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

Annual Report and Accounts 2018–19

HC 2398

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

Annual Report and Accounts 2018–19

(For the year ended 31 March 2019)

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Contents

OVERVIEW BY HER MAJESTY'S CHIEF INSPECTOR 4

OVERVIEW BY THE CHAIR 5

PERFORMANCE REPORT 6

About us 7

Performance summary 9

Corporate performance 24

ACCOUNTABILITY REPORT 31

Corporate governance report 2018–19 32

Governance statement 39

The assessment of risk 41

Remuneration and staff report 46

FINANCIAL STATEMENTS 67

Appendix A: Core expenditure tables 98

Appendix B: Membership and attendance of the Ofsted board, sub-committees and the executive board 100

Appendix C: Information risk 102

Appendix D: Grade table 104

Annex A: Whistleblowing disclosures report (social care) – from 1 April 2018 to 31 March 2019 105

Overview by Her Majesty's Chief Inspector

This year, I am pleased to report solid operating performance across all our areas of work. The development of our new education inspection framework has attracted much attention, and rightly so, but we have also paid full attention to our core job of inspection and regulation. We met all our statutory targets for the inspection of education and social care.[1] We have increased the number of outstanding schools that we inspect, though we remain constrained by their exemption from routine inspection. We have introduced a new model for scrutinising the work of a sample of multi-academy trusts each year. We have continued our proportionate and risk-based approach to inspecting local authority children's services. We have taken enforcement action against providers that do not keep children safe or operate illegally. Our findings from our inspection and regulation work are summarised in my Annual Report, published in December each year.

Looking at our operational performance, we have had a good year. We have continued to reduce the level of complaints about inspection. We have reduced schools Her Majesty's Inspectors (HMI) turnover substantially from its previous high level. We have made improvements to our IT systems. We have implemented the recommendations from last year's National Audit Office value for money study and the Public Accounts Committee. And we have one of the highest employee engagement scores across the Civil Service. All of this – and more – has been achieved in the context of a budget that has shrunk every year for 13 years.

All in all, I believe we are doing justice to our strategic aim of being a force for improvement through intelligent, responsible and focused inspection and regulation.

Looking forward, from September, we will be inspecting education under the new education inspection framework, with clear support from across the education sector for the principles on which it has been designed. It is the culmination of nearly two years of work involving many thousands of people, inside and outside Ofsted. We carried out a large programme of research to make sure that the framework was thoroughly grounded in evidence. We tested it with many pilot inspections in nurseries, schools and colleges. We have spoken to thousands of people at hundreds of events, asked parents for their views, met teachers, governors, ministers and trade unions – and managed and analysed the largest consultation in Ofsted's history. I am incredibly proud of the hard work and dedication of our staff throughout this process.

This framework sets out to recognise the providers – whether childminders, nurseries, schools, colleges, or apprenticeship providers – that do the right thing for their children and young people. The focus is on the substance of education, what is taught and how it is taught, and on whether that is done with integrity. All inspectors are being thoroughly prepared for inspecting under the new framework.

There remains much more to do, and there will be new challenges. The sectors that we serve have changed greatly and continue to change, and we must keep pace. I believe we are rising to these challenges and will continue to do so.

1. For children's centres, inspections remain paused following the Department for Education (DfE)'s 2015 direction.

Overview by the Chair

Last year, I spoke about the importance of our new strategy, which has as its guiding principle that Ofsted exists to be a force for improvement through intelligent, responsible and focused inspection and regulation. This year we have made significant progress in implementing our strategy; implementing change across our core activities to ensure that we are focused and support intelligent, responsible action has been a major undertaking.

None more so than in our adopting a new framework for inspecting local authority children's services (ILACS) at the beginning of 2018. The framework allows for inspectors to carry out focused visits that take place between inspections, on specific areas of a local authority's service. This has allowed us to identify whether there are weaknesses that need to be addressed urgently.

We have also published a new education inspection framework (EIF) that will take effect from September 2019. The reforms in the EIF will play a significant role in enabling us to fulfil the objectives set out in our strategy.

Colleagues from across the organisation and within partners at all levels have been involved in the development of the EIF. We engaged the education sector about our proposals before our public consultation that launched in January 2019. The Board and I were pleased to hear that there was considerable support for the proposals that were put forward.

The Board's membership has been consistent throughout 2018–19. This stability has been important in allowing the Board to grow and increase its knowledge. We have continued to give time to discussing strategic issues, alongside routine business, and the Audit and Risk Assurance Committee has been central to a review of Ofsted's strategic risks, amending risk reporting processes to make the strategic risk register a more useful management tool for Ofsted's executive board.

The Board has also made a concerted effort to visit regional teams, learning more about the challenges facing colleagues on a daily basis. Our broader knowledge has increased our ability to address some of the strategic points facing us and has further strengthened an already good relationship with the executive team.

Now, our attention turns towards implementing our new education inspection framework.
Our goal is simple: to ensure that what we do makes a positive difference to children and learners.
While there are more challenges ahead, we have made real progress in that regard.

PERFORMANCE REPORT

About us

A force for improvement

1. Ofsted's role is to make sure that organisations providing education, training and care services in England do so to a high standard for children and students. There are thousands of these organisations and they create the conditions that allow the next generation to realise its full potential.

2. We carry out our role through independent inspection and regulation. Inspection provides an independent assessment of the quality of provision. Regulation allows us to determine whether certain providers are fit to provide services. We take enforcement action against those that are not.

3. Our five-year strategy sets out our ambition to be a force for improvement through that inspection and regulation. The judgements we give through inspection and the minimum standards we report against in regulation should contribute to improved standards across the country. Our bird's-eye view across the system puts us in a unique position to aggregate and report on what does and does not work well in education and care.

4. Our values guide everything we do. They apply to everyone in Ofsted and all those who work on our behalf.

Our values

- **Children and students first:** We have high expectations for every child, regardless of their background. Everything we do as an organisation is in the interests of children and students first.
- **Independent:** Whether reporting on a provider, assessing policy outcomes or advising government, we do so without fear or favour.
- **Accountable and transparent:** An organisation that holds others to account must be accountable itself. We are always open to challenge and scrutiny.

We inspect[2]

		Inspections 2018–19		
		Planned	Carried out	%
Schools	21,900 maintained schools and academies: nursery, primary, secondary, special schools and pupil referral units 58 non-maintained special schools 1,090 independent schools	5,367	5,544 (6,115)	103 (94)
Further education and skills	170 general further education colleges 190 sixth form and other colleges 220 community learning and skills providers 110 prisons (education and training) 1,070 independent learning providers 48 16–19 academies	323	287 (485)	89 (101)
Early years	24,100 nurseries and pre-schools 37,300 childminders 220 home nurseries	10,906	12,481 (11,810)	114 (118)
Social care	152 local authority children's services 14 secure children's homes and 3 training centres 260 settings where children board (welfare) 49 residential family centres 390 adoption, adoption support and fostering agencies 16 residential holiday schemes 2,300 children's homes Cafcass	3,440	3,315 (2,605)	96 (102)
Other inspections	152 local authority areas (provision for children with special educational needs and disabilities)	29	33 (29)	114 (94)
	260 initial teacher education providers	106	101 (106)	95 (91)

2. The number of providers is based on providers open on 31 March 2019, at the end (rather than the start) of the 2018–19 financial year. Numbers over 100 are rounded. This table shows inspections from 1 April 2018 to 31 March 2019. The 2017–18 out-turn is shown in brackets. Inspections counted here exclude lines in the corporate plan deemed as 'demand-led'. This is because Ofsted has little control of the volumes of demand-led visits, so we do not treat the planned numbers as targets. A change in reporting methodology for 2018–19 gave an improved breakdown of early years inspections and visits defined as 'demand-led' and those that are not. To allow for a direct comparison, this methodology change has also been applied to the volume figures for 2017–18 here.

Performance summary

5. In autumn 2017, we published our corporate strategy 2017–22, which set out our ambition to continue to be a force for improvement through intelligent, responsible and focused inspection and regulation.[3] We are now in the implementation phase and have made significant progress across our three strategic approaches. This section should be read in conjunction with our performance against our strategic metrics.

Responsible

6. Responsible inspection and regulation mean making sure that our frameworks are fair, seeking to reduce inspection burdens and making our expectations and findings clear. This year, we have listened more closely than ever to our sectors, we have prioritised our interventions to where they are most needed, we have worked hard for parents and providers, and we have reported on emerging concerns.

Listening to our sectors

7. We carried out significant stakeholder engagement to inform the development of the education inspection framework (EIF). During the informal consultation period (June 2018 to January 2019), Ofsted staff spoke at more than 200 sessions. During the formal consultation (16 January to 5 April 2019), we held over 100 further engagement sessions. We received over 15,000 responses to the consultation. A large majority of respondents agreed with our core proposals.

8. For example, we heard clearly the sector's concerns about rising workload for teachers. One driver of this workload is overuse of data in schools, which has in part been driven by inspections focusing on internal school data. The focus in the EIF on the curriculum – the substance of education – should reduce the emphasis on unnecessary data collection. In addition, we carried out research into teacher well-being, which highlighted the role of senior leadership in schools in relation to workload. The leadership and management judgement in the EIF therefore includes attention to workload as one of its criteria.

Responsible intervention

9. We began using a new framework for inspecting local authority children's services (ILACS) in January 2018. It applies a proportionate and risk-based approach to inspection. Under the ILACS approach, inspectors can carry out focused visits in between full inspections. A focused visit concentrates on a particular aspect of the service and inspectors report on the strengths and areas for improvement. When inspectors identify a significant weakness, for example children left at risk of harm, we determine that this is an 'area for priority action'. This triggers the Department for Education (DfE) to consider what action to take with the local authority (LA). This approach is delivering on our intention to 'catch before they fall'.

3. 'Ofsted strategy: 2017 to 2022', Ofsted, September 2017; www.gov.uk/government/publications/ofsted-strategy-2017-to-2022.

10. This financial year, we have carried out 12 short inspections, 35 standard inspections and 76 focused visits of LAs. We also carried out monitoring visits in 21 inadequate LAs. In addition, we completed nine joint targeted area inspections (JTAIs)[4] to assess how partner agencies are working together in an area to identify, support and protect vulnerable children and young people. Our inspection activity this year covered 135 out of 152 LAs. This compares favourably with the previous single inspection framework. During the first full financial year (2014–15) under this framework, we published inspection reports for only 37 LAs.

Working for parents and those we inspect and regulate (providers)

11. Ofsted serves many different audiences. Parents are one of the most important. This year, we have looked at ways we can improve the information that we provide to parents.

12. In October 2018, we launched our new inspection reports site. The site has an improved search facility, along with clearer information about inspection histories and links between providers. We have started work on a new service for parents to give their views on the schools that their children attend. We currently collect parent feedback through our Parent View online survey and use this information on inspection as part of our wider evidence base. However, we think we can improve the way the service works and increase the amount of feedback we – and schools – receive.

13. Building on the user-needs testing we did last year, we have developed a new EIF report template. This is shorter, more straightforward and more indicative of what being at a particular school/college/provider is like.

4. Delivered jointly with HMI Constabulary and Fire Service, HMI Probation and the Care Quality Commission.

14. Parents continue to value the work we do highly. Our most recent YouGov Parent Survey in autumn 2018 found that:

- nearly nine in 10 parents know the rating their child's school received at its last Ofsted inspection
- of parents who have read an Ofsted report, 80% found it useful
- 74% of parents agree that the information Ofsted provides is reliable
- 68% of parents of a school-aged child agree that Ofsted is a valuable source of information.

15. We must also make sure that our systems are responsive and easy for providers to use. We are making new registration systems for childcare and children's social care providers. The new system for childminders is currently being piloted in parts of the country. We intend the new system to be completely live by the end of 2019, giving providers a much better online application experience and new tools to keep their registration information up to date.

Emerging concern – off-rolling

16. A big concern over the past year has been the practice of off-rolling. There is no legal definition of off-rolling, but we define it as 'the practice of removing a pupil from the school roll without using a permanent exclusion, when the removal is primarily in the best interests of the school, rather than the best interests of the pupil'. This includes pressuring a parent to remove their child from the school roll. To address this issue, we carried out analysis and research in two areas:

- an analysis of data, which highlighted 300 schools in which pupil movements out of the school between Years 10 and 11 were significantly higher than might be expected based on the characteristics of the pupils in the school, for each of the last two years[5]
- a survey of teachers, which suggested that, in particular, the least informed parents and most vulnerable pupils were likely to be targeted.[6]

17. Inspectors also probe into off-rolling at inspection. Between 1 September 2018 and 31 March 2019, we inspected 63 schools from the list of 300 schools that we had identified as having exceptional levels of pupil movement. Before an inspection, Ofsted's analysts provide the lead inspector with information about whether or not a school has exceptional levels of pupils leaving the school in Years 10 and 11. Inspectors can then discuss the reasons for this with school leaders during the inspection. Three published inspection reports from this period directly refer to off-rolling. In many other cases, the data on pupil movements facilitated helpful discussions between the inspector and the school leaders about why pupils left the school and what the school does to support pupils to either continue at the school or to find a place in a different school.

5. 'Off-rolling: using data to see a fuller picture', Ofsted, June 2018; https://educationinspection.blog.gov.uk/2018/06/26/off-rolling-using-data-to-see-a-fuller-picture.
6. 'Teachers say parents need help to resist off-rolling pressure', Ofsted, May 2019; www.gov.uk/government/news/teachers-say-parents-need-help-to-resist-off-rolling-pressure.

Intelligent

18. A major achievement this year has been the development of the new EIF. The new framework puts the real substance of education, the curriculum, back at the heart of inspection. It was built on the foundations of considerable research and analysis to establish criteria that reflect those of education quality, complement other accountability systems, such as performance tables, and take proper account of the need to use leaders' and staff's time effectively. It therefore includes more criteria that can genuinely assess the quality of education.

Research, evaluation and analysis

19. The investment we made in research and evaluation was central to our performance delivery this year. Our research and evaluation work fed directly into the development of the EIF.
    - Our overview of educational effectiveness research directly fed into the development of the framework criteria.[7]
    - Our large-scale research programme on curriculum provided the basis for the criteria for inspecting the curriculum.
    - Our research on lesson observation and work scrutiny informed the inspection methodology that inspectors will use to inspect the curriculum.
    - Our research on teacher well-being influenced the criteria on leadership and management.
    - Our evaluation project on what happens on inspection in schools and further education and skills (FES) providers gave us baseline data that we have used to calibrate current practice to evidence.

20. Our programme of research and evaluation has had a positive impact in other areas of our work. In social care, we evaluated the social care common inspection framework (SCCIF), which gave a positive picture of the impact of that framework on the sector.[8] We have also evaluated the implementation of the ILACS framework. We will be publishing our findings shortly.

21. Our research has also informed public debate. Our study on knife crime in London (downloaded nearly 6,000 times from publication to 31 March 2019), for example, was widely reported in the national press. It is influencing government, city and parliamentary responses to the issue.[9] By providing a counterpoint to views that regard school exclusions as a major cause of the problem, this report and the communications around it have made an important contribution.

22. Our curriculum research reports and commentaries were downloaded nearly 11,500 times up to 31 March 2019. They have contributed to a professional debate about the real substance of education – what children learn.

7. 'Education inspection framework: overview of research', Ofsted, January 2019; www.gov.uk/government/publications/education-inspection-framework-overview-of-research.
8. 'Social care common inspection framework: implementation review', Ofsted, March 2019; www.gov.uk/government/publications/social-care-common-inspection-framework-implementation-review.
9. 'Knife crime: safeguarding children and young people in education', Ofsted, March 2019; www.gov.uk/government/publications/knife-crime-safeguarding-children-and-young-people-in-education.

23. In addition to research and analysis, we have continued to make incremental improvements to how we use and analyse existing quantitative data (such as from the DfE and our own administrative systems). We have, for example:
    - developed and improved the presentation and narrative of our official and national statistical releases
    - improved the presentation of our management information
    - begun to publish a series of blogs to widen the reach of our data and to encourage discussion and debate.

24. Over the last year, our national statistics, official statistics, management information and related blogs have received around 67,000 unique views. In addition, our Parent View management information has had 42,000 views. All of this work is published on GOV.UK (along with our statistical work programme).[10]

Intelligent use of our workforce

25. Regional directors are free to vary the mix between Her Majesty's Inspectors (HMI) and Ofsted Inspectors (OIs) to meet the varying needs of their regions. In some cases, we have therefore intentionally recruited fewer HMI than had been budgeted, and managed inspection requirements with a higher proportion of contracted inspectors.

26. All our research projects involve HMI and therefore draw on the insights that they can provide from inspection, while also increasing the interest and variety of their work. Having HMI take part in these projects has enabled us to increase the level of common knowledge in the workforce on the new elements of the EIF.

27. We have also developed a new training programme for inspectors to make sure that they have the knowledge necessary to make valid and reliable inspection judgements under the EIF. In our staff survey, 82% of employed inspectors agreed that they get the information that they need to do their job well.

10. Statistics at Ofsted; www.gov.uk/government/organisations/ofsted/about/statistics.

28. Our contracted OIs are also extremely positive about their experience of contracting with Ofsted and about our organisational objectives and purpose. This is important because they are essential to our delivery model and around 70% are serving practitioners, which means that they also work within the sectors we inspect and regulate. In our 2018 OI survey:

- 99% of serving practitioners agreed or strongly agreed that, through their work as an OI, they have gained knowledge and experience that will be of benefit in their own provider and to the wider sector that they serve
- 96% of OIs agreed or strongly agreed that they feel proud to be an OI
- 98% agreed or strongly agreed that they have a clear understanding of Ofsted's purpose and how they can contribute to it and 97% agreed or strongly agreed that they believe that Ofsted is a force for improvement
- 97% of lead inspectors agreed or strongly agreed that they have the skills and knowledge they need to lead an inspection effectively.

29. These results give us confidence that we have a highly motivated, passionate and skilled contracted workforce to work alongside our employed inspectors.

Intelligent use of data and technology

30. We have made improvements to the IT systems that our staff need to do their jobs. We have started to roll out a new electronic evidence gathering system to use on inspections. This new paperless system enables inspectors to record and share evidence with members of their inspection team and quality assurance managers in real-time.

31. We have continued to develop new data-driven tools, drawing on data science and data visualisation techniques. These tools help our inspectors better understand a provider's strengths and areas of potential risk.

32. We have made performance upgrades to our IT hardware and migrated all areas of inspection that were using legacy software systems onto our core inspection management system.

33. We have completed the move to Office 365, which has enhanced our business continuity capacity, allowing colleagues to work away from the office without compromising efficiency or information security.

Focused

34. Focused inspection and regulation mean targeting our time and resources where they can lead directly to improvement. We continue to prioritise for inspection those institutions that are at risk of becoming less than good.[11]

Focus on unregistered settings

35. Our unregistered schools taskforce has continued its work to disrupt illegal schools. In a landmark case, the first prosecution of an unregistered school was successfully brought against Al-Istiqamah Learning Centre in Ealing. In other cases, illegal schools have voluntarily closed down or complied with the law after Ofsted detected them. Our work has also increased public understanding of the illegal schools problem and maintained focus on the need for legislative change so it can be addressed effectively. Examples of this include the recent publication of data on the first three years of the taskforce's operations, which was widely reported in the national press, as well as our appearance in a Channel 4 Dispatches documentary.

36. This year, we have also identified more unregistered children's homes than in previous years. We have issued cease and desist letters to those providers that should be registered but are not. We are helping LAs understand what kind of provision needs to register with Ofsted and to make good decisions about where children live. We have also worked with the courts service to ensure that courts do not accidentally direct children to be placed in unregistered homes without an explicit expectation of registration.

11. 'Methodology note: risk assessment of good and outstanding maintained schools and academies', Ofsted, May 2017; www.gov.uk/government/publications/risk-assessment-methodology-for-schools-and-further-education-and-skills-providers.

Enforcement action

37. Protecting children from harm is the central aim of our compliance and enforcement policy. We also ensure that the action we take is proportionate to the risk involved. Within the last financial year, there were 91 new substantive appeals lodged at the tribunal by early years and social care providers against enforcement action taken by Ofsted. This represented the highest ever amount of tribunal appeals involving Ofsted decisions. By comparison, in 2015–16, Ofsted defended 56 new substantive appeals. Of these 91 appeals, 71 were in early years and 20 were in social care. The majority of the cases were resolved before a final hearing. However, Ofsted was successful in defending all 20 cases that reached a contested hearing. Since April 2015, we have been successful in defending around 95% of all cases that have reached a final contested hearing.

New types of assessment

38. In order to be a force for improvement, our inspection and regulatory practices must keep pace with changes in education and care structures. We cannot currently inspect multi-academy trusts (MATs) themselves, but we are continuing to make the case for being able to do this. In November 2018, we introduced a new process: summary evaluations of MATs. These evaluate the quality of education provided by a MAT and leaders' contributions to this.

39. In 2018–19, we received £0.3m from the DfE to carry out monitoring visits to new apprenticeship providers ('new provider monitoring visits' (NPMVs)). NPMVs are carried out within two years of a provider starting its apprenticeship programme. Providers are given progress judgements of 'significant', 'reasonable' or 'insufficient' against three themes, one of which is safeguarding.

40. The NPMVs have uncovered examples of providers and employers not using the levy money appropriately. For example:

- not allowing apprentices their entitlement to 20% off-the-job training
- using apprenticeships to cover staff development costs for employees who have worked at the organisation/in the sector for a very long time and are consequently not developing substantial new skills and knowledge
- not recruiting apprentices with integrity
- not ensuring that apprentices are understanding of, and fully on board with, their commitments to an apprenticeship.

41. Our NPMVs are having an impact. Fifty-one of the 206 new providers were judged to be making insufficient progress against at least one of the themes that inspectors evaluate during NPMVs. As a result, these providers are usually prevented from recruiting more apprentices until the quality of provision improves and the provider is inspected. This ensures that the provider either stops delivering apprenticeship training or that quality improves so that apprentices and employers get a better deal.

Measuring performance against our strategy

42. Last year, for the first time, we published a set of indicators to help us measure our performance against our strategy. This year we publish them again, to allow us to look at progress. However, as we stated in last year's report:

> 'We will be cautious in how we interpret the numerical aims we set for ourselves. We will be clear that these are about making sure we know our overall direction and are stretching ourselves to get to where we want to be. These aims are not targets and we will not treat them as such.'

43. Most of the indicators are a proxy for the underlying aim, and some of these proxies are based on perception. There is a limit to the degree to which they can be relied on to assess progress towards the aim.

44. We met or exceeded the indicator for six of our aims for each year. In one we narrowly missed our indicator and in six we missed this by a larger margin. Three of those measure wider perceptions that are slow and difficult to shift.

45. Therefore, although the indicators outlined in this section have been useful in monitoring our progress, we use them alongside a broader assessment of our performance (the performance summary sets this out).

46. We have also gained some external validation of how well we are implementing our strategy through an internal audit carried out by PwC. The audit found that, in comparison with good practice in other organisations, Ofsted's engagement with and embedding of the strategy are positive and provide a good foundation for the future. No risks around strategy implementation were identified.

47. Although the indicators have given us a system with which to monitor our work, after two years of using them, we feel it is time to refine them further over the coming year. There are also some specific aspects of the indicators to bear in mind when interpreting the data.
    - Outstanding schools and colleges are exempt from routine inspection but where we do inspect them, it is as a result of risk assessment. This means that any polling data based on experiences that providers have of their latest inspection will be skewed towards the lower end of the outcome distribution.
    - Some of our means of data collection are self-selecting, such as feedback from post-inspection questionnaires (indicator 3 – see the following pages). This means that the data may not be representative of all inspected providers. These questionnaires go directly to Ofsted rather than an independent agency, which may influence how people respond.
    - Some of the indicators measure people's perceptions and these can take time to change.
    - It is methodologically challenging to measure the potential burden of regulation on small providers, such as childminders. To avoid undue burdens (indicator 7), we have used our spending as a proxy, recognising the limitations of this as a measure.
    - Some of the indicators relate to activities that are not entirely under our control. For example, it is the government's job to close illegal schools once we issue a warning notice (indicator 10). Also, our ability to inspect more outstanding provision ultimately relies on the government removing its exemption policy (indicator 9), on which we continue to collaborate with the DfE.

1. Valid measures

We will work to improve the validity of our inspections so that our judgements provide the best measure of the quality of education, training or care within an institution.

Headline indicator	Metric	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
Providers believe that their latest inspection was a fair and accurate assessment of the strengths and weaknesses of their provision	% of school teachers who agree that the following best describes their latest inspection: 'It was a fair and accurate assessment of the strengths and weaknesses of my school' (n = ~1,000) (±3)	57	62 (Aim: 58)	61 (Aim: 59)	70

2. A skilled workforce

We will ensure that we have the right balance of HMI and serving practitioners. We will ensure that HMI expertise is used where it adds most value and the job is rewarding. We will continue to create an environment that recognises diversity as a strength. All inspectors will receive high-quality training grounded in the latest research.

Headline indicator	Metric	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
Our inspectors have the information they need to effectively do their job	% of employed inspectors who agree with the statement 'I get the information I need to do my job well' (n = ~1,500) (±1)	75	82 (Aim: 77)	82 (Aim: 80)	87

3. Informative grading

We will make sure that our grading system (outstanding to inadequate) encourages improvement and does not create undesirable incentives. We will work with the DfE to carry out research into the impact of grading and seek to better understand what factors influence grade profiles and key judgements.

Performance on this measure was stable compared with the last two years, with nine out of 10 respondents agreeing. We did not, however, meet the highly challenging aim on this measure.

Headline indicator	Metric (remit = social care)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
Providers know what action to take following an inspection	% of social care providers who, following a G3 or G4 inspection report, agree with the statement 'The outcome of the inspection process will help you to improve the services you offer to children, young people, parents, carers and other service users' (n = 204)	91	91 (Aim: 93)	90 (Aim: 94)	100

4. Aggregating insights

We will use our bird's-eye view of the education, training and care systems to aggregate insights. We will use these insights to publish survey and research reports on the impact of policy and practice, identifying negative trends and showcasing what works to improve outcomes.

Headline indicator	Metric (remit = cross-remit)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
Our research has an influence on policy and practice	# page views (including repeat) of Ofsted research published within that year	122k	226k (Aim: 134k)	189k (Aim: 147k)	170k

5. Responsive and engaged

We will continue to be clear about what inspections do and do not look at. We will be willing to address criticisms and take on board feedback. We will build on the strength of our regional model to build on strong local relationships.

Headline indicator	Metric (remit = cross-remit)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We engage with stakeholders and offer opportunities for feedback and challenge	Number of speaking engagement sessions delivered by Ofsted staff, including webinars	162	243 (Aim: 225)	455 (Aim: 250)	325

6. Understanding the consequences

We will work to mitigate against the undesirable incentives of inspection. We will do more to stop our judgements and grade profiles being barriers to professionals working in challenging circumstances.

This year, we opened up a conversation about the level of burden with the sector, with a view to using EIF to reduce that burden. This may have made this issue more prominent to respondents, but we have nevertheless maintained a stable performance over the last two years.

Headline indicator	Metric (remit = schools)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We reduce the unintended consequences of inspection	% of school teachers who agree with the statement 'Ofsted inspection introduced unacceptable levels of burden into the system' (n = ~1,000) (±3)	86	82 (Aim: 82)	84 (Aim: 78)	66

7. Responsible intervention

We will use our voice as an inspectorate only when it will lead to improvements in education and care for children, young people, and adult students. We will ensure that the effect of our inspections is proportionate and does not impose undue burdens.

Headline indicator	Metric (remit = schools/EY)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We spend a more proportionate amount across all our remits per child	Ratio between the amount of our budget we spend inspecting and regulating in schools compared to early years	1:0.75	1:0.69 (Aim: 1:0.7)	1:0.64 (Aim: 1:0.65)	1:0.5

8. Addressing our audience

We will make sure that the reports, letters and other information from our inspections are accessible for the different audiences who use them. We will make our reports more understandable for parents and other users. We will take advantage of digital channels to develop new ways of presenting information.

Parental views on the extent to which Ofsted is a valuable source of information remained stable at 67% agreement. This falls below the aim of 73%. We are therefore developing a project looking at the content and format of reports and how we present information to be as useful as possible to parents.

Headline indicator	Metric (remit = cross-remit)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We provide more useful information to parents	% of parents who agree with the statement 'Ofsted is a valuable source of information about education and childcare'	69	67 (Aim: 70)	67 (Aim: 73)	80

9. Prioritising inspection

We will prioritise inspecting providers that are less than good or are at risk of becoming less than good. However, we will also observe more outstanding providers so that others can learn from them.

We are continuing to discuss the removal of the exemption with the government.

Headline indicator	Metric (remit = schools)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We inspect and observe more outstanding practice	Current: average years since last inspection among the 10% of outstanding schools with the longest gap between inspections Other metrics: the same metric for other providers is in 'basket of measures'	10	11 (Aim: 9)	12 (Aim: 8)	5

In response to recommendations from the National Audit Office (NAO) and Public Accounts Committee (PAC), the DfE has directed us to increase inspection of outstanding primary and secondary schools, so that we inspect 10% each academic year, from September 2018.

Between 1 September 2018 and 31 March 2019, we inspected 305 outstanding primary and secondary schools, which is around 8% of the total number of these schools. This puts us in a very strong position to deliver at least 10% of such schools over the 2018/19 academic year. As a comparison, we inspected 150 outstanding primary and secondary schools in the 2017/18 academic year. For further details on the inspection outcomes, please see our official statistics from 13 June.[12]

10. Keeping children safe

We will have an unrelenting focus on institutions in which we believe young people are at risk. We will work with others to clamp down on illegal unregistered schools and tackle extremism and radicalisation.

The number of illegal schools is, by definition, unknown. The process of issuing a warning notice is reactive, based on where and when we receive evidence that an illegal school is operating. This makes it challenging to set a specific yearly aim.

Headline indicator	Metric (remit = schools/SC)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
Our work leads to more providers complying with the law	Number of warning notices issued to illegal schools	31	24 (Aim: 40)	24 (as at December 2018) (Aim: 45)	40

12. 'State-funded schools inspections and outcomes as at 31 March 2019', Ofsted, June 2019; www.gov.uk/government/statistics/state-funded-schools-inspections-and-outcomes-as-at-31-march-2019.

11. Keeping pace

Our inspection practice must keep pace with changes in education and care structures. We will work with the DfE to develop new approaches to scrutinising MATs and children's services.

Headline indicator	Metric (remit = FES)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We adapt inspection models to serve a changing education and care landscape	% of further education and skills reports that meaningfully comment on the quality of subcontractor provision (for those providers with subcontractor models)	77	77 (Aim: 83)	89 (Aim: 90)	To be agreed in 2019–20

12. Pupil groups

We will highlight group underperformance and what works in tackling it, ensuring that whole-school approaches are considered alongside targeted intervention. We will provide better inspector training on data interpretation.

Headline indicator	Metric (remit = cross-remit)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We will comment more on standards for groups of children at a national level	Number of relevant groups with 'protected characteristics', with English as an additional language or disadvantage (n = 13) for whom our research or national reports have commented on outcomes in the education and care system	5	5 (Aim: 5)	6 (Aim: 6)	6

13. Right framework

We will remove from our frameworks any measures that do not genuinely assess quality of education, training and care. New frameworks will tackle a compliance culture in schools and any practice that discourages innovation.

This year, we opened a broad conversation about our inspection frameworks as part of the development of EIF. This included putting the case for change, which meant taking an appropriately self-critical approach to our existing inspection framework. This is likely to have influenced perception of our current role in the system.

Headline indicator	Metric (remit = schools)	2017 (baseline)	2018	2019 (out-turn)	2022 (aim)
We are increasingly seen as a force for improvement	% of school teachers who strongly or agree 'Ofsted is a force for improvement in England's education system' (n = ~1000) (±3)	19	24 (Aim: 21)	20 (Aim: 23)	35

Corporate performance

Continuous improvement

48. In May 2018, the NAO published a value for money study on Ofsted's inspection of schools. This was a helpful report that highlighted a number of issues. It made six recommendations, four of which were for Ofsted. Subsequently, PAC made six recommendations directly for Ofsted.

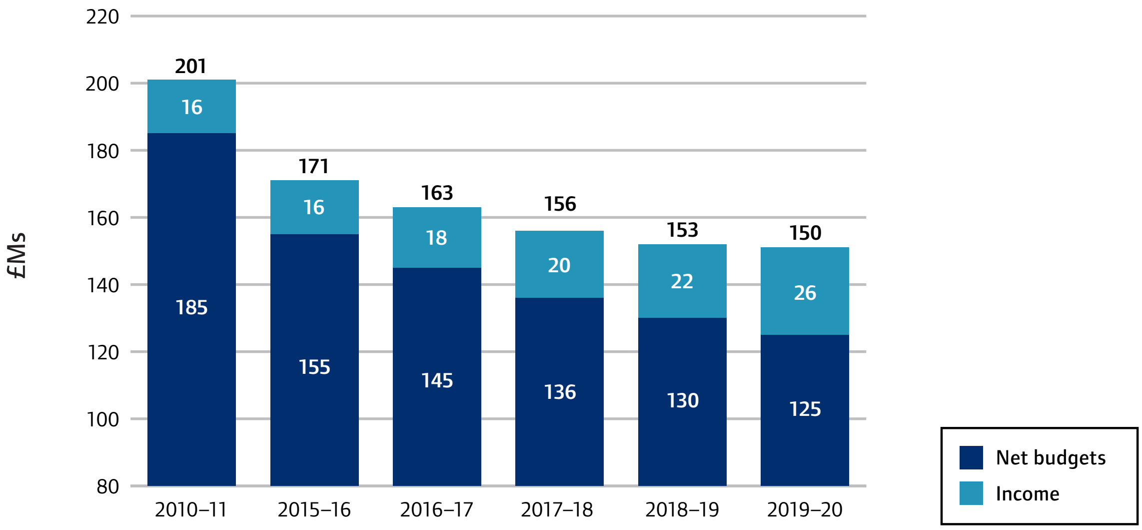
49. In prioritising our continuous improvement this past year, we are pleased to have been able to accept all the recommendations. The Audit and Risk Assurance Committee has independently provided assurance on the progress against them and we are on track for full delivery. We have:
    - confirmed in this report that statutory requirements for inspections have been met
    - reviewed the 'short' inspection model to inform development of the EIF
    - collected evidence from parents to inform policy and are reviewing the Parent View system
    - written to PAC about the numbers of inspectors employed and HMCI's view of the main risks to school effectiveness
    - shared important elements of the training given to our inspectors with school leaders from all types of schools
    - started an internal review of our complaints process.

The efficiency of our delivery

50. The chair of the PAC wrote to HMCI on 12 March in connection with evidence provided to the PAC inquiry on 'Ofsted's inspection of schools: progress review'. The chair had specific questions around school funding pressures, off-rolling, inspection of outstanding schools, short inspections and deferral of inspections. HMCI responded to these points in her letter of 19 April.

51. Ofsted's core funding has decreased from £185m in 2010–11 to £125m in 2019–20. This is a reduction of £60m, or 32%. Our gross budget, which includes income, has reduced from £201m in 2010–11 to £150m in 2019–20. This is a net reduction of £51m, or 25%.

Figure 1: Corporate performance – efficiency of delivery



1. All figures exclude depreciation and annually managed expenditure (AME) budgets and show the position after the supplementary estimate, with the exception of 2019–20 which is on the main estimate.
2. In 2015–16, an in-year reduction of £6m was made to the budget, which is not shown here.
3. In 2018–19, the DfE provided Ofsted with additional budget of £2.4m due to delays in increasing fees that were anticipated as part of Ofsted's 2015 spending review settlement. The 2019–20 income assumes fees will be increased in line with the 2015 spending review settlement and not as additional budget from the DfE, as was the case in 2018–19.
4. Figures in 2019–20 exclude expected transfer from HMT of £3m to cover a proportion of an increase in employer pension contributions.

52. We have worked with the DfE to identify a range of policy changes and fee increases, and also found other efficiencies to reduce our spending.

53. Ofsted has a legal duty to inspect schools and social care providers within set time periods. These requirements were met. All schools were re-inspected within the statutory requirement of within five school years of the end of the academic year in which the last inspection took place.[13] There are different statutory requirements for different types of social care providers and these were also met.

13. This does not include most outstanding primary and secondary schools, which are exempt from routine inspection.

54. Every year, we set internal targets for the number of inspections and visits to be carried out, based on estimates of the number of inspections and visits required. Providers opening, merging or closing subsequently can change the number delivered. Internal targets are not adjusted for these changes. We do not set targets for 'demand-led' activities, which are triggered by other events, such as first inspections of new registered providers or visits triggered by a previous inspection judgement.

55. In three remits, we achieved more than 100% against our internal inspection targets. Our delivery was as follows:

- schools: 103%
- further education and skills: 89%
- early years: 114%
- social care: 96%
- local area special educational needs and disabilities (LA SEND): 114%
- initial teacher education: 95%.

56. Including the demand-led activities, we have carried out around 31,500 separate visits. This is fewer than in 2017–18, when we carried out 35,300. The number of visits that we carry out is influenced by a range of internal and external factors. For example, we reprioritised resource to complete more demand-led monitoring visits to new apprenticeship providers and completed fewer low-risk inspections. In early years, we carried out fewer demand-led visits due to a fall in the number of applications to register as a childcare provider/childminder. In addition, we decided to set lower targets for the number of inspections and visits carried out in 2018 in our education remits. In schools and FES, we lengthened the cycle of inspections for providers rated good to an average of four years from around three years. This allowed us to invest in important research and digital projects.

57. This financial year was the first year of our new research and evaluation programme. This is a vital part of delivering our strategic approach for our work to be evidence-led and our frameworks to be valid and reliable in operation. We published several research papers, commentaries and blogs during the year. The work informed policy development in every remit.

Workforce

58. Our overall employee engagement index score is 68%, which makes Ofsted the 16th highest ranked organisation out of 102 in the Civil Service.

59. One area of concern at the start of the year was schools HMI turnover. By the end of the year, turnover had fallen to 12%, down from an average of 19% in 2017–18 and 26% in 2016–17. This reflects the success of measures to make the job more satisfying and to increase inspector certainty about their schedules. This has included a number of pilots to test new ways of working, such as how HMI work with our OI workforce. Sixty-eight HMI also participated in research and evaluation projects.

60. Beyond the turnover rate, the most recent Civil Service People Survey results show that 84% of HMI said they wanted to stay working for Ofsted for at least the next year or longer. This is a six percentage point (pp) increase from the previous year. There has also been a 2pp decrease in the percentage of HMI who said they wanted to leave Ofsted within the next 12 months.

61. Average working days lost (AWDL) through sickness has fallen steadily throughout the year. Ofsted's overall AWDL at 31 March 2019 was 6.6 days, below our target rate of 6.8 AWDL. This reduction has been achieved using a more varied approach to addressing absence. We have:

- introduced a new approach to managing attendance and delivered a range of communications and learning opportunities to help embed this
- focused on improving the overall well-being of our workforce, by:
  - introducing mental health first aiders
  - providing monthly information for managers and the wider workforce on a variety of mental and physical well-being issues
  - having a more flexible approach to employees returning to work as soon as they are able.

Responding to complaints and concerns

62. The number of complaints about Ofsted has fallen in each of the past three years and is now at less than half of 2015–16 levels. In the same period, the proportion of inspection and other activities subject to a complaint has fallen from 2.8% to 1.8%. A disproportionate share of complaints comes from providers who have received the lowest graded outcomes. We continue to view these complaints as an opportunity to understand where we need to improve, ensuring that concerns received are considered promptly and in line with our published policy.

63. All learning points from complaints are shared with the relevant manager, link inspector or team to support individual development, and can also feed into improved operating processes as well as inspector training and guidance.

Figure 2: Complaints about Ofsted[14]

Period	Total inspection/ activities	Total complaints received about inspection/activities	Proportion of total	Proportion of complaints closed and responded to on time
2018–19	36,396	662	1.8%	97%
2017–18	41,157	746	1.8%	96%
2016–17	45,610	1,032	2.2%	96%
2015–16	49,174	1,398	2.8%	98%

64. Approximately 22% of all complaints investigated this year had an aspect upheld or partially upheld. When a complaint is upheld, Ofsted takes prompt action to put things right. This may include making minor changes to reports for clarity, identifying where inspectors had not followed guidance by not discussing emerging findings, or instances where inspectors had not communicated as effectively as would be expected. We changed the overall effectiveness judgement for 13 providers. Eight inspections were deemed incomplete as a result of a complaint investigation and a further visit was carried out to gather additional evidence. This represents a very low proportion of all inspection activity carried out.

65. Those who request an internal review have their complaints considered by a panel, which includes external representation. This year, 49 external attendees took part in our internal review panels in all our main inspection remits. Our external representatives continue to view the process as a positive and insightful experience.

66. Examples of feedback we have received from our 2018–19 panels:

> 'As a practitioner, it gave me a good insight into every aspect of the complaints process and how it works' (further education and skills).
>
> 'Very comprehensive process. I learned how rigorously Ofsted handles complaints and how independently they are handled' (schools).

67. The Independent Complaints Adjudication Services for Ofsted (ICASO) reviews the way in which Ofsted has responded to complaints. It published its annual report about Ofsted in May 2019 and was positive about the thorough and considered responses from the Ofsted complaints handling team. The Parliamentary and Health Services Ombudsman did not report on any complaints this year.

14. The total inspections/activities in figure 2 includes additional regulatory activity that is not included in Ofsted's Corporate Plan. Its inclusion here is because this additional activity can be complained about.

Sustainability

68. We continue to reduce our carbon emissions and are on track to meet the Greening Government Commitment of a reduction in greenhouse/carbon emissions by at least 32% between 2016 and 2020. Since 2011–12, the first year for which comparable figures are available, we have recorded an ongoing consolidated reduction of 30% in our overall carbon emissions.

69. We have reduced our building-related energy use by 21% following our move to a new head office in London. We have also introduced more energy efficient practices in other buildings and better data recording. We have seen a further drop in the carbon emissions factor used for electricity.

70. Our overall carbon emissions from business-related travel decreased by 3.5% to 1,379 tonnes this year. Our main contributor continues to be business-related car mileage, which has seen a small increase of 0.5% from 2017–18 levels, as a result of bringing early years inspections back in house.

71. Due to smarter working initiatives such as changing why, how and where we hold meetings and maximising our remote working capability with online collaboration tools, we have recorded a significant drop in business-related train mileage. It is down by 15% and London-bound journey numbers are down by 10%.

72. We continue to move forward with our plans to become an even smarter working organisation. Around 40% of our office-based workforce regularly work at home at least two days a week. Reduced commuting journeys – and therefore related carbon emissions – contribute to reducing the environmental impact of our work.

73. Over the last year, we have reduced water consumption by 12%. Despite an overall increase in waste, most was recycled and the proportion going to landfill is now down to 10%.

Amanda Spielman **Date: 27 June 2019**

Accounting Officer

ACCOUNTABILITY REPORT

Corporate governance report 2018–19

74. The corporate governance report has three sections:

- the directors' report
- the statement of Accounting Officer's responsibilities
- the governance statement.

75. The report describes Ofsted's structure and governance framework. It includes information about board members and directors' significant interests, and it describes the Accounting Officer's responsibilities and how they have been assured. It also describes risk management arrangements.

The directors' report

76. Ofsted is a non-ministerial government department.

Her Majesty's Chief Inspector

77. Her Majesty's Chief Inspector (HMCI) is Amanda Spielman. 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.

78. HMCI has a duty to provide advice to the Secretary of State for Education when requested on activities that fall within her remit. These include:

- the quality of these activities and (where appropriate) the standards achieved for those whose benefit the activities are carried out
- improvements in the quality of the activities and in any relevant standards
- the extent to which activities are being carried out as user-focused activities
- the efficient and effective use of resources in carrying out these activities and services.

The board

79. The chair of the non-executive board ('the board') is Julius Weinberg. The functions of the board, as set out in section 116 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
- to ensure that HMCI's functions are performed efficiently and effectively.

80. The board performs its functions with due regard to section 177, schedule 1 and 2 of the Education and Inspections Act 2006.

Our non-executive and executive board

Non-executive board as at 31 March 2019

Amanda Spielman

Professor Julius Weinberg

Dame Kathryn August

John Cridland CBE

John C Hughes

Pamela Scriven QC

Venessa Willms OBE

Non-executive board members' directorships and other significant interests

Board member	Organisation	Organisation type	Nature of role
Julius Weinberg	Saturday Club Trust	Charity	Trustee
Amanda Spielman	Brunel University Worshipful Company of Founders	University Charity	Council member Freeman
Kathryn August	Institute of Education Advisers August Education Services LLP Institute of Leadership and Management University of Salford Business School	Professional membership body Consultancy Professional membership body University	Director Director Values ambassador Visiting professor
John Cridland	Transport for the North Home Group Brunel University University College London Northern Powerhouse Partnership The Comino Foundation	Sub-national transport body Housing association University University Think Tank Charity	Chairman Chairman Pro chancellor Visiting professor Director Trustee
John Hughes	London School of Economics JCH Global Consulting	University Consultancy	Chair of the audit committee Director
Pamela Scriven	Judiciary of England and Wales	Judiciary	Barrister (QC), Deputy High Court Judge (Family Division), part-time judge (Jersey and Guernsey), and Recorder
Venessa Willms	Ark Schools Ark Boulton Academy	Multi-academy trust Academy	Senior employee Deputy chair of governors
James Aston (co-opted member of ARAC)	BDO LLP	Accountancy and business advice	Partner, National Head of Education
Helen Jesson (co-opted member of ARAC)	Nil	Nil	Nil

Executive board as at 31 March 2019

Amanda Spielman
Her Majesty's Chief Inspector

Matthew Coffey
Chief Operating Officer

Sean Harford
National Director, Education

Yvette Stanley
National Director, Social Care

Paul Brooker
Regional Director, East of England

Andrew Cook
Regional Director, North West

Lorna Fitzjohn
Regional Director, West Midlands

Emma Ing
Regional Director, East Midlands

Cathy Kirby
Regional Director, North East, Yorkshire and Humber

Chris Russell
Regional Director, South East

Mike Sheridan
Regional Director, London

Bradley Simmons
Regional Director, South West

Karen Shepperson
Director, People and Operations

Louise Grainger
Director, Finance, Planning and Commercial

Neil Greenwood
Director, Digital and Information

Chris Jones
Director, Corporate Strategy

Executive board members' directorships and other significant interests

Executive board member	Organisation	Type of organisation	Nature of role
Amanda Spielman	Brunel Worshipful Company of Founders	University Charity	Council member Freeman
Mike Sheridan	MK Dons Sport Education Trust	Charity	Trustee
Chris Jones	St Matthias School	School	Governor
Sean Harford	World Bank Global Education Policy Dashboard	Financial institution	Member of technical advisory board
Luke Tryl (until February 2019)	Canary Wharf College	Multi-academy-trust	Trustee

Statement of Accounting Officer's responsibilities

81. HM Treasury has appointed HMCI as Accounting Officer. 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, as set out in 'Managing public money' (www.gov.uk/government/publications/managing-public-money), published by HM Treasury.

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

83. The accounts are prepared on an accrual 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.

84. 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 judgments 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.

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 the steps that I ought to have taken to make myself aware of any relevant audit information. I can confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the judgements required to ensure this.

Governance statement

Scope of responsibility

85. As Accounting Officer, HMCI is responsible for maintaining effective executive governance and a sound system of internal control that supports the achievement of policy, aims and objectives. This governance statement describes the corporate governance and risk managing arrangements for 2018–19.

Governance structure

Ofsted board

86. The board reviews performance reports covering all aspects of Ofsted's activity, including inspection and regulation activities and internal budgetary, risk and resource management. The board will assess the quality and appropriateness of the reports at its next evaluation of board performance in 2019, reporting any concerns to management.

87. The board meets up to six times a year. Membership and attendance for the year to 31 March 2019 is provided in Appendix B. Further details about the board, its sub-committees and its compliance with the 'Corporate governance in central government departments: code of good practice' can be found in our corporate governance framework.

88. Board members and committee members are required to declare any potential conflicts of interest on appointment and on an annual basis, or as soon as they arise in-year. Where potential conflicts of interest are identified, board members take no part in any discussions and are not involved in any decisions that relate to those interests.

Audit and Risk Committee

89. The board may establish committees and delegate any of its functions to the chair, another board member, a committee or a sub-committee. The only committee of the board that operated in the year was the Audit and Risk Assurance Committee (ARAC).

90. The ARAC's function is to support the board to fulfil their responsibilities for issues of risk, internal control and governance by:

- reviewing the comprehensiveness of assurances in meeting the board and Accounting Officer's assurance needs
- reviewing the reliability and integrity of these assurances
- providing an opinion on how well the board and Accounting Officer are supported in decision making and discharging their accountability obligations (particularly in respect of financial reporting)
- reviewing financial, other performance and risk information in order to promote the effective and efficient use of resources in the fulfilment of Ofsted's strategy.

91. The ARAC also scrutinises financial management and gives advice on internal audit arrangements, including both financial and non-financial systems.

92. The ARAC meets regularly, aligned to the financial reporting timetable. The committee met five times in 2018–19 and among its many activities and tasks reviewed the following reports:

- 2017–18 Annual Internal Audit report and opinion
- 2017–18 Annual Report and Accounts
- 2017–18 Annual Information Assurance report
- 2017–18 ARAC Annual Report
- 2017–18 External Audit Completion Report
- 2018–19 External Audit Planning report

93. The ARAC carried out a review of its effectiveness in March 2019. The results were positive, with a small number of additional best practice recommendations agreed. These actions will continue to be monitored at the Committee's forthcoming meetings.

Executive board

94. HMCI is supported by an executive board to provide effective strategic and corporate management, including risk management. The executive board oversees significant operational change and business as usual activity, scrutinising regular finance, performance and risk reports and commissioning strategic work to ensure that Ofsted's needs in the medium and longer term are identified and met.

95. Throughout the period 1 April 2018 to 31 March 2019, the executive board met fortnightly and was chaired by HMCI. The membership consisted of the chief operating officer, the national director for education, the national director for social care, the eight regional directors, the director for finance, planning and commercial, the director for people and operations, the director for digital and information and the director for corporate strategy.

96. Individual members of the executive board 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 corporate strategy.

Other corporate meetings

97. The following operational meetings escalate risks, issues and decisions to the executive board where necessary:

- Chief Operating Officer's delivery management meeting: 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 students across all remits, and managing safeguarding risks within our own workforce
- Equalities, Diversity and Inclusion Group: to provide strategic oversight of our equalities, diversity and inclusion work

- Star Chambers: to review and challenge performance in each individual region and in the early years delivery unit.

Effectiveness of the corporate governance framework

98. The board monitors the effectiveness of governance arrangements as part of regular business. During the period 1 April 2018 to 31 March 2019, a review of the corporate governance framework and scheme of delegated authority was undertaken.

The assessment of risk

99. The education and social care environment is constantly evolving. These changes require careful risk management to make sure that excellence in the care of children and young people and in education and skills for students of all ages continues to be achieved.

100. Risk management forms an integral part of governance procedures across the organisation. The strategic risk register is used to identify, monitor and help mitigate threats to the delivery of long-term strategic priorities.

101. The strategic risk register is reviewed at least quarterly by the executive board and at each meeting of the ARAC. The ARAC provides assurance on the strategic risk register to the board and has been integral to a review of the strategic risk register, helping it to become a more effective tool for managers by aligning it more closely with our strategy.

102. The most significant operational risks are reported to the executive board at least quarterly. This report includes a summary of the routine controls and mitigating actions in place to reduce exposure to each risk. We continue to manage operational risks at directorate, regional, project and team levels.

Information risk

103. Staff and contractors have privileged access to some sensitive data and information. We are required to respect this privileged access and to ensure that all personal information it holds is appropriately protected. Ofsted is continually improving its information management and taking proactive steps to reduce any risks to its information.

104. Ofsted complies with the General Data Protection Regulation (GDPR) and requires staff to report security breaches, including any incidents to personal information. Staff are also encouraged to report near misses, so that any weaknesses can be identified and immediately addressed if necessary. PwC reviewed compliance with the GDPR in October 2018. It recommended Ofsted put in place two internal groups to regularly review any reported information and security risks, and to monitor improvement plans and activities.

105. Information risk is reviewed regularly alongside other business risks. A senior information risk owner is a member of the executive board. They chair the Information Governance Group and the Security Group. The groups meet every other month and review activities relating to information security and information governance. The Chief Operating Officer's delivery management meeting reviews the information incidents log monthly to identify wider information risks or control issues that need to be addressed.

106. During the period 1 April 2018 to 31 March 2019, five losses were reported by Ofsted to the Information Commissioner's Office. Most of the personal data incidents recorded in this period are accidental unauthorised disclosures. This was information released in error either electronically, through post, on paper or in conversations.

107. A summary of personal data-related incidents that occurred during the period 1 April 2018 to 31 March 2019 is provided in Appendix C.

Internal audit

108. Ofsted's governance arrangements and risk management processes are supported by an internal audit function, with a rolling audit programme based on an assessment of Ofsted's strategic priorities and major risks. All formal audits were completed within the period of 1 April 2018 to 31 March 2019, and advisory support was provided to a review of Ofsted's corporate governance.

109. 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. Internal audit carried out an independent review in March 2019 to ensure that recommendations are being implemented and to provide assurance to the Accounting Officer. Internal audit reported that all actions reviewed have been addressed in full.

Certificates of assurance

110. Each director and deputy director must complete mid-year and end-of-year reviews of the controls that they have in place to manage risks. They must report on this by completing an internal control checklist and give written assurance to the Accounting Officer that these controls are effective.

111. Certificates of assurance are supported by an internal control checklist that outlines all the internal controls that each signatory should have in place. Any departures from these controls must be disclosed. In the period 1 April 2018 to 31 March 2019 there was one departure, which was reported to HMCI. A risk in the volumes process was identified, due mainly to the highly complex nature of inspection rules and the frequency of change, along with the number of hand-offs between different teams. The Chief Operating Officer has worked with Finance, Data and Insight, and policy teams to enhance procedures and reporting processes. These will be further improved following an independent review of Ofsted's selection and scheduling.

Effectiveness of the internal control framework

112. HMCI, as Accounting Officer, is required to 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 ARAC and senior managers who have responsibility for developing and maintaining the internal control framework. Senior managers are accountable for addressing parliamentary Select Committee recommendations.

113. This governance statement is completed to provide assurance to HMCI about the effectiveness of the governance and internal control framework, as set out above.

114. HMCI regularly gives evidence about a range of matters relating to Ofsted's work and remit to the Education Select Committee. On 25 June 2018 and 23 January 2019, HMCI also gave evidence to the Public Accounts Committee on Ofsted's effectiveness and performance, the inspection of outstanding schools, school funding, unregistered schools and children's social care.

Capacity to handle risk and change

115. New demands and challenges are continuing to emerge. If Ofsted is to function effectively as a regulator, its regulatory and inspection frameworks must keep pace. Accountability must match structures in which sectors operate, not historic models. This pace of change is unlikely to slow and leads to new demands on the organisation.

116. The period 1 April 2018 to 31 March 2019 was a pivotal one in the development of the new education inspection framework. Policy teams developed the criteria that inspectors will use to reach judgements under the new framework. They drafted the handbooks and supporting documents to allow open and transparent consultation. The documentation was reviewed by HMCI and the executive board. The risks associated with implementing a new framework are being managed through regular reporting to a Programme Board, where they are reviewed and mitigating actions agreed. All operational changes will be made, and staff given time to familiarise themselves with the changes, before the new framework is in use (from 1 September 2019). Changes are communicated widely to ensure that staff are aware of all changes taking place across the organisation.

117. Achieving the required inspection volumes has continued to be an area of focus throughout 2018. The executive board reviews actual and planned delivery monthly. Additional insight has been developed for the areas of greatest risk. This is reported to the Chief Operating Officer and the regional directors on a weekly basis.

118. A review of the processes related to the selection, scheduling and reporting of statutory required inspections led to some recommended actions for improvement. The agreed actions are being monitored by the executive board.

119. Ofsted's early years contracts with inspection service providers ended in March 2017. A full change programme was established. This was overseen by a steering group chaired by the Chief Operating Officer, who is the senior responsible officer for the programme. The delivery of inspection activity has been carried out by the early years delivery unit since April 2017. The transition to full regionalisation took place on 1 January 2019.

120. In July 2018 Ofsted upgraded the software used to support inspection and regulatory processes to include early years provision. This significantly increased the size of the database and added new functionality. In the months that followed there were occasions when the speed of this core system did not meet acceptable performance levels. In response, Ofsted worked with our suppliers to make performance improvements to the system and supporting infrastructure. At the same time, work was carried out to ensure that business continuity plans were refreshed and robust. This work has made a significant difference: performance is now stable.

121. Cyber-security remains a significant focus. We are involved in the transforming government security programme and are engaged with the Cluster Security Advisor, as

an external point of reference for our cyber activities. Internally, we have increased protective monitoring as well as implementing a wide range of the Microsoft toolset. Conditional access now controls access to our systems from abroad. Work is at an advanced stage to implement multi-factor authentication on certain devices 365 system as well as a system to prevent internal 'spoofing' of email addresses, which is a primary route to injecting malware into our systems.

122. The 2018–19 financial year was always going to be a challenging year, with a reduction in our core funding of £5.6 million compared with the previous year because of the spending review. This required us to make significant savings, which we achieved through a range of inspection policy savings and efficiencies. Many of the actions that have been identified to achieve these savings required changes to legislation. Where the DfE has not made the required changes to regulations, it has instead made a budget cover transfer to fund Ofsted for the difference. We have put in place robust controls to ensure that all the savings are delivered. These controls include frequent and regular reporting to the executive board, the Audit and Risk Assurance Committee and the board. The next spending review is planned for 2019. We will work closely with ministers and stakeholders to mitigate the impact of the planned review on the delivery of our strategy and level of assurance we are able to provide.

123. In 2018–19, the DfE provided additional funding so that Ofsted can continue to carry out monitoring visits to all new apprenticeship training providers. The additional funding consists of £0.3m for 2018–19 and a maximum of £4.9m for 2019–20. We have established a change programme to prepare for the increased volume of inspection and monitoring.

124. The executive board considers known risks and opportunities monthly, maximising Ofsted's funding without overspending. To support effective financial planning across years, Ofsted requested to surrender £1.0m in return for a corresponding budget increase in 2019–20. This is known as budget exchange. HM Treasury approved this in January 2019.

125. The indicative budget for 2019–20 was presented to the executive board in November 2018 to provide an early understanding of the potential financial pressure and opportunities facing the organisation, and to inform discussions relating to the delivery of our strategic priorities. The executive board approved the budget in February 2019. This was subsequently reviewed by the board in April 2019.

126. The NAO completed a value for money study into Ofsted's approach to inspecting schools in May 2018. The report highlighted that Ofsted provides valuable independent assurance about schools' effectiveness, acknowledging that the funding provided by the DfE for school inspection is less than half, in real terms, than it was in 2000. It also concluded that although government has protected the overall schools budget, it has reduced Ofsted's budget every year for over a decade while asking it to do more, and that government needs to be clearer about how it sees Ofsted's inspection role in the school system as a whole and resource it accordingly.

127. On 29 March 2017, the government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 11 April 2019, the government confirmed

agreement with the EU on an extension until 31 October 2019 at the latest, with the option to leave earlier as soon as a deal has been ratified.

128. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As Ofsted neither receives or provides funding via the EU, it does not expect any direct material impact as a result of leaving the EU. Therefore, no contingent liabilities have been disclosed.

129. 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

Appointing non-executive board members

130. 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 appoints 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

131. Amanda Spielman was appointed as HMCI from 1 January 2017. This is a crown appointment for a period of five years.

132. 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.

133. Unless otherwise stated, the directors are all permanent senior civil servants (SCS).

134. Civil Service appointments are made in accordance with the Civil Service Commission's recruitment principles. The principles set out that appointments must be made on merit on the basis of fair and open competition. They also include exemptions to this.

135. You can find further information about the Civil Service Commission's work at: http://civilservicecommission.independent.gov.uk.

Remuneration policy

136. Directors are paid in accordance with the SCS pay framework. This is set by the government and subject to the recommendations of the Senior Salaries Review Body.

137. Ofsted has established an SCS pay committee consisting of 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. Kathryn August, a member of the board, served as the independent member on the SCS pay committee during 2018–19. The role of the independent member is to quality assure the process. They ensure that pay decisions are consistent with individuals' performance evidence and that consistent criteria are applied to arrive at individual pay decisions.

138. Ofsted's approach to assessing SCS staff performance adheres to the relevant Cabinet Office guidance. Our assessment has therefore been based on:

- whether objectives have been met
- the demonstration of leadership behaviours
- professional skills
- an assessment of the management of resources
- degree of difficulty in meeting the objectives in light of actual events.

139. We allocated staff to particular performance groups following a two-stage process. Initially, directors differentiated and ranked their SCS staff against the appropriate assessment criteria. Subsequently, our SCS pay committee robustly challenged and validated the rank order and merged the agreed lists into the three performance distribution groups.

140. The final allocation, therefore, reflected how each post-holder had performed in their job, their overall track record and their growth in competence, as well as what they had achieved against individual performance agreements.

Remuneration report part B: audited

Non-executive remuneration

141. The salaries of all non-executives for the year ending 31 March 2019 were as follows:

Officials	Salary (£'000)	
	2018–19	2017–18
Professor Julius Weinberg (chair) (from 17 April 2017)	45–50	40–45 (45–50 FYE*)
John Hughes	5–10	5–10
John Cridland CBE	5–10	5–10
Venessa Willms OBE	5–10	5–10
Dame Kathryn August (from 1 Feb 2018)	5–10	0–5 (5–10 FYE*)
Pamela Scriven QC (from 1 Feb 2018)	5–10	0–5 (5–10 FYE*)
James Kempton (to 25 Mar 2018)	-	5–10
Linda Farrant (to 31 Jan 2018)	-	5–10 (5–10 FYE*)
Paul Snell CBE (to 31 Jan 2018)	-	5–10 (5–10 FYE*)

*Full-year equivalent

Senior management remuneration (salary and payments in kind)

142. The salaries of the most senior members for the year ending 31 March 2019 were as follows:

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
Officials	2018–19	2017–18	2018–19	2017–18	2018–19	2017–18	2018–19	2017–18	2018–19	2017–18
Amanda Spielman	180–185	180–185	-	-	-	-	70	69	250–255	245–250
Matthew Coffey	140–145	140–145	15–20	15–20	-	100	46	35	200–205	195–200
Paul Brooker	125–130*	125–130*	-	-	-	-	8	207	130–135	330–335
Andrew Cook	130–135*	135–140*	-	0–5	-	-	31	23	165–170	160–165
Lorna Fitzjohn	135–140*	135–140*	10–15	-	-	-	12	6	160–165	140–145
Sean Harford	140–145*	135–140*	15–20	15–20	-	-	19	28	175–180	180–185
Emma Ing	130–135*	135–140*	0–5	0–5	-	-	26	158	160–165	295–300
Cathryn Kirby	125–130*	125–130*	-	-	-	-	15	211	140–145	335–340
Christopher Russell	140–145*	145–150*	-	-	-	-	31	24	170–175	170–175
Karen Shepperson	120–125	110–115	0–5	15–20	-	-	121	46	245–250	170–175
Mike Sheridan	135–140*	135–140*	10–15	-	-	-	47	38	195–200	170–175
Bradley Simmons	135–140*	140–145*	10–15	-	-	-	-21	10	125–130	150–155
Yvette Stanley (from 1 April 2018)	140–145	-	-	-	-	-	47	-	185–190	-
Louise Grainger	90–95	85–90	-	-	-	-	58	45	150–155	130–135
Neil Greenwood	100–105*	100–105*	-	-	-	-	29	35	125–130	135–140
Chris Jones (from 4 March 2019)	5–10 (85–90 FYE**)	-	-	-	-	-	3	-	10–15	-
Luke Tryl (to 1 March 2019)	85–90 (90–95 FYE**)	90–95	10–15	-	-	-	-	-	95–100	90–95

*Salaries include taxable travel

**Full-year equivalent

143. Salary includes gross salary, recruitment and retention allowances, and other allowances to the extent that they are subject to UK taxation.

144. In line with the SCS pay framework, bonus payments are based on performance levels and are made as part of the appraisal process. The bonuses reported in 2018–19 are end-of-year performance payments for 2017–18 and the in-year performance payments for 2018–19. The comparative bonuses reported for 2017–18 relate to the end-of-year performance payments for 2016–17 and the in-year performance payments for 2017–18.

145. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. In 2017–18, we provided £131 benefits in kind to Matthew Coffey, who received a salary advance to assist with relocation costs. Nothing further was paid in 2018–19.

Pay multiples

146. We are required to disclose the relationship between the remuneration of the highest-paid director and median remuneration of our workforce as at 31 March 2019.

147. The grading structure is aligned to the traditional Civil Service grades AO to SCS. The range of staff remuneration is between £15,839 and £182,500 (2017–18: £15,486 and £182,500).

148. The mid-point of the banded remuneration for the highest paid director (HMCI) in office at the reporting period end date in the financial year 2018–19 was £182,500 on a full-year equivalent basis (2017–18: £182,500). This was 4.51 times (2017–18: 4.77) the median remuneration of the workforce, which was £40,441 (2016–17: £38,220). The increase in the median remuneration of the workforce is primarily due to a 1.5% pay uplift as well as the move from B2 inspector (HEO) to B1 inspector (SEO) in early years, which took effect from January 2019.

149. In 2018–19, no employee received remuneration in excess of the highest paid director (2017–18: none). 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

150. The pension entitlements of the most senior members for the year ending 31 March 2019 were as follows:

	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
Officials	£'000	£'000	£'000	£'000	£'000
Amanda Spielman	5–10	2.5–5	134	68	44
Matthew Coffey	40–45 plus a lump sum of 90 - 95	2.5–5 plus a lump sum of 0	777	665	22
Paul Brooker	55–60 plus a lump sum of 170–175	0–2.5 plus a lump sum of 0–2.5	1,372	1,281	9
Andrew Cook	25–30	0–2.5	543	455	29
Lorna Fitzjohn	50–55 plus lump sum of 150–155	0–2.5 plus a lump sum of 2.5–5	1,164	1,095	11
Sean Harford	60–65	0–2.5	1,091	964	1
Emma Ing	25–30	0–2.5	573	493	27
Cathryn Kirby	60–65	0–2.5	1,209	1,080	15
Christopher Russell	25–30	0–2.5	539	453	32
Karen Shepperson	50–55 plus a lump sum of 120–125	5–7.5 plus a lump sum of 7.5–10	957	765	91
Mike Sheridan	45–50	2.5–5	552	446	20
Bradley Simmons	60–65	0	1,197	1,095	-21
Yvette Stanley (from 1 April 2018)	0–5	2.5–5	37	0	28
Neil Greenwood	30–35	0–2.5	422	349	10
Louise Grainger	40–45	2.5–5	501	403	30
Chris Jones (from 4 March 2019)	5–10	0–2.5	78	76	1

151. Luke Tryl was a member of the partnership pension scheme. In 2018–19, Ofsted contributed £5,600 (2017–18: £11,300) in employer contributions towards his pension.

Civil Service pensions

152. 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. This scheme 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 1 April 2015, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three 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.

153. 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 five months from their normal pension age on 1 April 2012 switched/will switch into alpha 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. If 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).

154. Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, 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 their 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.

155. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of

pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

156. The accrued pension quoted is the pension that 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. If the individual has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes. Note that part of that pension may be payable from different ages.)

157. Further details about the Civil Service pension arrangements can be found at: www.civilservicepensionscheme.org.uk.

Cash-equivalent transfer values

158. A cash-equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a 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.

159. The figures include the value of any pension benefit in another scheme or arrangement that 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 that may be due when pension benefits are taken.

Real increase in CETV

160. 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

161. No compensation for loss of office payments were made in 2018–19.

Staff report part A: audited

Number of senior civil servants by pay band

	At 31 March 2019	At 31 March 2018
SCS Band 1	17	16
SCS Band 2	11	11
SCS Band 3	1	1
Permanent Secretary Equivalent	1	1
Total	**30**	**29**

Staff numbers and related costs

162. The **average** number of staff during the year was:

	2018–19			2017–18
	Total	**Permanently employed staff**	**Others**	Total
FTE	**1,717**	1,619	98	1,764
Headcount	**1,796**	1,688	108	1,842

163. Total staff costs for the year are included in note 3 of the accounts.

Reporting of Civil Service and other compensation schemes – exit packages

164. 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. If 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.

165. The increase in the number of exits in 2018–19 is due to changes to the staffing structures and roles within the early years inspection team, through the transition of staff within the early years delivery unit to the regions.

166. Those who opted not to be assessed or who were not successful in obtaining a role in the new staffing structure were offered the option to apply for the voluntary exit scheme. All the exits for these schemes were agreed in 2018–19 in line with our planned exit strategy for the early years programme.

Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	2018–19 total number of exit packages by cost band	2017–18 total number of exit packages by cost band
0–10	0	6	**6**	1
10–25	0	10	**10**	6
25–50	0	7	**7**	7
50–100	0	8	**8**	3
100–150	0	1	**1**	1
150–200	0	0	**0**	0
200+	0	0	**0**	0
Total number of exits	**0**	**32**	**32**	**18**
Total resource cost £'000	**0**	**1,141**	**1,141**	**660**

Monitoring of consultancy and temporary staff

167. Ofsted has used the Contingent Labour One framework that the Crown Commercial Service has put in place for procuring new agency staff and interim contractors.

	2018–19 £'000	2017–18 £'000
Consultancy	233	123
Temporary and agency staff	3,701	4,198

Off-payroll engagements

168. There were no off-payroll engagements at a cost of over £245 per day in place between 1 April 2018 and 31 March 2019 (one between 1 April 2017 and 31 March 2018).

Staff report part B: unaudited

Staff composition

169. On 31 March 2019, Ofsted directly employed 1,688 staff across England.

170. The gender of the staff was as follows (headcount):

	Female	Male	2018–19 total
Executive board	7	9	16
Other SCS	5	9	14
Other	1,109	549	1,658
Total	**1,121**	**567**	**1,688**

Employee matters

Diversity and inclusion

171. Ofsted's equality, diversity and inclusion group, together with our four staff networks, works to ensure that equality, diversity and inclusion are at the heart of our work.

172. Equality training is mandatory for all staff, and all managers are required – and all employees encouraged – to complete unconscious bias training.

173. Ofsted is a Disability Confident employer and all policies are designed to be inclusive and accessible. We operate the Guaranteed Interview Scheme and blind sifting is used to overcome unconscious bias and promote diversity within our workforce.

174. In line with gender pay reporting legislation, Ofsted has published its gender pay gap report: www.gov.uk/government/publications/ofsted-gender-pay-gap-report-and-data-2018. The gender pay gap shows the difference in the average earnings between all men and women in an organisation. Ofsted's mean gender pay gap was 11.4% in favour of men. The median gender pay was 19.8% in favour of men.

Supportive employment practices

175. We support our employees through the provision of, for example, supportive attendance, flexible working and time-off-work procedures, as well as mental health first aiders, occupational health referrals and free counselling and advice services. We monitor how our policies are applied, reporting to the executive board on any adverse impact for particular groups.

Whistleblowing

176. There have been three whistleblowing cases during the year and each has been investigated. None were upheld.

Anti-bribery and corruption

177. Ofsted employees are expected to observe a high standard of personal honesty and integrity, and to ensure that their behaviour meets the standards expected of them.

178. All offers of gifts, rewards and hospitality must be reported and will be recorded on our register. Our guiding principles are clear that, should there be any doubt over the propriety of accepting any gift, reward or hospitality, it should be refused.

179. Any conflict, whether real or perceived, that is not appropriately managed can severely jeopardise Ofsted's public standing and trust in our judgments. Our policies are clear that those who work for Ofsted must not put

themselves in a position where previous employment, personal relationships or private interests conflict, or could be perceived to conflict, with our values. All conflicts must be declared and assessed to determine whether they can proceed alongside the individual's work for Ofsted, without affecting their integrity and reputation, and that of Ofsted.

Trade union facility time

180. Ofsted works in partnership with three recognised unions, which make up our trade union side: FDA, Public and Commercial Services Union (PCS), and UNISON.

181. Facility time is reported in line with the requirements set out in the Trade Union (Facility Time Publications Requirements) Regulations 2017. This represents paid time off provided to trade union representatives for trade union duties and activities.

Table: Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
22	19.55

Table: Percentage of time spent on facility time

Percentage of time	Number of employees
0%	6
1–50%	16
51–99%	-
100%	-

Table: Percentage of pay bill spent on facility time

Total cost of facility time	£45k
Total pay bill	£103.6m
Percentage of total pay bill spent on facility time	0.05%

Table: Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	16.9%

Parliamentary accountability and audit report: audited

Statement of Parliamentary Supply

182. In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires Ofsted to prepare a Statement of Parliamentary Supply and

supporting notes to show resource and capital outturn against the supply estimate in respect of each budgetary control limit.

183. Figures described as estimates are voted on by parliament and are subject to parliamentary control. Any breach of these limits is treated as unauthorised expenditure and requires retrospective approval, known as an excess vote.

184. In addition, although not a separate voted limit, any breach of the administration budget would also require an excess vote.

185. Our performance against the total funding received in the estimate of £133.7 million was:

	Estimate £'000	Outturn £'000	Variance £'000
Departmental Expenditure Limit – Resource (RDEL excluding depreciation)	123,913	122,500	1,413
Departmental Expenditure Limit – Capital (CDEL)	6,400	6,098	302
Ofsted's core funding	**130,313**	**128,598**	**1,715**
Departmental Expenditure Limit – Depreciation	3,500	2,883	617
Annually Managed Expenditure – Resource (AME)	(94)	(717)	623
Total budget	**133,719**	**130,764**	**2,955**

186. Against the core funding of £130.3 million, Ofsted underspent by £1.7 million: equivalent to 1.3% if its budget. This underspend was a result of small underspends across a number of business areas, demonstrating the effective financial management in place throughout Ofsted.

187. In the year, Ofsted spent £6.1m against its capital budget: an underspend of £0.3m equivalent to 4.7% of the budget. This expenditure related to further investment in IT systems and our research programme.

188. Overall, Ofsted's administration expenditure in 2018–19 was £14.6 million, £0.2 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 2018–19

			Estimate			Outturn	Net total outturn compared with estimate saving/ (excess)	Net total
	Voted	Non-voted	Total	Voted	Non-voted	Total	2018–19	2017–18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental expenditure limit								
– Resource	**127,413**	**-**	**127,413**	**125,383**	**-**	**125,383**	**2,030**	129,136
– Capital	**6,400**	**-**	**6,400**	**6,098**	**-**	**6,098**	**302**	7,405
Annually managed expenditure								
– Resource	**(94)**	**-**	**(94)**	**(717)**	**-**	**(717)**	**623**	(151)
– Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
Total budget	**133,719**	**-**	**133,719**	**130,764**		**130,764**	**2,955**	136,390
Total resource	**127,319**	**-**	**127,319**	**124,666**	**-**	**124,666**	**2,653**	128,985
Total capital	**6,400**	**-**	**6,400**	**6,098**	**-**	**6,098**	**302**	7,405
Total	**133,719**	**-**	**133,719**	**130,764**	**-**	**130,764**	**2,955**	136,390

Net cash requirement 2018–19

		2018–19			2017–18
		Estimate total	Outturn total	Outturn compared with estimate saving/ (excess)	Outturn total
	Note	£'000	£'000	£'000	£'000
Net cash requirement	**SOPS 2**	**130,250**	**129,286**	**964**	135,632

Administration costs 2018–19

	2018–19			2017–18
	Estimate total	**Outturn total**	**Outturn compared with estimate saving/ (excess)**	Outturn total
	£'000	**£'000**	**£'000**	£'000
Administration costs	**14,825**	**14,624**	**201**	14,654

SoPS 1 Net outturn

SoPS 1.1 Analysis of net resource outturn by section

	2018–19									2017–18
	Administration			**Programme**			**Outturn**	**Estimate**		
	Gross	**Income**	**Net**	**Gross**	**Income**	**Net**	**Total**	**Net total estimate**	**Net total outturn compared with estimate saving/ (excess)**	Outturn
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Spending in Departmental Expenditure Limit:										
Voted	**14,624**	**-**	**14,624**	**132,275**	**(21,516)**	**110,759**	**125,383**	**127,413**	**2,030**	131,470
Non-voted	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
Annually managed expenditure:										
Voted	**-**	**-**	**-**	**(717)**	**-**	**(717)**	**(717)**	**(94)**	**623**	1,162
Total	**14,624**	**-**	**14,624**	**131,558**	**(21,516)**	**110,042**	**124,666**	**127,319**	**2,653**	132,632

SoPS 1.2 Analysis of net capital outturn by section

	2018–19					2017–18
	Outturn			**Estimate**		
	Gross	**Income**	**Net**	**Net total estimate**	**Net total outturn compared with estimate saving/ (excess)**	Outturn
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Spending in Departmental Expenditure Limit:						
Voted	**6,098**	**-**	**6,098**	**6,400**	**302**	7,405
Total	**6,098**	**-**	**6,068**	**6,400**	**302**	7,405

SoPS 2 Reconciliation of net resource outturn to net operating expenditure

	Outturn 2018–19	Outturn 2017–18
	£'000	£'000
Total resource outturn in Statement of Parliamentary Supply	**124,666**	128,985
Add:		
Research costs classified as Capital DEL in the Statement of Parliamentary Supply under ESA 10, but treated as operating costs in the Statement of Comprehensive Net Expenditure	**2,058**	1,207
	126,724	130,192
Net operating expenditure in Statement of Comprehensive Net Expenditure	**126,724**	130,192

SoPS 3 Reconciliation of net resource outturn to net cash requirement

				2018–19
		Estimate	**Outturn**	**Net total outturn compared with estimate saving/ (excess)**
	Note	**£'000**	**£'000**	**£'000**
Resource outturn	SoPS 1.1	**127,319**	**124,666**	**2,653**
Capital outturn	SoPS 1.2	**6,400**	**6,098**	**302**
Total outturn		**133,719**	**130,764**	**2,955**
Accruals to cash adjustments:		**(3,469)**	**(1,478)**	**(1,991)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		**(3,500)**	**(2,883)**	**(617)**
New provisions and adjustments to previous provisions		**(705)**	**(305)**	**(400)**
Auditor's remuneration		**(63)**	**(68)**	**5**
Other non-cash items		**-**	**(45)**	**45**
Less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		**-**	**889**	**(889)**
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		**-**	**1,103**	**(1,103)**
(Increase)/decrease in payables		**-**	**(8,160)**	**8,160**
IFRS 15 opening balance adjustment		**-**	**6,969**	**(6,969)**
Use of provisions		**799**	**1,022**	**(223)**
Net cash requirement		**130,250**	**129,286**	**964**

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

Losses and special payments

Losses statement

	2018–19		2017–18	
	No. of cases	**£'000**	No. of cases	£'000
Fruitless payments and constructive losses	**6**	**16**	8	9
Total	**6**	**16**	8	9

Special payments

	2018–19		2017–18	
	No. of cases	**£'000**	No. of cases	£'000
Special payments	**5**	**30**	2	16
Total	**5**	**30**	2	16

Fees and charges

	2018–19		
	Income	**Full cost**	**Surplus/ (Deficit)**
	£'000	**£'000**	**£'000**
Social care	**9,913**	**22,910**	**(12,997)**
Early years	**6,381**	**36,873**	**(30,492)**
Independent schools	**1,291**	**7,853**	**(6,562)**
Total	**17,585**	**67,636**	**(50,051)**

	2017–18*		
	Income	Full cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social care	9,394	23,028	(13,634)
Early years	6,427	36,351	(29,924)
Independent schools	1,579	6,637	(5,059)
Total	17,400	66,016	(48,616)

*Due to a change in methodology in 2018–19, the 2017–18 full cost figures have been restated to ensure comparability.

Full cost is calculated by multiplying actual inspections delivered in the year by the unit cost for each inspection taken from Ofsted's unit cost model.

Amanda Spielman **Date: 27 June 2019**

Accounting Officer

The Certificate and Report of the Comptroller and Audit General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: The Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. 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 Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Ofsted's affairs as at 31 March 2019 and of Ofsted'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 regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Ofsted in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ofsted's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ofsted's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of Ofsted and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies **Date: 8 July 2019**
Comptroller and Auditor General

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

FINANCIAL STATEMENTS

Financial statements

Statement of comprehensive net expenditure

			2018–19	2017–18
	Note	£'000	£'000	£'000
Income from contracts with customers*			(21,465)	(20,980)
Grant income – apprentice levy			(51)	(69)
Total operating income	**5**		(21,516)	(21,049)
Staff costs	3	108,005		106,654
Purchase of goods and services	4	37,352		42,012
Depreciation and amortisation	4	2,883		2,575
Total operating expenditure			148,240	151,241
Net expenditure for the year			126,724	130,192
Other comprehensive net expenditure				
Net (gain)/loss on:				
Actuarial revaluation of pension scheme		(569)		(5)
Total comprehensive expenditure			126,155	130,187

*The 2017–18 comparator figure is on an IAS 18 basis, whereas the 2018–19 figure for income is on an IFRS 15 basis. Further disclosures to explain the difference between the two figures are included in the notes to the accounts section 1.4.

Statement of financial position

		31 March 2019		31 March 2018	
	Note	**£'000**	**£'000**	£'000	£'000
Non-current assets:					
Property, plant and equipment	6	**2,187**		2,681	
Intangible assets	7	**11,924**		10,315	
Trade and other receivables	12	**296**		407	
Local government pension scheme asset	18	**565**		-	
Total non-current assets			**14,972**		13,403
Current assets:					
Trade and other receivables	12	**3,878**		2,664	
Cash and cash equivalents	11	**964**		75	
Total current assets			**4,842**		2,739
Total assets			**19,814**		16,142
Current liabilities					
Trade and other payables	13.1	**(14,581)**		(13,802)	
Contract liabilities*	13.2	**(7,381)**		-	
Provisions	14	**(299)**		(1,186)	
Total current liabilities			**(22,261)**		(14,988)
Non-current assets less net current liabilities			**(2,447)**		1,154
Non-current liabilities					
Provisions	14	**(1,228)**		(1,058)	
Total non-current liabilities			**(1,228)**		(1,058)
Total assets less total liabilities			**(3,675)**		96
Taxpayers' equity and other reserves:					
Total reserves			**(3,675)**		96
Total equity			**(3,675)**		96

*Contract liabilities have arisen from the implementation of IFRS 15 revenue recognition, as explained in note 1.4.
** The transitional arrangements for moving to IFRS 15 required an adjustment to the general fund, as explained in note 1.4.

Amanda Spielman **Date: 27 June 2019**

Accounting Officer

Statement of cash flows

	Note	2018–19 £'000	2017–18 £'000
Cash flows from operating activities			
Net operating cost		**(126,724)**	(130,192)
Adjustment for non-cash transactions		**3,301**	3,259
(Increase)/Decrease in trade and other receivables		**(1,103)**	787
Increase/(Decrease) in trade payables*		**8,160**	(2,920)
IFRS 15 opening balance adjustment*		**(6,969)**	-
Less: movements in Departmental balances within the consolidated fund		**(889)**	394
Use of provisions	14	**(1,022)**	(762)
Net cash outflow from operating activities		**(125,246)**	(129,434)
Cash flows from investing activities			
Purchase of non-financial assets	6 & 7	**(4,040)**	(6,198)
Proceeds from disposal of non-financial assets		**-**	
Net cash outflow from investing activities		**(4,040)**	(6,198)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		**130,175**	135,238
Net financing		**130,175**	135,238
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		**889**	(394)
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		**889**	(394)
Cash and cash equivalents at the beginning of the period	11	**75**	469
Cash and cash equivalents at the end of the period	11	**964**	75

*The significant increase in the level of payables includes an adjustment made for the implementation of IFRS 15 revenue recognition, as explained in note 1.4.

Statement of changes in taxpayers' equity

		General fund
	Note	**£'000**
Balance at 31 March 2017		**(5,417)**
Net parliamentary funding		135,632
Comprehensive net expenditure for the year	SoCNE	(130,192)
Auditors remuneration	4	68
Pensions expense recognised	18	5
Balance at 31 March 2018		**96**
Net parliamentary funding		129,286
Comprehensive net expenditure for the year	SoCNE	(126,724)
Auditors remuneration	4	68
IFRS 15 opening balance adjustment*		(6,969)
Recognition of pension scheme asset	18	568
Balance at 31 March 2019		**(3,675)**

* The transitional arrangements for moving to IFRS 15 required an adjustment to the general fund, as explained in note 1.4.

Notes to the Ofsted resource accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2018–19 '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 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 are 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 (usually in line with the remaining length of the respective property lease).

1.4 Income

Income consists mainly of registration and annual fees from social care and early years providers. We also receive income for inspections of independent schools, and from other government departments for delivery of specific pieces of inspection activity.

Ofsted's approach to revenue recognition has changed this year due to the implementation of IFRS 15. Under the previous accounting standard (IAS 18), Ofsted recognised its revenue at a point in time. With the implementation of the new accounting standard, Ofsted has reviewed each of its contracts with customers to determine the appropriate point of recognition. These are as follows:

Contract type	Point of revenue recognition under IAS 18	Point of revenue recognition under IFRS 15	Judgements applied
Registration and annual fees from social care and early years providers	Point in time recognition.	Revenue to be recognised over a period of time.	Under IAS 18, Ofsted determined that the risks and rewards of being registered were transferred to the customer at the point of registration or payment of the annual fee. Therefore, revenue was recognised at that point in time. Under IFRS 15, the point of recognition is based on when performance obligations of a contract are satisfied and control of the benefits are fully received by the customer. For annual fees, the assessment made by Ofsted was that it fulfils its obligations by maintaining the customer's registration over the period the fee covers and the control of the benefits is simultaneously received by the customer (i.e. the right to continue operating as a registered provider). Therefore, the revenue received by Ofsted for annual fees should be recognised proportionately over the 12-month period the fee covers. IFRS 15 requires Ofsted to treat as one single contract any linked contracts that have similar features, such as the timing and commercial purpose. Therefore, revenue received for registration will also be recognised proportionately over a 12-month period.
Fees for inspections of independent schools	Point in time recognition.	Point in time recognition.	No change. The performance obligation is to carry out inspection and the revenue is recognised in full when this has been completed. This involves estimation, which is explained in section 1.12.

Income from the DfE and other government departments	Point in time recognition.	Point in time recognition.	There is no change to how this revenue is recognised under IFRS 15. The performance obligation is to carry out an inspection or related activity, and the revenue is recognised in full at the point at which this has been completed.

Impact on the financial statements of adopting IFRS 15

As directed by the FReM, Ofsted has adopted IFRS 15 using the modified retrospective approach. Using this method means that full re-statement of prior-year financial statements is not required, with the transitional impact adjusted through the general fund within taxpayers' equity. The following show the impact on each financial statement, along with the amount by which each financial statement line item is affected in the current reporting period by the application of this standard:

Statement of comprehensive net expenditure

	Impact of changes in accounting policies		
	As reported 2018–19 with adoption of IFRS 15	**Adjustments made through adopting IFRS 15**	**Balances without adoption of IFRS 15**
	£'000	**£'000**	**£'000**
Income from contracts with customers	(21,465)	412	(21,877)
Other income	(51)	-	(51)
Total operating income	**(21,516)**	**412**	**(21,928)**
Total operating expenditure	**148,240**	**-**	**148,240**
Net expenditure for the year	**126,724**	**412**	**126,312**

The amount of revenue recognised in 2019–20 is £0.4 million less than it would have been under the previous accounting standard, which has led to an increase in net expenditure. This is as a result of recognising revenue from registration and annual fees over a period of time rather than at a point in time.

Statement of financial position

	Impact of changes in accounting policies		
	As reported 2018–19 with adoption of IFRS 15	Adjustments made through adopting IFRS 15	Balances without adoption of IFRS 15
	£'000	£'000	£'000
Total assets	**19,814**	**-**	**19,814**
Contract liabilities	(7,381)	(7,381)	-
Other current liabilities	(14,880)	-	(14,880)
Other non-current liabilities	(1,228)	-	(1,228)
Total liabilities	**(23,489)**	**(7,381)**	**(16,108)**
Total assets less total liabilities	**(3,675)**	**(7,381)**	**3,706**
Total reserves	**(3,675)**	**(7,381)**	**3,706**

The modified retrospective method required Ofsted to create an opening balance for contract liabilities (i.e. revenue relating to the prior year that it would not have been able to recognise if IFRS 15 had been adopted that year) on its statement of financial position by making a corresponding adjustment through the general fund.

Statement of cash flows

	Impact of changes in accounting policies		
	As reported 2018–19 with adoption of IFRS 15	Adjustments made through adopting IFRS 15	Balances without adoption of IFRS 15
	£'000	£'000	£'000
Net operating cost	**(126,724)**	**(412)**	**(126,312)**
Increase/(decrease) in trade payables	8,160	7,381	779
IFRS 15 opening balance adjustment	(6,969)	(6,969)	-
Other adjustments to net operating costs	296	-	296
Net cash outflow from operating activities	**(125,246)**	**-**	**(125,246)**
Net cash outflow from investing activities	**(4,040)**	**-**	**(4,040)**
Net financing	**130,175**	**-**	**130,175**
Net increase/(decrease) in cash and cash equivalents	**889**	**-**	**889**

The significant increase in trade payables is mainly due to accounting for the contract liability for revenue that cannot yet be recognised under IFRS 15.

The opening balance adjustment required for IFRS 15 is a non-cash movement between the general fund and contract liabilities. This is therefore required to be adjusted to through the statement of cash flows to reconcile the overall movement in cash.

Statement of changes in taxpayers' equity

	Impact of changes in accounting policies		
	As reported 2018–19 with adoption of IFRS 15	Adjustments made through adopting IFRS 15	Balances without adoption of IFRS 15
	£'000	£'000	£'000
Balance at 31 March 2018	**96**	**-**	**96**
Net parliamentary funding	129,286	-	129,286
Comprehensive net expenditure for the year	(126,724)	(412)	(126,312)
Auditors remuneration	68	-	68
IFRS 15 opening balance adjustment	(6,969)	(6,969)	-
Recognition of pension scheme asset	568	-	568
Balance at 31 March 2019	**(3,675)**	**(7,381)**	**3,706**

As directed by the FReM, Ofsted has adopted IFRS 15 using the modified retrospective approach. Using this method means that full re-statement of prior-year financial statements is not required, with the transitional impact adjusted through the general fund within taxpayers' equity.

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 the '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 current employee and a small number of former employees who are members 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 an 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.

At the point when Ofsted no longer has any current employees who are active members in the scheme, Ofsted's share of the scheme liabilities become due in full. Ofsted cannot control the timing of this potential liability and as such this has been disclosed as a remote contingent liability.

1.7 Leases

All leases are accounted for under IAS 17, '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 activities 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 IAS 37, '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.

A contingent liability is disclosed when the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset is disclosed when an inflow of economic benefit is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, 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
- 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 IFRS 9, 'Financial instruments', and IFRS7, 'Financial instruments: disclosures'.

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, nor 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 applies estimation techniques for the following:

- IAS 19 annual leave accrual. A sample of 50% of employees is used and the results are extrapolated to produce an estimated figure for the whole workforce.
- Calculation of provisions. Early departure costs are estimated using average costs from previous early departure schemes. Property dilapidations are estimated using the cost per square metre from previous works. Injury benefit costs involve the use of mortality assumptions.
- 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.

- Recognising income from independent schools for standard inspections. Independent schools pay for standard inspections in three annual instalments and receive an inspection once within that three-year period. Ofsted's inspection delivery plan involves inspecting a third of all independent schools each year. As Ofsted receives approximately third of the total fee each year and carries out approximately a third of the inspections each year, the revenue from the annual instalments is recognised in full each year. There may be small variations in terms of actual volumes of schools inspected, and the size of the school (this determines the fee level), but the impact on the financial statements would not be 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 used to allocate resources to the segment and assess its performance. Ofsted has five reportable segments:

- inspection
- inspection support and corporate services
- strategy and policy
- income
- other.

The report reviewed by the executive board (chief operating decision maker) has more detail. The operating segments reported are an aggregation of that information. This is in line with the reporting requirements of IFRS 8 'Operating segments'.

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 of these changes are as follows:

IFRS 16 leases will come into force from 1 April 2020. It is expected that this will affect Ofsted's financial statements as some leases which are currently classified as operating leases will need to be recognised in the Statement of Financial Position.

HM Treasury have issued application guidance to government departments which is available here: www.gov.uk/government/publications/government-financial-reporting-manual-application-guidance.

2. Statement of operating costs by operating segments

						2018–19
	Inspection	**Inspection support and corporate services**	**Strategy and policy**	**Income**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure	**83,159**	**43,794**	**16,529**	**-**	**4,758**	**148,240**
Income	**-**	**-**	**-**	**(21,452)**	**(64)**	**(21,516)**
Net expenditure	**83,159**	**43,794**	**16,529**	**(21,452)**	**4,694**	**126,724**

						2017–18
	Inspection	Inspection support and corporate services	Strategy and policy	Income	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	85,833	46,141	15,039	-	4,228	151,241
Income	-	-	-	(20,980)	(69)	(21,049)
Net expenditure	85,833	46,141	15,039	(20,980)	4,159	130,192

Inspection costs have reduced by £2.7m (3%) compared with the previous year. This is partly offset by an increase of £1.5m (10%) in strategy and policy costs through investing in research, evaluation and one-off costs associated with the development of the new education inspection framework. The other reductions in inspection and inspection support and corporate service expenditure have been made in line with Ofsted's overall spending review commitments.

Ofsted's income has increased by £0.5m (2%) compared with the previous year. This is mainly as a result of fee increases for social care providers following consultation with the sector. As part of Ofsted's spending review settlement, it was expected that fees would be increased for early years and independent schools. The DfE has not made the required changes to regulations and has instead made a budget cover transfer to fund Ofsted for the difference.

Other costs have increased by £0.6m (14%) compared to the previous year. In 2017–18, Ofsted's expenditure reduced by £2.5m, mainly as a consequence of one-off accounting adjustments. These adjustments did not carry forward into 2018–19, resulting in an increase in costs. However, this was mainly off-set as a result of reduced expenditure on the programme of work in to bring in-house and regionalise the early years inspection contracts.

Factors used to identify the reportable segments

The executive board has determined the reportable segments. The operating results of the segments described below are reviewed regularly by the executive board to make decisions about resources to be allocated to the segment and assess its performance. The report reviewed by the executive board has more granular detail. The operating segments reported here are an aggregation of that information. This is in line with the reporting requirements of IFRS 8 'Operating segments'.

Description of segments

Inspection
The costs of direct inspection delivery and management.

Inspection support and corporate costs
The costs of this segment include: inspection support; regulatory activity; and corporate functions, including IT, human resources, property and finance.

Strategy and policy
The costs of this segment include: inspection policy and framework development; inspection quality assurance; inspector training; corporate strategy; research and evaluation; and external engagement.

Income
Fees and charges arising from inspection and regulation activity.

Other
This includes depreciation and movements in provisions.

3. Staff costs

			2018–19	2017–18
Staff costs comprise:	**Total**	**Permanently employed staff**	**Others**	Total
	£'000	**£'000**	**£'000**	£'000
Wages and salaries	**81,611**	**78,202**	**3,409**	80,524
Social security costs	**8,798**	**8,695**	**103**	8,672
Apprentice levy	**382**	**382**	**-**	403
Pension costs	**16,542**	**16,353**	**189**	16,304
Sub total	**107,333**	**103,632**	**3,701**	105,903
Restructuring costs	**672**	**672**	**-**	751
Total net costs	**108,005**	**104,304**	**3,701**	106,654

Other staff costs of £3.7 million include £2.1 million of temporary agency staff costs, and £1.6 million of costs relating to other fixed-term contract staff.

Restructuring costs of £0.7 million include £0.4 million of in-year exit costs and £0.3 million relating to a change of accounting treatment in relation to historic early retirement costs. These costs had previously been treated as a provision, but there is now sufficient certainty to write back the provision and accrue for this as the final payments will be made within the next financial year.

In 2018–19, we paid employers' contributions of £16.4 million to the PCSPS (2017–18: £16.1 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 after 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2018–19, we paid employers' contributions of £0.1 million (2017–18: £0.2 million) to appointed stakeholder pension providers. Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

4. Expenditure

		2018–19	2017–18
	Note	**£'000**	£'000
Contracted inspection costs		**14,743**	16,547
ICT – outsourcing, maintenance and support of infrastructure, and telecoms		**2,690**	3,225
Estates costs including rent, rates, facility management and security		**4,392**	5,473
Contracted professional services		**4,169**	5,099
Travel and subsistence costs		**7,076**	7,429
Legal costs		**213**	539
Recruitment, training and staff related costs		**2,367**	2,376
Stationery, printing, postage and office equipment		**553**	656
Equipment purchases (non-capital)		**202**	1,358
Other expenditure		**439**	(1,456)
Non-cash items:			
Increase/decrease in provisions	14	**305**	611
Depreciation	6	**708**	618
Amortisation	7	**2,175**	1,957
Auditor's remuneration and expenses		**68**	68
Training – apprenticeship levy		**51**	69
Other non-cash costs		**84**	18
Total		**40,235**	44,587

5. Income

5.1 Revenue from contracts with customers and other operating income

	2018–19	2017–18
	£'000	£'000
Social care (registration and annual fees)	**9,913**	9,394
Early years (registration and annual fees)	**6,381**	6,427
Independent schools (inspection fees)*	**1,291**	1,579
DfE income	**2,559**	2,266
Other government department income	**1,308**	1,314
Sub-total revenue from contracts with customers	**21,452**	20,980
Grant income – apprentice levy (non-cash)	**51**	69
Other income	**13**	-
Other operating income	**64**	69
Total income	**21,516**	21,049

*Independent schools income has reduced by around £0.3 million since 2017–18. This is due to receiving funding from the DfE as a budget cover transfer in 2018–19, which is included in our overall estimate. In 2017–18, this was paid to Ofsted via an invoice and included in the above table.

5.2 Details of contracts with customers

As set out in the notes to the accounts (section 1.4 Income), Ofsted has adopted IFRS 15 revenue recognition and detailed information regarding the accounting treatment and the impact on the financial statements has been provided. The following additional disclosure supplements that information to provide users of the accounts with more detailed information regarding the nature of Ofsted's contracts with customers.

Contract	**Social care and early years fees**
Contract details	Application fees to be registered with Ofsted and annual fees to retain that registration. Under IFRS 15, both fees are treated as a single contract.
Customer details	For social care, this mainly includes adoption agencies, fostering agencies and children's homes. For early years, this mainly includes childminders, nannies, and nurseries.
Performance obligations	To maintain the registration over the contract duration.
Contract duration	12 months.
Revenue recognition	Revenue is recognised proportionally in each accounting period over the life of the contract duration.
Contract values	Social care fees range from £500 to £9,107 depending on the type and size of the entity. Further information is available from www.gov.uk/guidance/apply-for-registration-as-a-childrens-social-care-provider-or-manager. Early years fees range from £35 to £220. Further information is available from www.gov.uk/guidance/childminders-and-childcare-providers-register-with-ofsted/fees.
Other information	All fees are non-refundable.

Contract	Independent schools inspection fees
Contract details	All independent schools are inspected at the direction of the DfE, which is the registration authority for independent schools. Typically, an independent school receives a pre-registration inspection and then a 'standard inspection' once every three years, plus further post-monitoring inspections depending on the outcome of the standard inspection. A fee is payable for each inspection.
Customer details	Ofsted inspects independent schools that are not members of associations. Of the 2,320 registered independent schools in England (November 2018), around 1,075 are currently inspected by Ofsted.
Performance obligations	Completion of the inspection activity.
Contract duration	The contract duration lasts for the length of the inspection activity. Standard inspections last up to three days.
Revenue recognition	The full contract price is recognised at the point in time when the inspection has been completed.
Contract values	The levels of fees currently charged to independent schools for inspections carried out by Ofsted are made under a power in s.111 of the Education and Skills Act 2008. Standard inspection fees range from £900 to £7,000 depending on numbers of pupils and are payable in three equal instalments over three years. A fixed fee of £1,792 is payable for pre-registration inspections. Post-monitoring inspection fees range from £133 to £2,499 depending on numbers of pupils and whether it is a first or subsequent post-monitoring inspection. These payable in full on completion of the inspection.
Other information	Further information on independent schools inspections is available from www.gov.uk/guidance/being-inspected-as-a-non-association-independent-school.

Contract	Income from the DfE and other government departments
Contract details	Charges for specific pieces of inspection activity including: inspecting local authorities' provision for special educational needs and disabilities (LA SEND); identification and investigation of potential unregistered schools; inspection of education and training in prisons; monitoring visits to all newly funded apprenticeship training providers; and other smaller pieces of inspection activity.
Customer details	Government departments, including the DfE, MoD, and MoJ.
Performance obligations	Completion of the inspection activity.
Contract duration	Contract durations are variable and are set by a memorandum of understanding between Ofsted and the relevant department.
Revenue recognition	The full contract price is recognised at the point in time when the inspection activity has been completed.
Contract values	These vary between each contract, but the most significant ones are: £1m LA SEND (DfE) £1m unregistered schools (DfE) £1m education and training in prisons (MoD) £0.3m apprenticeship monitoring visits (DfE).

6. Property, plant and equipment

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

	2018–19		
	Information technology	**Furniture and fittings**	**Total**
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2018	**2,836**	**1,854**	**4,690**
Additions	**59**	**155**	**214**
Disposals	**-**	**-**	**-**
Impairments	**-**	**-**	**-**
At 31 March 2019	**2,895**	**2,009**	**4,904**
Depreciation			
At 1 April 2018	**1,770**	**239**	**2,009**
Charged in year	**509**	**199**	**708**
Disposals	**-**	**-**	**-**
Impairments	**-**	**-**	**-**
At 31 March 2019	**2,279**	**438**	**2,717**
Carrying amount at 31 March 2019	**616**	**1,571**	**2,187**
Carrying amount at 1 April 2018	1,066	1,615	2,681
Asset financing:			
Owned	**616**	**1,571**	**2,187**
Finance leased	**-**	**-**	**-**
Carrying amount at 31 March 2019	**616**	**1,571**	**2,187**

	2017–18		
	Information technology	Furniture and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2017	3,047	290	3,337
Additions	-	1,564	1,564
Disposals	(211)	-	(211)
At 31 March 2017	2,836	1,854	4,690
Depreciation			
At 1 April 2017	1,430	172	1,602
Charged in year	551	67	618
Disposals	(211)	-	(211)
At 31 March 2017	1,770	239	2,009
Carrying amount at 31 March 2017	1,066	1,615	2,681
Carrying amount at 1 April 2017	1,617	118	1,735
Asset financing:			
Owned	1,066	1,615	2,681
Carrying amount at 31 March 2017	1,066	1,615	2,681

7. Intangible assets

Intangible assets comprise purchased software licences and bespoke IT systems developed in partnership with external suppliers to support regulation and inspection activity.

	2018–19		
	Software	**Development expenditure**	**Total**
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2018	**28,610**	**5,913**	**34,523**
Additions	**2,008**	**1,818**	**3,826**
Disposals	**(73)**	**-**	**(73)**
Impairments	**-**	**-**	**-**
Reclassifications and transfers	**5,447**	**(5,447)**	**-**
At 31 March 2019	**35,992**	**2,284**	**38,276**
Amortisation			
At 1 April 2018	**24,208**	**-**	**24,208**
Charged in year	**2,175**	**-**	**2,175**
Disposals	**(31)**	**-**	**(31)**
Impairments	**-**	**-**	**-**
At 31 March 2019	**26,352**	**-**	**26,352**
Carrying amount at 31 March 2019	**9,640**	**2,284**	**11,924**
Carrying amount at 1 April 2018	4,402	5,913	10,315
Asset financing:			
Owned	**9,640**	**2,284**	**11,924**
Finance leased	**-**	**-**	**-**
Carrying amount at 31 March 2019	**9,640**	**2,284**	**11,924**

	2017–18		
	Software	Development expenditure	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2017	27,940	1,995	29,935
Additions	716	3,918	4,634
Disposals	(46)	-	(46)
At 31 March 2018	28,610	5,913	34,523
Amortisation			
At 1 April 2017	22,297	-	22,297
Charged in year	1,957	-	1,957
Disposals	(46)	-	(46)
At 31 March 2018	24,208	-	24,208
Carrying amount at 31 March 2018	4,402	5,913	10,315
Carrying amount at 1 April 2017	5,643	1,995	7,638
Asset financing:			-
Owned	4,402	5,913	10,315
Carrying amount at 31 March 2018	4,402	5,913	10,315

8. Impairments

The total impairment charge for the year was nil (2017–18: nil).

9. Capital and other commitments

9.1 Operating leases

Total future minimum lease payments under operating leases are analysed in the table below.

	2018–19	2017–18*
	£'000	£'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	**2,924**	2,797
Later than one year and not later than five years	**5,941**	7,334
Later than five years	**1,652**	2,762
Total	**10,517**	12,893

* the comparator year figure was over-stated and has been re-stated to reflect the impact of lease-break clauses which had been omitted in error.

Operating leases relate to office space.

9.2 Capital commitments

	2018–19	2017–18
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
IT system build	**508**	211
Total	**508**	211

9.3 Other financial commitments

Ofsted has entered into non-cancellable contracts (which are not a lease or PFI contract) for IT related services.

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

	2018–19	2017–18
	£'000	£'000
Not later than one year	**826**	1,363
Later than one year and not later than five years	**-**	285
Later than five years	**-**	-
Total	**826**	1,648

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 and the department is therefore exposed to little credit, liquidity or market risk.

11. Cash and cash equivalents

	2018–19	2017–18
	£'000	£'000
Balance at 1 April	**75**	469
Net changes in cash and cash-equivalent balances	**889**	(394)
Balance	**964**	75

	2018–19	2017–18
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	**964**	75
Balance	**964**	75

12. Trade receivables, financial and other assets

	2018–19	2017–18
	£'000	£'000
Amounts falling due within one year:		
Trade receivables*	**2,021**	964
Deposits and advances	**245**	165
Other receivables	**95**	170
Prepayments	**1,130**	947
Accrued income	**152**	156
VAT	**235**	262
	3,878	2,664
Amounts falling due after more than one year:		
Trade receivables	**-**	-
Deposits and advances	**162**	117
Prepayments	**134**	290
	296	407
Total trade receivables	**4,174**	3,071

*The trade receivables balance mainly relates to invoices raised towards the end of the financial year for independent schools fees (£1.1m), and charges to other government departments (£0.9m). Ofsted expects to receive payment of these fees in the early part of the next financial year.

13. Trade payables and other current liabilities

13.1 Trade payables and other current liabilities

	2018–19	2017–18
	£'000	£'000
Amounts falling due within one year:		
Trade payables	**56**	277
Other payables	**2,002**	2,026
Other taxation and social security	**2,762**	2,403
Accruals	**8,565**	8,905
Contract liabilities*	**7,381**	-
Deferred income	**232**	116
Amounts issued from the Consolidated Fund supply but not spent at year end	**964**	75
	21,962	13,802
Amounts falling due after more than one year:		
	-	-
Total trade payables	**21,962**	13,802

* Contract liabilities have arisen from the implementation of IFRS 15 revenue recognition, as explained in note 1.4.

13.2 Movements in contract liabilities

	Contract liabilities
	£'000
Contract liabilities at the beginning of the period*	**6,969**
Less revenue recognised in year as performance obligations are fulfilled	(6,969)
Add revenue not recognisable until future accounting periods	7,381
Contract liabilities at the end of the period	**7,381**

14. Provisions for liabilities and charges

					2018–19	2017–18
	Early Departure Costs	**Property Dilapidation**	**Injury benefits**	**Early years pensions bulk transfer**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Balance at 1 April 2018	**1,241**	**571**	**269**	**163**	**2,244**	2,395
Provided in the year	**253**	**78**	**554**	**-**	**885**	1,024
Provisions not required written back	**(243)**	**(136)**	**(53)**	**(152)**	**(584)**	(415)
Provisions utilised in the year	**(998)**	**-**	**(13)**	**(11)**	**(1,022)**	(762)
Borrowing costs (unwinding of discount)	**-**	**-**	**4**	**-**	**4**	2
Balance at 31 March 2019	**253**	**513**	**761**	**-**	**1,527**	2,244

Analysis of expected timing of discounted flows

	Early departure costs	**Property dilapidation**	**Injury benefits**	**Early years pensions bulk transfer**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Not later than one year	**253**	**-**	**46**	**-**	**299**
Later than one year and not later than five years	**-**	**335**	**189**	**-**	**524**
Later than five years	**-**	**178**	**526**	**-**	**704**
Balance at 31 March 2019	**253**	**513**	**761**	**-**	**1,527**

14.1 Early departure costs

The remaining provision of £253k relates to a small number of voluntary early departure costs that Ofsted expects to incur during 2019–20.

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. These costs will materialise at the end of each respective lease.

14.3 Injury benefits

This provision relates to staff who have been injured at work and are receiving benefits through the Civil Service Pensions Injury Benefit Scheme as a result.

15. Contingent liabilities

Legal cases

A small number of legal cases are not yet settled. Their outcomes are contingent on the court or the relevant decision-making body's rulings, therefore no liability has been recognised in the financial statements. No material liabilities are expected to arise from these cases.

Local Government Pension Scheme (LGPS) defined benefit scheme

One current employee and a small number of former employees who are members of a local authority pension scheme (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. Under the scheme rules, any deficit becomes payable when Ofsted no longer has any contributing scheme members. At present, Ofsted assesses this contingent liability to be remote as the scheme is in surplus, but this can vary depending on market conditions.

16. Contingent asset disclosed under IAS 37

Ofsted has no contingent assets to disclose.

17. Related-party transactions

17.1 Transactions between Ofsted and other government departments

Ofsted has a small number of transactions with the following other government departments, central government bodies and other public sector organisations during the year:

- Cabinet Office
- Care Quality Commission
- Children and Family Court Advisory and Support Service
- Crown Prosecution Service
- DfE
- Education and Skills Funding Agency
- HM Prison and Probation Service
- Highways England
- HM Revenue and Customs
- Manchester City Council
- Ministry of Defence
- Ministry of Justice
- Nottingham City Council
- Youth Justice Board.

17.2 Transactions between Ofsted and board members and key managers

No board member, key manager or other related parties has undertaken any material transactions with Ofsted during the year. Full details of the related parties are disclosed in the directors' report.

18. 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. It is a Funded scheme, with funds managed and invested locally within the framework of government regulations. Ofsted has one staff member in 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 IAS 19 'Retirement benefits' is as follows:

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

	31 March 2019	31 March 2018
	£'000	£'000
Present value of funded obligation	**5,607**	5,422
Fair value of scheme assets	**7,233**	7,117
Unrecognised asset	**(1,061)**	(1,695)
Net assets	**565**	-
Present value of unfunded obligation	**-**	-
Unrecognised past service cost	**-**	-
Net asset/(liability) in Statement of Financial Position	**565**	-
Bid value of scheme assets	**7,233**	7,117

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

	31 March 2019	31 March 2018
Financial assumptions as at	**% p.a.**	% p.a.
RPI increases	**3.30%**	3.20%
CPI increases	**2.20%**	2.10%
Salary increases	**3.45%**	3.35%
Pension increases	**2.20%**	2.10%
Discount rate	**2.40%**	2.60%

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:

Mortality assumptions as at	**31 March 2019**	31 March 2018
Males	**Years**	Years
Member aged 65 at 31 March 2019	**22.2**	22.1
Member aged 45 at 31 March 2019	**23.2**	23.1
Females		
Member aged 65 at 31 March 2019	**25.4**	25.3
Member aged 45 at 31 March 2019	**27.2**	27.1

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:

			31 March 2019
Adjustment to discount rate	**+0.1% p.a.**	**Base figure**	**-0.1% p.a.**
Present value of total obligation (£'000)	**5,525**	**5,607**	**5,691**
% change in present value of total obligation	**-1.5%**		**1.5%**
Adjustment to mortality age rating assumption	**-1 year**	**none**	**+1 year**
Present value of total obligation (£'000)	**5,784**	**5,607**	**5,432**
% change in present value of total obligation	**3.2%**		**-3.1%**

iv) Composition of assets in the scheme:

	31 March 2019	31 March 2018
Equities	**74.0%**	77.3%
Gilts	**11.2%**	9.4%
Other bonds	**4.0%**	3.7%
Property	**4.7%**	4.5%
Cash	**2.3%**	1.8%
Other	**3.8%**	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 2018 for the year ended 31 March 2019). The return on gilts and other bonds are assumed to be the gilt yield and the corporate bond yield respectively at the relevant date. The return on the equities and properties is then assumed to be a margin above the gilt yields.

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

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Current service cost	**13**	13
Total operating charge	**13**	13
Expected return on pension scheme assets	**(182)**	(171)
Interest on pension scheme liabilities	**138**	133
De-recognition of movements in assets	**45**	38
Net return	**-**	-
Employers' contributions added to pension scheme assets	**(10)**	(8)
Net amount charged to the Statement of Comprehensive Net Expenditure	**4**	5

vi) Analysis of the amount charged to other comprehensive income:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Return on plan assets in excess of that recognised in net interest	**(133)**	(195)
Actuarial losses due to changes in financial assumptions	**225**	-
Actuarial losses due to changes in demographic assumptions	**17**	41
Adjustments due to the limit in para 64	**(677)**	149
Total recognised in other comprehensive income	**(568)**	(5)

vii) Movement in benefit obligation during the year:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Opening defined benefit obligation	**5,422**	5,404
Current service cost	**13**	13
Interest cost	**138**	133
Actuarial losses/(gains)	**243**	41
Estimated benefits paid (net of transfers in)	**(211)**	(172)
Contributions by scheme participants	**2**	3
Closing defined benefit obligation	**5,607**	5,422

viii) Movements in fair value of scheme assets during the year:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Opening fair value of scheme assets	**7,117**	6,912
Expected return on scheme assets	**182**	171
Actuarial gains and (losses)	**133**	195
Contributions by employer	**10**	8
Contributions by scheme participants	**2**	3
Estimated benefits paid (net of transfers in)	**(211)**	(172)
Fair value of scheme assets at end of period	**7,233**	7,117

ix) Actual return on scheme assets:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Interest income on assets	**182**	171
Actuarial gains and (losses)	**133**	195
Actual return on assets	**315**	366

x) Reconciliation of opening and closing balances of the net pension asset:

	Year to 31 March 2019	Year to 31 March 2018
	£'000	£'000
Surplus/(Deficit) at the beginning of the year	**-**	1,508
Service cost	**(13)**	(13)
Employer contributions	**10**	8
Other finance income	**-**	38
Actuarial gain/(loss)	**-**	154
Unrecognised asset	**-**	(1,695)
Total recognised in Other Comprehensive Income	**568**	-
Surplus/(Deficit) at the end of the year	**565**	-

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

	Year to 31 March 2019	Year to 31 March 2018	Year to 31 March 2017	Year to 31 March 2016
	£'000	£'000	£'000	£'000
Defined benefit obligation	**(5,607)**	(5,422)	(5,404)	(4,588)
Fair value of scheme assets	**7,233**	7,117	6,912	5,809
Surplus/(Deficit)	**1,626**	1,695	1,508	1,221
Unrecognised asset	**(1,061)**	(1,695)	(1,508)	(1,221)
Net asset	**565**	-	-	-

Note xi) above provides a summary of the schemes history as per IAS 19.

Regulations currently permit a payment of an 'exit credit' to an employer who exits the pension fund. The 'exit credit' (or net asset) recognised is based upon the most recent exit valuation received from the pension fund.

19. 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	Outturn	Outturn	Plans
Resource DEL								
Administration and inspection	157,148	161,308	157,242	134,104	141,685	129,136	125,383	127,584
Total resource DEL	**157,148**	**161,308**	**157,242**	**134,104**	**141,685**	**129,136**	**125,383**	**127,584**
Of which:								
Staff costs	78,395	80,768	86,373	92,265	96,316	106,654	108,005	111,624
Purchase of goods and services	92,291	93,381	82,351	65,865	58,700	38,816	33,589	38,104
Income from sales of goods and services	-14,091	-13,894	-14,866	-28,820	-18,476	-21,049	-21,516	-25,800
Rentals	-	-	2,446	2,668	2,667	2,878	2,354	-
Depreciation 1	474	978	870	2,063	2,415	2,575	2,883	3,600
Other resource	79	75	68	63	63	68	68	63
Resource AME								
Activities to support all functions	-755	-4,703	-1,719	-2,278	-630	-151	-717	-281
Total resource AME	**-755**	**-4,703**	**-1,719**	**-2,278**	**-630**	**-151**	**-717**	**-281**
Of which:								
Take up of provisions	3,960	-701	218	-104	327	611	305	-
Release of provision	-4,715	-4,002	-1,937	-2,174	-957	-762	-1,022	-281
Total resource budget	**156,393**	**156,605**	**155,523**	**131,826**	**141,055**	**128,985**	**124,666**	**127,303**
Of which:								
Capital DEL								
Administration and inspection	905	4,302	3,667	2,194	3,785	7,405	6,098	3,500
Total capital DEL	**905**	**4,302**	**3,667**	**2194**	**3,785**	**7,405**	**6,098**	**3,500**
Of which:								
Purchase of assets	905	4,302	3,667	2,194	3,785	6,198	4,040	1,800
Research costs (ESA 10)	-	-	-	-	-	1,207	2,058	1,700
Total capital budget	**905**	**4,302**	**3,667**	**2194**	**3,785**	**7,405**	**6,098**	**3,500**
Total departmental spending 2	**156,824**	**159,929**	**158,320**	**131,957**	**142,425**	**133,815**	**127,881**	**127,303**
Of which:								
Total DEL	157,579	164,632	160,039	134,235	143,055	133,966	128,598	127,484
Total AME	-755	-4,703	-1,719	-2,278	-630	-151	-717	-281

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.

Resource DEL is made up of income and expenditure from normal operating activities.

Resource AME relates to expenditure which meets the criteria of an accounting provision in the relevant accounting standard.

Capital DEL relates to investment in assets (and from 2016–17 onwards, this also includes research costs which meet specific criteria to be classified as Capital DEL).

In the above table, there is a significant decrease in the net total departmental spending in 2015–16. This is due to the receipt of additional income from the DfE for additional inspection and improvement work. In the following year (2016–17), the funding was included in the estimate. If this funding had been included in the estimate in 2015–16, net total departmental spending for the year would have been £145.3 million.

Table 2 – Administration budget, 2012–13 to 2019–20

	2012–13 Outturn	2013–14 Outturn	2014–15 Outturn	2015–16 Outturn	2016–17 Outturn	2017–18 Outturn	2018–19 Outturn	2019–20 Plans
Resource DEL								
Administration and inspection	16,427	16,693	16,105	15,948	15,425	14,654	14,624	17,334
Total administration budget	**16,427**	**16,693**	**16,105**	**15,948**	**15,425**	**14,654**	**14,624**	**17,334**
Of which:								
Staff costs	10,222	10,553	10,661	10,811	10,888	10,680	11,135	12,599
Purchase of goods and services	6,047	5,905	4,801	4,327	3,943	3,230	2,929	4,673
Rentals	-	-	444	462	472	415	321	-
Depreciation	85	167	131	285	59	112	171	-
Other resource	73	68	68	63	63	217	68	62

Expenditure for 2019–20 onwards depends on the outcome of the spending review.

Table 3 – Outturn 2018–19

		2018–19 Original plans		2018–19 Final plans		2018–19 Outturn	
		Resource	Capital	Resource	Capital	Resource	Capital
Spending in Departmental Expenditure Limits (DEL)							
	Voted expenditure	132,800	0	127,413	6,400	125,383	6,098
Of which:							
	Administration and inspection	132,800	0	127,413	6,400	125,383	6,098
Total Spending in DEL		**132,800**	**0**	**127,413**	**6,400**	**125,383**	**6,098**
Spending in annually managed expenditure (AME)							
	Voted expenditure	-794	0	-94	0	-717	0
Of which:							
	Activities to support all functions	-794	0	-94	0	-717	0
Total spending in AME		**-794**	**0**	**-94**	**0**	**-717**	**0**
Total		**132,006**	**0**	**127,319**	**6,400**	**124,666**	**6,098**
Of which:							
	Voted expenditure	132,006	0	127,319	6,400	124,666	6,098

Appendix B: Membership and attendance of the Ofsted board, sub-committees and the executive board

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 can seek reappointment as their terms expire; however, there is no automatic right for board members to be reappointed. For the period 1 April 2018 to 31 March 2019, the membership of the board and their attendance record was:

Member	Attendance record
Julius Weinberg	5 out of 5 meetings
Amanda Spielman	5 out of 5 meetings
Kathryn August	5 out of 5 meetings
John Cridland	4 out of 5 meetings
John Hughes	5 out of 5 meetings
Pamela Scriven	4 out of 5 meetings
Venessa Willms	5 out of 5 meetings

Audit and Risk Assurance Committee

Members of the ARAC are appointed by the board for a term of two years, with the option of reappointment. For the period 1 April to 31 March 2019, the membership of the ARAC and their attendance record was:

Member	Attendance record
John Hughes	5 out of 5 meetings
Kathryn August	5 out of 5 meetings
Venessa Willms	4 out of 5 meetings
James Aston	5 out of 5 meetings
Helen Jesson	5 out of 5 meetings

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

Executive board

The executive board is chaired by HMCI. At 31 March 2019, membership of the executive board was as follows:

Member
Amanda Spielman, HMCI
Matthew Coffey, Deputy Chief Inspector and Chief Operating Officer
Lorna Fitzjohn, Regional Director
Sean Harford, National Director, Education
Bradley Simmons, Regional Director
Karen Shepperson, Director, People and Operations
Neil Greenwood, Director, Digital and Information
Chris Russell, Regional Director
Andrew Cook, Regional Director
Mike Sheridan, Regional Director
Louise Grainger, Director, Finance, Planning and Commercial
Cathryn Kirby, Regional Director
Paul Brooker, Regional Director
Emma Ing, Regional Director
Yvette Stanley, National Director, Social Care
Chris Jones, Acting Director of Corporate Strategy (appointed 4 March 2019)

SCS pay committee

The SCS pay committee is chaired by HMCI and consists of directors and one non-executive board member. The committee met twice in the period 1 April 2018 to 31 March 2019: once on 28 June to agree performance ratings and non-consolidated awards and once on 9 October to agree consolidated pay increases. At 31 March 2019, membership of the SCS pay committee was as follows:

Member
Amanda Spielman
Matthew Coffey
Sean Harford
Karen Shepperson
Neil Greenwood
Yvette Stanley
Kathryn August, non-executive director

Appendix C: Information risk

Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office (ICO) in 2018–19

<table>
<tr><td colspan="5">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.</td></tr>
<tr><th>Date of incident (month)</th><th>Nature of incident</th><th>Nature of data involved</th><th>Number of people potentially affected</th><th>Notification steps</th></tr>
<tr><td>June</td><td>Cyber attack</td><td>Compromise of a mailbox</td><td>500</td><td>Information Commissioner's Office notified</td></tr>
<tr><td>August</td><td>Cyber attack</td><td>Phishing email broadcast to contacts</td><td>102</td><td>Information Commissioner's Office notified</td></tr>
<tr><td>September</td><td>Breach of confidentiality</td><td>Names of employees subject to redeployment</td><td>23</td><td>Information Commissioner's Office notified</td></tr>
<tr><td>October</td><td>Unauthorised alteration of data</td><td>An early years registration record</td><td>1</td><td>Information Commissioner's Office notified</td></tr>
<tr><td>January</td><td>Breach of confidentiality</td><td>Notification of a child's death</td><td>2</td><td>Information Commissioner's Office notified</td></tr>
</table>

Ofsted is reviewing internal processes in light of the events noted above. We continue to raise awareness of where additional fail-safes are required in process or system design. The ICO took no enforcement actions in response to these breaches but made a number of recommendations that Ofsted is prioritising. Ofsted continues to review and improve its processes regularly.

Summary of other protected personal data related incidents during 2018–19

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	7
v	Other	1

Appendix D: Grade table

Civil Service (CS) grade equivalent	Ofsted APT grade
Grade 6	PO
Grade 7	London A APT
	National A APT
SEO	London B1 APT
	National B1 APT
HEO	London B2 APT
	National B2 APT
EO	London B3 APT
	National B3 APT
AO	London C1 APT
	National C1 APT

CS grade equivalent	Ofsted inspector grade
Grade 6	Senior HMI
Grade 7	HMI
	RIM
SEO	B1 Inspector
HEO	B2 Inspector

CS grade equivalent	Ofsted grade
AO	London C1 Apprentice
	National C1 Apprentice

Annex A: Whistleblowing disclosures report (social care) – from 1 April 2018 to 31 March 2019

HMCI is a 'prescribed person' under The Public Interest Disclosure (Prescribed Persons) Order 2014, which provides the statutory framework for protecting workers from harm if they blow the whistle on their employer. Workers may tell the relevant prescribed person about suspected wrongdoing they believe may have occurred, including crimes and regulatory breaches. Passing information like this is known as making a 'disclosure'. HMCI is prescribed under the order in relation to the children's social care services and in relation to the welfare of children provided with accommodation by schools and colleges. All relevant services are listed in Figure 1.

Figure 1: The number of workers' disclosures received in the reporting period, which we reasonably believe are both qualifying disclosures and fall within HMCI's prescribed matters[1]

The children's social care services that the disclosure related to	Number of disclosures received[2]
Adoption support agencies	-[3]
Cafcass	-
Children's homes	198
Independent fostering agencies	9
Local authority children's services[4]	71
Residential family centres	7
Residential holiday schemes for disabled children	0
Welfare of children provided with accommodation by boarding schools and further education colleges	-
Welfare of children provided with accommodation by residential special schools	7
A third-party provider to which a local authority has delegated functions	-
Voluntary adoption agencies	-

[1] To be covered by the whistleblowing law, the disclosure must be a 'qualifying disclosure'. This is any disclosure of information which, in the reasonable belief of the worker making the disclosure, is made in the public interest and tends to show that one or more of the following has occurred, is occurring or is likely to occur: a criminal offence; a breach of legal obligation; a miscarriage of justice; danger to health or safety of any individual; damage to the environment; or the deliberate covering up of wrongdoing in these categories.
[2] Sometimes, we receive concerns from more than one whistleblower about the same issue in a service. In these circumstances, we may record these in a single record so that we can respond to the concerns holistically.
[3] In some instances, we suppress data if a small number of disclosures were received about service types to maintain anonymity of the whistleblower.
[4] Local authority functions as outlined in the Schedule to the Public Interest Disclosure (Prescribed Persons) Order 2014.

Figure 2: A summary of the action Ofsted has taken in respect of the above qualifying disclosures

Action taken in the reporting period	Number of disclosures received[5]
Referred the matter to the child protection team in the relevant local authority. We refer child protection concerns to the children's social care department of the local authority where the child lives because it has overarching responsibility for safeguarding and promoting the welfare of all children and young people in its area.	38
Contacted the appropriate person at the children's social care service and asked them to investigate and respond to Ofsted with more information. We do this because we need further information to make a decision about possible further action required.	121
Carried out a monitoring visit (this action applies only to services that Ofsted regulates) if we considered the registered person is failing, or has failed, to comply with a regulatory requirement.	60
Reviewed the timing of the next inspection/visit and brought forward if appropriate.	49
Held the information for follow-up at the next planned inspection/visit. We review information received along with a range of other intelligence gathered about a service to determine when we need to inspect and what lines of enquiry we need to follow up on.	96
Our review of the information received is ongoing.[6]	17

[5] It is possible a disclosure received resulted in more than one type of action.
[6] Due to the information being received at the end of the reporting year, the information was under consideration.

Figure 3: A summary of the overall categories under which the whistleblowing disclosures were classified

Category	Number of disclosures received[7]
Concerns that a specific child or children may be at risk of harm	52
Concerns that there are wider or systemic failures in safeguarding practice	74
Concerns that children are not receiving the right quality of care but that do not suggest a risk to their safety	103
Concerns that a social care service is not meeting regulatory requirements	58

We use the categories above to help us assess the urgency of the issues disclosed and take action within appropriate timescales.

Ofsted receives whistleblowing disclosures in letters, emails, and via our helpline, sometimes the information is provided anonymously.

[7] It is possible a disclosure received includes concerns from more than one category and we have used the category that provides the best fit.

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