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

**Annual Report and  
Accounts  
2014-15**

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

**Annual Report and Accounts  
2014–15**

**(For the year ended 31 March 2015)**

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

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

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## Introduction

As this *Annual Report and Accounts* records, Ofsted undertakes around 37,000 inspections a year across its early years, education and children's social care remits. It is essential that each of these inspections is of a high quality and has a positive impact on standards.

### Improving Ofsted

Since I became Chief Inspector in January 2012, I have overseen significant changes to Ofsted's organisation and the way it inspects. We have substantially revised all of our inspection frameworks and have made our inspection handbooks and reports simpler and more user-friendly. In addition, we have established a regional structure to gather intelligence on strengths and weaknesses across all areas of the country.

The most significant change, however, has been to our grading structure. The replacement of the 'satisfactory' grade with 'requires improvement' has had a galvanising effect. Mediocre and coasting institutions now know that only a good standard of education or care is good enough.

### Providers' views of inspection

I have also been determined to improve the quality and consistency of inspections through the work of regional directors and Senior Her Majesty's Inspectors. I am pleased, therefore, that this report notes that individual providers across all areas of our work continue to be positive about inspection. In 2014–15, of those who responded to our post-inspection survey:

- 90% of early years providers reported that their inspection would support their improvement
- 90% of further education providers were satisfied with the way their inspection was carried out
- 98% of children's homes said that they thought the inspection would help them to improve.

As in previous years, the great majority of headteachers were also positive about their inspection. Indeed, in March 2015, we published a report on the views of the 22,800 headteachers who have responded to our post-inspection surveys of schools over the last five years.<sup>1</sup> The headlines were that:

- most headteachers (82%) reported that the benefits of inspection outweighed the pressures of being inspected
- around nine out of 10 (92%) thought the inspection judgements were fair and accurate
- almost all of the headteachers (98%) said that they would use the inspection recommendations to improve their school.

Nevertheless, I am clear that Ofsted needs to continue to drive up quality and consistency in each area of our work over the coming months and years.

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<sup>1</sup> *Investigation: school leaders' views on the impact of inspection*, Ofsted, March 2015; [www.gov.uk/government/publications/school-leaders-views-on-the-impact-of-inspection](http://www.gov.uk/government/publications/school-leaders-views-on-the-impact-of-inspection).

## Improving education inspection

There has been intensive work over the last 12 months to prepare for three landmark changes to the way Ofsted carries out education inspections from September 2015.

Firstly, we have consulted widely on a new 'common inspection framework' that will focus on generic issues across early years, schools and further education. This will provide greater coherence across our inspection of the different remits and make it easier for parents and learners to compare standards when making choices between education providers.

Secondly, we have piloted significant changes to the way we inspect good schools and colleges. From September, Her Majesty's Inspectors (HMI) will carry out shorter, more flexible inspections, with a much stronger focus on professional dialogue with senior leaders to ensure that the culture of the provider remains sufficiently aspirational. If HMI are content that the provider remains good, they will publish a detailed letter explaining why. If HMI identify a possible decline in standards or if they think the provider may be outstanding, they will bring forward a full inspection and report in the usual way.

Thirdly, we have undertaken a significant programme of work to bring the contracting of school and further education inspections in-house. This one measure will bring much greater assurance over the selection, training and monitoring of inspectors. Under these new arrangements, there will be a significant increase in the proportion of inspection teams containing a serving leader from a good or outstanding school. When I joined, the proportion of serving leaders on inspection teams was 20%. From September, the proportion will be over 70% and, by the end of my tenure, my ambition is for every inspection team to contain a serving leader.

This year also saw changes to the way Ofsted inspects safeguarding in schools and a new emphasis on the promotion of British values. All schools, whether secular or faith, have a huge responsibility for teaching children and young people about the society in which they live and for promoting understanding, tolerance and respect for others.

I am proud of the work inspectors have carried out over the past 12 months to make sure schools were meeting this responsibility. Our inspectors have had to say uncomfortable things about how some schools in parts of the country were failing to prepare their pupils for life in modern Britain. Of course, we found that the great majority of schools were getting this right already through strong personal, social and health education (PSHE), citizenship and religious education (RE) programmes. They did not grab the headlines but they were far more typical than the minority of schools Ofsted found to be failing in this important aspect of the curriculum.

There was a particular focus last year on our inspections of a number of schools in Birmingham. Looking back, I strongly believe that we were right to go into those schools and to report our findings and judgements in the way we did. These schools deserved their previous good or outstanding ratings because the headteachers who were in control at the time had worked incredibly hard to raise standards. It was only when these same heads were pushed out or marginalised by governors that things started to go wrong. This episode also highlighted how rapidly schools – especially those in challenging areas – can decline and deteriorate in the absence of careful monitoring between inspections.

## Improving social care inspection

This year has also seen some important changes to the way we inspect children's social care services.

Perhaps the most high-profile aspect of our children's social care work is the inspection of services for children in need of help and protection, children looked after and care leavers in local authorities. When we introduced our single inspection framework in 2013, we consulted widely and worked closely with the sector to formulate what we should expect of a good local authority. In doing so, we paid close attention to the importance of the experiences of children, young people and their families, the value of high-quality, professional practice and the findings of Professor Eileen Munro's review of child protection.<sup>2</sup>

I was pleased, therefore, that Professor Munro found that we were focusing on the right areas and signaling the right ambition for children and young people in her review of the first 11 inspections under the new framework.<sup>3</sup>

Ofsted currently inspects local authorities every three to four years and, given the length of time between inspections, it would be wrong to rely on inspection alone to uncover significant failings. We inspect sooner where local authorities are judged inadequate or where serious concerns are raised. Nevertheless, that will not always happen, particularly where there is what Louise Casey in her report on Rotherham council called 'a culture of covering up uncomfortable truths, silencing whistle-blowers and paying off staff rather than dealing with difficult issues'.<sup>4</sup>

I want to ensure that Ofsted does everything in its power to help uncover such poor practice and to help reduce the risks to children. Following the publication of Professor Alexis Jay's report on child sexual exploitation in Rotherham earlier this year, and our own thematic inspection of child sexual exploitation, we have:

- further strengthened our focus on child sexual exploitation and children who go missing
- created a specialist team of Her Majesty's Inspectors with expertise in child sexual exploitation to support inspections where it appears that the local authority is not effectively addressing the risk of it occurring in their locality
- worked with other inspectorates, including those of the police and health services, to develop a new, coordinated inspection approach

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<sup>2</sup> *Munro review of child protection: final report – a child-centred system*, Professor Eileen Munro, May 2011; [www.gov.uk/government/collections/munro-review](http://www.gov.uk/government/collections/munro-review)

<sup>3</sup> *Review of first 11 Ofsted inspections of services for children in need of help and protection, children looked after and care leavers, and Local Safeguarding Children Boards*, Professor Eileen Munro, March 2014; [www.gov.uk/government/publications/evaluation-of-the-single-inspection-framework-and-reviews-of-local-safeguarding-children-boards](http://www.gov.uk/government/publications/evaluation-of-the-single-inspection-framework-and-reviews-of-local-safeguarding-children-boards)

<sup>4</sup> *Report of inspection of Rotherham metropolitan borough council*, Louise Casey CB, February 2015; [www.gov.uk/government/publications/report-of-inspection-of-rotherham-metropolitan-borough-council](http://www.gov.uk/government/publications/report-of-inspection-of-rotherham-metropolitan-borough-council)

- moved the delivery of the social care inspection into our now well-established regional structure to make the most of our local intelligence (from April 2015).<sup>5 6</sup>

I hope these changes will help ensure that local leaders and frontline practitioners focus on this critical issue and that, as a result, children at risk of being sexually exploited receive the support and protection they deserve.

Ofsted inspects each of England's 2,000 children's homes twice a year. It was an ongoing cause of frustration that these inspections revolved around national minimum standards that lacked aspiration for children and young people. I am pleased, therefore, that this year saw the introduction of a new framework for the inspection of children's homes that puts a greater focus on outcomes for children and young people and the quality of care they receive.

### **Ofsted's budget and future reform**

All these changes are being made in the context of reducing budgets. Ofsted's total funding for the coming year, 2015–16, is £143.3 million. That is less than 0.3% of the Department for Education's budget and £110 million less than the cost of inspection in 2004–05, when this work was carried out by a number of different inspectorates.

We have made savings largely by cutting our back-office costs. The changes to education inspection we are introducing this September should also enable annual savings of around £6.5 million from 2016–17 onwards.

I have little doubt that we will see a continued need for inspection reform in the coming years. For example, I expect we will need to adapt our inspection arrangements to take account of the way providers across each of our remits are starting to work in federations, agencies and clusters. Whatever shape these reforms take, I am committed to ensuring that Ofsted will continue to provide an independent and robust voice for children and older learners.

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

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<sup>5</sup> *Independent inquiry into child sexual exploitation in Rotherham (1997–2013)*, Alexis Jay OBE; [www.rotherham.gov.uk/info/200109/council\\_news/884/independent\\_inquiry\\_into\\_child\\_sexual\\_exploitation\\_in\\_rotherham\\_1997\\_%E2%80%932013](http://www.rotherham.gov.uk/info/200109/council_news/884/independent_inquiry_into_child_sexual_exploitation_in_rotherham_1997_%E2%80%932013).

<sup>6</sup> *The sexual exploitation of children: it couldn't happen here, could it?*, Ofsted, November 2014; [www.gov.uk/government/publications/sexual-exploitation-of-children-ofsted-thematic-report](http://www.gov.uk/government/publications/sexual-exploitation-of-children-ofsted-thematic-report).

# Strategic Report

## About this report

The Annual Report and Accounts 2014–15 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 2015. 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 Reports of Her Majesty's Chief Inspector, which Ofsted publishes to report on the state of education, children's services and skills in England.

## Who we are and what we do

Ofsted is the Office for Standards in Education, Children's Services and Skills in England. We inspect and regulate 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.

Ofsted inspects the following services: maintained schools and academies; local authority arrangements to support school improvement; some independent schools; early years and childcare; children's centres; children's homes; residential family centres; voluntary adoption agencies; adoption support agencies; independent fostering agencies; the Children and Family Court Advisory and Support Service (Cafcass); residential special schools; secure training centres; holiday schemes for disabled children; children's services in local authorities; initial teacher training; further education colleges and 14–19 provision; a wide range of work-based learning and skills training; adult and community learning; joint inspection of probationary services; and education and training in prisons and other secure establishments.

We also act as a regulator for a range of early years and children's social care services, deciding whether people, premises and the services provided are suitable to care for children and potentially vulnerable young people. Where the required standards are not met, we take appropriate action to make sure that children are safe and well looked after.

Ofsted publishes thematic and annual reports on social care, early years, schools and further education and skills. 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 who are providing services can learn from what is working well and what is not.

Over the past three years, Ofsted has been reforming the way it inspects and we have made it clear to institutions and providers that anything less than good is not good enough. The replacement of the 'satisfactory' and 'adequate' inspection grades with 'requires improvement' in schools and colleges had an immediate impact and we anticipate that this impact will be replicated across the early years and social care remits. These measures will improve our ability

to support, monitor and challenge providers to become good or better in as short a time as possible.

From September 2015, we will introduce a new common inspection framework for early years, schools and further education (FE) and skills inspections, alongside short inspections for good schools and FE providers.

## **Our structure**

We operate a regional model where there are eight regions in the structure, each led by a Regional Director who reports directly to Her Majesty's Chief Inspector (HMCI) and is responsible for the quality of inspection and the improvement of providers in their region.

In addition to our directly employed HMI and regulatory inspectors, Ofsted contracts with five inspection service providers. Three of the inspection service providers are responsible for education and further education and skills inspections, while the remaining two are responsible for all routine early years inspection and regulatory activity. Regional Directors maintain oversight of the quality of all inspectors and inspections, including those carried out on Ofsted's behalf by inspectors working for the contracted providers.

From September 2015, we will contract directly with schools and further education and skills Ofsted Inspectors rather than through third party suppliers. The 'Future Operating Model' programme will deliver improvements to inspector and inspection quality, and better value for money.

To support the structure, administrative, professional and technical staff are organised into a single directorate under the Chief Operating Officer. Deputy Directors lead functional and policy teams of skilled staff who provide high quality inspection and corporate support from each of our main offices in London, Bristol, Nottingham and Manchester. Administrative staff also work in our other regional offices located in government buildings in Birmingham, Cambridge and York.

## **Financial performance and risk**

The environment in which Ofsted operates is constantly changing. This means that Ofsted needs to manage its risks carefully to ensure that it can continue driving improvements in the care of children and young people and in education and skills for learners of all ages. The main risks that Ofsted has dealt with in the year are included in the Governance Statement on page 66.

The financial results for the year are set out on pages 81-114. All Parliamentary Totals have been managed through the Estimate process and all have been achieved for the 2014-15 financial year. A reconciliation between the Estimate (budget) and the actual performance can be found in the Statement of Parliamentary Supply on page 81 of the accounts. Performance against Parliamentary Totals are summarised below:

Parliamentary Control Total (£m)	Control Target (known as the Estimate)	Ofsted actual outturn	Variance to control target	Explanation of variance
Resource Departmental Expenditure Limit (RDEL)	162.8	157.2	5.6	Resource DEL of £162.8m includes a ring-fenced budget of £4.3m for depreciation. Ofsted's depreciation charge for the year was only £0.9m, leading to a £3.4m underutilisation. The remaining £2.2m of this variance is due to savings through a reduction in planned education, further education and skills inspection volumes delivered by the inspection service providers offset by additional expenditure in delivering an IT refresh programme and a change in calculation of the annual leave accrual.
Capital Departmental Expenditure Limit (CDEL)	4.0	3.7	0.3	An underspend against acquisition of capital assets during the year.
<b>Total DEL</b>	<b>166.8</b>	<b>160.9</b>	<b>5.9</b>	
Resource Annually Managed Expenditure (AME)	(1.1)	(1.7)	0.6	The AME control total relates to Ofsted's use of accounting provisions. The underspend relates to a release of a pension provision following confirmation from one of our inspection service providers that it was no longer required. An analysis and explanation of the types of expenditure is included in Note 15 of the accounts.
<b>Total</b>	<b>165.7</b>	<b>159.2</b>	<b>6.5</b>	
Net Cash Requirement	162.4	159.2	3.2	The underspend in cash is directly related to the underspend in Resource for inspection volumes and the IT refresh. Ofsted has actively managed its cash flow this year by ensuring that, where possible, suppliers provided invoices in time to be paid in the current financial year. This resulted in 98% of the cash available being spent and mitigated the risk of pressures on the 2015-16 cash position brought by having to pay 2014-15 invoices out of the allocation.
Administration Costs	18.6	16.1	2.5	HM Treasury sets a limit on departments' cost that are not in relation to direct delivery/support of front-line inspection services. Ofsted has consistently been well below this limit. The Statement of Comprehensive Expenditure in the accounts shows the analysis by year.

Ofsted's approach to financial management in 2014–15 was responsive in-year to ensure effective use of available resources. The Operations Executive Board approved the reallocation of funds to support prioritised projects that could reduce the financial burden on the 2015–16 budget and that would support the smooth transition to the Future Operating Model. Robust governance arrangements and, where appropriate, business cases were developed to ensure that all spending represented value for money and supported delivery of Ofsted's strategic priorities.

At the end of 2014–15, Ofsted has two contingent liabilities and one contingent asset as detailed on page 110. The contingent liabilities relate to a contractual obligation for redundancy costs arising from TUPE transfers and to a Local Government Pension defined benefit scheme. The contingent asset relates to the treatment of gain share with an inspection service provider.

Ofsted's funding for 2015–16 has been agreed by Parliament as part of the Main Estimate process. To help meet the drive for improvement in 2015–16, additional funding has been agreed with the Department for Education (DfE). There is no guarantee that any additional funding will be agreed beyond 2015–16 and, in fact, further savings may be required, in 2015–16 and beyond, following the settlement of the 2015 Spending Review. This will present a

significant operational challenge to Ofsted to develop the options that could enable Ofsted to further reduce costs while mitigating the impact on priority services.

## Social community and human rights

On 31 March 2015, Ofsted directly employed 1,366 (1,313 FTE) staff across England. This represents an increase in employed staff numbers compared with 1,274 (1,227 FTE) on 31 March 2014. The overall headcount has increased in line with our aim to focus more resource on the frontline of inspection. In addition, some support posts being covered by temporary staff were recruited to with permanent and fixed term employees to achieve cost efficiencies and maintain service levels.

The gender of the staff is as follows:

	Female	Male	Total
Operations Executive Board	5	10	15
Other SCS	6	7	13
Other	815	523	1,338
<b>Total</b>	<b>826</b>	<b>540</b>	<b>1,366</b>

Employee engagement is a priority for Ofsted, reflecting the importance we attach to involving employees and listening to their views. We take part in the annual Civil Service People Survey as part of our commitment to continuously improve the way we manage and develop our people. Our overall performance benchmarked against other Civil Service organisations and the actions we have taken can be found on page 34.

Ofsted has provided a wide range of equalities and diversity training throughout the year. We have continued our commitment to the Black Leadership Initiative and offered inspection shadowing opportunities via the Network of Black Professionals. In May 2015, Ofsted published its seventh annual employment report on our website.<sup>7</sup> The report focuses on equal opportunities in employment and covers the period April 2013 to March 2014.

Ofsted continues to invest resources in reducing the number of staff days lost to sickness. Our performance compares favourably to the Cabinet Office average number of working days lost for the civil service and to the overall public sector average published by the Chartered Institute of Personnel and Development, 2014. Our sickness data for 2014–15 can be found on page 37.

## Environmental

Ofsted is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC). 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. Our emissions from the whole estate have reduced by 14% since 2013–14. Energy-related emissions have reduced by 18% from 1,150 tonnes to 943 tonnes and business travel emissions have reduced by 9% from

<sup>7</sup> *Equality in Ofsted*, Ofsted, May 2015; [www.gov.uk/government/publications/equality-in-ofsted-2013-14](http://www.gov.uk/government/publications/equality-in-ofsted-2013-14).

1,260 tonnes to 1,119 tonnes. Our performance against all sustainability targets can be found on page 42.

Space rationalisation projects completed throughout 2013–14, as well as continuing to work with the Government Property Unit in providing short-term accommodation to other government departments, have continued to deliver some modest space reductions in this reporting year. Further efficiencies will start to be realised in 2015–16 as we exercise lease breaks in Bristol and move to more modern office accommodation.

There is a growth in FTE numbers (in the region of 150) expected as a result of bringing the management of all education and further education and skills inspections in-house in September 2015. We expect to be able to absorb the majority of this growth within our existing estate, through enhanced flexible working and the introduction of flexible workspaces supported by flexible technology, thereby reducing our demand for office space across the wider government civil estate.

Changes in the way Ofsted inspects has led to an increase in inspection travel. In particular, the focus on providers judged as requires improvement, shorter monitoring visits and more regular interventions, plus the move to regional delivery model with increased contact with stakeholders and improvement activity, have increased the number of journeys inspectors undertake. Carbon emissions from inspection travel have decreased, however, which is largely due to a reduction in the average estimated CO<sub>2</sub> rate per mile of Ofsted’s hire car provider’s fleet.

Ofsted sustainability performance is summarised below:

Area		Performance		
		2012–13	2013–14	2014–15
Greenhouse gas emissions (Scopes 1, 2 & 3 business travel including international air/rail travel)		2,127tCO <sub>2</sub> e	2,410tCO <sub>2</sub> e	2,062tCO <sub>2</sub> e
of which	Energy	1,272tCO <sub>2</sub> e	1,150tCO <sub>2</sub> e	943tCO <sub>2</sub> e
	Travel	855tCO <sub>2</sub> e	1,260tCO <sub>2</sub> e	1,119tCO <sub>2</sub> e
Estate energy	Consumption	3,033mWh	2,949mWh	2,416mWh
	Expenditure	£270k	£255k	£227k
Estate waste	Amount	94 tonnes	59 tonnes	56 tonnes
	Expenditure	£21k	£11k	£8k
Estate water	Consumption	5,515m <sup>3</sup>	4,609m <sup>3</sup>	4,956m <sup>3</sup>
	Expenditure	£12k	£11k	£12k

**Sir Michael Wilshaw:**

**Date: 4 June 2015**

**Accounting Officer for the Office for Standards in Education, Children’s Services & Skills**

## Directors Report

### Inspection and regulation

#### Social care

In 2014–15, Ofsted completed:

- 4,171 inspections of children's homes, including 29 inspections of secure children's homes and 110 inspections of newly registered children's homes
- 147 adoption and fostering inspections, inspecting voluntary adoption and adoption support agencies and independent fostering agencies
- 181 residential special schools inspections
- 29 welfare inspections in independent and maintained boarding schools
- four inspections of secure training centres
- seven inspections of the welfare arrangements in further education colleges with residential provision
- nine residential family centre inspections
- 41 single inspection framework inspections for local authority children's services
- 1,323 visits of children's social care providers.

In 2014–15:

- 100% of single inspection framework reports were published within target
- 96% of social care providers agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

1. Ofsted inspects and regulates many different kinds of provision used by children and families, from residential care and secure estates, through to fostering and adoption services.
2. The frequency of inspection depends on the type of provision. Ofsted inspects some providers, such as children's homes, twice a year and others, such as independent fostering agencies, over a three-year cycle. Providers that are not meeting the required standards will always be inspected more frequently, until they make the required improvement(s) or we take action to close the regulated service. The Promoting Improvement paragraphs below details the positive action Ofsted has undertaken in regard to local authority improvement work.

#### HMCI's Annual Report

3. HMCI's Annual Report for Social Care was published in March 2015. The report highlights the difficulties local authorities are facing within a children's social care system under

pressure, with increasing demand for services and continued intense public scrutiny. Although some authorities are performing well, over half the authorities inspected for their children's social care provision are not yet good enough, with many sharing the same problem of a lack of early and direct action to support children.

4. The report finds that high profile cases and increased awareness of child sexual exploitation mean that overall leaders are giving more strategic priority to the needs of children at risk of being exploited. However, some services are not yet sufficiently alert to the risks children and young people face or equipped to provide responsive services to meet their needs.
5. The report, however, does show that, despite these challenges, there are areas of high quality practice demonstrating what can be achieved.

### **Inspection of children's homes**

6. Ofsted published a new inspection framework for children's homes in February 2015 for use from April 2015.
7. The five key changes to the framework are as follows.
  - a judgement grade of requires improvement that replaces the current judgement of adequate where children's homes require improvement to reach the benchmark of good
  - a judgement structure that takes into account the overall experiences and progress of children and young people living in the home, with particular focus on how well children and young people are helped and protected and the impact and effectiveness of learners and managers
  - new evaluation criteria for the grades of outstanding, requires improvement and inadequate based on good as the benchmark
  - if a children's home is not protecting children or promoting their welfare, it will automatically be graded inadequate overall
  - inspectors will take a risk-assessed approach to homes that have been judged inadequate, with the timing and nature of the next visit based on concerns raised, their severity and impact on children and young people. This replaces the current policy to return for a full inspection within six to eight weeks.
8. The inspection framework was implemented to coincide with the DfE introducing new children's homes regulations, including the quality standards and a 'Guide to the Children's Homes Regulations' that replaced the national minimum standards. Ofsted has worked closely with the DfE to ensure that our inspection framework and underpinning regulatory framework are aligned.

### **Inspection of local authority children's services**

9. An inspection framework for services for children in need of help and protection, children looked after and care leavers was launched in November 2013. This followed extensive public and stakeholder consultation. The framework brings together into one inspection: child protection; services for looked after children and care leavers; and local authority fostering and adoption services.

10. As with all Ofsted frameworks, we have engaged with representatives of the local authority sector and with our own inspectors in an effort to drive continual improvement in our inspection methodology and reporting systems. We are currently finalising the revisions to the existing published inspection handbook to reflect changes to the timetable and some internal inspection processes. We anticipate that these revisions, together with some changes to the structure of the inspection report itself, will further improve an already robust inspection framework.
11. In February 2015, Ofsted, along with the other inspectorates (Care Quality Commission (CQC), HMI Constabulary and HMI Probation), announced that we would not implement the integrated inspections of child protection and services for looked after children in local authority areas, as previously planned, starting from April 2015. Responses to the consultation and pilot inspections showed that the proposed arrangements did not offer sufficient value. Following discussion with their sponsoring government departments, the inspectorates have agreed to develop joint targeted area inspections that will focus on specific aspects of the children protection system where a multi-agency review can add the greatest value and learning, for example child sexual exploitation and missing children. Development is at an early stage but it is anticipated that inspections will take place in a small number of local authority areas starting from October 2015.

### **Adoption support agencies**

12. A new framework for inspecting adoption support agencies was published in March 2015 following public consultation. The framework came into effect on 1 April 2015. The new framework includes:
  - revised evaluation criteria for judgements of good and outstanding
  - a judgement of requires improvement that replaces the previous judgement of adequate; the new framework establishes good as the minimum benchmark for these services
  - limiting the overall effectiveness grade to inadequate where any judgement area is found to be inadequate
  - limiting the overall effectiveness grade to inadequate where the agency is not protecting their service users or promoting their welfare.

### **Secure training centres**

13. Secure training centre (STC) inspections are carried out under a service level agreement between Ofsted, the Youth Justice Board and the Home Office. Each of the four STCs (one STC has closed in October 2014,) is inspected annually by Ofsted in collaboration with the CQC and HMI Prisons. A revised inspection framework and inspection methodology is currently being developed following consultation and will be introduced from July 2015.

### **Residential family centres**

14. New regulations and national minimum standards for residential family centres came into force in April 2013. Ofsted introduced our new inspection framework for residential family centres at the same time. Following extensive public consultation, we subsequently

introduced the judgement of requires improvement (replacing the judgement of adequate) from September 2014. This framework was introduced following discussions with the DfE on the underpinning government standards for residential family centres. The framework imposes more stringent standards than were previously required and provides a clearer focus on the most important aspects of practice for this small but critical sector.

### **Boarding and residential provision in non-association boarding and residential special schools**

15. Following an extensive public consultation and a series of pilot events in autumn 2014, Ofsted published a new inspection framework in March 2015 for improving standards of boarding and residential provision in non-association boarding and residential special schools.
16. The experiences of children and young people are at the centre of the new inspection framework, the key changes of which are:
  - that a judgement grade of requires improvement replaces the current judgement of adequate so that the minimum acceptable benchmark is now a judgement of good
  - that a revised inspection judgement structure of: the overall experiences and progress of children and young people; the quality of care and support; how well children and young people are protected; and the impact and effectiveness of leaders and managers
  - that boarding schools judged as requires improvement or inadequate will be subject to a full welfare inspection within two years, rather than the current three years; the residential provision at special schools will continue to be inspected once every year
  - the introduction of limiting judgements

### **Children and Family Court Advisory and Support Service (Cafcass)**

17. Ofsted published a new inspection framework for Cafcass in December 2013. This focuses separately on Cafcass practice in both public family law care cases and private family law proceedings. The framework evaluates the effectiveness of both the national strategic leadership and governance of the organisation alongside an assessment of the effectiveness of the leadership and management of local services. Ofsted inspected Cafcass as a single national organisation in February 2014 and published the report shortly afterwards. Ofsted reported that the quality and effectiveness of Cafcass work with children and families in both private law (arrangements for children) and public law (care and adoption) were good. Ofsted found that outstanding leadership in Cafcass had led to a wholesale transformation in organisational culture, radically improving the services children and families receive.
18. Ofsted reported that, over the past five years, Cafcass has significantly improved, developing itself from an inadequate base in 2009 and one which the Public Accounts Committee said was 'not fit for purpose' in 2010 to one that is now consistently good. Ofsted found that Cafcass's social workers work consistently well with families to ensure that children are safe and that the court makes decisions that are in children's best interests.

## **The delegation of statutory functions by local authorities to third party providers (social work providers)**

19. In November 2013, part one of the Children and Young People's Act 2008 came into force. This gave local authorities powers to delegate their functions relating to looked after children and care leavers to external social work providers. Ofsted's duty to register those providers, of which there are currently five, has now ceased given the passing of the Deregulation Bill in March 2015. Ofsted will report on the effectiveness of the external social work providers as part of the single inspection of the local authority.

## **Complaints about social care providers**

20. Ofsted investigates concerns about the social care services we regulate to make sure they are meeting the required standards. Between April 2014 and March 2015, Ofsted:
- opened 1,982 cases as a result of concerns received about registered and unregistered social care providers. Of these, 474 were deemed to have child protection concerns where we liaised with other agencies to ensure children and young people were safe. Ofsted served 380 compliance notices, 34 restriction of accommodation notices and 13 notices of proposal to cancel. While not every concern results in regulatory action, all concerns are reviewed by the compliance team to ensure that providers comply with regulations
  - held 605 case reviews. The case reviews considered why the service received that outcome and determined what type of regulatory action was necessary.

## **Promoting improvement**

21. Over the course of the year, Ofsted has further developed its local authority improvement work offer. Following successful piloting, between April 2014 and March 2015, Ofsted led 52 'getting to good' seminars that were specifically designed to focus on those factors that prevent local authorities achieving sustainably good services. Aimed at local authorities that had previously been judged inadequate or requires improvement, the seminar topics included care leavers, thresholds, achieving permanence and early help.
22. In addition to the 'getting to good' seminars, Ofsted has piloted and agreed to roll out from April 2015 an offer to all local authorities judged as requires improvement in the form of an improvement challenge seminar, held within 35 days of the publication of the inspection report. Attended by senior managers from the local authority children's services, the purpose of these seminars is to give local authorities a comprehensive understanding of their inspection judgements and recommendations to enable them to fulfil their statutory responsibility in developing a 'written statement of action' – their inspection improvement plan.
23. As well as being given an opportunity to attend 'getting to good' seminars, local authorities that have been judged inadequate will be offered:
- an improvement challenge seminar
  - a programme of monthly one-day sessions scrutinising practice involving a case file audit, with the aim of providing an independent focus on highlighted priority areas within the local authority's improvement plan

- four quarterly reviews of progress that will bring together the findings of the last three monthly scrutiny visits and provide an evaluative assessment of the progress made; this is then presented to the local authority's improvement board by the HMI leading on the authority's improvement work
  - a formal progress inspection, after approximately one year, conducted by a small team of HMI over one week, scrutinising the impact of the improvement plan on the quality of service and judging whether or not satisfactory progress is being made by the local authority.
24. This model was piloted effectively in two inadequate local authorities, where evaluations demonstrated that the work of the HMI and Senior HMI involved had a demonstrable impact in supporting the local authority in its improvement journey. The lessons learnt from these pilots have been built into revisions to the model that is now being implemented.

### **Thematic inspection reports and good practice**

25. In 2014–15, Ofsted published the following thematic inspection reports relating to social care:
- 'Early help: whose responsibility?' evaluated the effectiveness of the early help services for children and families provided by local authorities and their partners.
  - 'Joining the dots: Effective leadership of children's services' explored the ways in which successful leadership in children's services leads to better practice and improves the lives of children and families.
  - 'The sexual exploitation of children: It couldn't happen here could it?' evaluated the effectiveness of local authorities' current response to child sexual exploitation.
  - 'From a distance: looked after children living away from their home area' evaluated the effectiveness of local authorities in discharging their responsibilities to looked after children who live away from their home community.
26. In addition, we published one good practice case study on re-engaging young people aged between 15 and 25 who are either not in education, employment or training (NEET) or who are in care or are care leavers, offending or at risk of offending, excluded from school or school refusers.

## Schools

In 2014–15, Ofsted completed:

- 4,784 maintained school inspections
- 1,463 monitoring visits to schools judged as requires improvement
- 230 monitoring visits to schools judged to have serious weaknesses
- 1,219 special measures monitoring visits to maintained schools
- 29 new academy and 102 free school pre-registration visits two months prior to opening
- 335 first inspections of academies
- 15 inspections of service children's education schools.

In 2014–15:

- 99% of section 5 school inspection reports were published within the 15-day target
- 99% of schools judged to be inadequate (notice to improve) had their inspection reports published within the 25-day target
- 98% of schools judged to be inadequate (special measures or serious weakness) had their inspection reports published within the 28-day target
- 92% of schools agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

27. Ofsted inspects schools to provide information to parents and carers, to promote improvement and to hold schools to account. School inspections are required by law. We provide an independent assessment of the quality and standards of education in schools, and check whether schools are ensuring that their pupils are achieving as much as they can.
28. Ofsted inspects all maintained schools and academies in England at least once every five years, apart from outstanding schools, which are only inspected if performance declines. We inspect weaker schools more frequently and monitor schools in special measures, those judged to have serious weaknesses and schools judged as requires improvement to support their improvement. We inspect against an inspection framework and report on overall effectiveness, achievement of pupils, quality of teaching, behaviour and safety of pupils and leadership and management. We assess the spiritual, moral, social and cultural development of pupils.

### HMCI's Annual Report

29. HMCI's Annual Report for Schools was published on 10 December 2014. It found that, while standards continued to improve at primary level, progress in secondary schools had stalled. The proportion of good or outstanding schools overall stood at 81% but the gap between primary and secondary had widened, with 82% of primary schools good or outstanding compared with 71% of secondary schools. Although there were many good or outstanding secondary schools, more needed to be done to narrow the gap in

achievement between disadvantaged pupils and their peers. The report found that the potential of the most able pupils was not always being realised. It also pointed to there being too much low-level disruption in secondary schools, with 28% of secondary schools being judged less than good for behaviour and safety compared with 21% the previous year.

30. The report identified some areas of concern, including variations in the quality of education in different parts of the country. Children in 13 local authority areas had a less than 50% chance of attending a good or outstanding secondary school. The report also highlighted the fact that white children from low income backgrounds continued to perform less well than all other ethnic groups.
31. The report highlighted the importance of strong leaders and good teachers in raising standards and pointed to the challenges in attracting the best teachers and leaders to weak schools, particularly in areas of high disadvantage.
32. Following its consultation in March 2014, Ofsted introduced a revised framework for school inspection and inspection handbook in September 2014. The revisions included the introduction of a graded judgement for early years and sixth form provision in schools with this provision, to enable comparability with other settings offering provision for these age groups. It has increased emphasis on the curriculum, to ensure that this is broad and balanced, meets the needs of pupils and prepares them for adult life. The inspection handbook also reflects the updated guidance to schools issued by the DfE on promoting fundamental British values as part of spiritual, moral, social and cultural development in schools.
33. In October 2014, Ofsted published 'Ofsted inspections: clarification for schools' to confirm facts about the requirements of Ofsted and dispels myths that can result in unnecessary workloads in schools. The guidance was updated in March 2015 to clarify that Ofsted does not expect to see any specific frequency, type or volume of marking of pupils' work and feedback. Between 9 October and 5 December 2014, Ofsted consulted on plans to review its approach to education inspection (including schools and further education and skills providers) from September 2015. Specific proposals, which were widely supported and are now being developed, include:-
  - common inspection framework for early years settings, maintained schools and academies, non-association independent schools and FE and skills providers
  - short inspections for maintained schools, academies and FE and skills providers that were judged good at their last inspection; these short inspections are expected to take place approximately every three years
  - conducting a full inspection of all non-association independent schools within a three-year period.
34. Alongside this we are taking steps to improve our inspection workforce. From September 2015, we will contract directly with inspectors for schools, non-association independent schools and FE and skills. Our more direct relationship with inspectors will ensure that we have the necessary quality, control and flexibility in our workforce to deliver our reforms.

## **Inspections of local authorities' arrangements to support school improvement**

35. Ofsted has continued with its inspection of arrangements to support school improvement in selected local authorities. Inspections are determined by Regional Directors on the basis of local intelligence and analysis of data. These inspections provide insight into the effectiveness of the local authority and its role in school improvement. Ofsted published a revised framework and handbook for these inspections in November 2014, introducing a new approach involving focused inspections of a group of maintained schools in the local authority, plus a telephone survey of headteachers of other schools and academies in the area. The evidence from these activities then informs the on-site inspection of the local authority's school improvement arrangements, which takes place the following week.

## **Complaints about schools**

36. Ofsted has powers to investigate 'qualifying' complaints. A qualifying complaint is one that raises serious whole-school issues. Where a complaint does not qualify for investigation by Ofsted (for example a complaint that concerns an individual pupil), we provide complainants with information about appropriate sources of help and advice.
37. In 2014–15, Ofsted received 7,224 complaints about schools, which included safeguarding concerns such as cyber-bullying, attempted suicides, actual suicides and self-harming. All safeguarding cases are passed to the appropriate statutory agency for investigation.
38. The majority of qualifying complaints concerned the leadership and management of a school and pupils' well-being. In 336 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 65 occasions, Ofsted conducted an immediate inspection of a school as a result of a complaint.

## **Promoting improvement**

39. Ofsted has conducted a series of events aimed at providing advice and support to schools and school leaders. By 31 March 2015, 790 schools had attended a 'getting to good' seminar out of a total of 1,077 providers invited. Overall, 98.7% of attendees completing evaluations rated the event as 'useful' or 'very useful' in identifying priorities for improvement.

## **Thematic inspection reports and good practice**

40. In 2014–15, Ofsted published the following thematic inspection reports relating to schools:
- The most able students: an update on progress since 2013' explored how well non-selective secondary schools are supporting their most able students in response to the recommendations made in the 2013 report.
  - 'Overcoming barriers - ensuring that Roma children are fully engaged and achieving in education' summarised how a number of schools and local authorities have been working to meet the needs of Roma children from Eastern Europe.
  - Below the radar: low level disruption in the country's classrooms' evaluated the nature and extent of low-level disruptive behaviour in primary and secondary schools in England.

- 'The PE and sport premium for primary schools: Good practice to maximise effective use of the funding' identified and shared good practice in the use of the government funding targeted at improving the provision of physical education and sport in a number of schools previously identified as performing well in PE.
  - 'The pupil premium: an update' provided an up-to-date review of the progress schools have made in using their pupil premium funding to raise achievement for pupils eligible for free school meals.
  - 'Alternative provision' summarised the findings from the first year of a three-year survey looking at schools' and pupil referral units' use of off-site alternative provision.
  - 'Going the extra mile: excellence in competitive school sport' evaluated what secondary schools do to enable students to compete and excel in high quality, competitive sport. It also examined the relationship between the provision of competitive school sport in maintained and independent schools and the impact this has on developing a culture of academic and sporting achievement.
  - 'Ready to read' evaluated how a sample of primary schools in Stoke-on-Trent were teaching pupils to read.
41. In 2014–15, we published 16 good practice case studies for schools on our website. These included studies focusing on enterprise, alternative education, PHSE, science, school readiness and Gypsy, Roma and Traveller education.

## Independent schools

In 2014–15, Ofsted completed:

- 218 inspections of education in independent schools
- 398 pre-registration, emergency and material change and follow-up visits of independent schools
- 62 inspections of newly registered independent schools within one year of opening.

In 2014–15:

- 94% of independent school inspection reports were published within the 15-day target
- 91% of independent schools agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

42. All independent schools must be registered by the DfE and they must meet a set of detailed regulations in order to remain registered. However, Ofsted does not inspect all independent schools. About half of them belong to independent school associations and are inspected by the approved independent inspectorates; the Independent Schools Inspectorate (ISI), the School Inspection Service (SIS) and the Bridge Schools Inspectorate (BSI). Ofsted inspects all of the rest, which we refer to as 'non-association' independent schools.
43. Ofsted inspects independent schools at the request of the DfE. We normally carry out inspections of educational provision in non-association independent schools on a three or six-year cycle depending on how well the school performed at its last inspection.
44. We also conduct pre-registration inspections of proposed new schools at the request of the DfE and conduct emergency inspections where concerns about registered schools are raised with the DfE. Where a school applies to the DfE to change its registration, for example to extend the age range of the pupils that it admits, DfE may commission us to carry out a material change inspection.
45. The DfE also commissions Ofsted to conduct progress monitoring inspections of schools that were judged to not comply with the independent school standards at their last inspection. This is normally where the school is judged inadequate on a standard inspection. The purpose of the progress monitoring inspection is to monitor the school's progress in meeting the previously unmet standards.

### Inspection framework and changes to inspection frequency

46. Ofsted's new framework for inspecting independent schools came into effect in April 2014. Under the framework, the inspection judgements are the same as those for maintained schools and academies. This means that information available to parents, carers and placing authorities is now more consistent and a more straightforward comparison between schools is possible. In addition, the grade 'adequate' has been replaced with 'requires improvement'.
47. Compliance with the independent school standards directly informs the inspection judgements made under the new framework. The criteria for making judgements were

revised to reflect new standards on pupils' spiritual, moral, social and cultural development, which the DfE brought into effect in September 2014.

48. The DfE introduced revisions to the remaining parts of the standards, and commenced a new standard on leadership and management in January 2015. These changes have also been incorporated in the judgement criteria.
49. The frequency of inspection has also been changed by DfE. Schools inspected from January 2015 which are judged to be requires improvement or inadequate will normally have another standard inspection within a period of two years.
50. Schools that are judged to be requires improvement following an inspection from January 2015 will also receive a progress monitoring inspection before their standard inspection within the two years. The purpose of the progress monitoring inspection is for inspectors to judge whether the school has addressed the qualitative issues and any unmet independent school standards identified at the last inspection.
51. On a progress monitoring inspection of a requires improvement school that was judged to meet all the independent school standards, inspectors will judge whether the school continues to comply with the standards to which the qualitative issues identified at the last inspection relate.
52. The progress monitoring inspection of schools judged to be inadequate in inspections from January 2015 will also judge whether schools have addressed the qualitative issues identified at the last inspection, as well as on compliance with the independent school standards.
53. The inspection of boarding provision in boarding schools will be inspected within two years of having been judged inadequate or requires improvement. Where the welfare provision has been judged good or outstanding, it will be inspected within three years. Residential provision in residential special schools continues to be inspected annually.

## Initial teacher education

In 2014–15, Ofsted completed:

- 18 initial teacher education provider inspections
- 10 monitoring visits of initial teacher education providers.

In 2014–15:

- 95% of initial teacher education inspection reports were published within the 25-day target
- 100% of initial teacher education providers agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

54. The inspection of an initial teacher education (ITE) partnership provides an independent external evaluation of its effectiveness and a diagnosis of what it should do to improve. It is based on the range of evidence collated during a two-stage inspection process. Inspectors evaluate ITE partnerships against a national framework at the end of stage 2 of the inspection process.
55. The timing of the inspection and size of the team is based on the type of training offered, the size and complexity of the provision, and the risk assessment of the quality of the provision. If provision is deemed to require improvement or is found to be inadequate, another inspection will be scheduled to take place within 12 months.

## Inspection framework

56. A new ITE inspection framework was launched in June 2014. The changes were made in order to make further improvements to the inspection of ITE. It included the introduction of a two-stage inspection process and revisions to the ITE framework and inspection handbook, specifically to the judgements for overall effectiveness, outcomes for trainees, quality of training across the partnership, and leadership and management of the partnership.
57. The changes also reflected recent changes to ITE in FE including the introduction of the 2013 education and training qualifications and the 2014 professional standards for teachers and trainers in the further education sector, published in May 2014.
58. A report on the consultation and the revised ITE inspection handbook were published and two dissemination conferences were held for the sector in London and Manchester in May 2014. The first inspections under the revised framework took place in the summer and autumn terms 2014. In January 2015 Ofsted received a request from the Secretary of State to inspect teacher training leading to the new award of Early Years Teacher Status (EYTS). To ensure consistency of inspection across all areas of teacher training the decision was made to apply the same framework to early years ITE and the ITE inspection handbook was updated to reflect this. The amended ITE inspection handbook was published in March 2015 for use from 1 April 2015.

**Promoting improvement**

59. We have conducted a range of engagement activities with ITE providers during the year. These have included 'getting to good' seminars for ITE and ITE in further education partnerships judged to require improvement.
60. Eight regional good practice workshops were delivered in both March 2014 and March 2015.
61. Eight good practice ITE case studies were published in March 2014, two in September 2014 and a further five in March 2015.

## Further education and skills

In 2014–15, Ofsted completed:

- 113 college inspections
- 159 inspections of independent learning providers or employers offering apprenticeships and other vocational learning
- 48 inspections of publicly funded adult and community learning
- 53 inspections of judicial services, including inspections of education in adult and juvenile prisons, inspections of probation services, and inspections of immigration removal and detention centres
- 11 inspections of Armed Services training establishments
- 172 monitoring visits to FE and skills providers judged as requires improvement

In 2014–15:

- 77% of FE and skills inspection reports were published within the 25-day target
- 94% of FE and skills providers agreed or strongly agreed that, overall, they are satisfied with the way their inspections were carried out.

62. Ofsted inspects FE and skills provision to give information to providers, employers, learners and users, and to help promote improvement.
63. When we inspect a provider, inspectors look at the type of provision and different subject areas and use a framework to guide them through the inspection. Inspectors will observe lessons and training, look at good practice and offer feedback to providers. We look at an organisation's self-assessment reports and other improvement planning to provide a starting point for inspectors.
64. Providers judged as requires improvement are re-inspected within 12 to 18 months (12 to 24 months for those found to be requires improvement from September 2014). Those judged to be good at their previous inspection may have up to six years between inspections. Outstanding providers are exempt from routine inspection, as long as they maintain high standards of performance. However, if we identify a drop in performance following our annual risk assessments, outstanding providers may be inspected. Those judged as inadequate can normally expect a re-inspection monitoring visit within three weeks after report publication, with subsequent regular monitoring visits and a full re-inspection within 15 months of the full inspection. New providers are normally inspected within three years of receiving their funding.

### HMCI's Annual Report

65. HMCI's Annual Report for Further Education and Skills was published in December 2014. The report detailed improvements in the quality of teaching, learning and assessment in every type of provider inspected, apart from prisons. However, we found that teaching in English and mathematics has remained persistently weak. We were also able to report

that, across the whole FE and skills sector, 81% of providers were judged good or outstanding for overall effectiveness at their last inspection – an increase of nine percentage points over the previous year.

66. However, the report also highlighted a number of concerns. We reported that colleges and schools with sixth forms in particular had failed to respond to the requirements of the new 16 to 19 study programmes quickly enough and that there is no effective national skills strategy or local accountability for the range of post-16 provision. We found that FE and skills providers were not adapting their provision well enough to enhance learners' chances of future sustained employment and that providers need to do more to support long-term unemployed adults aged 25 and over into work. We also found that it is the most disadvantaged young people who have the worst experience of FE and that local accountability for tracking and ensuring that all young people meet their statutory requirement to participate in education or training remains unreliable.

### **Common Inspection Framework for further education and skills**

67. The Common Inspection Framework and inspection guidance were updated in July 2014 to take account of the introduction of a written judgement stating whether the provider's safeguarding of all learners is outstanding, good, requires improvement or inadequate for inspections from September 2014.
68. Ofsted continues to provide support and challenge for providers found to require improvement. Since March 2014, Ofsted has also provided support and challenge to prisons judged as inadequate or requires improvement in learning and skills. These providers are subject to improvement visits to help them improve their provision to good.
69. For providers found to be inadequate since September 2013, Ofsted has carried out early and more frequent re-inspection monitoring visits as set out in the government paper 'Rigour and responsiveness in skills'.<sup>8</sup>
70. Since March 2014, prisons judged as inadequate or requires improvement in learning and skills have been subject to improvement visits to help them improve their learning and skills and work activities to good. We also offer them other opportunities to improve, including invitations to improvement seminars where common issues are identified and good practice shared among the wider prison estate. This is set out in our publication 'Support and challenge for prisons judged as inadequate or requires improvement'. To make the overall judgement on the learning and skills section of the prison report clearer, Ofsted introduced a grade for overall effectiveness of learning and skills in prison inspections from March 2014.
71. The framework for the inspection of residential accommodation in FE colleges was revised in January 2015. The main changes are that the 'adequate' grade be changed to 'requires improvement' and that colleges with accommodation judged as requires improvement or inadequate will have it re-inspected within two rather than three years.

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<sup>8</sup> *Rigour and responsiveness in skills*, Department for Business, Innovation and Skills and Department for Education, April 2013; [www.gov.uk/government/publications/rigour-and-responsiveness-in-skills](http://www.gov.uk/government/publications/rigour-and-responsiveness-in-skills).

## Promoting improvement

72. Seminars and workshops focused on specific issues have been provided for providers judged satisfactory or as requires improvement to help them improve to good. These included 52 events, including 12 nominee events.

## Thematic inspection reports and good practice

73. In 2014–15, Ofsted published the following thematic inspection reports relating to FE and skills:

- 'Teaching, learning and assessment in further education and skills - what works and why' summarised the most significant features of outstanding teaching, learning and assessment in the FE and skills sector and the factors that contribute to these. It also identified several areas where more improvement is needed.
- 'Transforming 16 to 19 education and training - the early implementation of 16 to 19 study programmes' evaluated how effectively FE and skills providers and schools and academies with sixth forms had implemented the 16 to 19 study programmes introduced in August 2013 and made the best use of the changed funding arrangements for 16-19 year olds.

74. Ofsted also undertakes joint action learning projects to identify and disseminate good practice. In 2014–15, we completed the following projects:

- 'Engaging small and medium-sized enterprises in work experience and apprenticeships in London' – this action project formed part of Ofsted's improvement activity in conjunction with the Association of Colleges' professional engagement with the FE sector and the London Work Based Learning Alliance. The report shared good practice and challenges for providers in engaging small and medium enterprises in work experience and apprenticeships in London.
- 'Meeting local skills needs: the responsiveness of further education and skills providers in Greater Manchester' – This action project formed part of Ofsted's improvement activity and professional engagement with Greater Manchester FE and skills providers, the Chamber of Commerce and New Economy. The report shared aspects of good practice and the barriers facing providers when developing their curriculum to meet local needs.

75. In addition, we published 20 good practice case studies in 2014–15. These included studies on learner voice, learners with disabilities, work placements, vocational learning and NIACE family learning.

## Early childhood

In 2014–15, Ofsted completed:

- 22,443 inspections of early years childcare providers on the Early Years Register, of which 1,576 were re-inspections of inadequate childcare providers to make sure they were making the required improvements, and 686 re-inspections of childcare providers we had previously found requiring improvement
- 1,280 monitoring visits of early years childcare providers on the Early Years Register
- 893 inspections of childcare providers on the Childcare Register
- 607 inspections of children's centres; 30 children's centres received an additional inspection after being found inadequate
- 6,746 registration visits to new childcare providers.

In 2014–15:

- 97% of our Early Years Register inspection reports were published within the 10-25-day targets
- 91% of our children's centre inspection reports were published within the 15-day target
- 91% of providers on the Early Years Register, 97% on the Childcare Register and 99% of children's centres agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

76. Ofsted inspects early years and childcare providers. We inspect early years providers to assess their quality and how well they are meeting the requirements set out in the Early Years Foundation Stage. We inspect all providers at least once within a period set out in regulations, currently between 1 September 2012 and 31 July 2016. We inspect more frequently if providers are found to be inadequate (all provision) or requires improvement (provision on non-domestic premises only).
77. Ofsted inspects providers on the Childcare Register to check that they comply with all the requirements of that register. We do not make any judgements about the quality of the provision or give grades, but we do measure whether the provider is meeting the requirements of registration. Every year, we inspect a 10% sample of the provider base; this includes inspecting in all cases where there has been a complaint about the provider.
78. Ofsted regulates early years and childcare providers in line with the Childcare Act 2006 and its supporting regulations. The law gives us a range of powers that we can use in order to enforce compliance, reduce any risk of harm to children and improve the quality of the provision.

### HMCI's Annual Report

79. Ofsted will publish HMCI's Annual Report for Early Years in July 2015. The last report highlighted that the quality of provision in the sector has been rising over the past four years, with 78% of providers on the Early Years Register now being rated as good or outstanding – the highest proportion since the register was established. This upward trend is continuing.

80. The 2015 Annual Report will report on the evidence from inspection for children before the start of Reception, including new evidence from the introduction of the early years grade for primary schools.

### **Inspection framework**

81. Following the consultation 'A better inspection for all', launched in October 2014, Ofsted is developing a common inspection framework for all settings on the Early Years Register, maintained schools and academies, non-association independent schools and FE and skills providers.
82. Under the new common inspection framework, inspectors will make graded judgements on the same areas across all the remits. This will support greater consistency in our inspections of the different remits. It will provide greater coherence and comparability across the inspection of different providers that cater for similar age ranges and when children and learners move from one setting to another.
83. During the spring term 2015 we conducted pilot inspections to test the common inspection framework and developed remit specific inspection handbooks to underpin the framework. These will be published in the summer term, with the new framework being introduced in September 2015.
84. We have reviewed and revised our Early Years Register inspection report template to make it shorter, clearer and easier to use and read. The revised template was rolled out in January 2015.

### **Childminder agencies**

85. In September 2014, Ofsted introduced a new regulation and inspection framework for childminder agencies. Between September 2014 and April 2015, Ofsted registered four childminder agencies. Where agencies are operating, childminders have a choice of registering with Ofsted or registering with an agency. Ofsted is responsible for registering and inspecting the agencies and not the individual childminders who choose to join them, although we will still be responsible for the regulation of childminders who choose to register with Ofsted. The Secretary of State has asked Ofsted to inspect newly registered childminders within 12 months of registering their first childminder. Thereafter, Ofsted will inspect all childminders within three years of their previous inspection. Under these arrangements, no inspections of childminder agencies were required during the period covered by this report.

### **Concerns about early years providers**

86. In 2014–15, Ofsted risk-assessed 15,731 concerns about providers, an increase on 2013–14. Following risk assessment, we arranged 1,099 inspections to be completed within five days and 228 within 30 days. Five thousand and ten cases remained with Ofsted for initial investigation, 9,371 were referred to the next inspection of the provider and 23 are yet to receive a risk assessment outcome.
87. 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 the provider's registration. In 2014–15, we took steps to cancel registration in 50 cases. In 686 cases, we took

enforcement action such as issuing a welfare requirement notice. In a further 1,246 cases, we issued a notice to improve, setting out actions that the provider must complete to meet the requirements. In 923 cases, we either found the provider to be meeting the requirements or that the provider resigned during the course of our investigation. The remaining 853 cases are still under investigation.

88. Ofsted inspects all children's centres within a set interval that is prescribed in regulations as five years, or sooner where the Secretary of State for Education requires it. In addition, inspections can take place at any time where HMCI or the Secretary of State have concerns about performance. Ofsted may inspect children's centres simultaneously because this helps the local authority demonstrate the impact of the centres' work across an area. This is particularly important where centres work together.
89. The revised 'Framework for children's centre inspection' was implemented in April 2013. The framework is closely aligned with the DfE's statutory guidance for children's centres and places a clear emphasis on the accountability of local authorities to provide sufficient services to meet the needs of families with children under five in their area. The grade satisfactory has been replaced by requires improvement.

### **Promoting improvement**

90. Ofsted delivered 14 targeted seminars for the poorest performing local authorities between January and March 2015. Since regionalisation of early years work, the regions have continued work with local authorities according to the regional priorities.

### **Thematic inspection reports and good practice**

91. In April 2014, Ofsted published the early years thematic report 'Are you ready? Good practice in school readiness' which focused on how the most successful early years providers ensure that disadvantaged children are prepared to start school. Alongside the report, six case studies were published that showcased what successful providers were doing to get children ready for school.
92. In addition, we published 'RIGHT from the start', a suite of six films showing examples of good practice in the early years. To date they have had a total of nearly 45,000 views on YouTube.

## People engagement and development

### Workforce

93. On 31 March 2015, Ofsted directly employed 1,366 (1,313 full time equivalent (FTE)) staff across England. This represents an increase in employed staff numbers compared with 1,274 (1,227 FTE) on 31 March 2014.
94. Ofsted's approach to its people is based on developing skilled and motivated staff who take pride in their work, find new ways of working and take responsibility for their actions. We recruit, train and promote according to ability to fulfil the requirements of the post. We are committed to the learning and development of all our people 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

95. Ofsted's recruitment practice adheres to the Civil Service Commission's Recruitment Principles. These principles require appointments to be on merit on the basis of fair and open competition, but also include circumstances when appointments may otherwise be made.
96. Ofsted has a comprehensive recruitment policy and procedure that ensures fairness and consistency and that appointments are made on merit. Alongside the annual Recruitment Compliance Monitoring submission to the Cabinet Office, we also undertake regular external recruitment audits to provide assurance on our recruitment practice.
97. Ofsted carried out 40 external recruitment campaigns during 2014–15, including the recruitment of Regional Directors and Senior HMI alongside schools, FE and skills, early childhood and social care inspectors. It is important that Ofsted is able to appoint inspectors with relevant experience in the field and with the experience and credibility to support providers' improvement.
98. In order to recruit these inspectors, Ofsted utilises 'always on' recruitment that enables us to continuously identify, engage and pre-select candidates to build pipelines of high-calibre inspectors to meet the future demands of each remit and region. In addition, to enable Ofsted to increase the number of serving leaders undertaking and supporting inspection activity, during the past 12 months we successfully piloted an associate inspector secondment programme across schools and the FE and skills sectors. The majority of these secondments were on a part-time basis, enabling the individuals to retain their leadership roles and thus ensure that all parties, including the sector, benefit from the secondment. We have recently started to roll out a similar pilot across the social care remit.

### Employee engagement

99. Employee engagement is a priority for Ofsted, reflecting the importance we attach to involving employees and listening to their views. We take part in the annual Civil Service People Survey as part of our commitment to continuously improve the way we manage and develop our people. The purpose of the survey is to seek views about working for Ofsted, identify levels of staff engagement and benchmark our performance against other

civil service departments. Our overall response rate in the 2014 survey was 71%, which compares favorably with the Civil Service average of 60%. Our 2014 score on the Employee Engagement Index increased by three percentage points to 61%, which is two percentage points higher than the Civil Service average. As well as achieving a higher overall engagement index percentage, Ofsted-wide scores also increased on each theme. However, despite this improvement, we recognise that there is still more to do. In 2014, Ofsted was 3% below the 64% benchmark score for high performing Civil Service organisations. Over the last year, we have offered targeted support to all teams to help get underneath their survey results and to develop clear action plans that will address areas for improvement.

100. A review of our internal communications service has been completed, with a new internal communications strategy agreed in July. Over the last year, we have explored new and better ways of communicating to improve sharing of ideas, feedback and collaboration. We have introduced webinars and made more use of the intranet to enable better two-way communication and consultation.
101. The internal communications strategy is an integral part of our new engagement plan, 'One Ofsted', which was launched in January 2015. This plan sets out how we will focus on engagement so that we can continue to challenge and improve our culture with our people, involving them at all levels to ensure that we are together on our journey to create a better Ofsted for the future.
102. We have continued to develop our senior civil servants (SCS) as a senior leadership team and now have in place a framework for consultation and collaboration, with the SCS team coming together monthly to address key challenges facing Ofsted together.

### **Staff development**

103. Ofsted works to attract and retain the right people through a range of learning and development programmes for all staff. It is important that the inspection workforce benefits from the recent experience of the very best practitioners. Ofsted has a well-established and successful programme of secondments of senior leaders from the schools, FE and skills, ITE and children's services sectors. Support staff have access to a wide range of professional and personal development interventions available from central Civil Service Learning or internally commissioned and designed routes. Ofsted's learning and development strategy is central to continuously supporting improved individual and organisational performance.
104. Highly skilled, experienced and credible inspectors are the foundation of HMCI's ambitious agenda to improve education, FE and skills and the services provided to children and young people. As a result of the rapidly changing context for inspection and the increasing diversity of the inspector workforce, a more consistent and innovative approach to inspector development and training has been introduced. Over the course of the year, a new approach has focused on sustaining a culture of continuous improvement for full-time inspectors employed directly by Ofsted, contracted inspectors, regulatory inspectors and administrative, professional and technical staff. New ways of learning have been implemented, including preparatory reading to assimilate knowledge before face to face training, smaller face to face sessions allowing inspectors to opt for differentiated sessions according to their levels of knowledge and expertise, interactive e-Learning packages, use of video extracts and tutored video sessions.

105. A comprehensive training programme of centrally arranged inspector development includes induction training and dedicated time for framework, skills and professional development. The restructuring of the leadership of Quality and Training has ensured that inspector training is managed and led by skilled trainers for each remit who are able inspectors. It also allows kite-marking to ensure consistency of quality and delivery. The dissemination of centrally designed training by SHMI in the regions and collaboration between Ofsted's national experts and skilled trainers to design, plan and deliver training provides a consistent approach and gives all inspectors an equal opportunity to access the best quality training and professional development. A tailored training programme for inspecting safeguarding has been completed for all inspectors. In addition, a detailed assessment and development programme for regulatory inspectors has also been delivered. Administrative, professional and technical staff have access to a wide range of professional and personal development interventions available from central Civil Service Learning or internally commissioned and designed routes.

### **Equality and diversity**

106. Ofsted has four equality objectives that cover all the protected equality characteristics, extending to age, religion or belief, sexual orientation, marriage and civil partnership, maternity and paternity and, where appropriate, poverty. Our objectives build on the foundations laid in our previous schemes for disability, race and gender. The priorities have been shaped with the help of users and stakeholders.

107. Ofsted has provided a wide range of equalities and diversity training throughout the year, with specific resources to support HMI to identify LGBT issues on inspection. We have used policy equality statements and ensured that they are integrated into policy development. Additionally, we are continuing to monitor our suite of human resources policies – which have all been equality impact assessed – to ensure more equitable working practices. We have continued our commitment to the Black Leadership Initiative, and offered inspection shadowing opportunities via the Network of Black Professionals.

108. As at 31 March 2015, 6.9% of staff at Ofsted classified themselves as disabled; 10.1% were from Black and minority ethnic groups; 60.5% were female; and 4.0% classified themselves as lesbian, gay or bisexual.

109. In May 2015, Ofsted published its seventh annual employment report on our website. The report focuses on equal opportunities in employment and covers the period April 2013 to March 2014.

### **Health and safety reporting**

110. Ofsted's Executive Board considers reports on health and safety incidents quarterly. In 2014–15, there were 44 reported incidents. There were no incidents that required reporting as a regulatory requirement to the Health and Safety Executive. This is an increase on the previous year, when there were 36 incidents, with one reportable to the Health and Safety Executive.

111. Ofsted's Executive Board also considers reports on the following:

- European Health and Safety Week – in 2014–15, the focus was on workplace stress. The week focused on preventing and managing work-related stress, with the ultimate

aim of reducing the number affected and ensuring that there was an improved awareness among all Ofsted employees. It began with a leaflet, poster and intranet advertising campaign across the Ofsted estate, culminating with a workshop at each main site during safety week.

- Training – in 2014–15, the following presentations were available from Civil Service Learning and although some are mandatory ('Health and Safety Awareness for All Staff' and 'Health and Safety Awareness for Managers'), there are useful non-mandatory resources available. These include:
  - Manual handling
  - Basic fire awareness
  - Well-being, resilience and stress
  - Managing stress
  - Risk
- A 'Safe Driving Plus' awareness training and assessment package is also available and provides comprehensive e-learning and assessment tools to help Ofsted identify and minimise driving risks.
- Property division health and safety training programme – during 2014–15, 23 Chartered Institute of Environmental Health training courses were concluded internally within the property division. These courses are designed to update, up-skill and maintain health and safety competency levels for the delivery of local health and safety advice by the staff within the division.
- Ofsted Safety Standards (OSS) – during 2014–15, the programme to review, update and create OSS continued. There are currently 33 OSS available on the intranet, with three currently under consultation and a further five being developed.
- Inspection and personal risk assessment – in 2014–15, Ofsted commissioned an external health and safety audit. The audit recommendations highlighted a requirement to review the current inspector and inspection risk processes and procedures. The review centred on the current system and the levels of risk in the various inspection-related activities and settings. It also considered what changes were required to the management of health and safety to reflect the new organisational structure and ensure ongoing compliance. An action plan is in place to deal with the recommendations from this review.
- Personal safety training – during 2014–15, it was mandated that all inspectors would receive personal safety training delivered by the Suzy Lamplugh Trust.
- Induction training – in 2014–15, the corporate induction process was enhanced by the introduction of a site induction procedure. This procedure is conducted by the local property teams for all new starters at the main office sites.
- Health and safety surgeries – in 2014–15, after the success of the workshops during European safety week, the health and safety manager instigated monthly health and safety surgeries for the main Ofsted sites. These give access to confidential health and safety advice for staff. We intend to make this available to all across the Ofsted estate.
- Annual health and safety inspections – during 2014–15, the annual health and safety inspections were conducted at all Ofsted sites by the health and safety manager.

Inspection reports were submitted to all sites and subsequently presented to the Head of Sites for health and safety.

### **Sickness absence**

112. Ofsted monitors sickness absence regularly and produces monthly management information. Processes are in place to ensure that all absences are monitored and managed consistently across the organisation. This involves obtaining advice and support from occupational health specialists where this is appropriate. The attendance policy and procedure is broadly aligned with the model Civil Service employee policy documents, and a range of tools and guidance are available to help managers undertake their role in managing absence effectively, including training through Civil Service Learning and one-to-one support from the human resources casework and advice team.
113. The average number of working days lost (AWDL) per employee to sickness for the year was 5.2 (6.0 in 2013–14). This is lower than the overall public sector average of 7.9 (Absence management: annual survey report 2014, Chartered Institute of Personnel and Development).
114. Sickness absence statistics for 2014–15 show that the total working days lost were 7,018, of which 64.5% were lost to long-term sickness. This represents a reduction in Ofsted's figure from 2013–14, which was 7,288 working days.

## Information access and engagement

### Providing access to information and reports

115. Ofsted's website is one of our primary communication tools. Prior to its transition to GOV.UK, our main site, [www.ofsted.gov.uk](http://www.ofsted.gov.uk), received over a million visits per month, with seasonal spikes of up to 1.6 million (September 2014) and an average of 1.2 million downloads of publications and reports per month.
116. As part of the project to move all central government departments and many agencies and public bodies to the GOV.UK website, the process of moving Ofsted's web content from [www.ofsted.gov.uk](http://www.ofsted.gov.uk) to its new home at [GOV.UK/Ofsted](http://GOV.UK/Ofsted) was completed in December 2014. Our inspection reports can be found at [www.reports.ofsted.gov.uk](http://www.reports.ofsted.gov.uk).
117. Parent View and Learner View have continued to be well used. These sites allow parents and learners to share their views on schools and colleges. Employer View was launched in April 2014 and allows employers to share their views on FE and skills providers.
118. Data View has continued to be well used. Data View allows Ofsted inspection data to be viewed by region, local authority area and parliamentary constituency.

### HMCI's Annual Report

119. HMCI's Annual Report 2013/14 was launched in December 2014. Building on the successful changes made to the report in the previous year, the 2013/14 edition included a commentary by HMCI together with separate reports on schools and FE and skills. In addition, for the second time, the report included eight regional reports highlighting disparities in performance of provision across the country.
120. The media strategy for the annual report focused on its three key messages:
- that the gap in performance between primary schools and secondary schools in England was widening
  - that primary school standards were continuing on an impressive upward trajectory – with more than eight out of 10 schools rated at least good
  - that the overall rate of improvement in secondary schools, however, had stalled. A similar number of secondary schools inspected over the last 12 months improved as declined – while more than 50 secondaries were now in special measures than in the previous year.
121. The annual report publication attracted significant media interest both nationally and regionally. The key messages received prominent coverage in every main national print, online and broadcast outlet and generated almost 12,000 references on Twitter – 25% more than in the previous year. Web traffic to the annual report was up 30% on the previous year, with more than 360,000 visits to the annual report webpage in the first month. With the exception of the London region – which was the host for the national launch – every regional report was the subject of coverage in key media outlets.
122. In addition to the Annual Report, in March 2015 Ofsted published its second Social Care Annual Report. This event stimulated national media coverage and was well received by

stakeholders as a demonstration of the weight Ofsted gives to social care. A separate Early Years Annual Report was published in April 2014. The next one is due to be published in July 2015.

123. Ofsted has also continued to publish a programme of official statistics about inspection outcomes, together with the underlying data that enable users to carry out their own analysis if they wish.

### **Provision of information**

124. Between 1 January 2014 and 31 December 2014, Ofsted received 829 Freedom of Information Act requests; 97% of these were responded to within the permitted timescales. Freedom of Information data are reported one quarter in arrears.

### **Parliamentary Questions**

125. On occasion, MPs ask questions that Ofsted is best placed to respond. We have an agreement with the DfE to provide a response within five working days so that the Department can meet its commitments to parliamentarians. In 2014–15, Ofsted received 40 requests for information in this way. One hundred per cent of responses were given within five working days and the average time taken to respond overall was three days.

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

126. Any member of the public is free to raise a question or concern directly with HMCI. In 2014–15, HMCI's Private Office received and responded to 1,044 pieces of correspondence. Eighty per cent of the 1044 pieces of correspondence were responded to within our 15 day deadline.

### **Customer service**

127. Ofsted is 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. Our customer service centre received 343,531 calls and over 205,000 emails between April 2014 and March 2015. The service centre uses an interactive voice response system that fulfils elements of data protection and routes callers to the most appropriately skilled advisers. This service continues to evolve and is reviewed regularly to ensure that it meets customers' needs. We responded to 75% of emails within 24 hours and met our targets for customer satisfaction and for the quality of help given in response to enquiries.

### **Complaints about Ofsted**

128. While Ofsted tries to ensure that all work goes well, we do receive some complaints. These are managed through a three-step process that is set out in our published complaints procedure available on the Ofsted website.
129. Ofsted monitors and evaluates the outcomes of complaints to ensure that lessons learned inform organisational practice and performance. Learning from complaints is communicated to the inspection service providers, which carry out many inspections, our own inspectors and their managers as part of Ofsted's performance management system. The learning outcomes also inform training and development programmes for inspectors.

130. In all cases, we encourage a complainant to raise any concerns as soon as possible directly with the individuals concerned so that they can be dealt with promptly. Our complaints process begins with this informal resolution, known as Step 1. Where concerns have not been resolved at Step 1, a formal complaint can be raised with Ofsted, known as Step 2. Where complainants remain dissatisfied following completion of a Step 2 investigation, they can request a Step 3 internal review of how their complaint was handled.
131. If complainants are still dissatisfied after the Step 3 internal review, they 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).
132. In 2014–15, we dealt with 2,155 Step 2 (2013–14: 2,449) complaints about Ofsted. In some cases, multiple complaints were received about the same inspection or regulatory activity and the 2,155 complaints dealt with relate to 1,642 separate activities (2013–14: 1,809). This represents less than 3% of all inspection and regulatory activity undertaken in 2014–15.
133. Details of the Step 2 complaints we dealt with are provided below:

Measure	Schools	Independent schools	ITE	FE & skills****	Early childhood**	Social care***	Total
Total number of activities complained about	439	28	1	26	1,062	86	1,642
Proportion of activities complained about	439/8,177 5%	28/678 4%	1/30 3%	26/556 5%	1,062/36,719 3%	86/5,912 1%	1,642/52,072 3%
Number of activities with aspects of a complaint upheld or partially upheld*	154/439 35%	5/28 18%	0/1 0%	9/26 35%	129/1,062 12%	41/86 48%	338/1,642 21%

- \* Includes cases where some or all aspects of complaint have been upheld. This can include aspects of complaint relating to staff conduct, administrative issues or the judgements made by Ofsted.
- \*\* Includes all early years providers and children’s centre inspections
- \*\*\* Includes all social care providers and single inspection framework inspections of local authorities
- \*\*\*\* Includes colleges, Armed Services, independent learning providers, HMI prisons, community learning & skills providers

134. Ninety four percent of all Step 2 complaints were completed within our published timescales of 30 working days from the date of receipt.
135. As a result of all Step 2 complaints dealt with in 2014–15, 15 further visits were undertaken in order to complete inspections and 16 inspections had their overall judgements changed. This represents a total of 0.06% of all inspection or regulatory activity.
136. In 2014–15, we dealt with 257 (2013–14: 327) Step 3 internal reviews. This represents 12% of all Step 2 complaints in the period and is a reduction of 21% of cases compared with the previous reporting year.
137. Details of the Step 3 internal reviews we dealt with are provided below:

Measure	Schools	Independent schools	ITE	FE & skills****	Early childhood**	Social care***	Total
Total number of internal reviews	81	8	0	7	146	15	257
Number of internal reviews that were upheld/partially upheld*	18/81 22%	1/8 12%	n/a	1/7 14%	67/146 46%	4/15 27%	91/257 35%

\* Includes cases where some or all aspects of complaint have been upheld. This can include aspects of complaint relating to staff conduct, administrative issues or the judgements made by Ofsted.

\*\* Includes all early years providers and children's centre inspections

\*\*\* Includes all social care providers and single inspection framework inspections of local authorities

\*\*\*\* Includes colleges, Armed Services, independent learning providers, HMI prisons, community learning & skills providers

138. Ninety two percent of all Step 3 internal reviews were completed within our published timescales of 30 working days from the date of receipt.
139. As a result of all Step 3 internal reviews in 2014–15, 15 further visits were undertaken in order to complete inspections and four inspections had their overall judgements changed. This represents a total of just 0.04% of all inspection or regulatory activity.
140. In 2014–15, Ofsted responded to 45 (2013–14: 42) reports by the Independent Complaints Adjudication Service for Ofsted, a 7% increase compared with the previous reporting period.

141. Details of the cases escalated to the adjudication service are provided below:

Measure	Schools	Independent schools	ITE	FE & skills	Early childhood*	Social care**	Total
Adjudication service responses	13	1	0	0	28	3	45

\* Includes all early years providers and children's centre inspections

\*\* Includes all social care providers and single inspection framework inspections of local authorities

142. The latest annual report by the adjudication service, published in July 2014, commented positively that the quality of Ofsted's complaint handling had improved from previous years. In the 37 cases covered by its annual report, it was found that no recommendations were needed in 19 cases, the highest number of cases where no recommendations were required since the adjudication service took on the role. The annual report commends the fact that virtually every one of the adjudication reports was responded to by Her Majesty's Chief Inspector.

### Complaints to the Parliamentary and Health Service Ombudsman

143. In 2014–15, five complaint cases have been considered by the Parliamentary and Health Service Ombudsman. The ombudsman partially upheld two of the complaint cases and did not uphold three cases.

## Sustainable development

### Carbon emissions

144. The Greening Government Commitment (2011) requires a reduction in greenhouse gas/carbon dioxide emissions by 25% from a 2009–10 baseline for the whole estate and business-related transport. From this reporting year, we have applied a far more accurate tool for the calculation of carbon emissions.
145. Overall, we have reduced our emissions by 14% since 2013–14 from 2,410 tonnes to 2,062 tonnes. Energy-related emissions have reduced by 18% from 1,150 tonnes to 943 tonnes and business travel emissions have reduced by 9% from 1,260 tonnes to 1,119 tonnes.
146. Ofsted is required to publish sustainability data on carbon dioxide 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

147. Significant total reductions in energy usage and consumption have been realised as a result of continuing prudent energy management measures and previous property consolidation projects, despite energy unit price increases. Gas consumption, due to a milder than average winter, dropped by 17% and electricity consumption dropped by 19% due mainly to the relocation of core IT infrastructure from London.

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

Area	2012–13	2013–14	2014–15
Carbon dioxide emissions (tonnes)	1,272	1,150	943
Carbon Reduction Commitment-related expenditure (£)	3,372	3,372*	3,120
Electricity (Kwh)	2,003,627	2,026,916	1,648,280
Gas (Kwh)	1,081,737	922,111	767,749
Total energy consumption (Kwh)	3,032,687	2,949,027	2,416,029
Buildings energy consumption (Kwh)	3,032,687	2,949,027	2,416,029
Total energy expenditure (£000)	270	255	227

\*Estimated

## Travel

148. Changes in the way Ofsted inspects has led to an increase in inspection travel. In particular, the focus on providers judged as requires improvement, shorter monitoring visits and more regular interventions, inspection improvement work, plus the move to regional delivery model with increased contact with stakeholders, have increased the number of journeys inspectors undertake. Carbon emissions from inspection travel have decreased, however, due largely to a reduction in the average estimated CO<sub>2</sub> rate per mile of Ofsted's hire car provider's fleet.
149. We continue to encourage staff to travel only when necessary and to use the most sustainable and cost-effective travel options available. In addition, staff are encouraged to hold meetings virtually, where this is feasible, as this has a positive impact on resource savings.

### *Scope 3 – Official business travel emissions*

<b>Area</b>	<b>2012–13</b>	<b>2013–14</b>	<b>2014–15</b>
Business travel – train/tram/underground miles (000)	3,101	3,113	3,990
Business travel – train carbon emissions (tonnes)	311	277	302
Business travel – train cost (£000)	1,584	1,867	2,038
Business travel – air miles (000)	114	127	128
Business travel – air carbon emissions (tonnes)	12	28	28
Business travel – air cost (£000)	35	43	44
Business travel – private vehicle miles (000)	1,678	1,870	1,809
Business travel – private vehicle carbon emissions (tonnes)	202	571	552
Business travel – private vehicle cost (£000)	743	859	812
Business travel – hire car miles (000)	1,166	1,804	1,753
Business travel – hire car carbon emissions (tonnes)	325	378	230
Business travel – hire car cost (£000)	457	476	428
Business travel – taxi number of journeys	7,091	7,528	8,265
Business travel – taxi carbon emissions	5	6	7
Business travel – taxi cost (£000)	76	81	88
Total carbon emissions from travel (tonnes)	855	1,260	1,119

## Waste

150. Modest reductions of 5% in the waste produced have been achieved across the different areas as improved waste segregation and supplier management continue to be embedded across the estate.

Area	2012–13	2013–14	2014–15
Total waste (tonnes)	94	59	56
Recycled waste including composted waste (tonnes)	65	38	37
Incinerated waste energy recovery (tonnes)	11	5	5
Incinerated waste no energy recovery (tonnes)	1	0	0
Residual office waste (tonnes)	17	16	14
Information and communication technology waste (tonnes)	30*	30*	38*
Total waste expenditure (£000)	21	11	8

\*Estimated

## Use of finite resources

151. Seventy per cent of our office consumables continue to be recycled or are recyclable. Water consumption has increased by 7% due to recharging as higher rates of building occupancy levels were achieved in the multi-tenanted buildings we occupy.

Area	2012–13	2013–14	2014–15
Water consumption (m <sup>3</sup> )	5,515	4,609	4,956
Water expenditure (£000)	12	11	12

## Biodiversity and adaption action plans

152. 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 wastewater is collected and used.

## Climate change

153. The risks posed by climate change will affect a number of our key areas of work, including the ability to carry out inspection. Ofsted has a sustainable travel policy that gives precedence to low carbon means of transport recognising and incorporating thinking on climate change issues.

## Sustainable procurement

154. Most new procurements are via Crown Commercial Service frameworks, which take account of sustainability issues when awarding contracts. Sustainability can also be a consideration for all other procurement.

## **Estates and home working**

155. Ofsted's Estates Strategy continues to support the organisation in driving flexible and mobile working by taking advantage of Ofsted's strong IT capability. This gives flexibility beyond the home and office to enable the organisation to deliver its objectives. It allows the continuing development of the property portfolio and, together with TW3: The Way We Work – A Guide to Smart Working in Government, will contribute to achieving greater efficiencies by optimising office space and provide subsequent reductions in costs and carbon emissions.
156. Space rationalisation projects completed throughout 2013–14, as well as continuing to work with the Government Property Unit in providing short-term accommodation to other government departments, have continued to deliver some modest space reductions in this reporting year. Further efficiencies will start to be realised in 2015–16 as we exercise lease breaks in Bristol and move to more modern office accommodation.
157. Growth in FTE numbers (in the region of 150) is expected as a result of bringing the management of all school and FE inspections in-house. We expect to be able to absorb the majority of this growth within existing means, given the success in how we operate our portfolio through the adoption of more flexible working and the introduction of flexible workspaces, reducing our demand for office space across the wider government civil estate.

## Remuneration Report

### Part A: Unaudited

#### Ministers

158. Ofsted is a non-ministerial government department.

#### Appointment of non-executive Board members

159. 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

160. Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles. The Principles require appointments to be on merit on the basis of fair and open competition, but also include the circumstances when appointments may otherwise be made.
161. Full details of the membership of the Operations 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.
162. Further information about the work of the Civil Service Commission can be found at: <http://civilservicecommission.independent.gov.uk>.
163. Sir Michael Wilshaw was appointed as HMCI from 1 January 2012; this is a Crown appointment for an initial period of five years.
164. Unless otherwise stated, the Directors are all permanent senior civil servants.
165. HMCI and the other members of the Executive Board are covered by the Civil Service Management Code. None of the Ofsted Directors holds 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 and Risk Assurance Committee Secretariat at Ofsted's office in London.

#### Remuneration policy

166. The Directors are paid in accordance with the senior civil servant pay framework; this is set by the government and subject to the recommendations of the Senior Salaries Review Body.

167. 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 and Risk Assurance Committee, served as the independent member on the SCS Pay Committee during 2014–15. 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.
168. Ofsted's approach to the performance assessment of staff within the SCS workforce 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, professional skills and the degree of difficulty in meeting the objectives in light of actual events.
169. 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 three performance distribution groups across Ofsted.
170. 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 had been achieved against individual performance agreements.

## **Part B: Audited**

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

171. The following sections provide details of the remuneration and pension interests of the most senior management (that is, HMCI and Operations Executive Board members) within Ofsted.

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

172. Baroness Sally Morgan of Huyton's tenure as the Chair of the Ofsted Board ended in August 2014. Mr David Hoare was appointed to the position of Chair of the Ofsted Board from 1 September 2014.
173. The disclosure of non-executive remuneration has been revised for 2014–15 to include the names of all Board members and their remuneration received. Non-executive remuneration for 2013–14 has been re-stated to include claims for additional days worked that were not processed through payroll. All future claims for additional days worked by non-executives will be paid through payroll.
174. The salary entitlements of all non-executives of Ofsted for the year ending 31 March 2015 were as follows:

Officials	Salary (£'000)	
	2014-15	2013-14
Baroness Sally Morgan of Huyton Chair of Ofsted Board (to 31 Aug 2014)	25-30 (70-75 FYE*)	70-75
David Hoare Chair of Ofsted Board (from 1 Sept 2014)	25-30 (45-50 FYE*)	-
Linda Farrant Ofsted Board Member	5-10	5-10
John Roberts CBE Ofsted Board Member	5-10	5-10
Paul Snell CBE Ofsted Board Member	5-10	5-10
James Kempton Ofsted Board Member (from 11 Mar 2015)	0-5 (0-5 FYE*)	-
John Hughes Ofsted Board Member (from 11 Mar 2015)	0-5 (0-5 FYE*)	-
Andy Palmer Ofsted Board Member (to 31 Dec 2014)	0-5 (0-5 FYE*)	0-5
Sir Alan Steer Ofsted Board Member (to 31 Dec 2014)	0-5 (0-5 FYE*)	0-5
Professor Geoff Whitty CBE Ofsted Board Member (to 31 Dec 2014)	0-5 (0-5 FYE*)	0-5
Vijay Sodiwala Ofsted Board Member (to 31 May 2014)	0-5 (0-5 FYE*)	5-10

\*Full year equivalent

## Senior management remuneration (salary and payments in kind)

175. The salary entitlements of the most senior members of Ofsted for the year ending 31 March 2015 were as follows:

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Sir Michael Wilshaw, HMCI	195-200	195-200	-	-	-	-	-	-	195-200	195-200
Matthew Coffey, Chief Operating Officer	140-145	130-135	10-15	10-15	1,600	2,200	101	13	255-260	155-160
Nick Jackson, Director	120-125	65-70 (120-125 FYE*)	-	-	-	-	45	-5	165-170	55-60
Lorna Fitzjohn, Director	120-125	100-105	-	-	-	-	244	-19	365-370	80-85
Sean Harford, Director	130-135	115-120	10-15	10-15	-	-	146	72	290-295	195-200

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Debbie Jones, Director	150-155	80-85 (150-155 FYE*)	-	-	-	-	51	-5	200-205	75-80
Nick Hudson, Director	135-140	135-140	10-15	-	-	-	49	53	200-205	185-190
Bradley Simmons, Director	120-125	30-35 (100-105 FYE*)	-	-	-	-	303	72	420-425	105-110
Joanne Morgan, Director	115-120 (120-125 FYE*)	5-10 (100-105 FYE*)	0-5	-	-	-	44	-2	165-170	5-10
Karen Shepperson, Director (from 1 Apr 2014)	105-110	-	10-15	-	-	-	30	-	145-150	-
Neil Greenwood Director (from 1 Apr 2014)	105-110	-	10-15	-	-	-	25	-	145-150	-
Sir Robin Boshier, Director (from 22 Apr 2014)	135-140 (150-155 FYE*)	-	-	-	-	-	42	-	175-180	-
Kath O'Dwyer, Director (from 1 May 2014)	120-125 (135-140 FYE*)	-	-	-	-	-	40	-	160-165	-
Christopher Russell, Director (from 25 Aug 2014)	70-75 (120-125 FYE*)	-	-	-	-	-	88	-	160-165	-
Andrew Cook, Director (from 1 Dec 2014)	40-45 (120-125 FYE*)	-	-	-	-	-	49	-	85-90	-
Lorraine Langham, Chief Operating Officer (to 6 Apr 2014)	0-5 (170-175 FYE*)	165-170	-	10-15	-	-	3	185	-5-10	365-370
Louise Soden, Director (to 30 Aug 2014)	65-70 (165-170 FYE*)	165-170	-	-	-	-	-	-	65-70	165-170
Michael Cladingbowl, Director (to 31 Dec 2014)	90-95 (120-125 FYE*)	120-125	-	-	-	-	19	118	105-110	235-240
Lesley-Anne Jones, Director (from 2 Sep 2013 to 10 Jan 2014)	-	50-55 (140-145 FYE*)	-	-	-	-	-	-	-	50-55
Susan Gregory, Director (to 31 Dec 2013)	-	90-95 (120-125 FYE*)	-	-	-	-	-	-17	-	70-75
Richard Brooks, Director (to 31 Aug 2013)	-	45-50 (110-115 FYE*)	-	-	-	-	-	14	-	55-60
Darryl Nunn, Director (to 30 June 2013)	-	30-35 (120-125 FYE*)	-	-	-	-	-	6	-	35-40
John Goldup, Director (to 7 April 2013)	-	0-5 (150-155 FYE*)	-	-	-	-	-	22	-	25-30

\*Full year equivalent

176. Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and Private Office allowances and other allowances to the extent that it is subject to UK taxation.
177. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. In 2014–15, £1,600 (2013–14: £2,200) benefits in kind were provided by Ofsted to Matthew Coffey, who received a salary advance to assist with relocation costs.

### Pay multiples

178. 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.
179. The banded remuneration for the highest paid director in Ofsted in the financial year 2014–15 was £195,000 to £200,000 (2013–14: £195,000 to £200,000). This was 4.12 times (2013–14: 5.13) the median remuneration of the workforce, which was £47,964 (2013–14: £38,491).
180. Ofsted is committed to drive improvement in all remits it inspects. Ofsted has introduced changes to the way it inspects across all remits and has introduced new inspector posts in Early Childhood and Social Care to drive improvement. The increase in inspector numbers has led to a higher salary median than in the previous year. The salary of the highest paid Director has remained the same, so the ratio has reduced over the period.
181. In 2014–15, zero (2013–14: zero) employees received remuneration in excess of the highest paid Director. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

### Pension benefits

182. The pension entitlements of the most senior members of Ofsted for the year ending 31 March 2015 were as follows (please see Appendix A for an explanation of some of the terms used in the table headings):

Officials	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sir Michael Wilshaw, HMCI	-	-	-	-	-	-
Matthew Coffey, Chief Operating Officer	30 plus lump sum of 91	5 plus lump sum of 14	483	372	67	-
Nick Jackson, Director	14	3	166	127	22	-

Officials	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Lorna Fitzjohn, Director	42 plus lump sum of 126	11 plus lump sum of 33	912	646	231	-
Sean Harford, Director	52	8	745	502	102	-
Debbie Jones, Director	17	15	290	25	-22	-
Nick Hudson, Director	7	3	91	50	28	-
Bradley Simmons, Director	51	16	826	552	242	-
Joanne Morgan, Director	5	3	50	22	17	-
Karen Shepperson, Director (from 1 Apr 2014)	36 plus lump sum of 107	2 plus lump sum of 5	580	531	19	-
Neil Greenwood Director (from 1 Apr 2014)	22	2	240	212	10	-
Sir Robin Boshier, Director (from 22 Apr 2014)	3	3	38	-	28	-
Kath O'Dwyer, Director (from 1 May 2014)	2	2	29	-	20	-
Christopher Russell, Director (from 25 Aug 2014)	15	5	244	161	72	-
Andrew Cook, Director (from 1 Dec 2014)	15	3	234	194	37	-
Lorraine Langham, Chief Operating Officer (to 6 Apr 2014)	68	1	1,006	1,007	2	-
Louise Soden, Director (to 30 Aug 2014)	-	-	-	-	-	-
Michael Cladingbowl, Director (to 31 Dec 2014)	43 plus lump sum of 128	1 plus lump sum of 3	878	824	16	-
Lesley-Anne Jones, Director (from 2 Sep 2013 to 10 Jan 2014)	-	-	-	-	-	-
Susan Gregory, Director (to 31 Dec 2013)	-	-	-	1,446	-	-

<b>Officials</b>	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>	<b>Nearest £100</b>
Richard Brooks, Director (to 31 Aug 2013)	-	-	-	116	-	-
Darryl Nunn, Director (to 30 June 2013)	-	-	-	297	-	-
John Goldup, Director (to 7 April 2013)	-	-	-	252	-	-

**Compensation for loss of office**

183. There were no payments made for compensation for loss of office in 2014–15. A payment of £75,000 was made to John Goldup for compensation for loss of office in 2013–14.

**Sir Michael Wilshaw:**

**Date: 4 June 2014**

**Accounting Officer for the Office for Standards in Education, Children’s Services and Skills**

## Financial Performance

### Financial Results

184. Ofsted's budget, including depreciation, has reduced over four years from £200 million in 2010–11 to £165.7 million in 2014–15. It will reduce to £143.3 million in 2015–16 and may reduce further over the medium term following the notification of the 2015 Spending Review.
185. In 2014–15, the total budget approved in the Main Estimate was £146.3 million. As part of the Supplementary Estimate Process, the total budget increased by £19.4 million to £165.7 million as a result of a transfer from the DfE to support Ofsted's strategy of ensuring that resource is focused to drive improvement across all the remits it inspects. The funding was focused on helping Ofsted do more to challenge the education system in order to help drive up standards in education and care for children, young people and learners.
186. Ofsted's outturn was £159.2 million, meaning that Ofsted realised savings of £6.5 million. The most significant factor contributing to the savings was ring-fenced depreciation where the actual depreciation was £3.4 million less than the Parliamentary Estimate. The other contributing factors to the underspend were reduced expenditure through the inspection service providers, arising from a reduction in planned education, FE and skills inspection volumes; and less expenditure than provided for on former employee take-up of historic pension transfer rights and other pension liabilities, affecting provisions. This was offset by additional expenditure in delivering a comprehensive IT refresh programme.
187. Ofsted's agreed limit for its administration costs reduced by £1.6 million (8%) from £20.2 million in 2013–14 to £18.6 million in 2014–15. Actual expenditure in 2014–15 against this limit was £16.1 million, a saving of £2.5 million. Ofsted is continuing to drive down administration costs to meet savings targets.
188. The net cash requirement outturn for 2014–15 was £159.2 million compared with an estimate of £162.4 million, a saving of £3.2 million. Cash resources are proactively managed and monitored to ensure no breach of financial targets.
189. Ofsted received a cash advance of £19.4 million, the amount of additional funding from DfE, from HM Treasury's Contingencies Fund in early March 2015, to pay contractual, supplier and employee commitments. The cash advance was repaid following the approval of the Supply and Appropriation Act by Parliament in late March 2015 and the receipt of the cash due to Ofsted through the Supplementary Estimate process.
190. Departments preparing resource accounts under the Government Resources and Accounts Act 2000 are required to produce the following analysis. It is a reconciliation of net resource outturn and net operating costs.

	<b>2014–15</b>	2013–14
	<b>£'000</b>	£'000
Resource Departmental Expenditure Limit	<b>157,242</b>	161,308
Resource Annually Managed Expenditure Limit	<b>(1,719)</b>	(4,703)
<b>Net resource outturn and net operating cost</b>	<b>155,523</b>	156,605
Capital Expenditure	3,667	4,302
<b>Total Budget</b>	<b>159,190</b>	160,907

191. In accordance with International Financial Reporting Standard 8 (IFRS 8), 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 three operating segments: inspection, inspection support and corporate costs. A breakdown of performance by operating segments can be found in Note 2 of the Annual Accounts.
192. Ofsted has contingent liabilities in relation to the redundancy cap in one of the inspection service provider contracts and in relation to its obligations to fund its share of the deficits in two local government pension schemes. Further information can be found in Note 19 of the Annual Accounts.
193. Ofsted has a contingent asset relating to gain share with one of our early years inspection service providers. Ofsted had agreed with the contractor that any cumulative gains realised in years 3–5 would be paid to Ofsted at the current contract end. As part of the contract extension, Ofsted has agreed that any gain share owing at the end of the original contract term can be carried forward and used solely to offset some future pension liabilities.

## Going concern

194. The statement of financial position at 31 March 2015 shows net liabilities of £6.6 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.
195. Ofsted's funding for 2015–16 has been agreed by Parliament as part of the Main Estimate process. HMCI has set out an ambitious agenda to improve education, FE and skills and the social care services provided to children and young people. This has involved reforming the way Ofsted inspects to make it clear that only good is good enough. HMCI is determined that Ofsted should do more to challenge the education system and help improve standards in education and care for children, young people and learners.
196. To help meet HMCI's agenda, the DfE has agreed to support the reform of the way Ofsted inspects and help improve standards by providing additional funding for 2015–16. This

additional funding has been set out in a funding settlement letter from the DfE and will be invoiced in the 2015–16 financial year.

## Risk and uncertainties

197. 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.
198. Ofsted is required to develop plans to deliver against its statutory requirements, while operating within the funding envelope agreed with the Treasury and DfE. The Executive Board approved the 2015–16 budget on 13 March 2015, subject to robust monitoring and management of the developing financial position and related risks during the first quarter of the financial year.
199. Further budget reductions are expected in 2016–17 and beyond, following the May 2015 general election and agreement of the 2015 Spending Review. The expected budget reductions will present some significant operational challenges to Ofsted, but work is underway to develop plans that will enable Ofsted to further reduce costs and reprioritise activity so we can continue to meet operational priorities within the likely reduced future funding allocation.

## Payment of suppliers

200. Standard payment terms for government departments are payment of invoices within 30 days of receipt, although Ofsted aims to pay all undisputed invoices from all suppliers within 10 days of receipt of goods/services or receipt of a valid invoice, whichever is later. In addition, government departments are also now expected to aim to pay 80% of all undisputed invoices within five days. Ofsted's performance against these targets is:

Supplier Payments	2013–14	2014–15
	%	%
Paid within 30 days	97	96
Paid within 10 days	86	84
Paid within 5 days	72	65

201. Ofsted changed the way it calculated the performance in 2014–15 to align with government standards. The performance statistics are now calculated from the date the invoice is received by Ofsted to the date the payment is received in the supplier's bank account. In 2013–14, the calculation was from the date the invoice was received by Ofsted to the date the payment was made by Ofsted. This change has resulted in a slight decrease in performance in 2014–15.
202. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1988.
203. The aggregate amount owed to trade creditors at 31 March 2015 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 0.3 days (31 March 2014: 0.3 days).

## Monitoring of consultancy and temporary staff

204. Ofsted has utilised the Contingent Labour One framework, that Crown Commercial Service has put in place for procuring new agency temporary staff and interim contractors.

	<b>2013–14</b> <b>£'000</b>	<b>2014–15</b> <b>£'000</b>
Total consultancy expenditure	83	19
Total temporary staff expenditure	5,657	5,986

## Off-payroll engagements

205. As part of the 'Review of the tax arrangements of public sector appointees', published by the Chief Secretary to the Treasury on 23 May 2012, departments are required to publish information in relation to the number of off-payroll engagements, at a cost of over £58,200 per annum, that were in place on or after 31 January 2012.

206. There were 10 off-payroll engagements at a cost of over £58,200 per annum in place between 1 April 2014 and 31 March 2015. This includes eight that were in place from the previous reporting period, and two new engagements for more than £220 per day and more than six months as detailed in the table below.

<b>No. of existing engagements as of 31 March 2015</b>	<b>10</b>
Of which...	
No. that have existed for less than one year at time of reporting.	<b>3</b>
No. that have existed for between one and two years at time of reporting.	<b>6</b>
No. that have existed for between two and three years at time of reporting.	<b>1</b>

207. All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax. Where necessary that assurance has been sought.

208. Ofsted carries out an assessment of all off-payroll engagements on a quarterly basis. Of the 10 engagements current at the time of reporting, all were considered to be low risk and assurance has not been sought at the date of reporting.

209. There were three new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that lasted for longer than six months as detailed in the table below.

<b>No. of new engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015</b>	<b>3</b>
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	<b>3</b>
No. for whom assurance has been requested	<b>0</b>

210. There were zero off-payroll engagements of board members and/or, senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015 as detailed in the table below.

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	<b>0</b>
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	<b>3</b>

### Number of senior civil servants by pay band

211. As part of a government-wide transparency drive, Ofsted has released details about the salaries of top band senior civil servants. These figures have been in accordance with Cabinet Office guidance. Further details can be found at <http://data.gov.uk/organogram/ofsted>.

	<b>1 April 2014</b>	<b>31 March 2015</b>
SCS Band 1	23	16
SCS Band 2	4	11
Permanent Secretary Equivalent	1	1

212. The change in balance between SCS Pay Band 1 and SCS Pay Band 2 is following a grading review due to the regionalisation of Ofsted and the increased responsibility and accountability of the Regional Director role.

### Pension liabilities

213. 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.
214. 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 members who elected to remain in their existing local government pension schemes. Ofsted pays annual pension contributions to these local government schemes and reports any associated assets or liabilities under IAS19.

## **Auditor**

215. 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.
216. 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.
217. A notional fee of £68,000 has been charged for the audit (2013–14: £68,000).

## Core Tables

**Table 1: Total departmental spending 2009-10 to 2015-16**

	£'000						
	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 OUTTURN	2015-16 PLANS
<b>Resource DEL</b>							
Administration and Inspection	199,576	177,762	170,856	157,148	161,308	157,242	142,977
n/a	-	-	-	-	-	-	-
<b>Total Resource DEL</b>	<b>199,576</b>	<b>177,762</b>	<b>170,856</b>	<b>157,148</b>	<b>161,308</b>	<b>157,242</b>	<b>142,977</b>
<i>Of which:</i>							
Staff costs	114,436	92,865	77,994	78,395	80,768	86,373	76,885
Purchase of goods and services	93,576	97,366	105,416	92,291	93,381	82,351	75,120
Income from sales of goods and services	-15,026	-14,569	-13,399	-14,091	-13,894	-14,866	-14,500
Rentals	-	-	-	-	-	2,446	2,604
Depreciation 1	3,659	2,016	767	474	978	870	2,800
Other resource	2,931	84	78	79	75	68	68
<b>Resource AME</b>							
Activities to Support All Functions	1,755	3,505	-6,218	-755	-4,703	-1,719	-1,135
<b>Total Resource AME</b>	<b>1,755</b>	<b>3,505</b>	<b>-6,218</b>	<b>-755</b>	<b>-4,703</b>	<b>-1,719</b>	<b>-1,135</b>
<i>Of which:</i>							
Take up of provisions	10,316	3,505	1,139	3,960	-701	218	265
Release of provision	-8,561	-	-7,357	-4,715	-4,002	-1,937	-1,400
<b>Total Resource Budget</b>	<b>201,331</b>	<b>181,267</b>	<b>164,638</b>	<b>156,393</b>	<b>156,605</b>	<b>155,523</b>	<b>141,842</b>
<i>Of which:</i>							
<b>Capital DEL</b>							
Administration and Inspection	1,366	37	173	905	4,302	3,667	1,500
<b>Total Capital DEL</b>	<b>1,366</b>	<b>37</b>	<b>173</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>1,500</b>
<i>Of which:</i>							
Purchase of assets	1,366	37	173	905	4,302	3,667	1,500
<b>Capital AME</b>							
<i>Of which:</i>							
<b>Total Capital Budget</b>	<b>1,366</b>	<b>37</b>	<b>173</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>1,500</b>
<b>Total departmental spending</b> <sup>3</sup>	<b>199,038</b>	<b>179,288</b>	<b>164,044</b>	<b>156,824</b>	<b>159,929</b>	<b>158,320</b>	<b>140,542</b>
<i>Of which:</i>							
Total DEL	197,283	175,783	170,262	157,579	164,632	160,039	141,677
Total AME	1,755	3,505	-6,218	-755	-4,703	-1,719	-1,135

<sup>1</sup> Includes impairments

<sup>2</sup> Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made

<sup>3</sup> Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2: Estimate to outturn 2014-15

		2014-15		2014-15		2014-15		2014-15	
		Original Plans		Adjusted Plans†		Final Plans		OUTTURN	
		Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital
<b>Spending in Departmental Expenditure Limits (DEL)</b>									
	<b>Voted expenditure</b>	<b>145,941</b>	<b>1,500</b>	<b>162,841</b>	<b>4,000</b>	<b>162,841</b>	<b>4,000</b>	<b>157,242</b>	<b>3,667</b>
<i>Of which:</i>	Administration and Inspection	145,941	1,500	162,841	4,000	162,841	4,000	157,242	3,667
<b>Total Spending in DEL</b>		<b>145,941</b>	<b>1,500</b>	<b>162,841</b>	<b>4,000</b>	<b>162,841</b>	<b>4,000</b>	<b>157,242</b>	<b>3,667</b>
<b>Spending in Annually Managed Expenditure (AME)</b>									
	<b>Voted expenditure</b>	<b>-1,135</b>	<b>-</b>	<b>-1,135</b>	<b>-</b>	<b>-1,135</b>	<b>-</b>	<b>-1,719</b>	<b>-</b>
<i>Of which:</i>	Activities to Support All Functions	-1,135	-	-1,135	-	-1,135	-	-1,719	-
<b>Total Spending in AME</b>		<b>-1,135</b>	<b>-</b>	<b>-1,135</b>	<b>-</b>	<b>-1,135</b>	<b>-</b>	<b>-1,719</b>	<b>-</b>
<b>Total</b>		<b>144,806</b>	<b>1,500</b>	<b>161,706</b>	<b>4,000</b>	<b>161,706</b>	<b>4,000</b>	<b>155,523</b>	<b>3,667</b>
<i>Of which:</i>	Voted expenditure	144,806	1,500	161,706	4,000	161,706	4,000	155,523	3,667

† Figures for Adjusted Plans have been adjusted for machinery of government changes effected during 2014 to reflect the Final Plans structure where applicable

Explanations of the variance between the final plans and outturn can be found in the Financial performance of the Strategic Report.

**Table 3: Capital employed 2009-10 to 2015-16**

	£'000						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans
<b>Assets and liabilities on the statement of financial position at the end of year:</b>							
<b>Assets</b>							
Non-current assets	3,997	2,019	1,425	1,848	5,155	7,920	7,138
Intangible	3,339	1,743	1,267	1,746	3,186	5,265	5,058
Property, plant and equipment	658	276	158	102	1,969	2,655	2,080
<i>of which:</i>							
Land and buildings	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-
Equipment	658	276	158	102	1,969	2,655	2,080
Software licences	3,339	1,743	1,425	1,746	3,186	5,265	5,058
Current assets	7,633	6,517	8,507	14,319	11,686	10,462	9,854
<b>Liabilities</b>							
Current (<1 year)	-17,955	-20,983	-25,325	-23,966	-19,888	-19,600	-21,286
Non-current (>1 year)	-1,392	-469	-1,365	-841	-117	-55	-
Provisions	-21,743	-18,698	-12,480	-11,725	-7,022	-5,303	-2,341
<b>Total capital employed in Department</b>	<b>-29,460</b>	<b>-31,614</b>	<b>-29,238</b>	<b>-20,365</b>	<b>-10,186</b>	<b>-6,576</b>	<b>-6,635</b>

**Table 4: Administration costs 2009-10 to 2015-16**

	£'000						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS
<b>Resource DEL</b>							
Administration and Inspection	28,017	21,424	18,075	16,427	16,693	16,105	18,900
<b>Total administration budget</b>	<b>28,017</b>	<b>21,424</b>	<b>18,075</b>	<b>16,427</b>	<b>16,693</b>	<b>16,105</b>	<b>18,900</b>
<i>Of which:</i>							
Staff costs	13,413	11,982	10,757	10,222	10,553	10,661	-
Purchase of goods and services	14,035	9,383	7,240	6,047	5,905	4,801	18,832
Income from sales of goods and services	-83	-25	-	-	-	-	-
Rentals	-	-	-	-	-	444	-
Depreciation	549	-	-	85	167	131	-
Other resource	103	84	78	73	68	68	68

**Table 5: Staff in post 2011-12 to 2014-15**

	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn
Civil service full time equivalents	1395	1207	1227	1313
Consultants and contingent labour	10	11	90	56
<b>Total</b>	<b>1405</b>	<b>1218</b>	<b>1317</b>	<b>1369</b>

**Table 6: Total identifiable expenditure on services by country and region 2009-10 to 2013-14**

	£ million				
	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn
North East	9	8	7	6	6
North West	25	23	20	18	19
Yorkshire and the Humber	18	16	15	14	14
East Midlands	17	15	14	13	13
West Midlands	19	17	15	14	14
East	22	20	20	18	19
London	29	26	30	28	29
South East	34	31	33	30	31
South West	20	18	17	15	16
Total England	194	176	170	157	161
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>194</b>	<b>176</b>	<b>170</b>	<b>157</b>	<b>161</b>
Outside UK	0	0	0	0	0
<b>Total identifiable expenditure</b>	<b>194</b>	<b>176</b>	<b>170</b>	<b>157</b>	<b>161</b>
Non-identifiable expenditure	0	0	0	0	0
<b>Total expenditure on services</b>	<b>194</b>	<b>176</b>	<b>170</b>	<b>157</b>	<b>161</b>

**Table 7: Total identifiable expenditure on services by country and region, per head 2009-10 to 2013-14**

	£ per head				
	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn
North East	3	3	3	2	2
North West	4	3	3	3	3
Yorkshire and the Humber	4	3	3	3	3
East Midlands	4	3	3	3	3
West Midlands	3	3	3	2	2
East	4	3	3	3	3
London	4	3	4	3	3
South East	4	4	4	3	3
South West	4	3	3	3	3
England	4	3	3	3	3
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>2</b>	<b>3</b>

**Table 8: Expenditure on services by sub-function, country and region 2013-14**

<b>£ million</b>	
<b>2013-14 outturn</b>	
	Education
North East	6
North West	19
Yorkshire and The Humber	14
East Midlands	13
West Midlands	14
East	19
London	29
South East	31
South West	16
<b>Total Education</b>	<b>161</b>
England	161
Scotland	-
Wales	-
Northern Ireland	-
UK Identifiable expenditure	161
OUTSIDE UK	-
<b>Total Identifiable expenditure</b>	<b>161</b>
Not Identifiable	-
<b>Totals</b>	<b>161</b>

Tables 6, 7 and 8 show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the [November 2014 release](#). The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of [PESA 2014](#).

The data feature both identifiable and non-identifiable spending:

- a. Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.

- b. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofsted to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by Ofsted during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofsted and of its net resource outturn, application of resources, 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
- 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

### Scope of responsibility

218. HMCI is the Accounting Officer for Ofsted and is answerable to Parliament for ensuring that all the resources available are used properly and that services provide value for money, are legally compliant and take account, where appropriate, of wider government policy.
219. HMCI, working with the Ofsted Board, has responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of Ofsted's policies, aims and objectives.

### Governance structure

#### Ofsted Board

220. The functions of the Board, as set out in Part 8 of the Education and Inspections Act 2006, are to determine strategic priorities for HMCI in connection with the performance of his functions; to determine strategic objectives and targets relating to such priorities; and to ensure that HMCI's functions are performed efficiently and effectively.
221. In performing its functions, the Ofsted Board ensures that high standards of corporate governance are observed at all times and discharges the following corporate governance responsibilities:
- monitoring Ofsted's performance against strategic objectives and targets
  - ensuring that Ofsted uses resources efficiently and achieves value for money
  - ensuring that a transparent system of prudent and effective controls is in place (including internal controls)
  - overseeing the risk management process within Ofsted.
222. To support the Board in fulfilling its responsibilities, the Board reviews management reports that have been approved by the Operations Executive Board that detail Ofsted's performance against its corporate and strategic objectives (see below). These reports cover all aspects of the organisation's business, including its external inspection and regulation activities, as well as its internal budgetary, risk and resource management. The information provided is signed off by the relevant senior manager and is subject to internal quality control checks during its production. The Board assesses the quality and appropriateness of the reports as part of the annual evaluation of Board performance. The Board agreed that the reports were of good quality.
223. The Ofsted Board is chaired by David Hoare and meets at least four times a year. Membership and attendance is provided in Appendix B.

#### Ofsted committees

224. The Board may establish committees and delegate any of its functions to the Chair, another Board member, a committee or a sub-committee.

225. The committees of the Board that operated in the year are as follows, with membership and attendance provided in Appendix B:

- Audit and Risk Assurance Committee
- Commissioning Assurance and Quality Committee
- Chair's Committee.

*Audit and Risk Assurance Committee*

226. The Audit and Risk Assurance Committee's function is to support both HMCI and the Board in their responsibilities for issues of risk management, internal control and governance including:

- the effectiveness of strategic processes for risk management, internal control and governance, and information assurance
- the accounting policies, including the process for review of the Annual Report and Accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors
- the planned activities and results of internal and external audit.

227. The Audit and Risk Assurance Committee also provides robust scrutiny and challenge of Ofsted's financial management and performance and oversees internal and external audit arrangements, including both financial and non-financial systems.

228. The Audit and Risk Assurance Committee meets regularly during the year, aligned to the financial reporting timetable. During 2014–15, the Committee met on five occasions and reviewed the following formal reports:

- Audit and Risk Assurance Committee Annual Report
- 2013–14 Annual Internal Audit Report and Opinion
- 2013–14 Annual Report and Accounts
- External Audit Annual Planning and Audit Completion Reports.

229. During 2014–15, the Committee has continued to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the risk management framework and the associated control environment; and in providing robust scrutiny, and challenge of Ofsted's financial management and performance. There has been focus on governance, risk management processes, contract management and the effectiveness of internal and external audit. Audit Committee members have attended a range of external events, including HM Treasury's Audit Committee event, and subsequently shared the best practice with other members.

230. The Committee have also been proactive in tracking the development of the Future Operating Model business case and associated risks to provide challenge to the programme board and assurance to the Ofsted Board.

231. The launch of the Future of Inspection changes and the Future Operating Model (FOM) will result in unprecedented changes for Ofsted. The Committee is committed to ensuring

there are effective strategic processes for risk management, internal control and governance throughout delivery of these programmes of work.

232. The Committee has been proactive in the early development of the 2015–16 internal audit plan and has taken steps to ensure lessons are learned from previous years. This includes engagement with the appropriate staff during the scoping stage; inclusion of end to end process reviews; and review the profiling of audits to ensuring a larger proportion are completed by the end of quarter three.
233. In the last quarter of the year, the Committee has been running with the Chair and one non-executive board member only. The two members of the Committee have been working closely with Ofsted senior management and have been working additional days to ensure their effectiveness.

#### *Commissioning Assurance and Quality Committee*

234. The Commissioning Assurance and Quality Committee was an independent Committee of the Ofsted Board, which advised both HMCI as Accounting Officer and the Ofsted Board. The Commissioning Assurance and Quality Committee engaged directly with those responsible for commissioning services from the inspection service providers and the associated contract management.
235. The Commissioning Assurance and Quality Committee's function was to provide non-executive assurance to the Ofsted Board on the management of risk, performance, quality and future strategic direction relating to the inspection service provider contracts.
236. The scope and purpose of the Committee was reviewed following the establishment of the FOM Programme. Following the review it was approved that the future strategic direction and governance relating to inspection service contracts would be managed within the FOM Programme and the Committee's last meeting would be held in September 2014. During 2014–15, the Committee met on two occasions.

#### *The Chair's Committee*

237. 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.

### **Executive Boards**

238. HMCI is supported by Executive Boards that help ensure that Ofsted has effective strategic and corporate management, including the leadership of the risk management process.
239. The high-level governance structure has been kept under review throughout the financial year to ensure that it remains effective during this period of significant organisational change. In 2014–15, the following Executive Boards were in operation.

#### *Operations Executive Board*

240. The Operations Executive Board is responsible for overseeing significant operational change and business as usual activity, scrutinising monthly finance, performance and risk

reports and commissioning strategic work for consideration by HMCI to ensure that Ofsted's needs in the medium and longer terms are identified and met.

241. The Operations Executive Board's function is to advise HMCI in decision-making and support him in the strategic and operational management of Ofsted. The Operations Executive Board is chaired by the Chief Operating Officer and approves organisational plans including the people strategy and workforce plan, annual learning and development plan, annual equalities statement and plan, communications strategy, accommodation strategy, environment policy, equality policy and health and safety policy.
242. The Operations Executive Board regularly reviews the monthly and quarterly operational performance of Ofsted, including the annual Corporate Plan and targets, Ofsted's Departmental Plan, the annual budget, the medium term financial plan, The Annual Report and Accounts (including the Governance Statement), all accounting and management control policies and practices, major contracts and investments, the appointment of auditors, changes to staff terms and conditions, and the management and mitigation of risks.
243. The Operations Executive Board consists of the Chief Operating Officer, Regional Directors and Directors. Individual members of the Operations Executive Board have specific and clearly defined responsibilities for inspection, inspection support and corporate activities, but act corporately and collectively to ensure the achievement of the priorities set out in the Strategic Plan and the objectives in Ofsted's Corporate Plan.

#### *Inspection and Improvement Forum*

244. The Inspection and Improvement Forum (IIF) is an advisory forum supporting decisions of HMCI, the Directors and Regional Directors. Its purpose is to:
  - oversee significant changes to inspection policy and practice
  - consider the performance of inspectors and inspection reports
  - consider grade profiles by remit
  - consider performance by region, focusing on areas of concern and ensuring consistent national standards
  - agree the annual survey plan
  - consider key reports including the Annual Report and major survey reports.
245. The meetings are an opportunity for IIF members to note updates on activity and performance in each region and to share best practice. Each meeting will have a regional focus and a remit focus. Senior HMI in the region are invited to attend.

#### *2015–16 Executive Board structure*

246. In 2015–16, we will be making changes to our meeting structure which will impact upon the Executive Boards. The new structure will improve our management of change and enable more delegated decision making to take place, reflecting our philosophy of 'Freedom within boundaries'.

### *Committees of the Board*

247. The formal governance structure of Ofsted is supported by a number of other groups that contribute to the formulation, steering and dissemination of policy and ensure the general consistency and quality of Ofsted's work. A full list of these groups is provided in Appendix B.

### **Declaration of interest**

248. Ofsted maintains a register of interests to ensure that potential conflicts of interest can be identified. Ofsted Board members and members of its sub-committees are required to declare any potential conflicts of interest on appointment and 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.

249. 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.

250. During 2014–15, one Board member declared that they had been appointed to the governing body of a university, one Board member declared that his son is a Director of a third party organisation that is a supplier to Ofsted and one Board member declared that her husband is the Chief Executive of two councils that receive inspection services from Ofsted.

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

251. In June 2014, Ofsted Board members considered the Corporate Governance Framework's performance against the standards set out in the [Corporate Governance Code in Central Government Departments](#). This evaluation used the framework agreed by the Chair's Committee. Covering five main areas – Board role, Board mechanics, Board capability, Board dynamics and Board engagement – the evaluation demonstrated that the Ofsted Board was working effectively and there were no departures from the code.

252. In July 2014, the regional governance and risk management audit took place. The objective of this internal audit was to provide an independent assessment of the efficiency and effectiveness of the key controls relating to Ofsted's Regional Governance and Risk Management processes. This audit was given 'substantial assurance', with two medium and four low recommendations.

### **The assessment of risk**

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

254. The environment in which Ofsted operates 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.

255. Risk management forms an integral part of Ofsted's governance procedures across the organisation, with the strategic risk register being used to identify, monitor and help mitigate threats to Ofsted's long-term strategic objectives. The benefits of this approach have been evident during what has been a period of significant change to both Ofsted's priorities and operational structure.
256. The strategic risk register is reviewed quarterly by the Operations Executive Board and Audit and Risk Assurance Committee and bi-annually by the Ofsted Board. The most significant operational risks to Ofsted are reported to the Operations Executive Board each quarter. This report includes a summary of the controls in place to reduce Ofsted's exposure to each risk. Ofsted continues to manage operational risks at a directorate, regional, divisional, project and team level.
257. In July 2014, Ofsted's regional governance and risk management arrangements were reviewed by internal audit. The audit provided independent assurance to HMCI, as Accounting Officer, that Ofsted has adequate, effective procedures and controls in place to support the management of operational risks through its regional structure.

## **Information risk**

258. Ofsted's staff and contractors will have privileged access to some sensitive data and information. This is to support our inspection and regulation work in the care of children and young people and in education and skills for learners of all ages. Ofsted has a duty to respect this privileged access and to ensure that all personal information it holds is appropriately safeguarded.
259. Ofsted introduced a revised Information Risk Policy in 2013 to assist in identifying and managing information risks alongside other business risks. We continue to ensure that the value of information is understood and exploited with sensitivities. We have revised and updated internal security policies and these will be communicated to staff and further integrated within our contractual arrangements.
260. We are developing an information management strategy to manage our approach to digital continuity to ensure that access to older electronic information is retained.
261. We have a governance structure that incorporates the Director, Corporate Services as Senior Information Risk Owner (SIRO), who sits on Ofsted's Executive Board and who is supported by a specialist team and a network of information asset owners and information asset managers. This community shares knowledge and good practice in managing information.
262. 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.
263. No data losses were formally reported by Ofsted to the Information Commissioner's Office in 2014–15.

264. Most of the personal data incidents recorded in this period are unauthorised disclosures. This was information released in error - electronically, through post, on paper and in conversations.

265. A summary of personal data related incidents during 2014–15 is provided in Appendix C.

## **Effectiveness of the internal control framework**

266. HMCI as Accounting Officer is required to formally review the effectiveness of Ofsted's system of internal control on an annual basis. This review is informed by the work of internal and external auditors, the Audit and Risk Assurance Committee, senior managers who have responsibility for developing and maintaining the internal control framework, and comments and recommendations made by the Education Select Committee. Senior managers are accountable for addressing Select Committee recommendations, and where appropriate, progress on recommendations are reported to the Audit and Risk Assurance Committee.

267. During 2014/15 Ofsted representatives, including Her Majesty's Chief Inspector, appeared in front of several House of Commons Select Committees to give evidence on behalf of the inspectorate. A number of recommendations made by the Committees have helped to inform the work of Ofsted.

- The Public Accounts Committee's report into school oversight and intervention referred to the need for greater oversight of good schools and acknowledged Ofsted's commitment to increasing the frequency of such inspections. Ofsted has continued its work in this area and will implement these changes in September 2015. The Committee also recommended that the DfE should obtain independent judgements of the capacity of academy sponsors that run more than one institution. Since the publication of the report Ofsted has worked with the DfE to clarify its role in inspecting multi-academy trusts.
- The Education Select Committee, in its report on extremism in schools, stated that Ofsted must work to improve confidence in its inspection outcomes. Ofsted is committed to ensuring that its inspection findings are reliable and from September 2015 Ofsted will contract directly with inspectors who were previously employed via inspection providers. This decision, in conjunction with conducting more frequent inspections of good schools, will help ensure inspection findings are robust.
- Ofsted gave evidence to the Communities and Local Government Select Committee as part of its inquiry into child sexual exploitation (CSE) in Rotherham. The Committee acknowledged in its report the changes made by Ofsted to its inspection framework in order to better protect against CSE and recommended that Ofsted work with underperforming local authorities to improve their standards. Ofsted will be extending its support for underperforming authorities in order to help them to fulfil their responsibilities.

## **Internal audit**

268. Ofsted's governance arrangements and risk management processes are supported by an internal audit function. All work undertaken meets the requirements defined in the Public Sector Internal Audit Standards.

269. An audit programme for 2014–15 was developed based on an annual assessment that focuses on Ofsted's major risks and in consultation with both the Operations Executive Board and Audit and Risk Assurance Committees. The 2014–15 internal audit plan covered 10 processes or systems operating within Ofsted, of which nine received 'substantial' assurances and one received 'partial' assurance. In addition, four follow-up audits were undertaken that did not result in an assurance assessment.
270. 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. In the auditors' opinion, Ofsted has adequate and effective systems over governance, risk and control that provide reasonable assurance regarding the effective and efficient achievement of Ofsted's objectives, except for the following:
- The 2013–14 Expenses internal audit report was issued with a low assurance assessment over governance and control arrangements established, particularly those through corporate contracts were found to be weak with significant levels of non-compliance identified. The level of non-compliance evidenced through the testing performed during the audit indicated that the policy in place governing what could be claimed was overly complex and therefore made it difficult for individuals to understand the requirements and their responsibilities.
  - Following the 2013–14 Expenses internal audit, the Business Expenses Policy and Procedures were updated. A follow-up audit to understand the implementation status of the agreed management actions was undertaken as part of the 2014–15 internal audit plan. The follow-up work reported that five of the eight agreed management actions were in progress at the time of the audit work. The updated policy framework had only recently been introduced and compliance exceptions were noted in respect of non-statistical sample testing of claims for hotel, rail travel and car hire bookings. In addition, actions to address weaknesses in the management information produced to identify and escalate instances of non-compliance to the appropriate level of management remained in progress at the time of the audit. Revised implementation dates were agreed for all of the management actions in the report and a further follow-up report has been proposed as part of the 2015–16 internal audit plan.
271. Ofsted has in place a robust process for identifying and preventing any travel expenses claimed incorrectly by its staff. The non-compliance identified by the internal audit was primarily procedural and did not result in any incorrect claims.
272. Ofsted has made significant progress in implementing the recommendations from the 2013–14 expenses audit including revision to procedures, issuing of management information, changes to compliance monitoring and improvement in internal systems and process. Management information on travel contracts is issued monthly to Directors for them to tackle any compliance issues within their line management chain. Enhanced management information identifying compliance on other contracts and staff expense claims is to be delivered in the early part of 2015–16.
273. Progress against plans to strengthen these control weaknesses are tracked and reported to the Operations Executive Board and Audit and Risk Assurance Committee on a regular basis. Internal audit is scheduled to carry out an independent review after the end of the

financial year to ensure that recommendations are being adopted and provide assurance to the Accounting Officer.

### **Audit and Risk Assurance Committee**

274. Every year, the Audit and Risk Assurance Committee provides a formal and independent assurance on the adequacy of the risk management framework and the associated control environment to HMCI as Accounting Officer. Informally, a regular dialogue is maintained between the Chair of the Audit and Risk Assurance Committee and HMCI. The Audit and Risk Assurance Committee Chair provides a synopsis of the work of the Committee to the Ofsted Board at each meeting and formal minutes of the Audit and Risk Assurance Committee meetings are presented to the Ofsted Board.
275. The Audit and Risk Assurance Committee provides advice on the implications of internal audit reviews and monitors progress against the plan to tackle identified weaknesses to ensure that there is continuous improvement of the system of internal control.

### **Certificates of Assurance**

276. Each director, deputy director and divisional manager must complete a mid-year review and end-of-year review of the controls that they have in place to manage risks. They must report on this by completing an internal control checklist and giving written assurance to the Accounting Officer that these controls are effective.
277. Certificates of Assurance are now supported by an internal control checklist that outlines all of the internal controls that each signatory should have in place. Significant deviations must be disclosed. There were no significant deviations or risks identified from this assurance process.

### **Capacity to handle risk and change**

278. This is a period of significant internal and external change for Ofsted; in response, Ofsted has been proactive in identifying and mitigating emerging risks.
279. The Chief Operating Officer was appointed as the Interim Accounting Officer for the period 19 March and 11 May 2015 due to a period of absence of Her Majesty's Chief Inspector. The Interim Accounting Officer was accountable to Parliament for the transactions reported in the financial statements and the governance relating to those the transactions for this period. The Interim Accounting Officer also provided assurance to the Accounting Officer over the governance arrangements during this period to enable the appropriate signature of the governance statement.
280. The annual budget was approved by Operational Executive Board, the Accounting Officer and Audit and Risk Assurance Committee in March 2014 but was subject to the DfE's agreement to provide funding for inspection reform. Following further discussions with the DfE, the approved budget was subsequently reduced by £4m. This reduction required revised budgets to be issued across the business, spending to be curtailed and additional savings to be delivered. Despite the budget pressure, we have managed our business and finances to deliver against our strategic and operational objectives and the revised budget and parliamentary control totals.

281. Ofsted's funding for 2015–16 is a significant reduction from the 2014–15 funding level. Ofsted set out for Ministers and the DfE the main areas where activity could be reduced to deliver the level of saving required, including a range of options for savings in inspection and administration costs. The proposed savings options were considered and those agreed by Operations Executive Board, were incorporated into the 2015–16 budget setting process. The 2015–16 budget was approved by Operations Executive Board in March 2015.
282. The social and political context in which Ofsted works is likely to change increasingly following the May 2015 general election and may lead to new demands on the organisation and/or require new ways of working. We are already aware that further budget reductions maybe required. The refreshed Strategic Plan 2014–16 was published in July 2014 and should ensure some continuity over the coming period. We are continuing to engage with a broad range of stakeholders, including ministers, before progressing change to our inspection frameworks. We are also continuing to plan for post-election budget reductions.
283. A programme has been set up to manage changes to Ofsted's FOM. The current contracts with our inspection service providers (ISPs) for schools and FE and skills inspections come to an end in August 2015. On 29 May 2014, HMCI announced that these contracts would not be renewed and that, from September 2015, we would contract directly with inspectors. These changes to how we resource inspection will help to ensure that we have the necessary quality, control and flexibility in our workforce to deliver our plans for the future of school and FE and skills inspection. Alongside this, we have extended our current contracts with our early years ISPs to March 2017.
284. The FOM programme is closely linked to the work on the Future of Education Inspection. A governance structure that covers both of these important and complex areas of work has been established. Both pieces of work are led by Directors and each strand is led by Ofsted senior staff. The outputs, progress, risks and proposals from their work are reviewed at the Change Programme Board, part of Operations Executive Board and Ofsted Board. The business case and supporting financial analysis have been reviewed by the DfE and HM Treasury. The final programme business case was presented to OEB for scrutiny and approval in April 2015.
285. A Project Validation Review (PVR) led by the Cabinet Office took place on 14 April 2014 and confirmed that Ofsted did not need to go through formal Major Projects Authority sign off or Gateway Review at that stage. A one-day follow up Assurance Action Plan took place in October and gave the FOM programme an amber status. Good progress has been made since then and the programme currently rates itself as amber/green. We are confident that the programme is on track for successful delivery in September 2015.
286. Ofsted have appointed an external Programme Director to take responsibility for the delivery of the programme to the required timescales. The Programme Director is supported by a number of staff across key business areas who possess the experience, skills and knowledge to deliver each strand of the programme successfully. The substantive roles of key staff have been filled by temporary staff to ensure that business as usual operations are delivered.
287. Ofsted held a two-day event in September 2014 and a three-day event in March 2015 to look in detail at the plans within the programme. Our internal and external stakeholders,

including Ofsted's non-inspection employees, HMI and other inspection colleagues, employees of the ISPs, Additional Inspectors, representatives from other government departments and other external stakeholders, helped us to further develop our proposals for the future and had the opportunity to get involved in discussing the most important areas of the programme.

288. In addition to the events above, Ofsted continues to publish communication on the progress of the programme to all internal stakeholders. In November 2014, we published 'Your future, your views' to update stakeholders with proposals for how Ofsted will be structured to best support inspection services in the future and to invite feedback. This document was also sent to the employees of the ISPs. The feedback was considered by those leading strands on the project to finalise their proposed structures. In March 2015, the second issue of 'Your future, your views' document was published to bring stakeholders up to date, explain how their feedback was used to develop our final proposed structures and set out what happens next. Further stakeholder engagement events are planned in 2015–16.
289. A group has been established to support the effective exit from the current contracts and the transition to our new ways of working. The group consists of members of the programme team from Ofsted and representatives from Ofsted's Operations, Commercial and HR teams, as well as senior representatives from each of the ISPs and a secondee from Estyn, Ofsted's equivalent in Wales. The group's role is to:
- ensure there is a common understanding of the transition plan and to monitor its effective delivery
  - provide an issue identification and resolution forum for transition issues facing ISPs
  - effectively communicate latest thinking and key messages to ISPs on matters including Additional Inspector selection and on-boarding, migration of activity and legacy activity
  - identify issues for escalation to the FOM Programme Board and/or Contract Management Boards depending on issues raised.
290. The launch of the Future of Inspection changes and the Future Operating Model will result in unprecedented changes for Ofsted. The Audit Risk and Assurance Committee is committed to ensuring there are effective strategic processes for risk management, internal control and governance throughout delivery of these programmes of work.
291. Ofsted is required to seek prior approval from the Cabinet Office when offering a salary supplement to exceptional senior candidates. We mistakenly did not seek this prior approval for an individual in 2014–15 and, as a result, received a fine equivalent to the senior candidate's salary. The fine was settled as a reduction to the funding Ofsted received in the Supplementary Estimate. We have reviewed our process to ensure that approval is requested in any future cases and obtained prior to appointment.
292. As described in the assessment of risk section above, Ofsted's risk policy, including the strategic risk management process, has been reviewed by internal audit. Ofsted's risk management process remains robust and continues to support the governance of Ofsted. Ofsted's operational risk management has become more practical and more focused on driving discussion and identifying mitigating action.

293. The careful monitoring of strategic risks has strengthened Ofsted's governance during a period of significant change to both Ofsted's priorities and operational structure. The strategic risk register enhances the Ofsted Board's involvement through review and heightens awareness of the potential threats to Ofsted in meeting its objectives.
294. In March 2015, Ofsted's Board approved the establishment of a new committee of the Board, the Risk Committee. The Risk Committee is distinguished from the Audit and Risk Assurance Committee in that it aims to support Ofsted's actual management of risks, rather than providing assurance on the risk management process. The proposed responsibilities of the sub-committee are to advise and support the Ofsted Board and Accounting Officer on the:
- effectiveness with which strategic risks and issues are identified and managed by the Executive Board
  - effectiveness with which strategic risk management is cascaded to operational levels.
295. 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 support delivery of its aims and objectives.

**Sir Michael Wilshaw:**

**Date: 4 June 2015**

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

## **The 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 2015 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the 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 2015 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 2015 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 Strategic Report, Directors Report and Financial Performance sections of 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.

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

**Date 5 June 2015**

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

# Statement of Parliamentary Supply

## Summary of resource and capital outturn 2014-15

Note	Estimate			Outturn			2014-15	2013-14
	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	162,841	-	162,841	157,242	-	157,242	5,599	161,308
- Capital	4,000	-	4,000	3,667	-	3,667	333	4,302
<b>Annually Managed Expenditure</b>								
- Resource	(1,135)	-	(1,135)	(1,719)	-	(1,719)	584	(4,703)
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>165,706</b>	<b>-</b>	<b>165,706</b>	<b>159,190</b>	<b>-</b>	<b>159,190</b>	<b>6,516</b>	<b>160,907</b>
<b>Non-Budget</b>								
- Resource	-	-	-	-	-	-	-	-
<b>Total Resource</b>	<b>161,706</b>	<b>-</b>	<b>161,706</b>	<b>155,523</b>	<b>-</b>	<b>155,523</b>	<b>6,183</b>	<b>156,605</b>
<b>Total Capital</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>3,667</b>	<b>-</b>	<b>3,667</b>	<b>333</b>	<b>4,302</b>
<b>Total</b>	<b>165,706</b>	<b>-</b>	<b>165,706</b>	<b>159,190</b>	<b>-</b>	<b>159,190</b>	<b>6,516</b>	<b>160,907</b>

The variance between Ofsted's estimate and outturn is £6.5m, which represents an overall saving of 4%. The main reasons for this variance were:

- Resource DEL included a ring-fenced budget of £4.3m for depreciation, Ofsted's depreciation charge for the year was only £0.9m, meaning that Ofsted had £3.4m that it was unable to utilise. The other contributing factors to the underspend were reduced expenditure through the inspection service providers, arising from a reduction in planned education, further education and skills inspection volumes; less expenditure than provided for on former employee take-up of historic pension transfer rights and other pension liabilities, affecting provisions; offset by additional expenditure in delivering a comprehensive IT refresh programme.

## Net Cash Requirement 2014-15

Note	2014-15		2013-14	
	Estimate Total	Outturn Total	Outturn compared with estimate saving / (excess)	Outturn Total
	£'000	£'000	£'000	£'000
Net Cash Requirement	162,447	159,227	3,220	166,571

## Administration Costs 2014-15

Note	2014-15		2013-14	
	Estimate Total	Outturn Total	Outturn compared with estimate saving / (excess)	Outturn Total
	£'000	£'000	£'000	£'000
Administration Costs	18,615	16,105	2,510	16,693

The notes on pages 82 to 85 form part of these accounts

## **Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)**

### **SOPS1.Statement of accounting policies**

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014–15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014–15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

#### **SOPS1.1 Accounting convention**

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations. The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

#### **SOPS1.2 Comparison with IFRS-based accounts**

Many transactions are treated in the same way in National Accounts and IFRS-based accounts however there is a key difference in the treatment of provisions.

#### **SOPS1.ac Provisions - Administration and Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2

## SoPS 2 Net Outturn

## SoPS 2.1 Analysis of net resource outturn by section

	Administration			Programme			Outturn	2014-15 Estimate	2013-14	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total Outturn compared with Estimate saving/ (excess)	Outturn	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Spending in Departmental Expenditure Limit: Voted	16,105	-	16,105	156,003	(14,866)	141,137	157,242	162,841	5,599	161,308
Annually Managed Expenditure: Voted		-	-	(1,719)	-	(1,719)	(1,719)	(1,135)	584	(4,703)
<b>Total</b>	<b>16,105</b>	<b>-</b>	<b>16,105</b>	<b>154,284</b>	<b>(14,866)</b>	<b>139,418</b>	<b>155,523</b>	<b>161,706</b>	<b>6,183</b>	<b>156,605</b>

## SoPS 2.2 Analysis of net capital outturn by section

	Outturn			2014-15 Estimate	2013-14	
	Gross	Income	Net	Net Total Outturn compared with Estimate saving/ (excess)	Outturn	
	£'000	£'000	£'000	£'000	£'000	
Spending in Departmental Expenditure Limit: Voted	3,667	-	3,667	4,000	333	4,302
<b>Total</b>	<b>3,667</b>	<b>-</b>	<b>3,667</b>	<b>4,000</b>	<b>333</b>	<b>4,302</b>

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

**SoPS 3.1 Reconciliation of net resource outturn to net operating cost**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	Outturn £'000
Total resource outturn in Statement of Parliamentary Supply	<b>155,523</b>	156,605
Net Operating Costs in Statement of Comprehensive Net Expenditure	<b>155,523</b>	156,605

**SoPS 3.2 Outturn against final Administration Budget and Administration net operating cost**

	<b>Note</b>	<b>2014-15</b>	2013-14
		<b>£'000</b>	£'000
<b>Estimate - Administration costs limit</b>		<b>18,615</b>	20,237
Outturn - Gross Administration costs	SoPS 2.1	<b>16,105</b>	16,860
Outturn - Gross income relating to Administration costs	SoPS 2.1	-	-
<b>Outturn - Net Administration costs</b>		<b>16,105</b>	16,860
<b>Reconciliation to operating costs:</b>			
Less: provisions utilised (transfer from Programme)	SoPS 2.1	-	(167)
<b>Administration Net Operating Costs</b>		<b>16,105</b>	16,693

## SoPS 4 Reconciliation of Net Resource Outturn to Net Cash Requirement

		<u>Estimate</u>	<u>Outturn</u>	<u>2014-15</u> <u>Net total</u> <u>outturn</u> <u>compared</u> <u>with</u> <u>Estimate</u> <u>saving/</u> <u>(excess)</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Resource Outturn</b>	SoPS 2.1	<b>161,706</b>	<b>155,523</b>	<b>6,183</b>
<b>Capital Outturn</b>	SoPS 2.2	<b>4,000</b>	<b>3,667</b>	<b>333</b>
<b>Accruals to cash adjustments:</b>		<b>(3,259)</b>	<b>37</b>	<b>(3,296)</b>
<i>Of which:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(4,326)	(870)	<b>(3,456)</b>
New provisions and adjustments to previous provisions		(265)	(218)	<b>(47)</b>
Auditor's remuneration		(68)	(68)	-
Other non cash items		-	(32)	<b>32</b>
IAS 19 Pension Liability - staff costs		-	379	<b>(379)</b>
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	123	<b>(123)</b>
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in debtors		-	(1,555)	<b>1,555</b>
Increase/(decrease) in creditors		-	341	<b>(341)</b>
Use of provisions		1,400	1,937	<b>(537)</b>
<b>Net cash requirement</b>		<b><u>162,447</u></b>	<b><u>159,227</u></b>	<b><u>3,220</u></b>

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note			<u>2014-15</u>	<u>2013-14</u>
		<u>Staff Costs</u>	<u>Other Costs</u>	<u>Income</u>	
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Administration costs</b>					
Staff costs	3	<b>10,317</b>			10,549
Other administration costs	5		<b>5,788</b>		6,144
Income	7			-	
<b>Programme expenditure</b>					
Staff costs	3	<b>76,287</b>			70,010
Programme costs	6		<b>77,997</b>		83,796
Income	7			<b>(14,866)</b>	(13,894)
<b>Totals</b>		<b>86,604</b>	<b>83,785</b>	<b>(14,866)</b>	156,605
<b>Net operating cost</b>				<b>155,523</b>	156,605
<b>Other comprehensive net expenditure</b>					
Net (gain)/loss on:					
Actuarial revaluation of pension scheme				<b>162</b>	(145)
<b>Total comprehensive expenditure</b>				<b>155,685</b>	<b>156,460</b>

The notes on pages 90 to 114 form part of these accounts

# Statement of Financial Position

as at 31 March 2015

	Note	31 March 2015		31 March 2014	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	8	2,655		1,969	
Intangible assets	9	5,265		3,186	
<b>Total non-current assets</b>			<b>7,920</b>		5,155
<b>Current assets:</b>					
Trade and other receivables	12	8,534		10,089	
Cash and cash equivalents	13	1,720		1,597	
Net retirement benefit schemes asset	23	208		-	
<b>Total current assets</b>			<b>10,462</b>		11,686
<b>Total assets</b>			<b>18,382</b>		16,841
<b>Current liabilities</b>					
Trade and other payables	14	(19,600)		(19,888)	
Provisions	15	(2,962)		(2,868)	
<b>Total current liabilities</b>			<b>(22,562)</b>		(22,756)
<b>Non-current assets less net current liabilities</b>			<b>(4,180)</b>		(5,915)
<b>Non-current liabilities</b>					
Provisions	15	(2,341)		(4,154)	
Other payables	14	(55)		(108)	
Net retirement benefit schemes liability	23	-		(9)	
<b>Total non-current liabilities</b>			<b>(2,396)</b>		(4,271)
<b>Assets less liabilities</b>			<b>( 6,576)</b>		( 10,186)
<b>Financed by:</b>					
<b>Taxpayers' equity</b>					
General fund			( 6,576)		( 8,229)
Pension reserve			-		( 1,957)
<b>Total taxpayers' equity</b>			<b>( 6,576)</b>		( 10,186)

Sir Michael Wilshaw:

Date: 4 June 2015

Accounting Officer for the Office for Standards in Education, Children's Services and Skills

The notes on pages 90 to 114 form part of these accounts

# Statement of Cash Flows

for the year ended 31 March 2015

	2014-15	2013-14
Note	<u>£'000</u>	<u>£'000</u>
<b>Cash flows from operating activities</b>		
Net operating cost	<b>155,523</b>	156,605
Adjustment for non-cash transactions		
IAS 19 Pension Liability - staff costs	6.1 <b>(1,188)</b>	(362)
(Decrease)/Increase in trade and other receivables	<b>379</b>	579
(Increase)/Decrease in trade payables	<b>(1,555)</b>	(1,096)
<i>less:</i> movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	<b>341</b>	4,078
Use of provisions	15 <b>123</b>	(1,537)
<b>Net cash outflow from operating activities</b>	<b>1,937</b>	4,002
	<b>155,560</b>	162,269
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	8 <b>818</b>	2,036
Purchase of intangible assets	9 <b>2,849</b>	2,217
Proceeds of disposal of property, plant and equipment	-	-
<b>Net cash outflow from investing activities</b>	<b>3,667</b>	4,253
<b>Cash flows from financing activities</b>		
Advances from the Contingency Fund	<b>19,400</b>	-
Repayments to the Contingency Fund	<b>(19,400)</b>	-
From the Consolidated Fund (Supply) - current year	<b>159,350</b>	165,034
From the Consolidated Fund (Supply) - prior year	-	-
Capital element of payment in respect of finance lease	-	(49)
<b>Net Financing</b>	<b>159,350</b>	164,985
<b>Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>	<b>123</b>	(1,537)
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>123</b>	(1,537)
Cash and cash equivalents at the beginning of the period	13 <b>1,597</b>	3,134
Cash and cash equivalents at the end of the period	13 <b>1,720</b>	1,597

The notes on pages 90 to 114 form part of these accounts

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

		2014-15		
	Note	General Fund £'000	Pension Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2013</b>		<b>(18,263)</b>	<b>(2,102)</b>	<b>(20,365)</b>
Net Parliamentary Funding - drawdown		165,034	-	165,034
Net Parliamentary Funding - deemed		3,134	-	3,134
Supply (payable)/receivable adjustment		(1,597)	-	(1,597)
Comprehensive Expenditure for the year		(156,605)	-	(156,605)
<b>Non-cash adjustments:</b>				
Non-cash charges - auditors remuneration	5	68	-	68
Finance lease recognition value adjustment		-	-	-
<b>Movement in reserves:</b>				
Net actuarial gain/(loss) in pension schemes	23	-	145	145
<b>Balance at 31 March 2014</b>		<b>(8,229)</b>	<b>(1,957)</b>	<b>(10,186)</b>
Net Parliamentary Funding - drawdown		159,350	-	159,350
Net Parliamentary Funding - deemed		1,597	-	1,597
Supply (payable)/receivable adjustment		(1,720)	-	(1,720)
Comprehensive Expenditure for the year		(155,523)	-	(155,523)
<b>Non-cash adjustments:</b>				
Non-cash charges - auditors remuneration	5	68	-	68
Finance lease recognition value adjustment		-	-	-
<b>Movement in reserves:</b>				
Net actuarial gain/(loss) in pension schemes	23	-	(162)	(162)
Transfer of Pension Reserve to General Fund*		(2,119)	2,119	-
<b>Balance at 31 March 2015</b>		<b>(6,576)</b>	<b>-</b>	<b>(6,576)</b>

\* Due to the non material value of the pension asset, the Pension Reserve has now been transferred to the General Fund.

The notes on pages 90 to 114 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 2014–15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of 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. The accounts have been prepared on a going concern basis.

In addition to the primary statements prepared under IFRS, the FReM 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 2014–15 FReM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted uses this method as it has a very small asset base and any revaluation adjustments would be immaterial.

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 unless they are components of a single asset, or the combined cost of the items bought is deemed to be material.

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 change of depreciation policy has been made in-year and used in the preparation of the accounts; depreciation is now charged from the month following acquisition or use rather than being

depreciated in full in the year of acquisition. No adjustments have been made to reflect the change in policy due to immateriality.

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 change of amortisation policy has been made in-year and used in the preparation of the accounts; amortisation is now charged in the month following acquisition or use rather than being amortised in full in the year of acquisition. No adjustments have been made to reflect the change in policy due to materiality.

Asset lives are in the following ranges:

- Information Technology - three to five years
- Furniture and Fittings - four to 15 years
- Purchased Computer Software - five years
- Finance Lease (RSA) - 16 years from the inception of the lease. Enhancements are depreciated over the remaining life of the lease

The asset life of servers has been revised in the preparation of these accounts; servers are now depreciated over five years rather than three. No adjustments have been made to reflect the change in policy due to materiality.

#### **1.4 Operating and Other Income**

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises mainly of 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 FReM 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. 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 for the inspection covered the cost of the inspection, was collectable in equal instalments annually over 6 years and the income relating to the inspection was recognised when the inspection took place. The deferral relating to Independent Schools relating to the change in regulations has fully released to income in 2014–15. From 1 September 2009, schools are being billed one third of the fee for their inspections in the 3 year cycle each year. This is recognised as income when billed as it approximates to the value of inspections completed in the year.

A fee is also charged in relation to Progress Monitoring Inspections undertaken for Independent Schools. The schools are billed for the full amount of progress monitoring inspection in the year the inspection took place and income recognised when billed.

#### **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 below:

- 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.

## **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.

Ofsted only has a small number of members in each of the Local Government Pension Scheme (LGPS). Once Ofsted no longer has any active members in a scheme Ofsted's share of the scheme liabilities become due in full at that point. Ofsted cannot control the timing of this liability and as such has put in place an exit strategy for both schemes to mitigate the risk to the budget and service delivery. As part of this exit strategy Ofsted has made additional contributions into both schemes during 2014–15.

## **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 Comprehensive Net 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 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 value added tax (VAT) and, in general output tax does not apply. Input tax on most purchases is not recoverable unless the VAT has been incurred in the course of contracting out those services listed in the HM Treasury Contracting Out of Services Directions. 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.

Where the time value of money is material, contingent liabilities that 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:

#### Assets

- Cash and cash equivalents
- Trade Receivables - current
- Trade Receivables - non-current

#### 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 the 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 50% 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 15 Provisions.

Ofsted also applies estimation techniques when determining levels of Administration and Programme expenditure. Where costs cannot be wholly attributed to either Administration or Programme, Ofsted attempts to find a reasonable basis to apportion the costs. During 2014–15 Ofsted refined the basis on which it apportions costs between Admin and Programme, this resulted in a small number of changes to the basis used in the prior year. Ofsted has not restated the prior year figures as the resulting change would not have been material.

### **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 three reportable segments:

- inspection
- inspection support
- corporate costs

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

Ofsted has considered the accounting standards in issue but not yet effective at the reporting date. At this time Ofsted does not anticipate applying any of these new accounting standards. A list of accounting standards in issue but not yet effective can be found at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/426524/HM\\_Treasury\\_review\\_of\\_new\\_IFRS\\_issued\\_and\\_or\\_effective\\_during\\_2014-15.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426524/HM_Treasury_review_of_new_IFRS_issued_and_or_effective_during_2014-15.pdf)

## 2 Operating Segments

	2014-15			
	Inspection	Inspection Support	Corporate Costs	Total
	£'000	£'000	£'000	£'000
<b>Expenditure</b>	111,359	46,420	12,610	170,389
<b>Income</b>	(14,866)	-	-	(14,866)
<b>Net Expenditure</b>	96,493	46,420	12,610	155,523

  

	2013-14			
	Inspection	Inspection Support	Corporate Services	Total
	£000	£000	£000	£000
Expenditure	110,324	53,000	7,175	170,499
Income	(13,894)	-	-	(13,894)
Net Expenditure	96,430	53,000	7,175	156,605

### Factors used to identify the reportable segments

The Operational Board (OB) in conjunction with HMCI are the chief operating decision making body in the organisation and have determined the reportable segments. The operating results of the segments described below are reviewed regularly by OB and HMCI to make decisions about resources to be allocated to the segment, and assess its performance. This is in line with the reporting requirements of IFRS 8 Operating Segments.

### Description of Segments

#### Inspection

The cost of inspection and regulation 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.

#### Inspection Support

The cost of direct support of inspection and regulation, and indirect support through professional and corporate administration.

#### Corporate Costs

Other corporate costs and project work.

**3 Staff numbers and related costs**

Staff costs comprise:

	2014-15			2013-14
	<b>Total</b>	<b>Permanently employed staff</b>	<b>Others</b>	Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>66,599</b>	<b>62,267</b>	<b>4,332</b>	61,318
Social security costs	<b>6,157</b>	<b>5,965</b>	<b>192</b>	5,480
Other pension costs	<b>12,821</b>	<b>12,409</b>	<b>412</b>	11,519
<b>Sub Total</b>	<b>85,577</b>	<b>80,641</b>	<b>4,936</b>	78,317
Restructuring costs	<b>1,027</b>	<b>1,027</b>	-	2,242
<b>Total Net Costs*</b>	<b>86,604</b>	<b>81,668</b>	<b>4,936</b>	80,559

\* 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 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts>).

For 2014-15, employer's contributions of £11,300,088 (2013-14 - £11,321,387) 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 2014-15 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 £45,963 (2013-14 - £28,379) 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 earnings. In addition, employer contributions of £1,251 (2013-14 - £3,047) 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.

For 2014-15 employer's contributions of £18,273 (2013-14 - £15,936) were payable to the Local government Pension Scheme (LGPS), Ofsted also made a payment of £380,000 to address its historic underfunding of the LGPS and reduce its share of the scheme deficit. Also, 2014-15 payments of £5,952 (2013-14 - £32,191) were made for other pension schemes for seconded staff. See Note 23 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.

	2014-15			2013-14
	<b>Total</b>	<b>Permanently employed staff</b>	<b>Others</b>	Total
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Total</b>	<b>1,284</b>	<b>1,244</b>	<b>40</b>	1,213

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

Exit package cost band	2014-15			2013-14
	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	-	-	-	5
£10,000 - £25,000	2	2	4	24
£25,000 - £50,000	2	5	7	26
£50,000 - £100,000	-	6	6	24
£100,000 - £150,000	-	-	-	8
£150,000 - £200,000	-	-	-	-
£200,000 +	-	-	-	-
<b>Total number of exit packages</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>87</b>
<b>Total resource cost £000</b>	<b>106</b>	<b>646</b>	<b>752</b>	<b>3,926</b>

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.

**5 Other Administration Costs**

	<b>Note</b>	<b>2014-15</b> <b>£'000</b>	2013-14* <b>£'000</b>
Rentals under operating leases		<b>444</b>	691
Non-cash items:			
Depreciation	8	<b>20</b>	29
Amortisation	9	<b>111</b>	138
Loss on revaluation of non-current assets	9	-	3
Auditor's remuneration		<b>68</b>	68
Provision provided/(written back) in year	15	-	-
Fixed asset write off		<b>5</b>	
Borrowing Costs (unwinding of discount on provisions)	15	-	
Other expenditure:			
Accommodation costs		<b>398</b>	500
Travel Costs		<b>429</b>	412
Training Costs		<b>340</b>	641
Telephone Costs		<b>23</b>	38
Printing, postage & stationery		<b>103</b>	147
IS Costs		<b>313</b>	384
Employee Related Costs		<b>850</b>	163
Legal		<b>1,229</b>	530
Managed Services		<b>1,164</b>	2,365
Equipment - non capital		<b>213</b>	15
Net bad debt (write-back)/ write-off		<b>5</b>	-
Other Expenditure		<b>73</b>	20
<b>Total</b>		<b>5,788</b>	6,144

\* During 2014-15 Ofsted made a minor change to how it assigns costs to categories in this note. This resulted in a small change to the basis used in the prior year. Ofsted has re-stated the prior year figures to reflect this.

**6 Programme Costs**

	<b>Note</b>	<b>2014-15</b> <b>£'000</b>	<b>2013-14*</b> <b>£'000</b>
Rentals under operating leases		<b>2,002</b>	1,731
Non-cash items:			
Depreciation	8	<b>112</b>	140
Amortisation	9	<b>627</b>	671
Loss on revaluation of non-current assets	9	-	14
Impairment	11	-	-
Auditor's remuneration		-	-
Provision provided/(written back) in year	15	<b>153</b>	(804)
Fixed asset write off		<b>27</b>	
Borrowing Costs (unwinding of discount on provisions)	15	<b>65</b>	103
Other expenditure:			
Accommodation costs		<b>1,764</b>	1,706
Inspection costs		<b>54,727</b>	61,905
Travel Costs		<b>6,621</b>	6,101
Training Costs		<b>1,396</b>	1,501
Telephone Costs		<b>168</b>	348
Printing, postage & stationery		<b>530</b>	744
IS Costs		<b>661</b>	629
Employee Related Costs		<b>148</b>	540
Managed Services		<b>7,866</b>	8,363
Equipment - non capital		<b>1,202</b>	141
Provision for doubtful debts		<b>(109)</b>	(72)
Net bad debt (write-back)/ write-off		<b>28</b>	20
Other Expenditure		<b>9</b>	15
<b>Total</b>		<b>77,997</b>	83,796

\* During 2014-15 Ofsted made a minor change to how it assigns costs to categories in this note. This resulted in a small change to the basis used in the prior year. Ofsted has re-stated the prior year figures to reflect this.

**6.1 Total Non-Cash Transactions**

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

	<b>Note</b>	<b>2014-15</b> <b>£'000</b>	<b>2013-14</b> <b>£'000</b>
Non cash staff costs	3	-	-
Other Administration Costs (non cash items)	5	<b>204</b>	238
Programme Costs (non cash items)	6	<b>984</b>	124
		<b>1,188</b>	362

## 7 Income

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

	<b>2014-15</b>	2013-14
	<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	<b>338</b>	152
Inspection of Independent Schools fees	<b>675</b>	582
Children's Services applications & fees	<b>13,500</b>	12,888
College inspection fees	<b>167</b>	134
Other	<b>186</b>	138
<b>Sub-Total Programme income</b>	<b>14,866</b>	13,894
<b>Total</b>	<b>14,866</b>	13,894

### 7.1 Analysis of income from services provided to external and public sector customers

	<b>2014-15</b>		
	<b>Income</b>	<b>Full Cost</b>	<b>Surplus/ (Deficit)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Social Care registration and inspection	<b>7,067</b>	<b>13,224</b>	<b>(6,157)</b>
Childcare registration and inspection	<b>6,600</b>	<b>32,021</b>	<b>(25,421)</b>
Independent Schools registration and inspection	<b>675</b>	<b>3,701</b>	<b>(3,026)</b>
Other income	<b>524</b>	<b>792</b>	<b>(268)</b>
<b>Total Income</b>	<b>14,866</b>	<b>49,738</b>	<b>(34,872)</b>
		2013-14	
	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social Care registration and inspection	6,524	16,981	(10,457)
Childcare registration and inspection	6,496	33,021	(26,525)
Independent Schools registration and inspection	584	3,753	(3,169)
Other income	290	685	(395)
Total Income	13,894	54,440	(40,546)

**8 Property, plant and equipment**

Property, plant and equipment comprises of IT hardware and office equipment. The asset under construction relates to IT hardware and office equipment purchased for the new property in Bristol.

	<b>2014-15</b>			
	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Asset under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 April 2014	1,881	237	1,567	3,685
Additions	640	-	178	818
Disposals	(990)	-	-	(990)
Server refresh asset transfer	1,567	-	(1,567)	-
Impairments	-	-	-	-
<b>At 31 March 2015</b>	<b>3,098</b>	<b>237</b>	<b>178</b>	<b>3,513</b>
<b>Depreciation</b>				
At 1 April 2014	1,507	209	-	1,716
Charged in year	110	22	-	132
Disposals	(990)	-	-	(990)
Impairments	-	-	-	-
<b>At 31 March 2015</b>	<b>627</b>	<b>231</b>	<b>-</b>	<b>858</b>
<b>Carrying amount at 31 March 2015</b>	<b>2,471</b>	<b>6</b>	<b>178</b>	<b>2,655</b>
Carrying amount at 1 April 2014	374	28	1,567	1,969
<b>Asset financing:</b>				
Owned	2,471	6	178	2,655
Finance leased	-	-	-	-
<b>Carrying amount at 31 March 2015</b>	<b>2,471</b>	<b>6</b>	<b>178</b>	<b>2,655</b>
				2013-14
	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Asset under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 April 2013	1,462	237	-	1,699
Additions	469	-	1,567	2,036
Disposals	(50)	-	-	(50)
Impairments	-	-	-	-
At 31 March 2014	1,881	237	1,567	3,685
<b>Depreciation</b>				
At 1 April 2013	1,410	187	-	1,597
Charged in year	147	22	-	169
Disposals	(50)	-	-	(50)
Impairments	-	-	-	-
At 31 March 2014	1,507	209	-	1,716
Carrying amount at 31 March 2014	374	28	1,567	1,969
Carrying amount at 1 April 2013	52	50	-	102
<b>Asset financing:</b>				
Owned	374	28	1,567	1,969
Finance leased	-	-	-	-
Carrying amount at 31 March 2014	374	28	1,567	1,969

**9 Intangible assets**

Intangible assets comprise purchased software licences, bespoke IT systems developed in partnership with external suppliers and the Regulatory Support Application (RSA) finance lease. The development expenditure relates to a new IT system to support framework changes in the Social Care inspection remit and the Future Operating Model (FOM).

**2014-15**

	<b>RSA Finance Lease</b>	<b>Software</b>	<b>Development Expenditure</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 April 2014	18,305	3,328	442	22,075
Additions	-	108	2,741	2,849
Disposals	-	(40)	-	(40)
Revaluations	-	-	-	-
Impairments	-	-	-	-
<b>At 31 March 2015</b>	<b>18,305</b>	<b>3,396</b>	<b>3,183</b>	<b>24,884</b>
<b>Amortisation</b>				
At 1 April 2014	17,583	1,306	-	18,889
Charged in year	240	498	-	738
Disposals	-	(8)	-	(8)
Revaluations	-	-	-	-
Impairments	-	-	-	-
<b>At 31 March 2015</b>	<b>17,823</b>	<b>1,796</b>	<b>-</b>	<b>19,619</b>
<b>Carrying amount at 31 March 2015</b>	<b>482</b>	<b>1,600</b>	<b>3,183</b>	<b>5,265</b>
Carrying amount at 1 April 2014	722	2,022	442	3,186
<b>Asset financing:</b>				
Owned	-	1,600	3,183	4,783
Finance leased	482	-	-	482
<b>Carrying amount at 31 March 2015</b>	<b>482</b>	<b>1,600</b>	<b>3,183</b>	<b>5,265</b>

	<b>RSA Finance Lease</b>	<b>Software</b>	<b>Asset under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>				
At 1 April 2013	18,273	1,553	-	19,826
Additions	49	1,775	442	2,266
Disposals	-	-	-	-
Revaluations	(17)	-	-	(17)
Impairments	-	-	-	-
<b>At 31 March 2014</b>	<b>18,305</b>	<b>3,328</b>	<b>442</b>	<b>22,075</b>
<b>Amortisation</b>				
At 1 April 2013	17,343	737	-	18,080
Charged in year	240	569	-	809
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
<b>At 31 March 2014</b>	<b>17,583</b>	<b>1,306</b>	<b>-</b>	<b>18,889</b>
<b>Carrying amount at 31 March 2014</b>	<b>722</b>	<b>2,022</b>	<b>442</b>	<b>3,186</b>
<b>Carrying amount at 1 April 2013</b>	<b>930</b>	<b>63</b>	<b>753</b>	<b>1,746</b>
<b>Asset financing:</b>				
Owned	-	2,022	442	2,464
Finance leased	722	-	-	722
<b>Carrying amount at 31 March 2014</b>	<b>722</b>	<b>2,022</b>	<b>442</b>	<b>3,186</b>

## 10 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>2014-15</b>	2013-14
	<b>£'000</b>	£'000
<b>Trade receivables and other current assets</b>		
Trade receivables	<b>1,568</b>	1,712
Deposits and advances	<b>273</b>	292
Other receivables	<b>78</b>	46
Prepayments and accrued income	<b>6,452</b>	7,989
VAT	<b>245</b>	241
Bad debt provision	<b>(82)</b>	(191)
	<b>8,534</b>	10,089
Overdue but not provided for yet in following periods:		
Not yet due	<b>8,129</b>	9,546
1-30 days	<b>225</b>	317
31-60 days	<b>65</b>	57
61-90 days	<b>33</b>	30
>91 days	<b>82</b>	139
	<b>8,534</b>	10,089
Overdue debt provided for in following periods:		
>120 days	<b>(109)</b>	(164)
Other Periods		(27)
	<b>(109)</b>	(191)
Movement in the bad debt provisioning:		
Opening balance	<b>191</b>	263
Charge for the year/(reduction in provision)	<b>(49)</b>	(52)
Utilised/(write offs)	<b>(33)</b>	(20)
<b>At 31 March</b>	<b>109</b>	191

## 11 Impairments

The total impairment charge for the year was nil (2013-14 - nil) charged directly to the Statement of Comprehensive Net Expenditure.

**12 Trade receivables and other current assets**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
<b>Amounts falling due within one year:</b>		
Trade receivables	<b>1,498</b>	1,488
Deposits and advances	<b>122</b>	200
Other receivables	<b>78</b>	46
Prepayments and accrued income	<b>6,408</b>	7,989
VAT	<b>245</b>	241
	<b>8,351</b>	9,964
<b>Amounts falling due after more than one year:</b>		
Trade receivables	-	50
Deposits and advances	<b>139</b>	75
Prepayments and accrued income	<b>44</b>	-
	<b>183</b>	125

**12.1 Intra-Government balances**

	<b>2014-15</b>	2013-14	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
	<b>Amounts falling due within one year</b>		<b>Amounts falling due after more than one year</b>	
Balances with other central government bodies	<b>554</b>	388	-	-
Balances with local authorities	<b>554</b>	620	-	-
Balances with NHS	<b>13</b>	-	-	-
Subtotal: intra-government balances	<b>1,121</b>	1,008	-	-
Balances with bodies external to government	<b>7,230</b>	8,956	<b>183</b>	125
<b>Total debtors</b>	<b>8,351</b>	9,964	<b>183</b>	125

**13 Cash & cash equivalents**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Balance at 1 April 2014	<b>1,597</b>	3,134
Net changes in cash and cash equivalent balances	<b>123</b>	(1,537)
<b>Balance</b>	<b>1,720</b>	1,597

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
The following balances at 31 March were held at:		
Government Banking Service	<b>1,720</b>	1,597
Commercial banks and cash in hand	-	-
<b>Balance</b>	<b>1,720</b>	1,597

**14 Trade payables and other current liabilities**

	<u>2014-15</u>	<u>2013-14</u>
	<u>£'000</u>	<u>£'000</u>
<b>Amounts falling due within one year:</b>		
Trade payables	85	55
Other payables	1,667	1,505
Other taxation and social security	1,923	1,758
Accruals and deferred income	14,152	14,922
Current part of finance lease	53	51
Amounts issued from the Consolidated Fund supply but not spent at year end	1,720	1,597
	<u>19,600</u>	<u>19,888</u>
<b>Amounts falling due after more than one year:</b>		
Finance Leases	55	108
	<u>55</u>	<u>108</u>

**14.1 Intra-Government balances**

	<u>2014-15</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2013-14</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	<b>Amounts falling due within one year</b>		<b>Amounts falling due after more than one</b>	
Balances with other central government bodies	3,008	4,226	-	-
Balances with local authorities	16	10	-	-
Subtotal: intra-government balances	3,024	4,236	-	-
Balances with bodies external to government	16,576	15,652	55	108
<b>Total creditors</b>	<u>19,600</u>	<u>19,888</u>	<u>55</u>	<u>108</u>

15 Provisions for liabilities and charges

	2014-15						2013-14
	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	3,936	825	1,585	496	180	7,022	11,725
Provided in the year	268	413	83	-	-	764	512
Provisions not required written back	(215)	-	-	(396)	-	(611)	(1,316)
Provisions utilised in the year	(910)	(14)	(968)	-	(45)	(1,937)	(4,002)
Borrowing costs (unwinding of discount)	72	-	(11)	-	4	65	103
<b>Balance at 31 March 2015</b>	<b>3,151</b>	<b>1,224</b>	<b>689</b>	<b>100</b>	<b>139</b>	<b>5,303</b>	<b>7,022</b>

Analysis of expected timing of discounted flows:

	2014-15						2013-14
	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	1,356	811	689	100	6	2,962	2,868
Later than one year and not later than five years	1,633	345	-	-	35	2,013	3,630
Later than five years	162	68	-	-	98	328	524
<b>Balance at 31 March 2015</b>	<b>3,151</b>	<b>1,224</b>	<b>689</b>	<b>100</b>	<b>139</b>	<b>5,303</b>	<b>7,022</b>

15.1 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 post employment benefits.

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).

£115k of the early departure costs provided in year relate 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 either quotations provided by the Cabinet Office, or where this is not available an average cost assumption is used.

15.2 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.

15.3 Vacant Property Provision

Ofsted has two vacant properties as well as vacant office space within two occupied buildings. This is a result of past organisational changes and restructuring, in addition to current efforts to reduce Ofsted's accommodation requirements. Ofsted is actively seeking tenants for all vacant office space. The provision reflects future contractual costs of all vacant leased property net of likely rental incomes.

15.4 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.

£396k has been written back in the year as MyCSP have confirmed that only two former employees will transfer over to the private scheme run by the provider.

15.5 Other

This includes provisions for a small number of legal and personal injury claims.

**16 Capital commitments**

Ofsted has £1,245k of contracted capital commitments as at 31 March 2015 (2014: £1,725k). These commitments relate to IT hardware and software disclosed in note 9 as under construction.

The RSA element of the Ofsted contract for outsourced IS services constitutes a finance lease. Ofsted are committed to £108k (2014: £159k) as the capital element of payment in respect of the aforementioned finance lease.

**17 Commitments under leases****17.1 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>2014-15</u> <u>£'000</u>	<u>2013-14</u> <u>£'000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	<b>3,492</b>	3,908
Later than one year and not later than five years	<b>8,089</b>	6,841
Later than five years	<b>5,894</b>	3,731
	<u><b>17,475</b></u>	<u>14,480</u>

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

**17.2 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>2014-15</u> <u>£'000</u>	<u>2013-14</u> <u>£'000</u>
Obligations under finance leases comprise:		
Other:		
Not later than one year	<b>57</b>	57
Later than one year and not later than five years	<b>57</b>	113
Later than five years	-	-
	<u><b>114</b></u>	<u>170</u>
Less interest element	<b>6</b>	11
Present Value of obligations	<u><b>108</b></u>	<u>159</u>

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

## 18 Other financial commitments

Ofsted entered into a non-cancellable contract (which is not a lease or PFI contract) in September 2009, for the inspection of schools, College apprenticeships, adult skills, surveys and Initial Teacher Education. This contract will be completed in August 2015. The Department has also entered into a non-cancellable contract (which is not a lease or PFI contract) for IS services. This contract will be completed in March 2017

Ofsted has also entered into an agreement for the supply of regional inspection services in terms of Early Years childcare inspection work until March 2017.

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

	<u>2014-15</u> <u>£'000</u>	<u>2013-14</u> <u>£'000</u>
Not later than one year	<b>39,597</b>	64,842
Later than one year and not later than five years	<b>26,555</b>	33,745
Later than five years	-	-
	<u><b>66,152</b></u>	<u>98,587</u>

## 19 Contingent liabilities disclosed under IAS 37

Ofsted has the following contingent liabilities:

### Contractual obligation for redundancy costs in relation to staff TUPE transfer

As part of the 2009-10 reorganisation Ofsted contracted out its Early Years inspection function to third party Inspection Service Providers (ISPs). A number of inspection and other staff were transferred over to the ISPs under TUPE arrangements. Ofsted agreed to fund any redundancies in relation to its former staff to a maximum limit of £4,652k until the end of the 2014-15 academic year. To date £4,100k has been recharged to Ofsted. A further potential liability of £552k remains.

### Local Government Pension Scheme (LGPS) defined benefit schemes

Ofsted has a small number of staff who transferred to it in 2001 and 2007 but elected to remain in their existing LGPS. Ofsted is an admission body participating in each of the funds without a recognised guarantor for its pension liabilities, and so the responsibility for any deficit rests with Ofsted. At present Ofsted only has one contributing member in each of the two LGPS schemes (West Yorkshire Pension Fund and Teesside Pension Fund), and due to scheme rules the deficit becomes payable when Ofsted no longer has any contributing scheme members. Ofsted is aware of this risk and has taken steps to actively manage down its share of the deficit in both schemes.

## 20. Contingent asset disclosed under IAS 37

### Gain share agreed with third party ISP

Ofsted has a contingent asset relating to gain share with one of our early years inspection service providers. Ofsted had agreed with the contractor that any cumulative gains realised in years 3-5 would be paid to Ofsted at the current contract end. As part of the contract extension, Ofsted has agreed that any gain share owing at the end of the original contract term can be carried forward and used solely to offset some future pension liabilities.

**21 Losses and special payments****21 (a) Losses statement**

	2014-15		2013-14	
	No. of cases	£'000	No. of cases	£'000
Total fruitless payments and constructive losses	30	75	24	7

During 2013-14 Ofsted was mandated to change the supplier of travel and accommodation bookings to one which had been sourced by the Government Procurement Service (GPS). This contract is expected to deliver significant savings across Government, more information can be found at <http://gps.cabinetoffice.gov.uk/contracts/rm918>.

**21 (b) Special payments**

	2014-15		2013-14	
	No. of cases	£'000	No. of cases	£'000
Total special payments	5	78	4	92

**22 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  
 Cabinet Office  
 Department for Communities & Local Government  
 Department for Education  
 Department for Work and Pensions  
 Dept for International Development  
 Dept of Energy & Climate Change  
 Disclosure and Barring Service (formerly Criminal Records Bureau)  
 East Of England Ambulance Trust  
 Food Standards Agency  
 Government Actuaries Department  
 Highways Agency  
 HM Land Registry  
 HM Revenue & Customs  
 HM Treasury  
 Home Office  
 Homes & Communities Agency  
 House of Lords  
 Local Authority  
 Ministry of Defence  
 Ministry of Justice  
 National Audit Office  
 Office of National Statistics  
 Serious Fraud Office  
 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.

**23 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 31 March 2015 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.

	2013-14	Gross	Gross	2014-15
	£'000	£'000	outflows	£'000
			£'000	
Monetary assets such as bank balances and monies on deposit	210	-	-	210

**24 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 2015, contributions of £309k (2014 - £556k) and £90k (2014 - £70k) 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.

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:

	Pension Totals		Teesside Pension Fund		West Yorkshire Pension Fund	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	7,333	6,810	2,369	2,285	4,964	4,525
Fair Value of Scheme Assets	7,541	6,801	2,539	2,200	5,002	4,601
<b>Net Assets</b>	<b>208</b>	<b>(9)</b>	<b>170</b>	<b>(85)</b>	<b>38</b>	<b>76</b>
Present Value of Unfunded Obligation	-	-	-	-	-	-
Unrecognised Past Service Cost	-	-	-	-	-	-
<b>Net Asset/(Liability) in Balance Sheet</b>	<b>208</b>	<b>(9)</b>	<b>170</b>	<b>(85)</b>	<b>38</b>	<b>76</b>
<b>Bid Value of Scheme Assets</b>	<b>7,541</b>	<b>6,801</b>	<b>2,539</b>	<b>2,200</b>	<b>5,002</b>	<b>4,601</b>

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

Financial Assumptions as at	Teesside Pension Fund		West Yorkshire Pension Fund	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	% p.a.	% p.a.	% p.a.	% p.a.
RPI increases	2.90%	3.40%	2.90%	3.30%
CPI increases	1.80%	2.40%	1.80%	2.30%
Salary increases	3.30%	3.90%	3.30%	3.80%
Pension increases	1.80%	2.40%	1.80%	2.30%
Discount rate	3.20%	4.30%	3.10%	4.20%

Mortality Assumptions:-

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected mortality improvements. Sample life expectancies resulting from these mortality assumptions are:

	Teesside Pension Fund	West Yorkshire Pension Fund
	31-Mar-14	31-Mar-14
	Years	Years
<u>Retiring today</u>		
Males	23.0	22.6
Females	25.5	25.5
<u>Retiring in 20 years</u>		
Males	25.2	24.8
Females	27.8	27.8

iii) Sensitivity Analysis:

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

Adjustment to discount rate	Teesside Pension Fund			West Yorkshire Pension Fund		
	+0.5%	0%	-0.5%	+0.5%	0%	-0.5%
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Total Obligation as at 31 Mar 15	2,217	2,369	2,540	4,591	4,964	5,368
<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 as at 31 Mar 15	2,306	2,369	2,432	4,831	4,964	5,098

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

	31-Mar-15		31-Mar-14	
	Value £'000	Rates of Return % p.a.	Value £'000	Rates of Return % p.a.
Equities	5,954	-	5,261	-
Gilts	568	-	511	-
Other bonds	316	-	354	-
Property	373	-	252	-
Cash	169	-	239	-
Other	161	-	184	-
<b>Total</b>	<b>7,541</b>		<b>6,801</b>	

Information on rates of return for each individual asset component are no longer provided by the scheme Actuaries.

Splits of assets between investment categories as at :

	31-Mar-15	31-Mar-14
Equities	79.0%	77.4%
Gilts	7.6%	7.5%
Other bonds	4.2%	5.2%
Property	4.9%	3.7%
Cash	2.2%	3.5%
Other	2.1%	2.7%
	<b>100.0%</b>	<b>100.0%</b>

**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-15 £'000	Year to 31-Mar-14 £'000
Current service cost	19	16
Past service cost	-	-
Losses/(gains) on curtailments and settlements	-	-
<b>Total Operating Charge</b>	<b>19</b>	<b>16</b>
<b>Analysis of amount credited to Other Finance Income:</b>		
Expected return on Pension Scheme Assets	280	259
Interest on Pension Scheme Liabilities	(281)	(290)
<b>Net Return</b>	<b>(1)</b>	<b>(31)</b>
<b>Employers' contribution</b>	<b>399</b>	<b>626</b>
<b>LGPS Pension costs</b>	<b>(379)</b>	<b>(579)</b>
<b>Actual Return on Scheme Assets</b>	<b>699</b>	<b>380</b>

vi) Movement in benefit obligation during the year:

	Year to 31-Mar-15 £'000	Year to 31-Mar-14 £'000
<b>Opening Defined Benefit Obligation</b>	<b>6,810</b>	6,880
Current service cost	19	16
Interest cost	281	290
Actuarial losses/(gains)	581	-24
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Estimated benefits paid (net of transfers in)	(363)	(357)
Past service cost	-	-
Contributions by scheme participants	5	5
Unfunded pension payments	-	-
<b>Closing Defined Benefit Obligation</b>	<b>7,333</b>	<b>6,810</b>

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

	Year to 31-Mar-15 £'000	Year to 31-Mar-14 £'000
<b>Opening Fair Value of scheme assets</b>	<b>6,801</b>	6,147
Expected return on scheme assets	280	259
Actuarial gains and (losses)	419	121
Contributions by employer	399	626
Contributions by scheme participants	5	5
Estimated benefits paid (net of transfers in)	(363)	(357)
Receipt of bulk transfer value	-	-
<b>Fair value of Scheme assets at end of period</b>	<b>7,541</b>	<b>6,801</b>

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

	<b>Year to 31-Mar-15 £'000</b>	Year to 31-Mar-14 £'000
<b>Surplus/(Deficit) at the beginning of the year</b>	<b>(9)</b>	(733)
Service cost	<b>(19)</b>	(16)
Employer contributions	<b>399</b>	626
Unfunded pension payments	-	-
Past service costs	-	-
Other finance income	<b>(1)</b>	(31)
Settlements/curtailments	-	-
Actuarial gain/(loss)	<b>(162)</b>	145
<b>Surplus/(Deficit) at the end of the year</b>	<b>208</b>	(9)

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

Amounts for the current and previous period	<b>Year to 31-Mar-15 £'000</b>	Year to 31-Mar-14 £'000	Year to 31-Mar-13 £'000	Year to 01-Apr-12 £'000
Defined Benefit Obligation	<b>(7,333)</b>	(6,810)	(6,880)	(6,514)
Fair Value of scheme assets	<b>7,541</b>	6,801	6,147	5,224
Surplus/(Deficit)	<b>208</b>	(9)	(733)	(1,290)
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

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

The scheme actuary has indicated the possibility of a 'trapped surplus' within Teesside Pension Fund. IAS 19 restricts recognisable surplus to the lower of the surplus in the defined benefit plan and the asset ceiling. IAS 19 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. An assessment of the trapped surplus has not been carried out as the value is expected to be immaterial.

## **25 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 date they were certified by the Comptroller and Auditor General'.

An adjustment for future lease commitments agreed after year end have been recognised in Note 17 of the accounts.

There have been no events after the reporting period requiring an adjustment to the financial statements.

## Appendix A - Civil service pensions

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

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 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 [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme.

Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

## **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.

## Appendix B - Membership and attendance of the Ofsted Board, formal sub-committees and Executive Boards

### Ofsted Board

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.

During 2014–15, the membership of the Ofsted Board and their attendance record was:

Member	Appointment date	Attendance record
Baroness Sally Morgan of Huyton Chair of Ofsted	1 March 2011	Full attendance (1 out of 1 meetings) tenure completed August 2014
David Hoare Chair of Ofsted	1 September 2014	Full attendance (3 out of 3 meetings)
Sir Michael Wilshaw HMCI	1 January 2012	Partial attendance (3 out of 4 meetings)
Linda Farrant	1 August 2011	Full attendance (4 out of 4 meetings)
John Roberts CBE	Reappointed 1 December 2011	Full attendance (4 out of 4 meetings)
Paul Snell CBE	1 August 2011	Full attendance (4 out of 4 meetings)
James Kempton	Appointed 11 March 2014	No attendance (0 out of 0 meetings)
John Hughes	Appointed 11 March 2014	No attendance (0 out of 0 meetings)
Andy Palmer	1 August 2011	Partial attendance (2 out of 3 meetings) Resigned December 2014
Sir Alan Steer	Appointed 1 August 2011 <sup>9</sup>	Full attendance (3 out of 3 meetings) Resigned December 2014
Professor Geoff Whitty CBE	1 August 2011	Full attendance (3 out of 3 meetings) Resigned December 2014
Vijay Sodiwala	Reappointed 1 June 2011	No attendance (0 out of 0 meetings) Resigned May 2014

<sup>9</sup> Sir Alan Steer was previously a co-opted member.

## Audit and Risk Assurance Committee

Members of the Audit and Risk Assurance Committee are proposed by the Chair's Committee and appointed by the Ofsted Board, for a term of two years, with the option of reappointment.

During 2014-15, the membership of the Audit and Risk Assurance Committee and their attendance record was:

Member	Date of appointment	Attendance record
John Roberts CBE Chair from 12 December 2011	Reappointed 17 May 2011	Full attendance (5 out of 5 meetings)
Linda Farrant	2 December 2011	Full attendance (5 out of 5 meetings)
Andy Palmer	1 December 2011	Partial attendance (1 out of 4 meetings) Resigned December 2014.
Vijay Sodiwala	1 January 2011	Full attendance (1 out of 1 meetings) Resigned May 2014

The Accounting Officer, the Chief Operating Officer, the Director, Corporate Services and Divisional Manager, Finance were all regularly invited to attend committee meetings. Representatives of Ofsted's internal auditors and external auditors were regular attendees of committee meetings.

## Chair's Committee

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.

Further details about the Ofsted Board and its sub-committees can be found in Ofsted's [Corporate Governance Framework](#).

## Commissioning Assurance and Quality Committee

The Chair of the Commissioning Assurance and Quality Committee was appointed by the Board for a term of two years, with the option of reappointment for a further two-year period. The membership of the Commissioning Assurance and Quality Committee comprises two non-executive members, supported by the Chief Operating Officer, the Director, Corporate Services and Head of Commercial Services.

The last meeting of the Commissioning Assurance and Quality Committee was held in September 2014 following review of its scope and purpose and agreement that the future strategic direction and governance relating to inspection service contracts would be managed within the FOM Programme.

During 2014-15, the membership of the Commissioning Assurance and Quality Committee and their attendance record was:

Member	Date of appointment	Attendance record
John Roberts CBE (Chair)	1 June 2013	Full attendance (2 out of 2 meetings)
Vijay Sodiwala	1 June 2013	Full attendance (2 out of 2 meetings)
Andy Palmer	4 February 2014	Full attendance (2 out of 2 meetings)

## Executive Boards

HMCI is supported by Executive Board meetings that help ensure that Ofsted has effective strategic and corporate management, including the leadership of the risk management process.

At 31 March 2015, HMCI was supported by the Operations Executive Board and HMCI's Inspection and Improvement Forum.

### Operations Executive Board

The Operations Executive Board (OEB) is chaired by the Chief Operating Officer on behalf of HMCI.

HMCI's determinations following consideration of the advice of the OEB will be set out in a memo to provide a formal audit trail.

The OEB has the authority to set up other groups and committees and confer its powers on them. The OEB also supports directors in the discharge of their duties by considering matters referred by them or by other standing groups. When considering these matters, the OEB acts in an advisory capacity. The power to act remains delegated to the relevant Director and the minute will make this explicit.

At 31 March 2015, membership of the OEB was as follows:

Member	Date of appointment
Matthew Coffey Chief Operating Officer	1 April 2014
Nick Jackson Director, Corporate Services	16 September 2013
Lorna Fitzjohn Director, Further Education and Skills and Regional Director, West Midlands	1 January 2013
Sean Harford Director, Schools	1 January 2013
Debbie Jones Director, Social Care and Regional Director, London	1 September 2013
Nick Hudson Director, Early Childhood and Childminding and Regional Director, North East, Yorkshire and Humber	1 January 2013

Member	Date of appointment
Bradley Simmons Director, Independent Schools and Regional Director, South West	1 January 2014
Jo Morgan Director, Initial Teacher Training and Regional Director, North West	1 March 2014
Karen Shepperson Director, HR	1 April 2014
Neil Greenwood Director, Strategy	1 April 2014
Sir Robin Boshier Director, Quality and Inspector Training and Regional Director, South East	22 April 2014
Kath O'Dwyer Director of Social Care Inspection and Improvement	1 May 2014
Chris Russell Director, Local Authorities and Regional Director, East Midlands	25 August 2014
Andrew Cook Director, Extremism and Regional Director, East of England	1 December 2014

### **HMCI's Inspection and Improvement Forum**

HMCI's Inspection and Improvement Forum (IIF) ensures that inspection is driving improvement. The IIF is an advisory forum supporting decisions of HMCI, the National Directors and the Regional Directors.

The IIF is composed of HMCI, Directors and Regional Directors. Other directors/deputies may also attend. National Leads, Senior HMI and other staff will be invited as required.

At 31 March 2015, membership of the IIF was as follows:

Member	Date of appointment
Sir Michael Wilshaw HMCI	1 January 2012
Matthew Coffey Chief Operating Officer	1 April 2014
Nick Jackson Director, Corporate Services	16 September 2013
Lorna Fitzjohn Director, Further Education and Skills and Regional Director, West Midlands	1 January 2013
Sean Harford Director, Schools	1 January 2013
Debbie Jones Director, Social Care and Regional Director, London	1 September 2013

Member	Date of appointment
Nick Hudson Director, Early Childhood and Childminding and Regional Director, North East, Yorkshire and Humber	1 January 2013
Bradley Simmons Director, Independent Schools and Regional Director, South West	1 January 2014
Jo Morgan Director, Initial Teacher Training and Regional Director, North West	1 March 2014
Sir Robin Boshier Director, Quality and Inspector Training and Regional Director, South East	22 April 2014
Kath O'Dwyer Director of Social Care Inspection and Improvement	1 May 2014
Chris Russell Director, Local Authorities and Regional Director, East Midlands	25 August 2014
Andrew Cook Director, Extremism and Regional Director, East of England	1 December 2014

### SCS Pay Committee

The SCS Pay 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.

The SCS Pay Committee meets once a year and is composed of HMCI, Directors and an independent member of Ofsted's Board. The SCS Pay Committee was held on 6 June 2014 and was chaired HMCI.

At 31 March 2015, membership of the SCS Pay Committee was as follows:

Member	Date of appointment
Sir Michael Wilshaw HMCI	1 January 2012
Matthew Coffey Chief Operating Officer	1 June 2011
Nick Jackson Director, Corporate Services	16 September 2013
Nick Hudson Director, Early Childhood and Childminding and Regional Director, North East, Yorkshire and Humber	13 February 2015
Lorna Fitzjohn Director, Further Education and Skills and Regional Director, West Midlands	13 February 2015
John Roberts Independent Member	1 June 2007

## **Other committees**

The formal governance structure of Ofsted was 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.

## Appendix C – Information Risk

### Summary of other protected personal data related incidents in 2014–15

Incidents deemed by the Data Controller not to fall within the criteria for reporting 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.

Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	-
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	-
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
iv	Unauthorised disclosure	2
v	Other	-



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