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

Annual Report and Accounts 2010-11

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

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(For the Year ended 31 March 2011)

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

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ANNUAL REPORT

Introduction

Ofsted's purpose is to raise standards and improve lives. We do this by inspecting and reporting on the services that children and learners use, helping people make choices, driving improvement and holding services to account.

This has been another significant year for Ofsted, during which we have responded to the Government's requirement to reduce costs still further, as well as setting in motion plans to revise several inspection frameworks in the light of government requirements. At the same time, we carried out a full programme of inspection and regulatory work, helping providers improve through clear recommendations about what works and what does not. We are providing more effective regulation and inspection for less money, focusing our efforts where they will help people the most, and reducing demands on high-performing services.

In 2010–11, we undertook over 32,500 inspections in England across the range of services we inspect. During our inspections and visits, we listened to children and learners, social workers and teachers, parents and providers, and closely observed what services were like for children and learners. This meant spending significant amounts of time in nurseries, children's centres, workplace settings and classrooms, looking hard at what was happening on the ground and using our expert inspectors to make informed judgements about the quality of the service. After each inspection, we published a report based on the evidence, setting out what was working well, but also making clear recommendations about what needed to improve.

In 2009–10, we introduced a number of significant improvements to the way we inspect and we have followed this up in 2010–11 with evaluations to make sure the changes are working well in practice. These have told us that people are generally very pleased with the new arrangements. For example, in school inspections, the increased emphasis on teaching and learning and the greater involvement of senior leaders have been well received. This has not slowed and we have recently launched a consultation on further revisions to the school inspection framework to be implemented early in 2012.

Those providing services, from childminders to college principals, tell us our work is making a real difference to them. As well as making recommendations about individual providers in their inspection reports, in 2011 we introduced a new area on the Ofsted website showcasing examples of good practice across the sectors that we inspect and regulate so that all services can learn from them.

It is not just those providing services that use our inspection reports. We publish many hundreds of inspection reports a week on our website so that parents, learners, employers and the public have easy access to clear and reliable information. Our work gives people the information they need to make effective choices and hold services to account. Our website regularly receives over seven million 'hits' a month and is a trusted source of information, whether people want to

know about the quality of their local school, are thinking about which college to go to, or want to make sure their nearby nursery takes good care of children.

Those responsible for services, and policy makers in local and national government, also use our reports so that they know what is working well and what is not in education, children's services and skills. This year saw the publication of over 35 in-depth Ofsted reports on these areas. Our reports often highlight good practice in the sectors we inspect so that others can learn from it. For example, in 2010–11, we published a highly significant report on special educational needs and disability, which received major media coverage and is making an important contribution to the national debate in this area. Our reports hold local and national government to account. We do not pull our punches when things are not working as they need to, but we recognise and celebrate success.

It is essential that our inspection and regulatory work drives improvement and provides value for money, especially given the continuing challenges facing public finances. In 2010–11, the total cost of our work was £183 million. This is £18.8 million less than the previous year and demonstrates the increasingly good value for money that Ofsted provides. One of the most significant steps we took was the successful outsourcing of early years services in September 2010. We will continue to identify ways of improving in the coming year and in doing so will study the recommendations arising from the Education Select Committee's inquiry into Ofsted's role and performance.

In March 2011, I announced I would be leaving Ofsted in June 2011, as my five-year term as Chief Inspector comes to an end. I am proud of Ofsted's achievements over the last few years and believe it is in a position to deliver even more for children and learners. We want all services, whether schools, colleges, child-minding or work-place learning, to be as good as the best in the sector. The revisions to our work that we have made, and those that are planned in 2011–12 and beyond, will go a long way in helping this to happen.

Christine Gilbert, Her Majesty's Chief Inspector

About this report

The Annual Report and Accounts 2010–11 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

The accounts represent the net expenditure and financial position of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2011. The report also contains a review of Ofsted's work during the year, noting the volume and quality of our inspection and regulatory activity; the improvements we are making; how we involved and communicated with the public; and how we are delivering results by making the most of our resources.

The report does not present the comprehensive findings from our regulatory and inspection work during the year. These are found in the Annual Report of Her Majesty's Chief Inspector, which Ofsted publishes to report on the state of education, children's services and skills in England. The most recent annual report was published in November 2010 and is available from our website, www.ofsted.gov.uk.

Who we are and what we do

Our vision

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

Our work

Inspection

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

Regulation

6. For a range of early years and children's social care services, we also act as a regulator, deciding whether people, premises and the services provided are suitable to care for children and potentially vulnerable young people. Where those wanting to provide childcare or children's social care do not meet the required standards, we do not allow them to operate.

7. We check whether the childcare and children's social care services we regulate are meeting the required standards, looking into concerns when raised. If we find they are not, we use our enforcement powers to make sure they make the necessary improvements. If they are unable to meet the required standards, we act in the interests of the children and/or young people in their care and suspend or cancel their licence to operate.

In-depth surveys and good practice studies

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

How we are organised

9. Ofsted's detailed management arrangements and responsibilities are set out in the Ofsted Corporate Governance Framework that is available on the Ofsted website (www.ofsted.gov.uk).

The Ofsted Board

10. The Education and Inspections Act 2006 established the Office for Standards in Education Children's Services and Skills (hereafter referred to as 'Ofsted'). The Act sets out the functions of the Ofsted Board and Her Majesty's Chief Inspector of Education, Children's Services and Skills (HMCI).–
11. The Ofsted Board meets at least four times a year and is responsible for setting the strategic priorities and targets for Ofsted, and ensures that HMCI's functions are performed efficiently and effectively. The Ofsted Board performs its functions in order to encourage improvement, the development of a user-focus, and the efficient and effective use of resources within the services that Ofsted inspects and regulates.
12. Following the resignation of Ofsted Chair, Zenna Atkins, senior non-executive, John Roberts acted as interim Chairman for the period 31 August 2010 – 28 February 2011 before Baroness Sally Morgan of Huyton became Chair on 1 March 2011. Sadly, George Battersby, a highly valued Board member since 2008, died in August 2010.
13. In March 2011 the Ofsted Board had the following members:
 - Baroness Sally Morgan of Huyton, Chair
 - Christine Gilbert, HMCI
 - John Roberts, senior non-executive
 - Dame Jane Roberts, non-executive
 - Vijay Sodiwala, non-executive
 - Museji Takolia, non-executive
 - Christopher Trinick, non-executive and Chairman of the Audit Committee
 - Sir Alan Steer, co-opted non-executive.

Audit Committee

14. The Audit Committee provides scrutiny, oversight and assurance of risk management control and governance procedures to the Accounting Officer (HMCI) and to the Ofsted Board. During 2010–11, the Ofsted Audit Committee was chaired by Christopher Trinick, and included Museji Takolia, John Roberts, Vijay Sodiwala and a financially qualified and independent member, Richard

Harbord. John Roberts excused himself from the Committee whilst he was interim Ofsted Chairman.

HMCI and the Executive Board

15. Christine Gilbert, HMCI, is the Accounting Officer for Ofsted. She is responsible for the inspection and regulation of services within her remit. She has overall responsibility for the organisation, management and staffing of Ofsted, and for its procedures in financial and other matters.
16. Ofsted has an Executive Board that supports HMCI in ensuring the effective strategic and corporate management of Ofsted. During the financial year, the structure of the Executive Board was changed to ensure that Ofsted continued to operate in the most efficient and effective manner. On 16 April 2010, the Executive Director post was deleted from the structure when the post holder left Ofsted. On 1 January 2011, the Director, Social Care, became the National Director, Development and the structure of Finance and Organisational Development was revised. The directorate Finance and Resources was formed, which combined the Finance Directorate with the Human Resources, Information Services and Legal Divisions from the Corporate Services Directorate. The remaining divisions of the Corporate Services Directorate became Organisational Development.
17. In March 2011, the Executive Board included the following:
 - Patrick Leeson, Director, Development (Education and Care)
 - John Goldup, National Director, Development (and Social Care)
 - Darryl Nunn, Director, Finance and Resources
 - Lorraine Langham, Director, Organisational Development
 - Richard Brooks, Director, Strategy
 - Susan Gregory, National Director, Inspection Delivery.

Workforce

18. Ofsted's inspection workforce is made up of both employed and contracted inspectors. Around 2,700 people work as contracted inspectors for Ofsted each year, and we directly employ 1,470 staff across England. We also have contracts with inspection service providers to supply additional inspectors across the full range of our work. Ofsted has extensive experience of working with inspection service providers, having done so efficiently and effectively since it took on responsibility for school inspections in 1992.
19. Ofsted's approach to its people is based on developing skilled and motivated staff members who take pride in their work, find new ways of working and take

responsibility for their actions. We recruit, train and promote them according to their ability to fulfil the requirements of the post. We are committed to the learning and development of all our staff in order to improve our performance and so make more of a difference for the children and learners on whose behalf we work.

Our priorities

20. In our Departmental Business Plan 2011–15, published in November 2010, we set out our priorities for our work.
21. Our four strategic priorities are:
 - Better outcomes
 - Better inspection and regulation
 - Better public involvement
 - Better ways of working.

The following sections describe each priority and how we are working to achieve them.

How we have performed

Better outcomes

Objective and independent inspection and regulation help to raise standards in services, improving the lives of children and learners of all ages. People use our reports to understand the quality of services and inform their choices; providers take action in line with our inspection frameworks and following our reports to improve their service; and policy makers use our reports to learn what is working well and what is not. This section outlines how we delivered our inspection and regulatory programmes during 2010–11 and contributed to improvement across the sectors in our remit.

Meeting our inspection targets

22. In 2010–11 we carried out over 32,500 inspections across the range of services we inspect.

Our specialist inspection teams carried out:

- 3,919 inspections of children's homes, inspecting children's homes in England twice during the year in order to make sure that standards in each home were appropriate for the potentially vulnerable children and young people in its care
- 185 adoption agency and fostering inspections, inspecting voluntary adoption and adoption support agencies, and independent fostering agencies against the agreed national standards
- three inspections of Cafcass service areas, and five post inspection monitoring visits. During these inspections of Children and Family Court Advisory and Support Service (Cafcass), inspectors observe practice and take into account the views of children and young people and other stakeholders
- Over 17,500 inspections of early years childcare providers, including childminders and nurseries. There are 83,739 providers on our Early Years register and we inspect the quality of each provider at least once every four to five years. We re-inspect inadequate childcare within a year – and often much sooner – to make sure they are making the required improvements
- 856 inspections of providers on the Childcare Register, these registered providers are monitored through inspections carried out on a random basis or when parents tell us they have concerns about the care provided
- 6,031 maintained school inspections, as part of our programme to inspect all schools in England – with the exception of those that continue to be

'outstanding' – within a five-year period. We inspect weaker schools with more frequency, and this year carried out 645 monitoring visits to schools graded 'satisfactory'. We also carried out 755 'special measures' and 234 'notice to improve' monitoring visits to maintained schools to help their improvement

- 329 inspections of education in independent schools, 332 pre-registration, emergency and material change and follow-up visits of independent schools, and 130 welfare inspections in independent boarding schools. In addition, 82 newly registered independent schools received an inspection within one year of opening
- 69 new academies had pre-registration visits two months prior to opening. Forty-one academies had a full inspection within their third year, and 72 academies had a monitoring visit within their third year
- 168 residential special schools inspections. Inspection of residential provision in maintained or independent residential special schools takes place on an annual basis
- 12 inspections of service children's education schools, as agreed with the Ministry of Defence
- 105 college inspections, as informed by risk assessment. In September 2009, we introduced new, more proportionate, inspection arrangements, inspecting weaker colleges more frequently
- 503 children's centre inspections. Children's centres are inspected on or before the fifth anniversary of their establishment, and thereafter on or before the fifth anniversary of their last inspection
- 85 initial teacher education providers, completing our three-year cycle of inspections of all initial teacher education
- 222 inspections of work-based learning have been carried out on a number of varied establishments offering apprenticeships
- 52 inspections of publicly funded adult and community learning. Adult and community learning includes courses on information and communication technology skills, numeracy skills and English for speakers of other languages
- 80 inspections of judicial services, including inspections of education in prisons; inspections of care and education in secure training centres and secure children's homes; inspections of probation services; and inspections of immigration removal and detention centres
- 21 inspections of DWP training provision for unemployed people, including Department for Work and Pensions (DWP) programmes such as Workstep and New Deal for Disabled People. In 2010–11 Ofsted ceased the inspection of DWP employment provision under new guidance issued by the Government

- 11 reports on Armed Services training establishments. Each year Ofsted carries out between 10 and 14 inspections of the welfare and care experienced by recruits and trainees in the United Kingdom's Armed Services. A detailed report is sent to each establishment, but remains confidential to the establishment, Ofsted and the Ministry of Defence.

Regulation of childcare and children's social care

23. For a range of early years and children's social care services, we also act as a regulator, deciding whether people, premises and the services provided are suitable to care for children and potentially vulnerable young people. We carry out checks to ensure those applying to provide these services meet the required standards and, where they do not, we do not allow them to operate. In 2010–11, for example, we:

- registered 207 new children's homes, with 90% of new registrations due in 2010–11 were completed within the target 16-week period
- registered 7,503 new childminders and 2,261 childcare providers on domestic and non-domestic premises. Of those registrations due in 2010–11, 74% and 96%, respectively, were registered within the target timescales. Delays to registration occurred as a result of external delays with the Criminal Records Bureau (CRB) clearance process.

24. We investigate complaints about the childcare and children's social care services we regulate to make sure they are meeting the required standards. In 2010–11, we:

- opened 8,750 cases as a result of concerns or complaints received against registered and unregistered childcare providers, and completed 88% of investigations within 30 working days. In 4,997 cases we were able to secure improvements and compliance with law without using statutory enforcement action. Where providers are not able to meet the required standards or children are at risk of harm Ofsted has the power to suspend registration or to ultimately cancel registration. In 2010–11 we cancelled the registration of 39 providers and stopped them from operating.
- opened 772 cases as a result of concerns received against registered and unregistered social care providers. In 470 cases we were able to secure improvements and compliance with the law without using statutory enforcement action, and set non-statutory actions in 141 cases. We served 13 enforcement notices (for unregistered provision) and welfare and statutory enforcement notices to ensure that unsuitable people were not looking after young people.

Responding to complaints about maintained schools

25. Ofsted also has powers to investigate complaints about maintained schools, relating to 'whole school' issues and where the complaints procedure has otherwise been exhausted. In 2010–11, there were 143 complaints that

qualified for investigation under Ofsted's powers, compared with 23 that qualified in 2009–10. The majority of qualifying complaints raised issues about the leadership and management of a school, the quality of education provided and the contribution made by the school to the well-being of pupils. In 115 cases, the information from a complaint was retained until the next scheduled school inspection so that the issues raised can be taken into account. On four occasions, Ofsted conducted an immediate inspection of a school as a result of a complaint with one inspection resulting in the school being placed in special measures.

Assessment and inspection of local authority children's services

26. In addition to carrying out inspections of individual providers, Ofsted also has responsibility for annually assessing the overall quality of children's services in local authority areas. In 2009, Ofsted provided this assessment as one element of its contribution to the joint inspectorate Comprehensive Area Assessment (CAA), led by the Audit Commission. In May 2010, as part of the new Coalition's programme for government, Comprehensive Area Assessment was abolished. The Government has also announced its intention to end the annual assessments carried out by Ofsted but that will be subject to legislative change.
27. In 2010–11, Ofsted published the annual children's services assessments for 146 of the local authorities in England on 9 December 2010. The publication of letters for three local authorities was delayed pending publication of reports on their full inspections of safeguarding and looked after children services. Two of these were published later in December 2010 and the third in January 2011. A further three local authorities, judged as performing poorly in 2009 due to inadequate safeguarding judgements, were programmed for a full inspection of safeguarding and looked after children services. Ofsted published these last children's services assessment letters in March 2011.
28. Ofsted also carries out a programme of inspections of child protections, safeguarding and looked after children's services in local authorities. In 2010–11, Ofsted carried out:
 - 46 two-week inspections of safeguarding and looked after children services in local authorities, which were carried out jointly with the Care Quality Commission. The inspections of safeguarding and looked after children services are carried out as a single inspection event unless there are particular concerns about either area.
 - 142 short unannounced inspections of local authority contact, assessment and referral centres, which looked closely at the quality of assessment practice in protecting children.

Evaluating serious case reviews

29. In 2010–11 we evaluated 117 serious case reviews. Serious case reviews are local enquiries into the death or serious injury of a child where abuse or neglect is known or suspected to be a factor. They are carried out by Local

Safeguarding Children Boards so that lessons can be learned. Ofsted took responsibility for evaluating these reviews in 2007, and introduced new procedures for evaluation, including making a graded judgement about their quality. We have since seen a marked improvement in both the timeliness and quality of these reviews since Ofsted began publishing its judgements about them.

30. Serious case reviews are now published as a matter of course and are, therefore, open to public and peer scrutiny. As such, we support the recommendation in the independent review of child protection in England, commissioned by the Government and led by Professor Munro, that Ofsted's responsibility for the evaluation of serious care reviews should end 'in due course'. We will consider our future role in this area in light of Professor Munro's final report but it may be that we will instead focus our work in future on assessing progress on the local action and changes that stem from reviews.

In-depth surveys and good practice studies

31. Ofsted is able to draw on the expertise and knowledge of its inspectors to determine, investigate and report on cross-cutting issues facing education, children's services, and the learning and skills sector. Ofsted has rights of access to where people learn and are cared for, which means we can see what is really happening in practice and so ground our reports in evidence. This gives us the ability to carry out survey reports which report on subjects over time and in depth, such as:
 - themes of national importance, for example our review of special educational needs and disability arrangements, our review of the Early Years Foundation Stage or our report on children missing from education
 - subjects, for example our reports on science, history, geography, modern foreign languages, religious education and personal, social, health and economic education
 - good practice, for example our reports on schools that excel at teaching reading by the age of six, outstanding work-based learning providers and outstanding children's homes.
32. There is a full list of survey report titles that have been published in 2010–11 at appendix A. This year also saw the launch of a new area on Ofsted's website, dedicated to showcasing good practice across the sectors Ofsted inspects and regulates. The site includes case studies written by HMI detailing specific and transferable examples of good practice that other providers can draw on to improve their provision. Currently, the website shows examples of good practice in schools, children and family's services and adult learning and skills. The early years element of the site will be up and running from September. Showcasing good practice across all remits will become an integral part of Ofsted's website over the next few months.

HMCI's Annual Report

33. The main method of disseminating the results of our findings is through the Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills.
34. This year's Annual Report was published on 23 November 2010. The Report presents evidence from inspection and regulatory visits undertaken by Ofsted between September 2009 and August 2010. Ofsted is determined that inspection should provide not just scrutiny but also challenge, and 2010–11 has been a year in which inspection frameworks have become more demanding. In particular, they have required inspectors to re-focus their attention on the frontline, for example the classroom in schools, or social work in local authorities.
35. Using evidence from inspection findings, the report also considered three key themes of interest and national importance. The first focused on the journey from failure to success for schools that are judged to be inadequate, and identified the critical elements that must be in place if schools are to improve and sustain better performance. The second examined what can be learnt from the experience of outstanding providers in delivering good quality vocational education, not least during a period of economic and labour market uncertainty. The third theme considered the challenges faced by local areas in the context of rising demand for social care services, and analysed the factors which enable some local authorities to manage this pressure more effectively than others.

The Children's Rights Director

36. The role of the Children's Rights Director is statutory, with specific powers and functions related to safeguarding and promoting the rights and welfare of children living away from home, receiving any form of social care, or leaving care.
37. As part of a set of statutory functions, the Children's Rights Director:
 - finds out and reports on the views of children and young people in care or receiving social care services, care leavers, and any child in any boarding school, residential special school or residential further education college
 - advises on children's rights and welfare
 - raises any matters the Children's Rights Director considers significant to the rights or welfare of a child or group of children within his remit
 - advises HMCI and the Government.
38. The work includes carrying out a programme of consultations with children on social care, residential education, rights and welfare matters and publishing the findings on www.rights4me.org, publishing guidance for children on children's rights issues and referring and advising on individual cases. The Children's Rights Director produces a series of children's guides to key regulations and

government documents, and carries out two children's surveys (Care4Me and AfterCare) which contribute to safeguarding and looked after children inspections.

39. In 2010 the Dunford review recommended to Government that the role of the Children's Rights Director should transfer to the Office of the Children's Commissioner. This review endorsed the Office of the Children's Rights Director's practice of basing advice on the evidence of children's views, and the continuation of the essential individual casework of the Children's Rights Director for vulnerable children whose safety, rights or welfare are at risk. Ofsted and the Children's Rights Director welcome the Dunford review and its recommendations, and will work closely with the implementation team and the Children's Commissioner towards achievement of the new rights-based organisation.

Impact indicators from the Departmental Business Plan

Indicator	Baseline – 2010–11
Feedback from those Ofsted inspects or regulates	87% of service providers report that our inspections have had a positive impact
Proportion of providers found inadequate in 2009–10 that become: satisfactory good or better	Of those providers inspected in 2009–10 and found to be inadequate: 93% were found to be satisfactory or better upon re-inspection 27% were found to be good or better.
Proportion of providers found satisfactory in 2009–10 that become good or better.	56% of those who were re-inspected were found to be good or better.
Feedback from those using services	70% of those using services agree that inspection has a positive impact

Better inspection and regulation

To support our vision of raising standards and improving lives we must provide high-quality, well-coordinated and targeted regulation and inspection. We are making sure that our services improve by reviewing how and where we work, and making a number of reforms to our inspection frameworks and regulatory programmes. This section outlines future inspection and regulatory developments and how we are doing against the milestones we set out in our Departmental Business Plan.

Inspection of maintained schools and academies

40. We are working towards the introduction of a revised inspection framework for maintained schools and academies in January 2012. We published a public consultation on revising the way maintained schools are inspected in March 2011.
41. The changes are dependent on legislation being introduced through the Education Bill, which is currently before Parliament. This will provide a statutory basis to the changes we are planning, including a focus on four key areas:
 - pupil achievement
 - the quality of teaching
 - the quality of leadership and management
 - the behaviour and safety of pupils.
42. The legislation will also allow the exemption of outstanding schools and further education institutions from routine inspection unless concerns emerge about their performance, and allow Ofsted to charge schools and colleges who request inspections. Outstanding schools will still take part in survey visits so that good practice can be identified and disseminated.

Inspection of schools with residential accommodation

43. New national minimum standards for boarding and residential special schools will come into force in September 2011. The introduction of these new national minimum standards means we will need to make changes to our framework for inspecting boarding and residential provision. We are currently reviewing the way we inspect residential provision in schools to ensure that we focus even more closely on what is important in boarding or residential special schools: that they are well managed; that children are safe and well cared for; and that their experience of living away from home contributes in a positive way to their personal and social development. A new framework will be implemented in January 2012.

Inspection of special schools and pupil referral units

44. Following a period of review, we have amended how frequently we inspect outstanding special schools and pupil referral units.

45. Ofsted now inspects outstanding special schools and pupil referral units at intervals of up to five years, rather than three years, providing that:
- their overall effectiveness was judged outstanding during their last two consecutive institutional inspections
 - the headteacher in post at the second of those two inspections is still in post in the term in which the 'deferral decision' is made.

Inspection of independent schools

46. It has been agreed by the Government that we are to take a more proportionate approach to inspection of education in independent schools. As a result we will extend the inspection cycle from three to six years for good and outstanding schools. We plan to make these changes to the inspection framework from September 2011.

Inspection of children's homes

47. During 2010–11 we consulted on a new inspection framework for children's homes, which we launched in April 2011. The new framework has been positively welcomed in the sector, and enables us to be much more explicit than before about what outstanding, good, adequate or inadequate residential childcare looks like. All inspections of children's homes will be unannounced, and the framework will embed a more robust approach to inadequate homes, giving consideration in every case to whether enforcement action is required, and requiring re-inspection within three to six months, and earlier if required. The new framework will also put more emphasis on children's views and outcomes. We will be monitoring its impact over the first six months very closely.

Inspection of secure training centres

48. We are also working with Her Majesty's Inspectorate of Prisons and the Youth Justice Board to develop a new joint inspection standards and framework for the inspection of secure training centres. This new framework will be introduced in April 2012.

Inspection of adoption and fostering services

49. Our regulatory framework for the inspection of adoption services is defined to a considerable extent by national minimum standards. New national minimum standards for adoption were published in April 2011, and are more clearly focused on outcomes for children. We welcome these new standards as they will support us in ensuring that inspection has a strong focus on quality and outcomes as well as on compliance with regulatory requirements. In April 2012 we will publish new frameworks for fostering, adoption and adoption support agencies.

Inspection of Children and Family Court Advisory and Support Service

50. In 2011–12 changes will be made to Cafcass service areas. We will take these into account and produce a revised framework for the inspection of Cafcass, which we plan to introduce in March 2012.

Inspection and regulation of the Early Years Foundation Stage

51. We will develop new arrangements for the inspection and regulation of early years and childcare providers and the inspection of children's centres, which we intend to implement in September 2012. The new frameworks will be informed by the Government's response to the findings from an independent Early Years Foundation Stage review, led by Dame Tickell, published in March 2011.

Inspection of colleges

52. Legislation is being introduced to place the exemption of outstanding colleges from routine inspection into a legal framework. In preparation for this, we were asked in 2010–11 to use existing flexibility on timing of inspections to remove any outstanding colleges from the current year's inspection programme. As with schools, outstanding colleges will still take part in survey visits so that good practice can be identified and disseminated. They will also be expected, by the funding bodies, to continue to provide an annual self-assessment report, to which inspectors will have access.
53. Broader work is taking place to streamline and simplify the common inspection framework for further education and skills to focus on areas of greatest impact in inspections of further education, work-based learning and adult and community learning. A new common inspection framework will be introduced in September 2012.

Inspection of initial teacher education

54. In July 2010, Ofsted completed the second year of the inspection cycle for initial teacher education providers. Inspections were carried out using a revised set of grade criteria, introduced in November 2009 following the evaluation of the first year of the new framework. It was also the first year that these inspections have been supported by our Inspection Service Providers (ISPs).
55. Feedback from providers inspected during this year has been positive; they agreed that inspection has a beneficial impact on improving provision for trainees. They particularly valued the pre-inspection briefing and preliminary visits, the focus on outcomes throughout the inspection and the continuous dialogue with the inspection team during the visit. We have also held review seminars with inspectors to gather their views to inform future developments.

Inspection of local authority services

56. Ofsted has a commitment to 'develop proposals for streamlined and proportionate inspection of local authority services' by December 2011, and to 'introduce new local authority children's services inspections' by May 2012. The

current programme of announced safeguarding and looked after children inspections, which we have already significantly streamlined following a review in mid-2010, will, on completion, have established a very detailed baseline of performance in every local authority area. This has already highlighted much good practice and some very significant failings. The rigorous identification of both is key to the effective support of improvement.

57. In line with the interim report into child protection arrangements by Professor Eileen Munro, Ofsted is considering the extent to which all its inspections in this area can be unannounced in future. This will form part of our work to streamline and make more proportionate the inspection of children's services.

Actions from the Structural Reform Plan

Structural Reform Priority	End date	Status
Implement reforms to the inspection of schools	Jan 2012	In progress
Implement reforms to the inspection and assessment of children's services in local authorities	May 2012	Starting
Implement reforms to the inspection and regulation of childcare and early years	Sept 2012	Starting
Implement reforms to the inspection of learning and skills	Sept 2012	In progress
Implement reforms to the inspection and regulation of children's social care	April 2013	In progress

Better public involvement

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

Improving our website and use of technology

58. Ofsted.gov.uk already attracts an average of over 500,000 unique users a month, and regularly exceeds seven million monthly hits. During 2010–11, we have been working on a new website with improved accessibility, search, content quality, look and feel, content organisation and security. It will be one of Ofsted's primary communication tools.
59. We are using new social media where it is an efficient and effective way of engaging with people. A facility for parents to provide structured feedback on schools online is under development for introduction in September 2011. We are also continuing to develop tools for service providers, such as our online service portal that enables providers to register, access self service functions and make payments online.
60. We will consider other ways of establishing fast, responsive, low cost communications across Ofsted's target audiences, keeping in mind the need to manage such communications effectively and that, although growing rapidly, access to the internet is not universal.
61. We have also made better use of technology internally. Software and tools such as SharePoint, Office Communicator Server (OCS) and video conferencing are used by Ofsted staff, and allow teams to share documents and information and meet remotely which reduces the cost of travel.

Consulting on our work

62. In 2010–11, Ofsted consulted with over 15,000 people who use the services we inspect and interested parties in a number of different ways as we worked on improvements to our inspection and regulatory practice. This included consultation via established panels, such as the Ofsted Parents' Panel, and by developing links with the National Learners' Panel and the Department for Business, Innovation and Skills Employers' Panel. We also undertook telephone surveys, questionnaires, focus groups and individual interviews with users and interested parties as part of the consultation process for evaluations and changes to inspection frameworks.
63. We publish the full details of all our consultations on our website, including reports on consultation outcomes. In 2010–11, this included, for example, a consultation on a new children's home inspection framework, during which we

listened carefully to those running children's homes but also to the children and young people living in them. The feedback during the consultation period, and in the launch events with the sectors was positive. In line with what children and young people told us during the consultation, the new inspections will all be unannounced and will have a much clearer focus on what their experience is of living in the children's home. In line with the response to the consultation, we are continuing to inspect these homes twice a year, reflecting the degree of volatility in this sector.

Provision of information

64. Under the Freedom of Information Act, Ofsted has procedures in place to ensure that we handle all requests for information correctly. All requests are logged and the time taken to satisfy them is monitored in management information reports that are regularly provided to the senior management of Ofsted. Ofsted's performance, in relation to Freedom of Information responses, is also published by the Ministry of Justice.
65. In 2010–11, Ofsted responded to just over 1,060 Freedom of Information Act requests, and 99% of these were within the permitted timescales.

Handling complaints about Ofsted

66. While we try to ensure that all our work goes well, we do receive some complaints.
67. Complaints about Ofsted's work are managed through three stages. The first stage is a thorough investigation into any concerns raised and this results in a written response to the complainant addressing all the issues. Where complainants remain dissatisfied, they can ask for a second investigation into how their complaint was handled. If a complainant is still dissatisfied after the second stage investigation, the complainant may ask the external Independent Complaints Adjudication Service for Ofsted to investigate. The Independent Complaints Adjudication Service for Ofsted is accountable to the Secretary of State for Education and is obliged to produce an annual report on its work. More information about the work of the adjudication service can be found at its website, www.ofstedadjudicationservice.co.uk.
68. In 2010–11 we received and dealt with 1,480 complaints about Ofsted. This equates to 123 complaints per month. The overall number of complaints received was 17% lower than the number received in 2009–10.
69. The total number of complaints received this year represents about 3% of the inspection and regulatory visits undertaken in 2010–11. Just over half of all the complaints we investigated were about inspection judgements. Ofsted monitors and evaluates all the outcomes of complaints to ensure that any lessons learnt are shared with inspectors to inform organisational practice and performance.

70. During 2010–11, complainants asked for a second stage investigation on 191 occasions, an increase of 7% over the previous year. In less than 3% of cases the complainant asked the Independent Adjudication Service to look into their concerns.

Complaints to the Parliamentary Ombudsman

71. In 2010–11 six complaints were considered at the 'further assessment' stage by the Parliamentary Ombudsman. Of these, five cases were closed with no further action taken. One case was taken forward to the 'investigation' stage, but an outcome has not yet been received.

Actions from the Structural Reform Plan

Structural Reform Priority	End date	Status
Make information about the quality of services more available, accessible and transparent	April 2012	In progress
Further enable those using services to feedback on their quality between inspections	Sept 2012	In progress
Increase the involvement of those using services during inspections	Sept 2012	In progress

Better ways of working

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

Employee involvement

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

Civil Service People Survey

73. Ofsted took part in this year's Civil Service People Survey as part of our commitment to continuously improve the way in which we manage and develop our people.
74. The purpose of the survey was to seek views about working for Ofsted, identify levels of staff engagement and benchmark our performance against other Civil Service departments. The survey included over 100 government organisations; Ofsted's response rate at 60% was very similar to the Civil Service response rate of 62%.
75. The survey shows that Ofsted's staff are clear about Ofsted's purpose and objectives. Our scores on this part of the survey were particularly strong and in line with those of higher performing departments. A significantly higher number of staff feel they have the skills needed to carry out their jobs and that the learning and development activities staff have completed over the last year have helped them improve their performance.

Investors in People

76. The Investors in People (IiP) higher level assessment of Ofsted towards the end of 2010 concluded that not only do we continue to meet the IiP standard, but that we were to be awarded the higher-level 'silver' status. This achievement demonstrates the significant progress that we have made since the last assessment in 2008.
77. The assessment found that significant progress had been made in raising levels of employee engagement, and in staff's perception of Ofsted as an employer. We have also made great strides in our approach to equalities and diversity. There is further work we can do to strengthen managerial consistency, and we

know that it would be useful to keep checking our organisational structure to make sure it remains fit for purpose and is as efficient and effective as possible.

Internal consultation

78. Ofsted staff are frequently consulted on matters that are important to them, to the organisation and to the delivery of our objectives. A key area of internal consultation and staff involvement is strategic planning: there is a strong understanding in Ofsted of how team, directorate and corporate plans all relate to our strategic priorities and strategic direction, and our staff are aware of how wider policy and financial considerations influence their work.
79. Ofsted's corporate meetings framework encourages good communication within and between teams and ensures that the views of a wide range of people are taken into account in decision-making.

Staff development

80. We are working to attract and retain the right people by:
 - introducing a range of new learning and development programmes for all staff
 - using secondment as a valuable development tool for Ofsted employees and people working in the sectors we inspect
 - building on our success in achieving Investor in People (IiP) silver status in 2010 by working towards meeting the higher levels of gold by 2012.

Inspector learning and development

81. Over the course of the year there have been three main forms of centrally arranged inspector learning and development activities, including induction, orientation and training for new HMI, seconded Additional Inspectors and social care regulatory inspectors; inspector remit update meetings for all of the main remits across Ofsted; and inspector technical workshops.

Estates and home-working

82. We are evaluating our office accommodation to help the Government meet its priority of reducing its property portfolio. As part of a strategy for estate management, where leases allow, departments are expected to exercise any lease break clauses and to move into alternative government premises where possible.
83. Ofsted's inspectors are home-based, and the inspectors we employ receive administrative support from our offices in Bristol, Nottingham and Manchester.
84. We also have an office in London in a building shared with another government department. In 2010–11 Ofsted found alternative government premises in Manchester and has now signed a tenancy agreement to accommodate part of the building. Manchester-office based staff will be relocated by June 2011 when

the current office building expires. Lease breaks on our Bristol and Nottingham offices are not until 2015; however, in the future we may look to share accommodation in these cities with other government bodies where possible. In the London office, we are exercising lease breaks to reduce our office floor space by the end of 2011-12.

85. We are working closely with our staff to ensure that these moves are managed as effectively as possible. This includes giving careful consideration as to how to make the best use of reduced floor space, including increasing the use of hot-desking and flexible working.

Early Years Development Programme

86. We have an important relationship with inspection service providers and additional inspectors. Ofsted has worked very efficiently with inspection services since it started to inspect schools in 1992. Under contracts which started in September 2009, they work with Ofsted to inspect maintained schools and some independent schools, further education colleges, initial teacher training and adult skills providers.
87. The period 2010–11 has seen the successful handover to new early years inspection service providers, who have taken responsibility for routine early years inspection work.
88. In September 2010, Ofsted commenced two new contracts, which included transferring some of its staff, with two private sector inspection service providers. Under these contracts, the inspection service providers have taken responsibility for routine early years inspection work

Equality and diversity

89. Ofsted has a single equality and diversity scheme which covers all the protected equality characteristics, extending to age, religion or belief and sexual orientation and, where appropriate, poverty. Our single scheme builds on the foundations laid in our previous, separate schemes for disability, race and gender, and the priorities have been shaped with the help of users and stakeholders. The scheme is an important step towards delivering our strategic goals.
90. A wide range of equalities and diversity training has been provided throughout the year. We are using equality impact assessments and ensuring that they are integrated into our policy development. Additionally, we are using our revised suite of human resources policies – which have all been equality impact assessed – to ensure more equitable working practices.
91. To ensure the development of an effective and diverse workforce we are:
- using our equality standard, which is subject to external challenge, to support our equalities self-assessment and inform improvement activities across the organisation

- supporting three staff diversity forums to provide a stronger voice for disabled staff, black staff and lesbian, gay, bisexual and transgender staff
- monitoring and reporting on an extended range of employment information about Ofsted and our staff
- implementing positive actions to encourage recruitment and career progression for people from under-represented groups.

92. At 31 March 2011, 5.4% of staff at Ofsted had classified themselves as disabled, 11% of staff at Ofsted were from black and minority ethnic groups, and 59.6% of the Ofsted workforce were female.

Sustainable development

93. We have continued to look at ways of integrating sustainable development considerations into our inspection processes. This has included identifying and publishing on our website examples of good and outstanding practice of sustainable development in schools.

94. We have also continued with initiatives to improve our own sustainability, including:

- engaging staff in our drive towards sustainability through the introduction of a new online training package
- reducing the number of car miles in the organisation by 2.2 million, largely as a result of promoting the use of internet conferencing and introducing new ways of working
- specifying maximum carbon emissions in our car hire policy, to reduce emissions still further
- reducing energy use in our offices, with planned office relocations intended to enable greater efficiencies
- increasing the replacement cycle of our ICT equipment, refurbishing and reusing where possible
- sourcing more sustainable products for printing, and reducing the production of paper publications, replacing the vast majority with e-publications.

Recruitment practice

95. Since 24 May 2010, there has been a Civil Service wide recruitment freeze in place on external recruitment. Ofsted has been able to recruit internally within the wider Civil Service during this period but can only recruit externally to frontline and/or business critical roles with the approval of the Secretary of State for Education. Ofsted has only carried out three external recruitment campaigns due to this freeze. These external campaigns included ones for the recruitment of inspectors, it is important that we are able to appoint inspectors with relevant recent experience in the field.

96. Ofsted has published a comprehensive Recruitment policy that is adhered to in order to ensure fairness, consistency and that appointments are made on merit. An external recruitment audit during the year provided a substantial assurance on Ofsted's recruitment practice.

Health and safety reporting

97. Ofsted reports on health and safety incidents quarterly to the Executive Board and regularly reviews its practice. In the current year there have been 41 reported incidents with only one being serious enough to report to the Health and Safety Executive. This is a reduction from the previous year, when there were 69 incidents and nine were reportable to the Health and Safety Executive. This year we have also reviewed our policy and processes and consolidated our guidance for managers and employees.

Sickness absence

98. Ofsted monitors sickness absence regularly and reports are produced each month for managers to review. Processes are in place to ensure that long-term absences are monitored and managed in a consistent way across the organisation. This involves obtaining advice and support from occupational health specialists where this is appropriate. The attendance policy and procedures emphasise the role of the manager in conducting return to work interviews and in review meetings on absence with staff.
99. The average working days lost per employee to sickness for the year was 8.6. This is slightly lower than the latest Civil Service average of 8.7 average working days lost and somewhat lower than the overall public sector average of 9.6 average working days lost (CIPD Absence Survey Report October 2010). However this represents an increase on Ofsted's figure from last year which was 7.8 working days. Sickness absence statistics for 2010-11 show that the total days lost were 12,407 of which 56.8% was lost to long term sickness. In each quarter of this year the main reason for long term absence was depression and in last quarter a total of 501 working days were lost to depression which is 16.5% of all absence. Other significant absence reasons in the last quarter include Cold/Flu/Viral (12.6%), Fracture/Injury (7.2%), Operations (7%) and Stress (4.1%).

Information security and information risk

100. Ofsted is committed to operating a strong information assurance framework and has put in place measures to comply with the mandatory requirements set out in the Government's Security Policy Framework. Ofsted logs and investigates personal data related incidents and completes a risk return for the Cabinet Office on an annual basis.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2010–11

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 2010–11

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	2
Ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	20
Iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
Iv	Unauthorised disclosure	64
V	Other	10

101. While Ofsted takes all data losses seriously, and is working to improve data security, its performance compares favourably with other similar government departments.

Common areas of spend

Function	Indicator	2010–11	2009–10
Finance	Cost of Finance as a % of Organisational Running Costs	1.91%	2.09%
IT	Cost of IT as a % of Organisational Running Costs	6.63%	8.77%
HR	Cost of HR as a % of Organisational Running Costs	2.84%	2.94%
Procurement	Cost of Procurement as a % of Organisational Running Costs	0.42%	0.33%
Procurement	Cost of Procurement as % of Total Procured Spend	0.82%	0.87%
Estates	Cost of Estates per square metre	£531.48	£637.76
Communications	Cost of Communications Function as % of Organisational Running Costs	1.63%	1.58%

Legal	Cost of Legal Services Function as % of Organisational Running Costs	0.92%	0.80%
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Actions from the Structural Reform Plan

Structural Reform Priority	End date	Status
Streamline corporate support functions, reducing costs in the process	April 2013	In progress
Reduce the indirect cost of inspection and regulation to those we inspect and regulate	April 2013	In progress

Remuneration Report

Ministers

102. Ofsted is a non-ministerial government department.

Appointment of non-executive Board members

103. 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 the Ofsted Board. The Secretary of State for Education oversees the recruitment of the Ofsted Board members in line with government guidelines. Board members are subject to a three-month notice period.

Name	Date of appointment to position	Type of contract
Zenna Atkins	Reappointed 12 December 2009 (resigned 31 August 2010)	Fixed – 3 years
Baroness Sally Morgan of Huyton	Appointed 1 March 2011	Fixed – 3 years
George Battersby	Reappointed 2 June 2010 (resigned August 2010)	Fixed – 4years
Dame Jane Roberts	Reappointed 12 December 2009	Fixed – 2 years
John Roberts	Reappointed 12 December 2008	Fixed – 3 years
Vijay Sodiwala	2 June 2008	Fixed – 3 years
Sir Alan Steer	Reappointed 12 January 2011	Fixed – 20 months
Museji Takolia	Reappointed 12 December 2009	Fixed – 3 years
Christopher Trinick	Reappointed 12 December 2008	Fixed – 3 years

104. None of the Ofsted Board Members holds any company directorships or other significant interests that might conflict with their advisory responsibilities. The Register of Interests is open to the public and written requests for information should be addressed to the Ofsted Corporate Governance Manager.

Appointment of the Permanent Head of the Department and Directors

Service contracts

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

106. Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination, other than for

misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

107. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Name	Date of appointment to Board
Christine Gilbert HMCI	1 October 2006
Lorraine Langham Director, Corporate Services/Director, Organisational Development	27 June 2007
Richard Brooks Director, Strategy	23 July 2009
John Goldup Director, Development (Social Care)/National Director, Development	7 September 2009
Patrick Leeson Director, Development (Education & Care)	14 September 2009
Darryl Nunn Director Finance and Resources	1 January 2011
Susan Gregory National Director, Inspection Delivery	1 January 2011
Miriam Rosen Executive Director	6 April 2004 (resigned 16 April 2010)
Melanie Hunt Director, Development Learning and Skills	12 June 2007 (resigned 8 October 2010)
Sheila Brown National Director, Delivery	1 January 2009 (resigned 31 December 2010)
Clive Heaphy Interim Director, Finance	1 March 2010 (resigned 21 September 2010)

108. On 1 October 2006 Christine Gilbert was appointed to the position of Her Majesty's Chief Inspector (HMCI) for the former Ofsted. 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. HMCI is a crown appointment for an initial period of five years. On 22 March 2011, HMCI announced that she would be leaving Ofsted on 30 June 2011. Miriam Rosen has been appointed to the position of HMCI on a temporary basis, from 1 July 2011.

109. The Interim Director, Finance was employed on a fixed term contract for the period 1 March 2010 – 21 September 2010. Unless otherwise stated the Directors are all permanent civil servants.

110. HMCI and the other members of the Executive Board are covered by the Civil Service Management Code. None of the Ofsted Directors hold any company directorships or other significant interests that might conflict with their management responsibilities. The Register of Interests is open to the public and written requests for information should be addressed to the Ofsted Audit Committee Secretariat at the Ofsted office in London.

Remuneration policy

111. The Directors are paid as senior civil servants and are subject to the recommendations of the Senior Salaries Review Body.
112. Ofsted has established a Senior Civil Service (SCS) Pay Committee comprising HMCI, Directors and one non-executive Board member. This Committee decides on all annual pay and bonus awards for members of the SCS, as well as agreeing any changes to Ofsted's SCS pay strategy. John Roberts, a member of the Board and of Ofsted's Audit Committee, served as the independent member on the SCS Pay Committee during 2010–11. 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.
113. Ofsted's approach to the performance assessment of staff within the SCS cadre has adhered to the criteria detailed in the Cabinet Office guidance on managing performance in the SCS. The assessment has therefore been based on whether objectives have been met, the demonstration of leadership behaviours or professional skills, and the degree of difficulty in meeting the objectives in light of actual events.
114. The allocation of staff to particular performance groups was undertaken following a two-stage process. Initially, Directors differentiated and then ranked their SCS staff against the appropriate assessment criteria. Subsequently, Ofsted's SCS Pay Committee robustly challenged and validated the rank order and merged the agreed lists into the four performance distribution groups Ofsted-wide.
115. The final allocation therefore reflected how the job had been performed by each post holder, their overall track record and their growth in competence, as well as what has been achieved against individual performance agreements.

Remuneration (including salary) and pension entitlements

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

Non-executive remuneration

117. During 2010–11 Zenna Atkins received a salary in the £15,000 – £20,000 band (2009–10 – £45,000 – £50,000). John Robert received a salary in the £20,000 – £25,000 band (2009–10 – £0 – £5,000), which includes remuneration as acting Chairman for the period 31 August 2010 – 28 February 2011. All other non executives received a salary in the £0–£5,000 band (2009–10 – £0–£5,000).

Remuneration senior management (salary and payments in kind)

118. HMCI's remuneration is an annual salary with a bonus of 20% available for a 12-month period subject to performance. In line with the previous three years, HMCI waived her entitlement to participate in a performance related pay scheme for 2009–10. The payment would have been made in the financial year 2010–11.

119. The salary entitlements of the most senior members of Ofsted for the year ending 31 March 2011 were as follows:

	2010-11		2009-10	
	Salary £000	Bonus Payment £000	Salary £000	Bonus Payment £000
Christine Gilbert	195-200	-	195-200	-
Lorraine Langham	165-170	10-15	165-170	15-20
Richard Brooks	110-115	5-10	70-75 (110-115 full year equivalent)	-
John Goldup	150-155	5-10	85-90 (150-155 full year equivalent)	-
Patrick Leeson	150-155	5-10	80-85 (150-155 full year equivalent)	-
Darryl Nunn (From 1 January 2011)	30-35 (120-125 full year equivalent)	-	Not in post	-
Susan Gregory (From 1 January 2011)	30-35 (120-125 full year equivalent)	-	Not in post	-
Miriam Rosen (until 16 April 2010)	5-10 (130-135 full year equivalent)	10-15	130-135	15-20
Melanie Hunt (Until 8 October 2010)	80-85 (125-130 full year equivalent)	10-15	160-165	10-15

Sheila Brown (Until 31 December 2010)	95-100 (125-130 full year equivalent)	10-15	125-130	15-20
Clive Heaphy (until 21 September 2010)	55-60 (120-125 full year equivalent)	-	10-15 (120-125 full year equivalent)	-

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

Benefits in kind

121. The monetary value of benefits in kind covers any benefits provided by the employee and treated by HM Revenues and Customs as a taxable emolument. In 2010–11, Christine Gilbert received a Government Car Service allowance of £8,300 (2009–10 – £7,600).

Pension benefits:

122. The pension entitlements of the most senior members of Ofsted for the year ending 31 March 2011 were as follows:

Name	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11 ¹	CETV at 31/3/10 ²	Real increase in CETV
	£000	£000	£000	£000	£000
Christine Gilbert	95-100	0-2.5	1,924	1,847	1
Lorraine Langham	45-50	0-2.5	579	525	4
Richard Brooks	5-10	2.5-5	40	23	12
John Goldup	5-10	2.5-5	85	30	49
Patrick Leeson	5-10	2.5-5	74	25	43
Darryl Nunn	10-15	0-2.5	175	168 ³	4
Susan Gregory	50-55	5-10	985	856 ⁴	117
Miriam Rosen	80-85	0	1,592	1,603	0
Melanie Hunt	30-35 plus lump sum of 100-105	0-2.5	616	567	4
Sheila Brown	55-60 plus lump sum of 175-180	0	1,351	1,305	0
Clive Heaphy	10-15	0-2.5	136	115	11

¹ CETV at 31/3/11 or state of leaving EB.

² The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

³ CETV at 1 January 2011.

⁴ CETV at 1 January 2011.

Compensation for loss of office

123. No payments were made in compensation for loss of office in 2010–11. The equivalent compensation payments of this kind made to others in 2009–10 were £58,600.

Christine Gilbert:

Date: 09 June 2011

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

Financial Performance

124. The total net request for resources approved in the Main Estimate, was £186.1m. As part of the Spring Supplementary Estimate Process total net request for resources was increased to £193.5m, which includes £0.3m for capital. This increase was due to the take-up of Departmental Unallocated Provision of £3.7m and increase in take-up of provisions. Copies of the Estimate are available on the HM Treasury website (www.hm-treasury.gov.uk).
125. Ofsted's net resource outturn was £182.0m, meaning that Ofsted under spent against this limit by £11.3m. The most significant factors contributing to the underspend were as a result of the government spending restrictions and the number of vacancies which were carried during the year plus associated travel costs.
126. Ofsted's net request for resources approved by Parliament for 2010–11 of £193.5m is £10.1m (5%) lower than the net request for resources approved for 2009–10 (£203.6m), demonstrating Ofsted's achievements in lowering its costs and achieving value for money.
127. Ofsted's agreed limit for its administration costs reduced by £0.6m (2%) from £28.0m in 2009–10 to £27.4m in 2010–11. Actual expenditure in 2010–11 against this limit was £21.5m, an underspend of £5.9m. The most significant factors contributing to the underspend were the government spending restrictions and the re-lifing of a Finance lease over 11 years, previously 10 years. In 2009–10, the administration budget was underspent by £0.2m.
128. The net cash requirement for 2010–11 was £179.5m compared with an estimate of £196.4m. The most significant factors contributing to the cash variation of £16.9m was resource underspend and lower than expected utilisation of provisions.
129. 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.

	2010–11 £000	2009–10 £000
Net Resource Outturn (Estimates)	181,953	201,942
Total Resource Budget Outturn		
<i>Of which:</i>		
Departmental Expenditure Limits (DEL)	178,448	191,626
Annually Managed Expenditure (AME)	3,505	10,316
Net Operating Costs (Accounts)	181,953	201,942

130. In accordance with IFRS8 departments are required to identify and report against operating segments. Operating segments are identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. Ofsted has two operating segments: Delivery, and Development and Strategy. A breakdown of performance by operating segments can be found in note 12 of the Annual Accounts.
131. Ofsted does not hold any significant remote contingent liabilities.

Going concern

132. The statement of financial position at 31 March 2011 shows Net Liabilities of £31.6 million. This reflects the policy, under the Government Resources and Accounts Act 2000, that no money may be drawn from the Consolidated Fund other than that required for the service of the specified year to meet the net cash requirement. All unspent monies, including those derived from Ofsted's income, are surrenderable to the Consolidated Fund and are disclosed as a year-end liability.
133. In common with other government departments, the future financing of Ofsted's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Risk and uncertainties

134. Ofsted faces a range of strategic, operational, financial and external risks. The principal risks facing Ofsted are captured on the strategic risk register and action is taken wherever possible to mitigate these risks. The Statement on Internal Control demonstrates Ofsted's capacity to handle these risks.
135. Ofsted is required to develop plans to deliver against its statutory requirements, while operating within the funding envelope set out in the Spending Review outcome. Executive Board approved the 2011–12 budget on 1 March 2011 and work has been undertaken through the Corporate Leadership Team (CLT) to develop the plans that will enable Ofsted to further reduce costs over the following three years to operate within the funding allocation.

Payment of suppliers

136. Under the standard payment terms set out in the Office of Government Commerce (OGC) model contracts, and therefore a model for contractually-binding arrangements, departments must pay invoices within 30 days of receipt. For the period ending 31 March 2011, Ofsted made 99.4% (2009–10 99.3%) of all payments within this timeframe.

137. In October 2008, the government encouraged all departments to set a target of paying invoices from small and medium sized enterprise suppliers (SMEs) within 10 days of the later of receipt of goods/services or receipt of a valid invoice. Ofsted now aims to pay undisputed invoices from all suppliers within this target timeframe. For the year ended 31 March 2011, 84.6% of all our payments were paid within this 10 day target.
138. In addition, as announced in the Budget 2010, to build on recent prompt payment success, all central government departments are also now expected to aim to pay 80% of all undisputed invoices within five days. For the year ended 31 March 2011, Ofsted paid 48.2% of all undisputed invoices within five days.
139. For the financial year commencing 1 April 2011, Ofsted will continue to use and abide by the same policy of paying all suppliers within 10 days of the later of receipt of goods/services or receipt of the invoice, and will also continue to monitor against the 30-day standard. This policy can be found on the Office of Government Commerce website under the heading 'Model Terms and Conditions of Contract' (www.ogc.gov.uk/Model_terms_and_conditions_for_goods_and_services.asp)
140. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1988.
141. The aggregate amount owed to trade creditors at 31 March 2011 compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year, is equal to 1.6 days

Monitoring on consultancy and temporary staff

142. The use of temporary staff and contractors has reduced substantially due to the impact of the spending review. Ofsted has framework in place for procuring new agency temps and contractors.

	2010–11 £000
Total Consultancy Expenditure	65
Total Temporary Staff Expenditure	4,592

Number of Senior Civil Servants by pay band

143. As part of a government-wide transparency drive Ofsted has released details about the salaries of top band Senior Civil Servants (SCS). These figures have been compiled in accordance with Cabinet Office guidance. Further details can be found on the Ofsted website under the heading 'Disclosure organograms and senior salaries' (www.ofsted.gov.uk/publications/20100024).

Pay Band	1 April 2010	31 March 2011
SCS Band 1	28	27
SCS Band 2	9	6
Permanent Secretary	1	1

Pension liabilities

144. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). See the 'Remuneration Report' for more details on the scheme.
145. During the transfer in of staff to Ofsted from local authorities in 2001 and from the children's part of the Commission for Social Care Inspection in 2007 as the remit of Ofsted expanded, there were some staff 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 IAS19.

Auditor

146. The Department's auditor is the Comptroller and Auditor General. The accounts have been prepared under direction issued by HM Treasury in accordance with the Government Resources & Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General.
147. 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.
148. A notional fee of £85,000 has been charged for the audit.

Core tables

Table 1: Total Departmental Spending

	£'000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Resource DEL									
Administration and Inspection	211,026	214,263	194,412	192,613	178,448	180,163	171,701	164,221	146,939
Total Resource DEL	211,026	214,263	194,412	192,613	178,448	180,163	171,701	164,221	146,939
Resource AME									
Activities to Support All Functions	-5,831	-347	14,067	10,359	3,505	-7,130	-	-	-
Total Resource AME	-5,831	-347	14,067	10,359	3,505	-7,130	-	-	-
Total Resource Budget	205,195	213,916	208,479	202,972	181,953	173,033	171,701	164,221	146,939
Capital DEL									
Administration and Inspection	-508	-	2,132	1,366	38	-	-	-	-
Total Capital DEL	-508	-	2,132	1,366	38	-	-	-	-
Total departmental spending	203,254	213,007	207,293	201,407	179,938	168,030	167,488	159,953	142,613

(1) This table was created using data from HM Treasury COINS database

(2) Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

(3) 2006-07 shows a negative figure for the total capital budget due to proceeds from one of the surplus estate properties.

(4) From 2006-07 the outturn figure and plans for future years have been adjusted to reflect the Machinery of Government change in 2007-08 in relation to relation of new Ofsted with responsibility of children's care remit of the Commission for Social Care Inspectors (CSCI), the remit of the Adult Learning Inspectorate (ALI), and the remit of the HM Inspectorate of Courts Administration (HMICA) for the inspection of Children and Family Courts Advisory Services (CAFCASS).

Table 2: Estimate to Outturn 2010-11

	£'000		
	2010-11 Original Estimate	2010-11 Final Estimate	2010-11 Outturn
Resource DEL			
Administration and Inspection	185,852	189,263	178,448
Total Resource DEL	185,852	189,263	178,448
Resource AME			
Activities to Support All Functions	258	4,034	3,505
Total Resource AME	258	4,034	3,505
Capital DEL			
Administration and Inspection	-	250	38
Total Capital DEL	-	250	38

Table 3: Capital Employed

	£'000								
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Assets and liabilities on the statement of financial position at end of year:									
Assets									
Non-current assets	1,659	7,515	6,311	3,997	2,019	506	455	332	357
Intangible	178	6,852	5,412	3,339	1,743	197	163	50	50
Property, Plant and Equipment	1,424	663	899	658	276	209	192	182	207
<i>of which:</i>									
Land and buildings	-	-	-	-	-	-	-	-	-
Plant and machinery	30	-	-	-	-	-	-	-	-
Equipment	1,394	663	899	658	276	209	192	182	207
Software Licences	178	6,852	5,412	3,339	1,743	197	163	50	50
Current assets	6,672	8,909	11,705	7,633	6,517	10,892	10,892	10,892	10,892
Liabilities									
Current (<1 year)	-18,928	-25,675	-18,179	-17,955	-20,983	-19,469	-19,469	-19,469	-19,469
Non-current (>1 year)	-204	-137	-653	-1,392	-469	-469	-469	-469	-469
Provisions	-10,963	-10,616	-19,945	-21,743	-18,698	-7,397	-5,871	-4,345	-2,819
Total capital employed in Department	-21,764	-20,004	-20,761	-29,460	-31,614	-15,938	-14,463	-13,060	-11,509

Table 4: Administration costs

	£'000								
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Section A: Administration and Inspection	28,096	21,516	28,091	28,017	21,424	24,544	22,683	21,037	19,515
<i>Of which:</i>									
Paybill	12,089	8,747	15,670	13,413	11,982	-	-	-	-
Expenditure	16,314	12,774	12,421	14,687	9,467	24,544	22,683	21,037	19,515
Income	-307	-5	-	-83	-25	-	-	-	-

Table 5: Staff in post

	2008-09 Outturn	2009-10 Outturn	2010-11 Estimated Outturn
Civil Service Full Time equivalents	2,168	2,000	1,445
Overtime	5	8	-
Casuals	84	50	29
Total	2,257	2,058	1,474

Table 6 Total identifiable expenditure on services by country and region

	£ million					
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	outturn	outturn	outturn	outturn	outturn	Estimated outturn
North East	12	10	12	11	9	8
North West	40	31	30	28	26	24
Yorkshire and the Humber	24	20	22	21	19	17
East Midlands	24	19	19	18	17	16
West Midlands	25	23	23	22	20	18
East	29	24	25	23	23	21
London	36	26	27	26	29	27
South East	41	35	33	31	35	32
South West	26	21	21	20	20	19
Total England	257	209	213	198	198	182
Scotland	0	0	0	0	0	0
Wales	0	0	0	0	0	0
Northern Ireland	0	0	0	0	0	0
UK identifiable expenditure	257	209	213	198	198	182
Outside UK	0	0	0	0	0	0
Total identifiable expenditure	257	209	213	198	198	182
Non-identifiable expenditure	0	0	0	0	0	4
Total expenditure on services	257	209	213	198	198	186

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

	£ per head					
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	outturn	outturn	outturn	outturn	outturn	Estimated outturn
North East	5	4	5	4	4	3
North West	6	4	4	4	4	3
Yorkshire and the Humber	5	4	4	4	4	3
East Midlands	6	4	4	4	4	4
West Midlands	5	4	4	4	4	3
East	5	4	4	4	4	4
London	5	4	4	3	4	3
South East	5	4	4	4	4	4
South West	5	4	4	4	4	4
England	5	4	4	4	4	3
Scotland	0	0	0	0	0	0
Wales	0	0	0	0	0	0
Northern Ireland	0	0	0	0	0	0
UK identifiable expenditure	4	3	3	3	3	3

1. Tables 6 and 7 show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in November 2010 and the regional distributions were completed in early 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report
2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure
3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2011
4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded
5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, Ofsted is required to prepare accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by Ofsted during the year.

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

In preparing the accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual (FRM) prepared by HM Treasury, 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
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going-concern basis.

HM Treasury has appointed HMCI as Accounting Officer of the Department with responsibility for preparing Ofsted's 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 an Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

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.

For the period covered in this report, Ofsted's directors and divisional managers have provided me with signed statements that detail the effectiveness of the system of internal control in their areas of responsibility. These statements supplement the regular reporting to the Executive Board on their stewardship of risks. I have placed reliance on the assurance provided to me by the Corporate Leadership Team when signing this statement.

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 2011 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

Capacity to handle risk

The environment that Ofsted operates in is constantly evolving. These changes require Ofsted to carefully manage its risks to ensure that excellence in the care of children and young people and in education and skills for learners of all ages continues to be achieved.

Ofsted's Executive Board provides leadership of the risk management process and has overall responsibility for strategic and operational risks. It is supported by the Risk Management Moderation Group. This group, chaired by the Director, Finance and Resources, is tasked with ensuring that risks are managed in a uniform and effective way across the organisation.

The Audit Committee, which is made up of external members and is a sub-committee of the Ofsted Board, advises me on the adequacy of Ofsted's strategic processes for risk management, control and governance. The Audit Committee formally reports annually to me with their opinion on risk management process and updates the Ofsted Board quarterly on audit, risk and assurance.

The processes and procedures to identify and manage risks are clearly documented and are made available to staff via the intranet. Managers and new starters are made aware of these processes and procedures on a regular basis. These procedures include detailed guidance on standards of behaviour and conduct, equal opportunities, fraud, whistleblowing and health and safety matters.

Risk and control framework

Ofsted's system of internal control is based on clear delegations and accountability and appropriate segregation of duties. This is supported by a framework of regular management information, financial regulations and procedures.

The main elements of our framework of control are:

- an Executive Board that meets weekly and whose members include Ofsted's executive directors. The Executive Board reviews a monthly operational report including information on strategic, corporate and operational performance; financial performance; and risk management. During 2010–11, the Executive Board also considered and approved the Ofsted Corporate Plan and its resource plans and budget
- the Ofsted Board that meets up to five times a year and comprises, in accordance with the Education and Inspections Act 2006, a non-executive Chairman, non-executive board members and HMCI. The Ofsted Board has responsibility for determining the strategic priorities for Ofsted and for the monitoring of targets associated with these priorities. The Board also has responsibility for ensuring that all HMCI's functions are performed efficiently and effectively
- an Audit Committee that is chaired by an Ofsted Board member and meets at least five times a year, with both internal and external auditors in attendance. One of the members is independent of the Ofsted Board and has recent and relevant financial experience. The Audit Committee considers all aspects of internal control including the reports from the internal and external auditors
- the Risk Management Moderation Group that meets on a monthly basis to review Directorate risk registers to ensure that there is a consistent approach to the management of risks across the organisation. The Group reports to the Executive Board on a monthly basis
- internal auditors who undertake reviews and provide regular reports and an overall annual opinion on risk management, control and governance. The work carried out by internal audit meets the requirements defined in the Government Internal Audit Standards. Audit reports include the head of internal audit's independent opinion on the adequacy and effectiveness of Ofsted's system of internal control together with recommendations for improvement
- external auditors, the National Audit Office (NAO), who provide internal control comments in their management letters and other reports

- the completion of annual Assurance Statements by all directors and divisional managers confirming their compliance with all standard governance arrangements, systems and processes, including policies on fraud and corruption
- a Scheme of Delegations supported by clear mandate letters and enforced through system controls. This is supported by a financial control framework that provides assurance on the integrity of the financial information received and the adequacy of the financial process
- an organisation-wide Register of Significant Risks, supported by Directorate and Divisional risk registers
- participation in the government-wide Risk Improvement Managers network, which is designed to ensure the spread of best practice in risk management
- regular reports from directors and senior managers on operational and financial aspects of their activities
- project management controls designed to ensure the effective management of key programmes and projects using appropriate project management methodologies
- a performance assessment framework that ensures that our workforce is appropriately trained and whose objectives align to those of Ofsted as a whole
- a formal meetings framework that ensures that important information is communicated effectively, and on a regular basis, to all staff across the whole organisation
- other specific risk reviews that may from time to time include health and safety reviews, OGC Gateway reviews of certain projects and commissioned third party reviews of certain policies and processes.

The handling and management of sensitive information is embedded within Ofsted's performance review process. All members of staff have an information assurance objective and are required to complete training on information awareness. To ensure that sensitive data remains secure when being transferred to other inspection bodies, inspectors have been issued with encrypted memory sticks. Codes of Connections have been established with local education authorities to ensure that Ofsted data remain secure.

The annual review of security risk management identified a small number of security and information risks. The Senior Information Risk Owner (SIRO), working with the Information Governance team, has developed and is in the process of implementing a strategy to reduce the likelihood of these risks occurring. Ofsted will continue to work to ensure that the information that it owns is used and stored appropriately. Internal Audit noted that Ofsted has taken actions to continue to ensure that sensitive information is handled and managed appropriately.

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 senior 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. Comments and recommendations made by the Education Select Committee have also been taken into account.

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 require each director and divisional manager to review the controls that they have in place to manage risks and report by way of written assurance that these controls are effective. This supplements the regular reporting to the Executive Board on the stewardship of risks. To improve the quality of information interim assurance declarations were provided for the period 1 April 2010 to 30 November 2010. These statements were updated as at the end of the financial year.

Ofsted's Audit Committee met five times during 2010–11 and provided both the Executive Board and the Ofsted Board with independent assurance on internal control issues and the Internal Audit work programme. I attend the Committee and maintain a regular dialogue with the Chairman.

Internal Audit operates to the requirements defined in the Government Internal Audit Standards. Their audit programme is focused around Ofsted's major risks and regular reports are submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment were identified, action to strengthen control has been taken or is planned.

In September 2010, Ofsted commenced two new contracts, which included transferring some of its staff, with two private sector inspection service providers. Under these contracts, the inspection service providers have taken responsibility for routine early years inspection work. The internal control framework has been modified to ensure that early years inspections continue to meet the necessary standards.

In last year's Statement I highlighted that Internal Audit identified weaknesses in Ofsted's Core Financial Controls, Payroll and Travel and Subsistence. Work to strengthen these areas was undertaken, which led to a review and clarification of policies and processes and further education and training of staff along with a more rigorous and documented approach to the application of control frameworks. These changes were embedded into a revised Scheme of Delegation and the subsequent reviews by Internal Audit highlighted that these new controls were effective.

Internal Audit conducted 15 reviews of Ofsted's processes and supporting systems during 2010–11. Internal Audit were able to provide substantial levels of assurance for eight of the areas considered, including the three areas that were considered to have less than satisfactory controls in place in 2009–10. Only one review (Procurement and Contract Management) provided a partial assurance about the procedures and controls in place.

Internal Audit reviewed Ofsted's corporate governance framework and provided me with full assurance that the arrangements in place are effective and provide the necessary oversight of the organisation's remit. The review of the business planning process provided me with full assurance that Directorate and Divisional plans were developed effectively and allocated resources appropriately.

The Head of Internal Audit provides me with an annual, independent opinion on the adequacy and effectiveness of Ofsted's governance, risk and control arrangements. The programme of work completed by Internal Audit has enabled the Head of Internal Audit to state in his report "in our opinion 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."

As Accounting Officer, I am satisfied that Ofsted complies with the Treasury requirements on risk management, internal control and governance. Over the next 12 months Ofsted will face the challenge of continuing to maintain impact and meet its statutory obligations, whilst operating on a reduced budget as a result of its financial settlement that was announced in the 2010 Spending Review.

The internal audit review of Ofsted's Procurement and Contract Management identified that relatively effective risk management, governance and control systems are in place, but that Ofsted needed to strengthen the controls surrounding the management of contracts. The Procurement team have initiated a programme of work to improve these controls. This work includes the clarification and enhancement of the contract management guidance and supporting processes; greater scrutiny of expenditure against contracts; and, updates to communications and training for contract managers.

During 2010–11, a Risk Management Accreditation Document Set (RMADS) computer security review was carried out on the core finance System (CODA) and the business expenses system. This review highlighted a number of potential security risks within the network infrastructure hosting both applications. A programme of enhancements were carried out by the IS Infrastructure team to address these risks. A second RMADS review confirmed that the system security changes for both applications were implemented to an acceptable standard. Annual RMADS reviews will continue to be carried out on these and other major systems to ensure that appropriate standards are met.

Other actions initiated throughout the year

On 23 April 2010, the High Court awarded judgment in Ofsted's favour in relation to the judicial review of the emergency inspection of services for children and young people in Haringey in November 2008. The claimant, Ms Shoemith, had sought to have the judgement overturned and in this regard, an appeal hearing took place before the Court of Appeal in March 2011. The Court of Appeal gave its judgement on 27 May 2011; the Court confirmed the High Court's decision that Ofsted conducted the emergency inspection fairly and therefore refused Ms Shoemith's appeal of the previous ruling in favour of Ofsted.

The coalition government took office on 12 May 2010 and a review of policies and their delivery was set in train. In their first Budget, June 2010, the government announced a series of financial restraints. Ofsted's risk management and control procedures were adapted to respond to this announcement. A revised Scheme of Delegation was published to enshrine these restraints, ensure that sound financial controls were in place and enhanced value for money decisions could be taken.

In May 2011, the government announced a temporary freeze in Civil Service recruitment. This moratorium on recruitment presented Ofsted with a challenge to deliver its statutory obligations to inspect social care settings. Ofsted successfully delivered the necessary inspections through the flexible management of its social care inspection team.

Christine Gilbert: Date: 09 June 2011
Accounting Officer for the Office of Her Majesty's Chief Inspector of Education,
Children's Services & Skills

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

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, 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.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of Ofsted's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP*

Date 14 June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

	Note	Estimate			Outturn			2010-11	2009-10
		Gross expenditure £'000	Appropriations-in-Aid £'000	Net request for resources £'000	Gross expenditure £'000	Appropriations-in-Aid £'000	Net Total £'000	Net total outturn compared with estimate saving / (excess) £'000	Outturn Net Total £'000
Request for Resources 1:									
Serving the interests of children and young people, parents, adult learners, employers and the wider community in England by promoting improvement in the quality of education, skills and young people's care through independent inspection, regulation and reporting		208,797	(15,500)	193,297	196,524	(14,571)	181,953	11,344	201,942
Total Resources	3	208,797	(15,500)	193,297	196,524	(14,571)	181,953	11,344	201,942
Non -operating cost A in A		-	-	-	-	-	-	-	-
Net Cash Requirement	4			196,373			179,512	16,861	194,963

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):

	Note	Forecast 2010-11		Outturn 2010-11	
		Income £'000	Receipts £'000	Income £'000	Receipts £'000
Total	5	-	-	-	-

The notes on pages 63 to 87 form part of these accounts

Explanations of variances between Estimate and outturn are given in Note 4 and in the Management Commentary

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	2010-11			Re-stated*
		Staff Costs	Other Costs	Income	2009-10
		£'000	£'000	£'000	£'000
Administration Costs:					
Staff Costs	7	11,982			13,413
Other administration Costs	9		9,468		14,687
Operating Income	11			(26)	(83)
Programme Costs:					
Staff Costs	7	81,326			101,418
Programme costs	10		93,748		88,480
Income	11			(14,545)	(14,943)
Totals		93,308	103,216	(14,571)	
Net Operating Cost	3			181,953	202,972

* Interest on capital has not been accrued in the accounts in accordance with HM Treasury's consolidated budgeting guidance (see note 1.6). The 2009-10 original comparator credit of £1,030k has been restated to zero in the above statement to reflect this change.

The notes on pages 63 to 87 form part of these accounts

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011		31 March 2010	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	13	276		658	
Intangible assets	14	1,743		3,339	
Total non-current assets			2,019		3,997
Current assets:					
Trade and other receivables	17	6,048		7,330	
Cash and cash equivalents	18	469		303	
Total current assets			6,517		7,633
Total assets			8,536		11,630
Current liabilities					
Trade and other payables	20	(20,983)		(17,955)	
Total current liabilities			(20,983)		(17,955)
Non-current assets less net current liabilities			(12,447)		(6,325)
Non-current liabilities					
Provisions	21	(18,698)		(21,743)	
Other payables	20	-		-	
Net retirement benefit schemes liability	29	(469)		(1,392)	
Total non-current liabilities			(19,167)		(23,135)
Assets less liabilities			(31,614)		(29,460)
Financed by:					
Taxpayers' equity					
General fund		(30,399)		(28,044)	
Pension reserve		(1,215)		(1,416)	
Total taxpayers' equity		(31,614)		(29,460)	

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

9 June 2011

The notes on pages 63 to 87 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2011

	Note	<u>2010-11</u> <u>£'000</u>	<u>2009-10</u> <u>£'000</u>
Cash flows from operating activities			
Net operating cost		181,953	202,972
Adjustment for non-cash transactions	10.1	(5,608)	(14,145)
IAS 19 Pension Liability - staff costs*		722	(10)
(Decrease)/Increase in trade and other receivables		(1,282)	(3,690)
(Increase)/Decrease in trade payables		(3,095)	291
<i>less:</i> movements in payables relating to items not passing through the Statement of Comprehensive			
Net Expenditure		167	(1,141)
Use of provisions	21	6,550	8,561
Net cash outflow from operating activities		179,407	192,838
Cash flows from investing activities			
Purchase of property, plant and equipment	13	38	312
Purchase of intangible assets	14	-	1,054
Proceeds of disposal of property, plant and equipment		-	-
Net cash outflow from investing activities		38	1,366
Cash flows from financing activities			
Advances from the Contingency Fund		-	-
Repayments to the Contingency Fund		-	-
From the Consolidated Fund (Supply) - current year		179,678	194,584
From the Consolidated Fund (Supply) - prior year		-	-
Capital element of payment in respect of finance lease		(67)	(70)
Net Financing		179,611	194,514
Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		166	310
Payments of amounts due to the Consolidated Fund		-	(692)
Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		166	(382)
Cash and cash equivalents at the beginning of the period	18	303	685
Cash and cash equivalents at the end of the period	18	469	303

* In terms of the West Yorkshire Pension Fund, in 2010-11 Ofsted has reflected the impact of the change to CPI indexation of pension increases as a benefit change and therefore recognised this as a negative past service cost reflecting the reduction in the constructive obligation. Please refer to note 29 for further details.

The notes on pages 63 to 87 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund £000	Pension Reserve £000	Total Reserves £000
Balance at 31 March 2009		(20,141)	(620)	(20,761)
Changes in taxpayers' equity for 2009-10				
Net actuarial gain/(loss) in pension schemes		-	(796)	(796)
Non-cash charges - auditors remuneration	9	103	-	103
Comprehensive Expenditure for the year		<u>(202,972)</u>	-	<u>(202,972)</u>
Recognised in Statement of Comprehensive Expenditure for 2009-10		(202,869)	(796)	(203,665)
Net Parliamentary Funding -drawdown		194,584	-	194,584
Net Parliamentary Funding - deemed		683	-	683
Supply payable/(receivable) adjustment		(301)	-	(301)
CFERs payable to the consolidated Fund		-	-	-
Balance at 31 March 2010		(28,044)	(1,416)	(29,460)
Changes in taxpayers' equity for 2010-11				
Net actuarial gain/(loss) in pension schemes		-	201	201
Non-cash charges - auditors remuneration	9	85	-	85
Comprehensive Expenditure for the year		<u>(181,953)</u>	-	<u>(181,953)</u>
Recognised in Statement of Comprehensive Expenditure for 2010-11		(181,868)	201	(181,667)
Net Parliamentary Funding -drawdown		179,678	-	179,678
Net Parliamentary Funding - deemed		303	-	303
Supply payable/(receivable) adjustment		(468)	-	(468)
CFERs payable to the consolidated Fund	5	-	-	-
Balance at 31 March 2011		(30,399)	(1,215)	(31,614)

The notes on pages 63 to 87 form part of these accounts

Notes to the Accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofsted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

IFRS has introduced terminology changes (including revised titles for financial statements) and changes in the format of the financial statements.

In addition to the primary statements prepared under IFRS, the FReM also requires Ofsted to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the Net Cash Requirement. Following the ending of Departmental Strategic Objectives (DSO), the Statement of Operating Cost by DSO note has been removed.

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard.

1.2 Valuation of Non Current Assets

Plant and equipment assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2010-11 FReM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted has a small asset base. Revaluation adjustments are very minor and have not been used in the preparations of these accounts.

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

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

1.3 Depreciation and Amortisation

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

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

Asset lives are in the following ranges:

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

1.4 Operating and Other Income

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises principally fees for registration and inspection of privately and publicly funded provisions. Although there are moves towards recovering full cost, the charges to the majority of providers do not currently represent Ofsted's full costs. Ofsted's income includes income appropriated-in-aid of the Estimate, which in accordance with the 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 during the period 1 September 2008 to 31 August 2009, the fee charged after the first inspection of the cycle covered both inspections during the 6 year cycle and is collectable in equal instalments annually over the cycle. The debt is included within Trade Receivables, analysed to reflect the date when it is due and subject to specific bad debt provision in recognition of the extended collection period. The income relating to the first inspection is recognised when the inspection takes place. The balance has been deferred and will be recognised in future years. From 1 September 2009, schools which have not been billed under the previous arrangements are being billed one sixth of the fee for the 2 inspections in the 6 year cycle each year. This is recognised as income when billed as it approximates to the value of inspections completed in the year.

1.5 Administration and Programme Expenditure

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

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

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

1.6 Capital Charge

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the interest on capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of these accounting policy changes on Supply outturn in respect of 2009-10 are shown in the table below. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

The removal of the interest on capital charge has the following effect on Resource outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	<u>2009-10</u> <u>£000</u>
Net Resource Outturn (Statement of Parliamentary Supply)	201,942
Removal of the Interest on Capital Charge	1,030
Adjusted Net Resource Outturn	<u>202,972</u>

1.7 Pensions

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

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

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

With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). This change has been accounted for as a past service gain in the Statement of Comprehensive Net Expenditure. It is assumed that the CPI rate will increase at a slower rate than the RPI.

1.8 Leases

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

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

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

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

1.9 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.

1.10 Provisions

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

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

1.11 Contingent Liabilities and Contingent Assets

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

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

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

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

1.12 Financial Instruments

Ofsted holds the following financial assets and liabilities:

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

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

Financial Assets

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

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Financial Liabilities

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

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

Trade and other payables

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

1.13 Estimation techniques used and changes in accounting estimates

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

Ofsted also applies estimation techniques in the calculation of provisions, details of which are in note 21 Provisions.

1.14 Segmental Reporting

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

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

- Delivery
- Development and Strategy

1.15 IFRSs in issue but not yet effective

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

- IFRS9, Financial Instruments (effective date 1 January 2013)

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

Ofsted will plan to apply the above IFRSs during the financial year that they become effective.

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

2 Analysis of net resource outturn by section

	Outturn					2010-11 Estimate Net Total Outturn compared with Estimate saving/ (excess) £'000	2009-10 Outturn £'000	
	Admin	Other	Gross	A in A	Net Total			
	£'000	Current £'000	Resource Expenditure £'000	£'000	£'000			
Request for Resources 1	21,450	175,074	196,524	(14,571)	181,953	193,297	11,344	201,942
Total	21,450	175,074	196,524	(14,571)	181,953	193,297	11,344	201,942

The resource underspend of £11.3m has resulted mainly from Government restrictions placed upon spending during the year in areas such as managed services, recruitment and staff substitution. Further detailed explanations of variances between Estimate and outturn are given in the Annual Report.

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

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2010-11 Outturn compared with estimate			2009-10 Outturn £000
		Outturn £000	Supply Estimate £000	estimate £000	
Net Resource Outturn	2	181,953	193,297	11,344	201,942
Cost of Capital prior period adjustment	9,10	-	-	-	1,030
Net operating cost		181,953	193,297	11,344	202,972

3.2 Outturn against final Administration Budget

		Budget	2010-11	2009-10
		£000	Outturn £000	Outturn £000
Gross Administration Budget		27,432	21,450	27,945
Cost of Capital prior period adjustment	9,10	-	-	156
Income allowable against the Administration Budget		(95)	(26)	(83)
Net outturn against final Administration Budget		27,337	21,424	28,018

4. Reconciliation of net resource outturn to net cash requirement

	Note	Outturn £000	Estimate £000	2010-11 Net Total Outturn compared with Estimate saving/ (excess) £000	2009-10 Outturn £000
Net Resource Outturn	3	181,953	193,297	11,344	202,972
Capital :					
Acquisition of property, plant and equipment	13	38	250	212	312
Acquisition of intangible assets	14	-	-	-	1,054
Accruals adjustments :					
Non-cash items	9,10,21	(5,608)	(8,245)	(2,637)	(14,145)
Changes in working capital other than cash		(4,143)	-	4,143	(3,848)
Changes in payables falling due after more than one year		-	-	-	67
Use of provision	21	6,550	11,071	4,521	8,561
IAS 19 Pension Liability - staff costs		722	-	(722)	(10)
Net cash requirement		179,512	196,373	16,861	194,963

The resource underspend of £11.3m has resulted mainly from Government restrictions placed upon spending during the year in areas such as managed services, recruitment and staff substitution.

The £2.6 million variance in non-cash items is primarily due to lower than anticipated depreciation charges relating to the re-living of an asset (see Note 14 for details).

The £4.2 million variance in changes in working capital other than cash predominantly relates to accruals for contracted inspection work. Ofsted's contracted inspection providers are paid a fixed amount each month and submit a further monthly invoice for their variable inspection work. These invoices were not received by the due date and as such were accrued for.

The £4.5 million variance in use of provisions is mainly attributable to timing differences arising from a deceleration in the Early Years Project process.

5 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 2010-11		Outturn 2010-11	
	Income £'000	Receipts £'000	Income £'000	Receipts £'000
Operating income and receipts – excess A in A	-	-	-	-

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010-11 £000	2009-10 £000
Operating income	11	14,571	15,026
Income authorised to be appropriated-in-aid		(15,500)	(15,500)
Operating income payable to the Consolidated Fund	5	-	-

7. Staff numbers and related costs

Staff costs comprise:

	2010-11			2009-10
	TOTAL	Permanently employed staff	Others	TOTAL
	£000	£000	£000	£000
Wages and salaries	71,538	66,740	4,798	89,910
Social security costs	6,166	6,086	80	7,094
Other pension costs	12,802	12,626	176	15,008
Sub Total	90,506	85,452	5,054	112,012
Restructuring costs	2,802	2,802	-	2,819
Total	93,308	88,254	5,054	114,831
Less recoveries in respect of outward secondments	-	-	-	-
Total Net Costs*	93,308	88,254	5,054	114,831

* No salary costs have been capitalised.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Ofsted is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, 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 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

For 2010-11, employer's contributions of £13,124,436 (2009-10 - £15,065,575) were payable to the PCSPS at any one of four rates in the range 16.7% to 24.3% 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, or a stakeholder pension with an employer contribution. Employer's contributions of £37,578 (2009-10 - £62,128) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, employer contributions of £2,402 (2009-10 - £2,799) 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the statement of financial position date were £2,832 (2009-10 - £8,721). There were no contributions prepaid at that date.

For 2010-11 employer's contributions of £33,940 (2009-10 - £89,832) were payable to the Local Government Pension Scheme (LGPS). Also, for 2010-11 employer's contributions of £64 (2009-10 - £4,479) were payable to the National Health Service Pension Scheme (NHSPS). There were also payments of £51,259 (2009-10 - £43,370) for other pension schemes for seconded staff. See Note 29 for further pension disclosure.

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

Average number of persons employed

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

	2010-11			2009-10
	Total	Permanently employed staff	Others	Total
	No.	No.	No.	No.
Total	1,616	1,569	47	2,317

8 Reporting of Civil Service and other compensation scheme - exit packages

Exit package cost band	2010-11		2009-10	
	Number of compulsory redundancies 2010-11	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	8	8	7
£10,000 - £25,000	-	9	9	5
£25,000 - £50,000	-	1	1	31
£50,000 - £100,000	-	4	4	59
£100,000 - £150,000	-	3	3	22
£150,000 - £200,000	-	-	1	7
£200,000 - £250,000	-	-	-	3
Total number of exit packages	-	26	26	134
Total resource cost £000	-	1,116	1,116	10,266

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

In terms of the above disclosure of total number of exit packages by cost band and associated total resource costs, £2,041k (2009-10 - £2,611k) provision made in meeting the contractual commitments arising from the providers' redundancy cap in terms of 'Early Years childcare inspection work' has not been included. This is due to the fact that the provider has yet to offer redundancy terms to those employees concerned.

9 Other Administration Costs

Note		<u>2010-11</u>	<u>2009-10</u>
	Note	£000	£000
Rentals under operating leases		1,944	2,760
Non-cash items:			
Depreciation	13	63	80
Amortisation	14	239	469
Finance charge on finance leases		-	1
Impairment	16	-	3
a Auditor's remuneration		85	103
Provision provided/(written back) in year	21	760	1,528
Unwinding of discount on provisions	21	35	9
b Other expenditure:			
Accommodation costs		1,161	2,604
Travel Costs		481	685
Training Costs		1,308	844
Telephone Costs		70	76
Printing, postage & stationery		323	611
IS Costs		132	108
Employee Related Costs		549	1,184
Legal		682	27
Managed Services		1,141	2,616
Equipment - non capital		199	587
Provision for doubtful debts		(9)	(10)
Net bad debt (write-back)/ write-off		3	(3)
Other Expenditure		302	405
		<u>9,468</u>	<u>14,687</u>

a - The Auditor's remuneration cost were £18k higher in 2009-10 due to the additional work carried out for IFRS in that period.

b - Following an internal management review, Other expenditure within the above note has been reconfigured to more accurately reflect the nature of spend.

10 Programme Costs

Note		<u>2010-11</u> <u>£'000</u>	<u>2009-10</u> <u>£'000</u>
	Note		
	Rentals under operating leases	2,269	2,129
	Non-cash items:		
	Depreciation	13 356	452
	Amortisation	14 1,357	2,658
	Finance charge on finance leases	2	3
	Impairment	16 1	18
	Provision provided/(written back) in year	21 490	6,386
	Unwinding of discount on provisions	21 202	34
a	<u>Other expenditure:</u>		
	Accommodation costs	2,295	2,984
	Inspection costs	60,345	39,737
	Travel Costs	6,423	8,732
	Training Costs	688	2,045
	Telephone Costs	656	865
	Printing, postage & stationery	1,408	2,476
	IS Costs	2,150	1,890
	Employee Related Costs	808	1,171
	Legal	182	501
	Managed Services	13,116	16,161
	Equipment - non capital	982	315
	Provision for doubtful debts	(50)	(58)
	Net bad debt (write-back)/ write-off	19	(19)
	Other Expenditure	49	-
	Total	<u>93,748</u>	<u>88,480</u>

a - Following an internal management review, Other expenditure within the above note has been reconfigured to more accurately reflect the nature of spend.

10.1 Total Non-Cash Transactions

The non-cash transactions included in the Reconciliation of net resource outturn to net cash requirement (note 4), and Cash flows from operating activities (Statement of Cash Flows) comprises:

		<u>2010-11</u> <u>£'000</u>	<u>2009-10</u> <u>£'000</u>
	Note		
Non cash staff costs	7	2,018	2,401
Other Administration Costs (non cash items)	9	1,182	2,193
Programme Costs (non cash items)	10	2,408	9,551
		<u>5,608</u>	<u>14,145</u>

11 Income

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

	<u>2010-11</u>	<u>2009-10</u>
	<u>£'000</u>	<u>£'000</u>
All operating income is included within public expenditure		
Administration income:		
From Government Departments and others	<u>26</u>	<u>83</u>
Sub-Total Administration income	<u>26</u>	<u>83</u>
Programme income:		
Income from sales & services	<u>1,897</u>	<u>3,069</u>
Inspection of independent schools fees	<u>524</u>	<u>608</u>
Children's Services applications & fees	<u>11,366</u>	<u>10,365</u>
College inspection fees	<u>682</u>	<u>665</u>
Other	<u>76</u>	<u>236</u>
Sub-Total Programme Income	<u>14,545</u>	<u>14,943</u>
Total	<u>14,571</u>	<u>15,026</u>

The following is an analysis of income from services provided to external and public sector customers for fees and charges purposes:

	2010-11		
	<u>Income</u>	<u>Full Cost</u>	<u>Surplus/ (Deficit)</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Social Care Registration and Inspection	<u>5,887</u>	<u>35,326</u>	<u>(29,439)</u>
Childcare Registration and Inspection	<u>6,162</u>	<u>44,397</u>	<u>(38,235)</u>
Independent Schools Registration and Inspection	<u>538</u>	<u>1,949</u>	<u>(1,411)</u>
Other Income	<u>296</u>	<u>-</u>	<u>296</u>
Sub-Total Income from External Customers	<u>12,883</u>	<u>81,672</u>	<u>(68,789)</u>
DWP Inspections	<u>1,514</u>	<u>332</u>	<u>1,182</u>
Youth Justice Board - Secure Childrens Homes	<u>77</u>	<u>465</u>	<u>(388)</u>
Other Income	<u>97</u>	<u>135</u>	<u>(38)</u>
Sub-Total Income from other Government Departments	<u>1,688</u>	<u>932</u>	<u>756</u>
Total	<u>14,571</u>	<u>82,604</u>	<u>(68,033)</u>
	*Re-stated 2009-10		
	<u>Income</u>	<u>Full Cost</u>	<u>Surplus/ (Deficit)</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Social Care Registration and Inspection	<u>5,648</u>	<u>19,049</u>	<u>(13,401)</u>
Childcare Registration and Inspection	<u>5,383</u>	<u>47,229</u>	<u>(41,846)</u>
Independent Schools Registration and Inspection	<u>608</u>	<u>5,173</u>	<u>(4,565)</u>
Other Income	<u>206</u>	<u>-</u>	<u>206</u>
Sub-Total Income from External Customers	<u>11,845</u>	<u>71,451</u>	<u>(59,606)</u>
DWP Inspections	<u>3,081</u>	<u>2,265</u>	<u>816</u>
Youth Justice Board - Secure Childrens Homes	<u>-</u>	<u>-</u>	<u>-</u>
Other Income	<u>100</u>	<u>243</u>	<u>(143)</u>
Sub-Total Income from other Government Departments	<u>3,181</u>	<u>2,508</u>	<u>673</u>
Total	<u>15,026</u>	<u>73,959</u>	<u>(58,933)</u>

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

The financial state of various providers who are suffering a substantial decrease in revenues due to policy changes (e.g. children's homes), long term trends (e.g. voluntary adoption agencies and adoption support agencies) or the economic climate (e.g. boarding schools).

The implementation of regimes which clearly align any fee subsidy with the aims of the subsidising business areas.

Allowing time for fee levels to rise to avoid sudden large increases, particularly in the higher value fees. Also setting fees for future years to allow providers to plan beyond the current year.

12. Operating Segments

						2010-11	
	Delivery					Development & Strategy	Total
	North	Midlands	South	National	Total	National	Total
	£000	£000	£000	£000	£000	£000	£000
Expenditure	31,517	34,814	44,592	31,059	141,982	17,773	159,755
Income	(2,555)	(2,317)	(3,457)	(6,162)	(14,491)	(67)	(14,558)
Net Resource Outturn	28,962	32,497	41,135	24,897	127,491	17,706	145,197
							2009-10
	Delivery					Development & Strategy	Total
	North	Midlands	South	National	Total	National	Total
	£000	£000	£000	£000	£000	£000	£000
Expenditure	37,152	33,075	46,211	22,638	139,076	17,930	157,006
Income	(3,937)	(3,934)	(5,724)	(1,168)	(14,763)	(193)	(14,956)
Net Resource Outturn	33,215	29,141	40,487	21,470	124,313	17,737	142,050

Factors used to identify the reportable segments

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

Description of segments**Delivery**

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

Development & Strategy

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

12.1 Reconciliation of Operating Segments to net resource outturn

	2010-11				
	Delivery	Development	Sub-total	Other	Total
	£000	& Strategy	operating	£000	£000
	£000	£000	segments	£000	£000
	£000	£000	£000	£000	£000
Expenditure	141,982	17,773	159,755	36,769	196,524
Income	(14,491)	(67)	(14,558)	(13)	(14,571)
Net Resource Outturn	127,491	17,706	145,197	36,756	181,953

	2009-10				
	Delivery	Development	Sub-total	Other	Total
	£000	& Strategy	operating	£000	£000
	£000	£000	segments	£000	£000
	£000	£000	£000	£000	£000
Expenditure	139,076	17,930	157,006	60,922	217,928
Income	(14,763)	(193)	(14,956)	-	(14,956)
Net Resource Outturn	124,313	17,737	142,050	60,922	202,972

The 'Other' category consists of:

	2010-11	2009-10
	£000	£000
Corporate Directorates	36,756	60,922
	36,756	60,922

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

13 Property, plant and equipment

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

	Information Technology	Furniture & Fittings	Motor Vehicles	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2009	1,888	801	268	2,957
Additions	312	-	-	312
Disposals	(497)	(450)	(268)	(1,215)
Impairments	(135)	-	-	(135)
At 31 March 2010	1,568	351	-	1,919
Depreciation				
At 1 April 2009	1,246	544	268	2,058
Charged in year	415	117	-	532
Disposals	(497)	(450)	(268)	(1,215)
Impairments	(114)	-	-	(114)
At 31 March 2010	1,050	211	-	1,261
Net Book Value at 31 March 2010	518	140	-	658
Net Book Value at 1 April 2009	642	257	-	899
Asset financing:				
Owned	518	140	-	658
Finance leased	-	-	-	-
Net Book Value at 31 March 2010	518	140	-	658

14 Intangible assets

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

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

	RSA Finance Lease*	Software	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	17,254	465	17,719
Additions	737	317	1,054
Disposals	-	-	-
Impairment	-	-	-
At 31 March 2010	17,991	782	18,773
Amortisation			
At 1 April 2009	11,940	367	12,307
Charged in year	3,025	102	3,127
Disposals	-	-	-
Impairment	-	-	-
At 31 March 2010	14,965	469	15,434
Net Book Value at 31 March 2010	3,026	313	3,339
Net Book Value at 1 April 2009	5,314	98	5,412
Asset financing:			
Owned	-	313	313
Finance leased	3,026	-	3,026
Net Book Value at 31 March 2010	3,026	313	3,339

* The Ofsted contract for outsourced IS services was extended by an additional year to 31 March 2012. As a result the useful economic life of the RSA asset has been extended from 10 years to 11 years. In line with IAS8, Accounting Policies, this change has been reflected in the accounts with the net book value at 31 March 2010 being depreciated over the new extended life of the asset.

15 Financial Instruments

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

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

Liquidity risk

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

Interest-rate risk

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

Foreign currency risk

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

Credit risk

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

	<u>2010-11</u> £000	<u>2009-10</u> £000
Debtors and other debtors		
Trade receivables	2,172	2,555
Deposits and advances	590	555
Other receivables	4	45
Prepayments and accrued income	2,529	3,249
VAT	934	1,169
Bad debt provision	<u>(181)</u>	<u>(243)</u>
	6,048	7,330
Overdue but not provided for yet in following periods:		
Not yet due	5,431	6,736
1-30 days	276	426
31-60 days	116	54
61-90 days	105	94
>91 days	<u>120</u>	<u>20</u>
	6,048	7,330
Overdue debt provided for in following periods:		
>120 days	(79)	(155)
Other Periods	<u>(102)</u>	<u>(88)</u>
	(181)	(243)
Movement in the bad debt provisioning:		
Opening balance	243	307
Charge for the year/(reduction in provision)	(40)	(42)
Utilised/(write offs)	<u>(22)</u>	<u>(22)</u>
At 31 March	181	243

16 Impairments

The total impairment charge for the year was £1k (2009-10 - £21k) charged directly to the statement of net comprehensive expenditure. This is the result of an asset being made obsolete after vacating business premises during the year.

17 Trade receivables and other current assets

	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000
Amounts falling due within one year:		
Trade receivables	1,663	1,910
Deposits and advances	347	277
Other receivables	50	45
Prepayments and accrued income	2,461	3,249
VAT	934	1,169
	<u>5,455</u>	<u>6,650</u>
Amounts falling due after more than one year:		
Trade receivables	340	416
Deposits and advances	231	264
Other receivables	-	-
Prepayments and accrued income	22	-
	<u>593</u>	<u>680</u>

17.1 Intra-Government Balances

	<u>31/3/11</u>	<u>31/3/10</u>	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	990	2,550	-	-
Balances with local authorities	1,746	1,206	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	2,736	3,756	-	-
Balances with bodies external to government	2,719	2,894	593	680
Total debtors	<u>5,455</u>	<u>6,650</u>	<u>593</u>	<u>680</u>

18 Cash & cash equivalents

	<u>£000</u>	
Balance at 1 April 2010	303	
Net changes in cash and cash equivalent balances	166	
Balance	<u>469</u>	
	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000
The following balances at 31 March were held at:		
Government Banking Services	468	301
Commercial banks and cash in hand	1	2
Balance	<u>469</u>	<u>303</u>

19 Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000
Net Cash Requirement	179,512	194,963
From the Consolidated Fund (supply) - current year	179,678	194,584
From the Consolidated Fund (supply) - prior year	-	-
Amounts due to the Consolidated Fund received and not paid over	-	-
Balance	<u>166</u>	<u>(379)</u>

20 Trade payables and other current liabilities

	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000
Amounts falling due within one year:		
Trade payables	450	816
Other payables	1,600	1,858
Other taxation and social security	1,776	2,237
Accruals and deferred income	16,689	12,676
Current part of finance lease	-	67
Amounts issued from the Consolidated Fund supply but not spent at year end	468	301
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	-	-
	<u>20,983</u>	<u>17,955</u>
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	-	-
Finance Leases	-	-
	<u>-</u>	<u>-</u>

20.1 Intra-Government Balances

	<u>31/3/11</u>	<u>31/3/10</u>	<u>31/3/11</u>	<u>31/3/10</u>
	£000	£000	£000	£000
	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
Balances with other central government bodies	4,460	5,030	-	-
Balances with local authorities	5	14	-	-
Balances with NHS Trusts	-	1	-	-
Balances with public corporations and trading funds	106	-	-	-
Subtotal: intra-government balances	<u>4,571</u>	<u>5,045</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	16,412	12,910	-	-
Total creditors	<u>20,983</u>	<u>17,955</u>	<u>-</u>	<u>-</u>

21 Provisions for liabilities and charges

	Early departure costs	Early Years Project	Property Dilapidation	Vacant Property Provision	2009 Reorganisation	Other	Total	2009-10
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	8,013	4,756	1,986	4,312	583	2,093	21,743	19,945
Provided in the year	1,671	2,041	847	238	-	25	4,822	13,809
Provisions not required written back	(198)	-	(600)	(148)	-	(608)	(1,554)	(3,493)
Provisions utilised in the year	(1,852)	(2,305)	(82)	(1,438)	(583)	(290)	(6,550)	(8,561)
Unwinding of discount	135	-	-	102	-	-	237	43
Balance at 31 March 2011	7,769	4,492	2,151	3,066	-	1,220	18,698	21,743

Analysis of expected timing of discounted flows

	Early departure costs	Early Years Project	Property Dilapidation	Vacant Property Provision	2009 Reorganisation	Other	Total
	£000	£000	£000	£000	£000	£000	£000
Not later than one year	1,758	4,492	1,706	1,244	-	291	9,491
later than one year and not later than five years	4,540	-	148	1,822	-	884	7,394
Later than five years	1,471	-	297	-	-	45	1,813
Balance at 31 March 2011	7,769	4,492	2,151	3,066	-	1,220	18,698

21.1 Early departure costs

Ofsted meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS 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 HM Treasury discount rate for valuing pension liabilities (currently 2.9%).

Ofsted has applied standard quantitative techniques in calculating provisions for early departure costs based on relevant cost estimates provided by external bodies which are considered to be both robust and accurate. When estimating liability in terms of annual compensation payments, Ofsted has confirmed the days left as at 31 Mar 2011, until an individual will reach 60 years of age. Likewise, in terms of annual enhancement compensation (payable for life), Ofsted has taken life expectancy data produced by the Office for National Statistics (ONS).

21.2 Early Years Project

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

21.3 Property Dilapidation

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

21.4 Vacant Property Provision

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

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

21.5 2009 Reorganisation

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

21.6 Other

The amount includes a £0.9 million provision for Early Years Outsourcing Pensions bulk transfer based upon the relevant Actuary's estimate, an injury provision and provision for Compromise Agreements.

When calculating the probable cost of the pension shortfall relating to staff transferring to outsourced early years inspections Ofsted has considered a range of estimates provided by external bodies and has selected the most robust and accurate basis. Ofsted has based its provision on an estimate of shortfall provided by the relevant Actuary.

22. Capital commitments

There are no contracted capital commitments at 31 March 2011 (2010: £nil).

The RSA element of the Ofsted contract for outsourced IS services constitutes a finance lease. Ofsted are committed to £nil (2010:£67k) which is the capital element of payment in respect of the aforementioned finance lease.

23. Commitments under leases

23.1 Operating leases

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

	<u>31/3/11</u>	Re-stated <u>31/3/10</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>
Buildings:		
Not later than one year	5,579	5,261
Later than one year and not later than five years	12,041	11,640
Later than five years	6,617	2,230
	<u>24,237</u>	<u>19,131</u>
Other:		
Not later than one year	468	442
Later than one year and not later than five years	93	531
Later than five years	-	-
	<u>561</u>	<u>973</u>

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

23.2 Finance leases

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

	<u>31/3/11</u>	<u>31/3/10</u>
	<u>£000</u>	<u>£000</u>
Obligations under finance leases comprise:		
Buildings:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>-</u>
Less interest element	-	-
Other:		
Not later than one year	-	69
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>-</u>	<u>69</u>
Less interest element	-	2
Present Value of obligations	<u>-</u>	<u>67</u>

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

24. Other financial commitments

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

Ofsted has entered into an agreement for the supply of regional inspection services in terms of Early Years childcare inspection work. The Department has also entered into a six year non-cancellable contract (which is not a lease or PFI contract) for Education and Learning and Skills.

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

	<u>31/3/11</u>	<u>31/3/10</u>
	<u>£000</u>	<u>£000</u>
Not later than one year	108,284	43,692
Later than one year and not later than five years	336,559	149,791
Later than five years	-	15,338
	<u>444,843</u>	<u>208,821</u>

25. Contingent liabilities disclosed under IAS 37

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

In 2011, there are a few potential legal claims which are at an early stage and thus cannot be quantified, although they are not considered material.

26. Losses and special payments**26 (a) Losses Statement**

	2010-11		2009-10	
	No. of cases	£000	No. of cases	£000
Total Fruitless payments and constructive losses	190	41	182	45

26 (b) Special Payments

	2010-11		2009-10	
	No. of cases	£000	No. of cases	£000
Total Special Payments	6	227	3	4

27. Related-party transactions

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

British Broadcasting Corporation
 British Waterways
 Cabinet Office
 Criminal Records Bureau
 Department for Business, Innovation and Skills
 Department for Education
 Department for Work and Pensions
 Food Standards Agency
 Government Car & Despatch Agency
 Government Actuary's Department
 HM Revenue & Customs
 HM Treasury
 Home Office
 Learning and Skills Council
 Local Authorities
 Metropolitan Police
 Ministry of Defence
 Ministry of Justice
 National Audit Office
 National School Of Government
 Office Of Government Commerce
 Office of National Statistics
 Ordnance Survey
 Rail Accident Investigation Branch
 Treasury Solicitor's Department
 Welsh Assembly Government
 Youth Justice Board

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

28. Third-party assets

Ofsted holds monies on behalf of a tenant as security for future rent commitments. These monies constitute a third party asset. This is not a departmental asset and is not included in the accounts. The asset held at the 31st March 2011 to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	31 March 2010	Gross inflows	Gross outflows	31 March 2011
	£000	£000	£000	£000
Monetary assets such as bank balances and monies on deposit	210	-	-	210

29. PENSION ARRANGEMENTS - LOCAL GOVERNMENT PENSION SCHEME DEFINED BENEFIT SCHEME DISCLOSURE

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

Ofsted has a small number of staff who transferred to it in 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 2010, contributions of £43k (2009 - £82k) and £37k (2009 - £72k) were made by Ofsted and the scheme participants to both Teesside and West Yorkshire LGPS pension funds respectively.

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

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

With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices Index (CPI), rather than the Retail Prices Index (RPI). This change has been accounted for as a past service gain in the Statement of Comprehensive Net Expenditure. It is assumed that the CPI rate will increase at a slower rate than the RPI.

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

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

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-11	31-Mar-10	01-Apr-09	31-Mar-11	31-Mar-10	01-Apr-09
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	1,876	1,576	1,592	3,960	4,988	3,933
Fair Value of Scheme Assets	1,591	1,633	1,868	3,776	3,539	3,071
Net Assets	(285)	57	276	(184)	(1,449)	(862)
Present Value of Unfunded Obligation	-	-	-	-	-	-
Unrecognised Past Service Cost	-	-	-	-	-	-
Net Asset/(Liability) in SoFP	(285)	57	276	(184)	(1,449)	(862)
Bid Value of Scheme Assets	1,591	1,633	1,868	3,776	3,539	3,071

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

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-11	31-Mar-10	01-Apr-09	31-Mar-11	31-Mar-10	01-Apr-09
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Financial Assumptions as at						
RPI Increases	3.50%	3.80%	2.90%	3.70%	3.70%	2.90%
CPI increases	2.70%	n/a	n/a	2.80%	n/a	n/a
Salary Increases	5.00%	5.30%	4.40%	5.20%	5.45%	4.65%
Pension Increases	2.70%	3.80%	2.90%	2.80%	3.70%	2.90%
Discount Rate	5.50%	5.70%	6.40%	5.50%	5.70%	5.80%

Mortality Assumptions:-

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

	Teesside Pension Fund	West Yorkshire Pension Fund
	31-Mar-11	31-Mar-11
	Years	Years
<u>Retiring today</u>		
Males	18.9	21.9
Females	23.0	24.0
<u>Retiring in 20 years</u>		
Males	20.90	23.70
Females	24.90	26.00

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:

Adjustment to discount rate	Teesside Pension Fund			West Yorkshire Pension Fund		
	+1%	0%	-1%	+1%	0%	-1%
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Total Obligation	1,846	1,876	1,906	3,397	3,960	4,663
Projected Service Cost	34	35	36	32	41.5	51
Adjustment to mortality age rating assumption	+1 year	none	-1year	+1 year	none	-1year
Present Value of Total Obligation	1,804	1,876	1,948	3,881	3,960	4,039
Projected Service Cost	33	35	37	39	40.5	42

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

	31-Mar-11		31-Mar-10		01-Apr-09	
	Value £'000	Rates of Return % p.a.	Value £'000	Rates of Return % p.a.	Value £'000	Rates of Return % p.a.
Equities	4,096	7.2 to 8.4	3,801	7.5 to 8	3,275	6.5 to 6.8
Gilts	525	4.4	591	4.5	561	3.8
Other Bonds	179	5.1 to 5.5	148	5.5 to 5.7	181	5.8 to 6.4
Property	200	5.4 to 7.9	169	7 to 8.5	233	5.5 to 6.3
Cash	151	1.5 to 3	244	0.7 to 3	394	2.0 to 5.0
Other	216	8.4	219	8.0	295	6.5
Total	5,367		5,172		4,939	

Splits of assets between investment categories as at :

	31-Mar-11	31-Mar-10	31-Mar-09
Equities	76.3%	73.5%	66.3%
Gilts	9.8%	11.5%	11.3%
Other Bonds	3.3%	3.0%	3.7%
Property	3.7%	3.0%	4.7%
Cash	2.8%	5.0%	8.0%
Other	4.1%	4.0%	6.0%
	100.0%	100.0%	100.0%

Expected Return on Assets

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

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

	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 01-Apr-09 £'000
Current service cost	83	104	80
Past service cost	(708)	2	10
Losses/(gains) on curtailments and settlements	-	-	-
Total Operating Charge	(625)	106	90
<i>Analysis of amount credited to Other Finance Income:</i>			
Expected return on Pension Scheme Assets	368	322	286
Interest on Pension Scheme Liabilities	(382)	(348)	(256)
Net Return	(14)	(26)	30
Employers' Contribution	111	122	94
LGPS Pension Costs	(722)	10	(34)
Actual Return on Scheme Assets	967	(1,021)	(1,015)

vi) Movement in benefit obligation during the year:

	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 01-Apr-09 £'000
Opening Defined Benefit	6,564	5,525	5,620
Current service cost	83	104	80
Interest cost	382	348	256
Actuarial losses/(gains)	398	1,323	(509)
Losses/(gains) on curtailments	-	-	-
Liabilities extinguished on settlements	-	-	-
Estimated benefits paid (net of transfers in)	(904)	(780)	38
Past service cost	(708)	2	10
Contributions by scheme participants	21	42	30
Unfunded pension payments	-	-	-
Closing Defined Benefit Obligation	5,836	6,564	5,525

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

	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 01-Apr-09 £'000
Opening Fair Value of scheme assets	5,172	4,939	5,439
Expected return on scheme assets	368	322	286
Actuarial gains and (losses)	599	527	(948)
Contributions by employer	111	122	94
Contributions by Scheme participants	21	42	30
Estimated benefits paid (net of transfers in)	(904)	(780)	38
Receipt of bulk transfer value	-	-	-
Fair value of Scheme assets at end of period	5,367	5,172	4,939

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

	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 01-Apr-09 £'000
Surplus/(Deficit) at the beginning of the year	(1,392)	(586)	(181)
Service cost	(83)	(104)	(80)
Employer contributions	111	122	94
Unfunded pension payments	-	-	-
Past Service Costs	708	(2)	(10)
Other Finance Income	(14)	(26)	30
Settlements/Curtailments	-	-	-
Actuarial gain/(loss)	201	(796)	(439)
Surplus/(Deficit) at the end of the year	(469)	(1,392)	(586)

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

	Year to 31-Mar-11 £'000	Year to 31-Mar-10 £'000	Year to 31-Mar-09 £'000	Year to 01-Apr-08 £'000
Amounts for the current and previous period	(5,836)	(6,564)	(5,525)	(5,620)
Defined Benefit Obligation	5,367	5,172	4,939	5,439
Fair Value of scheme assets	(469)	(1,392)	(586)	(181)
Surplus/(Deficit)	-	-	-	-
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

For consistency with previous disclosures the assets shown are at mid market price for the periods prior to 31 Mar 2011. The asset value shown as at 31 Mar 2011 is based on bid price, with all asset values estimated where necessary.

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

30 EVENTS AFTER THE REPORTING PERIOD

IAS 10, Events after the Reporting Period, requires disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 14 June 2011 by Christine Gilbert (Accounting Officer). There have been no events after the reporting period requiring an adjustment to the financial statements.

Appendix A

Survey reports: April 2010 – March 2011

Learning lessons from serious case reviews: interim report 2009–10, 100033, April 2010

Guidance for students studying science, 100045, May 2010

Transition through detention and custody: Arrangements for learning and skills for young people in custodial or secure settings, 090115, May 2010

Food in schools, 090230, June 2010

Local authorities and home education, 090267, June 2010

Transforming religious education: Religious education in school 2006/09, 090215, June 2010

Personal, social, health and economic education in schools, 090222, July 2010

Supporting young people – an evaluation of recent reforms to youth support services in 11 local areas, 090226, July 2010

Twelve outstanding work based learning providers, 100112, July 2010

Admission and discharge from secure accommodation, 090228, August 2010

Children missing from education, 100041, August 2010

Outstanding local authority children's services 2009, 100040, August 2010

Finnish pupils' success in mathematics, 100105, September 2010

The special educational needs and disability review, 090221, September 2010

Welfare and duty of care in Armed Forces initial training, 100003, September 2010

Diplomas: the second year, 090240, October 2010

Good practice in involving employers in work-related education and training, 090227, October 2010

Learning from the best: examples of best practice from providers of apprenticeships in underperforming vocational areas, 090225, October 2010

Learning lessons from serious case reviews 2009–2010, 100087, October 2010

Improving outcomes for children and young people through partnership in Children's Trusts, 090234, November 2010

Reading by six: how the best schools do it, 100197, November 2010

London Challenge, 100192, December 2010

Developing leadership: National Support Schools, 090232, December 2010

Removing barriers to literacy, 090237, January 2011

Modern languages: achievement and challenge 2007–2010, 100042, January 2011

Successful science, 100034, January 2011

The impact of the Early Years Foundation Stage, 100231, February 2011

Geography – Learning to make a world of difference, 090224, February 2011

History for all, 090223, March 2011

Outstanding children's homes, 100228, March 2011

Meeting technological challenges? Design and technology in schools 2007–10, 100121, March 2011

Reports by the Children's Rights Director

Fairness and unfairness, 090116, June 2010

Children's messages on care, 080276, June 2010

Before care, 090118, November 2010

Having corporate parents, 090119, January 2011

Children on family justice, 100206, February 2011

Children's care monitor 2010, 090160, March 2011

Appendix B

Pension benefits

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pension Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a '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 initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his or her pensionable earnings during the 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 Pension Increase legislation. 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.gov.uk/my-civil-service/pensions/index.aspx.

Cash Equivalent Transfer Value

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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, or 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.

Glossary

This glossary provides definitions or explanations of some of the terms used in the Annual report.

Annually Managed Expenditure (AME) AME is spending included in Total Managed Expenditure (TME), which does not fall within Departmental Expenditure Limits (DELs). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

Benchmark A standard of how well services are provided in other organisations against which an individual organisation can compare its own performance.

Children and Family Court Advisory and Support Service The Children and Family Court Advisory and Support Service (Cafcass) looks after the interests of children involved in family proceedings. It works with children and their families, and then advises the courts on what it considers to be in the children's best interests.

Departmental Unallocated Provision An element of a department's total DEL that is not allocated to particular spending, but held back by the department to meet any future unforeseen pressures.

Departmental Expenditure Limit (DEL) A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be largely demand led.

Good practice Successful and innovative examples of the way that service providers that we inspect or regulate have delivered their services or aspects of their services, which might help other service providers to improve their performance.

Inspection The assessment of a service against a published framework and criteria. It involves close observation by trained and experienced inspectors with knowledge of the sector concerned, who are informed by a range of data, background information, the provider's 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.

Looked after children Children who are in the care of local authorities are described as 'looked after children'. They may live with a foster carer, with a family carer or in a children's home. Children become looked after when, for example, their birth parents are unable to provide care, either temporarily or permanently.

Net Cash Requirement The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate.

Proportionate (inspection and regulation) Proportionate inspection and regulation target more resources on those areas that need most attention. Where Ofsted identifies services which are particularly weak, or children, young people and adults who are in particularly vulnerable circumstances, we will visit those services more frequently and use more resources to identify areas for improvement and ensure that these people are safeguarded. Good-quality services may be inspected less frequently or will have shorter inspections. Such inspection is used for high-quality provision where the risk to children and learners in vulnerable circumstances is low.

Regulation We grant licence to a range of providers of early years and children's social care services to operate or trade. This involves the registration of providers who meet the legal requirements for registration; the inspection of registered providers and investigation of complaints against registered providers to see if they continue to meet the requirements; and enforcement action against those providers who are not meeting the required standards. Such action may include deregistration or prosecution.

Risk assessment for inspection Analysis of the risk that children, young people and adult learners are not receiving adequate services, by analysing a range of data, including services' self-evaluation, attainment and other data, the views of users and other evidence.

Service provider Organisations and/or individuals (whether public, voluntary or private) that provide services to children and learners. Settings or organisations include, for example: childminders, nurseries, children's centres and crèches adoption and fostering agencies residential schools, family centres and homes for children schools pupil referral units the Children and Family Court Advisory Support Service (Cafcass) further education colleges initial teacher education institutions publicly funded adult skills and employment-based training.

Spending Review A cross-government review of departmental aims and objectives and analysis of spending programmes.

Total Managed Expenditure (TME) A measure defined by the Treasury to cover all public expenditure (i.e., not just central government departments).



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