

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

## **Resource Accounts 2008-09**

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## **Resource Accounts 2008-09**

**(For the year ended 31 March 2009)**

*Ordered by the House of Commons to be printed  
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## ANNUAL REPORT

### Scope

#### Entities within the Departmental Accounting Boundary

The only entity within the boundary during 2008-09 was the Office for Standards in Education, Children's Services and Skills (Ofsted).

#### Bodies outside the Departmental Accounting Boundary

There are no bodies outside the Departmental Accounting Boundary for which Ofsted has a lead policy responsibility.

### Departmental Report

In early June 2009 Ofsted published a Departmental Report for 2008-09. The Report is a way of letting Parliament and the public know what Ofsted has achieved and how it is contributing to raising standards in education, children's services and skills. It covered Ofsted's objectives, how it spends public money and what has been achieved. The report is available on-line at [www.ofsted.gov.uk](http://www.ofsted.gov.uk) and the website also details how to order hard copies.

## Management Commentary

### Aims and Objectives of the Department

The Office for Standards in Education, Children's Services and Skills (Ofsted) is a non-ministerial government department created on 1 April 2007 as the single inspectorate in England for children, young people and adult learners.

Through inspection and regulation, Ofsted aims to raise standards and improve lives in England:

1. By serving children and learners
2. By encouraging services to improve
3. By securing value for money.

All Ofsted's work is directed towards fulfilling these three aims:

#### *Through inspection:*

Inspection entails assessing a service against a published framework and criteria. It involves close observation by trained and experienced inspectors with knowledge of the sector concerned, informed by a range of data, background information, often including providers' self-assessment, and dialogue with staff and users of services. The output of inspection is normally the publication of judgements set out in a report.

#### *Through regulation:*

For a range of services relating to early years and children's social care, Ofsted also by law acts as a regulator by granting licence to operate or trade. This involves registering providers who meet the legal requirements for registration, inspecting registered providers and investigating complaints against registered providers to see if they continue to meet the requirements. Where providers do not come up to the required standards Ofsted may refuse to register them, or take a range of enforcement measures, including prosecution.

Ofsted inspects and regulates services in ways that are designed to be of real benefit. This includes driving improvement and giving assurance about standards, quality and use of resources.

*Through the provision of information and advice:*

Publications following inspection give users of services important information about local services. Through Ofsted's inspections and inspection surveys, we investigate new initiatives and good practice so that the findings can inform their implementation and development. Ofsted uses the rich material gathered through its work to report publicly and inform national and local policy makers and support services. Ofsted's work is used by support services and agencies, local and national policy makers, government ministers and officials.

Ofsted also has some specific powers to investigate parents' complaints about their child's school.

The Children's Rights Director is based in Ofsted, supporting the rights of children and young people. Taking into account the views of looked after children and young people, he provides advice that helps Ofsted to make sure inspection and regulation safeguard and promote the welfare of children.

### **Principal Activities**

Ofsted's principal activities in 2008-09 included:

1. regulation and inspection of childcare and early education;
2. regulation and inspection of children's social care (including children's homes, family centres and adoption and fostering services and agencies);
3. inspection of the Children and Family Court Advisory and Support Service (CAFCASS);
4. inspection of maintained schools and some independent schools;
5. inspection and assessment of children's services in local authorities;
6. inspection of providers of teacher education;
7. inspection of FE colleges, sixth form colleges and specialist colleges;
8. inspection of a wide range of work-based learning and skills training;
9. inspection of adult and community learning;
10. inspection of education and training in prisons and other secure establishments;
11. monitoring the work of other inspectorates of independent schools;
12. inspection of subjects, aspects and themes relating to children's services, education and skills;
13. preparation of Her Majesty's Chief Inspector's (HMCI's) Annual Report to Parliament on the state of children's services, education and skills in England;
14. provision of advice to the Secretary of State for Children, Schools and Families (DCSF) and to the Secretary of State for Innovation, Universities and Skills (DIUS); and
15. publication of inspection reports on the Internet.

### Financial performance against objectives

The total net request for resources approved by Parliament, including capital resources, was £212.4 million. Ofsted's net resource outturn was £207.5 million, meaning Ofsted underspent against this limit by £4.9 million. The main reasons include a reduction in VAT payable, and underspends on pay. On pay, recruitment this year has been limited. Holding more posts vacant will help us achieve a major restructure next year, which will permanently reduce the number of posts. Ofsted's net request for resources approved by Parliament for 2008-09 (£212.4 million) is 3.8% lower than the net request for resources approved for 2007-08 (£220.8 million).

Ofsted's administration cost limit this year reduced from £29 million to £28.7 million. Last year Ofsted underspent against this limit. However in 2008-09 it was required in full to fund a number of corporate change programmes which will deliver long term savings in future.

The 2008-09 accounts apportion net expenditure between Ofsted's six strategic priorities. These are shown in the Statement of Operating Cost by Departmental Strategic Objectives in the accounts. These objectives are the same as those set out in the 2007-08 resource accounts.

Departments preparing resource accounts under the Government Resources and Accounts Act 2000 are required to produce the following analysis. It is a reconciliation of resource expenditure between Estimates, Accounts and Budgets.

	2008-09	2007-08
	£000	£000
Net Resource Outturn (Estimates)	212,435	220,809
Net Operating Cost (Accounts)	206,823	213,166
Net Resource Outturn (Accounts) <sup>1</sup>	207,515	213,166
Net Resource Budget Outturn (Budget)	212,435	220,809
Net Underspend	4,920	7,643

<sup>1</sup> The Net Resource Outturn excludes the Excess Appropriation in Aid of £0.7 million

The whole of the resource budget related to Departmental Expenditure Limits (DEL), and none to Annually Managed Expenditure (AME).

Ofsted does not have any significant remote contingent liabilities.

The Departmental Report gives detailed information about our achievements in 2008-09 and the progress against the targets outlined in our Strategic Plan 2007-10. However, the key highlights of the year include:

- Completing the inspection programme of registered childcare providers begun on 1 April 2005 by 1 September 2008, in line with statutory requirements;
- Completing the annual quota of inspections of children's homes, adoption and fostering services and other forms of children's social care;
- Completing 70% of investigations into complaints about childcare and social care providers within 30 working days;
- Completing the annual quota of inspections of maintained schools so that all have been inspected by summer 2009;
- Ensuring that all schools causing concern were inspected within the agreed timescales;
- Completing the annual quota of work-based learning inspections so that the inspection cycle was completed on time;



- Completing the annual quota of adult and community inspections so that the inspection cycle was completed on time;
- Completing the annual quota of prison, probation and other secure estates inspections alongside partner inspections;
- Leading 32 joint area reviews so that the inspection of all children's services was completed by December 2008. In addition, in November 2008, we undertook a special Joint Area Review of Haringey following a request by the Secretary of State and in response to concerns about safeguarding arrangements;
- Making very significant progress towards meeting the challenging target of a 30% reduction in costs;
- Achieving Investors in People accreditation in 2008.

The Departmental Report for 2008-09, which was published in early June 2009, is available on the Ofsted website ([www.ofsted.gov.uk](http://www.ofsted.gov.uk)). As a small government department Ofsted is not required to publish an annual Autumn Performance Report.

### **Management arrangements**

Ofsted's detailed management arrangements and responsibilities are set out in the Ofsted Corporate Governance Framework that is available on the Ofsted Internet site ([www.ofsted.gov.uk](http://www.ofsted.gov.uk)).

During 2008-09 Ofsted was managed by a Corporate Management Team (CMT) led by Her Majesty's Chief Inspector (HMCI), and including the following executive directors: the Director, Children, the Director, Education, the Director, Learning and Skills, the Director, Corporate Services, the Director, Finance and the National Director, Inspection Delivery.

The Education & Inspections Act 2006 established a statutory Board for Ofsted. During 2008-09 the Board comprised the following non-executives: Zenna Atkins (Chairman), George Battersby (part year), Paul Blackburn (part year), Yusuf Chuku (part year), Sharon Collins, David MacLeod (part year), Dame Jane Roberts, John Roberts, Vijay Sodiwala (part year), Sir Alan Steer (co-opted member, part year), Museji Takolia and Christopher Trinick. HMCI is also a member of the Board. It is the role of the Board to set the strategic priorities for Ofsted, and to ensure its functions are performed efficiently and effectively, including ensuring that effective governance arrangements are in place.

Under the 2006 Act, HMCI remains solely responsible for the inspection and regulation of services within Ofsted's remit and for providing the Secretary of State for Children, Schools and Families (DCSF) with information or advice on all matters relating to these activities.

Christopher Trinick, one of the non-executive members of the Board, chaired the Ofsted Audit Committee during 2008-09. Three other non-executive members of the Board, David MacLeod (part year), Yusuf Chuku (part year) and John Roberts, also sat on the committee. In addition it had one further financially qualified and independent member, Richard Harbord. These non-executives worked with the Accounting Officer (HMCI) in line with the best practice for an Audit Committee as defined by HM Treasury.

### **Important events which have occurred during the financial year**

#### *Changes to inspection frameworks*

In March 2009, Ofsted published '*Ofsted inspects: a framework for all Ofsted inspection and regulation*'. This set out the common principles and practices that will form the basis of all Ofsted inspection and regulation. During 2008-09 we have been working on changes to the following specific inspection frameworks:

*Looked after children and safeguarding inspections:* In 2009-10, Ofsted will begin three-yearly inspection of services for looked after children and for safeguarding children and young people. Ofsted will also carry out annual unannounced inspections of contact, referral and assessment centres to assure ourselves that arrangements on the ground are robust.

*Inspection of maintained schools:* We have been working on new school inspection arrangements to come into effect from September 2009. Ofsted is using this as an opportunity to have more impact on the improvement of schools by ensuring that the scale, focus and type of inspection has the greatest impact possible.

*Further education and skills system inspections:* The current cycle comes to an end in summer 2009. The new arrangements will lengthen the period between inspections for the best colleges and providers, and intensify our focus on those that are not improving.

*Cafcass inspections:* Our new proposals are designed to produce up-to-date information more quickly for those who use Cafcass services.

In 2008-09, we also introduced changes to the way we inspect and/or regulate in relation to:

*Early Years Foundation Stage (EYFS):* The EYFS is the new statutory framework for the learning, development and care of children from birth to five. The introduction of the EYFS has provided Ofsted with the opportunity to bring greater consistency to the inspection of early years provision across the sector: from schools to registered early years settings.

*Initial teacher education:* In September 2008 Ofsted introduced a revised inspection framework for the inspection of initial teacher education covering the inspection cycle 2008-11.

#### *Procurement of inspection service providers*

Ofsted has a track record of delivering high-quality inspections through partnership with contractors. Under the current contract arrangements (which finish in September 2009), Ofsted has contracts with five regional inspection service providers (RISPS) who support school inspections by recruiting, managing and deploying additional inspectors, quality assuring their work, and by providing administrative support services. At present, Ofsted also has contracts with two national inspection service providers (NISPS): one for further education colleges and one for independent schools.

In March 2009 we announced the results of a procurement exercise to appoint new inspection service contractors to inspect schools, colleges, apprenticeships, adult skills and initial teacher education from September 2009. These new arrangements will help Ofsted to achieve greater impact, integration and consistency in the provision of inspection services and will help Ofsted deliver increased value for money in the way we inspect.

The new arrangements have been extended to provide an opportunity to include all inspections in maintained schools, independent schools that do not belong to an association, colleges, apprenticeships, adult skills and initial teacher education. The contracts will run from September 2009 until the end of August 2015. They will involve additional inspectors working with Her Majesty's Inspectors in a similar way to the current contracts. Transition arrangements from the existing contracts are underway and the staff of existing contractors may transfer to the new contractors to ensure smooth implementation.

#### *Safeguarding*

Ofsted inspects safeguarding in all the types of provision we inspect and regulate. We also evaluate the serious case reviews carried out by Local Safeguarding Children Boards (LSCBs) of cases where children have died or been seriously harmed and abuse or neglect was a suspected factor. In 2008-09, we undertook the evaluation of 182 submitted serious case reviews and provided a full and detailed letter

to LSCBs on our findings. Ofsted also published *Learning lessons, taking action: Ofsted's evaluations of serious case reviews 1 April 2007 to 31 March 2008*.

In November 2008, Ofsted led a multi-agency inspection team asked by the Secretary of State for Children, Schools and Families to review the child protection arrangements and safeguarding of children and young people in Haringey. The report called on the Government to provide immediate support to Haringey Council to ensure that full and effective safeguarding arrangements for children and young people were established. This inspection reinforced our view that Ofsted should carry out an unannounced inspection of every local authority children's service each year to ensure that they are doing all they can to properly safeguard vulnerable children and young people. We had already announced this proposal in September 2008, along with other changes to the way services will be evaluated in future, so that a more regular look at performance data will always be backed up by an annual inspection of practice on the ground.

This new approach to inspecting safeguarding was welcomed in Lord Laming's report *Safeguarding children: a progress report*. Lord Laming also made a number of recommendations for Ofsted, all of which Ofsted has responded to positively and has either already taken the action necessary or has plans in place to do so. Ofsted's response to the Secretary of State on Lord Laming's review is available on our website.

#### *Achieving our savings target*

In 2006 the Government set public inspectorates the challenging target of delivering a 30% reduction in expenditure by April 2009 compared with levels in 2003-04. In 2003-04, the total relevant expenditure of the inspectorates that now make up Ofsted was £266 million, so this equated to Ofsted having to make an £80 million saving. This amount did not include the value of inflation over the period, which also had to be absorbed.

Planning for 2008-09 identified that we would have to bear some additional short term costs in order to achieve these significant longer term savings. These short term costs include expenditure associated with our organisational restructure and our move to a smaller London office, costs which will result in longer term recurrent savings from next year. As a result the Government agreed to adjust the timeframe within which the savings target will be met. In accordance with this agreement, Ofsted's expenditure budget for 2008-09 was £227 million, against which £222 million was actually spent. This means that in a relatively short space of time Ofsted has saved £44 million and absorbed the impact of five year's inflation (a further £38 million).

The majority of the remaining savings will be in place from September 2009, in line with the new timescales and six months after the date set originally. September 2009 is significant as it is when certain large contracts expire, and the current lease on Ofsted's London office comes to an end. Both of these will provide Ofsted with the opportunities to continue to make savings.

#### *London office relocation*

In line with HM Treasury requirements and the Lyons review, Ofsted has to reduce the number of people it has based in London and the south east of England. The lease on Ofsted's London office expires in 2009 and Ofsted has worked with the Treasury to agree a plan that significantly reduces the size of Ofsted's London presence. Under these plans, Ofsted will reduce London headcount by 37% (152 posts) next year.

During 2008-09 we have carried out an exercise to establish which posts have to be London-based and which can be re-designated as home-based or subject to relocation to one of our other three offices. Plans are in place for Ofsted to move from its current London office to a smaller office shared with another government department by September 2009.

## Going concern

With the continued support of the Department for Children, Schools and Families, Ofsted is regarded as a going concern. The balance sheet at 31 March 2009 shows Net Liabilities of £21.8 million. This reflects the policy, under the Government Resources and Accounts Act 2000, that no money may be drawn from the Consolidated Fund other than required for the service of the specified year to meet the net cash requirement. All unspent monies, including those derived from Ofsted's income, are surrenderable to the Consolidated Fund and are disclosed as a year-end liability.

## Public interest and other

### Sickness Absence

Ofsted monitors sickness absence on an ongoing basis and reports are produced each month that are reviewed by managers. A strategy and processes are in place to ensure that long-term absences are monitored and managed in a consistent way across the organisation. This involves obtaining advice and support from occupational health specialists where appropriate. A new attendance policy and procedure was launched on 1 May 2008 and emphasises the role of the manager in conducting return to work interviews and in review meetings on absence with staff.

Ofsted set a target for 2008-09 for sickness absence of 9.50 average working days lost per employee over the year. The actual average working days lost per employee to sickness for the year was 7.99, which is 16% lower than the target, which is also lower than the year before. The key sickness absence statistics for 2008-09 show that the total days lost were 18,003 of which 60.1% was lost to long term sickness.

### Equal Opportunities

Our core values include an explicit commitment to valuing people's differences. This commitment is central to all that we do and how we go about it. We promote best practice in equality amongst the service providers we inspect and regulate. We also use our unique position to identify and combat discrimination and disadvantage through inspection and regulation, publishing reports and surveys and seeking to influence national policy. We aim to be an exemplary employer with a diverse and committed workforce.

Ofsted's Disability Equality Scheme sets out the methods Ofsted will use to meet its duty as a public body under the Disability Discrimination Act both within the inspectorate and in the institutions it inspects or regulates. At June 2008, 6.3% of staff at Ofsted had classified themselves as disabled.

Ofsted's Race Equality Scheme sets out the methods Ofsted will use to eliminate discrimination, foster good race relations and promote equality of opportunity both within the inspectorate and in the institutions it inspects or regulates. At June 2008, 10.8% of staff at Ofsted were from black and minority ethnic groups.

Ofsted's Gender Equality Scheme which was updated in September 2008, sets out what Ofsted will do to meet its obligations on gender equality both within the inspectorate and in the institutions it inspects or regulates. At June 2008, 71.7% of the Ofsted workforce were female with the greatest proportion of female staff being amongst the inspectors of childcare and social care where 90.3 % were female.

Further information on Ofsted's equality and diversity schemes, including the details of the action plan against which we monitor progress, is available on the Ofsted website. Equality Impact Assessments conducted by Ofsted are also available on this internet site.

### Environmental, social and community issues

Ofsted works to make sure that its inspection and regulatory work helps to make a difference for children, young people and adult learners – securing their educational, economic and social well-being and contributing to our success as a country.

During 2008-09 we have continued to work to ensure that sustainable development is built into Ofsted's inspection frameworks appropriately and that relevant issues will be reported on, both within individual inspection reports and in corporate reports.

Within Ofsted itself we launched a sustainable development action plan in August 2008. This articulates our aim of becoming a more efficient and effective organisation that will make a more valuable contribution to local communities. The plan sets annual targets in areas such as energy consumption, sustainable travel, procurement, waste reduction and water consumption. We also follow the government guidelines on ensuring suppliers have a commitment to sustainable development and we revised our Procurement Policy in July 2008 to ensure that it has sustainability and environmental impact as core components of the supplier selection process.

### Provision of Information

Ofsted's website ([www.ofsted.gov.uk](http://www.ofsted.gov.uk)) presents information of interest to a range of users and stakeholders, and is heavily used. It can receive in excess of seven million hits per month.

In addition to the information available on the website there are also over 45,000 subscribers to 'Ofsted News', our online newsletter for schools, childcare professionals and learning and skills practitioners which is delivered by email.

Ofsted also produces 'Talisman' a newspaper with information on learning and skills inspections and developments. It is written for a wide audience, including employers and learners, and is published 10 times a year. This has over 9,250 subscribers to the printed and online versions.

Under the Freedom of Information Act, Ofsted has a procedure in place to ensure that all staff are aware of their responsibilities under the Act and that requests for information are handled correctly. All requests are logged and the time taken to satisfy them is monitored in the monthly management information reports that are provided to the senior management of Ofsted.

### Information security and information risk

- Ofsted is committed to operating a strong information assurance framework including information risk management and has put in place measures to comply with the mandatory requirements set out in the Government's Data Handling Review.
- Ofsted logs and reports on all instances of personal data-related incidents.
- Ofsted will shortly complete its first annual information risk return for the Cabinet Office.

### Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008-09

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
There have been no incidents to report to the Information Commissioner's Office.				

**Summary of other protected personal data related incidents in 2008-09**

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

Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	1
iv	Unauthorised disclosure	15

**Payment of Suppliers**

Ofsted is committed to paying all undisputed invoices within 30 days of the later of receipt of goods/services or receipt of the invoice. For the year ended 31 March 2009, 99.3% of payments achieved this target. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

Guidance received from the government set all departments the target of paying invoices from small and medium sized enterprises (SMEs) within 10 working days. Ofsted now aims to pay all invoices from all its suppliers within this new target timeframe. For the four month period ending 31 March 2009, 83.2% of all our payments were paid within this 10 working days target.

**Pension Liabilities**

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

During the transfer in of staff to Ofsted from Local Authorities in 2001 and from the Commission for Social Care Inspection in 2007 as the remit of Ofsted expanded, there were some staff that elected to remain in their existing Local Government (LG) Pension schemes. Ofsted pays annual pension contributions to these LG schemes, and reports any associated assets or liabilities under 'FRS17 – Retirement Benefits'.

**Auditor**

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

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

A notional fee of £72,000 has been charged for the audit. The Statutory audit work amounted to £62,000 and the audit work on the move to International Financial Reporting Standards (IFRS) amounted to £10,000.



## REMUNERATION REPORT

### Part A: Unaudited

#### Ministers

Ofsted is a non-ministerial government department.

#### Appointment of non-executive Board members

The Education and Inspection Act 2006 established the Office for Standards in Education, Children's Services and Skills on 1 April 2007. The Act also established a non-executive Board for Ofsted. The Secretary of State for Children, Schools and Families oversees the recruitment of Board members in line with government guidelines for the recruitment of non-executives.

#### Non-executives

Zenna Atkins was appointed as Chairman of the Board on 12 December 2006.

On 12 December 2006, the following non-executives were appointed to the Board and were members during 2008-09: Sharon Collins, David MacLeod (part year), Dame Jane Roberts, John Roberts, Museji Takolia and Christopher Trinick. On 12 December 2008 John Roberts and Christopher Trinick were reappointed for a further term of three years.

George Battersby, Paul Blackburn, Yusuf Chuku and Vijay Sodiwala were appointed to the Board on 2 June 2008. Sir Alan Steer was appointed to the Board as a co-opted member on 1 July 2008.

David MacLeod resigned from the Board on 2 June 2008, Paul Blackburn resigned on 5 July 2008 and Yusuf Chuku resigned on 27 March 2009.

None of the Ofsted Board members holds any company directorships or other significant interests that might conflict with their management responsibilities. The Register of Interests is open to the public and written requests for information should be addressed to the Ofsted Board Secretariat at Alexandra House, 33 Kingsway, London WC2B 6SE.

#### Service contracts

Board members are appointed by the Secretary of State at the Department for Children, Schools and Families and serve for fixed terms of either two or three years.

Name	Date of appointment to position	Type of contract	Unexpired term years	Notice period months
Zenna Atkins	12 December 2006	Fixed – 3 years	0.5	3
George Battersby	2 June 2008	Fixed – 2 years	1.0	3
Paul Blackburn	2 June 2008 (resigned 5 July 2008)	Fixed – 2 years	N/A	–
Yusuf Chuku	2 June 2008 (resigned 27 March 2009)	Fixed – 3 years	N/A	–
Sharon Collins	12 December 2006	Fixed – 3 years	0.5	3
David MacLeod	12 December 2006 (resigned 2 June 2008)	Fixed – 2 years	N/A	–
Dame Jane Roberts	12 December 2006	Fixed – 3 years	0.5	3
John Roberts	Reappointed 12 December 2008	Fixed – 3 years	2.5	3
Vijay Sodiwala	2 June 2008	Fixed – 3 years	2.0	3
Sir Alan Steer	1 July 2008	Fixed – 15 months	0.5	3
Museji Takolia	12 December 2006	Fixed – 3 years	0.5	3
Christopher Trinick	Reappointed 12 December 2008	Fixed – 3 years	2.5	3

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

HMCI is a Crown appointment. HMCI and the other members of the Corporate Management Team are covered by the Civil Service Management Code. The Directors are all permanent civil servants.

#### Permanent Head

On 1 October 2006 Christine Gilbert was appointed to the position of Her Majesty's Chief Inspector of Schools. She became Her Majesty's Chief Inspector of Education, Children's Services and Skills and Accounting Officer of the Department with the establishment of the new Ofsted on 1 April 2007.

#### Directors

The following people were Directors for the whole or part of the financial year:

Michael Hart – Director, Children (part year)

Roger Shippam – Acting Director, Children (part year)

Miriam Rosen – Director, Education

Lorraine Langham – Director, Corporate Services

Melanie Hunt – Director, Learning & Skills

Vanessa Howlison – Director, Finance

Sheila Brown – National Director, Inspection Delivery (part year)

None of the Ofsted Directors holds any company directorships or other significant interests that might conflict with their management responsibilities. The Register of Interests is open to the public and written requests for information should be addressed to the Ofsted Audit Committee Secretariat at the Ofsted office in London.



**Service contracts**

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit and on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless stated otherwise in the table below, the executives covered by this report hold appointments that are open ended until they reach the Ofsted normal retirement age of 65. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

<b>Name</b>	<b>Date of appointment to position</b>	<b>Type of contract</b>	<b>Unexpired term*</b>	<b>Notice period</b>
			<b>years</b>	<b>months</b>
Christine Gilbert	1 October 2006	Statutory appointment for initial period of 5 years	2.5	3
Sheila Brown	1 January 2009	Open ended	N/A	3
Michael Hart	29 June 2007 (left 31 January 2009)	Open ended	N/A	–
Vanessa Howlison	21 June 2006	Open ended	N/A	3
Melanie Hunt	12 June 2007	Open ended	N/A	3
Lorraine Langham	27 June 2007	Open ended	N/A	3
Miriam Rosen	6 April 2004	Open ended	N/A	3
Roger Shippam	1 January 2009	Open ended	N/A	3

\* The 'unexpired term' is the remaining contract period for fixed term contracts.

## Part B: Audited

### Non-executives Remuneration

During 2008-09 the Chairman of the Board received a salary in the £45,000-£50,000 (2007-08 – £35,000-£40,000) band and all the other non-executives received a salary in the £0-£5,000 band.

### Executives Remuneration

HMCI's remuneration is an annual salary with performance related pay of up to 20 per cent available for a 12-month period subject to performance. HMCI has elected to waive her entitlement to participate in a performance related pay scheme for 2008-09. Although earned in 2008-09, this payment would have been made in the next financial year (2009-10). This is in line with decisions made by other Permanent Secretaries.

The Directors are paid as senior civil servants and are subject to the recommendations of the Senior Salaries Review Body.

Ofsted has established a Senior Civil Service (SCS) Pay Committee comprising HMCI, the Directors and one non-executive Board member. This Committee decides on all annual pay and performance related awards for members of the SCS as well as agreeing any changes to Ofsted's SCS pay strategy. John Roberts, a Non-Executive Director, served as the independent member on the SCS Pay Committee during 2008-09.

The role of the independent member is to quality assure the process, ensuring that pay decisions are consistent with the evidence of individuals' performance and that consistent criteria are applied to arrive at individual pay decisions.

The salary and pension entitlements of the most senior members of Ofsted for the year ending 31 March 2009 and as at 31 March 2008 were as follows:

#### Salaries <sup>(Note a)</sup>:

Name	Salary (s) year ending 31 March 2009 £000	Salary (s) year ending 31 March 2008 £000
Christine Gilbert	230-235	225-230
Sheila Brown <i>(Director since 1 January 2009)</i>	30-35 <i>(120-125 full year equivalent)</i>	Not in post
Michael Hart	120-125 <i>(140-145 full year equivalent)</i>	90-95 <i>(115-120 full year equivalent)</i>
Vanessa Howlison	120-125	110-115
Melanie Hunt	160-165	115-120 <i>(150-155 full year equivalent)</i>
Lorraine Langham	175-180	120-125 <i>(150-155 full year equivalent)</i>
Miriam Rosen	140-145	130-135
Roger Shippam <i>(Acting Director since 1 January 2009)</i>	30-35 <i>(140-145 full year equivalent)</i>	Not in post

**Salary.**

Note (a). 'Salary' includes gross salary; performance related pay (earned in the prior year but paid in the current year); reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and other allowances to the extent that it is subject to UK taxation.

**Benefits in Kind**

In 2008-09 Christine Gilbert received a Government Car Service allowance of £7,222 as a Benefit in Kind (2007-08 – £7,555).

None of the other senior members of staff received any Benefit in Kind.

**Compensation for loss of office**

Michael Hart left under Compulsory Early Severance on 31 January 2009. He received a contractual compensation payment of £73,688.

The equivalent compensation payments of this kind made to others in 2007-08 were £70,533.

**Non-cash elements of the remuneration package**

Ofsted's most senior members' remuneration packages do not contain non-cash benefits.

**Pension Benefits** <sup>(Note b):</sup>

Name	Real increase in pension at 60 (Note b) ending 31 March 2009 £000	Real increase in Lump Sum Year ending 31 March 2009 £000	Total accrued Pension at 60 At 31 March 2009 £000	Total Lump Sum at 60 At 31 March 2009 £000	CETV at start of year (Note c) £000	CETV at end of year (Note d) £000	Employee contributions and transfers in £	Real increase in CETV (Note e) £000
Christine Gilbert	2.5-5	–	5-10	–	91	159	6,855	56
Sheila Brown	5-7.5	15-17.5	40-45	120-125	734	906	1,514	121
Michael Hart	0-2.5	–	60-65	–	993	1,106	3,087	26
Vanessa Howlison	0-2.5	–	30-35	–	366	402	4,115	7
Melanie Hunt	0-2.5	2.5-5	30-35	90-95	476	532	1,764	20
Lorraine Langham	0-2.5	–	40-45	–	467	519	4,116	16
Miriam Rosen	0-2.5	–	70-75	–	1,301	1,433	4,116	41
Roger Shippam	5-7.5	17.5-20	40-45	130-135	803	1,006	1,764	148

*The CETV figure for 31 March 2008 has been updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, so that it is calculated on the same basis as the CETV for 31 March 2009.*

## Pension Benefits

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. 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' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Value

Notes (c) & (d). A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

*Please note that the factors used to calculate the CETV were revised on 1 Apr 2008 on the advice of the Scheme Actuary.*

**Real increase in CETV**

Note (e). This reflects the increase in CETV effectively 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.

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

Date: 11 June 2009

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the departmental group and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

HM Treasury has appointed HMCI as Accounting Officer of the Department with responsibility for preparing the Ofsted accounts and for transmitting them to the Comptroller and Auditor General. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department are set out in *Managing Public Money* published by HM Treasury.

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Ofsted's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. My post is a Crown appointment but, in terms of reporting, I report to the Ofsted Board, and appear before the House of Commons Children, Schools and Families Committee at least twice a year.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve aims, objectives and policies. It can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental aims and objectives; to evaluate the likelihood of those risks being realised and the impact if they are realised; and, to manage them efficiently, effectively and economically. The system of internal control has been in place in Ofsted for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

### Capacity to handle risk

Although Ofsted could be considered to have a relatively conservative risk appetite, the organisation has taken a series of carefully managed risks over the past two years in order to establish the new Ofsted successfully on 1 April 2007. During the past year we have also instituted a major review of our organisational structure that will be fully implemented by the autumn of 2009. We have also put detailed plans in place to relocate our offices to smaller premises and that will reduce the number of Ofsted staff who will be based in London by 37% (152 posts) by September 2009.

The Corporate Management Team (CMT) has provided leadership to the risk management process and has established a sub-committee, the Risk Management Moderation Group, to ensure that a uniform and effective risk management process and policy is implemented across the organisation. To maintain this focus on managing risk well, all CMT reports contain a section headed "Finance, efficiency and risk implications".

The monthly operational report, which is routinely reviewed by the CMT, focuses attention on progress against Ofsted's key operational objectives. A section of this report also contains a summary of progress in managing and mitigating the key strategic risks that face the organisation. It also enables CMT to review progress in managing these most important areas of risk over time. In addition, the Audit Committee also reviews these key strategic risks at each of their six meetings a year and the Ofsted Board reviews them on at least an annual basis.

The Ofsted Board has prioritised consideration of risk in its deliberations over the past year. As part of the review of the strategic risks that face Ofsted, both CMT and the Board held special sessions in December 2008 to debate the relative importance of identified and emerging risks associated with the strategic priorities that Ofsted has set for itself in its Strategic Plan. The strategic risk register was updated accordingly.

As part of the annual corporate and resource planning cycles, risks are identified operationally and locally, from the bottom up as well as from strategic top down processes. These are used to populate directorate and divisional risk registers, which are maintained by managers. This is the main way in which risk is managed on a day-to-day basis. Each month every division evaluates the probability and impact of their risks, and sets out the latest position on actions being taken to mitigate and manage the risk. Probability and impact scores allow those risks deemed to be the most significant for Ofsted to be



easily identified, and these are moderated in the cross Ofsted Risk Management and Moderation Group. Thereafter these are reported in the monthly operational report that is reviewed by CMT.

Risks associated with information security and data loss have continued to receive close attention during 2008-09 and a dedicated register is also maintained to monitor this form of risk. An extensive series of security arrangements were introduced during 2007-08 that included restricting the use of unencrypted laptops or drives outside Ofsted offices and these arrangements were enhanced when full encryption was introduced in June 2008. Much of the attention during 2008-09 has focused on educating staff and providing clear guidance. All Ofsted staff have completed an online learning package on information assurance developed by the Cabinet Office. Completing this training is a requirement for all civil servants. Full details of any incidents of data loss are reported under the heading 'Information security and information risk' in the 'Public interest and other' section of these Resource Accounts.

### **Risk and control framework**

The Ofsted governance procedures and risk management processes continued to be enhanced during 2008-09. Significant items included:

- The Ofsted Board reviewed and updated the Corporate Governance Framework in April 2008 in order to ensure that it continues to be maintained in line with best practice.
- The Risk Management Policy and Procedures were reviewed and updated in March 2008, and the modified arrangements came into effect during April 2008, following consideration by CMT and the Audit Committee. Further enhancements were introduced in September 2008.
- Continued emphasis on educating key staff on the importance of effective risk management, with a regular series of workshops entitled "Playing your part in risk management" being held across the organisation.
- A review of financial management performance in Ofsted was conducted in the fourth quarter of 2008-09 using the Chartered Institute of Public Finance & Accountants (CIPFA) Financial Management model. All government departments have conducted similar reviews and the results were submitted to HM Treasury at the end of March 2009. The comparative results will be used to evaluate areas where Ofsted could improve its performance.
- The Ofsted Board subjected itself to an extended review of its effectiveness, including its approach to risk, and received a very positive report.

### **Review of effectiveness**

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Ofsted who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and progress against a plan to tackle weaknesses and to ensure continuous improvement of the system is in place. I have concluded that internal control has continued to be effective during the year.

Some of the key control processes include the following:

- Every month CMT reviews the financial and operational performance of the organisation. The monthly operational report includes information on strategic, corporate and operational performance including risk management. During 2008-09, CMT also considered and approved the corporate plan, the resource plans and budget, the strategic risk register and a regular series of reports on the financial performance of the organisation.
- The Ofsted Board meets up to five times a year and has particular responsibility for determining the strategic priorities for Ofsted and for the monitoring of the objectives and targets associated



with these priorities. The Board also has responsibility, under the Education and Inspections Act 2006, for ensuring that all HMCI's functions are performed efficiently and effectively.

- An Audit Committee that meets up to six times a year and which is chaired by one of the non-executive Board members. It also has a financially qualified, independent member as part of its Board. The Chair of the Audit Committee prepares an Annual Report, which sets out the work of the Committee. This includes a statement that Ofsted's risk management, control and governance processes are adequate and effective and may be relied upon by the Accounting Officer.
- Reports by internal audit are to standards defined in the Government Internal Audit Standards and include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.
- A formal Meetings Framework that ensures that important information is communicated effectively, and on a regular basis, to all staff across the whole organisation.
- The maintenance of an organisation-wide central risk register (for strategic risks) supported by Directorate and Divisional registers.
- The monitoring of Ofsted's risk management performance and policies by the Risk Management Moderation Group, a sub-committee of CMT.
- The completion of annual Assurance Statements by all Directors, Deputy Directors and Divisional Managers confirming their compliance with all standard governance arrangements, systems and processes, including policies on fraud and corruption.
- Participation in the government-wide Risk Improvement Managers network, which is designed to ensure the spread of best practice in risk management.

Of the audits conducted in 2008-09 by Deloitte LLP, our internal auditors, 10 reported 'substantial' levels of assurance including those of risk management, corporate governance, business planning and budgetary control and of core financial controls. A 'partial' level of assurance was reported in six areas. We have taken steps to implement recommendations in a timely manner, and many improvements were implemented at the immediate conclusion of the audit.

The opinion of our Internal Auditors is that, based on the work that they have carried out, their conclusion set out in their annual report is as follows: with the exception of the control weaknesses identified in the detailed reports, Ofsted has adequate and effective systems over governance, risk and control which provide reasonable assurance regarding the effective and efficient achievement of Ofsted's objectives.

## Conclusion

I recognise that significant progress continues to be made and I note the evidence of such progress that has been supplied to me. In collaboration with the Board of Ofsted and with the CMT, I shall ensure that performance continues to improve and that effective governance arrangements continue to be embedded during 2009-10.

Over the next twelve months Ofsted will face the strategic challenges of maintaining and improving the quality and impact of its work while embedding the radical changes to our organisational structure, which began in 2008-09. We also face the task of relocating to a smaller London office in September 2009. In both of these cases we have detailed implementation plans to minimise potential disruption to our inspection and regulatory activities. We shall also ensure that, in making these changes, we do not weaken the control and governance frameworks that we currently have in place.

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

Date: 11 June 2009

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Strategic Objective and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report which includes the Remuneration Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the sections on the Scope, Management commentary, Public Interest and Other included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government and Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of affairs of the Department as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the sections on the Scope, Management commentary, Public Interest and Other and the unaudited part of the Remuneration report included within the Annual Report is consistent with the financial statements.

### Audit opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

15 June 2009

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2008-09

Note	Estimate			Outturn				2008-09	2007-08
	Gross expenditure	Appropriations-in-Aid	Net request for resources	Gross expenditure	Appropriations-in-Aid	Net Total	Net total outturn compared with estimate savings/ (excess)	Net Total	
									£000
	<b>Request for Resources 1:</b>								
	Improving the quality and standards of education and childcare through independent inspection regulation and advice								
		<b>226,935</b>	<b>(14,500)</b>	<b>212,435</b>	<b>222,015</b>	<b>(14,500)</b>	<b>207,515</b>	<b>4,920</b>	213,166
	<b>Total Resources</b>	<b>226,935</b>	<b>(14,500)</b>	<b>212,435</b>	<b>222,015</b>	<b>(14,500)</b>	<b>207,515</b>	<b>4,920</b>	213,166
9	<b>Net Cash Requirement</b>		<b>219,666</b>			<b>209,442</b>	<b>10,224</b>		212,942

### Summary of income payable to the Consolidated Fund.

In addition to appropriations-in-aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics and figures in £000s):

6	Total	Forecast 2008-09		Outturn 2008-09	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
		-	-	692	-

### Explanation of the variation between Estimate net cash requirement and Outturn (net cash requirement):

The variation between the Estimate and the Net Cash Requirement Outturn is set out in Note 9 on page 38. The resource underspend of £4.9 million and the increase in provisions which will crystallise in the following financial years are the most significant factors contributing to the cash variation of £10.2 million.

The notes on pages 30 to 53 form part of these accounts

## Operating Cost Statement

for the year ended 31 March 2009

Note		2008-09		2007-08	
		£000	£000	£000	£000
	<b>Administration Costs</b>				
2	Staff Costs		15,670		8,747
3	Other administration Costs		12,421		12,774
	<b>Gross Administration Costs</b>		<b>28,091</b>		<b>21,521</b>
5	<b>Operating Income</b>		<b>-</b>		<b>(5)</b>
	<b>Net Administration Costs</b>		<b>28,091</b>		<b>21,516</b>
	<b>Programme Costs</b>				
2	Staff Costs	106,446		106,719	
4	Expenditure	87,478		99,866	
	<b>Gross Programme Costs</b>	<b>193,924</b>		<b>206,585</b>	
5	Less Income	(15,192)		(14,935)	
4	<b>Net Programme Costs</b>		<b>178,732</b>		<b>191,650</b>
8	<b>Net Operating Cost</b>		<b>206,823</b>		<b>213,166</b>
8	<b>Net Resource Outturn</b>		<b>207,515</b>		<b>213,166</b>

All income and expenditure are derived from continuing operations.

## Statement of Recognised Gains and Losses

for the year ended 31 March 2009

		2008-09	2007-08
		£000	£000
28	Net Actuarial gain/(loss) in pension schemes	(439)	-
	<b>Recognised Gains and Losses for the financial year</b>	<b>(439)</b>	<b>-</b>

The notes on pages 30 to 53 form part of these accounts

**Balance Sheet**

as at 31 March 2009

Note		31 March 2009		31 March 2008	
		£000	£000	£000	£000
10	Tangible fixed assets	899		663	
11	Intangible fixed assets	98		73	
			997		736
13	<b>Debtors falling due after more than one year</b>		507		24
	<b>Current assets</b>				
13	Debtors	10,459		8,256	
14	Cash at bank and in hand	685		592	
		11,144		8,848	
	<b>Creditors</b>				
15	Creditors: amounts falling due within one year	(13,901)		(21,675)	
	<b>Net current liabilities</b>		(2,757)		(12,827)
	<b>Total assets less current liabilities</b>		(1,253)		(12,067)
15	Creditors: amounts falling due after more than one year		–		–
16	Provisions for liabilities and charges		(19,945)		(10,616)
	<b>Total assets less liabilities excluding pension liabilities</b>		(21,198)		(22,683)
28	<b>Net retirement benefit schemes liability</b>				
	Retirement benefit schemes asset	276		–	
	Retirement benefit schemes liability	(862)		–	
			(586)		–
	<b>Net liabilities</b>		(21,784)		(22,683)
	<b>Financed by:</b>				
	<b>Taxpayers' Equity</b>				
17	General fund		(21,164)		(22,683)
18	Pension Reserve		(620)		–
			(21,784)		(22,683)

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

Date: 11 June 2009

The notes on pages 30 to 53 form part of these accounts

## Cash Flow Statement

for the year ended 31 March 2009

Note		<u>2008-09</u>	<u>2007-08</u>
		<u>£000</u>	<u>£000</u>
19	Net cash outflow from operating activities	(208,502)	(212,942)
19	Capital expenditure and financial investment	(940)	–
19	Financing from Consolidated fund	209,535	212,772
	Merger related cash balance	–	559
19	<b>Increase/(decrease) in cash in the period</b>	<u>93</u>	<u>389</u>

The notes on pages 30 to 53 form part of these accounts

## Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

Aim: Better education and care through effective inspection and regulation.

	<u>Gross</u>	<u>2008-09</u>	<u>Net</u>	<u>Gross</u>	<u>2007-08</u>	<u>Net</u>
	<u>£000</u>	<u>Income</u>	<u>£000</u>	<u>£000</u>	<u>Income</u>	<u>£000</u>
		<u>£000</u>			<u>£000</u>	<u>£000</u>
<b>Objective One – Better outcomes</b>						
To deliver planned inspection programmes which maximise the impact of inspection and regulation on the quality of provision for children, young people and adult learners – with a particular focus on vulnerable and underachieving people – so that their life outcomes and general well-being are enhanced. To identify strengths and weaknesses in priority areas – nationally, regionally and locally – and to make effective use of that information to drive improvement.	<b>193,923</b>	<b>15,192</b>	<b>178,731</b>	201,624	14,730	186,894
<b>Objective Two – Better inspection &amp; regulation</b>						
To ensure that inspection continues to develop as high quality, coherent and well matched to the needs of the user and the quality of the service, with an increased focus on targeting inspection where it makes most difference. To use the views of users, stakeholders and key partners, to influence how, what and when we inspect, to promote improvement and to track future improvement. To ensure that we take swift enforcement action, acting quickly to drive improvement.	<b>10,249</b>	–	<b>10,249</b>	7,780	105	7,675
<b>Objective Three – Better communication</b>						
To ensure that all Ofsted's communications are clear and accessible to the whole range of audiences at an appropriate level, and support informed choice and drive improvement. To ensure quick and effective responses to enquiries and complaints.	<b>3,621</b>	–	<b>3,621</b>	7,488	105	7,383
<b>Objective Four – Better consultation</b>						
To ensure that consultation with users, stakeholders, partners and the public is inclusive and effective.	<b>672</b>	–	<b>672</b>	2,583	–	2,583
<b>Objective Five - Better value for money</b>						
To ensure that value for money is a continued focus for improvement. To ensure that our operational and business support functions provide good value for money and compare well against external benchmarks.	<b>6,004</b>	–	<b>6,004</b>	2,835	–	2,835
<b>Objective Six – Better ways of working</b>						
To achieve excellent performance through a high quality workforce that appropriately reflects the diversity of the communities it serves. To be an exemplary employer, committed to its staff, responsive to employee views and focused on development and continuous improvement. To build and develop Ofsted's capacity for improvement.	<b>7,546</b>	–	<b>7,546</b>	5,796	–	5,796
<b>Net operating costs</b>	<b>222,015</b>	<b>15,192</b>	<b>206,823</b>	<b>228,106</b>	<b>14,940</b>	<b>213,166</b>

The 2008–09 accounts have been produced by apportioning net expenditure between six main priorities (our key objectives).

The notes on pages 30 to 53 form part of these accounts



## NOTES TO THE OFSTED RESOURCE ACCOUNTS

### 1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2008-09 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that they are meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. Ofsted's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. The accounts have been prepared on a going concern basis. Ofsted's activities will continue in operational existence for 2009-10 and in future years, subject to Parliamentary approval.

Following the decision of HM Treasury to commit to full compliance with International Financial Reporting Standard (IFRS) 1 'First Time Adoption of International Financial Reporting Standards', Ofsted, in common with other government departments, will prepare next year's financial statements in accordance with the 2009-10 IFRS-based (iFReM) Financial Reporting Manual.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention. Ofsted has elected to adopt a depreciated historical cost basis for valuing its fixed assets as opposed to revaluation. Ofsted has a small asset base. Revaluation adjustments are very minor and have not been used in the preparation of these accounts.

#### 1.2 Fixed Assets

Assets are capitalised if they are intended for use on a continuous basis for more than one year and their original cost, on an individual basis, is £10,000 or more. Ofsted does not group assets.

#### 1.3 Depreciation

Depreciation is provided on all fixed assets on a straight line basis to write off cost (less any estimated residual value) evenly over the asset's anticipated life.

Asset lives are in the following ranges:

Information Technology	–	3 to 5 years
Motor Vehicles	–	3 years
Furniture and Fittings	–	4 to 15 years
Purchased Computer Software	–	5 years

#### 1.4 Operating and Other Income

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises principally fees for registration and inspection of privately funded provisions. In the main these charges do not represent Ofsted's full costs. Ofsted's income includes income appropriated-in-aid of the Estimate and also income to the Consolidated Fund, which in accordance with the FReM should be treated as operating income.

Income has been adjusted for deferred income relating to invoices sent out before the year end but which relate to registration renewals for the new financial year in the case of both Childcare and Social Care. Due to a change in the regulations relating to independent school inspections which came into force on 1 September 2008, the fee charged after the first inspection of the cycle now covers both inspections during the 6 year cycle and is collectable in equal instalments annually over the cycle. The debt is included within Trade Debtors, analysed to reflect the date when it is due and subject to specific bad debt provision in recognition of the extended collection period. The income relating to the first inspection is recognised when the inspection takes place. The balance has been deferred and will be recognised in future years.

## 1.5 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs.

Administration costs reflect the costs incurred in running Ofsted. These include administrative costs net of associated operating income. Income is analysed in the notes, between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit and that operating income which is not.

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

## 1.6 Capital Charge

A charge, reflecting the cost of capital utilised by Ofsted, is included in the Operating Cost Statement. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, with the exception of Bank and Cash balances held with the Office of the Paymaster General. As in the previous year the average capital employed represented a net liability and therefore effectively interest (income) on capital is included in the accounts. This credit has been split between programme and administration costs.

## 1.7 Pensions

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

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

deficits are recognised in full and presented on the face of the balance sheet. Last year an estimate was provided for in the accounts as full FRS17 disclosures were not available.

### 1.8 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain 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*. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### 1.9 Operating Leases

Ofsted has two main types of operating leases, those for the payment of rent on property and those for the rental of office equipment at all locations. Rentals payable are charged to the Operating Cost Statement on a straight-line basis over the term of each lease.

### 1.10 Provisions

In accordance with FRS 12, Provisions, Contingent Liabilities and Contingent Assets, Ofsted provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

### 1.11 Value Added Tax

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

### 1.12 Financial Instruments

This is the first time adoption of the Financial Reporting Standards on Financial Instruments (FRS) 25 Disclosure and Presentation, 26 Measurement, Recognition and Derecognition and 29 Financial Instruments: Disclosures.

Ofsted does not have any complex Financial Instruments, however, financial assets and financial liabilities are recognised on Ofsted's balance sheet when Ofsted becomes a party to the contractual provisions of the instrument. Ofsted assesses whether, under FRS 26, an embedded derivative is required to be separated from its host contract. Ofsted does not have any embedded derivatives.

#### Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale financial assets or as financial assets at fair value through profit or loss. Financial assets include cash and cash equivalents, trade debtors, other debtors and derivative financial instruments. Ofsted determines the classification of its Financial Instruments at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Ofsted does not currently have any financial assets that need to be classified as available-for-sale or financial assets at fair value through profit or

loss neither does it have cash equivalents or derivative Financial Instruments. Ofsted's financial assets include trade and other debtors and cash.

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

#### *Trade and other debtors*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits. Ofsted does not have other short term highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value, i.e. cash equivalents.

### **Financial Liabilities**

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

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

#### *Trade and other creditors*

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

### **Embedded Derivatives**

Ofsted applies UITF Abstract 42: Reassessment of Embedded derivatives in full. Ofsted assesses whether an embedded derivative is required under FRS 26 to be separated from the host contract and accounted for as a derivative when it first becomes a party to the contract. Ofsted will only reassess the embedded derivative if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. Ofsted has not identified any embedded derivatives that require disclosure in the financial statements.

## 2 STAFF NUMBERS AND RELATED COSTS

### Staff costs

	2008-09	2007-08
	£000	£000
Wages and Salaries	83,763	86,168
Redundancy Costs	8,950	–
Other Pension Costs	16,618	17,305
Social Security Costs	7,018	7,295
Early Departure Costs	148	–
Agency Costs	5,653	4,698
LGPS Pension costs	(34)	–
	<u>122,116</u>	<u>115,466</u>
<b>Analysis for the year ended 31 March:</b>		
Administration costs	15,670	8,747
Programme costs	106,446	106,719
<b>Total</b>	<u>122,116</u>	<u>115,466</u>

In 2008-09 there are additional staff costs relating to Ofsted's Reorganisation as well as an increase in Agency costs.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Ofsted is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31st March 2007. Details can be found in the resource accounts of the **Cabinet Office**: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

For 2008-09, employers' contributions of £16,445,546 (2007-08 – £17,051,560) were payable to the PCSPS at any one of four rates in the range 17.1 to 25.5 per cent of pensionable pay. Employer contribution rates are reviewed every four years following a full scheme valuation by the Government Actuary. This year the salary bands have been revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £36,890 (2007-08 – £67,873) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. In addition, employer contributions of £3,770, (2007-08 – £5,057) 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £44,270 (2007-08 – £9,868). There were no contributions prepaid at that date.

For 2008-09 employers' contributions of £110,324 (2007-08 – £141,482) were payable to the Local Government Pension Scheme (LGPS). Also, for 2008-09 employers' contributions of £3,982 (2007-08 – £4,194) were payable to National Health Service Pension Scheme (NHSPS). There were also payments of £30,731 (2007-08 – £39,697) for other pension schemes for seconded staff. See note 28 for further pension disclosure.

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

**Average number of persons employed**

The average number of whole-time equivalent persons (including senior management and excluding staff on secondment to other organisations) employed during the year was as follows:

	2008-09			2007-08	
	Senior Management No	Officials No	Agency and contract staff No	Total No	Total No
Objective 1 – Better outcomes	5	2,108	157	2,270	2,396
Objective 2 – Better inspection & regulation	–	81	24	105	94
Objective 3 – Better communication	–	56	32	88	109
Objective 4 – Better consultation	–	21	7	28	32
Objective 5 – Better value	1	22	5	28	31
Objective 6 – Better ways of working	1	25	19	45	24
<b>Total</b>	<b>7</b>	<b>2,313</b>	<b>244</b>	<b>2,564</b>	<b>2,686</b>

The 2008-09 accounts have been produced by apportioning staffing between six main priorities (our key objectives).

**3 OTHER ADMINISTRATION COSTS**

	2008-09	2007-08
	£000	£000
Accommodation – Rates	661	611
Accommodation – Service Charge	72	33
Building Maintenance and Utilities	550	1,309
Cleaning	97	93
Hospitality	7	6
Information Systems Maintenance and Licenses	1	318
Other Expenses	3,294	1,742
Outside Professional Assistance	2,581	4,056
Postage and Telecommunications	250	112
Printing, Distribution and Publicity	172	144
Rentals under operating leases	2,882	2,667
Staff Training	704	517
Stationery and Office Supplies	67	106
Travel and Subsistence	492	582
<b>Subtotal</b>	<b>11,830</b>	<b>12,296</b>
<i>Non cash items:</i>		
Auditor's Remuneration	72	61
Interest on capital	(66)	(75)
Depreciation	66	17
Early Retirement Provision in year	(43)	(111)
Early Retirement Unwinding of discount	54	77
Other Provisions Unwinding of discount	–	–
Dilapidations	469	409
Other Provisions	39	100
<b>Total</b>	<b>12,421</b>	<b>12,774</b>

The auditors received no remuneration for non-audit services during the year.

**4(a) NET PROGRAMME COSTS**

	2008-09		2007-08	
	£000	£000	£000	£000
Staff costs		<b>106,446</b>		106,719
Other expenditure	<b>80,384</b>		90,331	
Rentals under operating leases:	<b>2,135</b>		2,243	
<i>Non cash Items:</i>				
Depreciation	<b>596</b>		410	
Interest on capital	<b>(595)</b>		(675)	
Fixed Asset write off (a)	<b>17</b>		482	
<i>Provisions:</i>				
Provided in year	<b>5,122</b>		7,075	
LGPS Pension Transfer	<b>(181)</b>		-	
		<b>87,478</b>		99,866
		<b>193,924</b>		206,585
Less programme income (Note 5)		<b>(15,192)</b>		(14,935)
		<b>178,732</b>		191,650

(a) – The Fixed Asset write off is for a previously capitalised data communication system that became obsolete.

**4(b) TOTAL NON-CASH TRANSACTIONS**

The non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in note 9 and in the Reconciliation of Operating Costs to Operating Cash Flows in note 19a Comprises:

	2008-09		2007-08	
	£000	£000	£000	£000
Non cash staff costs (see note 2)		<b>8,426</b>		-
Other administration costs – non-cash items (see note 3)		<b>591</b>		478
Net Programme non – cash costs charged to operating expenditure (see Note 4a)		<b>4,959</b>		7,292
Depreciation	<b>596</b>		410	
Interest on capital	<b>(595)</b>		(675)	
Vacant Property Provision	<b>3,981</b>		1,880	
Pension Provision	<b>(181)</b>		-	
Dilapidation Provision	<b>237</b>		-	
Other Provisions	<b>943</b>		4,914	
Claims Provision	<b>(39)</b>		281	
Fixed Asset write off	<b>17</b>		482	
		<b>13,976</b>		7,770



## 5 INCOME AND APPROPRIATIONS IN AID

### Operating Income

Operating income not appropriated-in-aid (A-in-A) (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not.

	2008-09		2007-08	
	Resource Outturn		Resource Outturn	
	A in A	Operating Cost Statement	A in A	Operating Cost Statement
	£000	£000	£000	£000
<b>Programme Income:</b>				
Fees Income	11,791	11,791	11,382	11,382
Other Income	3,401	3,401	3,553	3,553
	<b>15,192</b>	<b>15,192</b>	14,935	14,935
<b>Administrative Income:</b>				
Other Income	-	-	5	5
	<b>15,192</b>	<b>15,192</b>	14,940	14,940

## 6 ANALYSIS OF INCOME PAYABLE TO THE CONSOLIDATED FUND

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Forecast 2008-09		Outturn 2008-09	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts – excess A-in-A	-	-	692	-
Other operating income and receipts not classified as A-in-A	-	-	-	-
	-	-	692	-
Non-operating income and receipts-excess A-in-A	-	-	-	-
Other non-operating income and receipts classified as A-in-A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess cash surrenderable to the consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	-	-	692	-

### Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	2008-09	2007-08
	£000	£000
Operating income	15,192	-
Adjustments for transactions between RfRs	-	-
Gross income	15,192	-
Income authorised to be appropriated-in aid	(14,500)	-
Operating income payable to the Consolidated Fund	692	-



## 7 OUTTURN AGAINST FINAL ADMINISTRATION BUDGET

The outturn within the administration costs control regime shown against individual Administration Cost Budget is as follows:

	2008-09		2007-08	
	Budget	Outturn	Budget	Outturn
	£000	£000	£000	£000
Gross Administration Budget	28,826	28,091	29,050	21,521
Income allowable against the Administration Budget	(105)	-	(95)	(5)
Net outturn against the final Administration Budget	28,721	28,091	28,955	21,516

For Ofsted, all Supply expenditure is within the control total (resource budget) and no expenditure is financed other than by requests for resources.

## 8 RECONCILIATION OF NET RESOURCE OUTTURN TO OPERATING COST

	2008-09			2007-08		
	Outturn	Supply Estimate	Outturn compared to Estimate	Outturn	Supply Estimate	Outturn compared to Estimate
	£000	£000	£000	£000	£000	£000
Net Resource Outturn	207,515	212,435	4,920	213,166	220,809	7,643
Non-supply Income (CFERs)	(692)	-	692	-	-	-
Net Operating Cost	206,823	212,435	5,612	213,166	220,809	7,643

## 9 RECONCILIATION OF RESOURCES TO CASH REQUIREMENT

	Estimate	2008-09 Resource Outturn	Savings/ (Excess)
	£000	£000	£000
<b>Resources Outturn</b>	212,435	207,515	4,920
<b>Capital:</b>			
Acquisition of fixed assets:	981	940	41
<b>Investments</b>			
<b>Non-operating A-In-A</b>			
Proceeds of fixed asset disposals	-	-	-
<b>Accruals Adjustments:</b>			
Non-cash items	38	(144)	182
Changes in working capital other than cash	-	10,553	(10,553)
Changes in creditors falling due after more than one year	-	-	-
New Provisions	1,891	(13,832)	15,723
FRS 17 opening balance transfer from Provisions	-	(181)	181
FRS 17 Pension Liability – Staff Costs	-	34	(34)
Use of Provisions	4,321	4,557	(236)
<b>Net cash requirement</b>	219,666	209,442	10,224

The resource underspend of £4.9 million and the increase in provisions which will crystallise in the following financial years are the most significant factors contributing to the cash variation of £10.2 million.

**10 TANGIBLE FIXED ASSETS**

	Information Technology	Furniture Fittings	Motor Vehicles	Total
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2008	1,079	801	268	2,148
Additions	839	-	-	839
Disposals	-	-	-	-
Write off (a)	(30)	-	-	(30)
<b>at 31 March 2009</b>	<b>1,888</b>	<b>801</b>	<b>268</b>	<b>2,957</b>
<b>Depreciation</b>				
At 1 April 2008	846	371	268	1,485
Charged in the year	413	173	-	586
Disposals	-	-	-	-
Write off (a)	(13)	-	-	(13)
<b>at 31 March 2009</b>	<b>1,246</b>	<b>544</b>	<b>268</b>	<b>2,058</b>
<b>Net Book Value at 31 March 2009</b>	<b>642</b>	<b>257</b>	<b>-</b>	<b>899</b>
<b>Net Book Value at 31 March 2008</b>	<b>233</b>	<b>430</b>	<b>-</b>	<b>663</b>
<b>Asset Financing at 31 March 2009</b>				
Owned	642	257	-	899

a – The Fixed Asset write off is for a previously capitalised data communication system that became obsolete.

**11 INTANGIBLE FIXED ASSETS**

	Purchased computer software
	£000
<b>Cost or Valuation</b>	
At 1 April 2008	364
Additions	101
Disposals	-
Write off	-
<b>at 31 March 2009</b>	<b>465</b>
<b>Depreciation</b>	
At 1 April 2008	291
Charged in the year	76
Disposals	-
Write off	-
<b>at 31 March 2009</b>	<b>367</b>
<b>Net Book Value at 31 March 2009</b>	<b>98</b>
<b>Net Book Value at 31 March 2008</b>	<b>73</b>

**12 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH**

The movements in working capital used in Note 9 comprise:

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Increase/(Decrease) in Debtors	2,686	1,754
less: movements in debtors excluded from the net cash requirement	(692)	-
Decrease/(Increase) in Creditors	7,774	(2,543)
Decrease/(Increase) in Creditors greater than one year	-	204
less: movements in creditors excluded from the net cash requirement	785	389
<b>Net increase/(decrease) in working capital other than cash</b>	<b>10,553</b>	<b>(196)</b>

**13 DEBTORS**

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
<b>Amounts falling due within one year</b>		
VAT	992	1,039
Trade debtors	4,913	4,213
Staff deposits and advances	199	198
Other debtors	4	-
Prepayments and accrued income	4,351	2,806
	<u>10,459</u>	<u>8,256</u>
<b>Amounts falling due after more than one year</b>		
Trade debtors	474	-
Staff deposits and advances	33	24
	<u>507</u>	<u>24</u>
<b>Total debtors</b>	<b>10,966</b>	<b>8,280</b>

Included within trade debtors is £692k (2007-08: Nil) that will be due to the Consolidated Fund once the debts are collected.

	<b>Amounts falling due within one year</b>		<b>Amounts falling due after more than one year</b>	
	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>
	£000	£000	£000	£000
Balances with central government bodies	1,819	1,108	-	-
Balances with local authorities	830	773	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations	-	-	-	-
<i>Subtotal: intra-government balances</i>	<u>2,649</u>	1,881	-	-
Balances with bodies external to government	<u>7,810</u>	6,375	<u>507</u>	24
<b>Total Debtors at 31 March</b>	<b>10,459</b>	<b>8,256</b>	<b>507</b>	<b>24</b>

**14 CASH AT BANK AND IN HAND**

	2008-09	2007-08
	£000	£000
Balance at 1 April	592	203
Net Cash Inflow	93	389
Balance at 31 March	<b>685</b>	592
<b>The following balances are held at 31 March:</b>		
Balances at PGO	683	590
Commercial banks and cash in hand	2	2
	<b>685</b>	592
<b>The balance at 31 March comprises:</b>		
Amounts issued from the Consolidated Fund for supply but not spent at year end	683	31
Merger related cash balance	-	559
Other: Petty Cash	2	2
	<b>685</b>	592

**15 CREDITORS**

	2008-09	2007-08
	£000	£000
<b>Amounts falling due within one year</b>		
Trade Creditors	5,130	13,549
Taxation and Social Security	2,317	3,609
Other Creditors	3,247	2,746
Deferred income	1,832	1,181
	<b>12,526</b>	21,085
<b>Amounts payable to Consolidated Fund:</b>		
Amounts issued from the Consolidated Fund for supply but not spent at year end	683	31
Consolidated Fund extra receipts due to be paid to the Consolidated Fund-receivable	692	-
Merger related cash balance	-	559
	<b>13,901</b>	21,675
<b>Amounts falling due after more than one year</b>		
	-	-
	<b>13,901</b>	21,675

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with central government bodies	5,596	7,972	-	-
Balances with local authorities	3	61	-	-
Balances with NHS Trusts	6	1	-	-
Balances with public corporations	-	8	-	-
<i>Subtotal: intra-government balances</i>	<b>5,605</b>	8,042	-	-
Balances with bodies external to government	<b>8,296</b>	13,633	-	-
<b>Total Creditors</b>	<b>13,901</b>	21,675	-	-

Ofsted holds £204k on behalf of a tenant as security for future rent commitments and is a third party asset. Third party assets are not included in Ofsted's Balance sheet.

**16 PROVISION FOR LIABILITIES AND CHARGES**

	2007 Merger	Property Dilapid- ation	Vacant Property Provision	2009 Reorgan- isation	Early Retire- ment	Other	Total	2007-08
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2008	2,050	1,348	4,044	196	2,453	525	10,616	10,963
Provided/(written back) in the year	-	706	3,981	8,426	(43)	943	14,013	7,471
Amount utilised in year	(1,608)	-	(2,377)	(69)	(486)	(17)	(4,557)	(7,895)
Unwinding of discount	-	-	-	-	54	-	54	77
LGPS Pension Transfer	(181)	-	-	-	-	-	(181)	-
<b>Balance as at 31 March 2009</b>	<b>261</b>	<b>2,054</b>	<b>5,648</b>	<b>8,553</b>	<b>1,978</b>	<b>1,451</b>	<b>19,945</b>	<b>10,616</b>

**2007 Merger – Pension liabilities**

On 1st April 2007, as a result of the creation of the new Ofsted, a significant number of staff transferred from Commission for Social Care Inspection, and most decided to transfer their accrued pension in Local Government schemes into the Principal Civil Service Pension Scheme. This triggered a shortfall payment, and this provision represents the residual payment yet to be made, which will be paid in 2009. The LGPS Pension Transfer relates to previous years' Retirement Benefit Scheme liability provided for pending the implementation of FRS17 in the current year. The opening provision included an estimate of the LGPS retirement benefit scheme liability. This has been transferred to recognise the liability as a separate balance sheet item during the year.

**Property Dilapidations – Costs of leased property**

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

**Vacant Property Provision – Surplus Estate Costs**

Ofsted has a number of vacant properties as a result of past organisational changes and restructuring. The provision reflects future contractual costs of all vacant leased property net of likely rental incomes. In view of the current economic climate impacting on the likelihood of renting out the vacant properties there was a marked increase in the Provision for the year.

**2009 Reorganisation**

This provision represents known redundancy commitments arising from a current restructuring to improve the way we work and the requirement to transfer functions out of London.

**Early Retirement**

Ofsted meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. When Ofsted has committed itself to a specific course of action it then provides, in full, for all early retirement costs by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 percent in real terms.

**Other**

The amount includes an Injury Provision, provision for Compromise Agreements, and the TUPE (Transfer of Undertakings (Protection of Employment)) costs arising from a contract signed in 2008-09 for outsourced inspection contracts.

**17 RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND**

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
Net Operating Cost for the year (Operating Cost Statement)	(206,823)	(213,166)
Income not appropriated in aid payable to Consolidated Fund	-	-
	<u>(206,823)</u>	<u>(213,166)</u>
Net Parliamentary Funding:		
Drawn Down	209,535	212,772
Deemed Supply	590	201
Merger related cash balance	-	559
	<u>3,302</u>	<u>366</u>
Transferred to General Fund of realised element of Revaluation Reserve	-	(44)
Transferred to Pension Reserve	181	-
Income due, payable to the Consolidated Fund	(692)	-
Merger related cash balance	-	(559)
Consolidated fund creditor for cash unspent	(683)	(31)
<i>Non-cash Charges/(Credit)</i>		
Interest on capital	(661)	(750)
Audit Fees	72	61
Reversal of ALI Cost of Capital	-	(6)
Net Increase/(Decrease) in General Fund	<u>1,519</u>	<u>(963)</u>
General Fund at 1 April	<u>(22,683)</u>	<u>(21,720)</u>
<b>General Fund as at 31 March</b>	<u><b>(21,164)</b></u>	<u><b>(22,683)</b></u>

**18 RESERVES**

	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>£000</u>
<b>Pension Reserve</b>		
Balance at 1 April	-	-
Transfer from General Fund	(181)	-
Recognition of pension liability actuarial loss (see note 28)	(439)	-
<b>Balance at 31 March</b>	<u><b>(620)</b></u>	<u><b>-</b></u>

The LGPS Pension transfer relates to the prior year Retirement Benefit Schemes liability previously provided for under the Pension Provision (See Note 16)

**19 NOTES TO THE CASH FLOW STATEMENT**

<b>19(a) Reconciliation of operating cost to operating cash flows</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
<b>Net operating cost</b>	<b>206,823</b>	213,166
Adjustments for non cash transactions (see note 4b)	<b>(13,976)</b>	(7,770)
FRS 17 opening balance transfer from Provisions (see note 28)	<b>(181)</b>	-
FRS 17 Pension Liability – Staff Costs (see note 2)	<b>34</b>	-
Additional cash expended on ALL staff redundancies	<b>-</b>	51
Adjustments for movement in working capital other than cash:		
Increase in Debtors (see note 12)	<b>2,686</b>	1,754
Decrease/(Increase) in Creditors (see note 12)	<b>7,774</b>	(2,543)
less movements in creditors relating to items not passing through the OCS (see note 12)	<b>785</b>	389
Use of provision (see note 16)	<b>4,557</b>	7,895
<b>Net cash outflow from operating activities</b>	<b>208,502</b>	212,942
 <b>19(b) Analysis of Capital expenditure and financial investment</b>		
Tangible fixed asset additions (see note 10)	<b>839</b>	-
Intangible fixed asset additions (see note 11)	<b>101</b>	-
Proceeds of disposal of fixed assets	<b>-</b>	-
<b>Net cash outflow from investing activities</b>	<b>940</b>	-
 <b>19(c) Analysis of financing</b>		
From Consolidated Fund (Supply) – current year	<b>209,535</b>	212,772
Advances from the Contingency Fund	<b>20,000</b>	-
Repayments to the Contingency Fund	<b>(20,000)</b>	-
Working Capital Adjustment	<b>-</b>	-
<b>Net Financing</b>	<b>209,535</b>	212,772
 <b>19(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash</b>		
<b>Net cash requirement (SOPS)</b>	<b>(209,442)</b>	(212,942)
From Consolidated Fund (Supply) – current year	<b>209,535</b>	212,772
Amounts due to the Consolidated Fund received and not paid over	<b>-</b>	-
Merger related cash balance	<b>-</b>	559
<b>Increase in cash</b>	<b>93</b>	389

**20 NOTES TO STATEMENT OF OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES**

Ofsted's capital is employed for both programme and administration purposes. It has been allocated as follows:

	<b>2008-09</b>	<b>2008-09</b>	2007-08	2007-08
	<b>Programme</b>	<b>Admin</b>	Programme	Admin
	<b>£000</b>	<b>£000</b>	£000	£000
Objective One – Better outcomes	(14,729)	(1,636)	(17,994)	(2,000)
Objective Two – Better inspection & regulation	(779)	(86)	(696)	(77)
Objective Three – Better communication	(275)	(30)	(670)	(74)
Objective Four – Better consultation	(51)	(6)	(230)	(26)
Objective Five – Better value for money	(455)	(51)	(252)	(28)
Objective Six – Better ways of working	(573)	(64)	(517)	(57)
	<b>(16,862)</b>	<b>(1,873)</b>	<b>(20,359)</b>	<b>(2,262)</b>

This note shows the Average Net Liability of Ofsted (excluding Cash) allocated across all the Objectives, split proportionately between Programme & Administration areas.

**21 (a) Capital Commitments**

There are no contracted capital commitments at 31 March 2009 (2008: £nil).

**(b) Other Commitments**

From 1st September 2005 Ofsted entered into a six year contract for the inspection of schools, independent schools and FE College inspection. From 1st September 2008 contractors began delivery of the Early Years Foundation Stage provision. At 31 March 2009 the total payable for the remainder of all contracts, to August 2009, is forecast to be £15,669,442 (2008 – £64,471,614).

In March 2009 Ofsted entered into a six year contract for the inspection of schools, colleges, apprenticeships, adult skills, surveys and Initial Teacher Education. The contract will start in September 2009 and is forecast to cost £186,553,000.

The total contract value for IS services as at 31 March 2009 is £9,818,623 (2008 – £16,337,413). This contract expires in February 2011.

**22 COMMITMENTS UNDER OPERATING LEASES**

At 31 March 2009 Ofsted was committed to making the following payments during the next year:

<b>Operating leases expiring:</b>	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
<b>Land and Buildings</b>		
Expiry within 1 year	1,255	61
Expiry between 2 and 5 years	669	2,965
Expiry thereafter	3,005	3,562
	<b>4,929</b>	<b>6,588</b>
<b>Other</b>		
Expiry within 1 year	53	52
Expiry between 2 and 5 years	271	3
Expiry thereafter	–	–
	<b>324</b>	<b>55</b>



**23 CONTINGENT LIABILITIES**

(a) There are no non-statutory and statutory liabilities that have been reported to Parliament under the guidance in Annex 5.5 of Managing Public Money.

(b) In 2009, a few potential claims were presented to Human Resources which are at an early stage and thus cannot be quantified.

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**24 PROVISION FOR DOUBTFUL DEBTS**

There is a provision for doubtful debts write back, as at 31st March 2009, of £196,351 (2008 – arising of £465,178).

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**25 RELATED PARTY TRANSACTIONS**

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

Audit Commission  
Border & Immigration Agency  
British Council  
Cabinet Office  
Civil Service Pensions  
Commission for Social Care Inspection  
Criminal Records Bureau  
Department for Children, Schools and Families  
Department for Innovation, Universities & Skills  
Department for Work and Pensions  
Department of Health  
Department for Transport  
Export Credit Guarantee Department  
Food Standards Agency  
Government Actuary's Department  
Government Car & Despatch Agency  
Government Office West Midlands  
Healthcare Commission  
HM Chief Inspector of Probation  
HM Courts Service  
HM Inspectorate of Constabulary  
HM Prisons Service  
HM Procurator General and Treasury Solicitor  
HM Revenue & Customs  
HM Treasury  
Home Office  
Jobcentre Plus  
Learning and Skills Council  
Learning and Skills Improvement Service

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Local Authorities  
 Ministry of Defence  
 Ministry of Justice  
 National Audit Office  
 National School of Government  
 NHS Trusts  
 Office of Government Commerce  
 Office of National Statistics  
 Quality Improvement Agency  
 Rail Accident and Investigation Bureau  
 Youth Justice Board England & Wales

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

## 26 LOSSES AND SPECIAL PAYMENTS

The total of all losses that have been brought to account in this year are as follows:

	No. of cases	£000
Fruitless payments and constructive losses	147	44
Special Payments	9	100
<b>Total Losses and Special Payments</b>	<b>156</b>	<b>144</b>

## 27 FINANCIAL INSTRUMENTS

Financial Reporting Standard (FRS) 29, *Financial Instruments: Disclosures*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and in the way in which government departments are financed, Ofsted is not exposed to the degree of financial risk faced by business entities. Ofsted has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

### *Liquidity risk*

Ofsted's net cash requirements are financed by submitting plans to the Treasury, as is its capital expenditure. Ofsted is, therefore, not exposed to significant liquidity risks.

### *Interest rate risk*

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

### *Foreign Currency risk*

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

*Credit risk*

Ofsted's exposure to credit risk is very limited. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to Ofsted and arises principally from cash and outstanding debt. Ofsted has a debtor policy, that ensures consistent processes are in place throughout Ofsted to measure and control credit risk. The establishment of credit systems and processes is to ensure that debt is managed effectively and monthly aged debtor reports are routinely produced. This report covers the Ofsted debtor position and any expected loss trends. Notwithstanding the processes described above, significant unexpected credit losses can occasionally occur.

<b>Debtors and other debtors</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Total Debt outstanding	<b>5,694</b>	4,717
Bad debt provision	<b>(307)</b>	(504)
	<b>5,387</b>	4,213
Overdue but not provided for yet in following periods		
Not yet due	<b>5,087</b>	2,269
1-30 days	<b>258</b>	598
31-60 days	<b>61</b>	1,190
61-90 days	<b>53</b>	104
>91 days	<b>235</b>	556
	<b>5,694</b>	4,717
Overdue debt provided for in following periods		
>120 days	<b>(307)</b>	(504)
	<b>5,387</b>	4213

The movement in the bad debt provisioning is set out below:	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
At 1 April	<b>504</b>	38
Charge for the year	<b>(84)</b>	(338)
Utilised/(write offs)	<b>(113)</b>	804
<b>At 31 March</b>	<b>307</b>	504

## 28 PENSION ARRANGEMENTS – LOCAL GOVERNMENT PENSION SCHEME DEFINED BENEFIT SCHEME DISCLOSURE

The previous years' Retirement Benefit Scheme liability was provided for under the Pensions Provisions (Note 16).

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

Ofsted has a small number of staff who transferred to it in 2007 and 2001 but elected to remain in their existing local government pension schemes. Their accrued and future service is in the LGPS. The staff from 2007 remained in the Teesside LGPS Pension fund and the staff from 2001 remained in the West Yorkshire LGPS Pension Fund. The level of contributions to both funded schemes is the amount needed to provide adequate funds to meet pension obligations as they fall due. As at 31 March 2009, contributions of £82k (2008 – £108k) and £72k (2008 – £75k) were made by Ofsted and the scheme participants to both Teesside and West Yorkshire LGPS Pension funds respectively.

The obligation and cost of providing the pensions is assessed annually using the projected unit method. The date of the most recent actuarial review was 31 March 2007.

Where required to do so we have maintained a separation of the schemes in the disclosures. We have not shown the previous four years information as per FRS17 requirements as the information was not readily available.

A summary of disclosure information as per FRS 17 Retirement Benefits is as follows:

i) The amount recognised in the Balance Sheet are as follows:

	Teesside Pension Fund		West Yorkshire Pension Fund	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
	£000	£000	£000	£000
Present Value of Funded Obligation	1,592	1,587	3,933	4,033
Fair Value of Scheme Assets	1,868	1,880	3,071	3,559
Net Assets	276	293	(862)	(474)
Present Value of Unfunded Obligation	–	–	–	–
Unrecognised Past Service Cost	–	–	–	–
<b>Net Asset/(Liability) in Balance Sheet</b>	<b>276</b>	<b>293</b>	<b>(862)</b>	<b>(474)</b>
<b>Bid Value of Scheme Assets</b>	<b>1,868</b>	<b>1,880</b>	<b>3,071</b>	<b>3,559</b>

ii) The principal actuarial assumptions used as at the balance sheet date are:

	Teesside Pension Fund		West Yorkshire Pension Fund	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
	% p.a.	% p.a.	% p.a.	% p.a.
Price Increases	2.90%	3.70%	2.90%	3.60%
Salary Increases	4.40%	5.20%	4.65%	5.35%
Pension Increases	2.90%	3.70%	2.90%	3.60%
Discount Rate	6.40%	6.60%	5.80%	6.10%

*Mortality Assumptions:-*

The post retirement mortality tables adopted were the PA2 series projected to calendar year 2007 for current pensioners and 2017 for non-pensioners with a 90% scaling factor. The assumed life expectations from age 65 are:

	<b>Teesside Pension Fund 31-Mar-09</b>	<b>West Yorkshire Pension Fund 31-Mar-09</b>
	<b>Years</b>	<b>Years</b>
<i>Retiring today</i>		
Males	19.51	20.30
Females	22.55	25.00
<i>Retiring in 20 years</i>		
Males	20.41	21.30
Females	23.43	25.00

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

**iii) Sensitivity Analysis**

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

<b>Adjustment to discount rate</b>	<b>Teesside Pension Fund</b>			<b>West Yorkshire Pension Fund</b>		
	<b>+1%</b>	<b>0%</b>	<b>-1%</b>	<b>+1%</b>	<b>0%</b>	<b>-1%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present Value of Total Obligation	1,228	1,592	2,064	3,335	3,933	4,531
Projected Service Cost	29	45	65	41	55	69
<b>Adjustment to mortality age rating assumption</b>						
	<b>+1 year</b>	<b>none</b>	<b>-1year</b>	<b>+1 year</b>	<b>none</b>	<b>-1year</b>
Present Value of Total Obligation	1,532	1,592	1,653	3,846	3,933	4,020
Projected Service Cost	42	45	47	54	55	56

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

	<b>31-Mar-09</b>		<b>31-Mar-08</b>		<b>31-Mar-07</b>	
	<b>Value</b>	<b>Rates of Return</b>	<b>Value</b>	<b>Rates of Return</b>	<b>Value</b>	<b>Rates of Return</b>
	<b>£000</b>	<b>% p.a.</b>	<b>£000</b>	<b>% p.a.</b>	<b>£000</b>	<b>% p.a.</b>
Equities	3,275	6.5 to 6.8	3,944	7.1 to 7.5	2,770	7.5
Gilts	561	3.8	482	4.3 to 4.6	275	4.7
Other Bonds	181	5.8 to 6.4	168	6.1 to 6.6	154	5.4
Property	233	5.5 to 6.3	270	6.5 to 6.6	199	6.5
Cash	394	2.0 to 5.0	354	5.0 to 5.25	196	5.3
Other	295	6.5	221	7.5	169	7.5
<b>Total</b>	<b>4,939</b>		<b>5,439</b>		<b>3,763</b>	

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

	<u>31-Mar-09</u>	<u>31-Mar-08</u>	<u>31-Mar-07</u>
Equities	66.3%	72.5%	73.6%
Gilts	11.3%	8.8%	7.3%
Other Bonds	3.7%	3.1%	4.1%
Property	4.7%	5.0%	5.3%
Cash	8.0%	6.5%	5.2%
Other	6.0%	4.1%	4.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**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 2008 for the year ended 31 March 2009). 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 Operating Cost Statement**

	<u>Year to 31-Mar-09</u>	<u>Year to 31-Mar-08</u>
	<u>£000</u>	<u>£000</u>
Current service cost	80	108
Past service cost	10	19
Losses/(gains) on curtailments and settlements	0	0
<b>Total Operating Charge</b>	<u>90</u>	<u>127</u>
<i>Analysis of amount credited to Other Finance Income:</i>		
Expected return on Pension Scheme Assets	286	382
Interest on Pension Scheme Liabilities	(256)	(323)
<b>Net Return</b>	<u>30</u>	<u>59</u>
<b>Employers' Contribution</b>	<u>94</u>	<u>142</u>
<b>LGPS Pension Costs</b>	<u>(34)</u>	<u>(74)</u>
<b>Actual Return on Scheme Assets</b>	<u>(1,015)</u>	<u>(40)</u>

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

	Year to 31-Mar-09	Year to 31-Mar-08
	£000	£000
<b>Opening Defined Benefit</b>	<b>5,620</b>	<b>6,053</b>
Current service cost	80	108
Interest cost	256	323
Actuarial losses/(gains)	(509)	(660)
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Estimated benefits paid (net of transfers in)	38	(264)
Past service cost	10	19
Contributions by scheme participants	30	41
Unfunded pension payments	-	0
<b>Closing Defined Benefit Obligation</b>	<b>5,525</b>	<b>5,620</b>

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

	Year to 31-Mar-09	Year to 31-Mar-08
	£000	£000
<b>Opening Fair Value of scheme assets</b>	<b>5,439</b>	<b>5,560</b>
Expected return on scheme assets	286	382
Actuarial gains and (losses)	(948)	(422)
Contributions by employer	94	142
Contributions by Scheme participants	30	41
Estimated benefits paid (net of transfers in)	38	(264)
<b>Receipt of bulk transfer value</b>	<b>-</b>	<b>-</b>
Fair value of Scheme assets at end of period	<b>4,939</b>	<b>5,439</b>

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

	Year to 31-Mar-09	Year to 31-Mar-08
	£000	£000
<b>Surplus/(Deficit) at the beginning of the year</b>	<b>(181)</b>	<b>(493)</b>
Service cost	(80)	(108)
Employer contributions	94	142
Unfunded pension payments	-	0
Past Service Costs	(10)	(19)
Other Finance Income	30	59
Settlements/Curtailments	0	0
Actuarial gain/(loss)	(439)	238
<b>Surplus/(Deficit) at the end of the year</b>	<b>(586)</b>	<b>(181)</b>

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

Amounts for the current and previous period	<u>Year to 31-Mar-09</u>	<u>Year to 31-Mar-08</u>
	<u>£000</u>	<u>£000</u>
Defined Benefit Obligation	(5,525)	(5,620)
Fair Value of scheme assets	4,939	5,439
Surplus/(Deficit)	(586)	(181)
Experience adjustments on scheme liabilities	-	-
Experience adjustments on scheme assets	-	-

For consistency with previous disclosures the assets shown are at mid market price for the periods prior to 31 March 2009. The asset value shown as at 31 March 2009 is based on bid price, with all asset values estimated where necessary

Note ix) above provides a summary of the schemes history as per FRS 17.

**29 EVENTS AFTER THE BALANCE SHEET DATE**

FRS 21, Events after the Balance Sheet date, requires disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 15 June 2009 by Christine Gilbert (Accounting Officer). There have been no events after the balance sheet date requiring an adjustment to the financial statements.







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