReM 11.3.3 by HM Treasury.

Administration costs reflect the costs incurred in running Ofsted. These include administrative costs net of associated operating income.

Programme costs reflect the cost of activities engaged in delivering inspections or in direct support of inspections to achieve Ofsted's operational aims. It includes certain staff costs and the costs for the provision of IS equipment and services for Ofsted together with the majority of depreciation.

From 2011-12 all AME expenditure is assumed to be Programme expenditure. Ofsted's AME expenditure all relates to movements in provisions. To ensure comparability, all relevant prior year figures have been re-stated.

**1.6 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Ofsted recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Ofsted has a small number of employees who are members of local authority pension schemes. The pension schemes are accounted for as defined benefit schemes and are independent of Ofsted. Contributions are paid to these schemes in accordance with the recommendations of independent actuaries to enable the administering bodies to meet, from the schemes, the benefits accruing in respect of current and future service. Pension assets are measured on a bid value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency to the liability. The present value of liabilities of Ofsted's defined benefit pension schemes expected to arise from employee service in the period is reflected in the operating deficit. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in staff costs.

The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the statement of financial position.

**1.7 Leases**

All leases are accounted for under IAS17, Leases. Classification is made at the inception of the relevant lease.

Ofsted has two main types of operating leases, those for rental of property and those for the rental of office equipment at all locations. Lease payments are charged to the Statement of Net Comprehensive Expenditure on a straight-line basis over the term of each lease.

Ofsted reviews all existing contractual arrangements under International Accounting Standards Interpretations IFRIC4, Determining Whether an Arrangement Contains a Lease, to determine whether individual contracts are a lease in substance but not in legal form. Except for the Regulatory Support Application (RSA) element of the Ofsted contract for outsourced IS services, no contractual agreements inspected contained elements indicating that they were leases. The RSA element of the aforementioned contract has been classified as a finance lease as a result of this review. The 11 year contract gives Ofsted a perpetual and irrevocable license to use RSA.

Ofsted has capitalised the present value of the minimum lease payments of RSA as the non current asset and this is the amount also recorded as the liability. The asset is depreciated over the shorter of the period of the lease and the useful life of the asset. The lease accrues interest, with rental payments representing partly the repayment of the capital element of the lease and partly the finance charge on the lease.

**1.8 Value Added Tax**

Most of the activities of Ofsted are outside the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Income and Expenditure is otherwise shown net of recoverable VAT.

**1.9 Provisions**

Provisions are recognised in accordance with IAS37, Provisions, Contingent Liabilities and Contingent Assets.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.

**1.10 Contingent Liabilities and Contingent Assets**

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the statement of financial position of Ofsted.

A contingent liability is disclosed in the notes of Ofsted's resource accounts when the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset is disclosed in the notes of Ofsted's resource accounts when an inflow of economic benefit is probable.

In addition to contingent liabilities disclosed in accordance with IAS37, Ofsted discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

**1.11 Financial Instruments**

Ofsted holds the following financial assets and liabilities:

- 1) Assets
  - Cash and cash equivalents
  - Trade Receivables - current
  - Trade Receivables - non-current
  
- 2) Liabilities
  - Trade and other payables - current
  - Other payables > 1 year - non-current
  - Provisions arising from contractual arrangements - non-current

Financial Assets and Liabilities are accounted for under IAS32, Financial Instruments: Presentation, IAS39, Financial Instruments: Recognition and Measurement and IFRS7, Financial Instruments: Disclosure.

**Financial Assets**

Ofsted does not currently have any financial assets that need to be classified as available-for-sale or financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative Financial Instruments. Ofsted's financial assets include trade and other receivables and cash.

The subsequent measurement of financial assets depends on their classification, as follows:

*Trade and other receivables*

Trade and other receivables have fixed or determinable payments that are not quoted in an active market. They do not carry any interest and are initially recognised at their face value. If time value of money is of significance, they are then carried at their amortised cost using effective interest method. Appropriate allowances (provisions/write offs) for estimated irrecoverable amounts (bad debts) are recognised in the statement of comprehensive net expenditure when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount. The carrying amount of the asset is reduced, with the amount of the loss recognised in the statement of comprehensive net expenditure.

*Cash and cash equivalents*

Cash balances are measured as the amounts received in Ofsted's bank account. Ofsted does not currently have cash equivalents.

Cash balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate. All other financial instruments are held for the sole purpose of managing the cash flow of Ofsted on a day to day basis or arise from the operating activities of Ofsted.

**Financial Liabilities**

Financial liabilities are classified where appropriate as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost (face value less any discounts). Financial liabilities include trade and other payables, accruals and derivative Financial Instruments. Ofsted does not currently have financial liabilities classified as fair value through profit or loss, neither does it have derivative Financial Instruments. Ofsted determines the classification of its financial liabilities at initial recognition. Ofsted's financial liabilities include trade and other payables.

The measurement of financial liabilities depends on their classification, as follows:

*Trade and other payables*

Trade and other payables including accruals are generally not interest bearing and are stated at their fair value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method if time value of money is of significance.

**1.12 Estimation techniques used and changes in accounting estimates**

Ofsted has estimated the liability it currently has in relation to potential payments to staff for untaken annual leave. A sample of 20% of employees was taken and the results gained were extrapolated to produce an estimated figure for the whole workforce.

Ofsted also applies estimation techniques in the calculation of provisions, details of which are in note 18 Provisions.

**1.13 Segmental Reporting**

In line with HM Treasury guidance Ofsted has applied IFRS8 in full.

Ofsted's operating segments have been identified on the basis of internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. Ofsted has two reportable segments:

- Delivery
- Development and Strategy

**1.14 Accounting Standards in issue but not yet effective**

Ofsted has considered the impact of any new Accounting Standards that have been issued but that are not yet effective. Ofsted has not applied the following Accounting Standards, which are not yet effective, but will be applicable:

- IAS1, Presentation of financial statements (effective date 1 June 2012)
- IFRS9, Financial Instruments (effective date 1 January 2013)
- IAS19, Post Employment Benefits (effective date 1 January 2013)

Ofsted presents its accounts in line with the guidance in the FReM which already has a working interpretation of IAS1. Ofsted will await further guidance to see if there is any impact of adopting this new standard.

Under IFRS9, financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flow characteristics. They should be measured at fair value, and subsequently at either fair value or amortised cost. IFRS9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS39, and resulting in one impairment method.

Under IAS19, an entity will no longer have the option to defer the recognition of gains and losses resulting from defined benefit plans (the 'corridor approach'). Ofsted follows the guidance in the FReM which does not permit the use of the 'corridor approach'. Adjustments will also be made to presentation and disclosure requirements to better show the characteristics of defined benefit plans and the risks arising from those plans.

Ofsted will plan to apply the above Accounting Standards during the financial year in which they become effective.

The impact that the initial application of the above IFRSs has been assessed and is not considered to have a significant impact on the financial statements.

## Office for Standards in Education, Children's Services and Skills

### 2 Net Outturn

#### 2.1 Analysis of net resource outturn by section

	Administration			Programme			Outturn	2011-12 Estimate	2010-11	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total Estimate	Prior-year Outturn	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Spending in Departmental Expenditure Limit:										
Voted	18,075	-	18,075	166,897	(13,399)	153,498	171,573	175,343	3,770	184,998
Non-voted	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure:										
Voted	-	-	-	(6,218)	-	(6,218)	(6,218)	(6,130)	88	(3,045)
Non-voted	-	-	-	-	-	-	-	-	-	-
Non-budget	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,075</b>	<b>-</b>	<b>18,075</b>	<b>160,679</b>	<b>(13,399)</b>	<b>147,280</b>	<b>165,355</b>	<b>169,213</b>	<b>3,858</b>	<b>181,953</b>

The £3,858k resource saving is mainly due to the ring-fencing of depreciation budgets. Ofsted incurred depreciation charges of £767k against a ring-fenced budget of £4,173k (a saving of £3,406k).

#### 2.2 Analysis of net capital outturn by section

	Outturn			2011-12 Estimate	2010-11
	Gross	Income	Net	Net Total Estimate	Prior-year Outturn
	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit:					
Voted	173	-	173	300	127
Non-voted	-	-	-	-	-
Annually Managed Expenditure:					
Voted	-	-	-	-	-
Non-voted	-	-	-	-	-
Non-budget	-	-	-	-	-
<b>Total</b>	<b>173</b>	<b>-</b>	<b>173</b>	<b>300</b>	<b>127</b>

**3 Reconciliation of outturn to net operating cost and against Administration Budget****3.1 Reconciliation of net resource outturn to net operating cost**

	Note	<b>2011-12 Outturn £000</b>	2010-11 Outturn £000
Net Resource Outturn	2	<b>165,355</b>	181,953
Net Operating Cost in Statement of Comprehensive Net Expenditure		<b>165,355</b>	181,953

**3.2 Reconciliation of net resource and capital outturn to net operating cost**

		<b>2011-12 Outturn £000</b>	2010-11 Outturn £000
Net resource and capital outturn from the Statement of Parliamentary Supply		<b>165,528</b>	181,991
Less capital outturn not included in net operating cost		<b>(173)</b>	(38)
		<b>165,355</b>	181,953
Net operating cost from the Statement of Comprehensive Net Expenditure		<b>165,355</b>	181,953

**3.3 Outturn against final Administration Budget**

	Note	<b>2011-12 Outturn £000</b>	Re-stated* 2010-11 Outturn £000
<b>Estimate - Administration costs limit</b>		<b>22,753</b>	27,337
Outturn - Gross Administration costs		<b>18,075</b>	20,173
Outturn - Gross income relating to Administration costs	10	-	-
<b>Outturn - Net Administration costs</b>		<b>18,075</b>	20,173

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this. In addition to this all AME expenditure has been re-classified as programme in line with the HM Treasury directive issued during 2011-12 (see note 1.5).

**4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash**

		<b>2011-12 Outturn £000</b>	2010-11 Outturn £000
Net cash requirement		<b>(168,608)</b>	(179,512)
From the Consolidated Fund (supply) - current year		<b>170,916</b>	179,678
From the Consolidated Fund (supply) - prior year		-	-
<b>Net increase/(decrease) in cash held</b>		<b>2,308</b>	166

## 5 Operating Segments

	Delivery					Development & Strategy	2011-12
	North	Midlands	South	National	Total	National	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>	<b>27,708</b>	<b>37,408</b>	<b>46,415</b>	<b>18,968</b>	<b>130,499</b>	<b>15,646</b>	<b>146,145</b>
<b>Income</b>	-	-	-	<b>(13,399)</b>	<b>(13,399)</b>	-	<b>(13,399)</b>
<b>Net Expenditure</b>	<b>27,708</b>	<b>37,408</b>	<b>46,415</b>	<b>5,569</b>	<b>117,100</b>	<b>15,646</b>	<b>132,746</b>

\* Re-stated 2010-11

	Delivery					Development & Strategy	Total
	North	Midlands	South	National	Total	National	Total
	£000	£000	£000	£000	£000	£000	£000
Expenditure	31,517	34,814	44,592	31,059	141,982	16,241	158,223
Income	-	-	-	(14,491)	(14,491)	(67)	(14,558)
Net Expenditure	31,517	34,814	44,592	16,568	127,491	16,174	143,665

**Factors used to identify the reportable segments**

Ofsted determined the reportable segments by establishing that the chief operating decision maker constitutes HMCI. Budgeted resources are allocated by HMCI in consultation with the Executive Board. HMCI and the Executive Board receive monthly management information which reports separately on the segments described below along with the Corporate Directorates and Performance and Impact Directorate related expenditure. Ofsted has identified Delivery and Development and Strategy as operating segments because they involve the provision of services to the public.

**Description of segments****Delivery**

The Delivery segment provides inspection and regulation in line with agreed inspection frameworks, guidance and the expectations and requirements of Ofsted as set out in law and statutory guidance. Each year Ofsted delivers around 30,000 inspection and regulatory events across the full range of its work. Frank and independent inspection and regulation help improve services and raise standards and so make a difference for children and learners of all ages. The Delivery segment has been apportioned both regionally and with a National element. The National element being attributable to Delivery Wide Management and Monitoring, the National Business Unit, Quality Assurance, National Scheduling, Complaints, National Performance Targets and Tracking, Compliance Investigation and Enforcement, and Income.

**Development & Strategy**

The Development and Strategy segment ensures Ofsted's inspection methodology promotes real improvements in outcomes for children, young people and learners of all ages. The segment also ensures we make the best use of all our evidence to improve outcomes for children and learners. Strategy's work enables Ofsted to be more creative with its inspection resource and respond more swiftly to changes in its environment through horizon scanning, critical insight and joined up thinking. The segment is also responsible for the publication of Ofsted survey findings.

**5.1 Reconciliation of Operating Segments to the Statement of Comprehensive Net Expenditure**

	2011-12				
	Delivery	Development & Strategy	Sub-total operating segments	Other	Total
	£000	£000	£000	£000	£000
<b>Expenditure</b>	<b>130,499</b>	<b>15,646</b>	<b>146,145</b>	<b>32,609</b>	<b>178,754</b>
<b>Income</b>	<b>(13,399)</b>	-	<b>(13,399)</b>	-	<b>(13,399)</b>
<b>Net Expenditure</b>	<b>117,100</b>	<b>15,646</b>	<b>132,746</b>	<b>32,609</b>	<b>165,355</b>

\* Re-stated 2010-11

	2010-11				
	Delivery	Development & Strategy	Sub-total operating segments	Other	Total
	£000	£000	£000	£000	£000
Expenditure	141,982	16,241	158,223	38,301	196,524
Income	(14,491)	(67)	(14,558)	(13)	(14,571)
Net Expenditure	127,491	16,174	143,665	38,288	181,953

The 'Other' category consists of:

	2011-12		* Re-stated 2010-11	
	£000	£000	£000	£000
Corporate Directorates	<b>27,663</b>		34,272	
Performance & Impact	<b>4,946</b>		4,016	
	<b>32,609</b>		38,288	

The Corporate Directorates is made up of Finance and Resources, Organisational Development and Corporate Transactions.

\* The 2010-11 figures have been re-stated to provide a comparative figures for the Performance & Impact Directorate which was formed in 2011-12.

## 6 Staff numbers and related costs

Staff costs comprise:

	2011-12			2010-11
	TOTAL	Permanently employed staff	Others	TOTAL
	£000	£000	£000	£000
Wages and salaries	61,213	57,692	3,521	71,538
Social security costs	5,620	5,513	107	6,166
Other pension costs	11,782	11,557	225	12,802
<b>Sub Total</b>	<b>78,615</b>	<b>74,762</b>	<b>3,853</b>	90,506
Restructuring costs	28	28	-	2,802
<b>Total</b>	<b>78,643</b>	<b>74,790</b>	<b>3,853</b>	93,308
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total Net Costs*</b>	<b>78,643</b>	<b>74,790</b>	<b>3,853</b>	93,308

\* No salary costs have been capitalised.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Ofsted is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk/pensions](http://www.civilservice-pensions.gov.uk/pensions)).

For 2011-12, employer's contributions of £11,501,432 (2010-11 - £13,124,436) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, or a stakeholder pension with an employer contribution. Employer's contributions of £24,853 (2010-11 - £37,578) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, employer contributions of £5,922 (2010-11 - £2,402) 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the statement of financial position date were £nil (2010-11 - £2,832). There were no contributions prepaid at that date.

For 2010-11 employer's contributions of £26,333 (2010-11 - £33,940) were payable to the Local Government Pension Scheme (LGPS). Also, for 2010-11 employer's contributions of £1,615 (2010-11 - £64) were payable to the National Health Service Pension Scheme (NHSPS). There were also payments of £30,825 (2010-11 - £51,259) for other pension schemes for seconded staff. See Note 26 for further pension disclosure.

There were no ill health retirements during the year funded by Ofsted.

### Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2011-12			2010-11
	Total	Permanently employed staff	Others	Total
	No.	No.	No.	No.
<b>Total</b>	<b>1,410</b>	<b>1,384</b>	<b>26</b>	1,616

## 7 Reporting of Civil Service and other compensation scheme - exit packages

Exit package cost band	2011-12			2010-11
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	1	1	8
£10,000 - £25,000	-	-	-	9
£25,000 - £50,000	-	-	-	1
£50,000 - £100,000	-	-	-	4
£100,000 - £150,000	-	-	-	3
£150,000 - £200,000	-	-	-	1
£200,000 +	-	-	-	-
<b>Total number of exit packages</b>	-	<b>1</b>	<b>1</b>	26
<b>Total resource cost £000</b>	-	<b>9</b>	<b>9</b>	1,116

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

In terms of the above disclosure of total number of exit packages by cost band and associated total resource costs, Ofsted incurred costs of £3,400k (2010-11 - £160k) to meet the contractual commitments arising from the providers' redundancy cap in terms of 'Early Years childcare inspection work' (Ofsted had previously made a provision in the accounts for this cost, see note 18). The costs were in relation to the departure of 60 (2010-11 - 13) members of staff who had transferred to the provider from Ofsted under TUPE regulations.

During 2011-12 Ofsted launched a voluntary early exit scheme as part of its plans to meet savings targets identified as part of the Government's spending review. Applicants to the scheme have been informed of the outcome, with departures due to take place during 2012-13. Ofsted has made a provision of £2,608k to meet the estimated cost of the scheme.

**8 Other Administration Costs**

		<b>2011-12</b>	Re-stated*
		<b>£000</b>	2010-11
	<b>Note</b>	<b>£000</b>	£000
Rentals under operating leases		<b>1,475</b>	1,639
Non-cash items:			
Depreciation	11	<b>18</b>	63
Amortisation	12	<b>97</b>	239
Auditor's remuneration		<b>78</b>	85
Other expenditure:			
Accommodation costs		<b>1,127</b>	1,089
Travel Costs		<b>423</b>	433
Training Costs		<b>362</b>	1,256
Telephone Costs		<b>32</b>	80
Printing, postage & stationery		<b>354</b>	375
IS Costs		<b>533</b>	454
Employee Related Costs		<b>509</b>	552
Legal		<b>384</b>	681
Managed Services		<b>1,393</b>	1,961
Equipment - non capital		<b>272</b>	276
Provision for doubtful debts		-	-
Net bad debt (write-back)/ write-off		-	-
Other Expenditure		<b>261</b>	303
<b>Total</b>		<b>7,318</b>	9,486

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this. In addition to this all AME expenditure has been re-classified as programme in line with the HM Treasury directive issued during 2011-12 (see note 1.5).

## 9 Programme Costs

		<b>2011-12</b>	Re-stated*
		<b>£000</b>	2010-11
	<b>Note</b>	<b>£000</b>	£000
Rentals under operating leases		<b>2,646</b>	2,574
Non-cash items:			
Depreciation	11	<b>100</b>	356
Amortisation	12	<b>552</b>	1,357
Finance charge on finance leases		-	2
Impairment	11	-	1
Provision provided/(written back) in year	18	<b>935</b>	1,250
Borrowing Costs (unwinding of discount on provisions)	18	<b>204</b>	237
Other expenditure:			
Accommodation costs		<b>2,011</b>	2,367
Inspection costs		<b>63,635</b>	60,345
Travel Costs		<b>5,707</b>	6,471
Training Costs		<b>643</b>	740
Telephone Costs		<b>402</b>	646
Printing, postage & stationery		<b>1,103</b>	1,356
IS Costs		<b>1,677</b>	1,828
Employee Related Costs		<b>594</b>	805
Legal		<b>91</b>	183
Managed Services		<b>11,344</b>	12,296
Equipment - non capital		<b>1,083</b>	905
Provision for doubtful debts		<b>2</b>	(59)
Net bad debt (write-back)/ write-off		<b>28</b>	22
Other Expenditure		<b>36</b>	48
<b>Total</b>		<b>92,793</b>	93,730

### 9.1 Total Non-Cash Transactions

The non-cash transactions included in the cash flows from operating activities (Statement of Cash Flows) comprises:

		<b>2011-12</b>	Re-stated*
		<b>£'000</b>	2010-11
	<b>Note</b>	<b>£'000</b>	£'000
Non cash staff costs	6	-	2,018
Other Administration Costs (non cash items)	8	<b>193</b>	387
Programme Costs (non cash items)	9	<b>1,791</b>	3,203
		<b>1,984</b>	5,608

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this. In addition to this all AME expenditure has been re-classified as programme in line with the HM Treasury directive issued during 2011-12 (see note 1.5).

## Office for Standards in Education, Children's Services and Skills

### 10 Income

Operating income, analysed by classification and activity, is as follows:

	<b>2011-12</b>	2010-11
	<b>£'000</b>	£'000
Administration income:		
From Government Departments and others	-	-
<b>Sub-Total Administration income</b>	<b>-</b>	<b>-</b>
Programme income:		
Income from sales & services	124	1,921
Inspection of Independent Schools fees	726	524
Children's Services applications & fees	12,251	11,366
College inspection fees	160	682
Other	138	78
<b>Sub-Total Programme income</b>	<b>13,399</b>	<b>14,571</b>
<b>Total</b>	<b>13,399</b>	<b>14,571</b>

\*During 2011-12 Ofsted changed its reporting structure to more accurately distinguish between admin and programme functions. To ensure comparability 2010-11 figures have been re-stated to reflect this.

### 10.1 Analysis of income from services provided to external and public sector customers for fees and charges purposes.

	2011-12		Surplus/ (Deficit) £000
	Income £000	Full Cost £000	
Social Care registration and inspection	5,861	17,628	(11,767)
Childcare registration and inspection	6,553	32,174	(25,621)
Independent Schools registration and inspection	726	3,914	(3,188)
Other income	-	8	(8)
<b>Sub-Total Income from external customers</b>	<b>13,140</b>	<b>53,724</b>	<b>(40,584)</b>
DWP Inspections	-	-	-
Youth Justice Board - Secure Childrens Homes/Secure Training Centres	105	603	(498)
Ministry of Defence	119	125	(6)
Department for Education - British Schools Overseas	35	59	(24)
<b>Sub-Total Income from other Government Departments</b>	<b>259</b>	<b>787</b>	<b>(528)</b>
<b>Total</b>	<b>13,399</b>	<b>54,511</b>	<b>(41,112)</b>
	2010-11		
	Income £000	Full Cost £000	Surplus/ (Deficit) £000
Social Care registration and inspection	5,887	35,326	(29,439)
Childcare registration and inspection	6,162	44,397	(38,235)
Independent Schools registration and inspection	538	1,949	(1,411)
Other income	296	-	296
<b>Sub-Total Income from external customers</b>	<b>12,883</b>	<b>81,672</b>	<b>(68,789)</b>
DWP Inspections	1,514	332	1,182
Youth Justice Board - Secure Childrens Homes/Secure Training Centres	77	465	(388)
Ministry of Defence	97	135	(38)
Department for Education - British Schools Overseas	-	-	-
<b>Sub-Total Income from other Government Departments</b>	<b>1,688</b>	<b>932</b>	<b>756</b>
<b>Total</b>	<b>14,571</b>	<b>82,604</b>	<b>(68,033)</b>

Whilst taking into consideration the need to maintain an adequate supply of providers and to protect the interest of children, Ofsted is encouraging the fee setting business areas to move the fee regime closer to a full cost recovery basis, in line with government policy on Fees and Charges, over a timescale which avoids causing undue economic stress. The key considerations are:

- The financial state of various providers who are suffering a substantial decrease in revenues due to policy changes (for example children's homes), long term trends (for example voluntary adoption agencies and adoption support agencies) or the economic climate (for example boarding schools).
- The implementation of regimes which clearly align any fee subsidy with the aims of the subsidising business areas.
- Allowing time for fee levels to rise to avoid sudden large increases, particularly in the higher value fees. Also setting fees for future years to allow providers to plan beyond the current year.

**11 Property, plant and equipment**

	2011-12		
	Information Technology	Furniture & Fittings	Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2011	1,516	351	1,867
Additions	-	-	-
Disposals	(71)	(114)	(185)
Impairments	-	-	-
<b>At 31 March 2012</b>	<b>1,445</b>	<b>237</b>	<b>1,682</b>
<b>Depreciation</b>			
At 1 April 2011	1,338	253	1,591
Charged in year	91	27	118
Disposals	(71)	(114)	(185)
Impairments	-	-	-
<b>At 31 March 2012</b>	<b>1,358</b>	<b>166</b>	<b>1,524</b>
<b>Carrying amount at 31 March 2012</b>	<b>87</b>	<b>71</b>	<b>158</b>
Carrying amount at 1 April 2011	178	98	276
<b>Asset financing:</b>			
Owned	87	71	158
Finance leased	-	-	-
<b>Carrying amount at 31 March 2012</b>	<b>87</b>	<b>71</b>	<b>158</b>

	2010-11		
	Information Technology	Furniture & Fittings	Total
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2010	1,568	351	1,919
Additions	38	-	38
Disposals	(54)	-	(54)
Impairments	(36)	-	(36)
At 31 March 2011	1,516	351	1,867
<b>Depreciation</b>			
At 1 April 2010	1,050	211	1,261
Charged in year	377	42	419
Disposals	(54)	-	(54)
Impairments	(35)	-	(35)
At 31 March 2011	1,338	253	1,591
Carrying amount at 31 March 2011	178	98	276
Carrying amount at 1 April 2010	518	140	658
<b>Asset financing:</b>			
Owned	178	98	276
Finance leased	-	-	-
Carrying amount at 31 March 2011	178	98	276

## 12 Intangible assets

Intangible assets comprise purchased software licences and the Regulatory Support Application (RSA) finance lease.

2011-12

	RSA Finance		Total
	Lease	Software	
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2011	17,991	782	18,773
Additions	155	18	173
Disposals	-	-	-
Impairments	-	-	-
<b>At 31 March 2012</b>	<b>18,146</b>	<b>800</b>	<b>18,946</b>
<b>Amortisation</b>			
At 1 April 2011	16,478	552	17,030
Charged in year	556	93	649
Disposals	-	-	-
Impairments	-	-	-
<b>At 31 March 2012</b>	<b>17,034</b>	<b>645</b>	<b>17,679</b>
<b>Carrying amount at 31 March 2012</b>	<b>1,112</b>	<b>155</b>	<b>1,267</b>
Carrying amount at 1 April 2011	1,513	230	1,743
<b>Asset financing:</b>			
Owned	-	155	155
Finance leased	1,112	-	1,112
<b>Carrying amount at 31 March 2012</b>	<b>1,112</b>	<b>155</b>	<b>1,267</b>

2010-11

	RSA Finance		Total
	Lease	Software	
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2010	17,991	782	18,773
Additions	-	-	-
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2011	17,991	782	18,773
<b>Amortisation</b>			
At 1 April 2010	14,965	469	15,434
Charged in year	1,513	83	1,596
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2011	16,478	552	17,030
Carrying amount at 31 March 2011	1,513	230	1,743
Carrying amount at 1 April 2010	3,026	313	3,339
<b>Asset financing:</b>			
Owned	-	230	230
Finance leased	1,513	-	1,513
Carrying amount at 31 March 2011	1,513	230	1,743

### 13 Financial Instruments

The majority of financial instruments relate to contracts for non-financial items in line with Ofsted's expected purchase and usage requirements and Ofsted is therefore exposed to little credit, liquidity or market risk.

Ofsted does not have any complex Financial Instruments, however, financial assets and financial liabilities are recognised on Ofsted's Statement of Financial Position when Ofsted becomes party to the contractual provisions of the instrument. Ofsted assesses whether, under IAS39, an embedded derivative is required to be separated from its host contract. Ofsted does not have any embedded derivatives.

#### *Liquidity risk*

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is therefore not exposed to any significant liquidity risks, and as such financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

#### *Interest-rate risk*

Interest rate risk is not significant as Ofsted has no borrowings or interest bearing deposits.

#### *Foreign currency risk*

All material assets and liabilities are denominated in sterling, so Ofsted is not exposed to currency risk.

#### *Credit risk*

Ofsted's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss, and arises principally from cash and outstanding debt. The Department has a credit (receivables) policy that ensures consistent processes are in place throughout the Department to measure and control credit risk. The following table summarises Ofsted's exposure to credit risk.

	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
<b>Trade receivables and other current assets</b>		
Trade receivables	<b>2,573</b>	2,172
Deposits and advances	<b>436</b>	590
Other receivables	<b>83</b>	4
Prepayments and accrued income	<b>2,485</b>	2,529
VAT	<b>336</b>	934
Bad debt provision	<b>(183)</b>	(181)
	<b>5,730</b>	6,048
Overdue but not provided for yet in following periods:		
Not yet due	<b>5,185</b>	5,431
1-30 days	<b>335</b>	276
31-60 days	<b>78</b>	116
61-90 days	<b>33</b>	105
>91 days	<b>99</b>	120
	<b>5,730</b>	6,048
Overdue debt provided for in following periods:		
>120 days	<b>(74)</b>	(79)
Other Periods	<b>(109)</b>	(102)
	<b>(183)</b>	(181)
Movement in the bad debt provisioning:		
Opening balance	<b>181</b>	243
Charge for the year/(reduction in provision)	<b>30</b>	(40)
Utilised/(write offs)	<b>(28)</b>	(22)
<b>At 31 March</b>	<b>183</b>	181

### 14 Impairments

The total impairment charge for the year was nil (2010-11 - £1k) charged directly to the statement of net comprehensive expenditure. The charge for 2010-11 was the result of an asset being made obsolete after vacating business premises during that year.

**15 Trade receivables and other current assets**

	<u>2011-12</u> <u>£000</u>	2010-11 <u>£000</u>
<b>Amounts falling due within one year:</b>		
Trade receivables	2,224	1,663
Deposits and advances	271	347
Other receivables	83	50
Prepayments and accrued income	2,479	2,461
VAT	336	934
	<u>5,393</u>	<u>5,455</u>
<b>Amounts falling due after more than one year:</b>		
Trade receivables	198	340
Deposits and advances	133	231
Prepayments and accrued income	6	22
	<u>337</u>	<u>593</u>

**15.1 Intra-Government balances**

	<u>2011-12</u> <u>£000</u>	2010-11 <u>£000</u>	<u>2011-12</u> <u>£000</u>	2010-11 <u>£000</u>
	<b>Amounts falling due within one year</b>		<b>Amounts falling due after more than one year</b>	
Balances with other central government bodies	503	990	-	-
Balances with local authorities	1,446	1,746	-	-
Subtotal: intra-government balances	<u>1,949</u>	<u>2,736</u>	-	-
Balances with bodies external to government	3,444	2,719	337	593
<b>Total debtors</b>	<u>5,393</u>	<u>5,455</u>	<u>337</u>	<u>593</u>

**16 Cash & cash equivalents**

	<u>2011-12</u> <u>£000</u>	2010-11 <u>£000</u>
Balance at 1 April 2011	469	303
Net changes in cash and cash equivalent balances	2,308	166
<b>Balance</b>	<u>2,777</u>	<u>469</u>

	<u>2011-12</u> <u>£000</u>	2010-11 <u>£000</u>
The following balances at 31 March were held at:		
Government Banking Service	2,775	468
Commercial banks and cash in hand	2	1
<b>Balance</b>	<u>2,777</u>	<u>469</u>

17 Trade payables and other current liabilities

	<u>2011-12</u>	<u>2010-11</u>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due within one year:</b>		
Trade payables	430	450
Other payables	1,375	1,600
Other taxation and social security	1,703	1,776
Accruals and deferred income	18,969	16,689
Current part of finance lease	73	-
Amounts issued from the Consolidated Fund supply but not spent at year end	2,775	468
	<u>25,325</u>	<u>20,983</u>

**Amounts falling due after more than one year:**

Finance Leases	75	-
	<u>75</u>	<u>-</u>

**17.1 Intra-Government balances**

	<u>2011-12</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2010-11</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one</u>	
Balances with other central government bodies	7,406	4,460	-	-
Balances with local authorities	3	5	-	-
Balances with public corporations and trading funds	-	106	-	-
Subtotal: intra-government balances	<u>7,409</u>	<u>4,571</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	17,916	16,412	75	-
<b>Total creditors</b>	<u>25,325</u>	<u>20,983</u>	<u>75</u>	<u>-</u>

## 18 Provisions for liabilities and charges

	2011-12							2010-11
	Early Departure Costs	Early Years Project	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total	
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	7,769	4,492	2,151	3,066	865	355	18,698	21,743
Provided in the year	2,674	-	331	992	141	79	4,217	4,822
Provisions not required written back	(188)	(942)	(1,261)	(745)	-	(146)	(3,282)	(1,554)
Provisions utilised in the year	(1,772)	(3,400)	(619)	(900)	(510)	(156)	(7,357)	(6,550)
Borrowing costs (unwinding of discount)	168	-	-	36	-	-	204	237
<b>Balance at 31 March 2012</b>	<b>8,651</b>	<b>150</b>	<b>602</b>	<b>2,449</b>	<b>496</b>	<b>132</b>	<b>12,480</b>	<b>18,698</b>

## Analysis of expected timing of discounted flows:

	2011-12						
	Early Departure Costs	Early Years Project	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Not later than one year	4,319	150	4	912	-	71	5,456
Later than one year and not later than five years	3,317	-	369	1,537	496	6	5,725
Later than five years	1,015	-	229	-	-	55	1,299
<b>Balance at 31 March 2012</b>	<b>8,651</b>	<b>150</b>	<b>602</b>	<b>2,449</b>	<b>496</b>	<b>132</b>	<b>12,480</b>

## 18.1 Early Departure Costs

Ofsted meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS. When Ofsted has committed itself to a specific course of action it then provides, in full, for all early retirement costs by establishing a provision for the estimated payments discounted by the HM Treasury discount rate for valuing pension liabilities (currently 2.8%).

Early retirement costs come in the form of annual compensation payments (over the period between early departure and normal retirement date), lump sum compensation payments (to compensate for any impairment to retirement lump sums that have arisen due to retiring early) and in some cases annual enhancement compensation (payable for life). An individual's entitlement to these payments will depend upon the terms of the scheme at their point of departure. All costs in the provision are based upon estimates provided by MyCSP. Ofsted has used life expectancy data produced by the Office for National Statistics (ONS) to quantify its obligation for any annual enhancement compensation (payable for life).

£2,608k of the early departure costs provided in year relates to a new early exit scheme. Under the terms of this scheme Ofsted is only obligated to make a lump sum severance payment, no further compensatory payments will be due. All costs in this element of the provision are based on estimates using a calculation template provided by the Cabinet Office.

## 18.2 Early Years Project

During 2009-10 Ofsted undertook an analysis of the workforce capacity in Early Years to determine how many inspectors were required to meet its inspection commitments. This provision represents known redundancy commitments arising from a restructure of Early Years to address the over-capacity in some parts of the country.

## 18.3 Property Dilapidation

Ofsted leases all of the property it uses. It is a standard contractual requirement that the lessee returns leased estate in good order at the end of the lease period, and makes good any dilapidation. This payment will materialise at the end of the lease, but a charge is made in the accounts every year reflecting the annual wear and tear on the buildings.

## 18.4 Vacant Property Provision

Ofsted has a number of vacant properties as a result of past organisational changes and restructuring. The provision reflects future contractual costs of all vacant leased property net of likely rental incomes.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

## 18.5 Early Years Outsourcing Pensions Bulk Transfer

Former employees who transferred (under TUPE) to an outsourced early years inspection provider have the option to transfer their civil service pension to a private scheme ran by the provider. Ofsted is obligated to meet any shortfall that arises between the value of the civil service pension transferred and the value of that pension in the provider's private scheme.

When calculating the probable cost of the pension shortfall, Ofsted has used the information gained from a previous transfer exercise and applied an average cost and take-up rate.

## 18.6 Other

This includes an injury provision and a provision for a small number of legal claims.

**19 Capital commitments**

There are no contracted capital commitments at 31 March 2012 (2011: £nil).

The RSA element of the Ofsted contract for outsourced IS services constitutes a finance lease. Ofsted are committed to £148k (2011:£nil) as the capital element of payment in respect of the aforementioned finance lease.

**20 Commitments under leases**

**20.1 Operating leases**

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires for each of the following periods.

	<u>31/3/12</u>	<u>31/3/11</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	<b>4,153</b>	5,579
Later than one year and not later than five years	<b>13,435</b>	12,041
Later than five years	<b>7,835</b>	6,617
	<u><b>25,423</b></u>	<u>24,237</u>
Other:		
Not later than one year	<b>452</b>	468
Later than one year and not later than five years	<b>87</b>	93
Later than five years		
	<u><b>539</b></u>	<u>561</u>

Significant operating lease arrangements include those for properties occupied by Ofsted staff as required to carry out their administrative duties.

**20.2 Finance leases**

Total future minimum lease payments under finance leases are given in the table below, analysed according to the period in which the lease expires.

	<u>31/3/12</u>	<u>31/3/11</u>
	<u>£000</u>	<u>£000</u>
Obligations under finance leases comprise:		
Buildings:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>
Less interest element	<u>-</u>	<u>-</u>
Other:		
Not later than one year	<b>77</b>	-
Later than one year and not later than five years	<b>78</b>	-
Later than five years	-	-
	<u><b>155</b></u>	<u>-</u>
Less interest element	<b>8</b>	-
Present Value of obligations	<u><b>147</b></u>	<u>-</u>

Finance lease arrangements relate specifically to the Regulatory Support Application (RSA) element of the Ofsted contract for outsourced IS services .

**21 Other financial commitments**

Ofsted has entered into a six year non-cancellable contract (which is not a lease or PFI contract), for the inspection of schools, College apprenticeships, adult skills, surveys and Initial Teacher Education. The Department has also entered into a non-cancellable contract (which is not a lease or PFI contract) for IS services.

Ofsted has entered into an agreement for the supply of regional inspection services in terms of Early Years childcare inspection work.

The payments to which Ofsted is committed, analysed by the period during which the payment is due are as follows.

	<u>31/3/12</u> <u>£000</u>	<u>31/3/11</u> <u>£000</u>
Not later than one year	<b>64,537</b>	108,284
Later than one year and not later than five years	<b>159,576</b>	336,559
Later than five years	-	-
	<u><b>224,113</b></u>	<u>444,843</u>

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**22 Contingent liabilities disclosed under IAS 37**

Ofsted has no non statutory and statutory contingent liabilities that have been reported.

In 2011-12 there are a few potential legal claims which are at an early stage and therefore cannot be quantified.

## Office for Standards in Education, Children's Services and Skills

### 23 Losses and special payments

#### 23 (a) Losses statement

	2011-12		2010-11	
	No. of cases	£000	No. of cases	£000
Total fruitless payments and constructive losses	133	19	190	41

#### 24 (b) Special payments

	2011-12		2010-11	
	No. of cases	£000	No. of cases	£000
Total special payments	4	52	6	227

### 24 Related-party transactions

Ofsted has a small number of transactions with the following other Government Departments, Central Government bodies and other public sector organisations during the year:

British Broadcasting Corporation  
British Waterways  
Cabinet Office  
Central Office of Information  
Criminal Records Bureau  
Department for Business, Innovation and Skills  
Department for Education  
Department for Transport  
Department for Work and Pensions  
East of England Ambulance Service  
Food Standards Agency  
Government Actuary's Department  
HM Revenue & Customs  
HM Treasury  
Home Office  
Local Authorities  
Ministry of Defence  
National Audit Office  
National School of Government  
Office of Fair Trading  
Office of Government Commerce  
Office of National Statistics  
Rail Accident Investigation Branch  
Treasury Solicitor's Department  
Valuation Office Agency

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with Ofsted during the year.

### 25 Third-party assets

Ofsted holds monies on behalf of a tenant as security for future rent commitments. These monies constitute a third party asset.

This is not a departmental asset and is not included in the accounts. The asset held at the 31st March 2012 to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	31-Mar 2011 £000	Gross £000	Gross outflows £000	31-Mar 2012 £000
Monetary assets such as bank balances and monies on deposit	210	-	-	210

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### 26 Pension Arrangements - Local Government Pension Scheme defined benefit scheme disclosure

Ofsted has a small number of staff that contribute to a Local Government Pensions Scheme (LGPS). The LGPS is a guaranteed, final salary scheme open primarily to employees of local government but not to new entrants outside local government. It is a Funded scheme, with its pension funds being managed and invested locally within the framework of regulations provided by Government.

Ofsted has a small number of staff who transferred to it in 2001 and 2007 but elected to remain in their existing local government pension schemes. Their accrued and future service is in the LGPS. The staff from 2007 remained in the Teesside LGPS Pension Fund and the staff from 2001 remained in the West Yorkshire LGPS Pension Fund. The level of contributions to both funded schemes is the amount needed to provide adequate funds to meet pension obligations as they fall due. As at 31 March 2012, contributions of £20k (2010 - £43k) and £16k (2010 - £37k) were made by Ofsted and the scheme participants to both Teesside and West Yorkshire LGPS pension funds respectively.

The obligation and cost of providing the pensions is assessed annually using the projected unit method. The date of the most recent actuarial review was 31 March 2010.

Where required to do so we have maintained a separation of the schemes in the disclosures.

A summary of disclosure information as per IAS19 Retirement Benefits is as follows:

#### i) The amount recognised in the Statement of Financial Position are as follows:

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-12	31-Mar-11	01-Apr-10	31-Mar-12	31-Mar-11	01-Apr-10
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	2,104	1,876	1,576	4,410	3,960	4,988
Fair Value of Scheme Assets	1,506	1,591	1,633	3,718	3,776	3,539
<b>Net Assets</b>	<b>(598)</b>	<b>(285)</b>	<b>57</b>	<b>(692)</b>	<b>(184)</b>	<b>(1,449)</b>
Present Value of Unfunded Obligation	-	-	-	0	-	-
Unrecognised Past Service Cost	-	-	-	0	-	-
<b>Net Asset/(Liability) in Balance Sheet</b>	<b>(598)</b>	<b>(285)</b>	<b>57</b>	<b>(692)</b>	<b>(184)</b>	<b>(1,449)</b>
<b>Bid Value of Scheme Assets</b>	<b>1,506</b>	<b>1,591</b>	<b>1,633</b>	<b>3,718</b>	<b>3,776</b>	<b>3,539</b>

#### ii) The principal actuarial assumptions used as at the Statement of Financial Position date are:

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-12	31-Mar-11	01-Apr-10	31-Mar-12	31-Mar-11	01-Apr-10
Financial Assumptions as at	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
RPI increases	3.30%	3.50%	3.80%	3.50%	3.70%	3.70%
CPI increases	2.50%	2.70%	n/a	2.50%	2.80%	n/a
Salary increases	4.70%	5.00%	5.30%	5.00%	5.20%	5.45%
Pension increases	2.50%	2.70%	3.80%	2.50%	2.80%	3.70%
Discount rate	4.60%	5.50%	5.70%	4.70%	5.50%	5.70%

#### Mortality Assumptions:-

The post retirement mortality tables adopted were the PA2 series projected to calendar year 2010 for current pensioners and 2017 for non-pensioners with a 90% scaling factor. The assumed life expectations from age 65 are:

	Teesside Pension Fund	West Yorkshire Pension Fund
	31-Mar-12	31-Mar-12
	Years	Years
<u>Retiring today</u>		
Males	19.0	22.0
Females	23.1	24.1
<u>Retiring in 20 years</u>		
Males	21.00	23.8
Females	25.00	26.1

The Actuarial assumptions are that 50% of retiring members will opt to increase their lump sums to the maximum allowed, whilst 50% take only 3/80ths of the cash.

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### iii) Sensitivity Analysis:

The following table sets out the impact of a change in the discount rates on the Total Obligation and Projected Service Cost along with a +/- 1 year age rating adjustment to the mortality assumption

Adjustment to discount rate	Teesside Pension Fund			West Yorkshire Pension Fund		
	+0.1%	0%	-0.1%	+1%	0%	-1%
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Total Obligation	2,071	2,104	2,139	3,804	4,410	5,171
Projected Service Cost	15	15	15	14	18	22
<b>Adjustment to mortality age rating assumption</b>	<b>+1 year</b>	<b>none</b>	<b>-1year</b>	<b>+1 year</b>	<b>none</b>	<b>-1year</b>
Present Value of Total Obligation	2,024	2,104	2,186	4,315	4,410	4,504
Projected Service Cost	14	15	16	17	18	18

### iv) The composition of assets in the scheme and the expected rate of return were:

	31-Mar-12		31-Mar-11		01-Apr-10	
	Value	Rates of	Value	Rates of	Value	Rates of
	£'000	% p.a.	£'000	% p.a.	£'000	% p.a.
Equities	3,857	6.1 to 8.1	4,096	7.2 to 8.4	3,801	7.5 to 8
Gilts	592	3.1 to 3.3	525	4.4	591	4.5
Other bonds	223	3.7 to 4.6	179	5.1 to 5.5	148	5.5 to 5.7
Property	201	4.3 to 7.6	200	5.4 to 7.9	169	7 to 8.5
Cash	146	1.8 to 3.0	151	1.5 to 3	244	0.7 to 3
Other	205	8.1	216	8.4	219	8.0
Total	5,224		5,367		5,172	

### Splits of assets between investment categories as at :

	31-Mar-12	31-Mar-11	01-Apr-10
Equities	73.9%	76.4%	73.5%
Gilts	11.3%	9.8%	11.5%
Other bonds	4.3%	3.3%	2.8%
Property	3.8%	3.7%	3.3%
Cash	2.8%	2.8%	4.7%
Other	3.9%	4.0%	4.2%
	100.0%	100.0%	100.0%

### Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year ended 31 March 2011). The return on gilts and other bonds are assumed to be the gilt yield and the corporate bond yield respectively at the relevant date. The return on the equities and properties is then assumed to be a margin above the gilt yields.

### v) Analysis of the amount charged to the Statement of Comprehensive Net Expenditure:

	Year to 31-Mar-12 £'000	Year to 31-Mar-11 £'000	Year to 01-Apr-10 £'000
Current service cost	28	83	104
Past service cost	-	(708)	2
Losses/(gains) on curtailments and settlements	-	-	-
<b>Total Operating Charge</b>	<b>28</b>	<b>(625)</b>	<b>106</b>
<b>Analysis of amount credited to Other Finance Income:</b>			
Expected return on Pension Scheme Assets	389	368	322
Interest on Pension Scheme Liabilities	(316)	(382)	(348)
<b>Net Return</b>	<b>73</b>	<b>(14)</b>	<b>(26)</b>
<b>Employers' contribution</b>	<b>27</b>	<b>111</b>	<b>122</b>
<b>LGPS Pension costs</b>	<b>(72)</b>	<b>(722)</b>	<b>-</b>
<b>Actual Return on Scheme Assets</b>	<b>42</b>	<b>539</b>	<b>(1,021)</b>

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### vi) Movement in benefit obligation during the year:

	Year to <b>31-Mar-12</b> <b>£'000</b>	Year to 31-Mar-11 £'000	Year to 01-Apr-10 £'000
<b>Opening Defined Benefit Obligation</b>	<b>5,836</b>	6,564	5,525
Current service cost	28	83	104
Interest cost	316	382	348
Actuarial losses/(gains)	545	398	1323
Losses/(gains) on curtailments	-	-	-
Liabilities extinguished on settlements	-	-	-
Estimated benefits paid (net of transfers in)	(221)	(904)	(780)
Past service cost	-	(708)	2
Contributions by scheme participants	10	21	42
Unfunded pension payments	-	-	-
<b>Closing Defined Benefit Obligation</b>	<b>6,514</b>	<b>5,836</b>	<b>6,564</b>

### vii) Movements in Fair Value of scheme assets during the year:

	Year to <b>31-Mar-12</b> <b>£'000</b>	Year to 31-Mar-11 £'000	Year to 01-Apr-10 £'000
<b>Opening Fair Value of scheme assets</b>	<b>5,367</b>	5,172	4,939
Expected return on scheme assets	389	368	322
Actuarial gains and (losses)	(348)	599	527
Contributions by employer	27	111	122
Contributions by scheme participants	10	21	42
Estimated benefits paid (net of transfers in)	(221)	(904)	(780)
Receipt of bulk transfer value	-	-	-
<b>Fair value of Scheme assets at end of period</b>	<b>5,224</b>	<b>5,367</b>	<b>5,172</b>

### viii) Reconciliation of opening & closing balances of the net pension asset:

	Year to <b>31-Mar-12</b> <b>£'000</b>	Year to 31-Mar-11 £'000	Year to 01-Apr-10 £'000
<b>Surplus/(Deficit) at the beginning of the year</b>	<b>(469)</b>	(1,392)	(586)
Service cost	(28)	(83)	(104)
Employer contributions	27	111	122
Unfunded pension payments	-	-	-
Past service costs	-	708	(2)
Other finance income	73	(14)	(26)
Settlements/curtailments	-	-	-
Actuarial gain/(loss)	(893)	201	(796)
<b>Surplus/(Deficit) at the end of the year</b>	<b>(1,290)</b>	<b>(469)</b>	<b>(1,392)</b>

### ix) History of surplus / (deficit) and of experience gains and losses:

	Year to <b>31-Mar-12</b> <b>£'000</b>	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 01-Apr-09 £'000
Amounts for the current and previous period				
Defined Benefit Obligation	<b>(6,514)</b>	(5,836)	(6,564)	(5,525)
Fair Value of scheme assets	<b>5,224</b>	5,367	5,172	4,939
Surplus/(Deficit)	<b>(1,290)</b>	(469)	(1,392)	(586)
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

For consistency with previous disclosures the assets shown are at mid market price for the periods prior to 31 Mar 2012. The asset value shown as at 31 Mar 2012 is based on bid price, with all asset values estimated where necessary.

Note ix) above provides a summary of the schemes history as per IAS19.

## 27 Events after the reporting period

IAS 10, Events after the reporting period, requires disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 14 June 2012 by Sir Michael Wilshaw (Accounting Officer). There have been no events after the reporting period requiring an adjustment to the financial statements.

## Appendix A

### Surveys published 2011–12

Ofsted carries out an annual programme of subject and thematic surveys alongside its main inspection program of providers such as schools and nurseries.

The survey programme serves a range of purposes. Depending on the subject chosen, a survey provides an opportunity to focus on specific issues in greater detail than is possible during an institutional inspection. Alternatively, it may explore an aspect that falls outside the current inspection framework, or may sample provision in areas of our remit not currently subject to an inspection programme. In surveys we can examine relationships between institutions and between providers and other agencies. We can evaluate the impact on providers and learners of recent policy developments. In good practice surveys, we highlight the features of what works well to promote quality improvement.

Date	Title	Synopsis
01-Apr-11	Schools and parents	<p>Between September 2009 and March 2010, Her Majesty's Inspectors visited 47 schools to evaluate how effectively the partnership between parents and schools had developed. The schools varied in size, geographical location and socio-economic circumstances. Inspectors also drew on other sources, which included organisations working with parents and parents' groups, and evidence that Ofsted already held, such as data from its parents' panel and school inspections.</p> <p>A revised draft of this report was published on 13 April 2011.</p>
04-Apr-11	The impact of the 'Assessing pupils' progress' initiative	<p>This survey of 14 secondary schools and 25 primary schools evaluates the impact of the 'Assessing pupils' progress' initiative on improving outcomes for their pupils. The survey also examined the extent to which assessment was used effectively to support learning and to ensure that the curriculum met pupils' needs.</p>
08-Apr-11	Tackling the challenge of low numeracy skills in young people and adults	<p>This report evaluates the quality of numeracy provision for young people and adults seen in visits between May and November 2010 to 59 providers including colleges, independent learning providers, local authority providers of adult and community learning, prisons and Probation Trusts. Key features of effective practice and the most commonly identified reasons for underperformance are explored in</p>

		detail. The report also presents the main challenges faced by providers in securing further improvement.
11-Apr-11	Best practice in safeguarding in colleges	A survey of best practice in safeguarding based on visits to 14 of the 15 colleges that received an outstanding grade for the leadership and management of their safeguarding arrangements in 2009/10.
12-Apr-11	Girls' career aspirations	This report evaluates the extent to which careers education, guidance and other provision raise aspirations and inform the choices of courses and careers by girls and young women to support their long-term achievement. It identifies weaknesses and examples of good practice in these areas.
13-May-11	Excellence in English	One of the most pressing issues in English facing a large number of schools today is how to improve from being good to outstanding. The aim of this report is to improve practice in English across all schools and particularly to help them become outstanding. The report provides 12 case studies of schools which are successful in helping their pupils to make outstanding progress in English.
18-May-11	Good practice resource – School governance: learning from the best	This report looks at the principles and practices that contribute to outstanding governance in 14 schools and reports what outstanding governing bodies, and the headteachers of the schools they serve, contribute towards their effectiveness. Case studies from each of the schools visited are included to reflect something of the character of the governing bodies and how they have approached aspects of their work.
20-May-11	Children in Service families	This survey examines the quality of provision and outcomes for children and young people who are in families of Service personnel whether living in England or abroad. In particular, it looks at the support provided by a sample of schools, local authorities and other agencies to enable children and their families to cope with the experience of geographical mobility and the deployment of family members who are serving within the Armed Forces.

08-Jun-11	Economics, business and enterprise education	This report evaluates the strengths and weaknesses in economics, business and enterprise education in primary schools, secondary schools and colleges. It covers two separate aspects of the curriculum: formally assessed economics and business courses taken by students aged 14 to 18 in secondary schools and colleges; and whole-school enterprise education – that is, provision to promote economic and business understanding and enterprise and financial capability for all pupils in primary schools and students in secondary schools.
21-Jun-11	Alternative provision	This survey evaluates the use of off-site alternative provision by a small sample of schools and pupil referral units. Schools and pupil referral units can use a range of alternative provision to try to prevent students from being excluded, or to re-engage students in their education. The survey considers what makes alternative provision successful and examines some of the current issues associated with its use.
24-Jun-11	School Sport Partnerships	This report considers the impact of 12 School Sport Partnerships. It identifies key characteristics of good practice and then presents 12 case studies focusing on specific aspects of this good practice.
12-Jul-11	Supporting children with challenging behaviour through a nurture group approach	This survey examines the use of nurture groups and related provision in a small sample of 29 infant, first and primary schools. Nurture groups are small, structured teaching groups for pupils showing signs of behavioural, social or emotional difficulties, particularly those who are experiencing disruption or distress outside of school. The survey considers what makes nurture group provision successful and evaluates the impact on the pupils and their families.
09-Aug-11	An evaluation of approaches to commissioning young people's services	This small-scale survey examines approaches to the commissioning of services for young people in 12 local authority areas and reports on the experience of national organisations involved in this work.
23-Aug-11	Progression post-16 for learners with learning difficulties and/or disabilities	This survey evaluates the arrangements for transition from school and the provision in post-16 settings for learners with learning difficulties and/or disabilities up to the age of 25. Through visits to 32 providers and the completion of 111 detailed case studies, inspectors assessed the effectiveness of

		provision in enabling learners to develop greater independence, and progress to further learning or open or supported employment.
02-Sep-11	Safeguarding in schools: best practice	This report illustrates and evaluates the features of best practice in safeguarding, based on inspection evidence from the 19% of all maintained primary, secondary and special schools, residential special schools and pupil referral units inspected between September 2009 and July 2010 where safeguarding had been judged outstanding. It also draws on a more detailed analysis and evaluation of safeguarding practice in a small sample of outstanding schools visited by Her Majesty's Inspectors.
15-Sep-11	Good practice by Local Safeguarding Children Boards	The purpose of this report is to help Local Safeguarding Children Boards (LSCBs) to reflect on their practice, plan for improvements and learn from the experience of other boards. The report builds on and extends previous research into the functioning of LSCBs by analysing how boards are implementing improvements and assessing how they are beginning to develop methods to measure their impact.
22-Sep-11	Leadership of more than one school	This survey evaluates the impact on provision and outcomes for pupils where leadership responsibility is shared between federated schools. It looks in particular at a sample of schools that are in federations which have one governing body and in the majority of cases, share a headteacher or an executive headteacher. It also considers the path taken by schools that make the decision to federate and to share leadership in this way.
14-Oct-11	Improving science in colleges	In spring 2011 Ofsted conducted a survey of good practice in science in general further education and sixth form colleges in England. Inspectors visited 15 college science departments to observe teaching and learning and evaluate the quality of provision and departmental leadership and management. This report identifies the factors which helped these colleges to maintain the high standard or improve the quality of their science provision and makes recommendations for further improvement.

26-Oct-11	Edging away from care – how services successfully prevent young people entering care	This report analyses a small sample of local authorities and their partner agencies and looks at how services successfully support young people who are at risk of entering care to remain living at home. It draws on the experiences and views of 43 families, including those of the young people themselves, their parents or carers and the key professionals and managers who were involved in coordinating and providing support services.
13-Nov-11	Good practice in primary mathematics: evidence from 20 successful schools	This report examines the work of a sample of 10 maintained and 10 independent schools, all of which have strong track records of high achievement in mathematics. It focuses on identifying characteristics of effective practice in building pupils' secure knowledge, skills and understanding of number so that they demonstrate fluency in calculating, solving problems and reasoning about number. The report also looks at the choices of methods pupils make when presented with calculations and problems to solve. Some key common factors emerge, which might be more widely replicated, as well as some differences between the schools.
05-Dec-11	Choosing to volunteer	This survey evaluates volunteering programmes located within a sample of schools, colleges, and youth and community settings. It reports on the experiences of the young people, particularly the most vulnerable and disadvantaged, who participate in volunteering programmes. Inspectors collected evidence through visits to six secondary schools, seven colleges and six youth and community organisations. The survey was supported by evidence from online panels of 328 young people.
14-Dec-11	ICT in schools 2008-11	Since the Education Reform Act of 1988, information and communication technology has been compulsory for all pupils from 5 to 16 in maintained schools. This report draws on evidence from the inspection of information and communication technology in primary, secondary and special schools between 2008 and 2011. The use of ICT is considered as both a specialist subject and across the wider school curriculum.

01-Feb-12	High expectations, high support and high challenge	Front-line social workers play a key role in protecting children and young people from harm. They assess whether children are suffering or are likely to suffer significant harm and take the lead role in relation to multi-agency child protection plans that prevent children suffering harm or harm reoccurring in the future. This report explores how senior managers in 14 local authorities successfully implemented a range of strategies to better support their front-line staff working in child protection and asks whether there is a demonstrable link between better support for staff at the front line and better outcomes for the children and young people they serve.
02-Mar-12	Music in schools: wider still, and wider	A new report which has found a wide difference in the quality and quantity of music education across the schools in England. The report is based principally on evidence from 194 specialist music inspections and good practice visits in schools between 2008 and 2011, including curriculum lessons, additional instrumental and vocal tuition, and extra-curricular musical activities.
15-Mar-12	Moving English forward	<p>This report sets out to answer the question: how can attainment in English be raised in order to move English forward in schools? It is recommended to all who teach the subject, those who lead the subject, and headteachers of primary and secondary schools.</p> <p>The findings are based principally on evidence from inspections of English between April 2008 and March 2011 in 268 maintained schools in England. Part A highlights the main strengths and weaknesses in English and presents the evidence from the survey inspection visits. Part B draws on this inspection evidence to analyse 10 areas of weakness and recommend appropriate action to improve practice in each area.</p>
30-Mar-12	Making a mark: art, craft and design education 2008-11	This report evaluates the strengths and weaknesses of art, craft and design education in schools and colleges in England. It is based principally on subject inspections of 96 primary schools, 91 secondary schools and seven special schools between 2008 and 2011. This includes five visits in each phase to focus on an aspect of good practice. The report also draws on institutional inspections,

		<p>69 subject inspections in colleges, and visits to a sample of art galleries.</p> <p>Part A focuses on the key inspection findings in the context of the continued popularity of the subject with pupils and students.</p> <p>Part B considers how well the concerns about inclusion, creativity and drawing raised in Ofsted's 2008 report, <i>Drawing together: art, craft and design in schools</i>, have been addressed.</p>
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## Appendix B

### Pension benefits

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **Real increase in CETV**

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









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