

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

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Annual Report and Accounts 2016–17

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

Annual Report and Accounts 2016–17

(For the year ended 31 March 2017)

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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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PERFORMANCE REPORT

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Overview by Her Majesty's Chief Inspector

This is Ofsted's first Annual Report and Accounts since I had the privilege of taking up the post of Her Majesty's Chief Inspector in January.

During more than 15 years spent working in education, I saw at first hand the positive influence that Ofsted exerts across the system. As Chief Inspector, I want to maximise the positive impact that Ofsted has in both the education and care sectors. That means making sure we use our inspection and regulatory powers in an intelligent, focused and responsible way.

My ambition, as Chief Inspector, is to get to a place where our involvement as a constructive force for improvement in the education and care systems is recognised and welcomed.

To achieve this goal, Ofsted must show it can adapt to an ever-changing policy landscape and the new challenges and circumstances facing our schools, colleges, early years settings and children's services providers.

The foundations are already in place. I am pleased to have inherited an organisation that is far more focused on what works, more self-critical and reflective, more outward-facing and more engaged with those it inspects than in the past.

Despite a 27% fall in our overall budget, we have continued to carry out a broadly similar number of inspections across our different remit areas as we were doing six years ago.

At the same time, much has been done to improve further the quality of our inspections and their contribution to raising standards. It is good to see that a very high percentage of those providers we inspected last year (94 per cent) who responded to our post inspection survey, thought the experience would have a positive impact on their improvement journey.

Ofsted's greatest strength and asset is its excellent people, both on the frontline and in supporting roles. It is therefore a source of pride that our employee engagement score this year puts us firmly among the high performing group within the Civil Service.

Alongside an expert and experienced team of Her Majesty's Inspectors (HMI), we continue to recruit many serving leaders to our ranks as directly contracted Ofsted Inspectors (OIs), especially for school inspections, and more recently for social care. As well as giving the profession a greater stake in the inspection process, this helps ensure that our inspection teams are steeped in current practice.

Our decision to train up more OIs to act as lead inspectors on our short inspections should also alleviate some of the intense workload pressures that I know some of our HMI have had to deal with since the new inspection arrangements came into effect in 2015.

In the months ahead, we will be thinking carefully about our strategic priorities as an organisation. We will carry on refining our processes, defining and properly understanding our different purposes and audiences, and working to improve the reliability and validity of inspection judgements. All this is important because we know that our inspections can only be useful if they provide a genuine measure of the quality of education and children's care in individual institutions and in the country as a whole.

We will also develop our understanding of how Ofsted can best serve parents. While engagement among parents shows that we are generally trusted and well thought of, we know that not all of them are making use of the reports that we produce. We are currently building an improved inspection reports website. However, I believe there is more we should be doing in this respect, based on research about what parents want and need from us. This is an important piece of work that I will be taking forward in the year ahead.

Overall, this report tells a positive story and one that chimes with my own impressions and experience from my first few months in post. It also highlights some of the real challenges we will have to work hard to overcome. The new Ofsted strategic plan that we will publish later this year will set out how we intend to do just that.

I look forward to reporting on our progress in 12 months' time.

Amanda Spielman
Her Majesty's Chief Inspector

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Overview by the Chair of the Board

I became Chair of Ofsted in April 2017 and am delighted to be writing my first foreword for Ofsted's Annual Report and Accounts.

Ofsted touches many lives: children, parents, carers, social workers, teachers in schools and further education, childminders and staff in nurseries and children's homes. This performance report shows the reach and level of activity, inspections completed and reported, with most of those inspected positive that inspection will help to improve their provision. It shows an engaged workforce which is positive about the organisation and its work.

We want our children to go on to be adults who will thrive in a complex and sometimes difficult world. The reasons for success and failure are myriad. However, we think that what Ofsted does has an important part to play in tipping the balance, ensuring more children lead fulfilled lives. This means that Ofsted inspections are not just about identifying poor practice, though that is of course important. They are also about stimulating, enabling and supporting excellence in education and social care. Regulators are rarely loved, however an Ofsted inspection should not be feared; it should be respected and valued. We need to ensure that our inspections are rigorous, but do not distort the work of those we inspect. Their concern should be delivering excellence, not passing inspections. Inspection should be a helpful external validation for ambitious professionals striving to do their best for children.

The organisation that I chair is serious about thinking how it can do better, in particular ensuring that our inspections are valid. That means that the judgements of Ofsted inspectors are consistent, and where possible compared with other objective measures. Data cannot replace the visit of an expert, but it informs, underpins and challenges it. We are awash with data, but we need to interpret that data so that it becomes knowledge and understanding. The experience of our inspectors needs to be brought together with data so that inspections are valid and reliable.

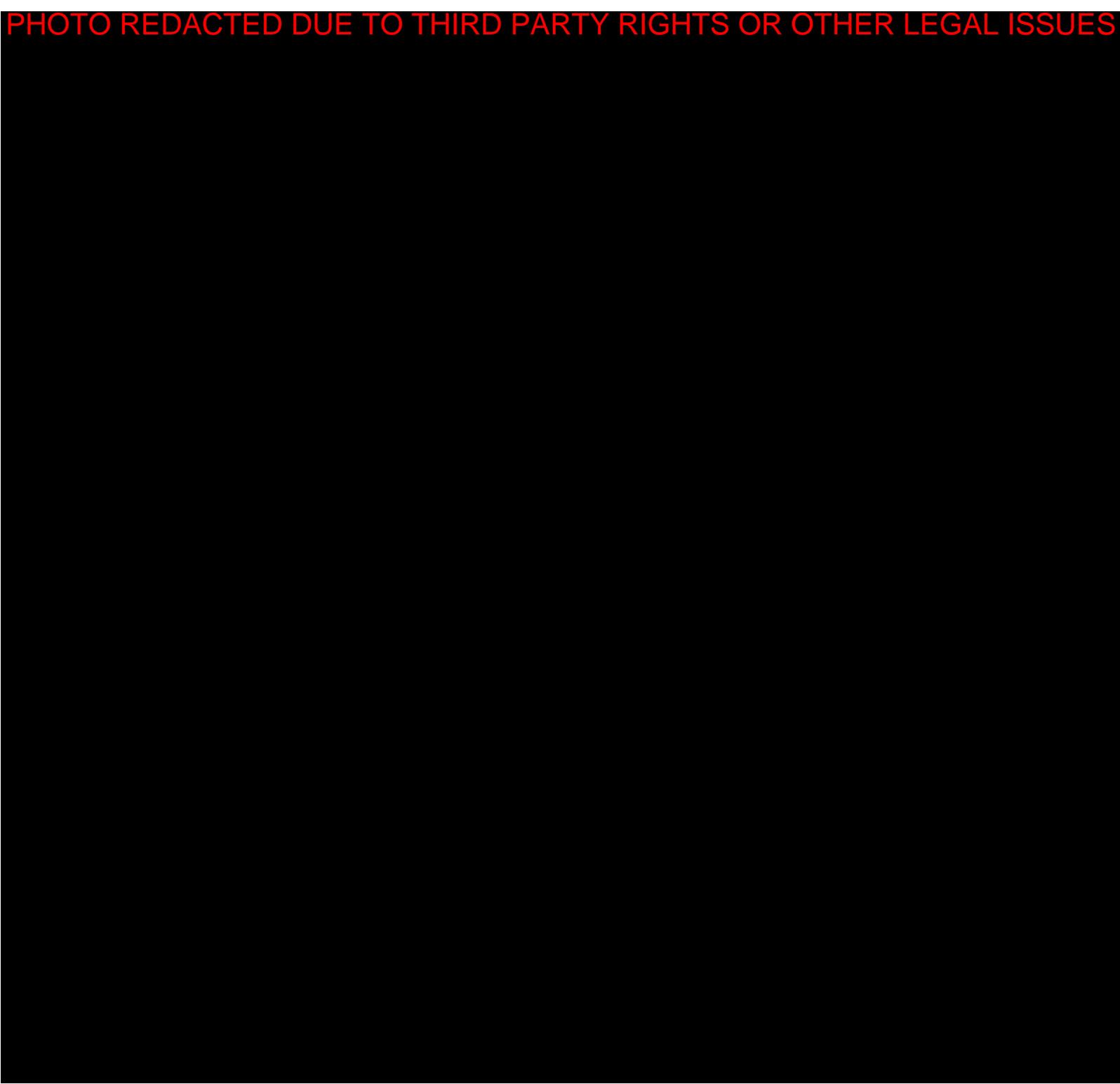
Amanda Spielman and her team are developing a new strategy. This will not be a revolutionary departure. Ofsted is a respected, effective organisation that is not in need of sudden change. However, it will mean a reorientation of the way inspection is considered. There will be more consideration of how inspection and regulation works within the system as a whole to stimulate, support and ensure system improvement. This will include an awareness that there may be unintended consequences of the inspection regime.

The Board and Chair are responsible for oversight of the strategic risks to Ofsted. The Executive team consider these regularly and report to the Board. The executive team has been active in ensuring that mitigating the strategic risks is part of 'business as usual'. Consistent with an organisation that is reflective and ambitious to do better, the main risks identified concern our ability to deliver consistent high quality inspection, use our resources effectively to deliver the intended outcomes and our engagement with stakeholders. A key concern is the risk of a loss of engagement of key staff because of the pressure our inspectors and wider workforce are under at a time of increasing expectations and constrained resources.

I have been on a steep learning curve, developing my understanding of an organisation that is at the heart of what society should be about – ensuring better futures for young people. I have been impressed by the dedication of staff at all levels. What Ofsted does is difficult, it is sometimes unpopular, but it is essential. I am confident that Ofsted has the right people, doing the right things, at all levels, to be ‘a force for improvement’.

Professor Julius Weinberg
Chair of Ofsted

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Our purpose and activities

Our role

1. Ofsted inspects and regulates to promote high standards in education and skills for learners of all ages, and in the care of children and young people, thereby raising standards and improving lives.
2. We fulfil our role by:
 - publishing clear, evidence-based inspection frameworks that highlight what inspectors look at during inspections and how providers will be evaluated
 - reporting on what we find in a clear and accessible way, recognising good practice and being clear about what providers need to do to improve
 - publishing transparent and comprehensive information about the quality of individual providers, local areas and national standards to help inform choice, support governance and target intervention
 - listening to those using services, including parents, and acting on their views alongside other risk assessment tools to decide what, when and how to inspect
 - collecting first-hand evidence based on what we observe and engaging with senior stakeholders, academics and policy makers to make sure the way we work is informed by evidence and research
 - using a combination of experienced expert inspectors and current serving practitioners who can credibly challenge providers on their performance.

Inspection

3. Ofsted inspects:
 - schools, including maintained schools and academies, non-maintained special schools and some independent schools
 - early years and childcare
 - children's social care, including children's services in local authorities, children's homes, residential family centres, adoption and fostering services and agencies, Children and Family Court Advisory and Support Service (Cafcass), welfare for children living away from home
 - further education and skills, including general further education, sixth form and other colleges, work-based learning and skills training, adult and community learning, National Careers Service contractors
 - services for children who have special educational needs and/or disabilities in local authority areas
 - initial teacher education
 - education and training in prisons and other secure establishments.

Regulation

4. We regulate a range of early years and children's social care services. We check that people, premises and the services provided are suitable to care for children and young people. We issue licences to childcare and children's social care providers that meet the required standards. If we find that providers are not meeting the required standards, we use our enforcement powers to ensure that they make the necessary improvements. If they are unable to meet the required standards, we act in the interests of the children and young people in their care and suspend or cancel their registration.

Reporting on our findings

5. We publish individual reports on all the providers we inspect. These reports include our overall judgements of the effectiveness of the provision. They highlight strengths and weaknesses.
6. We also analyse the findings from our inspection and regulatory work. We collect evidence in different ways, including statistical analysis, surveys and thematic inspections on specific areas of interest.
7. We publish an Annual Report. This highlights our important findings and trends each year. We comment on performance in each of the English regions. We also publish in-depth research on specific topics, including the quality of provision in specific subjects.
8. We regularly publish statistical releases and make data available to show trends in the outcomes of our inspection and regulation work. Her Majesty's Chief Inspector (HMCI) and our directors publish commentaries and use social media to share our findings on specific topics or to update our stakeholders on inspection practice.

Our values

9. Our values guide everything we do. They apply to everyone in Ofsted and all those who work on our behalf.
 - **Putting children and learners first** – We act in the interests of children, young people and learners of all ages, whatever their background.
 - **Supporting excellence** – We focus on how standards can be raised and outcomes improved. We always try to 'do good as we go', and have high expectations of ourselves and of those who provide the services we inspect and regulate.
 - **Behaving with integrity** – We work independently, without fear or favour. We report on the basis of inspection and regulation evidence. We listen and respond to what people tell us about the services we inspect and regulate and about the way we work.
 - **Valuing people and their differences** – We promote equal opportunities and take action to help ensure that improvement is made where it is most needed.
10. In April 2016, we published our equalities objectives for 2016–20. We will report on our progress against these in detail later in 2017.

Performance summary

- Since 2010–11, Ofsted's budget has reduced by over £54 million yet we carried out over 39,000 inspections, which is only 5% fewer than six years ago.
- The proportion of providers who see inspection as contributing to their improvement increased, from 92% last year to 94% this year.
- We have increased the proportion of parents who consider Ofsted judgements to be a reliable measure of a school's quality from 61% to 66%.
- There have been 62,000 views of our myth-busting document and teachers who have encountered this work are less likely to believe that Ofsted has a preferred teaching style.
- We have drawn attention to issues of national importance through our joint inspections of provision for children who have special educational needs and/or disabilities across local areas, our joint thematic inspections of child sexual exploitation and domestic abuse, and our investigation of unregistered schools.
- We have increased our employee engagement index by three percentage points to 66% and are now ranked 15th in the Civil Service.
- We have exceeded the government's target of 25% reduction in carbon emissions and have this year achieved a reduction of 32% since 2012–13, primarily through better estate management.

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Performance analysis

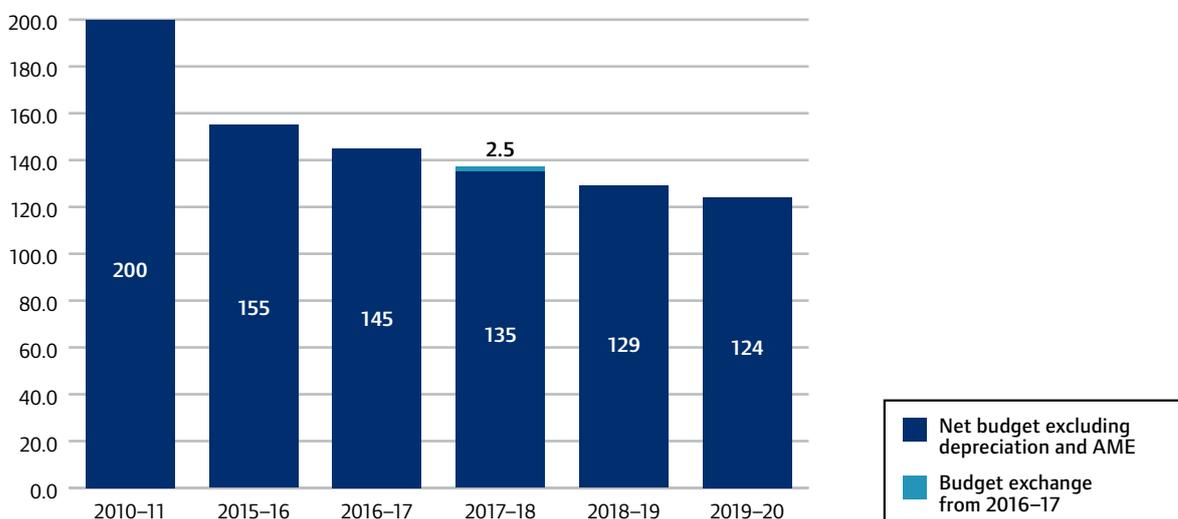
Introduction

11. During 2016–17, we underwent a transition. The tenure of Sir Michael Wilshaw came to an end in December 2016, and we welcomed Amanda Spielman as our new Chief Inspector. Following this change of leadership, the Board began a strategic review. We aim to publish a new strategic plan in late 2017. The main principle guiding this work is that inspection should be a force for improvement. To be an effective force for improvement, we are considering how we:
- carry out our work efficiently
 - understand how those we inspect experience inspection
 - respond to the feedback we receive about inspection.
12. This report considers what we have learned this year about our strengths and weaknesses in these areas. Our strategy development work will expand our understanding of these areas during the coming year.

The efficiency of our delivery

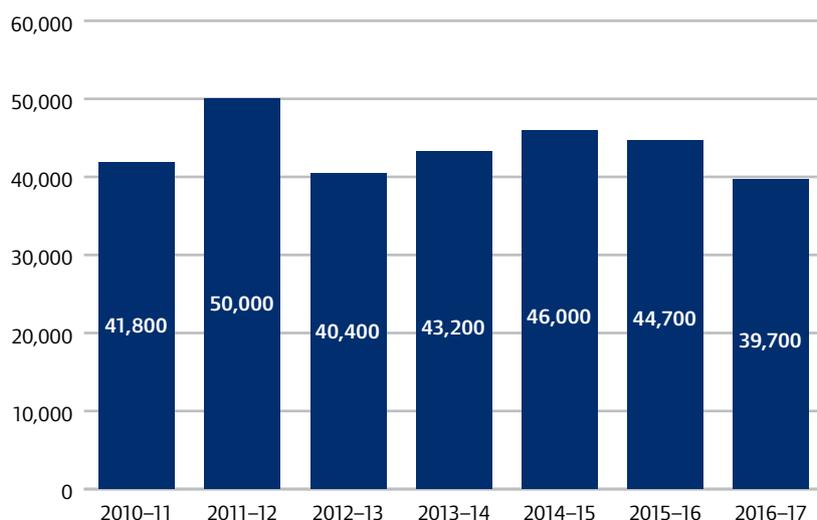
13. From the start of the first Spending Review period in 2010–11 to the end of 2016–17, we reduced our core budget by over £54 million. By the end of 2019–20, our budget will have reduced by more than 38%. In 2016–17, we have a small underspend of £2.4 million (1.6%) against our overall budget. Further detail can be found in the accountability report and financial statements.

Figure 1



14. Over the same period, the number of inspection visits each year has varied slightly, mainly due to changes in the number of early years inspections. In 2016–17, we made over 39,000 separate visits, a reduction of only 5% compared with 2010–11. Over the seven-year period, this represents almost 306,000 visits.

Figure 2: Volume of inspection visits 2010–11 to 2016–17 (including demand led activity): all remits



15. The inspections we are required to do in legislation are our ‘constrained inspections’, which are based on the academic year. We met our targets for constrained inspections in 2015/16 and are on track for 2016/17. We also set ourselves targets for the number of planned inspections we aim to carry out. Last year, we did not meet our target for short inspections in schools, so we set aspirational targets this year to deal with the shortfall. We delivered a higher volume of these inspections than last year, though still short of target. During the year, we trained experienced Ofsted Inspectors¹ to lead on short inspections, improving our ability to deliver these inspections.
16. We planned for a higher number of early years inspections last year to complete the inspection cycle which ended in July 2016. This year we delivered more early years inspections than planned, in part to allow for testing in preparation for the ending of the outsourced contracts. Both short inspections of schools and early years inspections are shorter than other types of inspection, conducted by a single inspector. Therefore, a reduction in volume has a proportionately smaller impact on our spending than for other inspection types.

1. We recruit, train and contract with school and further education and skills leaders and former leaders. These are our ‘Ofsted Inspectors’ (OIs). They lead inspections or form part of an inspection team. OIs are released by their schools, academies and local authorities for the inspection or may be self-employed. We also employ our own workforce of Her Majesty’s Inspectors (HMI). These two groups together form our inspectorate. In this publication, we use ‘inspectors’ to mean both OIs and HMI.

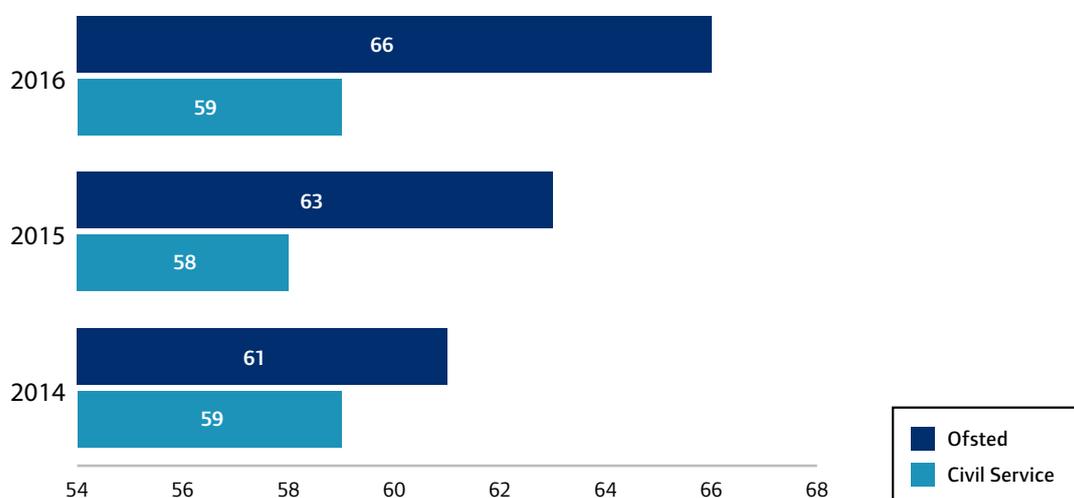
Figure 3: Inspections 1 April 2016 to 31 March 2017 (excluding demand-led activity)

Remit	Planned	Completed	Proportion %	(2015–16) Proportion %	(2015–16) Completed
Maintained schools and academies	5,826	4,862	83	67	3,420
Independent schools	377	269	71	73	246
Initial teacher education	64	58	91	97	98
Further education and skills	459	427	93	82	385
Social care	4,575	4,295	94	98	4,343
Early years	17,760	21,703	122	108	27,056

Workforce

17. An engaged workforce is a more productive workforce. In 2016, we had our highest ever response rate (84%) to the Civil Service people survey. This survey allows us to gather views and feedback on how people are feeling about working for Ofsted. This year, our employee engagement index has increased by three percentage points to 66% and compares well with the average Civil Service engagement index of 59%. This is an increase of 14 percentage points since 2012 and puts us two points above the average (64%) for Civil Service high performers. We are now ranked 15th in the Civil Service and 4th among organisations of a similar size.

Figure 4: Engagement score in the Civil Service people survey (%)



18. We saw a six percentage point increase in the proportion of staff responding positively about our leadership and how we manage change. This puts us five percentage points above the Civil Service high performers on this measure.
19. However, level of engagement from different staff groups varied. Staff at C1 grade and HMI were less engaged than their colleagues. Turnover has increased among HMI, from 11% (December 2015) to 21% (December 2016). There is considerable competition from other potential employers, such as multi-academy trusts.

20. One of the factors causing concern for HMI is the intensity of their schedules and workload. This year, we have taken action to improve work–life balance. We have tried to do this by adding an extra day in the schedule to complete work, for example after consecutive short inspections. However, we know there is more we can do. We will continue to work to ensure that all our staff have manageable workloads.

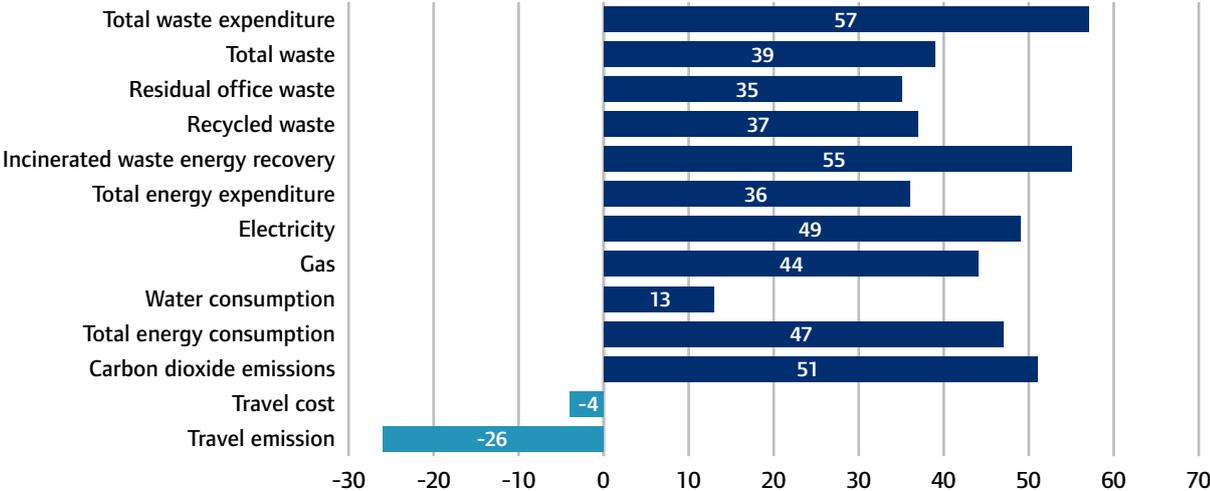
Sustainability

21. We aim to reduce the environmental impact of our services as part of being a more efficient and streamlined organisation. The Greening Government Commitment (2011) requires a reduction in carbon dioxide emissions by 25% from a 2009–10 baseline for the whole estate and business-related transport. Since 2011–12, the first year for which comparable figures are available, we have recorded an ongoing consolidated reduction of 32% in our overall emissions. Over that period, the fall in emissions has been due to improved building management, including the shrinking of our estate footprint and the more efficient use of resources.

22. This year our main contributor to carbon emissions continues to be business mileage. Following the insourcing of our schools and further education and skills inspections, travel and associated carbon emissions went up. However, this year there was a small fall in carbon emissions linked to travel compared with last year, from 1,090 to 1,075 tonnes. We continue to challenge staff to travel only when necessary, using the most sustainable and cost-effective travel options. We hold increasing numbers of ‘virtual meetings’ as we embrace smarter ways of working.

23. Despite there being no change to the size of our estate this year and an increase in staff numbers, we continued to see modest reductions in energy consumption, waste and water use. In addition robust business continuity plans are in place to manage the impact of climate change, such as extreme weather events.

Figure 5: Reductions between 2012–13 and 2016–17 (%)



The inspection experience

24. For inspection to be a force for improvement, the positive impact on providers must outweigh any burden created. We must deal with any unintended negative consequences created by inspection policy or practice.
25. After each inspection, we ask providers to fill in a post-inspection survey. Out of over 10,000 providers who responded to the statement ‘The inspection findings will help me to improve the provision’, 94% of the responses were positive, compared with 92% last year. This was just below the target we set for ourselves of 95% for the year. The proportion of positive responses was higher this year compared to last year in four out of the six types of inspection. Social care maintained a level of 97%.

Figure 6: Provider views of the impact of inspection on their improvement

Remit	Number of positive responses	Total responses	2016–17	2015–16
Maintained schools and academies	2,551	2,762	93%	92%
Independent education	173	183	95%	97%
FES	185	193	96%	94%
ITE	13	14	93%	81%
Early years	8,281	8,878	93%	91%
Social care	1,659	1,704	97%	97%
All	12,862	13,734	94%	92%

26. This is our second year of doing short inspections of good providers. Between 2015 and 2017, a very high proportion of providers that had a short inspection agreed or strongly agreed that ‘The inspector(s) provided rigorous challenge to senior leaders and governors’. For schools, the proportion was 98% and for further education and skills, 100%. They had similarly positive views about the accuracy of the inspection reports in summing up their provisions. Also, 92% of respondents from schools and 94% from further education and skills agreed or strongly agreed that the inspection would help them improve.
27. Consistent with past experience, analysis of provider feedback shows that what they value most is professional dialogue with inspectors. There is evidence that some of the changes implemented in the common inspection framework² have improved the quality of the challenge and support offered by inspectors.

2. We introduced the common inspection framework (CIF) in September 2015. It created a single set of inspection judgements for early years, state-funded schools and academies, further education and skills providers and independent schools.

Post-inspection feedback: school leader comments

'In my experience of Ofsted inspection as a senior leader for 16 years, this has been much sharper and clearer in getting to the crux of strengths and weaknesses early and testing evidence quickly than in previous inspections. The streamlined process and consistent messages about inspection and workload have enabled me to have confidence "to do what is right for the school and not what we think Ofsted want" despite conflicting advice from others leading up to our inspection.'

'The inspection team provided challenge which put our knowledge of our school, our systems and our values to the test but also enabled us to engage in a professional dialogue about our school and our evidence base. This was a genuinely productive experience that provided us with aspects to improve further but also validated the good practices we have and acknowledged the strong ethos of our school and the work we do to support our students.'

'All staff felt that whilst this was a rigorous inspection, it was also helpful in terms of their own practice and feedback was delivered in a professional and productive manner, acknowledging good practice but more importantly providing areas to improve further where necessary. Staff acknowledged the expertise of the team and the manner in which they conducted the inspection.'

'Your support and challenge was a crucial and fundamental part of our improvement strategy in helping us to identify several methods to accurately calibrate the quality of our teaching and learning and assessment. Managers and governors took reassurance from your encouraging feedback, which enabled me to lead the college to make real progress and improvements in a considered and effective manner.'

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Serving practitioners

28. In 2016–17, we continued work to recruit serving headteachers, school and college leaders and social care leaders. The proportion of Ofsted Inspectors who are serving practitioners in schools is at 70% and in further education and skills is 56%. Ofsted Inspectors, including serving practitioners, now lead short inspections. They also influence practice by sharing knowledge within Ofsted and with other school and college leaders on inspection.
29. For example, in the West Midlands region the Ofsted Inspector reference group includes several serving practitioners. The serving practitioners on this group have encouraged other serving practitioners to become Ofsted Inspectors, including as lead inspectors.
30. Feedback from inspections shows that recent experience in the field is valued by providers:

‘Having been through a number of inspections in this school over 18 years, with varying outcomes, I think this one felt like how an inspection should be. This is not because of the outcome but because I felt having an inspector who is a serving head currently and a lead inspector who had been a head made you value and respect their advice. You also felt they understood school life. I felt all the activities were useful and therefore have not completed the above section. I would like to thank the team for a very positive experience.’

‘This was the most professional and insightful team that I have met. I believe it is because four out of five were current serving headteachers led by a highly knowledgeable, perceptive and astute HMI.’

‘I found having practising headteachers on the inspection team as extremely valuable, very constructive and a very positive move by Ofsted.’

Focusing attention

31. One of the ways that inspection can impact practice is by focusing attention on specific areas of practice. This year, we started a programme of joint targeted area inspections (JTAs), working with HM Inspectorate of Constabulary, HM Inspectorate of Probation and the Care Quality Commission (CQC). The first six inspections looked in depth at the response to child sexual exploitation and reported on this. The NSPCC said that the report exposed a ‘patchy’ care system in which agencies are not adequately working together or sharing information. It added: ‘It is encouraging to see some improvements highlighted, showing that it is possible for agencies like the police, schools, and local authorities to collaborate and keep children safe. But this good practice must filter across to every part of the country so that we can be confident that every child is protected.’
32. The second set of six inspections looked at how local partners work together to protect children living with domestic abuse. The report on this will be published in summer 2017.

33. In April 2016, jointly with the CQC, we introduced a new inspection framework to review the effectiveness of local areas in fulfilling their duties for children and young people who have special educational needs and/or disabilities. This year, we began inspections of local areas that looked at identification of, and provision for, pupils who have special educational needs and/or disabilities. We call these LA SEND inspections. They focus on the child's journey from 0 to 24 and the ways that providers from different sectors work together with families to secure the health, well-being, safety and optimal development of the child. We undertook 30 inspections by the end of March 2017.
34. We evaluated the first LA SEND inspections by collecting feedback from local area nominated officers (LANOs) and others after inspection. They told us that, regardless of outcome, the very process of inspection put SEND 'suddenly in the limelight with our leaders locally'.

'The very process means that other colleagues, previously not engaged, are now talking with us and we are talking with them; for example we are now giving the local safeguarding board more detailed information about children with SEND; we have raised the profile of out-of-borough children as a vulnerable group both educationally and in terms of well-being and we are already talking about next steps and tightening up oversight.' LANO, London.

35. In January 2016, we established a new taskforce to identify, investigate, inspect and disrupt settings found to be operating illegally (unregistered schools). Working closely with the DfE and the Crown Prosecution Service (CPS), six inspectors coordinate Ofsted's work in this area, supported by a prosecutor seconded from the CPS. These officials receive support and intelligence from Ofsted's regional teams.
36. Between 1 April 2016 and 31 March 2017, the taskforce inspected 92 suspected unregistered settings, issuing warning notices to 31 of these and reporting them to the regulator (DfE). As a result, 22 of these settings have closed or altered their operations to ensure that they are complying with the law.

Myth-busting

37. We are aware of myths about inspection practice that lead to increased workload for practitioners. In January 2016 we launched our myth-busting campaign to dispel common misconceptions about what inspectors do or do not look at or 'expect to see' on inspection. This year, we continued our campaign. There have been 12,500 views of our myth-busting videos and 62,000 views of the main myth-busting document.
38. We have been using our Twitter, YouTube, SlideShare and LinkedIn accounts, as well as blogs on TES and GOV.UK to get our messages across. We have also worked with other organisations, such as school associations, unions and teaching resource sites, to help us reach our audiences.
39. We surveyed a representative sample of 1,026 classroom teachers about some of the myths that can have an impact on workload. Of these:
 - 74% know that Ofsted does not grade individual lessons
 - 70% know that Ofsted does not produce guidance on marking and feedback
 - 81% know that Ofsted does not need to see individual lesson plans during inspection.

40. We are making progress in addressing misperceptions through our myth-busting work, but there is more to be done. It is our policy not to endorse any one particular teaching style, and we instead focus on how effectively learning takes place and progress is promoted over time. However, 70% of classroom teachers surveyed incorrectly reported that Ofsted prefers to see a child-centred teaching style. Teachers who were aware of our myth-busting work were less likely to have this misperception.

The experience of registration and regulation

41. We registered over 8,700 new early years providers this year. A swift and helpful response from our Application, Regulatory and Contact team (ARC) improves the experience of those applying. This year, some changes to and issues with our IT systems contributed to missed targets. For example, in some cases there were delays in responding to emails or telephone calls, which were nonetheless responded to quickly once systems were restored. The following have now been put into place:
- as a result of implementing the Future IT programme in Ofsted we now have a dedicated contact centre email management system to replace the shared email folders we were previously using
 - we have invested in a dedicated IT service delivery manager for this service to engage with customers, track performance and manage incidents when they occur and to implement agreed 'workarounds'
 - a number of network changes to alleviate firewall issues which can cause intermittent outages in the service.

Figure 7: Applications, Regulatory and Contact team key performance indicators

Indicator	Target	Year end
Calls met quality standard	95%	97%
Emails relating to concerns responded within 24 hours	95%	86%
Registration of day care applications within 26 weeks and Childminder applications within 12 weeks	70%	74%
Concern risk assessments within 1 day	100%	99%
Whistleblowing responses within 2 days	100%	100%
Safeguarding referrals to local authority within 2 hours (of contact with registration team)	100%	98%

42. Registration is one way of ensuring that only appropriate people operate early years or social care provision. Once registered, we also intervene when provision may not be safe for children. In 2016/17, we received and risk assessed around 22,700 complaints and notifications about early years providers. This resulted in us issuing around 400 welfare requirements notices (which set out the actions that a provider must take by a certain date to meet the statutory framework). We also issued around 1,000 notices to improve following a complaint or notification.

Our responsiveness

43. We can only be a force for improvement if we evaluate our work, are sensitive to feedback and make use of the latest research and evidence.

The reliability and consistency of our inspections

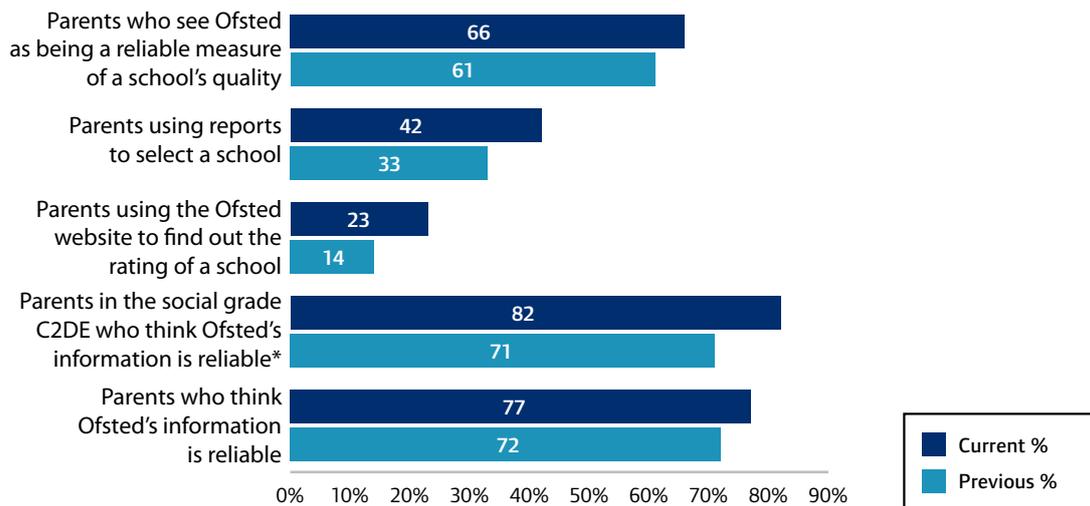
44. Over many years, providers have told us that they are concerned about variation in inspection practice. Reliability of inspection is a priority for them. In 2015, we ended our contract with external providers of schools and further education and skills inspections. This was to improve consistency and reliability across our inspection workforce. This year, we also stopped contracting with external providers of early years inspections. As of 1 April 2017, all our inspectors work directly for us. This improves communication and allows us to provide training and support directly.
45. Social care providers regularly told us that consistency in our inspection approach, methodology and judgements was important to them. They said that this was something we could improve. In June 2016, we published a major consultation on the future of social care inspection. We proposed changes to 11 separate inspection frameworks that we would bring together in one – the social care common inspection framework (SCCIF). We also proposed a set of principles for increased consistency in inspections. Respondents strongly backed the proposals.
46. We launched the SCCIF on 1 April 2017. It sets the principle for inspection that we should be ‘clear in our expectations of providers’. Before, social care providers were inspected under eight separate frameworks, each with their own inspection handbook and associated guidance. The SCCIF brings a common judgement structure, core evaluation criteria and consistent methodology.
47. Education research experts and others have raised concerns about a lack of rigorous testing of reliability. This year, for the first time, we studied the reliability of inspection. We focused on the newly introduced short inspections. Schools participated on a voluntary basis.
48. In 22 of the 24 completed inspections, inspectors came to the same judgement. They reached the same view of the schools even when evidence was interpreted differently or when different activities happened (or the same activities but in a different order). In the two inspections where inspector judgements differed, this centred on whether the short inspection should convert to a standard inspection or not. A short inspection converts to a standard inspection where more evidence is needed by inspectors to confirm that a school remains good or where its effectiveness might have improved or declined. Both of these inspections did convert and were subsequently judged to be good. We will build on this experience to do more testing of reliability and validity as part of our forthcoming strategic plan.
49. Further evidence to support the reliability and consistency of our inspections and inspection practice comes from our checks on inspection quality. We quality assure our inspections through, for example, on-site visits, telephone discussions with providers, checking of evidence bases, analysis of complaints and provider post-inspection surveys, detailed checks on the quality of reports and on the publication of reports

50. In 2016–17, we set a target of 95% for all of our quality standards to be met for each of our remits. We met this target in our schools and social care remits. However we missed this by up to 2% in our further education and skills and early years remits. Where quality standards are not met, this may be because an inspector’s writing initially lacked clarity, or because a draft report has not met all of the reporting requirements. Our quality assurance arrangements mean that before a report is published we address any issues that have been identified so that published reports meet the required standard. The outcomes of our quality assurance work inform the training and guidance we provide for inspectors, as well as our performance management of their work.

Responding to feedback from children and parents

51. This year, we repeated our survey of parents, asking for their views about Ofsted and our inspection reports. Overall, the findings from the survey remained largely similar to those from 2015. However, there are some areas where perceptions have improved.

Figure 8: Parental engagement



*Social grade C2DE is defined by occupation:

C2 Skilled manual workers

D Semi-skilled and unskilled manual workers

E State pensioners, casual and lowest grade workers, unemployed with state benefits only

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52. While the numbers of parents using our reports and website is increasing, proportions remain too low. We are currently improving our inspection reports site. We want to improve the user experience, making tasks quicker, content simpler and the search easier. We are reviewing the literacy levels needed to engage with our content. We are making it mobile friendly because we know that a high proportion of parents and other users access content this way. Every stage of the project includes user research and testing. The new site is due for completion in autumn 2017.
53. In 2016, we had over 3,000 replies from children to our point-in-time questionnaires about their experiences of being in care. Children highlighted issues important to them, such as the value of strong relationships with staff and carers, being helped to understand why they are in care, and good preparation for moving to new carers.
54. The evaluation criteria for the SCCIF, including areas of evidence that we will report on, reflect this feedback from children. The SCCIF places the experiences and progress of children at the heart of inspections.
55. We consulted with parents' groups and have now refined how we gather parents' views during LA SEND inspections. For example, in response to advice from local parents' forums, we now adjust the timings of webinars and other meetings. More than 1,300 parents have voiced their views through LA SEND webinars to date. Feedback from the parents' forums shows that parents value these opportunities. The opportunities help them to feel part of the inspection and listened to. They appreciate the ways in which social media, such as Twitter, alerts them to the coming LA SEND inspection and encourages them to express their views. However, they are sometimes confused about how their views influence inspection findings.

Research-led inspection

56. In January, we began a programme to share research. We want our workforce to learn about cutting-edge thinking and research. Professor Geoff Masters and Dr Melanie Ehren held webinars open to all staff on the Australian education system and international research on 'batched' inspections respectively.
57. We have started a major research programme about the curriculum across all phases. We are studying the importance of the curriculum in an excellent education. The results will inform our inspection policy and practice. They will also be of interest to external policy makers and the education sector. We will publish the first report, about the curriculum for the Reception Year, in September 2017.

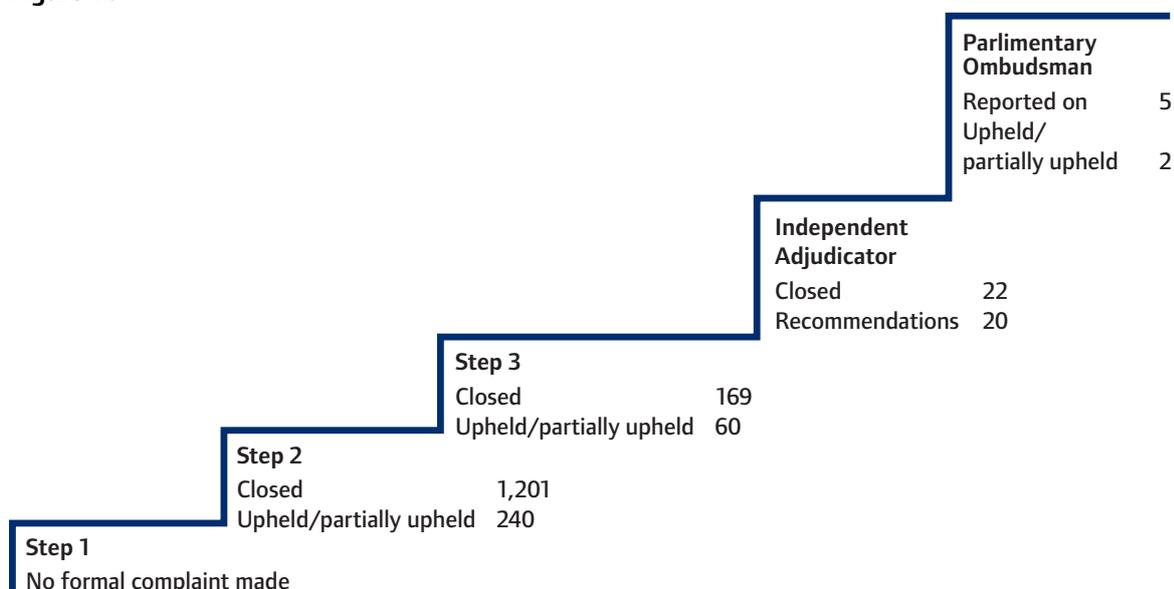
Learning from complaints

58. Complaints are an important opportunity to understand where we need to improve. The number of complaints we have received this year as a proportion of our total number of inspections and other activities has reduced for a second year.

Figure 9

Period	Total inspection/ activities	Total inspection/ activities complained about	Proportion of total	Proportion of complaints resolved on time
2016/17	45,610	1,032	2.2%	96%
2015/16	49,174	1,398	2.8%	98%
2014/15	52,072	1,642	3.1%	94%

Figure 10



59. If a complainant is unhappy, following Ofsted's formal review of their complaints, they can ask for an internal review (Step 3). This means that someone within Ofsted, who is independent of the inspection, looks at the case to check if the investigation process has been carried out properly. Before it is finalised, the outcome of an internal review is considered by a scrutiny panel which includes an external sector representative for added independence and examination. External panel members have continued to find this process positive and professional.

'I was incredibly impressed with the thoroughness and rigour of the process, and the ability of the Ofsted investigating officer in particular.'

'It was very interesting and a valuable experience. It provided a helpful insight in to internal Ofsted procedures and the thoroughness of internal investigations – even when complaints lacked detail/substance.'

'It was a pleasure to be part of the panel and to see first-hand the time and effort that is put into the process.'

60. The Parliamentary Ombudsman reported on five cases during 2016–17, partially upholding or upholding two of these. Six recommendations were made. We have accepted and complied with these.
61. We monitor and evaluate the outcomes from all complaints to inform our practice and performance management. Individual inspectors are always told the outcome of a complaint and any implications for their own practice. We update our regional teams regularly on any lessons learned from complaint investigations. They use these to inform training and development programmes for inspectors.
62. Occasionally complaints may have similar themes and therefore lead to more general recommendations for the conduct of inspections or inspectors as a whole. In those very few inspections with weaknesses where complaints were upheld, we identified the following lessons:
- If reporting is not clear enough, messages can be misinterpreted and confusion caused. We have recently launched an internal campaign (Clearly Ofsted) to promote clear writing.
 - Evidence to support inspection judgements must come from a variety of inspection activities. All meetings must be accurately and completely recorded. Our development project (electronic evidence gathering project) will introduce new recording and analysis technologies in education inspection.
 - Guidance to inspectors needs to be clearer as to how they should explain why a school has been judged to require improvement for a third consecutive time. This is being dealt with by our inspection policy team in the planning for future frameworks.
63. The ICASO annual report commended our determination to learn from complaints and the involvement of HMCI in every case and every recommendation It concluded:
- ‘This level of attention to complaints and what can be learned from them at the highest level in Ofsted is, in our view, very welcome.’

Amanda Spielman

Date: 23 June 2017

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

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ACCOUNTABILITY REPORT

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

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Corporate Governance Report

The directors' report

Ministers

1. Ofsted is a non-ministerial government department.

Chair of the Ofsted board

2. A new Chair, Julius Weinberg, was announced on 11 April 2017. The previous chair, David Hoare, stood down in August 2016 and non-executive board member James Kempton took on the role of interim chair until shortly before the new chair was announced. The chair has particular responsibility for providing effective leadership on matters such as:
 - formulating the board's strategy for discharging its statutory duties
 - encouraging high standards of propriety
 - representing the views of the board externally and internally within Ofsted
 - providing for the induction, training, objectives and assessment of individual board members
 - providing advice to the Secretary of State for Education on the performance of HMCI, on behalf of the board.

Her Majesty's Chief Inspector (HMCI)

3. Two HMCIs have led Ofsted during this financial year. Sir Michael Wilshaw came to the end of his tenure in December 2016 and we welcomed Amanda Spielman as our new HMCI in January 2017. HMCI is responsible for:
 - the inspection and regulation of services within the Ofsted remit
 - the overall organisation, management and staffing
 - Ofsted's procedures in financial, legal and other matters, including conduct and discipline.
4. Also, when requested, HMCI has a duty to provide advice to the Secretary of State for Education on activities that fall within his/her remit, such as:
 - the quality of these activities and (where appropriate) the standards achieved by those for whose benefit the activities are carried out
 - the overall organisation, management and staffing
 - improvements in the quality of activities and in any relevant standards
 - the extent to which activities are being carried on as user-focused activities
 - the efficient and effective use of resources in the carrying on of such activities and services.
5. HMCI delegates some powers to the chief operating officer (COO), directors and regional directors, who support HMCI through the executive board and HMCI's inspection and improvement forum.

Our structure

6. Ofsted consists of eight regions across England, each led by a regional director who is responsible for the quality of inspection and the improvement of providers in their region.
7. The regional directors lead teams of Senior Her Majesty’s Inspectors (SHMI) and Her Majesty’s Inspectors (HMI) to promote improvement through inspection. Our regional structure aims to target our resources more effectively to where we can drive greatest improvement.
8. Ofsted's high-level structure divides the organisation into four directorates: Inspection and Improvement, Education (including: schools, further education and skills, and early years), Social Care and the Chief Operating Officer's directorate. Each is led by a director reporting to HMCI, apart from Inspection and Improvement, which is managed regionally and led by the eight regional directors.
9. The National Director, Education (Sean Harford) and the National Director, Social Care (Eleanor Schooling) are responsible for developing inspection frameworks, guidance and policy within their remits. They are each supported by deputy directors and small policy teams, drawing on support from 'national lead' (subject or theme specialist) HMI and other HMI in agreement with regional directors.
10. The Chief Operating Officer (Matthew Coffey) heads the Chief Operating Officer's directorate, which is divided into three main groups: Strategy and Digital, Early Years Operations, and People and Operations. The teams that make up these groups ensure that the inspection workforce and senior management have the information, advice and administrative support they need to deliver their work.
11. To support the structure, administrative, professional and technical staff are organised into a single directorate under the chief operating officer. 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, Manchester and Nottingham and in our smaller offices in Birmingham, Cambridge and York.

Register of Interests

12. 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. Interests that are deemed relevant to declare in their capacity as Ofsted executive board members are listed in the table below. 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.

Board member	Organisation	Type of organisation	Nature of role
Amanda Spielman	Brunel University	University	Council member
Mike Sheridan	MK Dons Sport & Education Trust	Sports & Education Trust	Trustee

Our Non-Executive and Executive Board as at 31 March 2017

Non-executive Board



Amanda Spielman



James Kempton



Linda Farrant



Paul Snell CBE



John C Hughes



Venessa Willms OBE



John Cridland CBE

Executive Board



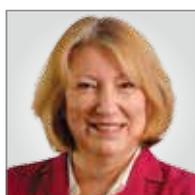
Amanda Spielman
Her Majesty's Chief
Inspector



Matthew Coffey
Chief Operating
Officer



Paul Brooker
Regional Director,
East of England



Lorna Fitzjohn
Regional Director,
West Midlands



Sean Harford
National Director,
Education



Mike Sheridan
Regional Director,
London



Cathryn Kirby
Regional Director,
North East Yorkshire
and Humber



Andrew Cook
Regional Director,
North West



Eleanor Schooling
National Director,
Social Care



Bradley Simmons
Regional Director,
South West



Chris Russell
Regional Director,
South East



Karen Shepperson
Director, People and
Operations



Louise Grainger
Director, Finance,
Planning and
Commercial



Neil Greenwood
Director, Strategy
and Digital



Luke Tryl
Director, Corporate
Strategy

Statement of accounting officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofsted to prepare resource accounts for each financial year detailing the resources acquired, held or disposed of and Ofsted's use of resources 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 include: the propriety and regularity of the public finances for which the accounting officer is answerable, keeping proper records and safeguarding Ofsted's assets, are set out in 'Managing public money' (www.gov.uk/government/publications/managing-public-money), published by the HM Treasury.

As Accounting Officer, as far as I am aware there is no relevant audit information of which Ofsted's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Ofsted's auditors are aware of that information. I also confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance statement

Scope of responsibility

13. 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.
14. HMCI, working with the board, has responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of policy, aims and objectives.

Governance structure

Ofsted board

15. 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 her functions; to determine strategic objectives and targets relating to such priorities; and to ensure that HMCI's functions are performed efficiently and effectively.
16. In performing its functions, the 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)
 - ensuring that Ofsted operates with corporate responsibilities in the discharge of its statutory functions
 - overseeing the risk management process within Ofsted.
17. To support delivery of its responsibilities, the board reviews management reports that have been approved by the executive board that detail Ofsted's performance against its corporate and strategic objectives. These reports cover all aspects of the organisation's business, including its external inspection and regulation activities and its internal budgetary, risk and resource management.
18. The information provided is signed off by the relevant director 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 and reports back any concerns to management.
19. The board meets up to six times a year. Membership and attendance for the period to 31 March 2017 is provided in Appendix B. Further details about the board, its sub-committees and its compliance with the Corporate Governance Code can be found in our [Corporate Governance Framework](#).

Ofsted committees

20. The board may establish committees and delegate any of its functions to the Chair, another board member, a committee or a sub-committee.
21. The committees of the board that operated in the year are as follows:
 - audit and risk assurance committee
 - strategic risk committee.

Audit and risk assurance committee

22. 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.
23. The audit and risk assurance committee also provides robust scrutiny and challenge of financial management and oversees internal and external audit arrangements, including both financial and non-financial systems.
24. The audit and risk assurance committee meets regularly during the year, aligned to the financial reporting timetable. For the period to 31 March 2017, the committee met on seven occasions and reviewed the following formal reports:
 - 2015–16 annual internal audit report and opinion
 - 2015–16 annual report and accounts
 - 2015–16 external audit completion report
 - 2016–17 external audit planning report
 - 2016–17 annual internal audit plan
 - 2016–17 audit and risk assurance committee annual report.
25. During the period to 31 March 2017, 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 financial management. There has been focus on governance, risk management processes, and the effectiveness of internal and external audits. The committee has been proactive in the transition to the new internal audit contract, which began in April 2016, and early development of the 2016–17 internal audit plan.
26. The Committee has continued to develop effective relationships and communication with Ofsted's wider management through seeking assurance directly from those responsible for decision-making.

Strategic Risk Committee

27. The board requested that a Strategic Risk Committee be established to give them the assurance that Ofsted has effective approaches to understand and manage strategic risks and issues. The Strategic Risk Committee was distinguished from the Audit & Risk Assurance Committee in that it aimed to support Ofsted's actual management of risks, rather than providing assurance on the risk management process.
28. As a sub-committee of the board, the Strategic Risk Committee advised both HMCI as Accounting Officer and the board on the effectiveness with which Ofsted was managing its strategic risks and issues including:
 - reviewing Ofsted's strategic risk register and recommendations for approval to the board, together with any strategic issues that arose
 - challenging the owners of each strategic risk with regard to progress with delivery of mitigating actions
 - identifying further opportunities to reduce the likelihood of risks materialising or the impact that they may if they do materialise
 - horizon-scanning strategic risks and issues impacting on the work to raise standards and improve lives
 - reviewing the progress made, with a steer towards measurable outcomes
 - providing updates to the board and HMCI on the effectiveness with which strategic risks and issues are identified and managed by the Executive.
29. In July 2016 the Committee agreed that it had successfully fulfilled its responsibilities and recommended that the responsibilities of the Committee transfer to the audit and risk assurance committee.

Executive Boards

30. 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.
31. For the period to 31 March 2017, the following Executive Boards were in operation.

Executive Board

32. The Executive Board (EB) is responsible for strategic and operational management. The EB oversees significant operational change and business as usual activity, scrutinising monthly finance, performance and risk reports and commissioning strategic work to ensure Ofsted's needs in the medium and longer term are identified and met. The business conducted at each meeting is determined by the Chair.
33. Throughout the period ending 31 December 2016, the EB met monthly and was chaired by the Chief Operating Officer, with the membership consisting of Regional Directors and Directors. The Chief Operating Officer was responsible for briefing HMCI, as required, on significant issues raised by the EB. At that time, HMCI's determinations following consideration of the advice of the EB was set out in a memo to provide an audit trail.

34. Since 1 January 2017, the EB has been chaired by HMCI and meets on a twice monthly basis. The introduction of an additional meeting, focused on strategic issues, provides an opportunity for discussion of organisational strategy in advance of, where appropriate, discussion at the non-executive board.
35. Individual members of the EB continue to have specific and clearly defined responsibilities for inspection, inspection support and corporate activities. They 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

36. The Inspection and Improvement Forum (IIF) meets monthly and is chaired by HMCI, with membership consisting of National and relevant Regional Directors and Senior HMI.
37. The IIF ensures that inspection is driving improvement. It is responsible for overseeing significant changes to inspection policy and practice, considering the performance of inspector and inspection reports, considering grade profiles by remit, considering performance by region, focusing on areas of concern, ensuring consistent national standards, agreeing the annual survey plan and considering key reports including the Annual Report and major survey reports.
38. IIF is an advisory forum supporting decisions of HMCI and Directors, focusing on regional performance and improvement. 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 has a regional focus and a remit focus.

Committees of the Executive Board

39. The formal governance structure 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 work. The Executive Board is supported by the following groups:
 - Policy Portfolio Group – responsible for policy development and delivery as a coherent portfolio of activity in support of the strategic priorities
 - Change Impact Group – responsible for the effective delivery of change
 - Chief Operating Officer's Directorate Management Board – to support the Chief Operating Officer to effectively manage operational delivery
 - Safeguarding Group – to ensure that robust internal arrangements are in place for assuring safe and secure provision for children, young people and learners across all
 - Regional Star Chamber – to review and challenge performance in each individual region; looking at resources including financial, people and contracted workforce, and risk associated with all aspects of delivery.
40. Where detailed scrutiny has taken place at a lower level of the governance structure, but escalation is required for final decision, this is done by producing a short summary paper for Executive Board consideration.

Declaration of interest

41. Ofsted maintains a register of interests to ensure that potential conflicts of interest can be identified. Board members and members of its sub-committees are required to declare any potential conflicts of interest on appointment and on an annual basis.
42. 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.
43. For the period ending 31 March 2017, the following interests were deemed relevant to declare in their capacity as Ofsted board members.

Board member	Organisation	Type of organisation	Nature of role
Amanda Spielman	Brunel University	University	Council member
James Kempton	NASUWT	Trade Union	Member
Linda Farrant	Bishop's Stortford College	School	Governor
John Cridland	Comino Foundation	Charity	Trustee
	Brunel University	University	Pro-Chancellor
Paul Snell	Action for Children	Charity	Trustee and council member
	Care Visions	Healthcare	Non-executive director
Venessa Willms	ARK	Academy	Senior employee
John Roberts CBE (to 31 July 2016)	Hampton School	Independent School	Chair of governors

Effectiveness of the Corporate Governance Framework

44. Board members agreed an updated version of the Corporate Governance Framework in December 2016. This updated version reflected HMCI's decision to Chair the EB and the Chief Operating Officer's designation as her deputy.
45. The board continue to monitor the effectiveness of governance arrangements as part of regular business and will carry out a further review of the Corporate Governance Framework later in 2017.

The assessment of risk

46. A function the governance structure is to ensure the effective management of risk. The audit and risk assurance committee supports the board in reviewing the comprehensiveness, reliability and integrity of internal controls and risk management processes.
47. 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.
48. Risk management forms an integral part of 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 priorities. 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.

49. The strategic risk register includes threats to the delivery of strategic priorities and is reviewed at least quarterly by the Executive Board and at each meeting by the audit and risk assurance committee. The audit and risk assurance committee provide assurance on the strategic risk register to the board.
50. The most significant operational risks to Ofsted are reported to the Executive Board each quarter. This report includes a summary of the routine controls and mitigating actions in place to reduce Ofsted's exposure to each risk. Ofsted continues to manage operational risks at a directorate, regional, project and team level.

Information risk

51. 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. We are moving from a reactive to proactive stance in this regard particularly as it relates to cyber and internet risks.
52. Ofsted regularly reviews information risk alongside other business risks. We continue to ensure that the value of information is understood and exploited with sensitivities safeguarded within our documented risk appetites.
53. The COO Delivery Management Meeting reviewed the information incidents log on a monthly basis, to identify wider information risks or control issues that need to be addressed.
54. There is an established governance structure, incorporating a Senior Information Risk Owner sitting on Ofsted's Executive Board, who is supported by a specialist team and a community of interest, including information asset owners, that shares knowledge and good practice in managing and sharing information.
55. During the year to 31 March 2017 two losses were formally reported by Ofsted to the Information Commissioner's Office. The majority of the personal data incidents recorded in this period are unauthorised disclosures. This was information released in error either electronically, through post, on paper or in conversations.
56. A summary of personal data related incidents during 2016–17 is provided in Appendix C.

Effectiveness of the internal control framework

57. HMCI as Accounting Officer is required to formally review the effectiveness of the 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, and senior managers who have responsibility for developing and maintaining the internal control framework. Senior managers are accountable for addressing Select Committee recommendations.
58. An interim Governance Statement was signed by the outgoing HMCI on 31 December 2016. This provided the incoming HMCI assurance over the effectiveness of the governance arrangements in place prior to her appointment. The interim governance statement confirmed the effectiveness of the internal control framework as set out above.

59. In July 2016, HMCI¹ and National Director, Social Care appeared at the Education Select Committee for a one-off hearing about Ofsted's work in the social care sector. Areas of discussion included, pressure on local authorities; impact of Ofsted judgements and the quality of local safeguarding children boards. HMCI¹ also gave evidence to the committee's inquiry into Multi Academy Trusts, where he appeared alongside the National Schools Commissioner, Sir David Carter. The Select Committee published its report into Multi Academy Trusts on 28 February 2017.

Internal audit

60. Ofsted's governance arrangements and risk management processes are supported by an internal audit function. In April 2016 a new internal audit contract commenced, the audit and risk assurance committee were involved in the re-procurement exercise. All work undertaken meets the requirements defined in the Public Sector Internal Audit Standards.
61. An audit programme for 2016–17 was developed based on an annual assessment that focuses on Ofsted's major risks and in consultation with both the Executive Board and audit and risk assurance committee. In 2016–17 eleven audits and one follow up audit were completed. The timing of the audits are spread out across the period so that continuous assurance is provided while considering the operational pressures of major programmes and business as usual.
62. All audit reports included the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with any recommendations for improvement. The Head of Internal Audit's opinion stated that Ofsted has adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met. Any control weaknesses were reported to and reviewed by the audit and risk assurance committee.
63. At each meeting of the audit and risk assurance committee, Ofsted's management present a report on the status of audit actions. In January 2017, Internal Audit carried out an independent review to verify the accuracy of this management report with regards to the completion of prior year high and medium risk actions. Internal Audit reported that all actions reviewed have been addressed in full.

Audit and Risk Assurance Committee

64. 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. There is a line of communication that enables the audit and risk assurance committee Chair to raise any matters of concern directly with HMCI. The audit and risk assurance committee Chair provides a synopsis of the work of the Committee to the board at each meeting and formal minutes of the audit and risk assurance committee meetings are presented to the board.
65. 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.

¹ Sir Michael Wilshaw

Certificates of Assurance

66. Each director and deputy director 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.
67. Certificates of Assurance are 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 in the period to 31 March 2017.

Capacity to handle risk and change

68. This has been a period of significant internal and external change for Ofsted; in response, Ofsted has been proactive in identifying and mitigating emerging risks.
69. The annual budget for 2016–17 was endorsed by the board and included a £4.9m over-allocation agreed by the Executive Board as part of the budget setting process. The Executive Board agreed that, rather than seek to fully close this relatively small remaining gap, the budget would be closely monitored during the first quarter of 2016–17 to ensure the gap was reducing. It was expected that the recruitment of inspectors, both employed and contracted, would be challenging as Ofsted faces stiff market competition for high calibre inspectors. The delays in recruitment would mitigate the over allocation in the budget.
70. At the end of quarter one Ofsted was reporting a forecast overspend of £0.2m. This had developed into a £3.5m underspend by the end of October. As a consequence Ofsted requested to surrender £2.5m in return for a corresponding budget increase in 2017-18, which was approved by HM Treasury. This is known as Budget Exchange.
71. Ofsted reported an underspend of £2.2m against DEL budget excluding depreciation for the period ending 31 March 2017. The underspend against the total budget was £2.4m.
72. The 2017-18 financial year was always going to be a challenging year for Ofsted with its budget reducing by £13.1m as a result of the Spending Review. These saving include a range of inspection policy savings, fee increase and efficiencies. Many of the savings require changes to legislation. Ofsted has put in place robust controls to ensure that all the savings are delivered. These controls include frequent and regular reporting to the Policy Portfolio Group, the Executive Board, the audit and risk assurance committee and the board. As part of a cross government review of regulators Ofsted was commended on having excellent processes in place for monitoring the delivery of its savings.
73. A number of Spending Review savings still carry a degree of risk but are being managed closely with escalation in both Ofsted and the DfE. Against this very challenging context Ofsted was able to agree a draft budget for 2017-18 with the Executive Board in November and a final budget in January 2017. The early agreement of the draft budget allowed directors to start planning early for 2017-18.

74. A quarterly Star Chamber process provides an opportunity to formally review regional performance and to check performance against the corporate plan. By quarter one the scale of the challenge to deliver the short inspection to schools previously rated as good became apparent. This was as a consequence of the challenges on recruiting and sourcing high calibre inspectors.
75. Ofsted put in place a programme of change to get Ofsted Inspectors (OIs) trained to lead on short inspections. The programme included sourcing more OIs and fast tracking the training so that they can lead inspections, training our team inspectors to lead inspections, and training those who can already lead to lead short inspections. In addition, we have continued to recruit and train HMIs.
76. At the quarterly Star Chamber meetings each Regional Director set out their plans to deliver the corporate plan volumes, regional directors provided assurance that all statutory inspections would be complete and the majority of framework constrained inspections would be undertaken. A number of inspection remain undelivered against the corporate plan targets at the year end. However the budget exchange has provided the funding for these inspections to be undertaken in 2017-18.
77. All Executive Board members met with the new HMCI prior to her official start date and all major decisions were made with an appropriate level of consultation. This approach facilitated a smooth transition and mitigated the risk of any major change of direction. Following the resignation of the Chair in August, Senior Non-Executive board member James Kempton agreed to take on the role of interim Chair while the Secretary of State undertook the process of appointing a permanent successor. James Kempton has remained on board following the end of his duties as interim Chair. This approach provided continuity and ensured the non-executive governance processes remained robust.
78. Ofsted's Early Years contracts ended in March 2017. A full change programme was established which is overseen by a Steering Group chaired by the Chief Operating Officer who is the Senior Responsible Officer for the programme. The outline business case was agreed in January by the Executive Board and the Treasury reviewed the proposals. In October the Executive Board agreed the full business case. The board also reviewed the full business case and a number of non-executive 'deep dive' reviews took place led by the Chair of the audit and risk assurance committee. The programme is split into three phases to spread and manage the risks associated with implementing the change. An SCS has been appointed to lead the delivery of the early years inspection work that will transfer to Ofsted from of April 2017 (Phase 1).
79. The transition of the ISP employed and contracted workforce took place on the 1 April and as of that date the programme had successfully delivered a major milestone. Delivery of the 2017-18 inspection programme remains on track.
80. Phase 2 will take place from January 2018 which will focus on preparing Ofsted for the regionalisation of the combined early years Inspection and Regulation work. Phase 3 is the transition to full regionalisation which will happen in January 2019.

81. Ofsted has continued to strengthen its risk management processes. The Strategic Risk Committee established by the board in 2015 was subsumed into the audit and risk assurance committee in July 2016. An updated Risk and Issues Policy has been approved by the Executive Board in November. Risk registers are in place for all directorates in the business and strategic risks are routinely and robustly reviewed by the Executive Board, the audit and risk assurance committee and the board.
82. The social and political context in which Ofsted works is continuously evolving. This can lead to new demands on the organisation. HMCI and Ofsted's policy directors are well positioned to influence changes working closely with the sector, policy makers and ministers. Ofsted has in place National Directors for Education and Social Care. These are supported by Deputy Directors for Maintained Schools, Independent and unregistered Schools, Further Education and Skills, Early Years and Social Care. HMCI has also appointed a new, SCS role as Director of Corporate Strategy to engage with senior stakeholders, academics and policy makers to make sure the way Ofsted works is informed by their evidence as well as our own.
83. On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised. During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.
84. HMCI has considered the evidence that supports this Governance Statement and is assured that Ofsted has strong governance, risk and internal control arrangements that support delivery of its aims and objectives.

Remuneration and Staff Report

Remuneration Report

Part A: Unaudited

Appointment of non-executive Board members

85. 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 board. The Secretary of State for Education oversees the recruitment of 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

86. 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.
87. Full details of the membership of the Executive Board and their dates of appointment are provided in the Governance Statement. Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
88. Further information about the work of the Civil Service Commission can be found at: <http://civilservicecommission.independent.gov.uk>.
89. Amanda Spielman was appointed as HMCI from 1 January 2017; this is a Crown appointment for a period of five years. This follows the end of Sir Michael Wilshaw's tenure as HMCI at 31 December 2016.
90. Unless otherwise stated, the Directors are all permanent senior civil servants.

Remuneration policy

91. 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.
92. 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, served as the independent member on the SCS Pay Committee during 2016-17. 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.

93. 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.
94. 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.
95. 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

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

Non-executive remuneration

97. The salary entitlements of all non-executives for the year ending 31 March 2017 were as follows:

Officials	Salary (£'000)	
	2016-17	2015-16
James Kempton (interim chair ²)	30-35	5-10
Linda Farrant	5-10	5-10
Paul Snell	5-10	5-10
John Hughes	5-10	5-10
Venessa Willms (from 18 July 2016)	5-10 (5-10 FYE)*	-
John Cridland (from 18 July 2016)	5-10 (5-10 FYE)*	-
Richard Atkins (from 18 July 2016 to 14 October 2016)	0-5 (5-10 FYE)*	-
David Hoare (chair to 22 August 2016)	15-20 (45-50 FYE)*	45-50
John Roberts (to 31 July 2016)	0-5 (5-10 FYE)*	5-10

*Full year equivalent

Senior management remuneration (salary and payments in kind)

98. The salary entitlements of the most senior members for the year ending 31 March 2017 were as follows:

² Interim chair for the period 23 August 2016 to 24 March 2017

Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Amanda Spielman (from 1 Jan 2017)	45-50 (180-185 FYE*)	-	-	-	-	-	17	-	60-65	-
Matthew Coffey	140-145	140-145	20-25	15-20	1,100	1,300	55	55	220-225	215-220
Andrew Cook	120-125	120-125	-	-	-	-	32	115	155-160	235-240
Lorna Fitzjohn	125-130	120-125	5-10	-	-	-	27	54	155-160	175-180
Christopher Russell	120-125	120-125	10-15	-	-	-	32	88	165-170	210-215
Bradley Simmons	120-125	120-125	-	10-15	-	-	32	56	155-160	190-195
Mike Sheridan (from 1 Sep 2015)	120-125	70-75 (120-125 FYE*)	-	-	-	-	130	145	250-255	215-220
Eleanor Schooling (from 4 Jan 2016)	110-115	25-30 (110-115 FYE*)	-	-	-	-	-	-	110-115	25-30
Paul Brooker (from 1 Nov 2016)	50-55 (120-125 FYE*)	-	-	-	-	-	181	-	230-235	-
Cathryn Kirby (from 1 Sep 2016)	65-70 (120-125 FYE*)	-	-	-	-	-	173	-	235-240	-
Sean Harford	135-140	120-125	10-15	10-15	-	-	38	46	185-190	180-185
Karen Shepperson	100-105	90-95	10-15	10-15	-	-	113	43	230-235	145-150
Neil Greenwood	100-105	95-100	5-10	10-15	-	-	32	39	140-145	145-150
Luke Tryl (from 27 Feb 2017)	5-10 (90-95 FYE*)	-	-	-	-	-	3	-	10-15	-
Louise Grainger	80-85	-	-	-	-	-	45	-	125-130	-
Sir Michael Wilshaw (to 31 Dec 2016)	145-150 (195-200 FYE*)	195-200	15-20	-	-	-	-	-	160-165	195-200
Sir Robin Boshier (to 15 Apr 2016)	5-10 (150-155 FYE*)	150-155	-	10-15	-	-	2	48	5-10	210-215
Nick Hudson (to 31 Aug 2016)	55-60 (135-140 FYE*)	135-140	-	-	-	-	20	48	75-80	180-185
Nick Jackson (to 21 Jun 2016)	45-50 (120-125 FYE*)	120-125	-	-	-	-	10	51	55-60	170-175

* Full year equivalent

99. Salary includes gross salary, overtime, recruitment and retention allowances, and other allowances to the extent that it is subject to UK taxation.
100. In line with the senior civil servant pay framework bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonus payments relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016–17 relate to end of year performance payments for 2015–16 and the newly introduced in-year performance payments for 2016–17. The comparative bonuses reported for 2015–16 relate to the end of year performance payments for 2014–15.
101. 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 2016–17, £1,140 (2015–16: £1,320) benefits in kind were provided by Ofsted to Matthew Coffey, who received a salary advance to assist with relocation costs.
102. Eleanor Schooling was employed by Ofsted on a two year fixed term and part time contract from 4 January 2016.
103. Luke Tryl was employed by Ofsted on a one year fixed term contract from 27 February 2017.

Pay multiples

104. 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 at the reporting period end date.
105. Ofsted operates a grading structure that is broadly aligned to the traditional Civil Service grades AO to SCS. The range of staff remuneration is between £15,000 and £182,500 (2015–16: £18,754 and £195,000).
106. The mid-point of the banded remuneration for the highest paid director in office at the reporting period end date in the financial year 2016–17 was £182,500 on a full year equivalent basis (2015–16: £197,500). This was 4.42 times (2015–16: 4.73) the median remuneration of the workforce, which was £41,200 (2015–16: £41,772).
107. In 2016–17, zero (2015–16: 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

108. The pension entitlements of the most senior members for the year ending 31 March 2017 were as follows:

	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV
Officials	£'000	£'000	£'000	£'000	£'000
Amanda Spielman (from 1 Jan 2017)	0 - 5	0 - 2.5	13	0	10
Matthew Coffey	35 - 40 plus a lump sum of 90 - 95	2.5 - 5	612	556	25
Andrew Cook	20 - 25	0 - 2.5	403	355	26
Lorna Fitzjohn	45 - 50 plus a lump sum of 140 - 145	0 - 2.5 plus a lump sum of 2.5 - 5	1,067	1,031	26
Christopher Russell	20 - 25	0 - 2.5	399	349	29
Bradley Simmons	55 - 60	0 - 2.5	1,019	947	28
Mike Sheridan (from 1 Sep 2015)	40 - 45	5 - 7.5	416	329	57
Paul Brooker (from 1 Nov 2016)	40 - 45 plus a lump sum of 130 - 135	7.5 - 10 plus a lump sum of 22.5 - 25	993	787	178
Cathryn Kirby (from 1 Sep 2016)	45 - 50	7.5 - 10	829	664	154
Sean Harford	55 - 60	0 - 2.5	897	834	15
Karen Shepperson	40 - 45 plus a lump sum of 115 - 120	5 - 7.5 plus a lump sum of 7.5 - 10	765	634	77
Neil Greenwood	25 - 30	0 - 2.5	313	283	8
Luke Tryl (from 27 Feb 2017)	0 - 5	0 - 2.5	1	-	1
Louise Grainger	30 - 35	2.5 - 5	360	324	19
Sir Robin Boshier (to 15 Apr 2016)	5 - 10	0 - 2.5	84	83	1
Nick Hudson (to 31 Aug 2016)	10 - 15	0 - 2.5	151	134	11
Nick Jackson (to 21 Jun 2016)	30 - 35	0 - 2.5	416	409	5

Civil Service Pensions

109. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age. From that date, all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

110. 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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) 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).
111. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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.
112. 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**, 65 for members of **nuvos**, and the higher of 65 or state pension age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
113. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Values

114. 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.
115. 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

116. 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.

Compensation for loss of office

117. No compensation for loss of office payments were made in 2016–17. A payment of £38,125 to Debbie Jones was made in 2015–16.

Staff Report

Part A: Audited

Number of senior civil servants by pay band

118. 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>.

	At 31 March 2017	At 31 March 2016
SCS Band 1	16	15
SCS Band 2	12	11
Permanent Secretary Equivalent	1	1
Total	29	27

Staff numbers and related costs

119. The average number of full-time equivalents employed during the year were:

	2016-17			2015-16
	Total	Permanently employed staff	Others	Total
	No.	No.	No.	No.
Total	1,548	1,427	121	1,475

120. Total staff costs for the year were:

Staff costs comprise:	2016-17			2015-16
	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	72,350	69,107	3,243	70,376
Social security costs	7,696	7,686	10	6,240
Pension costs	14,388	14,377	11	14,009
Sub Total	94,434	91,170	3,264	90,625
Restructuring costs	1,882	1,882	-	1,640
Total Net Costs	96,316	93,052	3,264	92,265

121. Other staff costs of £3.3 million include £2.6 million of temporary and agency and £0.7 million of specialist contractor staff costs. Restructuring costs include £0.8 million of in-year exit costs and £1.1 million of exit costs relating to prior years.
122. The PCSPS and the alpha are unfunded multi-employer defined benefit scheme. Ofsted is unable to identify its share of the underlying assets and liabilities. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation: www.civilservicepensionscheme.org.uk/about-us/resource-accounts.
123. For 2016-17, employers' contributions of £14.2 million were payable to the PCSPS (2015-16: £13.9 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, 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 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.
124. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.146 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earning. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015 were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Reporting of Civil Service and other compensation schemes – exit packages

125. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Pension scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs in the following table 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.

Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	2016-17 Total number of exit packages by cost band	2015-16 Total number of exit packages by cost band
0 - 10	0	0	0	6
10 - 25	0	2	2	7
25 - 50	0	2	2	26
50 - 100	0	8	8	4
100 - 150	0	0	0	0
150 - 200	0	0	0	0
200+	0	0	0	0
Total number of exits	0	12	12	43
Total resource cost £'000	0	792	792	1,308

Monitoring of consultancy and temporary staff

126. 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.

	2016-17 £'000	2015-16 £'000
Consultancy	-	20
Temporary and Agency Staff	3,264	3,925

Off-payroll engagements

127. There were four off-payroll engagements at a cost of over £220 per day in place between 1 April 2016 and 31 March 2017, two of which were in place from the previous reporting period as detailed in the table below.

No. of existing engagements as of 31 March 2017	2
Of which...	
No. that have existed less than one year at time of reporting	-
No. that have existed for between one and two years at time of reporting	1
No that have existed for between two and three years at time of reporting	1

128. There were two new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that lasted for longer than six months as detailed in the table below.

No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	2
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	-
No. for whom assurance has been requested	-

129. 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. Ofsted carries out an assessment of all off-payroll engagements regularly, and of the four engagements in the reporting period, all were considered to be low risk and assurance has not been sought.

130. Ofsted's processes will be amended to reflect policy changes in relation to taxation as recently announced.

131. There were no new off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017 as detailed in the table below. Board members and senior officials with significant financial responsibility are defined as: Her Majesty's Chief Inspector, Chief Operating Officer, Director, Finance, Planning and Commercial, Chair of the board, Chair of the audit and risk assurance committee.

No. of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year	-
No. of individuals that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year	5

Part B: Unaudited

Staff composition

132. On 31 March 2017, Ofsted directly employed 1,529 (1,478.4 FTE) staff across England. This represents an increase in employed staff numbers compared with 1,457 (1,400 FTE) on 31 March 2016.

133. The gender of the staff is as follows:

	Female	Male	2016-17 Total	2015-16 Total
Executive Board	6	9	15	12
Other SCS	7	7	14	15
Other	949	551	1,500	1,430
Total	962	567	1,529	1,457

Sickness absence

134. Ofsted monitors sickness absence regularly and produces monthly management information to help managers offer early intervention and assist employees who become ill. We have a robust attendance management procedure.

135. We work closely with our medical advisers to ensure that employees are given the benefit of temporary adjustments, phased returns to work or amended duties wherever possible.

136. We have seen an increase in our average working days lost (AWDL). Our biggest reasons for absence, in common with many other civil service departments, are psychological illnesses relating to depression, stress and anxiety. To tackle this, we offer a free and confidential counselling service for employees and this year we intend to implement a series of measures including launching the mental health first aider system to assist those feeling anxious before they become ill to address this cause of absence.

137. The AWDL per employee to sickness for the year was 7.4 (2015-16: 5.9). This is lower than the overall public sector average of 8.5 (which includes public sector, private sector, manufacturing and production and non-profits - 'Absence management: annual survey report 2016', Chartered Institute of Personnel and Development).

Staff policies

138. All our policies are designed to be inclusive. Specifically, we operate a reasonable adjustment passport and guidance in place to support all staff with a disability. We aim to support staff with a disability throughout their employment with us, offering disability leave to help staff attend appointments, adjusting trigger points relating to sickness absence to take account of a disability, and supporting staff with disabilities through any performance concerns.
139. We monitor the application of our policies for equity, reporting to our Executive Board on any adverse impact for groups with protected characteristics.
140. We operate the guaranteed interview scheme and use blind sifting to ensure that prospective employees with a disability are always given fair consideration.

Whistleblowing

141. Our policy is based on the Civil Service Employee Policy (CSEP) model. We report any cases to the cabinet office on a quarterly basis. We also report on developments and plans to improve our whistleblowing culture and employee awareness.
142. Work has been undertaken in year to ensure a staff involved in managing the process represent a diverse spread of the organisation as opposed to only being within HR. Training for those staff has also taken place, as well as an awareness event for all employees.
143. One whistleblowing case was reported in the year. This was investigated and action taken.

Parliamentary accountability and audit report

Part A: Audited

Statement of Parliamentary Supply

144. In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRM) requires Ofsted to prepare a Statement of Parliamentary Supply and supporting notes to show resource and capital outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.
145. Figures described as estimate totals are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.
146. Our performance against the total funding received in the Estimate of £147.2 million was:

	Estimate	Outturn	Variance
	£'000	£'000	£'000
Departmental Expenditure Limit - Resource	141,421	139,270	2,151
Departmental Expenditure Limit - Capital	3,849	3,785	64
Ofsted's Core Funding	145,270	143,055	2,215
Departmental Expenditure Limit - Depreciation	2,500	2,415	85
Annually Managed Expenditure - Resource	(576)	(630)	54
Total Budget	147,194	144,840	2,354

147. Against the core funding of £145.3 million, Ofsted underspent by £2.2 million equivalent to less than 2% of its budget. This primarily relates to sourcing an insufficient number of employed and contracted inspectors.
148. Overall Ofsted's administration expenditure in 2016–17 was £15.4 million, £0.7 million less than budget. We have made these savings by continuing to invest in technology and systems to improve efficiency and ways of working.

Summary of resource and capital outturn 2016–17

	Estimate			Outturn			Net total Outturn compared with Estimate saving / (excess)	Net Total
	Voted	Non- Voted	Total	Voted	Non- Voted	Total	2016-17	2015-16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit								
- Resource	143,921	-	143,921	141,685	-	141,685	2,236	134,104
- Capital	3,849	-	3,849	3,785	-	3,785	64	2,194
Annually Managed Expenditure								
- Resource	(576)	-	(576)	(630)	-	(630)	54	(2,278)
- Capital	-	-	-	-	-	-	-	-
Total Budget	147,194	-	147,194	144,840	-	144,840	2,354	134,020
Non-Budget								
- Resource	-	-	-	-	-	-	-	-
Total Resource	143,345	-	143,345	141,055	-	141,055	2,290	131,826
Total Capital	3,849	-	3,849	3,785	-	3,785	64	2,194
Total	147,194	-	147,194	144,840	-	144,840	2,354	134,020

Net Cash Requirement 2016–17

	Note	2016-17			2015-16
		Estimate Total	Outturn Total	Outturn compared with Estimate saving / (excess)	Outturn Total
		£'000	£'000	£'000	£'000
Net Cash Requirement	SOPS 2	142,974	140,882	2,092	134,167

Administration Costs 2016–17

	2016-17			2015-16
	Estimate Total	Outturn Total	Outturn compared with Estimate saving / (excess)	Outturn Total
	£'000	£'000	£'000	£'000
Administration Costs	16,125	15,425	700	15,958

SoPS 1 Net Outturn

SoPS 1.1 Analysis of net resource outturn by section

	2016-17									2015-16
	Administration			Programme			Outturn	Estimate		Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Net Total Estimate	Net Total Outturn compared with Estimate saving / (excess)	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit:										
Voted	15,425	-	15,425	144,736	(18,476)	126,260	141,685	143,921	2,236	134,104
Non-voted	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure:										
Voted	-	-	-	(630)	-	(630)	(630)	(576)	54	(2,278)
Total	15,425	-	15,425	144,105	(18,475)	125,630	141,055	143,345	2,290	131,826

SoPS 1.2 Analysis of net capital outturn by section

	2016-17					2015-16
	Outturn				Estimate	Outturn
	Gross	Income	Net	Net Total Estimate	Net Total Outturn compared with Estimate saving / (excess)	
	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit:						
Voted	3,785	-	3,785	3,849	64	2,194
Total	3,785	-	3,785	3,849	64	2,194

SoPS 2 Reconciliation of Net Resource Outturn to Net Cash Requirement

		2016-17		
		Estimate	Outturn	Net total Outturn compared with Estimate saving/ (excess)
	Note	£'000	£'000	£'000
Resource Outturn	SoPS 1.1	143,345	141,055	2,290
Capital Outturn	SoPS 1.2	3,849	3,785	64
Accruals to cash adjustments:		(4,220)	(3,958)	(262)
<i>Of which:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(2,500)	(2,415)	(85)
New provisions and adjustments to previous provisions		(230)	(327)	97
Auditor's remuneration		(63)	(63)	-
IAS 19 Pension Liability - staff costs		-	(2)	2
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	27	(27)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		(2,233)	(2,716)	483
(Increase)/decrease in payables		-	581	(581)
Use of provisions		806	957	(151)
Net cash requirement		142,974	140,882	2,092

149. Core expenditure tables detailing total departmental spending and administration costs for the years 2011 to 2020 can be found at Appendix A.

150. Details of losses and special payments can be found in note 19 to the financial statements.

Fees and charges

	2016-17		
	Income	Full Cost	Surplus / (Deficit)
	£'000	£'000	£'000
Social Care	8,519	21,701	(13,182)
Early Years	6,323	32,501	(26,178)
Independent Schools	860	3,834	(2,974)
Total	15,702	58,036	(42,334)

	2015-16		
	Income	Full Cost*	Surplus / (Deficit)
	£'000	£'000	£'000
Social Care	7,392	22,032	(14,640)
Early Years	6,625	32,185	(25,560)
Independent Schools	756	2,864	(2,108)
Total	14,773	57,081	(42,308)

*Note that the 2015-16 full cost figures have been re-stated using the 2016-17 model for calculating full cost

Amanda Spielman: **Date: 23 June 2017**
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 for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Office for Standards in Education, Children's Services and Skills' Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures 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 Office for Standards in Education, Children's Services and Skills 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 and Accounts 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 financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office for Standards in Education, Children's Services and Skills' affairs as at 31 March 2017 and of the Office's net expenditure 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 parts of the Remuneration and Staff Report and Parliamentary Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures 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 4 July 2017

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

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THE FINANCIAL STATEMENTS

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Statement of comprehensive net expenditure

		2016-17		2015-16
	Note	£'000	£'000	£'000
Total operating income	5		(18,476)	(28,820)
Staff costs	3	96,316		92,265
Purchase of goods and services		60,410		66,357
Depreciation and amortisation	4	2,415		2,063
Provision expense	14	327		(102)
Other operating expenditure	4	63		63
Total operating expenditure			159,531	160,646
Net expenditure for the year			141,055	131,826
Other comprehensive net expenditure				
Net (gain)/loss on:				
Actuarial revaluation of pension scheme		(2)		968
Total comprehensive expenditure			141,053	132,794

Statement of financial position

		31 March 2017		31 March 2016	
	Note	£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	6	1,735		2,187	
Intangible assets	7	7,638		5,816	
Trade and other receivables	12	232		108	
Total non-current assets			9,605		8,111
Current assets:					
Trade and other receivables	12	3,626		6,466	
Cash and cash equivalents	11	469		442	
Net retirement benefit schemes asset	20	-		-	
Total current assets			4,095		6,908
Total assets			13,700		15,019
Current liabilities					
Trade and other payables	13	(16,722)		(17,303)	
Provisions	14	(1,177)		(1,070)	
Total current liabilities			(17,899)		(18,373)
Non-current assets less net current liabilities			(4,199)		(3,354)
Non-current liabilities					
Provisions	14	(1,218)		(1,955)	
Other payables	13	-		-	
Total non-current liabilities			(1,218)		(1,955)
Assets less liabilities			(5,417)		(5,309)
Financed by:					
Taxpayers' equity					
General fund			(5,417)		(5,309)
Total taxpayers' equity			(5,417)		(5,309)

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

Date: 23 June 2017

Statement of cash flows

		2016-17	2015-16
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost		(141,055)	(131,826)
Adjustment for non-cash transactions		2,805	2,073
IAS 19 Pension Liability - staff costs		2	(930)
(Increase)/Decrease in trade and other receivables		2,716	1,960
Increase/(Decrease) in trade payables		(608)	(1,074)
Use of provisions	14	(957)	(2,176)
Net cash outflow from operating activities		(137,097)	(131,973)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(113)	(163)
Purchase of intangible assets	7	(3,672)	(2,031)
Proceeds of disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		(3,785)	(2,194)
Cash flows from financing activities			
Advances from the Contingency Fund		-	-
Repayments to the Contingency Fund		-	-
From the Consolidated Fund (Supply) - current year		(140,909)	(132,889)
From the Consolidated Fund (Supply) - prior year		-	-
Capital element of payment in respect of finance lease		-	-
Net Financing		(140,909)	(132,889)
Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund			
		27	(1,278)
Payments of amounts due to the Consolidated Fund		-	-
Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		27	(1,278)
Cash and cash equivalents at the beginning of the period	11	442	1,720
Cash and cash equivalents at the end of the period	11	469	442

Statement of changes in taxpayers' equity

		2016-17		
		General Fund	Pension Reserve	Total Reserves
	Note	£'000	£'000	£'000
Balance at 31 March 2015		(6,576)		(6,576)
Net Parliamentary Funding		134,168	-	134,168
Comprehensive Expenditure for the year		(131,826)	-	(131,826)
Auditors remuneration	4	63	-	63
Pension scheme asset reversal		(1,138)	-	(1,138)
Balance at 31 March 2016		(5,309)	-	(5,309)
Net Parliamentary Funding		140,882	-	140,882
Comprehensive Expenditure for the year		(141,055)	-	(141,055)
Auditors remuneration	4	63	-	63
Actuarial revaluation of pension scheme		2	-	2
Balance at 31 March 2017		(5,417)	-	(5,417)

Notes to the Ofsted resource accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2016–17 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 2016–17 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.

1.3 Depreciation and Amortisation

Depreciation and amortisation is provided on all non-current assets on a straight-line basis to write off costs (less any estimated residual value) evenly over the asset's anticipated life. Depreciation is charged from the month following acquisition or use.

Asset lives are in the following ranges:

- Information Technology - three to five years
- Furniture and Fittings - four to 15 years

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.

1.5 Administration and Programme Expenditure

The classification of expenditure and income as administration and programme follows the definition of administration costs set out in Consolidated Budgeting Guidance by HM Treasury.

1.6 Pensions

Past and present employees are covered by the provisions of the alpha Pension Scheme. 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 alpha scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the alpha scheme.

Ofsted has one employee who is a member of a local authority pension scheme. The pension scheme is accounted for as defined benefit scheme and is independent of Ofsted. Contributions are paid to the scheme in accordance with the recommendations of independent actuary to enable the administering body to meet, from the scheme, 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 scheme 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 scheme surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the statement of financial position.

When Ofsted no longer has an active member in the scheme, Ofsted's share of the scheme liabilities become due in full. Ofsted cannot control the timing of this liability and as such has put in place an exit strategy to mitigate the risk to the budget and service delivery.

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.

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.

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

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

Financial Liabilities

Ofsted does not currently have financial liabilities classified as fair value through profit or loss, neither does it have derivative Financial Instruments.

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 14 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 determines the most appropriate method to apportion the costs. During 2016–17, Ofsted refined the basis on which it apportions costs between Administration and Programme, this resulted in a small number of changes to the basis used in the prior year. Ofsted has not re-stated 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 four reportable segments:

- income
- inspection and regulation
- inspection support
- corporate and other 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. Our assessment is that changes will be required in future years due to updates to the following standards: IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 leases. The details and timing are still being considered by the Financial Reporting Advisory Board and HM Treasury.

2 Statement of Operating Costs by Operating Segments

	2016-17				
	Income	Inspection and Regulation	Inspection Support	Corporate and Other Costs	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure		101,153	22,305	36,073	159,531
Income	(18,476)				(18,476)
Net Expenditure	(18,476)	101,153	22,305	36,073	141,055

	2015-16*				
	Income	Inspection and Regulation	Inspection Support	Corporate and Other Costs	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure		102,458	22,119	36,069	160,646
Income	(28,820)				(28,820)
Net Expenditure	(28,820)	102,458	22,119	36,069	131,826

*Note that the composition of the operating segments has changed since 2015-16. The 2015-16 figures have been re-stated to aid comparison.

Factors used to identify the reportable segments

The Executive Board (EB) 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 EB 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

Income:

Income received from registration and inspection for the care and support of children and young people and to promote excellence in education and skills for learners of all ages.

Inspection and regulation:

The cost of inspection and regulation to promote excellence in education and skills for learners of all ages, and in the care of children and young people, thereby raising standards and improving lives.

Inspection support:

The cost of direct support of inspection and regulation.

Corporate and other costs:

The cost of corporate business functions and other related costs.

3 Staff costs

Staff costs comprise:	2016-17			2015-16
	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	72,350	69,107	3,243	70,376
Social security costs	7,696	7,686	10	6,240
Pension costs	14,388	14,377	11	14,009
Sub Total	94,434	91,170	3,264	90,625
Restructuring costs	1,882	1,882	-	1,640
Total Net Costs	96,316	93,052	3,264	92,265

4 Expenditure

	Note	2016-17	2015-16
		£'000	£'000
Goods and services		4,293	4,978
Accommodation costs		1,810	2,278
Inspection Costs		33,209	39,729
Travel Costs		6,904	6,617
Training Costs		2,455	1,818
Managed Services		9,003	8,210
Other expenditure		69	59
Rentals under operating leases		2,667	2,668
Non-cash items:			
Depreciation	6	565	583
Amortisation	7	1,850	1,480
Auditor's remuneration and expenses		63	63
Increase/Decrease in provisions (provision provided for in year less any release)	14	298	(194)
Borrowing Costs (unwinding of discount) on provisions	14	29	92
Total		63,215	68,381

5 Income

Operating income analysed by classification is as follows:

	2016-17	2015-16
	£'000	£'000
Social Care	8,519	7,392
Early Years	6,323	6,625
Independent Schools	860	756
Other Government Department/Other Income	2,774	14,047
Total	18,476	28,820

The basis on which this note has been prepared has changed since 2015-16. Income has been categorised by inspection remit type so it is aligned with the fees and charges table in the Accountability Report.

6 Property, plant and equipment

Property, plant and equipment comprises of IT hardware and office equipment.

	2016-17			
	Information Technology	Furniture & Fittings	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2016	2,934	290	-	3,224
Additions	113	-	-	113
Disposals	-	-	-	-
At 31 March 2017	3,047	290	-	3,337
Depreciation				
At 1 April 2016	907	130	-	1,037
Charged in year	523	42	-	565
Disposals	-	-	-	-
At 31 March 2017	1,430	172	-	1,602
Carrying amount at 31 March 2017	1,617	118	-	1,735
Carrying amount at 1 April 2016	2,027	160	-	2,187
Asset financing:				
Owned	1,617	118	-	1,735
Finance leased	-	-	-	-
Carrying amount at 31 March 2017	1,617	118	-	1,735

	2015-16			
	Information Technology	Furniture & Fittings	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2015	3,098	237	178	3,513
Additions	100	63	-	163
Disposals	(264)	(188)	-	(452)
Fit out asset transfer	-	178	(178)	-
At 31 March 2016	2,934	290	-	3,224
Depreciation				
At 1 April 2015	627	231	-	858
Charged in year	544	39	-	583
Disposals	(264)	(140)	-	(404)
At 31 March 2016	907	130	-	1,037
Carrying amount at 31 March 2016	2,027	160	-	2,187
Carrying amount at 1 April 2015	2,471	6	178	2,655
Asset financing:				
Owned	2,027	160	-	2,187
Finance leased	-	-	-	-
Carrying amount at 31 March 2016	2,027	160	-	2,187

7 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.

	2016-17			
	RSA Finance Lease	Software	Development Expenditure	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2016	18,305	7,958	-	26,263
Additions	-	1,677	1,995	3,672
Disposals	-	-	-	-
At 31 March 2017	18,305	9,635	1,995	29,935
Amortisation				
At 1 April 2016	18,063	2,384	-	20,447
Charged in year	242	1,608	-	1,850
Disposals	-	-	-	-
At 31 March 2017	18,305	3,992	-	22,297
Carrying amount at 31 March 2017	-	5,643	1,995	7,638
Carrying amount at 1 April 2016	242	5,574	-	5,816
Asset financing:				
Owned	-	5,643	1,995	7,638
Finance leased	-	-	-	-
Carrying amount at 31 March 2017	-	5,643	1,995	7,638

	2015-16			
	RSA Finance Lease	Software	Development Expenditure	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2015	18,305	3,396	3,183	24,884
Additions	-	2,031	-	2,031
Disposals	-	(652)	-	(652)
IT system transfer	-	3,183	(3,183)	-
At 31 March 2016	18,305	7,958	-	26,263
Amortisation				
At 1 April 2015	17,823	1,796	-	19,619
Charged in year	240	1,240	-	1,480
Disposals	-	(652)	-	(652)
At 31 March 2016	18,063	2,384	-	20,447
Carrying amount at 31 March 2016	242	5,574	-	5,816
Carrying amount at 1 April 2015	482	1,600	3,183	5,265
Asset financing:				
Owned	-	5,574	-	5,574
Finance leased	242	-	-	242
Carrying amount at 31 March 2016	242	5,574	-	5,816

8 Impairments

The total impairment charge for the year was nil (2015-16: nil).

9 Capital and other commitments

9.1 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.

	2016-17	2015-16
	£'000	£'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	2,666	2,692
Later than one year and not later than five years	6,675	7,083
Later than five years	3,251	4,247
Total	12,592	14,022

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

9.2 Capital commitments

	2016-17	2015-16
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
RSA lease	-	55
IT system build	952	-
Total	952	55

9.3 Other financial commitments

Ofsted has entered into non-cancellable contracts (which are not a lease or PFI contract) relating to the provision of its IT infrastructure. This includes: service desk, software and application support, network and communication services. The figure for 2015-16 includes £21.7 million for the minimum contract value of the outsourced delivery of Early Years inspections. This contract ended in March 2017, and the work will be carried out in-house.

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

	2016-17	2015-16
	£'000	£'000
Not later than one year	3,676	26,719
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	3,676	26,719

10 Financial Instruments

As the cash requirements of the department are met through the Estimates process, 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. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

11 Cash and cash equivalents

	2016-17	2015-16
	£'000	£'000
Balance at 1 April	442	1,720
Net changes in cash and cash equivalent balances	27	(1,278)
Balance	469	442

	2016-17	2015-16
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	469	442
Balance	469	442

12 Trade receivables, financial and other assets

	2016-17	2015-16
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,698	2,422
Deposits and advances	170	199
Other receivables	40	126
Prepayments and accrued income	1,491	3,492
VAT	227	227
	3,626	6,466
Amounts falling due after more than one year:		
Trade receivables	-	-
Deposits and advances	114	108
Prepayments and accrued income	118	-
	232	108

13 Trade payables and other current liabilities

	2016-17	2015-16
	£'000	£'000
Amounts falling due within one year:		
Trade payables	129	902
Other payables	1,794	1,691
Other taxation and social security	2,122	2,001
Accruals and deferred income	12,208	12,213
Current part of finance lease	-	54
Amounts issued from the Consolidated Fund supply but not spent at year end	469	442
	16,722	17,303
Amounts falling due after more than one year:		
	-	-
	-	-

14 Provisions for liabilities and charges

	2016-17					2015-16
	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Other	Total	
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2016	1,820	993	6	206	3,025	5,303
Provided in the year	352	-	-	70	422	231
Provisions not required written back	(124)	-	-	-	(124)	(425)
Provisions utilised in the year	(737)	(212)	-	(8)	(957)	(2,176)
Borrowing costs (unwinding of discount)	21	-	-	8	29	92
Balance at 31 March 2017	1,332	781	6	276	2,395	3,025

Analysis of expected timing of discounted flows:

	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Other	Total
	£'000	£'000	£'000	£'000	£'000
Not later than one year	812	345	6	14	1,177
Later than one year and not later than five years	519	367	-	64	950
Later than five years	-	68	-	200	268
Balance at 31 March 2017	1,331	780	6	278	2,395

14.1 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) and lump sum compensation payments (to compensate for any impairment to retirement lump sums that have arisen due to retiring early). 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 on estimates provided by MyCSP.

£272k 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 quotations provided by MyCSP.

14.2 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.

14.3 Vacant Property Provision

Ofsted no longer have any vacant properties at year end however residual costs remain due.

14.4 Other

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

15 Contingent liabilities

Ofsted has the following contingent liabilities:

Local Government Pension Scheme (LGPS) defined benefit scheme

One member of staff who transferred to Ofsted in 2001 elected to remain in their existing LGPS (West Yorkshire Pension Scheme). Ofsted is an admission body participating in funds without a recognised guarantor for its pension liabilities, and so the responsibility for any deficit rests with Ofsted. 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 this scheme. At present the scheme is in surplus, but this can vary depending on market conditions.

Legal cases

Ofsted has a small number of legal cases which are currently being deliberated on by the courts to determine whether to allow a hearing to go ahead. There is also a single case which has a court date set for later this year, but proceedings are not at an advanced enough stage to determine whether there will be a liability to recognise.

16 Contingent asset disclosed under IAS 37

Ofsted has no contingent assets to disclose.

17 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
Children and Family Court Advisory and Support Service
Criminal Records Bureau
Department for Business, Energy & Industrial Strategy
Department for Communities & Local Government
Department for Education
Department for Transport
Department for Work and Pension
Environment Agency
Food Standards Agency
Government Actuary's Department
Government Legal Department
Highways Agency
HM Revenue & Customs
House of Lords
Inland Revenue
Local Authority
Ministry of Defence
Ministry of Justice
National Children Bureau
Office of National Statistics
Treasury Solicitors Department
Valuation Office Agency

During the year, no board member, key manager or other related parties has undertaken any material transactions with the above listed organisations. Full details of the related parties are disclosed in the directors' report.

18 Third-party assets

Ofsted held monies on behalf of a tenant as security for future rent commitments. These monies constitute a third party asset, which were fully utilised this financial year.

	31 March 2016	Gross	Gross outflows	31 March 2017
	£'000	£'000	£'000	£'000
Monetary assets such as bank balances and monies on deposit	210	-	(210)	-

19 Losses and Special Payments

Losses Statement

	2016-17		2015-16	
	No. of cases	£'000	No. of cases	£'000
Fruitless payments and constructive losses	30	5	35	12
Total	30	5	35	12

Special payments

	2016-17		2015-16	
	No. of cases	£'000	No. of cases	£'000
Special payments	2	34	5	106
Total	2	34	5	106

20 Pension Arrangements – Local Government Pension Scheme defined benefit scheme disclosure

The Local Government Pensions Scheme (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 one staff member of the West Yorkshire Pension Fund.

The level of contributions to the scheme is the amount needed to provide adequate funds to meet pension obligations as they fall due.

The obligation and cost of providing the pensions is assessed annually using the projected unit method.

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

	West Yorkshire Pension Fund	
	31-Mar-17	31-Mar-16
	£'000	£'000
Present Value of Funded Obligation	5,404	4,588
Fair Value of Scheme Assets	6,912	5,809
Unrecognised asset	(1,508)	(1,221)
Net Assets	-	-
Present Value of Unfunded Obligation	-	-
Unrecognised Past Service Cost	-	-
Net Asset/(Liability) in Balance Sheet	-	-
Bid Value of Scheme Assets	-	-

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

	West Yorkshire Pension Fund	
	31-Mar-17	31-Mar-16
Financial Assumptions as at	% p.a.	% p.a.
RPI increases	3.10%	2.80%
CPI increases	2.00%	1.70%
Salary increases	3.25%	3.20%
Pension increases	2.00%	1.70%
Discount rate	2.50%	3.40%

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:

	West Yorkshire Pension Fund
	31-Mar-17
Retiring today	Years
Males	22.1
Females	25.2
Retiring in 20 years	
Males	23.0
Females	27.0

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

	West Yorkshire Pension Fund		
	+0.5%	0%	-0.5%
	£'000	£'000	£'000
Present Value of Total Obligation as at 31 Mar 17	5,019	5,404	5,818
Adjustment to mortality age rating assumption	-1 year	none	+1 year
Present Value of Total Obligation as at 31 Mar 17	5,568	5,404	5,241

iv) The composition of assets in the scheme has not been calculated as net assets have been recognised as nil.

	31-Mar-17		31-Mar-16	
	Value	Rates of Return	Value	Rates of Return
	£'000	% p.a.	£'000	% p.a.
Equities	-	-	-	-
Gilts	-	-	-	-
Other bonds	-	-	-	-
Property	-	-	-	-
Cash	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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-17	31-Mar-16
Equities	77.2%	75.6%
Gilts	10.1%	10.3%
Other bonds	3.9%	4.6%
Property	4.3%	4.9%
Cash	1.2%	1.3%
Other	3.3%	3.3%
	100.0%	100.0%

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2016 for the year ended 31 March 2017). 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	Year to
	31-Mar-17	31-Mar-16
	£'000	£'000
Current service cost	10	11
Past service cost	-	-
Losses/(gains) on curtailments and settlements	-	-
Total Operating Charge	10	11
Analysis of amount credited to Other Finance Income:		
Expected return on Pension Scheme Assets	195	155
Interest on Pension Scheme Liabilities	(153)	(151)
Net Return	42	4
Employers' contribution	8	937
LGPS Pension costs	(40)	(930)
Actual Return on Scheme Assets	1,264	41

vi) Movement in benefit obligation during the year:

	Year to	Year to
	31-Mar-17	31-Mar-16
	£'000	£'000
Opening Defined Benefit Obligation	4,588	4,964
Current service cost	10	11
Interest cost	153	151
Actuarial losses/(gains)	822	(367)
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Estimated benefits paid (net of transfers in)	(172)	(174)
Past service cost	-	-
Contributions by scheme participants	3	3
Unfunded pension payments	-	-
Closing Defined Benefit Obligation	5,404	4,588

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

	Year to	Year to
	31-Mar-17	31-Mar-16
	£'000	£'000
Opening Fair Value of scheme assets	5,809	5,002
Expected return on scheme assets	195	155
Actuarial gains and (losses)	1,069	(114)
Contributions by employer	8	937
Contributions by scheme participants	3	3
Estimated benefits paid (net of transfers in)	(172)	(174)
Receipt of bulk transfer value	-	-
Fair value of Scheme assets at end of period	6,912	5,809

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

	Year to	Year to
	31-Mar-17	31-Mar-16
	£'000	£'000
Surplus/(Deficit) at the beginning of the year	1,221	38
Service cost	(10)	(11)
Employer contributions	8	937
Unfunded pension payments	-	-
Past service costs	-	-
Other finance income	42	4
Settlements/curtailments	-	-
Actuarial gain/(loss)	247	253
Unrecognised asset	(1,508)	(1,221)
Surplus/(Deficit) at the end of the year	-	-

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

	Year to	Year to	Year to	Year to
	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
	£'000	£'000	£'000	£'000
Defined Benefit Obligation	(5,404)	(4,588)	(7,333)	(6,810)
Fair Value of scheme assets	6,912	5,809	7,541	6,801
Surplus/(Deficit)	1,508	1,221	208	(9)
Unrecognised asset	(1,508)	(1,221)	-	-
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 'surplus' within West Yorkshire 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'.

The scheme actuary has assumed Ofsted's obligation will end in the near future and has recognised there will be limited opportunity to receive an economic benefit from the accounting surplus and therefore set the net asset to zero.

21 Events after the reporting period

IAS 10, Events after the reporting period, requires disclosure of the date on which financial statement 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.

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

Appendix A - Core Expenditure Tables

Table 1 - Total departmental spending, 2012-13 to 2019-20

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Resource DEL								
Administration and Inspection	157,148	161,308	157,242	134,104	141,685	141,110	132,800	127,100
Total Resource DEL	157,148	161,308	157,242	134,104	141,685	141,110	132,800	127,100
<i>Of which:</i>								
Staff costs	78,395	80,768	86,373	92,265	96,316	113,663	110,380	108,633
Purchase of goods and services	92,291	93,381	82,351	65,865	58,700	42,484	41,257	40,604
Income from sales of goods and services	-14,091	-13,894	-14,866	-28,820	-18,476	-18,800	-22,400	-25,800
Rentals	-	-	2,446	2,668	2,667	-	-	-
Depreciation ¹	474	978	870	2,063	2,415	3,700	3,500	3,600
Other resource	79	75	68	63	63	63	63	63
Resource AME								
Activities to Support All Functions	-755	-4,703	-1,719	-2,278	-630	-478	-	-
Total Resource AME	-755	-4,703	-1,719	-2,278	-630	-478	-	-
<i>Of which:</i>								
Take up of provisions	3,960	-701	218	-104	327	74	-	-
Release of provision	-4,715	-4,002	-1,937	-2,174	-957	-552	-	-
Total Resource Budget	156,393	156,605	155,523	131,826	141,055	140,632	132,800	127,100
<i>Of which:</i>								
Capital DEL								
Administration and Inspection	905	4,302	3,667	2,194	3,785	-	-	-
Total Capital DEL	905	4,302	3,667	2,194	3,785	-	-	-
<i>Of which:</i>								
Purchase of assets	905	4,302	3,667	2,194	3,785	-	-	-
Capital AME								
<i>Of which:</i>								
Total Capital Budget	905	4,302	3,667	2,194	3,785	-	-	-
Total departmental spending ²	156,824	159,929	158,320	131,957	142,425	136,932	129,300	123,500
<i>Of which:</i>								
Total DEL	157,579	164,632	160,039	134,235	143,055	137,410	129,300	123,500
Total AME	-755	-4,703	-1,719	-2,278	-630	-478	-	-

¹ - Includes impairments

² - 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

The increase in total departmental spending since 2015-16 is due to the receipt of additional income in 2015-16 from the Department for Education and Business Innovation and Skills for driving improvement across all the remits we inspect and for additional inspection work. In 2016-17 the funding for this work was included in the Estimate.

Resource DEL for 2017–18 includes plans for capital expenditure. A transfer from Resource DEL to Capital DEL will be made as part of the 2017–18 Supplementary Estimate process.

AME is agreed on a year-by-year basis with HM Treasury. AME for 2018–19 onwards will be agreed as part of the annual Estimate process.

Expenditure for 2018–19 onwards is subject to revision following the agreement of Ofsted's Spending Review settlement.

Table 2 - Administration budget, 2011-12 to 2019-20

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Resource DEL								
Administration and Inspection	16,427	16,693	16,105	15,948	15,425	14,951	14,825	14,350
Total administration budget	16,427	16,693	16,105	15,948	15,425	14,951	14,825	14,350
<i>Of which:</i>								
Staff costs	10,222	10,553	10,661	10,811	10,888	10,017	9,933	9,615
Purchase of goods and services	6,047	5,905	4,801	4,327	3,943	4,871	4,829	4,673
Rentals	-	-	444	462	472	-	-	-
Depreciation	85	167	131	285	59	-	-	-
Other resource	73	68	68	63	63	63	63	62

Expenditure for 2018–19 onwards is subject to revision following the agreement of Ofsted's Spending Review settlement.

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 of normally three years, but no longer than five 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.

For the period 1 April 2016 to 31 March 2017, the membership of the board and their attendance record was:

Member	Appointment Date	Attendance record
James Kempton Interim Chair 23 August 2016 to 24 March 2017	11 March 2015	Full attendance (6 out of 6 meetings)
Amanda Spielman HMCI	1 January 2017	Full attendance (1 out of 1)
Linda Farrant	1 August 2011, re-appointed 1 August 2014	Full attendance (6 out of 6 meetings)
Paul Snell	1 August 2011, re-appointed 1 August 2014	Full attendance (6 out of 6 meetings)
John Hughes	11 March 2015	Full attendance (6 out of 6 meetings)
John Cridland	18 July 2016	(3 out of 4 meetings)
Venessa Willms	18 July 2016	(3 out of 4 meetings)
David Hoare Chair	1 September 2014	Full attendance (3 out of 3 meetings) [resigned 23 August 2016]
Sir Michael Wilshaw	1 January 2012	(2 out of 5 meetings) [term ended 31 December 2016]
John Roberts	Term extended 15 July 2015	Full attendance (2 out of 2 meetings) [term ended 31 July 2016]
Richard Atkins	18 July 2016	Full attendance (1 out of 1 meeting) [resigned 14 October 2016 following his appointment as FE Commissioner at the DfE]

The Chief Operating Officer and other Directors provide executive input to the board as required.

Audit and Risk Assurance Committee

Members of the audit and risk assurance committee are appointed by the board, for a term of two years, with the option of reappointment.

For the period to 31 March 2017, the membership of the audit and risk assurance committee and their attendance record was:

Member	Appointment Date	Attendance record
Linda Farrant	2 December 2011 Chair from 13 September 2016	7 out of 7 meetings
John Hughes	13 September 2016	4 out of 4 meetings
Venessa Willms	23 November 2016	2 out of 3 meetings
James Kempton	1 May 2015 (resigned July 2016)	2 out of 3 meetings
Richard Atkins	13 September 2016 (resigned November 2016)	1 out of 1 meeting
John Roberts	Chair from 1 December 2011 (resigned June 2016)	3 out of 3 meetings

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

Strategic Risk Committee

The Chair of the Strategic Risk Committee was appointed by the Board. The membership of the Strategic Risk Committee comprised two non-executive members, supported by the Chief Operating Officer and the Director, Finance, Planning & Commercial.

The first meeting of the Strategic Risk Committee was held in July 2015. For the period to 28 July 2016, when the committee was disbanded, the membership of the Strategic Risk Committee and their attendance record was:

Member	Appointment Date	Attendance record
John Hughes (Chair)	8 July 2015	Full attendance (3 out of 3 meetings)
Linda Farrant	8 July 2015	Full attendance (3 out of 3 meetings)

Executive Board

Between 1 April 2016 and 31 December 2016, the Executive Board was chaired by the Chief Operating Officer on behalf of HMCI. In that period, HMCI's determinations following consideration of the advice of the Executive Board was set out in a memorandum to provide a formal audit trail.

Since 1 January 2017, the Executive Board was chaired by HMCI

At March 2017, membership of the Executive Board was as follows:

Member	Appointment Date
Amanda Spielman HMCI	1 January 2017
Matthew Coffey Chief Operating Officer	1 April 2014
Lorna Fitzjohn Regional Director	1 January 2013
Sean Harford National Director, Education	1 January 2013
Bradley Simmons Regional Director	1 January 2014
Karen Shepperson Director, People and Operations	1 April 2014
Neil Greenwood Director, Strategy and Digital	1 April 2014
Chris Russell Regional Director	25 August 2014
Andrew Cook Regional Director	1 December 2014
Mike Sheridan Regional Director	1 September 2015
Eleanor Schooling National Director, Social Care	1 September 2015
Louise Grainger Director, Finance, Planning and Commercial	23 May 2016
Cathryn Kirby Regional Director	1 November 2016
Paul Brooker Regional Director	1 November 2016
Luke Tryl Director, Corporate Strategy	27 February 2017
Sir Michael Wilshaw HMCI	1 January 2012 [term ended 31 December 2016]
Nick Hudson Regional Director	1 January 2013 [resigned August 2016]
Nick Jackson Director, Corporate Services	16 September 2013 [resigned May 2016]
Sir Robin Bosher Director, Quality and Inspector Training and Regional Director	22 April 2014 [resigned April 2016]

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.

At March 2017, membership of the IIF was as follows:

Member	Appointment Date
Amanda Spielman	1 January 2017
Matthew Coffey	1 April 2014
Lorna Fitzjohn	1 January 2013
Sean Harford	1 January 2013
Bradley Simmons	1 January 2014
Karen Shepperson	1 April 2014
Neil Greenwood	1 April 2014
Chris Russell	25 August 2014
Andrew Cook	1 December 2014
Mike Sheridan	1 September 2015
Eleanor Schooling	1 September 2015
Cathryn Kirby	1 November 2016
Paul Brooker	1 November 2016
Luke Tryl	27 February 2017
Sir Michael Wilshaw	1 January 2012 [term ended 31 December 2016]
Nick Hudson	1 January 2013 [resigned August 2016]
Nick Jackson	16 September 2013 [resigned May 2016]
Sir Robin Boshier	22 April 2014 [resigned April 2016]

SCS Pay Committee

The SCS Pay Committee meets once a year and is composed of HMCI, Directors and an independent member of the board. The SCS Pay Committee was held on 6 June 2016 and was chaired by HMCI. The new Ofsted Chair will appoint an independent member to the Committee in the near future.

At 31 March 2017, membership of the SCS Pay Committee was as follows:

Member	Appointment Date
Amanda Spielman	1 January 2017
Matthew Coffey	1 April 2011
Eleanor Schooling	12 January 2016
Sean Harford	12 January 2016
Karen Shepperson	31 May 2016
Neil Greenwood	27 January 2017
Vacant Independent Member	

Appendix C - Information Risk

Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office (ICO) in 2016-17

Incidents, the disclosure of which would in itself 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.				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
December	Unauthorised disclosure of a criminal records check through human error, via the post.	Details of past convictions.	1	Information Commissioner informed.
February	Unauthorised disclosure of personal details, through human error, on the Ofsted website.	The item published contained educational status and indications of vulnerabilities for children in care (identified by initials). It also included contact details of relatives and key professionals.	14	Local Authorities responsible for the individuals were notified by phone and email.
Further action on information Risk	Ofsted has developed its understanding of information risks in light of the events noted above. We are identifying gaps within handling processes and raising awareness of where additional fail-safes are required in process or system design.			

Summary of other protected personal data related incidents in 2016-17

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	2
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
iv	Unauthorised disclosure	6
v	Other	-

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