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

**Annual Report and
Accounts
2013-14**

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

**Annual Report and Accounts
2013–14**

(For the year ended 31 March 2014)

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

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

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Introduction

In my introduction to last year's Annual Report and Accounts, I described my determination that Ofsted should do more to challenge the education system in order to help drive up standards in education and care for children, young people and learners.

I am pleased to be able to report that this has been the case. As this report records, during 2013–14, Ofsted:

- completed our full programme of inspection and regulatory activity, including more frequent monitoring of schools and colleges that are not yet good
- introduced changes to the way we inspect across each of our remits to make it clear that only good is good enough
- published a number of landmark reports on matters of national importance.

There is little doubt that our improved inspection arrangements are having a positive impact. The decision to remove the satisfactory grade and replace it with the new judgement of 'requires improvement' has injected a real sense of urgency into the system. Her Majesty's Inspectors tell me that schools and colleges have been galvanised into taking appropriate and swift action to improve standards. Moreover, nine out of 10 senior leaders of schools judged as requires improvement report that Ofsted's monitoring visits are helping them to improve their schools. This is reflected in the unprecedented increase in the proportion of good and outstanding schools we reported in December 2013.

However, during the year we also highlighted significant areas of concern. For example, Ofsted's report *Unseen children: access and achievement 20 years on*, published in June 2013, turned the spotlight on the current pattern of disadvantage and educational success across England. The report revealed that the distribution of underachievement has shifted from our largest cities to the more rural or less populous regions of the country, notably around coastal towns in the east and south east of England.

It is essential that Ofsted is able to identify and report on such issues. That is why, over the last year, we have completed our re-organisation into eight regions, each with a Regional Director charged with oversight of standards in their local areas. As a result of this new structure, Ofsted was for the first time able to publish eight regional reports alongside the Annual Report on the quality of schools and further education in England in December 2013. The report was

accompanied by Ofsted's interactive Data View tool, available on our website which served to highlight the sometimes stark differences in performance between schools and colleges in regions and local authority areas.

This year also saw the publication of separate reports on social care, in October 2013, and on early years, in April 2014. In social care, we reported that too many local authorities are failing to keep our most vulnerable children and young people safe, and that the system itself is under intense pressure. In early years, we set out a compelling case for many more children from poorer backgrounds to be given the opportunity to attend good or outstanding nurseries attached to or monitored by schools. I am convinced that shining a powerful spotlight on the quality of children's care services, nurseries and childminders in this way is focusing attention on these critical services as never before and changing the way Ofsted is perceived by providers, service users and the wider public.

Nevertheless, Ofsted and inspection cannot stand still. We need to make sure that our inspections continue to challenge providers in each of our remits to do better. Although providers continue to report high levels of satisfaction with their inspections, we know that we need to continue to improve quality and consistency.

Key to our success will be the continuing credibility of our inspection workforce. That is why, in March 2014, I announced that we intend to undertake a review of outsourced school and further education inspection over the coming 18 months. Under the new arrangements, I want to ensure that we have a much larger number of seconded outstanding practitioners in our workforce and tighter control over inspection quality.

We are also planning to review our education inspection arrangements. I want to make sure that our inspections of early years, schools and colleges are coherent and result in reports that are meaningful to parents, providers and employers. In particular, we are considering whether we need to change our approach to the inspection of 'good' providers. Do we always need to do a full inspection of these schools and colleges? Is it right that schools can have five or six years between such inspections? Would more frequent but shorter inspections be more proportionate and provide parents with the information they need?

Of course, these changes will be made in the context of increasingly challenging financial circumstances. As this report notes, during 2013–14, we continued to reduce costs in our inspection and corporate support areas, while making better use of technology and leaner

systems and processes. To date, we have protected our front-line inspection activity as far as possible, but if our budgets are to reduce still further there will be difficult choices ahead. Ofsted has been a significant driver of improvement across each of its remits and I hope that we will be able to build on that success in the years ahead.

Sir Michael Wilshaw, Her Majesty's Chief Inspector

Strategic Report

Strategic Overview

Ofsted is doing more to challenge the education system and help drive up standards in education and care for children, young people and learners. As reported in the introduction to the Annual Report and Accounts, the reforms Ofsted has introduced are having a positive impact. Ofsted completed its full programme of inspection and regulatory activity in 2013-14. The number of inspections for each of our remits and key performance indicators for Inspection and regulation are set out on page 14 onwards. We set out in our December 2013 Annual Report: Schools that there was a large increase in the proportion of good and outstanding provision.

The new regional structure, as noted on page 13, and the recruitment and retention of high quality inspectors are key to driving improvement successfully. Each of the eight regions is led by a Regional Director who reports directly to HMCI. They are responsible for the quality of inspection and the improvement of providers in their region. In addition, to enable Ofsted to increase the number of serving leaders undertaking and supporting inspection activity, we have introduced an associate inspectors secondment pilot for headteachers in the London, South East, North West, South West, and North East, Yorkshire and Humber regions. The majority of these secondments will be on a part-time basis, enabling some individuals to retain their headships. During the course of the coming year, a similar pilot will be rolled out across the social care, and further education and skills remits.

However, Ofsted cannot stand still and needs to maintain the credibility of its inspection workforce. In 2014-15, we will review our outsourced arrangements for school and further education inspection, and for regulation and inspection of early years provision. We will look to take the opportunity to increase the number of outstanding practitioners we employ. We will also review the way we approach our inspection of education providers and consider a more proportionate approach that also provides parents with the information they need to make informed decisions.

Financial performance and risk

The environment in which Ofsted operates is constantly changing. This means that Ofsted needs to manage its risks carefully to ensure that it can continue driving improvements in the care of children and young people and in education and skills for learners of all ages. The main risks that Ofsted has dealt with in the year are included in the Governance Statement on page 63.

In 2013-14, Ofsted changed its governance structure and established the Commissioning Assurance and Quality Committee. This committee engages directly with those responsible for commissioning of services from the inspection service providers, and the associated contract management. Its function is to provide non-executive assurance to the Ofsted Board on the management of risk, performance, quality and future strategic direction relating to the inspection service provider contracts. The Commissioning Assurance and Quality Committee will play an important role in ensuring the successful management of the current contracts as they come to the end of their term in August 2015.

The financial results for the year are set out on pages 76-110. All Parliamentary Totals have been managed through the Estimate process and all have been achieved for the 2013-14 financial year. A reconciliation between the Estimate (budget) and the actual performance can be found in the Statement of Parliamentary Supply on page 77 of the accounts. Performance against Parliamentary Totals are summarised below:

Parliamentary Control Total	Estimate £m	Actual £m	Variance £m	Explanation of variance
Resource Departmental Expenditure Limit (RDEL)	168.2	161.3	6.9	Resource DEL of £168.2m includes a ring-fenced budget of £4.3m for depreciation. Ofsted's depreciation charge for the year was only £1.0m, leading to a £3.3m underutilisation. The remaining £3.6m of this variance is due to savings in staff costs, investment projects, savings on our inspection service provider contracts and utilisation of provisions.
Capital Departmental Expenditure Limit (CDEL)	4.6	4.3	0.3	A minor underspend against acquisition of capital assets during the year.
Total DEL	172.8	165.6	7.2	
Resource Annually Managed Expenditure (AME)	(3.0)	(4.7)	1.7	The AME control total relates to Ofsted’s use of accounting provisions. An analysis and explanation of the types of expenditure is included in Note 15 of the accounts.
Total	169.8	160.9	8.9	
Net Cash Requirement	168.4	166.6	1.8	Ofsted has actively managed its cash flow this year by ensuring that, where possible, suppliers provided invoices in time to be paid in the current financial year. This meant that 99% of the cash available was spent, mitigating the risk of pressures on the 2014-15 cash position brought by having to pay 2013-14 invoices out of the allocation.
Administration Costs	20.2	16.7	3.6	HM Treasury sets a limit on departments’ cost that are not in relation to direct delivery/support of front-line inspection services. Ofsted has consistently been well below this limit. The Statement of Comprehensive Expenditure in the accounts shows the analysis by year.

Ofsted’s approach to financial management in 2013-14 was adapted to ensure effective use of available resources. In July 2013, the Operations Executive Board noted potential £10m savings between forecast and budget for 2013-14. In response to this, the Operations Executive Board reallocated funds to support prioritised projects that could reduce the financial burden on the 2014-15 budget. Robust governance arrangements and, where appropriate, business cases were developed to ensure that all spending represented value for money and supported delivery of Ofsted’s strategic priorities.

As at the end of 2013-14, Ofsted has two contingent liabilities as detailed on page 106. The first is related to a contractual obligation for redundancy costs arising from TUPE transfers and the second relates to Local Government Pension defined benefit scheme.

Ofsted’s funding for 2014–15 has been agreed by Parliament as part of the Main Estimate process. To help meet the drive for improvement, additional funding for 2014-15 has been agreed with the Department for Education (DfE). However, there is no guarantee that additional funding will be agreed beyond 2014-15. As a result, further large budget reductions

are required by 2015-16 and beyond. This will present a significant operational challenge to Ofsted but work is underway to develop the options that could enable Ofsted to further reduce costs while mitigating the impact on priority services.

Social community and human rights

On 31 March 2014, Ofsted directly employed 1,274 (1,226.9 FTE) staff across England. The gender of the staff is as follows:

	Female	Male	Total
Operations Executive Board	5	6	11
Other SCS	7	10	17
Other	742	504	1,246
Total	754	520	1,274

In 2010, Ofsted was awarded Investor in People status, which demonstrated commitment to business improvement through people management and that best practice standards were met. In February 2014, we were re-assessed against the Investor in People Standard and retained our Silver status. We are continuing to use Investors in People as a measure of leadership and management in the organisation during the ongoing organisational changes.

Ofsted takes part in the annual Civil Service People Survey as part of our commitment to continuously improve the way we manage and develop our people. The purpose of the survey is to seek views about working for Ofsted, identify levels of staff engagement and benchmark our performance against other civil service departments. Our overall response rate in the 2013 survey was 81%, which compares favourably with the Civil Service average of 59%, and our 2013 score on the Employee Engagement Index increased by 6% over our 2012 score to 58%. Despite this improvement, we recognise that there is still more to do.

Environmental

The Greening Government Commitment (2011) requires a reduction of greenhouse gas emissions by 25% from a 2009–10 baseline from the whole estate and business-related transport. Overall, there has been a 2% reduction in emissions since 2011–12, although 2013-14 has seen an increase of 13%. The increase in emissions relates to the reform of inspection arrangements to help drive up standards in education and care for children, young people and learners through a regional delivery model that has increased the need for business travel.

Our emissions from the whole estate have reduced by 25% since 2011-12. Property consolidation projects in 2012-13 and 2013-14 have resulted in continued reductions in the size of our estate. This, coupled with prudent energy management measures, have contributed to significant energy and water savings over this reporting period. This year has seen a decrease in the waste produced by the estate including a significant reduction of 65% in residual office waste and marked improvement in recycled waste. This has largely been achieved through improved waste segregation and supplier management.

Ofsted sustainability performance is summarised below:

Area		Performance	
		2012-13	2013-14
Greenhouse Gas emissions (Scopes 1, 2 & 3 Business Travel including international air/rail travel)		2,127tCO ₂ e	2,410tCO ₂ e
of which	Energy	1,272tCO ₂ e	1,150tCO ₂ e
	Travel	855tCO ₂ e	1,260tCO ₂ e
Estate Energy	Consumption	3.0mkWh	2.9mkWh
	Expenditure	£270,137	£254,591
Estate Waste	Amount	94 tonnes	59 tonnes
	Expenditure	£20,821	£10,885
Estate Water	Consumption	5,515m ³	4,609m ³
	Expenditure	£12,108	£11,335

Sir Michael Wilshaw:

Date: 6 June 2014

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

About this report

The Annual Report and Accounts 2013–14 has been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

The accounts represent the net expenditure and financial position of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2014. The report also contains a review of Ofsted's work during the year, noting the volume and quality of our inspection and regulatory activity; the improvements we are making; how we involved and communicated with the public; and how we are delivering results by making the most of our resources.

The report does not present the comprehensive findings from our regulatory and inspection work during the year. These are found in the Annual Reports of Her Majesty's Chief Inspector, which Ofsted publishes to report on the state of education, children's services and skills in England. The most recent annual report, on early years, was published in April 2014 and is available from our website: www.ofsted.gov.uk.

Who we are and what we do

1. Ofsted is the Office for Standards in Education, Children's Services and Skills in England. We inspect and regulate to achieve excellence in the care of children and young people, and in education and skills for learners of all ages, thereby raising standards and improving lives.
2. Ofsted inspects the following services: maintained schools and academies; local authority arrangements to support school improvement; some independent schools; early years and childcare; children's centres; children's homes; family centres; adoption and fostering services and agencies; the Children and Family Court Advisory and Support Service (Cafcass); children's services in local authorities; initial teacher training; further education colleges and 14–19 provision; a wide range of work-based learning and skills training; adult and community learning; probation services; and education and training in prisons and other secure establishments.
3. 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 the required standards are not met, we take appropriate action to make sure that children are safe and well looked after.
4. Ofsted also investigates and reports on the quality of provision in National Curriculum subjects and aspects of social care, childcare, education, and learning and skills. We use our rights of access and our ability to make expert judgements on the effectiveness of services to provide unique evidence to local and national policy makers. We share the practice we find to ensure that those providing services can learn from what is working well and what is not. To make this information more accessible, we have a dedicated good practice section on our website that draws on the wide range of evidence we have available.
5. Over the past two years, Ofsted has been reforming the way it inspects and we have made it clear to institutions and providers that anything less than good is not good enough. The replacement of the 'satisfactory' and 'adequate' inspection grades with 'requires improvement' in schools and colleges has had an immediate impact and we anticipate that this impact will be replicated across the early years and social care remits. These measures will improve our ability to support, monitor and challenge providers to become good or better in as short a time as possible.
6. Ofsted has also been the host organisation for the Children's Rights Director. The role of the Children's Rights Director was 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. Legislation has now been introduced into Parliament to bring the work of the current Children's Commissioner and that of the Children's Rights Director together into a single children's rights organisation. The transfer of the function and associated funding from Ofsted to the reformed Office of the Children's Commissioner took place in April 2014.

Our structure

7. In January 2013, Ofsted moved to a new regional structure for managing and delivering inspection. The transition to the new structure was completed in 2014, with all of our HMI and regulatory inspectors now managed in regional teams.
8. There are eight regions in the new structure, each led by a Regional Director who reports directly to Her Majesty's Chief Inspector (HMCI) and is responsible for the quality of inspection and the improvement of providers in their region. Each Regional Director also has a national responsibility for one of our remit areas.
9. In addition to our directly employed HMI and regulatory inspectors, Ofsted contracts with five inspection service providers. Three of the inspection service providers are responsible for education and learning and skills inspections, while the remaining two are responsible for all routine early years inspection and regulatory activity. Regional Directors maintain oversight of the quality of all inspectors and inspections, including those carried out on Ofsted's behalf by additional inspectors working for the contracted providers.
10. To support this new structure, administrative, professional and technical staff have been reorganised into a single directorate under the Chief Operating Officer. Deputy Directors lead functional teams of skilled staff who provide high-quality inspection and corporate support from each of our main offices in London, Bristol, Nottingham and Manchester. Administrative staff also work in our other regional offices located in government buildings in Birmingham, Cambridge, and York.

Inspection and regulation

Schools

In 2013–14, Ofsted completed:

- 7,152 maintained school inspections
- 2,071 monitoring visits to schools judged as requires improvement
- 237 monitoring visits to schools judged to have serious weaknesses
- 1,249 'special measures' monitoring visits to maintained schools
- 17 new academy and 118 free school pre-registration visits two months prior to opening
- 114 first inspections of academies
- 13 inspections of service children's education schools.

In 2013–14:

- 99% of section 5 school inspection reports were published within the 15-day target
- 99% of schools judged to be inadequate (notice to improve) had their inspection reports published within the 25-day target
- 99% of schools judged to be inadequate (special measures or serious weakness) had their inspection reports published within the 28-day target
- 90% of schools agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

11. Ofsted inspects schools to provide information to parents and carers, to promote improvement and to hold schools to account. School inspections are required by law. We provide an independent assessment of the quality and standards of education in schools, and check whether pupils are achieving as much as they can.
12. Ofsted inspects all maintained schools and academies in England at least once every five years, apart from outstanding schools, which are only inspected if performance falls. We inspect weaker schools more frequently and monitor 'special measures' schools and schools judged as requires improvement to support their improvement. We inspect against an inspection framework and report on overall outcome, achievement of pupils, quality of teaching, behaviour and safety of pupils and leadership and management.

HMCI's Annual Report

13. The Annual Report for Schools was published in December 2013. It found that, despite changes to inspection, the number of schools judged good or outstanding had increased since the previous year. It also noted that there had been a positive response to the challenge of providing a good education for all, with over 90% of schools judged as requires improvement seen as making progress towards remedying weaknesses. The proportion of children attending good or outstanding primary schools had also increased

and the report highlighted that sponsor-led academies were delivering significant improvements in previously chronically underperforming schools.

14. However, the report also identified some areas of concern, including weaknesses in the teaching of mathematics and the standard of secondary school provision in a number of local authority areas. The report also highlighted the fact that White children from low income backgrounds were being left behind in comparison to poor children from other ethnic groups.
15. The report concluded that, while schools are performing better than in previous years, more needs to be done to improve standards. To that end, Ofsted continues to strengthen its inspection arrangements to tackle weaknesses in regional performance and the underachievement of children who are not reaching their full potential.

Inspection framework and guidance

16. Ofsted revised *The framework for school inspection* and supporting guidance in September 2013 and again in January 2014. These revisions were designed to support headteachers, staff, governors and stakeholders in their work to provide the best education for pupils. They provide greater clarity on improving inspection practice and promoting improvement in schools. The key changes:
 - place greater emphasis on raising progress and achievement of those for whom the pupil premium provides support and for the most able
 - ensure that inspectors do not advocate a particular method of teaching or show preference for a specific lesson structure
 - ensure that inspectors take into account pupils' views on behaviour and safety and their understanding of the importance of positive attitudes in school and in later adult life
 - focus on the headteacher's contribution to bringing about improvement and highlight where governance is weak and the school is not making efficient use of the pupil premium to raise standards
 - require two separate written judgements in inspection reports: one on behaviour, the other on safety - these will be stated separately in the report and weighted to determine a balanced, graded judgement on behaviour and safety overall.
17. In March 2014, Ofsted began a consultation on further changes to the framework for school inspection for implementation in September 2014. Proposed changes included the introduction of separate graded judgements on the quality of Nursery, Reception and post-16 provision in school inspection reports.
18. In addition, in March 2014, Ofsted announced plans to review its approach to education inspection (including schools and further education and skills providers) from September 2015. The revised inspection model will further increase the quality of inspections, with more inspections being carried out by HMI and more existing school leaders working for Ofsted. Proposals are at an early stage and further details will be announced in the summer of 2014. We will carry out a formal public consultation, involving all key stakeholders, in 2015.

Inspections of local authorities' arrangements to support school improvement

19. Ofsted inspects arrangements to support school improvement in selected local authorities each academic year. Inspections are determined by Regional Directors on the basis of local intelligence and analysis of data. Inspections may also take place following focused inspections of schools in a local authority area. These inspections provide insight into the effectiveness of the local authority and its role in school improvement based on the perceptions of headteachers. The outcomes of recent focused inspection events in Norfolk, the Isle of Wight and Suffolk resulted in inspections of those local authorities' arrangements to support school improvement.
20. In January 2014, the *Framework for the inspection of local authority arrangements for supporting school improvement* and the *Handbook for the inspection of local authority arrangements for supporting school improvement* were revised to include a greater focus on promoting school autonomy and school-to-school support, and championing excellence.

Complaints about schools

21. Ofsted has powers to investigate 'qualifying' complaints. A qualifying complaint is one that raises serious whole-school issues. Where a complaint does not qualify for investigation by Ofsted (for example, a complaint that concerns an individual pupil), we provide complainants with information about appropriate sources of help and advice.
22. In 2013–14, Ofsted received 5,494 complaints about schools, which included safeguarding concerns such as cyber-bullying, attempted suicides, actual suicides and self-harming. All safeguarding cases are passed to the appropriate statutory agency for investigation.
23. The majority of qualifying complaints concerned the leadership and management of a school and pupils' well-being. In 348 complaints, the information from the complaint was retained until the next scheduled school inspection so that the issues raised could be taken into account. On 58 occasions, Ofsted conducted an immediate inspection of a school as a result of a complaint.

Promoting improvement

24. Ofsted has conducted a series of events aimed at providing advice and support to schools and school leaders. By 31 March 2014, 1,998 schools had attended a 'getting to good' seminar out of a total of 2,771 schools judged as requires improvement (with a leadership and management grade of less than good). Overall, 90% of attendees completing evaluations rated the event as 'useful' or 'very useful' in identifying priorities for improvement. Seventeen school conferences took place during the year, four of which focused on improving governance. These began with a pilot conference in Norwich in January 2014.

Thematic inspection reports and good practice

25. In 2013–14, Ofsted published the following subject and thematic inspection reports relating to schools:
 - *Improving literacy in secondary schools: a shared responsibility* focused on secondary schools identified as effective in delivering cross-curricular improvement in literacy. The

report has been cited as a key good practice resource by a number of professional organisations.

- *Not yet good enough: personal, social, health and economic education in schools* evaluated the strengths and weaknesses of personal, social, health and economic education in primary and secondary schools in England.
- *The most able students: are they doing as well as they should in our non-selective secondary schools?* investigated why many of the brightest students who go to non-selective maintained secondary schools or academies fail to achieve their potential.
- *Going in the right direction? Careers guidance in schools from September 2012* evaluated access to independent and impartial careers guidance in schools and academies.
- *Religious education: realising the potential* identified barriers to better religious education and suggests ways the subject might be improved.
- *Citizenship consolidated? A survey of citizenship in schools between 2009 and 2012* evaluated the quality of citizenship education in primary and secondary schools.
- *Music in schools: what hubs must do* challenged all music education hubs to be bold in implementing the National Plan for Music Education.
- *Pupils missing out on education* examined the experiences of children and young people who are not in full-time education at school.
- *Maintaining curiosity: a survey into science education in schools* set out the findings of a new survey of science in 91 primary and 89 secondary schools, which was carried out between 2010 and 2013.

26. In June 2013, Ofsted published a report on disadvantage and educational achievement across England, *Unseen children: access and achievement 20 years on*. This report drew on test and examination data, inspection outcomes and published reports and research across our areas of responsibility. It outlined the current pattern of disadvantage and educational success across England, pointed to the lessons of recent policy initiatives and made proposals for tackling the issues identified.
27. In addition, in 2013–14, we published 21 good practice case studies for schools on our website. These included studies focusing on modern foreign languages, alternative education provision and curriculum, religious education and English. We now have a total of 122 good practice case studies for schools.

Independent schools

In 2013–14, Ofsted completed:

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

In 2013–14:

- 99% of independent school inspection reports were published within the 15-day target
- 95% of independent schools agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

28. All independent schools must be registered by the Department for Education (DfE), and they must meet a set of detailed regulations in order to remain registered. However, Ofsted does not inspect all independent schools. About half of them belong to independent school associations and are inspected by independent inspectorates such as the Independent Schools Inspectorate (ISI), the School Inspection Service (SIS) and the Bridge Schools Inspectorate (BSI). Ofsted inspects all of the rest, which we refer to as 'non-association' independent schools.
29. Ofsted inspects independent schools at the request of the DfE. We normally carry out inspections of educational provision in non-association independent schools on a three- or six-year cycle depending on how well the school performed at its last inspection. In independent boarding schools, the boarding provision is inspected every three years. Residential provision in residential special schools is inspected annually. We also conduct pre-registration inspections at the request of the DfE and conduct emergency inspections where concerns about schools are raised with the DfE.

Inspection framework

30. In December 2013, Ofsted launched a public consultation on proposals to revise the *Framework for inspecting non-association independent schools*. The proposals were also presented at seven national remit conferences held in November 2013, which were attended by a total of 362 schools.
31. Under the new framework, which came into effect in April 2014, the inspection judgements for independent schools are the same as those for maintained schools and academies. This means that information available to parents, carers and placing authorities will be clearer, more coherent and consistent, and a more straightforward comparison between schools is possible. In addition, the grade 'adequate' has been replaced with 'requires improvement'. This is intended to raise expectations of schools and encourage them to improve more quickly.

Initial teacher education

In 2013–14, Ofsted completed:

- 49 initial teacher education provider inspections
- three monitoring visits of initial teacher education providers.

In 2013–14:

- 100% of initial teacher education inspection reports were published within the 25-day target
- 83% of initial teacher education providers agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

32. The inspection of an initial teacher education (ITE) partnership provides an independent external evaluation of its effectiveness and a diagnosis of what it should do to improve. It is based on the range of evidence available to inspectors that they evaluate against a national framework.
33. The timing of the inspection and size of the team is based on the type of training offered, the size and complexity of the provision, and the risk assessment of the quality of the provision. If provision is deemed to require improvement or is found to be inadequate, another inspection will be scheduled to take place within 12 months.

Inspection framework

34. A 12-week online consultation based on proposed revisions to the framework ended in May 2014.
35. To improve the inspection of ITE further, we proposed changes to inspection arrangements and to the ITE framework and ITE inspection handbook, specifically to the judgements for overall effectiveness, outcomes for trainees, quality of training across the partnership, and leadership and management of the partnership.
36. We also want to reflect recent changes in the ITE landscape, including the introduction of the 2013 education and training qualifications and the 2014 professional standards for teachers and trainers in the further education sector, published in May 2014.
37. Also in May 2014, a report on the consultation and the revised ITE inspection handbook were published, and two dissemination conferences were held for the sector in London and Manchester. The first inspections under the revised framework will take place in June 2014.

Promoting improvement

38. We have conducted a range of engagement activities with ITE providers during the year. These have included 'getting to good' seminars for ITE and ITE in further education partnerships judged as requires improvement. There has been additional HMI support for ITE in further education partnerships judged as requires improvement.

39. In addition, eight national thematic conferences have been held with materials associated with these events being published on the Ofsted website.
40. Eight regional good practice workshops were delivered in March 2014. These linked to eight good practice case studies of ITE partnerships judged outstanding in 2012–13, which were published on our website in May 2014.

Further education and skills

In 2013–14, Ofsted completed:

- 152 college inspections
- 166 inspections of independent learning providers or employers offering apprenticeships and other vocational learning
- 41 inspections of publicly funded adult and community learning
- 59 inspections of judicial services, including inspections of education in adult and juvenile prisons, inspections of probation services, and inspections of immigration removal and detention centres
- 13 inspections of national careers services inspections
- nine inspections of Armed Services training establishments
- 149 monitoring visits to further education and skills providers judged as requires improvement
- 40 further education and skills reinspection monitoring visits.

In 2013–14:

- 95% of further education and skills inspection reports were published within the 25-day target
- 96% of further education and skills providers agreed or strongly agreed that, overall, they are satisfied with the way their inspections were carried out.

41. Ofsted inspects further education and skills to give information to providers, employers, learners and users, and to help promote improvement.
42. When we inspect a provider, inspectors look at the type of provision and different subject areas, and use a framework to guide them through the inspection. Inspectors will observe lessons and training, look at good practice and offer feedback to providers. We look at an organisation's self-assessment reports and other improvement planning to provide a starting point for inspectors.
43. Providers judged as requires improvement are reinspected within 12 to 18 months. Those judged to be good at their previous inspection may have up to six years between inspections. Outstanding providers are exempt from routine inspection, as long as they maintain high standards of performance. However, if we identify a drop in performance following our annual risk assessments, they may be inspected. Those judged as inadequate can expect a reinspection monitoring visit within six to eight months and a full reinspection within 12 to 15 months of the full inspection. New providers are inspected within three years of receiving their funding.

HMCI's Annual Report

44. Ofsted's Annual Report for Further Education and Skills was published in December 2013. The report provided an encouraging assessment of the improvements that had been made across the sector, with both the quality of teaching and learners' expectations showing

positive trends. We were also able to report that, across the whole further education and skills sector, 71% of providers were judged good or outstanding – an increase of 7% over the previous year.

45. However, the report also highlighted a number of concerns. We reported a lack of structure and accountability within the sector, and a lack of incentives to ensure that further education and skills provision adapts to local economic and social needs. We reported that apprenticeships continue to fail to meet their full potential and, as a result, young people are lacking the basic skills they need to make them employable. We also found that too many people from poorer backgrounds dropped out of education, employment or training, and that training and education in prisons was failing to support offenders into employment.

Common Inspection Framework for further education and skills

46. This year has seen the first full year of inspections under the revised Common Inspection Framework. Inspection guidance was updated in September 2013 to take account of a number of new programmes arising from government policy changes: 16–19 study programmes, traineeships and full-time provision in colleges for 14–16-year-olds. These programmes have been covered by inspections of all relevant providers since September 2013 (except for full-time provision in colleges for 14–16-year-olds, which has been covered by early monitoring visits).
47. For providers found to be inadequate since September 2013, Ofsted has carried out early and more frequent reinspection monitoring visits as set out in the government paper *Rigour and responsiveness in skills*. The Further Education Commissioner, appointed in November 2013, has taken forward a number of cases of intervention in colleges as a result of their being found to be inadequate by Ofsted.
48. Since March 2014, prisons judged as inadequate or requires improvement in learning and skills have been subject to improvement visits to help them improve their learning and skills and work activities to good. We also offer them other opportunities to improve, including invitations to improvement seminars where common issues are identified and good practice shared among the wider prison estate. This is set out in our publication *Support and challenge for prisons judged as inadequate or requires improvement*. To make the overall judgement on the learning and skills section of the prison report clearer, Ofsted introduced a grade for overall effectiveness of learning and skills in prison inspections from March 2014.
49. The framework for the inspection of residential accommodation in further education colleges will be revised from January 2015. The main proposals are: that the 'adequate' grade be changed to 'requires improvement'; that the grade descriptors should be made sharper; and that colleges with accommodation judged as requires improvement or inadequate will have it reinspected within two rather than three years.

Promoting improvement

50. Seminars and workshops focused on specific issues have been provided for providers judged satisfactory or as requires improvement to help them improve to good. These include 35 seminars and 20 conferences, including 11 nominee training events and two

Foundation Learning events, and one 'better governance' event for further education and skills providers.

Thematic inspection reports and good practice

51. In 2013–14, Ofsted published the further education and skills report *Lessons from the Foundation Learning provision for the new 16 to 19 Study Programmes*. The report looked at the effectiveness of the Foundation Learning provision in re-engaging young people and supporting their progression to further learning and/or employment.
52. Ofsted also undertakes joint action learning projects to identify and disseminate good practice. In 2013–14, we completed the following projects:
 - *Improving attendance and punctuality* – This project formed part of Ofsted's improvement activity in conjunction with the Association of Colleges' (AoC) professional engagement with the further education sector. It aimed to promote learning and improve performance through jointly agreeing a focus and pooling the experience of both Ofsted's inspectors and college practitioners.
 - *Good practice in land-based education and training* – This action learning project was undertaken jointly by Ofsted and Landex to identify and disseminate good practice in college-based teaching, learning and assessment in land-based education and training. Landex is a member-based organisation that promotes excellence in land-based education and training.
 - *Supporting young people to participate in education and training* – Working with AoC, this project reviewed the factors that help or hinder young people aged 16 to 18 living in London to participate in education, employment or training.
53. In addition, we published good practice case studies – in 2013–14 these included studies on work experience and the development of employability skills, and apprentice training. Our bank of good practice case studies held on our website now contains 143 for further education and skills.

Early childhood

In 2013–14, Ofsted completed:

- 15,937 inspections of early years childcare providers on the Early Years Register, of which 473 were reinspections of inadequate childcare providers to make sure they were making the required improvements
- 789 monitoring visits of early years childcare providers on the Early Years Register
- 1,593 inspections of childcare providers on the Childcare Register
- 584 inspections of children's centres; nine children's centres received an additional inspection after being found inadequate
- 7,431 registration visits to new childcare providers.

In 2013–14:

- 95% of our Early Years Register inspection reports were published within the 10-25-day targets
- 99% of our children's centre inspection reports were published within the 15-day target
- 90% of providers on the Early Years Register, 97% on the Childcare Register and 97% of children's centres agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

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

HMCI's Annual Report

57. Ofsted's Annual Report for Early Years was published in April 2014. The report highlighted that the quality of provision in the sector has been rising over the past four years, with 78% of providers on the Early Years Register now being rated as good or outstanding – the highest proportion since the register was established.

58. However, while there is evidence of better outcomes for children overall, the report noted that little more than a third of children from low income backgrounds reached a good level of development.
59. The report observed that the existing system for inspection and regulation does not do enough to recognise the importance of schools in the provision of early education and childcare. There are disincentives for schools to work with early years providers to raise the proportion of children who are well prepared to start school, and insufficient clarity about the preparedness of children for school. We reported a wide variation in the quality of information available locally and regionally to parents about early years providers. We also found that recent inspections of children's centres revealed it as a sector that is characterised by turbulence and volatility.
60. The report made a number of recommendations to address these issues by: making it easier for parents to compare quality of provision; establishing clear accountability for outcomes; providing schools with greater flexibility and incentives to support children in their early years; and clarifying the accountability of children's centres for outcomes. The report concluded that more should be done to stop children from low income families from falling behind.

Inspection framework

61. Following the consultation *A good early years provision for all*, launched in April 2013, Ofsted introduced a revised framework covering the inspection and regulation of registered early years provision in November 2013. Under this revised framework, the 'satisfactory' judgement was replaced with 'requires improvement' and providers graded as inadequate will be reinspected within six months rather than 12. If providers do not improve by the time they are re-inspected, their registration may be cancelled. Pre-schools and nurseries judged as requires improvement will have two years to get to good. Where they are judged as requires improvement at two consecutive inspections, they are likely to be judged inadequate if they have not improved by their third inspection.
62. Ofsted continues to monitor inadequate settings that require enforcement action, and under the revised framework we have introduced monitoring visits for inadequate provision that does not require enforcement.

Childminder agencies

63. In September 2014, Ofsted will introduce a new regulation and inspection framework for childminder agencies. The Children and Families Act allows for the creation of these agencies from September 2014. We ran a consultation on the inspection framework for childminder agencies between January and March 2014 and also carried out a number of pilot inspections with organisations that were trialling the agency model for the Department for Education. Once agencies begin operating, childminders will have a choice of registering with Ofsted or registering with an agency. Ofsted will be responsible for registering and inspecting the agencies and not the individual childminders who choose to join them, although we will still be responsible for the regulation of childminders who choose to register with Ofsted. We will publish the framework in the summer term 2014.

Concerns about early years providers

64. In 2013–14, Ofsted risk-assessed 11,874 concerns about providers, an increase on 2012–13 due, in part, to heightened safeguarding awareness following a number of high profile cases and associated media attention. Following risk assessment, we arranged 1,562 inspections to be completed within five days and 3,047 within 30 days. Four thousand, two hundred and fifteen cases remained with Ofsted for initial investigation – 2,510 were referred to the next inspection of the provider and 42 are yet to receive a risk assessment outcome.
65. Where providers are not able to meet the required standards or children are at risk of harm, Ofsted has the power to suspend or ultimately to cancel the provider's registration. In 2013–14, we took steps to cancel registration in 112 cases. In 713 cases, we took enforcement action such as issuing a welfare requirement notice. In a further 964 cases, we issued a notice to improve, setting out actions that the provider must complete to meet the requirements. In 1,055 cases, we either found the provider to be meeting the requirements or the provider resigned during the course of our investigation. The remaining 853 cases are still under investigation. As a result of our robust action to suspend and cancel provider's registrations, Ofsted also participated in 831 tribunal appeals.

Inspection of children's centres

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

Promoting improvement

68. Ofsted delivered 23 targeted seminars for the poorest performing local authorities between January and March 2014.

Thematic inspection reports and good practice

69. In July 2013, Ofsted published the early years thematic report *Getting it right first time: achieving and maintaining high-quality early years provision*. The report describes features of strong leadership and the ways in which leaders develop and sustain high-quality provision.
70. In addition, we published 10 good practice case studies, including one that linked to the thematic inspection report that focused on an outstanding nursery's development of well-

qualified and reflective practitioners. The bank of good practice case studies held on our website now contains 64 for early years.

Social care

In 2013–14, Ofsted completed:

- 4,026 inspections of children's homes, including 35 secure children's homes
- 92 adoption and fostering inspections, inspecting voluntary adoption and adoption support agencies, local authority fostering and adoption agencies and independent fostering agencies
- 197 residential special schools inspections
- 29 welfare inspections in independent boarding schools and 14 in maintained boarding schools
- four inspections of secure training centres
- 14 inspections of the welfare arrangements in further education colleges with residential provision
- 13 residential family centre inspections
- 23 inspections of child protection arrangements in local authorities
- five inspections of local authority children's services
- 237 registrations of children's social care providers and 93 newly registered children's homes inspections.

In 2013–14:

- 100% of safeguarding and looked after children inspection reports and 100% of reports for the unannounced inspections of contact, referral and assessment arrangements were published within the 25-day target
- 98% of social care providers agreed or strongly agreed that, overall, they were satisfied with the way their inspections were carried out.

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

HMCI's Annual Report

73. Ofsted's Annual Report for Social Care was published in October 2013. The report highlighted the impact that high-profile inquiries and reviews have had on the sector over recent years. The resulting reform programmes, greater public awareness and increased

workloads for local authorities all served to create a pressurised environment that has magnified the impact of weaknesses in some local authority areas.

74. The report pointed to the importance of effective cooperation between agencies responsible for addressing abuse and neglect. It also emphasised the significance of stable and effective leadership, together with a clear understanding of what constitutes good practice in delivering improvements.
75. The report concluded that Ofsted's priority is to set an ambitious standard for the lives of our most vulnerable children and young people, and reinforced the principle that only good is good enough in their care and protection.

Inspection of children's homes

76. In July 2013, Ofsted revised and re-published the *Inspection of children's homes* framework and evaluation schedule that had previously been implemented in April 2011 and subsequently amended in April 2012.
77. The two key changes to the framework were as follows.
 - Where a home is judged inadequate for overall effectiveness, it will not have an interim inspection to check on progress. Instead, it will have a full inspection within six to eight weeks. If, at the second full inspection, the home is judged inadequate for overall effectiveness, Ofsted will take robust action, which may include action to cancel registration.
 - Where a home does not have a Registered Manager for a period of more than 26 weeks, an inadequate judgement for leadership and management will be made.
78. Following on from these revisions, we have now completed a consultation on a new children's homes inspection framework that will be introduced from April 2014. The new framework builds on revisions introduced since 2011, since when we have moved away from focusing on the process and detail of regulation to look more holistically at children's experiences in the home.

Inspection of local authority children's services

79. A new inspection framework for services for children looked after, care leavers and those in need of help and protection was launched in November 2013. This followed extensive public and stakeholder consultation. The framework brings together into one inspection: child protection; services for looked after children and care leavers; and local authority fostering and adoption services.
80. The framework introduced the graded judgement of 'requires improvement', replacing the previous judgement of 'adequate'. In addition, the judgement structure has an overall effectiveness judgement, which is a cumulative judgement derived from:
 - the experiences and progress of children who need help and protection
 - the experiences and progress of children looked after and achieving permanence on (i) adoption performance and (ii) the experiences and progress of care leavers
 - leadership, management and governance.

81. Ofsted is also undertaking a separate review of the performance of the Local Safeguarding Children Board functions. The result of this review is included within a single inspection report with two overall effectiveness judgements: one for the local authority and one for the Local Safeguarding Children Board.

Multi-agency arrangements for the protection of children

82. Ofsted is committed to introducing multi-agency inspections from April 2015. Ofsted's single inspection framework will form the basis of these inspections around which the other inspectorates will evaluate and make judgements about the contribution of the agencies they inspect (health, probation and police). There will be a single report for the local authority, including a clear indication of the judgements made by the other inspectorates about the services they have inspected. We are proposing to inspect a sample of local authorities between April 2015 and the end of the three-year cycle of local authority children's services inspections (October 2016). We will be consulting on our proposals during summer 2014.

Adoption agencies and fostering services

83. A revised framework for the inspection of voluntary adoption agencies and independent fostering agencies was introduced in September 2013. The key changes included the introduction of the judgement of 'requires improvement', which replaced the judgement of 'adequate'. Inspections now also have a sharper focus on the experiences and progress of children and young people.

Secure training centres

84. Secure training centre (STC) inspections are carried out under a service level agreement between Ofsted, the Youth Justice Board and the Home Office. Each of the four STCs is inspected annually by Ofsted in collaboration with the Care Quality Commission (CQC) and HMI Prisons. A revised joint framework, evaluation schedule and inspection methodology was implemented in September 2012. In summer 2014, we will consult on the proposal to replace the current 'adequate' judgement with 'requires improvement'.

Residential family centres

85. New regulations and national minimum standards for residential family centres came into force in April 2013. Ofsted introduced our new inspection framework for residential family centres at the same time. However, we have yet to introduce the judgement of 'requires improvement' (replacing the judgement of 'adequate'). This will be consulted on in June 2014. This framework was introduced following discussions with the Department for Education on the underpinning government standards for residential family centres. The framework imposes more stringent standards than were previously required and provides a clearer focus on the most important aspects of practice for this small but critical sector.

Children and Family Court Advisory and Support Service (Cafcass)

86. Ofsted published a new inspection framework for Cafcass in December 2013. This focuses separately on Cafcass practice in both public family law care cases and private family law proceedings. The framework evaluates the effectiveness of both the national strategic leadership and governance of the organisation alongside an assessment of the effectiveness of the leadership and management of local services. There will be a single

annual inspection of Cafcass as a national organisation, which will focus on the impact of Cafcass on children's lives through the quality of its advice to the family courts. It will also explore the role of Cafcass in modernising and improving the effectiveness of the local and national family justice system.

Residential holiday schemes for disabled children

87. In April 2013, Ofsted consulted on our proposal to replace the 'adequate' judgement with 'requires improvement' and to use this as an opportunity to revisit the judgement structure to ensure that it properly and fully meets the needs of this specialist and unique sector. An interim inspection framework for residential holiday schemes for disabled children was published in August 2013. Currently, there are three such schemes operating, each of which are inspected annually.

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

88. In November 2013, part one of the Children and Young People's Act 2008 came into force. This gives local authorities powers to delegate their functions relating to looked after children and care leavers to external social work providers. Ofsted has a duty to register those providers, of which there are currently five. We achieve this through a light-touch registration process to test both their fitness to operate and their exercising of statutory functions delegated to the providers through the single inspection of the local authority.

Complaints about social care providers

89. Ofsted investigates concerns about the social care services we regulate to make sure they are meeting the required standards. Between April 2013 and March 2014, Ofsted:
- opened 1,432 cases as a result of concerns received about registered and unregistered social care providers – of these, 401 were deemed to have child protection concerns where we liaised with other agencies to ensure children and young people were safe
 - served 311 compliance notices, seven restriction of accommodation notices and six notices of proposal to cancel – we held six objection panels and closed seven homes to ensure that looked after children are safeguarded. While not every concern results in regulatory action, all concerns are reviewed by the compliance team to ensure that providers comply with regulations
 - held 272 case reviews following each inspection with an outcome of inadequate – the case reviews considered why the service received that outcome and determined what type of regulatory action was necessary.

Promoting improvement

90. Ofsted piloted three 'getting to good' events for social care providers in November 2013 covering: adoption, fostering and permanence; improved services for care leavers; and applying thresholds to help protect children.

Thematic inspection reports and good practice

91. In 2012–13, Ofsted published the following subject and thematic reports relating to social care:

- *Independent reviewing officers: taking up the challenge?* evaluated the effectiveness of independent reviewing officers in discharging their responsibilities towards looked after children.
 - *In the child's time: professional responses to neglect* explored the effectiveness of arrangements to safeguard children who experience neglect, with a particular focus on children aged 10 years and under.
92. In addition, we published good practice case studies. In 2013–14, these included studies on effective risk management in safeguarding and the support provided to looked after children and care leavers. The bank of good practice case studies held on our website now contains 45 for social care.

People engagement and development

Workforce

93. On 31 March 2014, Ofsted directly employed 1,274 (1,226.9 FTE) staff across England. This represents an increase in employed staff numbers compared with 1,253 (1,206.6 FTE) in 31 March 2013.
94. Ofsted's approach to its people is based on developing skilled and motivated staff who take pride in their work, find new ways of working and take responsibility for their actions. We recruit, train and promote according to ability to fulfil the requirements of the post. We are committed to the learning and development of all our people in order to improve our performance and so make more of a difference for the children and learners on whose behalf we work.

Recruitment practice

95. Ofsted's recruitment practice adheres to the Civil Service Commission's Recruitment Principles. These principles require appointments to be on merit on the basis of fair and open competition, but also include circumstances when appointments may otherwise be made.
96. Ofsted has a comprehensive recruitment policy and procedure that ensures fairness and consistency and that appointments are made on merit. Alongside the annual Recruitment Compliance Monitoring submission to the Cabinet Office, we also undertake regular external recruitment audits to provide assurance on our recruitment practice.
97. Since May 2010, there has been a civil service-wide 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 front-line and/or business critical roles with the specific approval of HMCI.
98. Ofsted carried out 39 external recruitment campaigns during 2013–14, including the recruitment of Regional Directors and Senior HMI alongside schools, further education and skills, early childhood and social care inspectors. It is important that Ofsted is able to appoint inspectors with relevant experience in the field and with the experience and credibility to support providers' improvement.
99. In order to recruit these inspectors, Ofsted has now launched 'always on' recruitment for education HMI and is in the process of rolling it out for other remits. 'Always on' enables us to continuously identify, engage and pre-select candidates to build pipelines of high-calibre inspectors to meet the future demands of each remit and region.
100. In addition, to enable Ofsted to increase the number of serving leaders undertaking and supporting inspection activity, we have introduced an associate inspector secondment pilot for headteachers across the London, the South East, North West, South West, and North East, Yorkshire and Humber regions. The majority of these secondments will be on a part-time basis, enabling the individuals to retain their headships and thus ensure that all parties benefit from the secondment. During the course of the coming year, a similar pilot will be rolled out across the social care and further education and skills remits.

Investors in People

101. In 2010, Ofsted was awarded Investor in People status, which demonstrated commitment to business improvement through people management and that best practice standards were met. In February 2014, we were re-assessed against the Investor in People Standard and retained our Silver status. We are continuing to use Investors in People as a measure of leadership and management in the organisation during the ongoing organisational changes.

Employee engagement

102. Employee engagement is a priority for Ofsted, reflecting the importance we attach to involving employees and listening to their views. We take part in the annual Civil Service People Survey as part of our commitment to continuously improve the way we manage and develop our people. The purpose of the survey is to seek views about working for Ofsted, identify levels of staff engagement and benchmark our performance against other civil service departments. Our overall response rate in the 2013 survey was 81%, which compares favourably with the Civil Service average of 59%, and our 2013 score on the Employee Engagement Index increased by 6% to 58% (52% in 2012). Despite this improvement, we recognise that there is still more to do. In 2013, Ofsted was 4% below the 62% benchmark score for high performing Civil Service organisations.

103. Ofsted has recently recruited 14 employees from across the organisation as 'National People Champions'. This group will work together as ambassadors for change to ensure we have an engaged workforce and to drive forward culture change. In addition, over the last year, a new leadership model was introduced, setting out the behaviours expected of all those in leadership positions. We will develop this model further in 2014 and cascade a leadership development programme throughout the organisation starting with the senior team.

Staff development

104. Ofsted works to attract and retain the right people through a range of learning and development programmes for all staff. It is important that the inspection workforce benefits from the recent experience of the very best practitioners. Ofsted has a well-established and successful programme of secondments of senior leaders from the schools, initial teacher education and children's services sectors. Support staff have access to a wide range of professional and personal development interventions available from central Civil Service Learning or internally commissioned and designed routes. Ofsted's learning and development strategy is central to continuously supporting improved individual and organisational performance.

105. Highly skilled, experienced and credible inspectors are the foundation of HMCI's ambitious agenda to improve education, learning and skills and the services provided to children and young people. Development has therefore focused on building on the skills and experience of current staff, alongside inducting the high calibre external candidates recently recruited into inspector roles in the organisation. During the past year, Ofsted has updated competency frameworks to support the focused performance and development of all inspectors. Ofsted continues to focus on providing high-quality training together with a robust programme of development for all inspectors that includes dedicated time for framework, skills and professional development.

106. Over the course of the year, there have been a number of centrally arranged inspector learning and development activities, including induction, orientation and training for new HMI, seconded associate inspectors, regulatory inspectors and inspection managers. Inspector development for all of the main remits across Ofsted has taken place in addition to specific skills and behavioural development. A tailored development programme for inspecting safeguarding is in progress for all inspectors. Close liaison with the inspection service providers enables some shared quality learning for all additional inspectors as well as our employed workforce. A detailed assessment and development programme for regulatory inspectors has also been delivered over the past year.

Equality and diversity

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

108. Ofsted has provided a wide range of equalities and diversity training throughout the year. We have used policy equality statements and ensured that they are integrated into policy development. Additionally, we have used our revised suite of human resources policies – which have all been equality impact assessed – to ensure more equitable working practices.

109. As at 31 March 2014, 9.4% of staff at Ofsted classified themselves as disabled; 9.4% were from Black and minority ethnic groups; 59.2% were female; and 3.5% classified themselves as lesbian, gay, bisexual or transgender.

110. In March 2014, Ofsted published its sixth annual employment report on our website. The report focuses on equal opportunities in employment and covers the period April 2012 to March 2013.

Health and safety reporting

111. Ofsted's Executive Board considers reports on health and safety incidents quarterly. In 2013–14, there were 36 reported incidents: one involved an employee being off work for over seven days, which was reported as a regulatory requirement to the Health and Safety Executive. This is a slight increase on the previous year, when there were 34 incidents with one reportable to the Health and Safety Executive.

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

- European Health and Safety Week – In 2013–14, the focus was on risk prevention. The week focused on preventing and managing work-related risks with the ultimate aim of reducing the number of work-related accidents and occupational illnesses. It began with a leaflet, poster and intranet advertising campaign across the Ofsted estate.
- Training – In 2013–14, the following training presentations were made available from Civil Service Learning: 'Well-being, resilience & stress' and 'Basic fire awareness for all staff'. A 'Safe Driving Plus' awareness training and assessment package is also available

and provides comprehensive e-learning and assessment tools to help Ofsted identify and minimise risks from driving.

- Property division health and safety training programme – During 2013–14, there were 26 Chartered Institute of Environmental Health training courses completed internally within the property division. These courses are designed to update, up-skill and maintain health and safety competency levels of the staff in the division.
- Ofsted safety standards – During 2013–14, the programme to review, update and create Ofsted safety standards continued. There are currently 33 safety standards available on the intranet.
- Inspection and personal risk assessment – In 2013–14, Ofsted carried out a review into the current processes and procedures. The review centred on the current system and the levels of risk in the various inspection-related activities and settings. The review also considered what changes were required to the management of health and safety to reflect the new organisational structure and ensure ongoing compliance. An action plan is in place to deal with the recommendations from this review.
- First aid – In 2013–14, automated electronic defibrillators were installed in all main sites across the Ofsted estate. All current qualified first aid staff received awareness training.
- Annual health and safety inspections – During 2013–14, the annual health and safety inspection was conducted at all the main Ofsted sites. Inspection reports were presented to the heads of sites and conveyed to the national health and safety committee.

Sickness absence

113. Ofsted monitors sickness absence regularly and produces monthly management information. Processes are in place to ensure that all absences are monitored and managed consistently across the organisation. This involves obtaining advice and support from occupational health specialists where this is appropriate. The attendance policy and procedure is broadly aligned with the model Civil Service employee policy documents, and a range of tools and guidance are available to help managers undertake their role in managing absence effectively, including training through Civil Service Learning and one-to-one support from the human resources casework and advice team.
114. The average number of working days lost (AWDL) per employee to sickness for the year was 6.0 (6.7 in 2012–13). This is lower than the latest Civil Service figure of 7.6 AWDL (*Analysis & Insight Quarterly Review*, Cabinet Office, March 2014) and lower than the overall public sector average of 8.7 (*Absence management: annual survey report 2013*, Chartered Institute of Personnel and Development, 2013).
115. Sickness absence statistics for 2013–14 show that the total working days lost were 7,288, of which 58.8% were lost to long-term sickness. This represents a reduction in Ofsted's figure from 2012–13, which was 8,476 working days.

Information access and engagement

Providing access to information and reports

116. Ofsted's website is one of our primary communication tools. Our main site, www.ofsted.gov.uk, receives over a million visits per month, with seasonal spikes of up to 2.2 million (January 2013) and around a million downloads of publications and reports per month.
117. Parent View and Learner View have continued to be well used. These sites allow parents and learners to share their views on schools and colleges. We plan to develop these sites further in 2014–15.
118. Our Data View has also been well used, with over 17,000 visits per month. Data View allows Ofsted inspection data to be viewed by region, local authority area and parliamentary constituency. In 2013, Data View underwent significant development. This included the addition of social care data alongside data for schools, further education and childcare providers, and new functionality to enable comparison of performance of providers in local authority areas with similar socio-economic characteristics. In October 2013, Data View was shortlisted from over 600 nominations for a Civil Service award for innovative delivery.

HMCI's Annual Report

119. HMCI's Annual Report 2012–13 was launched in December 2013. Building on the successful changes made to the report in the previous year, the 2012–13 edition included a commentary by HMCI together with separate reports on schools and further education and skills. In addition, for the first time, the report included eight regional reports highlighting disparities in performance of provision across the country.
120. HMCI's Annual Report was a significant media event, with appearances by HMCI in every major broadcast and print media outlet across an eight-day window before and after publication, including front-page coverage on launch day. As well as the overarching theme of the unlucky child, the event stimulated debate around new themes on different days of the week, including testing, behaviour, no-notice visits and unqualified teachers. The Annual Report also made an impact on social media, with almost 8,000 comments on Twitter. The new regional dimension to the Annual Report successfully reached a wide local audience, with Directors covering 39 radio and 14 TV appearances, along with extensive local print coverage.
121. In addition to the Annual Report, in October 2013 Ofsted published a Social Care Annual Report for the first time, which was launched with a speech by HMCI to a high-profile group of stakeholders. This event stimulated national media coverage and was well received by stakeholders and parliamentarians as a demonstration of the weight Ofsted gives to social care. A separate Early Years Annual Report was published in April 2014.
122. Ofsted has also continued to publish a programme of official statistics about inspection outcomes, together with the underlying data that enable users to carry out their own analysis if they wish. In 2013, Ofsted developed new tools to help improve access to the data we hold, including the School Data Dashboard and a regional performance tool.

These provide information on how children and young people perform in assessments and tests at different ages and, for the regional performance tool, in different regions.

Provision of information

123. Between 1 January 2013 and 31 December 2013, Ofsted received 742 Freedom of Information Act requests; 97% of these were responded to within the permitted timescales. Freedom of Information data are reported one quarter in arrears.

Parliamentary Questions

124. On occasion, MPs ask questions to which Ofsted is best placed to respond. We have an agreement with the Department for Education to provide a response within five working days so that the Department can meet its commitments to parliamentarians. In 2013–14, Ofsted received 58 requests for information in this way. Ninety-five per cent of responses were given within five working days and the average time taken to respond overall was three days.

Correspondence to Her Majesty's Chief Inspector

125. Any member of the public is free to raise a question or concern directly with HMCI. In 2013–14, HMCI's Private Office received and responded to 1,159 pieces of correspondence.

Customer service

126. Ofsted is committed to providing a high quality of customer service in all our interactions with the public and stakeholders. One aspect of our interaction with the public and stakeholders is the provision of a customer service centre. Our customer service centre received 393,992 calls and over 217,000 emails between April 2013 and March 2014. The service centre uses an interactive voice response system that fulfils elements of data protection and routes callers to the most appropriately skilled advisers. This service continues to evolve and is reviewed regularly to ensure that it meets customers' needs. We responded to 82% of emails within 24 hours and met our targets for customer satisfaction and for the quality of help given in response to enquiries.

127. In May 2013, Ofsted launched an online application process to enable early years providers to apply for registration to our Early Years and Childcare Registers, and to track their applications online. The system also makes it easier for potential applicants to assess their circumstances and decide whether they would be compliant with the requirements of registration prior to applying. The launch of the online system has proved a success; from February 2014, all of these applications are now received via the online application process.

Complaints about Ofsted

128. While Ofsted tries to ensure that all work goes well, we do receive some complaints. We manage these through a three-step process set out in our complaints procedure available on the Ofsted website. This policy was launched in April 2013 following a public consultation on changes to the procedures for handling complaints about our work.

129. In all cases, we encourage people to raise any issues as soon as possible directly with the individuals concerned so that they can be dealt with promptly. Our complaints process begins with this informal resolution, known as ‘Step 1’. Where concerns have not been resolved at Step 1, a formal complaint can be raised with Ofsted, known as ‘Step 2’. Where, following completion of Step 2, complainants remain dissatisfied, they can request a ‘Step 3’ internal review of how their complaint was handled.

130. If complainants are still dissatisfied after the Step 3 review, they may escalate their concerns to the external Independent Complaints Adjudication Service for Ofsted. The Adjudication Service is accountable to the Secretary of State for Education and is obliged to produce an annual report on its work. More information about the work of the Adjudication Service can be found at its website: www.ofstedadjudicationservice.co.uk.

131. In 2013–14, we dealt with 2,449 Step 2 complaints about Ofsted. In some cases, multiple complaints were received about the same inspection or regulatory activity, and the 2,449 complaints dealt with relate to 1,809 separate activities. This represents 4% of all inspection and regulatory activity undertaken in 2013–14. This compares to complaints about 3% of all such activity in 2012–13.

132. Details of the Step 2 complaints we dealt with are provided below:

Measure	Schools	Independent	ITE	Further education and skills	Early childhood	Social care	Total
Total number of activities complained about	475	18	1	21	1,197	97	1,809
Proportion of activities complained about	475/10,970 (4%)	18/582 (3%)	1/52 (2%)	21/629 (3%)	1,197/25,750 (5%)	97/5,898 (2%)	1,809/43,881 (4%)
Number of activities with aspects of a complaint upheld or partially upheld*	149/475 (31%)	2/18 (11%)	0/1 (0%)	6/21 (29%)	158/1,197 (13%)	50/97 (52%)	365/1,809 (20%)

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

133. As a result of all Step 2 complaints dealt with in 2013–14, 17 inspections were deemed flawed and 14 inspections had their overall judgements changed, representing just 0.04% and 0.03% of all activity, respectively.

134. In 2013–14, we dealt with 327 Step 3 internal reviews. This represents 13% of all Step 2 investigations in the period, a reduction from 16% of cases escalated to internal review in 2012–13.

135. Details of the Step 3 internal reviews we dealt with are provided below:

Measure	Schools	Independent	ITE	Further education and skills	Early childhood	Social care	Total
Total number of internal reviews	62	6	0	8	236	15	327
Number of internal reviews that were upheld/partially upheld*	14/62 (23%)	2/6 (33%)	n/a	3/8 (38%)	99/236 (42%)	6/15 (40%)	124/327 (38%)

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

136. As a result of all Step 3 internal reviews in 2013–14, 10 inspections were deemed flawed and 12 inspections had their overall judgements changed, representing just 0.02% and 0.03% of all activity, respectively.

137. In 2013–14, Ofsted responded to 42 reports by the Independent Complaints Adjudication Service for Ofsted. Details are provided below:

Measure	Schools	Independent	ITE	Further education and skills	Early childhood	Social care	Total
Adjudication Service responses	10	0	0	3	26	3	42

138. Ofsted monitors and evaluates the outcomes of complaints to ensure that any lessons learned inform organisational practice and performance. Learning from complaints is communicated to the inspection service providers who carry out many inspections, our own inspectors and their managers as part of Ofsted’s performance management system. The learning outcomes also inform training and development programmes for inspectors.

139. The Adjudication Service’s 2013 Annual Report commented positively that there had been a marked improvement in Ofsted’s complaints handling procedure and that Ofsted had maintained the high-quality service it was found to have provided in the Adjudication Service’s previous report. The report notes that the large majority of recommendations put forward by the Adjudication Service have been accepted outright by Ofsted and that this is indicative of a continued commitment by Ofsted to improve its service.

Complaints to the Parliamentary and Health Service Ombudsman

140. In 2013–14, one complaint case has been considered by the Parliamentary and Health Service Ombudsman. The Ombudsman did not uphold the complaint.

Sustainable development

Carbon emissions

141. The Greening Government Commitment (2011) requires a reduction in greenhouse gas/carbon dioxide emissions by 25% from a 2009–10 baseline from the whole estate and business-related transport.
142. Overall, we have reduced our emissions by 2% since 2011-12 from 2,468 tonnes to 2,410 tonnes. In this period energy related carbon dioxide emissions has reduced by 25% from 1,531 tonnes to 1,150 tonnes but this gain has been partly offset by an increase of 13% in business travel in 2013-14 (please see paragraph 145 for explanation of this increase).
143. Ofsted is required to publish sustainability data on carbon dioxide emissions on the following basis:

Scope 1	Emissions from sources owned by the organisation such as boilers, air conditioning units or vehicles. We do not produce any scope 1 emissions.
Scope 2	Emissions from sources owned by the organisation such as emissions consumed by the entity but supplied by another party such as electricity.
Scope 3	All other emissions. However, the disclosure requirements are limited to emissions relating to official business travel directly paid for by the organisation (not recharged by a contractor).

Energy

144. Property consolidation projects in 2012–13 and 2013–14 have continued to reduce the size of our estate. This, coupled with prudent energy management measures, has contributed to significant energy savings over this reporting period. These reductions come despite a reconfiguration in the way electricity is metered within our London office (Aviation House), which has increased our liability despite the space reduction exercises undertaken. The energy management measures have been particularly fruitful, highlighted by a significant reduction in gas consumption across the estate.

Scope 2 – Energy (indirect) emissions

Area	2011–12	2012–13	2013–14
Carbon dioxide emissions (tonnes)	1,531	1,272	1,150
Carbon Reduction Commitment-related expenditure (£)	2,240	3,372	3,372*
Electricity (Kwh)	2,486,912	2,003,627	2,026,916
Gas (Kwh)	1,108,308	1,081,737	922,111
Total energy consumption (Kwh)	3,595,220	3,032,687	2,949,027
Buildings energy consumption (Kwh)	3,595,220	3,032,687	2,949,027
Total energy expenditure (£)	305,856	270,137	254,591

*Estimated

Travel

145. Changes in the way Ofsted inspects has led to an increase in inspection travel. In particular, the focus on providers judged as requires improvement, shorter monitoring visits and more regular interventions, plus the move to regional delivery model with increased contact with stakeholders, has increased the number of journeys inspectors undertake.
146. We continue to encourage Ofsted staff to travel only when necessary and to use the most sustainable and cost-effective travel options available. In addition, staff are encouraged to hold meetings virtually, where this is feasible, as this has a positive impact on resource savings.

Scope 3 – Official business travel emissions

Area	2011–12	2012–13	2013–14
Business travel – train/tram/underground (miles)	2,017,638	3,100,949	3,113,219
Business travel – train carbon emissions (tonnes)	243	311	277
Business travel – train cost (£)	1,369,956	1,584,457	1,866,960
Business travel – air miles	87,916	113,690	127,049
Business travel – air carbon emissions (tonnes)	9	12	28
Business travel – air cost (£)	24,545	34,516	42,772
Business travel – private vehicle miles	2,069,861	1,678,391	1,870,487
Business travel – private vehicle carbon emissions (tonnes)	374	202	571
Business travel – private vehicle cost (£)	847,787	742,756	859,388
Business travel – hire car miles	1,462,850	1,165,876	1,803,551
Business travel – hire car carbon emissions (tonnes)	305	325	378
Business travel – hire car cost (£)	670,153	457,161	475,948
Business travel – taxi number of journeys	7,926	7,091	7,528
Business travel – taxi carbon emissions	6	5	6
Business travel – taxi cost (£)	79,547	76,013	81,210
Total carbon emissions from travel (tonnes)	937	855	1,260

Waste

147. This year has seen a decrease in the waste produced by the estate, including a significant reduction of 65% in residual office waste and a marked improvement in recycled waste. This has largely been achieved through improved waste segregation and supplier management.

Area	2011-12	2012-13	2013-14
Total waste (tonnes)	134	94	59
Recycled waste including composted waste (tonnes)	48	65	38
Incinerated waste energy recovery (tonnes)	7	11	5
Incinerated waste no energy recovery (tonnes)	0	1	0
Residual office waste (tonnes)	49	17	16
Information and communication technology waste (tonnes)	30	30*	30*
Total waste expenditure (£)	24,465	20,821	10,885

*Estimated

Use of finite resources

148. Seventy per cent of our office consumables are recycled or recyclable. We have taken action in offices to reduce water consumption and have ceased providing bottled water at conferences and meetings. Again, our water consumption has reduced significantly as we have reduced our office occupancy.

Area	2011-12	2012-13	2013-2014
Water consumption (m ³)	7,207	5,515	4,609
Water expenditure (£)	20,082	12,108	11,335

Biodiversity and adaption action plans

149. Our administrative functions are located in shared buildings and we have very little outside space. In one location we have a well-planted garden with a pond and in another the roof of the building is sedum and wastewater is collected and used.

Climate change

150. The risks posed by climate change will affect a number of our key areas of work, including the ability to carry out inspection. Business continuity work already underway will recognise and incorporate thinking on climate change issues, especially flooding and the impact on providers and inspection. By preparing for these issues in advance, we will help to reduce the likelihood of disruption and ensure the continued delivery of the key services we provide.

Sustainable procurement

151. We have an action plan in place to ensure that we achieve against the Procurement Flexible Framework. Work is ongoing with our major suppliers to review their sustainability action plans (as per contractual requirements). Suppliers will be pressured to supply more information to better enable us to evaluate the measures they are taking to meet standards and improve in these areas.

152. Most new procurements are via Government Procurement Service frameworks, which take account of sustainability issues when awarding contracts. Sustainability is also a consideration for all other procurement.

Estates and home working

153. Ofsted's estates strategies continue to be revised to enable the organisation to deliver its objectives and to optimise the use and the efficiency of the Ofsted estate. This continues to contribute towards the government's priority of reducing its property portfolio, related costs and carbon emissions.

154. Space rationalisation projects started in 2012–13 and completed throughout 2013–14 have continued to reduce our demand for office space across the estate. In Manchester in particular, our largest office has seen a reduction of 25% as we relocated all our functions across two floors and continued to adopt more flexible working environments. In London we continue to maximise our space by introducing innovative desking options to accommodate potential modest increases in staff numbers. In Nottingham and Bristol, which saw a decrease in office space of 36% and 18%, respectively, we continue to actively work with landlords and the Government Property Unit in transferring ownership of these spaces or providing short-term accommodation to other government departments.

155. Further efficiencies will start to be realised in 2014–15 as we start work to exercise lease breaks in Nottingham and Bristol.

Common areas of spend

156. 'Common areas of spend' measures the cost of back-office functions as a percentage of the total organisational running costs.

Function	Indicator	2012–13	2013–14
Finance	Cost of finance as a % of organisational running costs	1.82%	1.56%
Information technology	Cost of information technology as a % of organisational running costs	5.48%	5.34%
Human resources	Cost of human resources as a % of organisational running costs	3.26%	3.71%
Procurement	Cost of procurement as a % of organisational running costs	0.33%	0.66%
Procurement	Cost of procurement as % of total procured spend	0.62%	1.14%
Estates	Cost of estates per square metre	£628	£576
Communications	Cost of communications function as % of organisational running costs	1.28%	1.31%
Legal	Cost of legal services function as % of organisational running costs	0.62%	0.78%

Remuneration report

Ministers

157. Ofsted is a non-ministerial government department.

Appointment of non-executive Board members

158. The Education and Inspections Act 2006 established the Office for Standards in Education, Children's Services and Skills on 1 April 2007. The Act also established the Ofsted Board. The Secretary of State for Education oversees the recruitment of the Ofsted Board members in line with government guidelines. Board members are subject to a three-month notice period. Full details of the membership of the Board and their dates of appointment are provided in the Governance Statement.

Appointment of the Permanent Head of the Department and Directors

Service contracts

159. Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles. The Principles require appointments to be on merit on the basis of fair and open competition, but also include the circumstances when appointments may otherwise be made.

160. Full details of the membership of the Operations Executive Board and their dates of appointment are provided in the Governance Statement. Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

161. Further information about the work of the Civil Service Commission can be found at: <http://civilservicecommission.independent.gov.uk>.

162. Sir Michael Wilshaw was appointed as HMCI from 1 January 2012; this is a Crown appointment for an initial period of five years.

163. Unless otherwise stated, the Directors are all permanent senior civil servants.

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

Remuneration policy

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

166. Ofsted has established a Senior Civil Service (SCS) Pay Committee comprising HMCI, Directors and one non-executive Board member. This Committee decides on all annual pay and bonus awards for members of the SCS, as well as agreeing any changes to Ofsted's SCS pay strategy. John Roberts, a member of the Board and Chair of Ofsted's Audit and Risk Assurance Committee, served as the independent member on the SCS Pay Committee during 2013. 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.
167. Ofsted's approach to the performance assessment of staff within the SCS workforce has adhered to the criteria detailed in the Cabinet Office guidance on managing performance in the SCS. The assessment has therefore been based on whether objectives have been met, the demonstration of leadership behaviours, professional skills and the degree of difficulty in meeting the objectives in light of actual events.
168. The allocation of staff to particular performance groups was undertaken following a two-stage process. Initially, Directors differentiated and then ranked their SCS staff against the appropriate assessment criteria. Subsequently, Ofsted's SCS Pay Committee robustly challenged and validated the rank order and merged the agreed lists into the three performance distribution groups across Ofsted.
169. The final allocation therefore reflected how the job had been performed by each post holder, their overall track record and their growth in competence, as well as what had been achieved against individual performance agreements.

Remuneration (including salary) and pension entitlements

170. The following sections provide details of the remuneration and pension interests of the most senior management (that is, HMCI and Operations Executive Board members) within Ofsted. These disclosures have been subject to external audit.

Non-executive remuneration

171. During 2013–14, Baroness Sally Morgan of Huyton received a salary in the £70,000 to £75,000 band (2012–13: £45,000 to £50,000). The increase in remuneration resulted from a formal increase in time commitment, as approved by the Secretary of State for Education, to support the Chief Inspector in the wide ranging programme of inspection reform. All other non-executives received a salary in the £0 to 5,000 band (2012–13: £0 to £5,000).

Senior management remuneration (salary and payments in kind)

172. The salary entitlements of the most senior members of Ofsted for the year ending 31 March 2014 were as follows:

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Sir Michael Wilshaw, HMCI	195-200	195-200	-	-	-	-	-	-	195-200	195-200
Nick Jackson, Director (from 16 Sep 2013)	65-70 (120-125 FYE*)	-	-	-	-	-	-5	-	55-60	-
Matthew Coffey, Director	130-135	140-145	10-15	-	2,200	800	13	52	155-160	190-195
Michael Cladingbowl, Director	120-125	30-35 (120-125 FYE*)	-	-	-	-	118	66	235-240	95-100
Lorna Fitzjohn, Director	100-105	-	-	-	-	-	-19	-	80-85	-
Sean Harford, Director	115-120	-	10-15	-	-	-	72	-	195-200	-
Debbie Jones, Director (from 16 Sep 2013)	80-85 (150-155 FYE*)	-	-	-	-	-	-5	-	75-80	-
Louise Soden, Director	165-170	-	-	-	-	-	-	-	165-170	-
Nick Hudson, Director	135-140	-	-	-	-	-	53	-	185-190	-
Bradley Simmons, Director (from 2 Dec 2013)	30-35 (100-105 FYE*)	-	-	-	-	-	72	-	105-110	-
Joanne Morgan, Director (from 1 Mar 2014)	5-10 (100-105 FYE*)	-	-	-	-	-	-2	-	5-10	-
Lorraine Langham, Chief Operating Officer	165-170	140-145	10-15	10-15	-	-	185	84	365-370	235-240
Lesley-Anne Jones, Director (from 2 Sep 2013 to 10 Jan 2014)	50-55 (140-145 FYE*)	-	-	-	-	-	-	-	50-55	-
Susan Gregory, Director (to 31 Dec 2013)	90-95 (120-125 FYE*)	120-125	-	-	-	-	-17	-	70-75	120-125
Richard Brooks, Director (to 31 Aug 2013)	45-50 (110-115 FYE*)	110-115	-	-	-	-	14	-	55-60	150-155
Darryl Nunn, Director (to 30 June 2013)	30-35 (120-125 FYE*)	120-125	-	10-15	-	-	6	-	35-40	175-180
John Goldup, Director (to 7 April 2013)	0-5 (150-155 FYE*)	150-155	-	10-15	-	-	22	-	25-30	220-225

*Full year equivalent

173. 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.
174. In 2013–14, £92,075 was payable to Capita Resourcing Ltd for the services of Philip Mabe who held the position of Interim Director, Finance and Commercial for the period 17 June 2013 to 23 October 2013.
175. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. In 2013–14, £2,200 (2012–13: £800) benefits in kind were provided by Ofsted to Matthew Coffey, who received a salary advance to assist with relocation costs.

Pay multiples

176. Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and median remuneration of the organisation's workforce.
177. The banded remuneration for the highest paid director in Ofsted in the financial year 2013–14 was £195,000-£200,000 (2012–13: £195,000-£200,000). This was 5.13 times (2012–13: 5.35) the median remuneration of the workforce, which was £38,491 (2012–13: £36,942).
178. In 2013–14, zero (2012–13: zero) employees received remuneration in excess of the highest paid Director. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
179. Ofsted has introduced changes to the way it inspects across all remits and has recruited more inspectors to drive improvement. Ofsted has also continued to make better use of technology and develop leaner systems and processes to help reduce the number of support staff. The change in staff numbers has led to a higher salary median than in the previous year. The salary of the highest paid Director has remained the same so the ratio has reduced over the period.

Pension benefits

180. The pension entitlements of the most senior members of Ofsted for the year ending 31 March 2014 were as follows (please see Appendix A for an explanation of some of the terms used in the table headings):

	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sir Michael Wilshaw, HMCI	-	-	-	-	-	-
Nick Jackson, Director (from 16 Sep 2013)	10-15	0-2.5	127	129	-3	-
Matthew Coffey, Director	20-25 Plus lump sum of 70-75	0-2.5 Plus lump sum of 2.5-5	372	339	6	-
Michael Cladingbowl, Director	40-45 Plus lump sum of 120-125	5-7.5 Plus lump sum of 15-17.5	824	676	101	-
Lorna Fitzjohn, Director	30-35 Plus lump sum of 90-95	-2.5-0 Plus lump sum of -2.5-0	646	622	-18	-
Sean Harford, Director	35-40	2.5-5	502	422	47	-
Debbie Jones, Director (from 16 Sep 2013)	0-5	0-2.5	25	25	-5	-
Louise Soden, Director	-	-	-	-	-	-
Nick Hudson, Director	0-5	2.5-5	50	9	29	-
Bradley Simmons, Director (from 2 Dec 2013)	35-40	2.5-5	552	489	56	-
Joanne Morgan, Director (from 1 Mar 2014)	0-5	0-2.5	22	22	-1	-
Lorraine Langham, Chief Operating Officer	65-70	7.5-10	1,007	815	135	-
Lesley-Anne Jones, Director (from 2 Sep 2013 to 10 Jan 2014)	-	-	-	-	-	-
Susan Gregory, Director (to 31 Dec 2013)	70-75	0-2.5	1,446	1,445	-7	-
Richard Brooks, Director (to 31 Aug 2013)	10-15	0-2.5	116	106	7	-
Darryl Nunn, Director (to 30 June 2013)	15-20	0-2.5	297	275	10	-
John Goldup, Director (to 7 April 2013)	15-20	0-2.5	252	222	24	-

Compensation for loss of office

181. A payment of £75,000 was made to John Goldup for compensation for loss of office in 2013–14 (2012–13 nil).

Sir Michael Wilshaw:

Date: 6 June 2014

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

Financial performance

182. Ofsted's budget has reduced over four years from £200 million in 2010–11 to £170 million in 2013–14. It will reduce further in 2014–15 and by 2015–16 may reduce to £146 million. Making savings on this scale will be challenging and work is underway to develop plans to enable Ofsted to deliver against its statutory requirements and be able to operate within its future funding allocation.
183. In 2013–14, the total net request for resources approved in the Main Estimate was £170.8 million. As part of the Supplementary Estimate Process, the total net request for resources reduced by £1.0 million to £169.8 million as a result of Ofsted's use of the Budget Exchange Scheme. Budget Exchange was used to transfer £1.0 million of planned savings into 2014–15 to enable continued improvement across all inspection remits. During the Supplementary Estimate Process, a virement was made from within the existing resource level to adjust the capital allocation. This amendment was required to support the continued delivery of Ofsted's priorities. Copies of the Estimate are available on the HM Treasury section of the GOV.UK website: www.gov.uk/government/organisations/hm-treasury.
184. Ofsted's net resource outturn was £160.9 million, meaning that Ofsted realised savings of £8.9 million. The most significant factor contributing to the savings was ring-fenced depreciation where the actual depreciation was £3.3 million less than the Parliamentary Estimate. Other contributing factors include savings in staff costs, investment projects, inspection service provider (ISP) contracts and lower than expected costs in terms of provisions utilisation.
185. Ofsted's net request for resources approved by Parliament for 2013–14 of £170.8 million was £1.7 million lower than the net request for resources approved for 2012–13 (£172.5 million).
186. Ofsted's agreed limit for its administration costs reduced by £2.5 million (11%) from £22.7 million in 2012–13 to £20.2 million in 2013–14. Actual expenditure in 2013–14 against this limit was £16.7 million, a saving of £3.5 million. Ofsted is continuing to drive down administration costs to meet spending review targets.
187. The net cash requirement outturn for 2013–14 was £166.6 million compared with an estimate of £168.4 million, a saving of £1.8 million. Cash resources are proactively managed and monitored to ensure no breach of financial targets.
188. 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.

	2013–14	2012–13
	£'000	£'000
Departmental expenditure limit		
- Resource	161,308	157,753
- Capital	4,302	905
Annually managed expenditure		
- Resource	(4,703)	(755)
- Capital	–	–
Total budget	160,907	157,903

189. In accordance with International Financial Reporting Standard 8 (IFRS 8), Departments are required to identify and report against operating segments. Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess its performance. Ofsted has three operating segments: inspection, inspection support and corporate costs. A breakdown of performance by operating segments can be found in Note 2 of the Annual Accounts. This is a change to how Ofsted reported operating segments in 2012–13, as it was felt that the revised segments better reflected internal reporting and ensured greater consistency with IFRS8. The comparator figures for 2012–13 have been restated to reflect this.
190. Ofsted has contingent liabilities in relation to the redundancy cap in one of the inspection service provider contracts (£0.7 million), and in relation to its obligations to fund its share of the deficits in two local government pension schemes. Further information can be found in Notes 19 and 23 of the Annual Accounts. The impact on pension arrangements following the review of outsourced school and further education inspection will need to be assessed.

Going concern

191. The statement of financial position at 31 March 2014 shows net liabilities of £10.2 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.
192. Ofsted's funding for 2014–15 has been agreed by Parliament as part of the Main Estimate process. HMCI has set out an ambitious agenda to improve education, learning and skills and the social care services provided to children and young people. This has involved reforming the way Ofsted inspects to make it clear that only good is good enough. HMCI is determined that Ofsted should do more to challenge the education system and help improve standards in education and care for children, young people and learners.
193. To help meet HMCI's agenda additional funding for 2014–15, the Department for Education has been agreed to support the reform of the way Ofsted inspects and help improve standards. This additional funding will be transferred as part of the Supplementary Estimate process.

Risk and uncertainties

194. Ofsted faces a range of strategic, operational, financial and external risks. The principal risks facing Ofsted are captured on the strategic risk register and action is taken wherever possible to mitigate these risks. The Governance Statement demonstrates Ofsted's capacity to handle these risks.
195. 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. The Executive Board approved the 2014–15 budget on 24 February 2014 subject to the agreement of the additional funding from the Department for Education for our reform of inspection. There is no guarantee that this additional funding will be agreed beyond 2014–15 and, as a result, further budget reductions are required by 2015–16 and beyond. This will present a significant operational challenge to Ofsted, but work is underway to develop the plans that will enable Ofsted to further reduce costs to be able to operate within its future funding allocation.

Payment of suppliers

196. Standard payment terms for government departments are payment of invoices within 30 days of receipt. For the period ending 31 March 2014, Ofsted made 97% (2012–13: 98%) of all payments within this timeframe. Ofsted aims to pay all undisputed invoices from all suppliers within 10 days of receipt of goods/services or receipt of a valid invoice, whichever is later. For the year ended 31 March 2014, 86% (2012–13: 84%) of all our payments were paid within this 10-day target. In addition, government departments are also now expected to aim to pay 80% of all undisputed invoices within five days. For the year ended 31 March 2014, Ofsted paid 72.5% of all undisputed invoices within five days (2012–13: 60.5%).
197. Ofsted's commitment to ensuring prompt payment of all suppliers has been supported by the implementation of an automated procurement to pay (P2P) system. The P2P system has resulted in improved financial control and procurement benefits. System and process compliance by users and suppliers has led to improved payment terms to suppliers.
198. For the financial year beginning 1 April 2014, Ofsted will continue to use and abide by the same policy of paying all suppliers within 10 days of receipt of goods/services or receipt of a valid invoice, whichever is the later, and will also continue to monitor against the 30-day standard. This policy can be found on the National Archives website under the heading 'Guidance on Transparency': <http://webarchive.nationalarchives.gov.uk/20110822131357/http://www.cabinetoffice.gov.uk/resource-library/guidance-transparency>. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1988.
199. The aggregate amount owed to trade creditors at 31 March 2014 compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year, is equal to 0.3 days (31 March 2013: 0.7 days).

Monitoring of consultancy and temporary staff

200. Ofsted has a framework in place for procuring new agency temporary staff and contractors.

	2013–14 £'000
Total consultancy expenditure	83
Total temporary staff expenditure	5,657

Off-payroll engagements

201. As part of the *Review of the tax arrangements of public sector appointees*, published by the Chief Secretary to the Treasury on 23 May 2012, Departments are required to publish information in relation to the number of off-payroll engagements, at a cost of over £58,200 per annum, that were in place on or after 31 January 2012.
202. There were eight off-payroll engagements at a cost of over £58,200 per annum in place between 1 April 2013 and 31 March 2014. This includes two that were in place from the previous reporting period, and six new engagements for more than £220 per day and more than six months as detailed in the table below.

No. of new engagements	6
of which	
No. of new engagements that include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations	6
of which	
No. for whom assurance has been requested and received	0
No. for whom assurance has been requested but not received	0
No. that have been terminated as a result of assurance not being received	0
Total	6

Number of senior civil servants by pay band

203. As part of a government-wide transparency drive, Ofsted has released details about the salaries of top band senior civil servants. These figures have been in accordance with Cabinet Office guidance. Further details can be found on the Ofsted website under the heading [Disclosure organograms and senior salaries](#) or at <http://data.gov.uk/organogram/ofsted>.

	1 April 2013	31 March 2014
SCS Band 1	22	23
SCS Band 2	7	4
Permanent Secretary Equivalent	1	1

Pension liabilities

204. 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.
205. During the transfer of staff to Ofsted from local authorities in 2001 and from the children's part of the Commission for Social Care Inspection in 2007 as the remit of Ofsted expanded, there were some staff who elected to remain in their existing local government pension schemes. Ofsted pays annual pension contributions to these local government schemes and reports any associated assets or liabilities under IAS19.

Auditor

206. 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 and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General.
207. As far as the Accounting Officer is aware, there is no relevant audit information of which Ofsted's auditors are unaware. The Accounting Officer has taken all the necessary steps to make himself aware of any relevant audit information, and to ensure that the auditors have also been provided with this information.
208. A notional fee of £68,000 has been charged for the audit (2012–13: £72,000).

Core tables

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

	£'000						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS
Resource DEL							
Administration and Inspection	199,576	177,762	170,856	157,148	161,308	145,941	143,177
n/a	-	-	-	-	-	-	-
Total Resource DEL	199,576	177,762	170,856	157,148	161,308	145,941	143,177
<i>Of which:</i>							
Staff costs	114,436	92,865	77,994	78,395	80,768	76,919	76,885
Purchase of goods and services	93,576	97,366	105,416	92,291	93,381	79,128	79,220
Income from sales of goods and services	-15,026	-14,569	-13,399	-14,091	-13,894	-14,500	-14,500
Depreciation 1	3,659	2,016	767	474	978	4,326	1,500
Other resource	2,931	84	78	79	75	68	72
Resource AME							
Activities to Support All Functions	1,755	3,505	-6,218	-755	-4,703	-1,135	-
Total Resource AME	1,755	3,505	-6,218	-755	-4,703	-1,135	-
<i>Of which:</i>							
Take up of provisions	10,316	3,505	1,139	3,960	-701	265	-
Release of provision	-8,561	-	-7,357	-4,715	-4,002	-1,400	-
Total Resource Budget	201,331	181,267	164,638	156,393	156,605	144,806	143,177
<i>Of which:</i>							
Capital DEL							
Administration and Inspection	1,366	37	173	905	4,302	1,500	-
Total Capital DEL	1,366	37	173	905	4,302	1,500	-
<i>Of which:</i>							
Purchase of assets	1,366	37	173	905	4,302	1,500	-
Total Capital Budget	1,366	37	173	905	4,302	1,500	-
Total departmental spending ³	199,038	179,288	164,044	156,824	159,929	141,980	141,677
<i>Of which:</i>							
Total DEL	197,283	175,783	170,262	157,579	164,632	143,115	141,677
Total AME	1,755	3,505	-6,218	-755	-4,703	-1,135	-

¹ Includes impairments

² Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

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

Table 2: Estimate to outturn 2013-14

	£'000							
	2013-14		2013-14		2013-14		2013-14	
	Original Plans		Adjusted Plans†		Final Plans		Outturn	
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure	173,782	-	173,782	-	168,182	4,600	161,308	4,302
<i>Of which:</i>								
Administration and Inspection	173,782	-	173,782	-	168,182	4,600	161,308	4,302
Total Spending in DEL	173,782	-	173,782	-	168,182	4,600	161,308	4,302
Spending in Annually Managed Expenditure (AME)								
Voted expenditure	-3,000	-	-3,000	-	-3,000	-	-4,703	-
<i>Of which:</i>								
Activities to Support All Functions	-3,000	-	-3,000	-	-3,000	-	-4,703	-
Total Spending in AME	-3,000	-	-3,000	-	-3,000	-	-4,703	-
Total	170,782	-	170,782	-	165,182	4,600	156,605	-
<i>Of which:</i>								
Voted expenditure	170,782	-	170,782	-	165,182	4,600	156,605	4,302

† Figures for Adjusted Plans have been adjusted for machinery of government changes effected during 2013 to reflect the Final Plans structure where applicable

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

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

	£'000						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
Assets and liabilities on the statement of financial position at the end of year:							
Assets							
Non-current assets	3,997	2,019	1,425	1,848	5,155	5,003	3,148
Intangible	3,339	1,743	1,267	1,746	3,186	3,472	2,357
Property, plant and equipment	658	276	158	102	1,969	1,531	791
<i>of which:</i>							
Land and buildings	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-
Equipment	658	276	158	102	1,969	1,531	791
Software licences	3,339	1,743	1,425	1,746	3,186	3,472	2,357
Current assets	7,633	6,517	8,507	14,319	11,686	10,061	10,061
Liabilities							
Current (<1 year)	-17,955	-20,983	-25,325	-23,966	-19,888	-21,049	-21,049
Non-current (>1 year)	-1,392	-469	-1,365	-841	-117	-59	-
Provisions	-21,743	-18,698	-12,480	-11,725	-7,022	-4,419	-2,746
Total capital employed in Department	-29,460	-31,614	-29,238	-20,365 ^F	-10,186	-10,463	-10,586

The value of non-current assets increased significantly between 2012-13 and 2013-14 due to investment in Information Technology related hardware and software in 2013-14. In the same timeframe current assets and current liabilities reduced mainly due to a reduction in the level of cash held at the bank. Provisions also reduced, this is mainly to utilisation of provisions created in the previous year for voluntary exit schemes.

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

	£'000						
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS
Resource DEL							
Administration and Inspection	28,017	21,424	18,075	16,427	16,693	18,765	18,900
Total administration budget	28,017	21,424	18,075	16,427	16,693	18,765	18,900
<i>Of which:</i>							
Staff costs	13,413	11,982	10,757	10,222 ^F	10,553	-	-
Purchase of goods and services	14,035	9,383	7,240	6,047 ^F	5,905	18,697	18,828
Income from sales of goods and services	-83	-25	-	-	-	-	-
Depreciation	549	-	-	85 ^F	167	-	-
Other resource	103	84	78	73	68	68	72

Table 5: Staff in post 2010-11 to 2013-14

	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn
Civil service full time equivalents	1446	1395	1207	1227
Consultants and contingent labour	46	10	11	90
Total	1492	1405	1218	1317

Table 6: Total identifiable expenditure on services by country and region 2008-09 to 2012-13

	£ million				
	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn
North East	11	9	8	7	6
North West	28	25	23	20	19
Yorkshire and the Humber	21	18	17	15	14
East Midlands	18	17	15	14	13
West Midlands	22	19	17	15	14
East	23	22	20	20	18
London	26	29	26	30	29
South East	31	34	31	33	30
South West	20	20	18	17	16
Total England	198	195	176	171	158
Scotland	0	0	0	0	0
Wales	0	0	0	0	0
Northern Ireland	0	0	0	0	0
UK identifiable expenditure	198	195	176	171	158
Outside UK	0	0	0	0	0
Total identifiable expenditure	198	195	176	171	158
Non-identifiable expenditure	0	0	0	0	0
Total expenditure on services	198	195	176	171	158

Table 7: Total identifiable expenditure on services by country and region, per head 2008-09 to 2012-13

	£ per head				
	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn
North East	4	3	3	3	2
North West	4	4	3	3	3
Yorkshire and the Humber	4	3	3	3	3
East Midlands	4	4	3	3	3
West Midlands	4	4	3	3	2
East	4	4	3	3	3
London	3	4	3	4	3
South East	4	4	4	4	3
South West	4	4	3	3	3
England	4	4	3	3	3
Scotland	0	0	0	0	0
Wales	0	0	0	0	0
Northern Ireland	0	0	0	0	0
UK identifiable expenditure	3	3	3	3	2

Table 8: Expenditure on services by sub-function, country and region 2012-13

	£ million
	2012-13 outturn
	Education
North East	6
North West	19
Yorkshire and The Humber	14
East Midlands	13
West Midlands	14
East	18
London	29
South East	30
South West	16
Total Education	158
England	158
Scotland	-
Wales	-
Northern Ireland	-
UK Identifiable expenditure	158
OUTSIDE UK	-
Total Identifiable expenditure	158
Not Identifiable	-
Totals	158

Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

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

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013.

The data feature both identifiable and non-identifiable spending:

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

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

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

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

Statement of Accounting Officer's responsibilities

Under the Government and Resources Act 2000, Her Majesty's Chief Inspector (HMCI) has directed Ofsted to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by Ofsted during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofsted and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

HM Treasury has appointed HMCI as Accounting Officer of Ofsted. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Ofsted's assets, are set out in *Managing Public Money*, published by the HM Treasury.

Governance Statement

Scope of responsibility

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

Governance structure

Ofsted Board

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

Ofsted committees

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

216. The current committees of the Board are as follows with membership and attendance provided in Appendix B:

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

Audit and Risk Assurance Committee

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

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

219. The Audit and Risk Assurance Committee meets regularly during the year aligned to the financial reporting timetable. During 2013–14, it met on five occasions and reviewed the following formal reports:

- Audit and Risk Assurance Committee Annual Report
- Annual Internal Audit Report and Opinion
- Annual Information Risk Assessment
- Annual Report and Accounts including the Governance Statement
- External Audit Annual Planning and Audit Completion Reports.

220. During 2013–14, the Committee has continued to focus on strengthening risk management by helping to shape the development of the strategic risk register review. The Committee has further developed the Assurance Framework, including a detailed exercise on assurance mapping to support production of the interim governance statement.

221. The Committee identified the requirement to discuss the 2014–15 internal audit plan at an earlier stage than previous years. The Committee worked closely with our internal auditors to prepare and agree the 2014–15 plan, taking into consideration the outcome of the 2013–14 internal audit work, the strategic risk register and views and comments from Operations Executive Board members.

222. In March 2014, the Committee undertook a self-assessment to evaluate its effectiveness by taking into account a workshop facilitated by the National Audit Office and updated guidance from HM Treasury's Committee handbook. Overall, the evaluation demonstrated that the Committee was operating effectively and identified some examples of best practice, all of which have been adopted. These include:

- a more specific focus on what is included on the agenda in terms of items for agreement, discussion and information
- ensuring that the agenda includes an item for feedback from Committee members and attendees on good practice observed and on conferences/events that they have attended

- ensuring that the agenda includes a Committee forward look that includes updates and additions around current issues
- periodically inviting the Directors/Regional Directors to meetings to present papers and provide updates on their areas of responsibility.

223. In April 2013 HM Treasury published an updated *Audit and Risk Assurance Committee handbook*, replacing the 2007 *Audit Committee handbook*.

224. The Committee have reviewed the Handbook to ensure that they are aware of all its requirements and that they operate in accordance with them. The following changes were considered during the self-assessment process in March 2014:

- a change in name to Audit and Risk Assurance Committee highlights the committee's important role in relation to risk assurance
- the Chair meets regularly with key attendees (e.g. Accounting Officer, Finance Director, Head of Internal Audit and the External Auditor)
- all members should understand training requirements and how training will be provided.

Commissioning Assurance and Quality Committee

225. Established in 2013–14, the Commissioning Assurance and Quality Committee is an independent Committee of the Ofsted Board, which advises both HMCI as Accounting Officer and the Ofsted Board. The Commissioning Assurance and Quality Committee will engage directly with those responsible for commissioning services from the inspection service providers and the associated contract management.

226. The Commissioning Assurance and Quality Committee's function is to provide non-executive assurance to the Ofsted Board on the management of risk, performance, quality and future strategic direction relating to the inspection service provider contracts.

227. The Commissioning Assurance and Quality Committee meets quarterly. The Chair of the Committee may convene additional meetings, as they deem necessary. HMCI or the Ofsted Board may, in exceptional circumstances, ask the Committee to meet to consider any matter of relevant business. During 2013–14, the Committee met on two occasions.

The Chair's Committee

228. The Chair's Committee is responsible for the performance framework; annual assessment of HMCI; the framework for evaluating Board performance; and Board learning and development. In addition, it offers advice to the Secretary of State for Education on the appointment of Board members.

Executive Boards

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

230. The high-level governance structure has been kept under review throughout the financial year to ensure that it remains effective during this period of significant organisational change and transition to the new regional structure.

Operations Executive Board

231. The Operations Executive Board is responsible for overseeing significant operational change and business as usual activity, scrutinising monthly finance, performance and risk reports and commissioning strategic work for consideration by HMCI to ensure that Ofsted's needs in the medium and longer terms are identified and met.
232. The Operations Executive Board's function is to advise HMCI in decision-making and support him in the strategic and operational management of Ofsted. The Operations Executive Board approves all the following organisational plans, including the people strategy and workforce plan, annual learning and development plan, annual equalities statement and plan, communications strategy, accommodation strategy, environment policy, equality policy and health and safety policy.
233. The Operations Executive Board regularly reviews the operational performance of Ofsted, including the annual Corporate Plan and targets, Ofsted's Departmental Plan, the annual budget, the medium term financial plan, The Annual Report and Accounts (including the Governance Statement), all accounting and management control policies and practices, major contracts and investments, the appointment of auditors, changes to staff terms and conditions, and the management and mitigation of risks.
234. Individual members of the Operations Executive Board have specific and clearly defined responsibilities, but act corporately and collectively to ensure the achievement of the priorities set out in the Strategic Plan and the objectives in Ofsted's Corporate Plan.

Inspection and Improvement Forum

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

Committees of the Board

237. The formal governance structure of Ofsted is supported by a number of other groups that contribute to the formulation, steering and dissemination of policy and ensure the general

consistency and quality of Ofsted's work. A full list of these groups is provided in Appendix B.

Declaration of interest

238. Ofsted maintains a register of interests to ensure that potential conflicts of interest can be identified. Ofsted Board members and members of its sub-committees are required to declare any potential conflicts of interest on appointment and on an annual basis. The Register of Interests is open to the public. Written requests for information should be addressed to Ofsted's corporate governance team.
239. Where potential conflicts of interests are identified, Board members take no part in any discussions and are not involved in any decisions that relate to those interests.
240. During 2013–14, one Board member declared that they had been appointed to the governing body of an academy chain and another had been appointed to sit on the council of a university.

Effectiveness of the Corporate Governance Framework

241. In June 2013, Ofsted Board members considered the Corporate Governance Framework's performance against the standards set out in the [Corporate Governance Code in Central Government Departments](#). This evaluation used the framework agreed by the Chair's Committee. Covering five main areas – Board role, Board mechanics, Board capability, Board dynamics and Board engagement – the evaluation demonstrated that the Ofsted Board was working effectively and there were no departures from the code.
242. In December 2013, the Ofsted Board reviewed the revised Corporate Governance Framework. The revisions presented to the Board took into account the organisational changes that came into effect in January 2014 and the changes in the revised Scheme of Delegated Authority that was updated in November 2013. The revised document was published on the Ofsted website in January 2014. In December 2013, the regional governance audit took place, which was to provide an independent assessment on the design and effectiveness of the governance framework established to direct and control Ofsted's new regional structure. This was given 'substantial assurance' with two low recommendations.

The assessment of risk

243. A function of Ofsted's governance structure is to ensure the effective management of risk. The Audit and Risk Assurance Committee supports the Ofsted Board in reviewing the comprehensiveness, reliability and integrity of Ofsted's internal controls and risk management processes.
244. The environment in which Ofsted operates is constantly evolving. These changes require Ofsted to manage its risks carefully to ensure that excellence in the care of children and young people and in education and skills for learners of all ages continues to be achieved.
245. Risk management forms an integral part of Ofsted's governance procedures across the organisation, with the strategic risk register being used to identify, monitor and help mitigate threats to Ofsted's long-term strategic objectives. The benefits of this approach

have been evident during what has been a period of significant change to both Ofsted's priorities and operational structure.

246. The strategic risk register is reviewed quarterly by the Operations Executive Board and Audit and Risk Assurance Committee, and bi-annually by the Ofsted Board. The most significant operational risks to Ofsted are reported to the Operations Executive Board each quarter. This report includes a summary of the controls in place to reduce Ofsted's exposure to each risk. Ofsted continues to manage operational risks at a directorate, regional, divisional, project and team level.
247. In June 2013, Ofsted's strategic risk management arrangements were reviewed by Internal Audit. The audit provided independent assurance to HMCI, as Accounting Officer, that Ofsted has adequate, effective procedures and controls in place to support the management of strategic risks.
248. During the summer 2013, Ofsted's risk management processes were further strengthened and a set of best practice principles were agreed by the Operations Executive Board. The principles are applied when identifying, assessing and controlling strategic and operational risks and ensure that Ofsted's risk management process remains robust and continues to support the governance of Ofsted.

Information risk

249. Ofsted's staff and contractors have privileged access to sensitive data and information to support our inspection and regulation work. We have a duty to respect this privileged access and to ensure that all personal information we hold is appropriately safeguarded. Awareness of our security responsibilities are reinforced to all staff and contractors through mandatory information security training.
250. Ofsted has implemented a revised information risk policy to ensure that our information risks are identified and managed alongside our operational risks. The policy has ensured that the value of our information is understood and exploited, while its sensitivities are appropriately safeguarded within our documented risk appetites.
251. We are also developing our approach to digital continuity that will ensure that access to our older digital information is retained, and are implementing a cultural change plan to support the Government's security classifications changes.
252. We have a governance structure incorporating a senior information risk owner sitting on Ofsted's Operations Executive Board, who is supported by a specialist team and a network of information asset owners (IAOs) and information asset managers. A community of interest has been formed to share knowledge and good practice in managing and sharing information.
253. Internal Audit reviewed Ofsted's arrangements for information management, including information risk management in October 2013, and provided substantial assurance on these processes. As a result of the audit, Ofsted will widen awareness of our information management changes through engagement with IAOs, and review our Freedom of Information process to maintain its effectiveness.

254. Information incidents, the disclosure of which would in themselves create an unacceptable risk of harm, may be excluded from publication in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.
255. No data losses were required to be formally reported by Ofsted to the Information Commissioner's Office in 2013–14.
256. The personal data incidents recorded in 2013–14 were either loss of equipment, devices or paper documents or unauthorised disclosures. This was information released in error either electronically, through post, on paper or through conversations.
257. A summary of personal data related incidents in 2013–14 is provided in Appendix C.

Effectiveness of the internal control framework

258. HMCI as Accounting Officer is required to formally review the effectiveness of Ofsted's system of internal control on an annual basis. This review is informed by the work of internal and external auditors, the Audit and Risk Assurance Committee, senior managers who have responsibility for developing and maintaining the internal control framework, and comments and recommendations made by the Education Select Committee.
259. An assurance review was undertaken by members of the Audit and Risk Assurance Committee to support production of the interim governance statement. This provided an opportunity to formally assess the effectiveness of Ofsted's governance arrangements in light of the risks and opportunities the organisation is currently facing. It included a review of key activities across the organisation and production of an assurance map (see Appendix D) to provide a clearer understanding of Ofsted's assurance framework.

Internal audit

260. Ofsted's governance arrangements and risk management processes are supported by an internal audit function. All work undertaken meets the requirements defined in the Public Sector Internal Audit Standards.
261. An audit programme for 2013–14 was developed based on an annual assessment that focuses on Ofsted's major risks and is developed in consultation with both the Operations Executive Board and Audit and Risk Assurance Committee. The 2013–14 programme covered 16 processes or systems operating within Ofsted, of which one received 'full' assurance; seven received 'substantial' assurances and four received 'partial' assurances. At management's request the audit programme included a review of the controls established for Ofsted's Travel and Expenses process, for which 'low' assurance was provided. Management action has since been taken to address the control weaknesses identified and a follow-up audit will be undertaken in 2014–15 to ensure controls are operating effectively. Of the remaining three, one was advisory and two were follow-up audits that did not result in an overall audit assessment. Thirteen of the audits were completed and the reports issued during 2013–14.
262. All audit reports include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Ofsted's system of internal control together with any recommendations for improvement. In the auditors' opinion Ofsted has adequate and

effective systems over governance, risk and control that provide reasonable assurance regarding the effective and efficient achievement of Ofsted's objectives, except for one audit on expenses that received a low assurance.

263. Progress against plans to strengthen these control weaknesses are tracked and reported to the Operations Executive Board and Audit and Risk Assurance Committee on a regular basis. Internal audit has carried out an independent review after the end of the financial year to ensure that recommendations are being adopted and provide assurance to the Accounting Officer.

Audit and Risk Assurance Committee

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

Certificates of Assurance

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

Capacity to handle risk and change

268. The new regional structure within Ofsted combines activities relating to the ongoing spending review plan with HMCI's reform agenda to support improvement within the provision that Ofsted inspects. We implemented the regional structure on a phased basis throughout 2013–14, including transition of a national social care structure to the regions.
269. An internal audit on the transition to the new structure was undertaken in two phases. Phase one was to provide independent assurance to the Accounting Officer over the processes supporting Ofsted's readiness to deploy resources efficiently and effectively. Phase two reviewed the approach for social care and early years to the regional structure and followed up on management actions from phase one. As a result of the work, Internal Audit has raised five medium priority and four low priority recommendations.
270. A significant challenge we faced was to reduce our budget in accordance with the spending review targets announced in October 2010. Ofsted has developed robust plans to deliver the savings and implemented effective risk management and control systems. The management and systems we have in place will help us to reduce our budget further

from 2015–16 onwards. Ofsted has shared in detail our plans for 2014–15 with the Department for Education (DfE) to ensure that it understands fully our inspection reform plans to secure additional funding. Ofsted will continue to work closely with the DfE and share our medium term financial plan to ensure that we can manage the reduction of our budget from 2015–16 onwards while continuing to deliver against our statutory requirements.

271. In response to the pace and nature of change, we adapted our approach to financial management in 2013–14 to ensure effective use of available resources. In July 2013, the Operations Executive Board noted an in-year forecast saving against budget of up to £10 million, which included savings from not being able to recruit the required numbers of permanent inspectors to carry out both core and improvement inspection work. In response, the Operations Executive Board initiated a programme of work to identify emerging business priorities and projects that could reduce the burden on the 2014–15 budget. Robust governance arrangements and, where appropriate, business cases were developed to ensure that all spending represented value for money and supported delivery of organisational priorities.
272. In response to not being able to recruit the number of permanent inspectors required Ofsted changed the approach to its recruitment and retention. In order to recruit we have launched 'always on' recruitment for education HMI and other remits. This allows us to continuously identify, engage and pre-select candidates to build pipelines of high-calibre inspectors to meet the future demands of each remit and region. In addition, to enable us to increase the number of serving leaders undertaking and supporting inspection activity, we have introduced an associate inspector secondment pilot for headteachers across the London, the South East, North West, South West, and North East, Yorkshire and Humber regions. In order to improve retention, Ofsted continues to review its pay structure, within the parameters of its 'pay remit', to identify how it may reward the inspection staff.
273. In addition to internal audits on key systems and processes during the year, two further independent reviews of our finance systems and processes have taken place. The first was a review of our inspection service provider systems, processes and payments, commissioned by the Cabinet Office, following negative press for one of our contractors. The second was a 'spend recovery audit', again commissioned by the Cabinet Office, which reviewed our financial systems for duplicate payments, supplier accounts and VAT. The outcome of both reviews was positive, with only minor recommendations and findings.
274. We have developed and implemented new governance arrangements for the inspection service providers to manage them effectively, ensure the quality of their services and achieve value for money. The new processes are designed to enable us to exercise proper governance and to manage our suppliers effectively by determining our requirements from them and closely managing their delivery. The Commissioning Assurance and Quality Committee has been established to provide non-executive assurance to the Ofsted Board on the management of risk, performance, quality and future strategic direction relating to the inspection service provider contracts. The Commissioning Assurance and Quality Committee will play an important role in ensuring the successful management of the current contracts as they come to the end of their term in 2015–16. The Committee will also play an important role in reviewing outsourced school and further education

inspections to ensure a larger number of outstanding practitioners and tighter control over quality of inspections.

275. The Scheme of Financial Delegation has been reviewed and updated to reflect the new Ofsted structure. Changes to financial management delegated authority limits have been introduced to align with the Scheme of Delegated Authority, 'Freedom within boundaries'. The revised Scheme of Financial Delegation ensures that decisions are made and actions taken, efficiently, by the appropriate people and that those people are aware of their roles, responsibilities and accountabilities.
276. As described in the assessment of risk section above, Ofsted's risk policy, including the strategic risk management process, has been reviewed and certain areas were further strengthened to ensure that Ofsted's risk management process remained robust and continues to support the governance of Ofsted. As a result, Ofsted's operational risk management has become more practical and more focused on driving discussion and identifying mitigating action.
277. The careful monitoring of strategic risks has strengthened Ofsted's governance during a significant period of change to both Ofsted's priorities and operational structure. The strategic risk register enhances the Ofsted Board's involvement through review and heightens awareness of the potential threats to Ofsted in meeting its objectives.
278. As a result of concerns raised by Ofsted's management, Internal Audit completed a project in 2013–14 to understand the design and operation of the compliance, investigation and enforcement (CIE) processes. This was part of a broader regulatory issues and improvement project that considered how Ofsted handled complaints about schools, early years providers and children's social care services historically and how it can improve the way it does so in the future.
279. As a result of this project, a significant number of opportunities for improvement, some of which required urgent attention, were identified. In February 2014, a follow-up audit for CIE considered whether Ofsted had implemented the agreed management actions in the CIE report issued in May 2013. The scope of this audit was limited to understanding whether Ofsted had implemented the actions considered critical or high priority in the original report. The majority of the actions have been completed and the good progress was noted by the Audit and Risk Assurance Committee. A lessons learned review is currently underway that will produce recommendations relating to the delivery of the action plan. This will be followed up by a six-month evaluation that will concentrate on measuring the impact of the changes to policy and process on inspection and regulation activities on the ground. A further audit of the delivery of the action plan has been added to the audit plan for October 2014. The audit will comment on the delivery of longer-term actions from the plan.
280. I have considered the evidence that supports this Governance Statement and I am assured that Ofsted has strong governance, risk and internal control arrangements that support delivery of its aims and objectives.

Sir Michael Wilshaw:

Date: 6 June 2014

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

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

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 10 June 2014

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

Statement of Parliamentary Supply

Summary of resource and capital outturn 2013-14

Note	Estimate			Outturn			2013-14	2012-13
	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Net total outturn compared with estimate saving / (excess)	Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Net Total
Departmental Expenditure Limit								
- Resource	168,182	-	168,182	161,308	-	161,308	6,874	157,753
- Capital	4,600	-	4,600	4,302	-	4,302	298	905
Annually Managed Expenditure								
- Resource	(3,000)	-	(3,000)	(4,703)	-	(4,703)	1,703	(755)
- Capital	-	-	-	-	-	-	-	-
Total Budget	169,782	-	169,782	160,907	-	160,907	8,875	157,903
Non-Budget								
- Resource	-	-	-	-	-	-	-	-
Total Resource	165,182	-	165,182	156,605	-	156,605	8,577	156,998
Total Capital	4,600	-	4,600	4,302	-	4,302	298	905
Total	169,782	-	169,782	160,907	-	160,907	8,875	157,903

The variance between Ofsted's estimate and outturn is £8.9m, which represents an overall saving of 5%. The main reasons for this variance were:

- Resource DEL included a ring-fenced budget of £4.3m for depreciation, Ofsted's depreciation charge for the year was only £1m, meaning that Ofsted had £3.3m that it was unable to utilise; and
- Savings in staff costs, investment projects, savings on ISP contracts and lower than anticipated utilisation of provisions.

Net Cash Requirement 2013-14

Note	Estimate	Outturn	2013-14	2012-13
	Total	Total	Outturn compared with estimate saving / (excess)	Outturn Total
	£'000	£'000	£'000	£'000
Net Cash Requirement	168,442	166,571	1,871	165,806

Administration Costs 2013-14

Note	Estimate	Outturn	2013-14	2012-13
	Total	Total	Outturn compared with estimate saving / (excess)	Outturn Total
	£'000	£'000	£'000	£'000
Administration Costs	20,237	16,693	3,544	16,427

The notes on pages 86 to 110 form part of these accounts

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

SOPS1 Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013–14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using national accounts, prepared in accordance with the internationally agreed framework European System of Accounts (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to International Financial Reporting Standards (IFRS)-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high-quality public services that offer value for money to the taxpayer.

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

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

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in national accounts and IFRS-based accounts, but there are a number of differences.

Departments must include the following notes as appropriate, providing additional disclosure of other transactions accounted for differently between the Statement of Parliamentary Supply and IFRS-based accounts.

SOPS1.aa Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. (PPAs resulting

from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

SOPS1.ab Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the Department, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department spending review settlements; and (iii) income received above netting-off agreements.

SOPS1.ac Provisions – administration and programme expenditure

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

The notes on pages 86 to 110 form part of these accounts.

SoPS 2 Net Outturn

SoPS 2.1 Analysis of net resource outturn by section

	Administration			Programme			Outturn	2013-14 Estimate	2012-13	
	Gross	Income	Net	Gross	Income	Net	Total	Net Total Estimate	Net Total Outturn compared with Estimate saving/ (excess)	Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit: Voted	16,860	-	16,860	158,342	(13,894)	144,448	161,308	168,182	6,874	157,753
Annually Managed Expenditure: Voted	(167)	-	(167)	(4,536)	-	(4,536)	(4,703)	(3,000)	1,703	(755)
Total	16,693	-	16,693	153,806	(13,894)	139,912	156,605	165,182	8,577	156,998

SoPS 2.2 Analysis of net capital outturn by section

	Outturn			2013-14 Estimate	2012-13
	Gross	Income	Net	Net Total Estimate	Outturn
	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit: Voted	4,302	-	4,302	4,600	298
Total	4,302	-	4,302	4,600	298

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

SoPS 3.1 Reconciliation of net resource outturn to net operating cost

	2013-14	2012-13
	<u>£'000</u>	<u>Outturn £'000</u>
Total resource outturn in Statement of Parliamentary Supply	156,605	156,998
Net Operating Costs in Statement of Comprehensive Net Expenditure	156,605	156,998

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

	Note	2013-14	2012-13
		<u>£'000</u>	<u>£'000</u>
Estimate - Administration costs limit		20,237	22,674
Outturn - Gross Administration costs	SoPS 2.1	16,860	16,698
Outturn - Gross income relating to Administration costs	SoPS 2.1	-	-
Outturn - Net Administration costs		16,860	16,698
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)	SoPS 2.1	(167)	(271)
Administration Net Operating Costs		16,693	16,427

SoPS 4 Reconciliation of Net Resource Outturn to Net Cash Requirement

		<u>Estimate</u>	<u>Outturn</u>	<u>2013-14</u> Net total outturn compared with Estimate saving/ (excess) <u>£'000</u>
	Note	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Resource Outturn	SoPS 2.1	165,182	156,605	8,577
Capital Outturn	SoPS 2.2	4,600	4,302	298
Accruals to cash adjustments:		(1,340)	5,664	(7,004)
<i>Of which:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(4,268)	(978)	(3,290)
New provisions and adjustments to previous provisions		(2,000)	701	(2,701)
Auditor's remuneration		(72)	(68)	(4)
Loss on revaluation of non-current assets		-	(17)	17
IAS 19 Pension Liability - staff costs		-	579	(579)
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	(1,537)	1,537
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in debtors		-	(1,096)	1,096
Increase/(decrease) in creditors		-	4,078	(4,078)
Use of provisions		5,000	4,002	998
Net cash requirement		<u>168,442</u>	<u>166,571</u>	<u>1,871</u>

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

		2013-14			2012-13
	Note	Staff Costs	Other Costs	Income	
		£'000	£'000	£'000	£'000
Administration costs					
Staff costs	3	10,549			10,222
Other administration costs	5		6,144		6,205
Operating Income	7			-	
Programme expenditure					
Staff costs	3	70,010			68,637
Programme costs	6		83,796		86,025
Income	7			(13,894)	(14,091)
Totals		80,559	89,940	(13,894)	
Net operating cost				156,605	156,998
Other comprehensive net expenditure					
Net (gain)/loss on:					
Actuarial revaluation of pension scheme				(145)	(6)
Total comprehensive expenditure				156,460	156,992

The notes on pages 86 to 110 form part of these accounts

Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		£'000	£'000	£'000	£'000
Non-current assets:					
Property, plant and equipment	8	1,969		102	
Intangible assets	9	3,186		1,746	
Total non-current assets			5,155		1,848
Current assets:					
Trade and other receivables	12	10,089		11,185	
Cash and cash equivalents	13	1,597		3,134	
Total current assets			11,686		14,319
Total assets			16,841		16,167
Current liabilities					
Trade and other payables	14	(19,888)		(23,966)	
Provisions	15	(2,868)		(5,815)	
Total current liabilities			(22,756)		(29,781)
Non-current assets less net current liabilities			(5,915)		(13,614)
Non-current liabilities					
Provisions	15	(4,154)		(5,910)	
Other payables	14	(108)		(108)	
Net retirement benefit schemes liability	23	(9)		(733)	
Total non-current liabilities			(4,271)		(6,751)
Assets less liabilities			(10,186)		(20,365)
Financed by:					
Taxpayers' equity					
General fund			(8,229)		(18,263)
Pension reserve			(1,957)		(2,102)
Total taxpayers' equity			(10,186)		(20,365)

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

The notes on pages 86 to 110 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2014

	2013-14	2012-13
Note	£'000	£'000
Cash flows from operating activities		
Net operating cost	156,605	156,998
Adjustment for non-cash transactions	6.1 (362)	(4,514)
IAS 19 Pension Liability - staff costs	579	551
(Decrease)/Increase in trade and other receivables	(1,096)	5,455
(Increase)/Decrease in trade payables	4,078	1,326
<u>less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</u>	(1,537)	370
Use of provisions	15 4,002	4,715
Net cash outflow from operating activities	162,269	164,901
Cash flows from investing activities		
Purchase of property, plant and equipment	8 2,036	17
Purchase of intangible assets	2,217	839
Proceeds of disposal of property, plant and equipment	-	-
Net cash outflow from investing activities	4,253	856
Cash flows from financing activities		
Advances from the Contingency Fund	-	-
Repayments to the Contingency Fund	-	-
From the Consolidated Fund (Supply) - current year	165,034	166,163
From the Consolidated Fund (Supply) - prior year	-	-
Capital element of payment in respect of finance lease	(49)	(49)
Net Financing	164,985	166,114
Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund	(1,537)	357
Payments of amounts due to the Consolidated Fund	-	-
Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund	(1,537)	357
Cash and cash equivalents at the beginning of the period	13 3,134	2,777
Cash and cash equivalents at the end of the period	13 1,597	3,134

The notes on pages 86 to 110 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

		2013-14		
	Note	General Fund	Pension Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 31 March 2012		(27,130)	(2,108)	(29,238)
Net Parliamentary Funding - drawdown		166,163	-	166,163
Net Parliamentary Funding - deemed		2,775	-	2,775
Supply (payable)/receivable adjustment		(3,134)	-	(3,134)
Comprehensive Expenditure for the year		(156,998)	-	(156,998)
Non-cash adjustments:				
Non-cash charges - auditors remuneration	5	72	-	72
Finance lease recognition value adjustment		(11)	-	(11)
Movement in reserves:				
Net actuarial gain/(loss) in pension schemes	23		6	6
Balance at 31 March 2013		(18,263)	(2,102)	(20,365)
Net Parliamentary Funding - drawdown		165,034	-	165,034
Net Parliamentary Funding - deemed		3,134	-	3,134
Supply (payable)/receivable adjustment		(1,597)	-	(1,597)
Comprehensive Expenditure for the year		(156,605)	-	(156,605)
Non-cash adjustments:				
Non-cash charges - auditors remuneration	5	68	-	68
Finance lease recognition value adjustment		-	-	-
Movement in reserves:				
Net actuarial gain/(loss) in pension schemes	23	-	145	145
Balance at 31 March 2014		(8,229)	(1,957)	(10,186)

The notes on pages 86 to 110 form part of these accounts

Notes to the Ofsted resource accounts

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2013–14 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 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.

In addition to the primary statements prepared under IFRS, the FReM also requires Ofsted to prepare one additional primary statement (The Statement of Parliamentary Supply). The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the Net Cash Requirement.

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, modified to account for the revaluation of non-current assets and certain financial assets and liabilities.

1.2 Valuation of non-current assets

Plant and equipment assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2013–14 FReM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted has a small asset base. A minor revaluation adjustment has been made in the preparation of these accounts; it reflects a small change in a cost assumption.

Plant, equipment and purchased software licences are capitalised if they are intended for use on a continuous basis for more than one year. The threshold for capitalising non-current assets is £10,000. Individual items are not grouped unless they are components of a single asset or the combined cost of the items bought is deemed to be material.

The Regulatory Support Application (RSA) element of the Ofsted contract for outsourced Information 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. During the financial year, the expected useful life of this asset was extended by a further year until 2016–17, when it is expected that a replacement system will be in place.

1.3 Depreciation and amortisation

Depreciation is provided on all tangible non-current assets on a straight line basis to write off costs (less any estimated residual value) evenly over the asset's anticipated life. A 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 costs 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 – 3–5 years
- Furniture and fittings – 4–15 years
- Purchased computer software – 5 years
- Finance lease (RSA) – 16 years from the inception of the lease. Enhancements are depreciated over the remaining life of the lease.

1.4 Operating and other income

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises mainly fees for registration and inspection of privately and publicly funded provision. 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 six-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 that have not been billed under the previous arrangements are being billed one sixth of the fee for the two inspections in the six-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 Information Services equipment and services for Ofsted together with the majority of depreciation.

1.6 Pensions

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

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

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

Ofsted only has a small number of members in each of the local government pension schemes. Once Ofsted no longer has any active members in a scheme, Ofsted's share of the scheme liabilities become due in full at that point. Ofsted cannot control the timing of this liability and as such has put in place an exit strategy for both schemes to mitigate the risk to the budget and service delivery. As part of this exit strategy Ofsted has made additional contributions into both schemes during 2013–14. Details of current scheme deficits are disclosed in Note 23.

1.7 Leases

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

Ofsted has two main types of operating leases: those for rental of property; and those for the rental of office equipment at all locations. Lease payments are charged to the Statement of 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 Information Services, no contractual agreements inspected contained elements indicating that they were leases. The RSA element of the aforementioned contract has been classified as a

finance lease as a result of this review. The contract gives Ofsted a perpetual and irrevocable license to use RSA.

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

1.8 Value added tax

Most of Ofsted's activities are outside the scope of VAT and, in general, output tax does not apply. Input tax on most purchases is not recoverable unless the VAT has been incurred in the course of contracting out those services listed in the HM Treasury Contracting Out of Services Directions. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Income and expenditure is otherwise shown net of recoverable VAT.

1.9 Provisions

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

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

1.10 Contingent liabilities and contingent assets

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

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

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

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

1.11 Financial instruments

Ofsted holds the following financial assets and liabilities:

Assets:

- Cash and cash equivalents
- Trade receivables – current
- Trade receivables – non-current.

Liabilities:

- Trade and other payables – current
- Other payables > one 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 is recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate. All other financial instruments are held for the sole purpose of

managing the cash flow of Ofsted on a day-to-day basis or arise from the operating activities of Ofsted.

Financial liabilities

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

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

Trade and other payables

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

1.12 Estimation techniques used and changes in accounting estimates

Ofsted has estimated the liability it currently has in relation to potential payments to staff for untaken annual leave. A sample of 50% of employees was taken and the results gained were extrapolated to produce an estimated figure for the whole workforce.

Ofsted also applies estimation techniques in the calculation of provisions, details of which are in Note 15, 'Provisions for liabilities and charges'.

Ofsted also applies estimation techniques when determining levels of administration and programme expenditure. Where costs cannot be wholly attributed to either administration or programme, Ofsted attempts to find a reasonable basis to apportion the costs. During 2013–14, Ofsted refined the basis on which it apportions costs between administration and programme; this resulted in a small number of changes to the basis used in the prior year. Ofsted has not re-stated the prior year figures as the resulting change would not have been material.

1.13 Segmental reporting

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

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

- inspection
- inspection support
- corporate costs.

During 2013–14, Ofsted has changed the basis for identifying operating segments. The new basis is aligned with internal reporting to ensure greater consistency with IFRS8.

1.14 Accounting standards in issue but not yet effective

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

www.gov.uk/government/uploads/system/uploads/attachment_data/file/278897/hm_treasury_review_of_new_ifrs_2013_to_2014.pdf.

2 Operating Segments

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

*Re-stated 2012-13

	Inspection	Inspection Support	Corporate Costs	Total
	£'000	£'000	£'000	£'000
	Expenditure	100,815	58,762	11,511
Income	(14,090)	-	-	(14,090)
Net Expenditure	86,725	58,762	11,511	156,998

Factors used to identify the reportable segments

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

Description of Segments

Inspection

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

Inspection Support

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

Corporate Costs

Other corporate costs and project work.

3 Staff numbers and related costs

Staff costs comprise:

	2013-14			2012-13
	<u>Total</u>	<u>Permanently employed staff</u>	<u>Others</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Wages and salaries	61,318	56,593	4,725	59,010
Social security costs	5,480	5,376	104	5,416
Other pension costs	11,519	11,289	230	11,156
Sub Total	78,317	73,258	5,059	75,582
Restructuring costs	2,242	2,242	-	3,277
Total Net Costs*	80,559	75,500	5,059	78,859

* No salary costs have been capitalised.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Ofsted is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk/pensions).

For 2013-14, employer's contributions of £11,321,387 (2012-13 - £10,957,477) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, or a stakeholder pension with an employer contribution. Employer's contributions of £28,379 (2012-13 - £24,919) 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 £3,047 (2012-13 - £5,098) 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

For 2013-14 employer's contributions of £15,936 (2012-13 - £12,660) were payable to the Local Government Pension Scheme (LGPS), Ofsted also made a payment of £610,200 to address its historic underfunding of the LGPS and reduce its share of the scheme deficit. Also, for 2013-14 payments of £32,191 (2012-13 - £27,132) were made for other pension schemes for seconded staff. See Note 23 for further pension disclosure.

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

Average number of persons employed

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

	2013-14			2012-13
	<u>Total</u>	<u>Permanently employed staff</u>	<u>Others</u>	<u>Total</u>
	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
Total	1,213	1,190	23	1,285

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

Exit package cost band	2013-14		* Re-stated 2012-13	
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	5	5	8
£10,000 - £25,000	-	24	24	59
£25,000 - £50,000	-	26	26	38
£50,000 - £100,000	-	24	24	26
£100,000 - £150,000	-	8	8	8
£150,000 - £200,000	-	-	-	-
£200,000 +	-	-	-	-
Total number of exit packages	-	87	87	139
Total resource cost £000	-	3,926	3,926	4,847

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.

* The comparator year has been re-stated to include additional payments totalling £114k made by Ofsted during 2013-14 that relate to individuals that left during 2012-13.

5 Other Administration Costs

	Note	2013-14 £'000	2012-13 £'000
Rentals under operating leases		691	917
Non-cash items:			
Depreciation	8	29	13
Amortisation	9	138	72
Loss on revaluation of non-current assets	9	3	1
Auditor's remuneration		68	72
Other expenditure:			
Accommodation costs		500	584
Travel Costs		412	439
Training Costs		641	499
Telephone Costs		38	37
Printing, postage & stationery		147	272
IS Costs		384	311
Employee Related Costs		163	155
Legal		530	333
Managed Services		2,164	1,933
Equipment - non capital		15	61
Provision for doubtful debts		-	(4)
Other Expenditure		221	510
Total		6,144	6,205

6 Programme Costs

	Note	2013-14 £'000	2012-13 £'000
Rentals under operating leases		1,731	2,338
Non-cash items:			
Depreciation	8	140	60
Amortisation	9	671	329
Loss on revaluation of non-current assets	9	14	7
Provision provided/(written back) in year	15	(804)	3,876
Borrowing Costs (unwinding of discount on provisions)	15	103	84
Other expenditure:			
Accommodation costs		1,706	1,843
Inspection costs		61,905	58,666
Travel Costs		6,101	5,605
Training Costs		1,501	1,077
Telephone Costs		348	356
Printing, postage & stationery		744	980
IS Costs		629	532
Employee Related Costs		540	838
Managed Services		8,366	8,943
Equipment - non capital		141	270
Provision for doubtful debts		(72)	97
Net bad debt (write-back)/ write-off		20	20
Other Expenditure		12	104
Total		83,796	86,025

6.1 Total Non-Cash Transactions

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

	Note	2013-14 £'000	2012-13 £'000
Non cash staff costs	3	-	-
Other Administration Costs (non cash items)	5	238	158
Programme Costs (non cash items)	6	124	4,356
		362	4,514

7 Income

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

	2013-14	2012-13
	£'000	£'000
Administration income:		
From Government Departments and others	-	-
Sub-Total Administration income	-	-
Programme income:		
Income from sales & services	152	168
Inspection of Independent Schools fees	582	678
Children's Services applications & fees	12,888	12,878
College inspection fees	134	148
Other	138	219
Sub-Total Programme income	13,894	14,091
Total	13,894	14,091

7.1 Analysis of income from services provided to external and public sector customers for fees and charges purposes

	2013-14		
	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social Care registration and inspection	6,524	16,981	(10,457)
Childcare registration and inspection	6,496	33,021	(26,525)
Independent Schools registration and inspection	584	3,753	(3,169)
Other income	290	685	(395)
Total Income	13,894	54,440	(40,546)
		2012-13	
	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social Care registration and inspection	6,149	17,454	(11,305)
Childcare registration and inspection	6,778	29,022	(22,244)
Independent Schools registration and inspection	783	3,003	(2,220)
Other income	381	669	(288)
Total Income	14,091	50,148	(36,057)

8 Property, plant and equipment

Property, plant and equipment comprises of IT hardware and office equipment. The asset under construction relates to a refresh of Ofsted's existing fleet of servers.

2013-14

	Information Technology	Furniture & Fittings	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	1,462	237	-	1,699
Additions	469	-	1,567	2,036
Disposals	(50)	-	-	(50)
Impairments	-	-	-	-
At 31 March 2014	1,881	237	1,567	3,685
Depreciation				
At 1 April 2013	1,410	187	-	1,597
Charged in year	147	22	-	169
Disposals	(50)	-	-	(50)
Impairments	-	-	-	-
At 31 March 2014	1,507	209	-	1,716
Carrying amount at 31 March 2014	374	28	1,567	1,969
Carrying amount at 1 April 2013	52	50	-	102
Asset financing:				
Owned	374	28	1,567	1,969
Finance leased	-	-	-	-
Carrying amount at 31 March 2014	374	28	1,567	1,969

2012-13

	Information Technology	Furniture & Fittings	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	1,445	237	-	1,682
Additions	17	-	-	17
Disposals	-	-	-	-
Impairments	-	-	-	-
At 31 March 2013	1,462	237	-	1,699
Amortisation				
At 1 April 2012	1,358	166	-	1,524
Charged in year	52	21	-	73
Disposals	-	-	-	-
Impairments	-	-	-	-
At 31 March 2013	1,410	187	-	1,597
Carrying amount at 31 March 2013	52	50	-	102
Carrying amount at 1 April 2012	87	71	-	158
Asset financing:				
Owned	52	50	-	102
Finance leased	-	-	-	-
Carrying amount at 31 March 2013	52	50	-	102

9 Intangible assets

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

2013-14

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

2012-13

	RSA Finance Lease	Software	Asset under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	18,146	800	-	18,946
Additions	135	-	753	888
Disposals	-	-	-	-
Revaluations	(8)	-	-	(8)
Impairments	-	-	-	-
At 31 March 2013	18,273	800	753	19,826
Amortisation				
At 1 April 2012	17,034	645	-	17,679
Charged in year	309	92	-	401
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
At 31 March 2013	17,343	737	-	18,080
Carrying amount at 31 March 2013	930	63	753	1,746
Carrying amount at 1 April 2012	1,112	155	-	1,267
Asset financing:				
Owned	-	63	753	816
Finance leased	930	-	-	930
Carrying amount at 31 March 2013	930	63	753	1,746

10 Financial Instruments

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

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

Liquidity risk

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

Interest-rate risk

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

Foreign currency risk

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

Credit risk

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

	<u>2013-14</u>	<u>2012-13</u>
	<u>£'000</u>	<u>£'000</u>
Trade receivables and other current assets		
Trade receivables	1,712	2,139
Deposits and advances	292	305
Other receivables	46	212
Prepayments and accrued income	7,989	8,792
VAT	241	-
Bad debt provision	(191)	(263)
	<u>10,089</u>	<u>11,185</u>
Overdue but not provided for yet in following periods:		
Not yet due	9,546	10,123
1-30 days	317	361
31-60 days	57	225
61-90 days	30	154
>91 days	139	322
	<u>10,089</u>	<u>11,185</u>
Overdue debt provided for in following periods:		
>120 days	(164)	(263)
Other Periods	(27)	-
	<u>(191)</u>	<u>(263)</u>
Movement in the bad debt provisioning:		
Opening balance	263	183
Charge for the year/(reduction in provision)	(52)	100
Utilised/(write offs)	(20)	(20)
At 31 March	<u>191</u>	<u>263</u>

11 Impairments

The total impairment charge for the year was nil (2012-13 - nil) charged directly to the statement of net comprehensive expenditure.

12 Trade receivables and other current assets

	2013-14	2012-13
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	1,488	1,824
Deposits and advances	200	172
Other receivables	46	212
Prepayments and accrued income	7,989	8,790
VAT	241	-
	9,964	10,998
Amounts falling due after more than one year:		
Trade receivables	50	63
Deposits and advances	75	122
Prepayments and accrued income	-	2
	125	187

12.1 Intra-Government balances

	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	388	88	-	-
Balances with local authorities	620	613	-	-
Subtotal: intra-government balances	1,008	701	-	-
Balances with bodies external to government	8,956	10,297	125	187
Total debtors	9,964	10,998	125	187

13 Cash & cash equivalents

	2013-14	2012-13
	£'000	£'000
Balance at 1 April 2013	3,134	2,777
Net changes in cash and cash equivalent balances	(1,537)	357
Balance	1,597	3,134

	2013-14	2012-13
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	1,597	3,134
Commercial banks and cash in hand	-	-
Balance	1,597	3,134

14 Trade payables and other current liabilities

	<u>2013-14</u>	<u>2012-13</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:		
Trade payables	55	183
Other payables	1,505	1,297
Other taxation and social security	1,758	1,570
Accruals and deferred income	14,922	16,483
Current part of finance lease	51	51
VAT payable	-	1,248
Amounts issued from the Consolidated Fund supply but not spent at year end	1,597	3,134
	<u>19,888</u>	<u>23,966</u>
Amounts falling due after more than one year:		
Finance Leases	108	108
	<u>108</u>	<u>108</u>

14.1 Intra-Government balances

	<u>2013-14</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2012-13</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one</u>	
Balances with other central government bodies	4,226	8,961	-	-
Balances with local authorities	10	8	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	4,236	8,969	-	-
Balances with bodies external to government	15,652	14,997	108	108
Total creditors	<u>19,888</u>	<u>23,966</u>	<u>108</u>	<u>108</u>

15 Provisions for liabilities and charges

2013-14

	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	7,474	1,042	2,461	496	252	11,725
Provided in the year	173	171	128	-	40	512
Provisions not required written back	(1,088)	(201)	(1)	-	(26)	(1,316)
Provisions utilised in the year	(2,748)	(187)	(979)	-	(88)	(4,002)
Borrowing costs (unwinding of discount)	125	-	(24)	-	2	103
Balance at 31 March 2014	3,936	825	1,585	496	180	7,022

Analysis of expected timing of discounted flows:

	Early Departure Costs	Property Dilapidation	Vacant Property Provision	Early Years Pensions Bulk Transfer	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	1,319	5	1,003	496	45	2,868
Later than one year and not later than five years	2,252	770	582	-	26	3,630
Later than five years	365	50	-	-	109	524
Balance at 31 March 2014	3,936	825	1,585	496	180	7,022

15.1 Early Departure Costs

Ofsted meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS. When Ofsted has committed itself to a specific course of action it then provides, in full, for all early retirement costs by establishing a provision for the estimated payments discounted by the HM Treasury discount rate for valuing post employment benefits.

Early retirement costs come in the form of annual compensation payments (over the period between early departure and normal retirement date), lump sum compensation payments (to compensate for any impairment to retirement lump sums that have arisen due to retiring early) and in some cases annual enhancement compensation (payable for life). An individual's entitlement to these payments will depend upon the terms of the scheme at their point of departure. All costs in the provision are based upon estimates provided by MyCSP. Ofsted has used life expectancy data produced by the Office for National Statistics (ONS) to quantify its obligation for any annual enhancement compensation (payable for life).

£173k of the early departure costs provided in year relate to a new early exit scheme. Under the terms of this scheme Ofsted is only obligated to make a lump sum severance payment, no further compensatory payments will be due. All costs in this element of the provision are based on either quotations provided by the Cabinet Office, or where this is not available an average cost assumption is used.

15.2 Property Dilapidation

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

15.3 Vacant Property Provision

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

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the rate for general provisions set by HM Treasury.

15.4 Early Years Outsourcing Pensions Bulk Transfer

Former employees who transferred (under TUPE) to an outsourced early years inspection provider have the option to transfer their civil service pension to a private scheme ran by the provider. Ofsted is obligated to meet any shortfall that arises between the value of the civil service pension transferred and the value of that pension in the provider's private scheme.

When calculating the probable cost of the pension shortfall, Ofsted has used the information gained from a previous transfer exercise and applied an average cost and take-up rate.

15.5 Other

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

16 Capital commitments

Ofsted has £1,725k of contracted capital commitments as at 31 March 2014 (2013: £nil). These commitments relate to IT hardware and software disclosed in notes 8 and 9 as under construction.

The RSA element of the Ofsted contract for outsourced IS services constitutes a finance lease. Ofsted are committed to £159k (2013: £159k) as the capital element of payment in respect of the aforementioned finance lease.

17 Commitments under leases**17.1 Operating leases**

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

	<u>2013-14</u> <u>£'000</u>	<u>2012-13</u> <u>£'000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	3,908	4,230
Later than one year and not later than five years	6,841	10,049
Later than five years	3,731	3,687
	<u>14,480</u>	<u>17,966</u>

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

17.2 Finance leases

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

	<u>2013-14</u> <u>£'000</u>	<u>2012-13</u> <u>£'000</u>
Obligations under finance leases comprise:		
Other:		
Not later than one year	57	57
Later than one year and not later than five years	113	113
Later than five years	-	-
	<u>170</u>	<u>170</u>
Less interest element	11	11
Present Value of obligations	159	159

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

18 Other financial commitments

Ofsted has entered into a six year non-cancellable contract (which is not a lease or PFI contract), for the inspection of schools, College 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 payments to which Ofsted is committed, analysed by the period during which the payment is due are as follows.

	<u>2013-14</u> <u>£'000</u>	<u>2012-13</u> <u>£'000</u>
Not later than one year	64,842	67,964
Later than one year and not later than five years	33,745	102,323
Later than five years	-	-
	<u>98,587</u>	<u>170,287</u>

19 Contingent liabilities disclosed under IAS 37

Ofsted has the following contingent liabilities:

Contractual obligation for redundancy costs in relation to staff TUPE transfer

As part of the 2009-10 reorganisation Ofsted contracted out its Early Years inspection function to third party Inspection Service Providers (ISPs). A number of inspection and other staff were transferred over to the ISPs under TUPE arrangements. Ofsted agreed to fund any redundancies in relation to its former staff to a maximum limit of £4,652k until the end of the 2014-15 academic year. To date £3,953k has been recharged to Ofsted. A further potential liability of £699k remains.

Local Government Pension Scheme (LGPS) defined benefit schemes

Ofsted has a small number of staff who transferred to it in 2001 and 2007 but elected to remain in their existing LGPS. Ofsted is an admission body participating in each of the funds without a recognised guarantor for its pension liabilities, and so the responsibility for any deficit rests with Ofsted. At present Ofsted only has one contributing member in each of the two LGPS schemes (West Yorkshire Pension Fund and Teesside Pension Fund), and due to scheme rules the deficit becomes payable when Ofsted no longer has any contributing scheme members. Ofsted is aware of this risk and has taken steps to actively manage down its share of the deficit in both schemes. The current IAS19 value of the deficit is disclosed in Note 23.

20 Losses and special payments**20 (a) Losses statement**

	2013-14*		2012-13	
	No. of cases	£'000	No. of cases	£'000
Total fruitless payments and constructive losses	24	7	108	11

*during 2013-14 Ofsted was mandated to change the supplier of travel and accommodation bookings to one which had been sourced by the Government Procurement Service (GPS). This contract does not include the provision of data regarding losses or fruitless payments, which accounts for the significant reduction in reported cases compared to the previous year. This contract is expected to deliver significant savings across Government, more information can be found at <http://gps.cabinetoffice.gov.uk/contracts/rm918>.

20 (b) Special payments

	2013-14		2012-13	
	No. of cases	£'000	No. of cases	£'000
Total special payments	4	92	2	33

21 Related-party transactions

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

British Broadcasting Corporation
 Cabinet Office
 Department for Business, Innovation & Skills
 Department for Communities & Local Government
 Department for Education
 Department of Energy & Climate Change
 Department for Environment, Food & Rural Affairs
 Department for International Development
 Department for Work and Pensions
 Disclosure and Barring Service (formerly Criminal Records Bureau)
 East Of England Ambulance Trust
 Environment Agency
 Food Standards Agency
 Government Actuary's Department
 Highways Agency
 HM Revenue & Customs
 HM Treasury
 Homes & Communities Agency
 House of Commons
 Local Authorities
 Ministry of Defence
 Ministry of Justice
 National Audit Office
 Office of National Statistics
 Serious Fraud Office
 Treasury Solicitors Department
 Valuation Office Agency

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

22 Third-party assets

Ofsted holds monies on behalf of a tenant as security for future rent commitments. These monies constitute a third party asset.

This is not a departmental asset and is not included in the accounts. The asset held at the 31 March 2014 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-Mar 2013 £'000	Gross £'000	Gross outflows £'000	31-Mar 2014 £'000
Monetary assets such as bank balances and monies on deposit	210	-	-	210

23 Pension Arrangements - Local Government Pension Scheme defined benefit scheme disclosure

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

Ofsted has a small number of staff who transferred to it in 2001 and 2007 but elected to remain in their existing local government pension schemes. Their accrued and future service is in the LGPS. The staff from 2007 remained in the Teesside LGPS Pension Fund and the staff from 2001 remained in the West Yorkshire LGPS Pension Fund. The level of contributions to both funded schemes is the amount needed to provide adequate funds to meet pension obligations as they fall due. As at 31 March 2014, contributions of £556k (2013 - £9k) and £70k (2012 - £510k) 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.

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

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

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-14	31-Mar-13	01-Apr-12	31-Mar-14	31-Mar-13	01-Apr-12
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Funded Obligation	2,285	2,163	2,104	4,525	4,717	4,410
Fair Value of Scheme Assets	2,200	1,631	1,506	4,601	4,516	3,718
Net Assets	(85)	(532)	(598)	76	(201)	(692)
Present Value of Unfunded Obligation	-	-	-	-	-	-
Unrecognised Past Service Cost	-	-	-	-	-	-
Net Asset/(Liability) in Balance Sheet	(85)	(532)	(598)	76	(201)	(692)
Bid Value of Scheme Assets	2,200	1,631	1,506	4,601	4,516	3,718

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

	Teesside Pension Fund			West Yorkshire Pension Fund		
	31-Mar-14	31-Mar-13	01-Apr-12	31-Mar-14	31-Mar-13	01-Apr-12
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Financial Assumptions as at						
RPI increases	3.40%	3.40%	3.30%	3.30%	3.60%	3.50%
CPI increases	2.40%	2.50%	2.50%	2.30%	2.70%	2.50%
Salary increases	3.90%	4.40%	4.70%	3.80%	4.60%	5.00%
Pension increases	2.40%	2.50%	2.50%	2.30%	2.70%	2.50%
Discount rate	4.30%	4.40%	4.60%	4.20%	4.30%	4.70%

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-14	31-Mar-14
	Years	Years
<u>Retiring today</u>		
Males	22.9	22.5
Females	25.4	25.4
<u>Retiring in 20 years</u>		
Males	25.1	24.7
Females	27.7	27.7

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 along with a +/-1 year age rating adjustment to the mortality assumption

Adjustment to discount rate	Teesside Pension Fund			West Yorkshire Pension Fund		
	+0.5%	0%	-0.5%	+0.5%	0%	-0.5%
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of Total Obligation	2,139	2,285	2,449	4,201	4,525	4,892
Adjustment to mortality age rating assumption	+1 year	none	-1year	+1 year	none	-1year
Present Value of Total Obligation	2,234	2,285	2,335	4,420	4,525	4,630

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

	31-Mar-14		31-Mar-13		01-Apr-12	
	Value £'000	Rates of Return* % p.a.	Value £'000	Rates of Return % p.a.	Value £'000	Rates of Return % p.a.
Equities	5,261	-	4,559	7.8	3,857	6.1 to 8.1
Gilts	511	-	602	2.8	592	3.1 to 3.3
Other bonds	354	-	246	3.8	223	3.7 to 4.6
Property	252	-	264	7.3	201	4.3 to 7.6
Cash	239	-	249	0.9	146	1.8 to 3.0
Other	184	-	227	7.8	205	8.1
Total	6,801		6,147		5,224	

*Information on rates of return for each individual asset component are no longer provided by the scheme Actuaries. The rates of return for Teesside Pension fund and West Yorkshire Pension Fund for 2013-14 were 2.5% and 4.6% respectively. This includes an adjustment to reflect the difference between Fund returns and estimated index returns used over the last accounting period.

Splits of assets between investment categories as at :

	31-Mar-14	31-Mar-13	31-Mar-12
Equities	77.4%	74.1%	73.9%
Gilts	7.5%	9.8%	11.3%
Other bonds	5.2%	4.0%	4.3%
Property	3.7%	4.3%	3.8%
Cash	3.5%	4.1%	2.8%
Other	2.7%	3.7%	3.9%
	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-14 £'000	Year to 31-Mar-13 £'000	Year to 01-Apr-12 £'000
Current service cost	16	20	28
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total Operating Charge	16	20	28
<u>Analysis of amount credited to Other Finance Income:</u>			
Expected return on Pension Scheme Assets	259	353	389
Interest on Pension Scheme Liabilities	(290)	(296)	(316)
Net Return	(31)	57	73
Employers' contribution	626	514	27
LGPS Pension costs	(579)	(551)	(72)
Actual Return on Scheme Assets	380	789	42

vi) Movement in benefit obligation during the year:

	Year to 31-Mar-14 £'000	Year to 31-Mar-13 £'000	Year to 01-Apr-12 £'000
Opening Defined Benefit Obligation	6,880	6,514	5,836
Current service cost	16	20	28
Interest cost	290	296	316
Actuarial losses/(gains)	(24)	430	545
Losses/(gains) on curtailments	-	-	-
Liabilities extinguished on settlements	-	-	-
Estimated benefits paid (net of transfers in)	(357)	(385)	(221)
Past service cost	-	-	-
Contributions by scheme participants	5	5	10
Unfunded pension payments	-	-	-
Closing Defined Benefit Obligation	6,810	6,880	6,514

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

	Year to 31-Mar-14 £'000	Year to 31-Mar-13 £'000	Year to 01-Apr-12 £'000
Opening Fair Value of scheme assets	6,147	5,224	5,367
Expected return on scheme assets	259	353	389
Actuarial gains and (losses)	121	436	(348)
Contributions by employer	626	514	27
Contributions by scheme participants	5	5	10
Estimated benefits paid (net of transfers in)	(357)	(385)	(221)
Receipt of bulk transfer value	-	-	-
Fair value of Scheme assets at end of period	6,801	6,147	5,224

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

	Year to 31-Mar-14 <u>£'000</u>	Year to 31-Mar-13 <u>£'000</u>	Year to 01-Apr-12 <u>£'000</u>
Surplus/(Deficit) at the beginning of the year	(733)	(1,290)	(469)
Service cost	(16)	(20)	(28)
Employer contributions	626	514	27
Unfunded pension payments	-	-	-
Past service costs	-	-	-
Other finance income	(31)	57	73
Settlements/curtailments	-	-	-
Actuarial gain/(loss)	145	6	(893)
Surplus/(Deficit) at the end of the year	(9)	(733)	(1,290)

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

	Year to 31-Mar-14 <u>£'000</u>	Year to 31-Mar-13 <u>£'000</u>	Year to 31-Mar-12 <u>£'000</u>	Year to 01-Apr-11 <u>£'000</u>
Amounts for the current and previous period				
Defined Benefit Obligation	(6,810)	(6,880)	(6,514)	(5,836)
Fair Value of scheme assets	6,801	6,147	5,224	5,367
Surplus/(Deficit)	(9)	(733)	(1,290)	(469)
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 2012. The asset value shown as at 31 Mar 2013 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.

24 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 10 June 2014 by Sir Michael Wilshaw (Accounting Officer). There have been no events after the reporting period requiring an adjustment to the financial statements.

Appendix A

Civil Service pensions

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

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. 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 her or his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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/pensions.

Cash equivalent transfer values

A Cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension

benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax that may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation 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.

Appendix B

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

Ofsted Board

The non-executive members are appointed by the Secretary of State for Education for terms no longer than three years. Existing Board members are able to seek reappointment as their terms expire: however, there is no automatic right for Board members to be reappointed.

During 2013–14, the membership of the Ofsted Board and their attendance record was:

Member	Date of appointment	Attendance record
Baroness Sally Morgan of Huyton Chair of Ofsted	1 March 2011	Full attendance (4 out of 4 meetings)
Sir Michael Wilshaw HMCI	1 January 2012	Full attendance (4 out of 4 meetings)
Linda Farrant	1 August 2011	Full attendance (4 out of 4 meetings)
Andy Palmer	1 August 2011	Partial attendance (3 out of 4 meetings)
John Roberts CBE	Reappointed 1 December 2011	Full attendance (4 out of 4 meetings)
Paul Snell CBE	1 August 2011	Full attendance (4 out of 4 meetings)
Vijay Sodiwala	Reappointed 1 June 2011	Partial attendance (3 out of 4 meetings)
Sir Alan Steer	Appointed 1 August 2011 ¹	Full attendance (4 out of 4 meetings)
Professor Geoff Whitty CBE	1 August 2011	Partial attendance (3 out of 4 meetings)

Audit and Risk Assurance Committee

Members of the Audit and Risk Assurance Committee are proposed by the Chair's Committee and appointed by the Ofsted Board, for a term of two years, with the option of reappointment. The Audit and Risk Assurance Committee comprises of non-executive members, supported by an independent financially qualified committee member.

During 2013–14, the membership of the Audit and Risk Assurance Committee and their attendance record was:

Member	Date of appointment	Attendance record
John Roberts CBE Chair from 12 December 2011	Reappointed 17 May 2011	Full attendance (5 out of 5 meetings)
Linda Farrant	2 December 2011	Full attendance (5 out of 5 meetings)
Andy Palmer	1 December 2011	Full attendance (5 out of 5 meetings)

¹ Sir Alan Steer was previously a co-opted member.

Member	Date of appointment	Attendance record
Vijay Sodiwala	1 January 2011	Full attendance (5 out of 5 meetings)

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

Chair's Committee

The Chair's Committee does not have a formal membership: the Chair of Ofsted invites any two non-executive members of the Ofsted Board to join the Committee.

Further details about the Ofsted Board and its sub-committees can be found in [Ofsted's Corporate Governance Framework](#), which was reviewed in December 2013.

Commissioning Assurance and Quality Committee

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

During 2013–14, the membership of the Commissioning Assurance and Quality Committee and their attendance record was:

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

Executive Boards

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

At 31 March 2014, HMCI was supported by the Operations Executive Board and HMCI's Inspection and Improvement Forum.

Operations Executive Board

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

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

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

At 31 March 2014, membership of the OEB was as follows:

Member	Date of appointment
Lorraine Langham Chief Operating Officer	27 June 2007
Matthew Coffey National Director, Further Education and Skills and Regional Director, South East	1 April 2011
Michael Cladingbowl Director, Schools	1 January 2013
Debbie Jones Director, Social Care and Regional Director, London	1 September 2013
Sean Harford Director, Initial Teacher Education and Regional Director, East of England	1 January 2013
Lorna Fitzjohn Director, Childminding and Regional Director, West Midlands	1 January 2013
Louise Soden Director, Local Authorities and Regional Director, East Midlands	11 February 2013
Nick Hudson Director, Early Education and Regional Director, North East, Yorkshire and Humber	1 January 2013
Nick Jackson Director, Corporate Services	16 September 2013
Jo Morgan Regional Director, North West	1 March 2014
Bradley Simmons Regional Director, South West	1 January 2014

HMCI's Inspection and Improvement Forum

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

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

At 31 March 2014 membership of the IIF was as follows:

Member	Date of appointment
Sir Michael Wilshaw HMCI	1 January 2012
Lorraine Langham, Chief Operating Officer	27 June 2007
Sean Harford	1 January 2013

Member	Date of appointment
Regional Director, East of England	
Nick Hudson	1 January 2013
Regional Director, North East, Yorkshire and Humber	
Michael Cladingbowl Director, Schools	1 January 2013
Lorna Fitzjohn, Regional Director, West Midlands	1 January 2013
Louise Soden, Regional Director, East Midlands	11 February 2013
Matthew Coffey Regional Director, South East Director, Further Education and Skills	12 January 2013
Bradley Simmons Regional Director, South West	1 January 2014
Jo Morgan Regional Director, North West	1 March 2014
Debbie Jones Director, Social Care and Regional Director, London	1 September 2013
Nick Jackson Director, Corporate Services	16 September 2013

Other committees

The formal governance structure of Ofsted was supported by a number of other groups that support the formulation, steering and dissemination of policy and ensure the general consistency and quality of Ofsted's work, including the SCS Pay Committee.²

² The SCS Pay Committee is a Committee of the Ofsted Board. The remainder are sub-committees of the Executive Board.

Appendix C

Information risk

Summary of other protected personal data related incidents in 2013–14

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

Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	-
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	4
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
iv	Unauthorised disclosure	3
v	Other	-

Appendix D

Assurance Map

<p>Internal Control Framework</p> <ul style="list-style-type: none"> Strategic plan Corporate governance framework Corporate plan Corporate meetings framework Scheme of delegated authority Scheme of financial delegation Fraud and Error Finance code HR policy and procedures Risk management framework Procurement policy Information security policy Anti-bribery and corruption policy Whistle blowing policy Inspection frameworks Other policies and procedures Assurance mapping 	<p>Assurance by senior stakeholders</p> <ul style="list-style-type: none"> Ofsted Board, Audit and Risk Assurance Committee, Chairs Committee and CAQC Operations Executive Board, Inspection Improvement Forum and sub-committee meetings Six-monthly certification by senior managers Validated by professional heads 	<p>Internal audit</p> <ul style="list-style-type: none"> Annual, risk based, audit plan agreed with HMCI and endorsed by Audit and Risk Assurance Committee Compliance with Government Internal Audit Standards Audit findings and responses reviewed by Management and Audit and Risk Assurance Committee Head of Internal Audit annual report and independent audit opinion Audit and Risk Assurance Committee Annual Report and assurance statement 	<p>Draft governance statement</p> <ul style="list-style-type: none"> Mid year and year end governance statements produced Reviewed by Director, Corporate Services, Internal Audit and Audit and Risk Assurance Committee NAO review at mid-year and end-year audits
<p>Risk Management</p> <ul style="list-style-type: none"> Embedded in policies and procedures Corporate, Regional, Directorate and project risk registers Annual audit of risk processes Risk management framework and corporate risk register reviewed by Audit and Risk Assurance Committee Business continuity plans 	<p>Third party assurance</p> <ul style="list-style-type: none"> Education Select Committee Independent Complaints Adjudication Service for Ofsted hearings NAO financial and value for money reviews Civil Service Commissioners Investors in People Systems penetration testing 	<p>External audit</p> <ul style="list-style-type: none"> Hard close of Period 9 accounts Annual, risk based, planning report endorsed by Audit and Risk Assurance Committee Audit Completion Report reviewed by Management and Audit and Risk Assurance Committee Certificate of CB&AG in Annual Report and Accounts 	<p>Governance statement</p> <ul style="list-style-type: none"> Signed by HMCI, as Accounting Officer Published in Annual Report and Accounts
<p>Performance Management</p> <ul style="list-style-type: none"> Annual business plans Monthly performance dashboard Quarterly performance report Quality assurance for inspection reports Complaints monitoring Contract management Project management Personal performance and development plans 	<p>Central Government Guidance</p> <ul style="list-style-type: none"> HM Treasury guidance Corporate Governance Code Managing Public Money Government Risk Management guidance Public Sector Internal Audit Standards 		

<p>1st line of defence</p> <ul style="list-style-type: none"> Assurance from Directors, Deputy Directors and Divisional Managers Quality assurance Operational delivery assurance End to end process mapping 	<p>2nd line of defence</p> <ul style="list-style-type: none"> Financial control assurance Legal, regularity, information and security assurance Strategic risk and quality assurance 	<p>3rd line of defence</p> <ul style="list-style-type: none"> Internal Audit and other independent assurance Audit and Risk Assurance Committee <p>Other assurances</p> <ul style="list-style-type: none"> External Audit 	<p>Accountability</p> <ul style="list-style-type: none"> Draft Governance Statement Governance Statement
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