

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



Annual Report and Accounts 2015–16



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

## **Annual Report and Accounts 2015–16**

**(For the year ended 31 March 2016)**

Accounts presented to the House of Commons pursuant to  
Section 6(4) of the Government Resources and Accounts Act 2000

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

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

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# PERFORMANCE REPORT



# Overview by Her Majesty's Chief Inspector

This will be my last Annual Report and Accounts as Chief Inspector. Since taking up the post in January 2012 I have overseen major changes both to inspection and to Ofsted's operations, making improvements internally so that we are better placed to deliver improvement through inspection and regulation.

There have been some key principles that have shaped these changes. Firstly, **only good is good enough**. One of the first changes I made when becoming Chief Inspector was to end the use of the term 'satisfactory' to describe schools less than good, replacing it in all our inspections with 'requires improvement'. The evidence suggests that this change, along with a deliberate focus on those providers less than good, had a marked impact on those we inspect. A much higher proportion of providers across education and skills got to good in the year after the judgement was changed than in the year before.

Ofsted has also had a greater focus on regional variation. In my latest education and skills annual report, I drew attention to the **unacceptable variation in educational performance** between the Midlands and the North and the rest of the country. I continue to be concerned about the pace of change in Birmingham in delivering acceptable levels of performance in the city's children's social care services. We have been able to look forensically at the differences in performance in each region, and to understand the reasons for variation, because of the regional structure we introduced in 2013. This year was the first year that our social care teams were regionalised alongside their colleagues in education and skills.

More than any other issue, what I hope has shaped my tenure has been a focus on **better educational attainment for all** children and young people, particularly those who are at risk of doing less well because of disadvantage or vulnerability. This year we have published three major reports that advanced the debate in important areas, and I am pleased by the response these have had in the relevant sectors. When I first started talking about the role of teaching in the early years, the response was one of enormous resistance. That resistance quickly faded, and I am encouraged that Save the Children has recently called for a greater focus on teaching in nurseries and pre-schools. The National Association of Head Teachers (NAHT) does not always see eye to eye with Ofsted, but they welcomed our focus on key stage 3 and endorsed our call for better careers education in our report on this critical stage of education. Our report on apprenticeships drew attention to some of the poor quality practice that does not equip young people for the job market. The need for parity of esteem for apprenticeships compared to academic routes was backed by the CBI.

## Improving education inspection

Throughout my time as Chief Inspector, ensuring that inspections are of the highest quality, and that they serve the needs of children, parents and learners, has been a priority. In past years we introduced incentives to attract outstanding practitioners into full-time HMI positions or as seconded inspectors; made our contract management of our inspection service providers more robust; and made our requirements of 'additional inspectors' tougher – including stopping the use of inspectors without qualified teacher status.

However, I was still not satisfied with the level of control we had over quality, and so this year we implemented a major project to take advantage of contracts ending to bring control of our workforce in-house. The rationale was clear: we are only as good as each individual inspection and report done in our name. Our selection process and the quality of the training inspectors receive are critical to this.

From September 2015 we entirely reformed our approach to education inspection. **At the heart of each of the changes was the importance of great leadership.** A new common inspection framework and new short inspections for good schools and further education and skills providers focused inspectors on the impact that a great leader has on ambition, creating a culture that supports and challenges children and learners to make excellent progress, especially those from disadvantaged backgrounds.

At the same time, we in-sourced our inspection activity for schools and education and skills. This was an enormous undertaking, and all of the staff and managers involved in steering the organisation through this time of change deserve recognition. The selection process for our new Ofsted Inspectors (OIs) involved careful consideration of around 4,500 applications. Over 100 members of staff from the inspection service providers TUPE transferred to Ofsted, joining new teams in every region of the country.

The importance of having the right people as inspectors cannot be emphasised enough. Seventy-nine per cent of providers responding to our post inspection survey said **the most useful aspect of their inspection was the professional dialogue with inspectors.** When I joined Ofsted the proportion of inspectors who were serving practitioners was 20%. It is now 70%. A recent comment in the press from a headteacher from the East End – where I used to teach – captures well why this matters:

*‘From the second the inspection team walked into the school, we could sense the difference. The team, with the exception of the lead inspector, were all serving heads and deputies in London schools. They understood the context that we were working in, and were interested in our journey as a school. For the first time ever, I found myself engaging in an honest discussion about school improvement with an Ofsted inspector – and they listened.’*  
(TES May 2016)

The feedback from those we inspect, and from our own staff, suggests that overall this change has been a good one:

- When asked if the inspection would help them to improve their provision, 92% of providers polled this year agreed.
- Ofsted increased its staff engagement score to 63%, making it one of the civil service high performers.

The process was not always without challenges. We took a deliberate decision to make a ‘slow start’ to the year, giving inspectors both new and existing the time to acclimatise to new ways of working. The start was a slower one than expected and at the end of the financial year, school inspections in particular were below target. **We maintained our focus on quality throughout,** which was the right thing to do. Where inspections were statutory, these were always prioritised, and all of those have been completed as planned. The period up to the end of the academic year will have an unremitting focus on maintaining the quality that has been achieved while increasing productivity.

It is testimony to the hard work of all Ofsted staff who have implemented these far-reaching changes this year that my announcement that we will be in-sourcing early years inspection activity was widely welcomed by the sector. This major change programme will require intensive work throughout the next financial year if we are to implement this change by 1 April 2017.



I remain concerned that our inspections don't always focus sharply enough on some of the most pressing areas for improvement in our education system. Much work has been done this year within Ofsted to train inspectors to look more critically at issues such as:

- the progress of children and learners from disadvantaged backgrounds and those who are most able
- the extent to which providers are delivering a broad and balanced curriculum that meets diverse needs
- the effectiveness of the response to the needs to promote British values and protect children, including from the risk of radicalisation.

We will continue to challenge ourselves that we are doing all we can through inspection to sharpen our own focus, and the focus of providers, in these areas. Additionally, with regards to the last important focus, we have this year established a new team to oversee the investigation of allegations that settings are illegally operating as schools. These seven dedicated inspectors are working closely with the Department for Education (DfE). In the first three months of 2016, they identified dozens of suspected unregistered schools, whose operation affected hundreds of children. Investigations and prosecutions are ongoing, and this team will continue to pursue every line of inquiry to ensure that children are only taught in schools that are registered and therefore held to good standards of safety and education.

## Improving social care inspection

This has been the second year of our comprehensive inspection of services for children in need of help and protection, children looked after and care leavers in local authorities. We have now inspected the majority of local authorities. We report on our findings from these in-depth inspections in our third dedicated annual report on the state of social care in June 2016.

We will complete the inspection of every local authority, a process which will be complete by December 2017. We are continuing to work to make sure our inspections of local authorities deliver both breadth and depth. This year we introduced joint targeted area inspections. This new approach is a collaboration with three other inspectorates, and involves a thematic look at an issue of pressing concern. We have published the outcome of our first in-depth report – looking at the important issue of child sexual exploitation – and will be undertaking more inspections through the coming year. The experience of this approach has demonstrated the value of being able to look across all the public services that play a key role in keeping children safe: health, probation and the police. Though challenging to set up, now that this collaboration is established we will be making full use of the insight that it offers.

The overarching principle that guides our work in social care is that **inspection must always focus on what matters most to children**. So throughout this year we have been asking ourselves whether all our inspections demonstrate clearly enough that this is the case. We will be publishing further consultations during 2016 with the aim of ensuring that all our work reflects this important principle.

Within Ofsted, this year saw the regionalisation of our social care inspection work. We are already seeing the benefits of bringing our inspection workforce across social care and education much closer together. The progress and achievement of children looked after is a priority in several of Ofsted's regions. I was very encouraged by the initiative taken by the East of England region in developing stronger relationships with virtual school headteachers across the region. This approach has now been rolled out to every region.

The advantages of having a workforce with expertise that spans many sectors has been demonstrated this year in the introduction of new inspections of local authority identification of and provision for children with special educational needs (SEN) and disabilities. This work has been led by experts in SEN and disabilities within Ofsted. This team has worked closely with colleagues with expertise in schools, early years and social care to ensure that this is an inspection that is able to reflect all the needs and aspirations of this diverse group of children. The first inspections are being carried out in the summer term of 2016 and I will report on the findings in my report on education and skills in December.

## **Ofsted's budget and strategic risks and issues**

Over the period of the last spending review, Ofsted has reduced its overall budget by £45 million. We had previously reduced our budget by £55 million from 2004–05, when our inspection responsibilities were delivered by several inspectorates.

Over the next four years, our budget will reduce by a further £31.5 million. This will be a challenge and therefore presents risks. We are confident that our current plans will be sufficient to make this reduction possible, but significant change will be required. We are committed to a major transformation programme which offers opportunities for staff at all levels to engage in radical thinking about the process of inspection. We will review how we support inspection more efficiently, how we gather evidence, share what we have found and report on it, and how we deliver a culture that is focused on continually improving for the benefit of children and learners. This will require culture change at all levels, creating an organisation that is more open and embraces innovation more quickly.

At the same time, our commitment to in-source early years inspection activity offers an excellent opportunity to improve how we work, but also represents another major organisational change. We have learned important lessons from the process of reform from September 2015 for schools and further education and skills. We will work to ensure that everything that has been done well is maintained, and that no opportunity is missed to listen to staff and stakeholders about what could have been done better.

**Sir Michael Wilshaw**  
**Her Majesty's Chief Inspector**

# Overview by the Chair of the Ofsted Board

The year 2015–16 was the first full year of my chairmanship of Ofsted. I am very pleased that at the end of April 2016 we agreed our new strategic priorities for Ofsted. We have worked closely with Ofsted’s management team to build this new plan, a process that was initiated with a joint session between the executive and non-executive boards in September 2015. It sets out three new overarching priorities that provide the organisation with greater clarity:

- Improved quality, efficiency and effectiveness (ensuring that inspection and regulation provide value for money)
- Improved focus (so we target our inspection and regulation where we can add most value)
- Improved engagement (ensuring that we are credible, valued and trusted and do not introduce unforeseen burdens).

Engagement is critical for Ofsted’s success, but improving our engagement cannot come at the expense of our independence. Our strength is that we speak from evidence, not opinion. It is by maintaining this focus that we build the highest level of trust. The effectiveness with which Ofsted maintains this critical balance and manages the risks in becoming more open and involved in dialogue will be a focus for the board in the coming year.

Since I’ve been chair of Ofsted, the membership of the board has changed significantly. During the last financial year, Andy Palmer, Sir Alan Steer, Professor Geoff Whitty CBE, and Vijay Sodiwala all left the Ofsted Board following the end of their terms. This year two new members, John Hughes and James Kempton, joined, creating a small but effective group. Together we have focused on key strategic issues facing the organisation. It is with regret that we will see the departure next year of John Roberts CBE after 10 years making an outstanding contribution at the heart of the board. Within the next six months we intend to recruit three additional members who will give us a board of seven non-executives with a mix of skills, perspective and knowledge to reflect the full range of priorities in our new strategic priorities. Leadership, early years and further education and skills are areas where we will see our combined expertise deepen.

Our review of board effectiveness this year resulted in a number of changes to how we operate. Firstly, we changed the structure of our meetings to create a mix of formal and informal meetings. Our formal meetings are now followed by a development session in the afternoon. Our new development sessions have enabled us to draw on the expertise of Ofsted managers to build our knowledge and reflect as a group on a range of issues linked to Ofsted’s priorities. So far this year our development sessions have focused on early years and further education and skills. This will be followed early next year by opportunities to think deeply about talent and culture.

A second change introduced this year was the creation of a strategic risk committee. The purpose of this committee was to support the development of a new strategic plan. This group provided a forum for board members to review progress, but also provide supportive challenge in the development of a new set of quantifiable measures of success. With the plan now published, the committee will be merged at an appropriate time with the other sub-committee of the board, the audit and risk assurance committee. This is an independent committee of the Ofsted Board that advises both HMCI, in their role as Accounting Officer, and the Ofsted Board. 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.

Finally, our review of board effectiveness resulted in a change to the payment structure for board members. Past practice had been to contract each board member for 10 days, with members billing the organisation for time served above that level. This was inefficient and lacked transparency, so we have agreed with the Secretary of State that all board members are now contracted for 20 days, with no additional billing.

I look forward to the year ahead. We need to continue to improve the quality of our inspections and focus where we can make the most difference. We must also deliver our messages to all stakeholders as 'critical' friends – together raising standards and improving lives – but at all times maintaining our independence.

I would like to thank my other board members, Sir Michael Wilshaw and his team for their extraordinary commitment over the year. The coming year will be Sir Michael's last with Ofsted after a tenure that has seen many achievements. His departure will be a significant moment for the organisation, and as a board we will be focusing on supporting the executive through this period of change. I look forward to continuing progress in 2016–17 and beyond.

**David Hoare**  
**Chair of Ofsted**

# Our purpose and activities

## Our role

Ofsted inspects and regulates to promote excellence in education and skills for learners of all ages, and in the care of children and young people, thereby raising standards and improving lives.

We fulfil our role by:

- listening to those using services, including parents, and acting on their views when deciding who, when and how to inspect
- collecting first-hand evidence based on what we observe, to inform fair, authoritative and professional judgements
- using expert inspectors who can credibly challenge providers to do better
- reporting on what we find in a clear and accessible way, recognising good practice and being clear about what providers need to do to improve
- publishing transparent and comprehensive information about the quality of individual providers, local areas and national standards to help inform user choice and to support those with governance accountabilities
- publishing what inspectors look for during inspections so that those providing services and those using them know what is expected.

## Inspection

Ofsted inspects:

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

## Regulation

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

## Reporting on our findings

We analyse the findings from our inspection and regulatory work, collecting evidence in different ways, including statistical analysis, surveys and thematic inspections on specific areas of interest.

Using these findings, we publish annual reports that highlight important findings each year and we comment on performance in each of the English regions. Periodically, we publish in-depth reports on specific topics, including the quality of provision in some subjects. We regularly publish statistical releases and make data available in ways that draw attention to trends in the outcomes of our inspection and regulation work.

## Our values

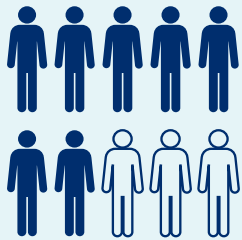
Our values guide everything we do. They apply to everyone in Ofsted and all those who work on our behalf.

- **Putting children and learners first** – We act in the interests of individual children, young people and learners of all ages, whatever their background and with a particular focus on outcomes for the vulnerable and disadvantaged.
- **Achieving excellence** – We focus on how standards can be raised and outcomes improved. We always try to 'do good as we go', and have high expectations of ourselves and of those who provide the services we inspect and regulate.
- **Behaving with integrity** – We work without fear or favour and report on the basis of inspection and regulation evidence. We listen and respond to what people tell us about the services we inspect and regulate and about the way we work.
- **Valuing people and their differences** – We promote equal opportunities and take action to help ensure that improvement is made where it is most needed.

# Key achievements

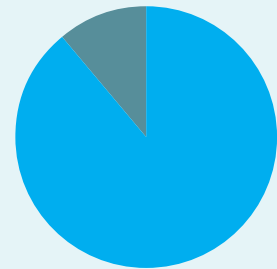
Our priority: **Improved quality, efficiency and effectiveness**

We in-sourced our inspection workforce for schools and further education and skills

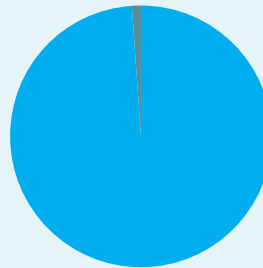


**70%**  
of newly recruited  
Ofsted Inspectors are  
serving practitioners

**97%**  
of inspections met  
all quality standards

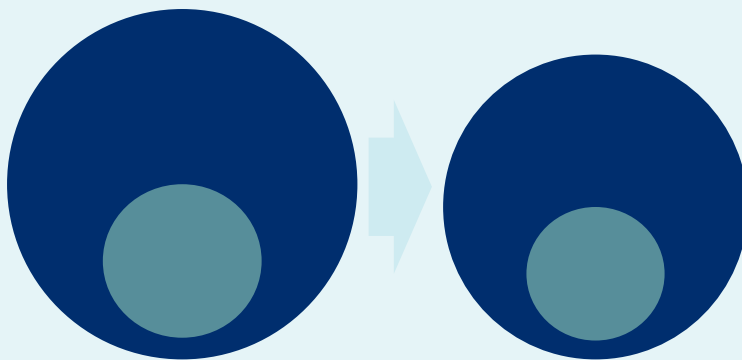


**98%** of calls made to  
Ofsted were dealt with in a way  
that met our quality standards



And **87%**  
were published  
on time

We have continued to reduce our total spending  
as well as what we spend on administration



2010–11

2015–16

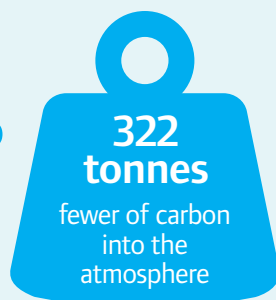
Our prompt  
payment has  
improved by **11**  
percentage points  
in a single year



**95%**  
of suppliers now  
receive payment within 10 days

We saved **£1.3 million** from our admin budget this year

Over three years  
we have reduced  
our carbon  
emissions by **15%**



**98%** of complaints  
were resolved on time



This is an improvement  
on last year when the  
rate was 94%

## Our priority: **Improved focus**

### **1.4 million**

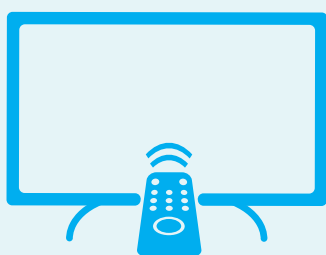
more children in good and outstanding schools than five years ago.

Some schools, particularly in challenging areas, are facing difficulties securing the **teachers and leaders** they need.

### **Early education**

has never been stronger, but over 113,000 children who would most benefit are not taking up their government-funded places.

For every pound spent on **preventative early help** services, local authorities are spending a further £4 on reactive child protection work.



The regional coverage of Ofsted's messages this year resulted in:

**69** television interviews  
**195** radio interviews  
**102** print and online articles.

The combined circulation for this coverage was **44 million**



Children in the **North and Midlands** are much less likely to attend a good or outstanding secondary school than those in the rest of the country.

One of the strengths of primary education has been how they narrowed the gap for the **most disadvantaged**.

**Apprenticeships** should be an aspirational route chosen by many young people, but this is undermined by the low quality of much of what is on offer.

The overwhelming majority of schools are successfully promoting **British values** and preparing young people for life in modern Britain, but inspectors have identified risks to pupils in some schools this year.

#### **We published:**

- An annual report on education and skills
- An early years report
- A social care report

#### **In-depth reports on:**

- key stage 3
- apprenticeships
- teaching and play in the early years

#### **And succinct commentaries on:**

- primary schools
- governance
- learning from short inspections
- teacher shortages

#### **Based on:**

**49,000**  
 visits made by inspectors  
 last year to providers  
 of education, skills and care



# Our priority: Improved engagement

## We launched 7 national consultations



Our social care questions reached **28,000** children and young people, parents, children's home staff and social workers and other professionals.

Around **half** of parents surveyed last year had read an Ofsted report in the past year, and **88%** knew the Ofsted rating of the school their child attended.

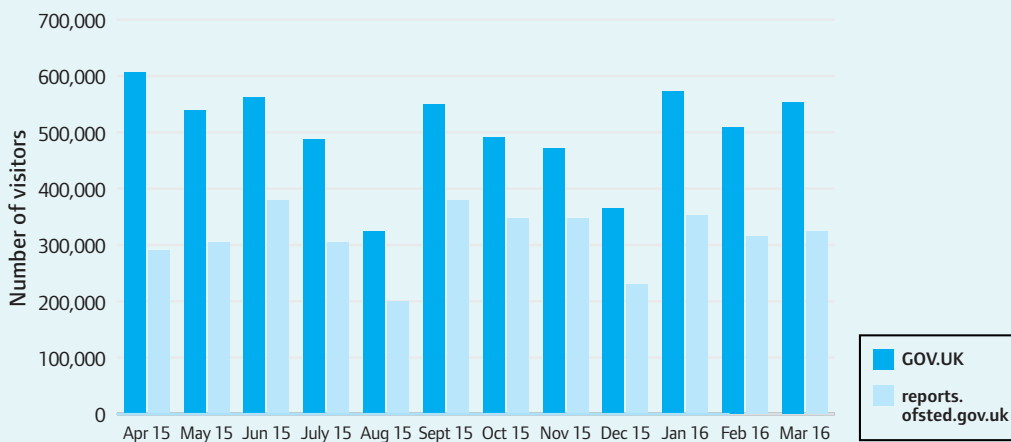


**164,000** parents gave us their views on using Parent View

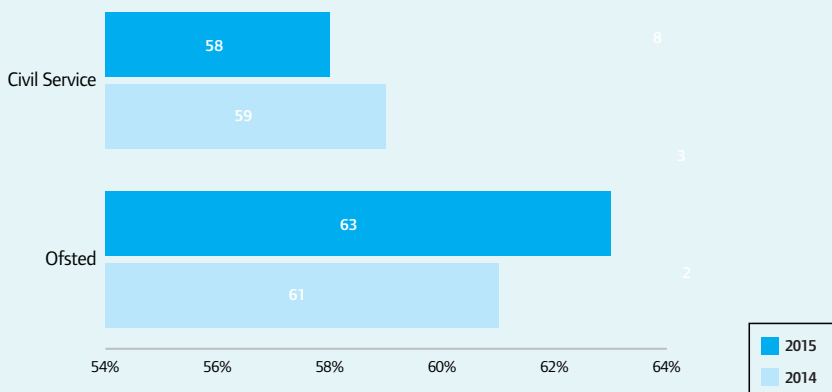
Our website content was viewed **40 million** times last year



As did **43,000** learners



## We increased our staff engagement score to **63%**



We asked **600** parents on our new parents panel **14** questions...

...and they gave us over **3,000** responses



Ofsted was in the **top five** of all government departments for positivity about organisational objectives and purpose.

# Performance analysis

## Improved quality, efficiency and effectiveness

### Improving our inspections

#### Improving education inspection

1. The year 2015/16 has seen major changes to the way that we inspect. We introduced a comprehensive package of reforms to education inspection in order to improve the quality, consistency and impact of our work for the benefit of children, learners, parents and families. The main components of these reforms are all linked to the importance of great leadership:
  - New **short inspections** for good schools and further education and skills providers: these are designed to focus on the quality of leadership and the capacity of leaders to drive improvement. They start from the assumption that good providers are likely to stay good.
  - A **common inspection framework**: this single approach to inspection across all early years provision, maintained and independent schools, and further education and skills, introduces common judgements for these remits and includes a focus on leaders' vision and ambition for all children and learners.
  - An **inspection workforce directly contracted by Ofsted**: strengthening the links between HMI and the new Ofsted Inspectors (OIs) means Ofsted can draw directly on serving leaders' experience, and those leaders can also take back valuable experience of inspection to the schools and providers they lead.
2. This major change programme began in early 2014 and was delivered in September 2015. Comprehensive review and evaluation activities are ongoing.

**Figure 1: Timeline for change: future of education inspection and future operating model**



#### Improving social care inspection

3. A change this year that has made it easier for our regional teams to focus on quality has been the successful integration of our social care inspection teams into the regions. Having all of our social care workforce part of the regional teams, whether inspection or support, means that individual members of staff are closer to senior managers so that it is easier for anyone to put forward ideas for better ways of doing things. One of the strengths of regional working is the intelligence that is gathered about how providers impact on children's lives. Now that all teams share in that picture, it has been easier to see how different sectors interconnect for some children, particularly the

most vulnerable. This year every region collected new evidence on the operation of virtual school headteachers to better understand how social care professionals and teachers are collaborating to promote better outcomes for children looked after.

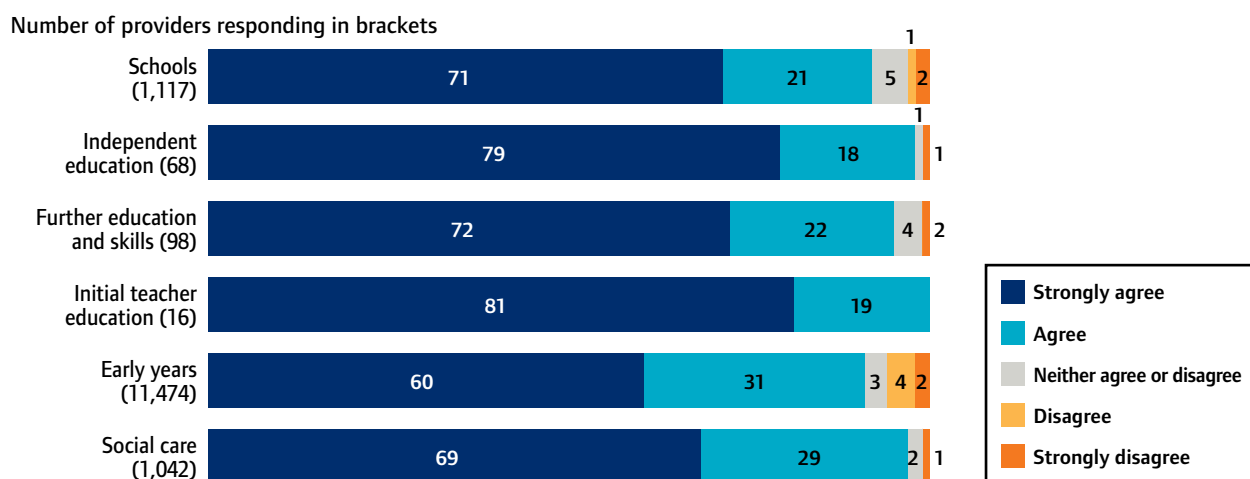
‘I joined one of our social care inspectors on a visit to a children’s home linked to a special school for pupils with behavioural, emotional and social difficulties. We spoke to a young person who had arrived recently following a number of moves. Unprompted, he told us how much he appreciated what Ofsted had done when, on several occasions in the past, he had raised concerns directly with us. “Ofsted always take action, gets in and sorts it out” was what he told us.’

*Bradley Simmons, Regional Director South West*

### Delivering quality through a time of change

- As at March 2016, seven months of inspections have taken place with a new workforce and framework for education inspection. The major achievement is that this extensive change programme was delivered without a loss of quality. Ofsted conducts post-inspections surveys of every provider visited each year. The changes from September were an opportunity to update the questions asked to make them a better gauge of what matters on inspection.
- In response to the key statement ‘The inspection findings will help me to improve the provision’, out of the 13,815 providers responding to the survey, **92% were positive**<sup>1</sup>. Within this overall response, the proportion was higher for independent education, social care and initial teacher education, although the number of inspections and so providers who responded was small for some of these categories.

**Figure 2: Providers positive about the impact of inspection on their improvement (%)**



Percentages are rounded and may not add to 100.

The wording of the statements was: for education and skills, ‘The inspection findings will help me to improve the provision’; for social care, ‘The outcome of the inspection process will help you to improve the services you offer to children, young people, parents and carers’; for early years, ‘The outcome of the inspection process will help improve my early years provision’.

1. Positive responses are those that strongly agreed or agreed to the response.

6. Providers were also asked what they thought were the most and least useful activities during inspection.<sup>2</sup> The overwhelming majority (79%) identified the **professional dialogue with inspectors** as being most useful. There was no consensus on what was least useful.

### Inspection delivery

7. We are on track to deliver all of the inspections we are required to do in legislation. Many of the inspections we do are part of a multi-year inspection cycle. We deliberately undertook a 'slow start' to new arrangements in education inspection from September 2015 to ensure that we could deliver successfully, by planning lower volumes of inspection in that period. Some inspections that could be done within a longer window of time were rescheduled so that we could prioritise inspections that needed to be completed during this period. The volume of inspections is further reduced because some inspections are undertaken in response to demand and these inspections have not been requested in the volumes we anticipated.
8. However, we primarily found it challenging to deliver all the school inspections we had anticipated making because of a lack of capacity. The standards we set for the selection of OIs were deliberately high. After selecting from the pool of serving additional inspectors, we had fewer people who went on to be contracted than we had anticipated. The process of going out to the wider sector to expand the number of OIs was a valuable one and it enriched the pool of people we now contract with, but meant it took longer to build our complement of inspection-ready OIs than anticipated.
9. Doing fewer inspections as part of a slower start meant that we could focus on quality during those critical first months. All our engagement with those we inspect has told us that high-quality inspections are what matter most to them. We have put in new quality standards and a new proofreading stage for all reports. Since September 2015, 97% of inspections carried out under the new framework have met our quality standards and 87% of reports have been published on time. As part of the changes from September, we have had a focus on: building our understanding of the skills and capabilities of our workforce, many new to Ofsted; defining more precisely what quality means and looks like; and taking advantage of the greater proximity of our workforce to deepen our knowledge of all the inspections we do and how they could be improved. This will be invaluable as we plan for the insourcing of early years inspections.

**Figure 3: Inspections 1 April 2015 to 31 March 2016 (excluding demand-led activity)**

	Planned	Completed	Proportion
Maintained schools	5,108	3,420	67%
Independent schools	339	246	73%
Initial teacher education	101	98	97%
Further education and skills	472	385	82%
Social care	4,413	4,343	98%
Early years	25,048	27,056	108%

2. This question was specific to post-inspection questionnaires for schools; independent schools; initial teacher education providers; and further education and skills providers.

## Our contact and regulatory frontline

10. For members of the public, and for many of the providers we regulate, the face of Ofsted is through our Applications, Regulatory and Contact (ARC) team in Manchester and Nottingham. This team took 300,655 incoming calls this year and exceeded demanding targets for call quality, with 98% meeting the standard. The team received 10,618 registration applications this year. The level of applicant satisfaction with the ways in which these were dealt with was high, although narrowly missing the year's target of 90%.

**Figure 4: Quality targets and performance for the ARC team**

Indicator	Target	Year End
Calls met quality standard	96%	98%
Emails responded within 24 hours	100%	91%
Applicant satisfaction	90%	88%
Concern risk assessments within 1 day	100%	98%
Whistleblowing responses within 2 days	100%	100%
Safeguarding referrals to local authority within 2 hours	100%	97%

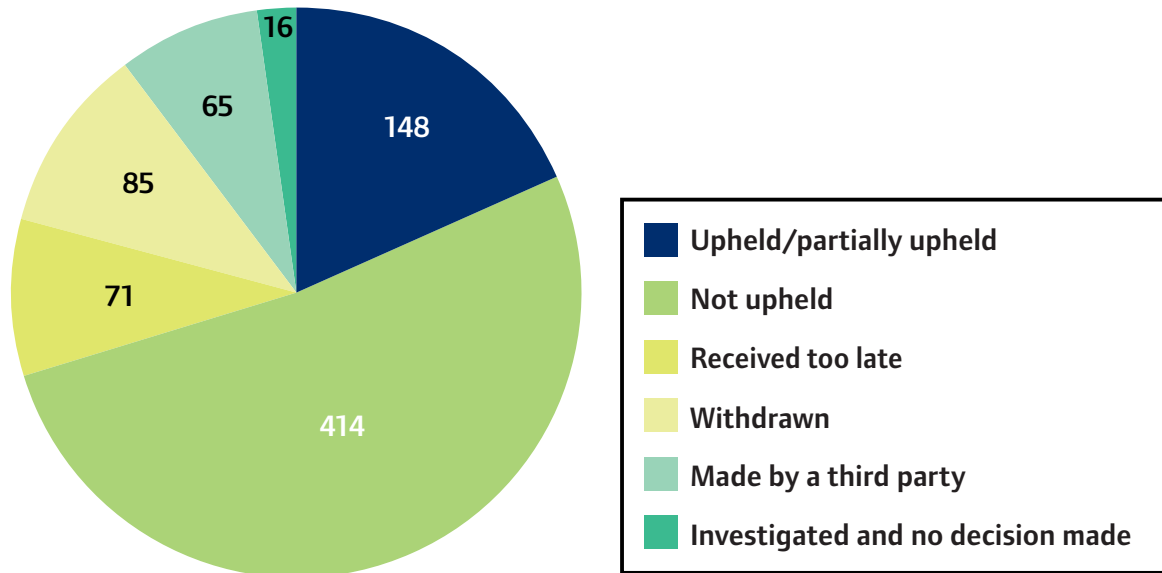
## Changes to how we handle complaints

11. In the context of our major change to education inspection this year, we updated our process for handling complaints about Ofsted. An important change was the introduction of complaints scrutiny panels.
12. The majority of concerns from schools, early years, social care or further education and skills (FES) providers are raised directly at an inspection – we call this Step 1 – and in the most part these are resolved promptly by inspectors. Where a provider is not satisfied, they can submit a formal complaint (Step 2). Where possible, an investigating officer calls the complainant directly to discuss issues ahead of a detailed investigation and a formal written complaint response. If the complainant remains unhappy, they can ask for an internal review. This means that someone within Ofsted, who is independent of the inspection, looks at the case to check if the investigation process has been carried out properly.

**Figure 5: Step 2 complaints closed**

Period	Total inspections/ activities	Total inspections/ activities complained about	Total complaints	Proportion of complaints resolved on time
Since 1 September	26,636	673	799	95%
2015/16	49,174	1,398	1,856	98%
2014/15	52,072	1,642	2,155	94%

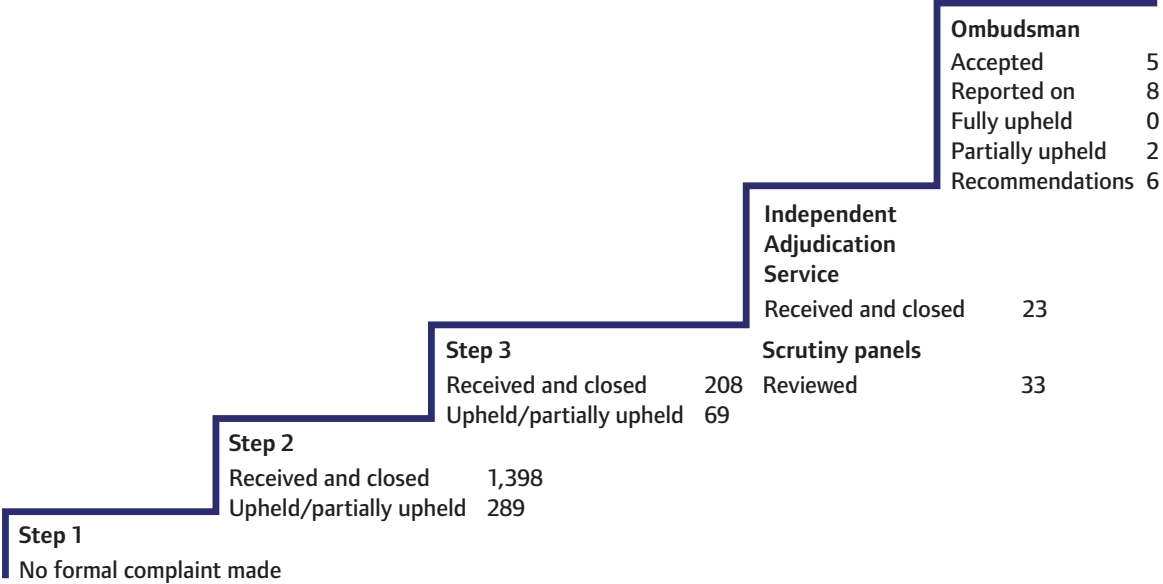
Figure 6: Outcome of Step 2 complaints – 1 September 2015 to 31 March 2016



14. At the start of the academic year, we created a new scrutiny panel as part of the Step 3 internal review process to include both external representatives and specialist inspectors. It was really important to get the right people on panels to ensure that the necessary challenge was rigorous and appropriate. Initially, we approached our regional headteacher reference groups and identified leaders from outstanding early years or social care settings who were not involved in carrying out inspections for Ofsted. We had a great response with around 60 external members volunteering to be part of this work.
15. By year end, these new panels had considered around 33 cases covering early years, schools and social care. The additional scrutiny the panels have offered has led to changes in the way we respond to complainants, providing greater clarity and explanation of the outcomes and reasons for them.

Panel member: 'My experience of being part of the Ofsted scrutiny panel was **overwhelmingly positive**. From start to finish the process was thorough, professional, respectful and considerate to all parties. Evidence, from a variety of sources, was scrutinised to an extremely high level over a lengthy period of time and all panel members' views were sought. I was both reassured and impressed at how protocol and procedures were followed exactly and am certain that decisions were reached fairly and equitably.'

Figure 7: Our complaints process 2015/16



**Next steps for our inspection operations**

16. There has been persistent demand from the early years sector that we undertake to directly manage early years inspectors. Following the success of the in-sourcing exercise for schools and further education and skills inspection activity in September, HMCI announced in March that **Ofsted will directly manage early years inspection and regulation from April 2017**. We have begun the process of consultation and system change to make this happen. The response from the representative organisations in early years has been extremely positive:

Purnima Tanuku OBE, Chief Executive, National Day Nurseries Association, said: ‘We welcome this move by Ofsted. NDNA called for Ofsted to bring early years inspection in house and put the sector on a level footing with schools and colleges, including making the case to the parliamentary Education Committee. Following the recent move by Ofsted to equalise inspection notice between early years and schools, it shows that the sector’s voice is being heard.’

**Fewer resources**

17. Ofsted’s Executive Board approved a net budget for 2015–16, excluding depreciation and Annually Managed Expenditure (AME), of £155.0 million. This net budget was the baseline for our spending review discussions with the DfE and was used for internal reporting through the financial year. Ofsted’s net budget, excluding depreciation and AME, has reduced from £200 million in 2010–11 to £155.0 million in 2015–16, a saving of 23%. Ofsted’s agreed administration costs limit has reduced from £27.4 million in 2010–11 to £17.3 million in 2015–16, representing a 37% reduction.

18. Following the Chancellor's emergency budget in June 2015, all government departments were asked to make in-year funding reductions. Ofsted was asked to contribute £6.0 million in-year expenditure savings, reducing the approved net budget, excluding depreciation and AME, from £155.0 million to £149.0 million.
19. Of the £149.0 million, we received core funding from HM Treasury, excluding depreciation and AME, of £135.7 million and an additional £13.3 million of income from other government departments.
20. Against the core funding of £135.7 million, Ofsted achieved an underspend of £1.4 million equivalent to 1%. This primarily relates to agreed changes in inspection activity where Ofsted adapted effectively to changing internal and external requirements. The lower volume of inspections completed in the autumn and summer terms also had an impact.
21. Ofsted's administration expenditure in 2015–16 was £16.0 million, £1.3 million less than budget. We have made savings by continuing to invest in technology and systems to improve efficiency and by changing our office accommodation and ways of working.

#### **From Freshford to Rivergate: the grand opening of our new Bristol office**

In May 2015, our Bristol colleagues took up residence in a new office in a smooth process most often described by staff as 'impressive'. Conveniently located opposite Bristol Temple Meads station, 2 Rivergate is a large, modern building, part of the Temple Quay Campus (Government Hub) shared by more than 30 government departments and 2,000 civil servants.

This move was an opportunity to encourage different ways of working:

- touchdown tables with USB ports and power sockets encourage flexible working
- informal spaces to take a break, have lunch or make a presentation
- flexible project spaces in the open plan office – teams can come together and move desks around to create an ad-hoc project planning area
- electric, height-adjustable, ergonomic desks that allow colleagues to work standing up, which has been shown to help people with back and posture problems.



### Technology that is fit for the future

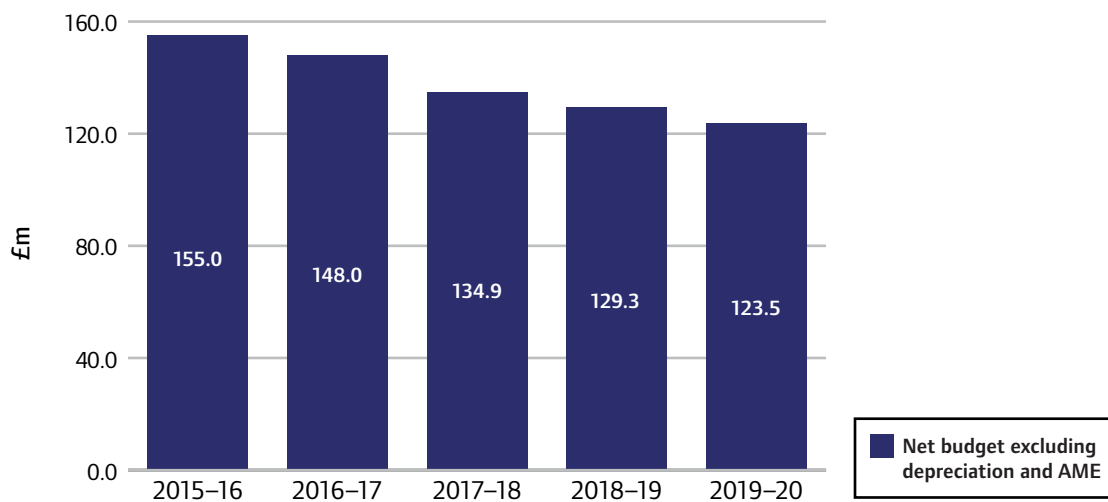
We are looking at how inspection could be transformed by the creative use of digital media, innovation in analytics and new tools that can automate work so that people can focus more on reflection and judgement. This year we have introduced more services and made investments to underpin these aims. Investing in our technology has meant:

- we have replaced all our laptops with new touch screen models so we are now in a position to change how we support inspections and consider new options for capturing evidence while on inspection, for example, electronic evidence gathering
- new desktop screens in some of our offices are larger and therefore easier to use, but also use less energy
- we are ready to start implementing new disaster recovery functions through the Crown Hosting Estate earlier than expected
- we have started the move to Cloud services, which will mean staff have access to the latest software; it will also support our long-term strategy of reducing our storage needs.

### Looking forward

22. We have been asked to make further savings as part of the 2015 spending review. We have agreed a settlement that will reduce our budget to £123.5 million by 2019–20. This includes a further £2.9m reduction in administration costs. Managing with a significantly reduced budget will require Ofsted to focus resources where we can deliver the greatest impact and review how inspection and regulation activity is supported.

Figure 8: Ofsted spending review settlement 2016 to 2020



### Transforming together

If we are going to do everything we want to do with less, we need to be ambitious and creative in thinking about how we work. In February 2016, we launched a change programme to take us to 2020. Staff at all levels, representing every part of the organisation, came together in our new Bristol office to start the process of generating ideas about how we will look different in the future. This major new change programme has these aims:

Transform: find new and effective ways of providing high-quality inspection support services.

Intelligence: make sure we make the most of data and intelligence.

Savings: deliver the savings we know we need to make by challenging and finding new ways of doing things.

### Working sustainably

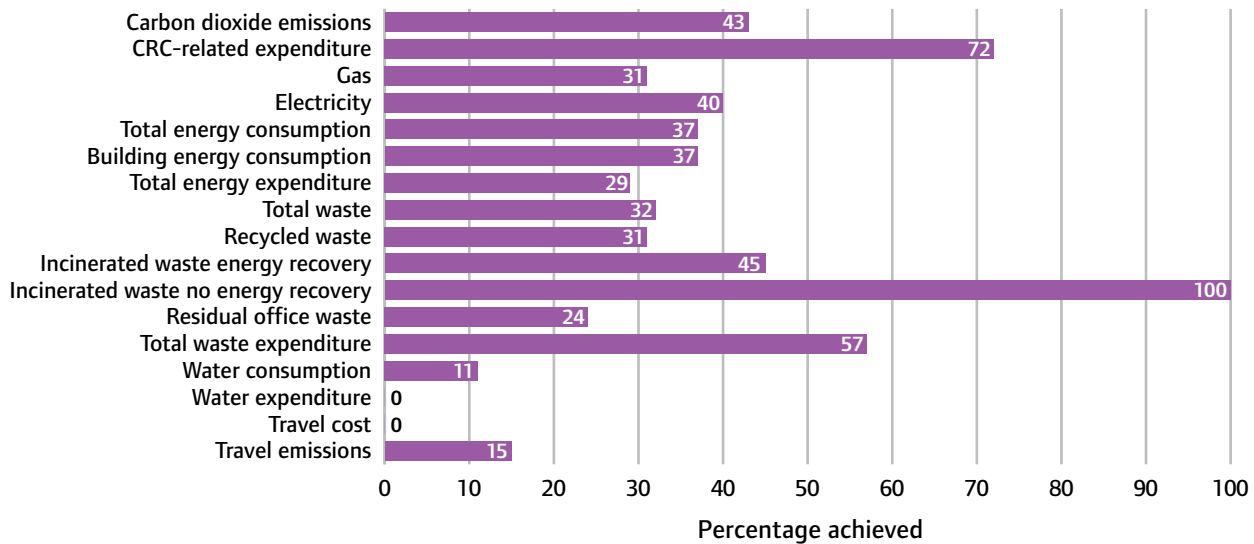
23. Our carbon emissions this year were 1,805 tonnes. This represents a 15% reduction on our 2012–13 baseline. The two main contributors to our carbon emissions are our estate and our travel. We continue to encourage staff to travel only when necessary, to use the most sustainable and cost-effective travel options available and to hold meetings virtually.
24. Our Bristol move created a one-off increase in overall recycled waste, but also reduced our energy consumption. Our total staffing increased by 180 this year because of the changes to our inspection workforce, but this growth was accommodated within our existing estate through the adoption of more flexible working and workspaces. We expect to follow a similar approach as we prepare to accommodate further growth when we bring early years inspections in-house.

### A sustainable move

Of the 1,300 items of furniture that became surplus during the move to new offices in Bristol, 75% were re-used by other government departments with the Land Registry taking the majority, followed by the Home Office and the Ministry of Defence. A further 15% of items were re-used in new Ofsted offices, which included kitchen cabinets, and the remaining 8% was donated anonymously to be re-used or recycled, including a covered bike stand that was given to a local school.

25. This year, compared with last year, our:
  - energy consumption was **down** by 477,000 kWh
  - waste was **up** by eight tonnes
  - water usage was **down** by 21 m<sup>3</sup>
  - travel emissions were **down** by 44 tonnes.

**Figure 9: Reductions between 2012–13 and 2015–16 (%)**



### Paying promptly

26. Part of reducing burdens on business means being a considerate and responsible purchaser. Our performance this year has improved against every measure.

**Figure 10: Supplier payments**

Target	2014/15 %	2015/16 %
Paid within 30 days (standard government payment terms)	96	99
Paid within 10 days (Ofsted's target)	84	95
Paid within 5 days (cross-government target is 80%)	65	86

27. We have been able to make this improvement because we have introduced a payment module as part of the major changes to our inspection systems this year that allows us to pay contracted inspectors using 'self-billing'. Contracted inspectors who opt for 'self-billing' are automatically invoiced and paid following completion of the scheduled inspection event.

### Developing our workforce

28. On 31 March 2016, Ofsted employed 1,457 people, of whom 365 were Her Majesty's Inspectors (HMI) and 212 were regulatory inspectors. This includes 61 Senior HMI. Our organisation is led by Her Majesty's Chief Inspector of Education, Children's Services and Skills, supported by a management team made up of 26 members of the Senior Civil Service. Thirteen of the Senior Civil Service are also HMI.

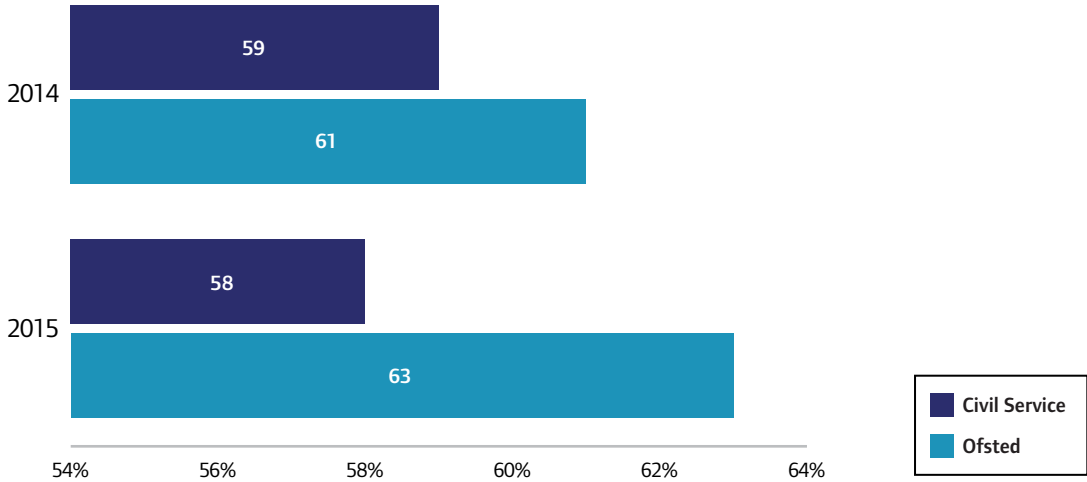


- 29. As at 31 March 2016, we know the following about Ofsted’s 1,457 staff:
  - 61% were female
  - 9.8% were from Black and minority ethnic groups
  - 6.7% classified themselves as having a disability
  - 4.5% classified themselves as lesbian, gay or bisexual.
  
- 30. An equal pay audit (2014–15) was completed that found that, although there are no significant gaps within any of our grades, our overall gender pay gap reflects the greater incidence of men at higher grades and of women at the middle and lower grades. This mirrors existing patterns across the Civil Service and in the wider UK workforce. We know there is more to do though, and we will continue to examine our talent and recruitment practices regularly to check their justification, eliminate bias and maximise fairness.

**How staff feel about working for Ofsted**

31. The Civil Service People Survey allows us to gather views and feedback on how people are feeling about working for Ofsted. We can use this data to benchmark ourselves against other Civil Service departments and against our own past performance. We ran a campaign to raise awareness about the survey and, as a result, the rate completion of the survey increased by 12 percentage points to 83%, above the Civil Service average of 75%. **Our engagement score has risen by 11 percentage points over the past five years and is now at 63%**, making us a Civil Service High Performer.

**Figure 11: Our engagement index**



32. This year we have continued to work to improve staff engagement by:
- working with particular teams and giving personal feedback sessions to improve team working
  - putting in place a framework for consultation and collaboration for Ofsted's SCS
  - introducing a new Engagement and Information Hub for OIs and weekly information update email for OIs and HMI in schools and further education and skills
  - providing new tools to answer employee questions and to promote the benefits of working for Ofsted
  - creating new networks for the cross-government professions within Ofsted.

### The Ofsted story



The 'Ofsted story' is an online suite of interactive media that allows employees to explore the early origins of inspection in England, Ofsted's history, and our present structure and priorities to strengthen employee understanding of our role and impact and to further increase pride in working for Ofsted.

The average user rating is 4.7/5, with 100% of respondents agreeing that:

- they found the Ofsted story interesting
- the Ofsted story improved their knowledge of Ofsted and its history
- they felt proud to work for Ofsted.

This new tool was delivered in-house at no additional cost and is now an integral part of our induction process when new colleagues join Ofsted.

### Sickness

33. The average number of working days lost (AWDL) per employee to sickness for the year was **5.9, which compares to a Civil Service wide average of 7.4** as at the end of March 2015. This reflects a long-term improvement across Ofsted: in 2010–11, the rate was 8.6. In 2015–16 the total working days lost were 8,508, of which 63.4% were lost to long-term sickness.
34. The most frequently given reasons for absence, in common with many other Civil Service departments, are psychological illnesses relating to depression, stress and anxiety. To tackle this, we offer a free and confidential counselling service for employees and, during the year, ran a stress awareness campaign.

**The workforce for our new operating model**

35. In September 2015, we brought the contracted inspection workforce for schools and further education and skills in-house. OIs contract with us directly and are aligned to each of our eight regions. We invited expressions of interest for these roles from the existing additional inspectors and from the wider education sector.

**Figure 12: Ofsted inspector recruitment**

	Additional Inspectors	Education sector
Applications (approx.)	3,000	2,000
Accepted (approx.)	1,500	600

- 36. We now have a contracted national pool of just over 1,400 OIs who are able to inspect, with approximately 600 in the training pipeline. **Seventy per cent of our OI workforce is now made up of serving practitioners.** Within regions, OIs are partnered with a link HMI who has responsibility for their pastoral support and monitoring their performance.
- 37. As part of the decision to directly contract with OIs and end the contracts with the inspection support providers, we also transferred 111 employees under TUPE who provide office-based support to the inspections. Because staff who joined Ofsted through the TUPE transfer arrived too late to be eligible to respond to the Civil Service survey, we conducted a parallel survey for these and other recently arrived staff. The engagement index for this group of staff was **67%, with 55% wanting to stay with Ofsted for at least the next three years.**

**Recruitment and selection across Ofsted**

- 38. Ofsted carried out 67 external recruitment and selection campaigns during 2015–16. It is important that Ofsted is able to select inspectors with relevant experience in the field and with the experience and credibility to support providers’ improvement. Therefore, we continue to use ‘always on’ recruitment that enables us to continuously identify, engage and pre-select candidates so we know we have a pipeline of new people coming through in every region. This now includes a pathway for contracted OIs to apply for HMI roles.
- 39. To enable Ofsted to increase its capacity in social care inspection and aid engagement with the sector, we have piloted a number of flexible approaches such as using contractors and secondments. We have also run an exercise to find local authority secondees to inspect local areas’ provision for children and young people who have special educational needs and/or disabilities. This is the first time we tried this and it attracted a large number of high-calibre applicants.

## Improved focus

### Focused inspection

#### Our focus on inspection

40. Our changes to education inspection this year introduced short inspections and the common inspection framework. All education inspections now make the following judgements:
  - effectiveness of leadership and management
  - quality of teaching, learning and assessment
  - personal development, behaviour and welfare
  - outcomes for children and learners.
41. Inspectors also always judge whether safeguarding is effective. The new framework seeks to ensure that students and parents have clear, comparable information that they can use to make informed choices. There is a significant emphasis on some important areas:
  - the impact of **leaders'** work in developing and sustaining an ambitious culture and vision in the school
  - a broad and balanced **curriculum**
  - **safeguarding**, which will be central to every inspection
  - pupils' outcomes, where inspectors will give most weight to the **progress** of pupils currently in the school, as well as considering attainment and nationally published data.
42. The new judgement on personal development, behaviour and welfare includes a focus on pupils' confidence and self-assurance as learners, their pride in achievement, the impact behaviour has on outcomes and the choices pupils make about the next stage.

#### The focus of our work programme

43. This year we have widened our inspection work as follows:

##### Joint targeted area inspections

These inspections are carried out by Ofsted HMI and inspection colleagues from the Care Quality Commission, HM Inspectorate of Constabulary and HM Inspectorate of Probation. Jointly, we evaluate how effectively agencies from across a local authority area work together to protect children with a focus on a specific issue. Our first area of focus was on child sexual exploitation. We are now preparing to consult with the sector on the future of inspections of local authorities following the completion in December 2017 of the single inspection framework programme. We are using this consultation as an opportunity to also seek the sector's views on the development of a common inspection framework for the inspection of regulated children's services.



### Unregistered schools

For a number of years at the request of the Department for Education, Ofsted has inspected settings that are not registered but are suspected of operating illegally as schools. Since October 2015, Ofsted has placed a greater emphasis on investigating settings it suspects of operating illegally, with the aim of prosecuting those individuals responsible for the running of these settings. In January 2016, with the support of the Secretary of State for Education, Ofsted established a new taskforce to identify, investigate and prepare prosecutions of settings found to be operating illegally. Working closely with the Department for Education, the new taskforce is currently investigating a growing number of settings. Eight highly experienced inspectors coordinate Ofsted's work in this area. These officials receive support and intelligence from Ofsted's regional teams.

### Learning from inspection

44. In order to improve how we make use of the intelligence of our inspection workforce, this year we have introduced different ways to gather evidence and insight from inspections.
45. In the last year, we have issued to lead inspectors 'additional' questions to gather evidence on during their visit. These questions are always directly linked to elements of the inspection framework, but help lead inspectors to capture the evidence they are collecting using common methods and with a common focus, so that evidence from hundreds of inspections can be analysed consistently. This year we have asked additional questions about modern foreign languages, science and governance, which will feed into reports and comment later in 2016.



46. Ofsted appoints national leads to each act as a point of reference and expertise on areas of the curriculum, particular sectors, or themes of national significance. In order to extend their reach and improve the ability of the national leads to know what is happening on the ground, this year we have created networks of HMI and OIs around each national lead. As these groups become established, they will serve a dual purpose of enabling specialists within the workforce to come together around their specialism, but also opening up a route for national leads to quickly gather intelligence about practice in their specialist area.

### Inspection that has impact

47. The changes we make to how we inspect have a direct impact on many professionals. The publications we produce explaining these arrangements consistently attract the greatest number of readers of all our publications. The five documents produced this year that were viewed most often on the gov.uk website were:
- School inspection handbook from September 2015 (337,342)
  - Changes to education inspection from September 2015 (310,728)
  - Common inspection framework: education, skills and early years (303,382)
  - Early years inspection handbook from September 2015 (172,843)
  - Inspecting safeguarding in early years, education and skills (99,390).

### Focused messages

48. One of the Chief Inspector's central roles, defined in legislation, is to report and comment independently on the state of education, skills and care across the country and in different areas. In support of this, Ofsted publishes a variety of overarching annual reports, deep dive thematic reports, regular commentaries from the Chief Inspector, letters to the Secretary of State on urgent matters, blogs and notices from regional and national directors and official statistics.



49. Ofsted has five areas of focus that shape all our work, including our messages:

	Annual report message	Key publication
Focus inspection on services that are less than good.	1.4 million more children in good and outstanding schools than five years ago.  Children in the North and Midlands are much less likely to attend a good or outstanding secondary school than those in the rest of the country.	<i>Key stage 3: the wasted years?</i> (Sept 2015)  Comment piece January 2016: what Ofsted has learnt from the first term of short inspections of 'good' schools
Focus on the performance of the most disadvantaged and vulnerable.	Early education has never been stronger, but over 113,000 children who would most benefit are not taking up their government-funded places.  One of the strengths of primary education has been how they have narrowed the gap for the most disadvantaged.	<i>Teaching and play in the early years: a balancing act?</i> (July 2015)  <i>Ensuring Roma children achieve in education</i> (June 2015)  <i>Moving forward?</i> (March 2016)
Identify and promote exceptional leadership.	Some schools, particularly in challenging areas, are facing difficulties securing the teachers and leaders they need.  There is increasing turnover among directors of children's services, who play a critical role in stabilising and inspiring the social care workforce.	Comment piece Feb 2015: 'brain drain' of classroom talent overseas fuelling teacher shortages  Comment piece November 2015: the role that governance plays in an increasingly autonomous education system
Ensure that inspection looks at safeguarding issues, including preventing radicalisation.	For every £1 spent on preventative early help services, local authorities are spending a further £4 on reactive child protection work.  The overwhelming majority of schools are successfully promoting British values and preparing young people for life in modern Britain, but inspectors have identified risks to pupils in some schools this year.	<i>Children in need and child protection: quality of early help and social work assessments</i> (August 2015)
Promote the improvement of technical, vocational and further education.	Apprenticeships should be an aspirational route chosen by many young people, but this is undermined by the low quality of much of what is on offer.	<i>Apprenticeships: developing skills for future prosperity</i> (October 2015)

### Messages that have impact

50. Throughout the year, Ofsted collects evidence through inspection on the quality of education, skills and care. We look at specific issues as shaped by our areas of focus, and we publish a statutory annual report that brings all our messages together into a single publication on what we have found that year. This year we have focused on developing comprehensive means of capturing the impact of our messages, which we will report on next year. The measures of media impact captured in this year's report are only one dimension of impact, which is far more complex.

51. HMCI's Annual Report 2014/15 was published in December 2015. The national and trade press coverage exceeded our targets, with seven national broadcast interviews and coverage in every national newspaper, including multiple reports in The Guardian, Independent, Telegraph and Mirror. The tone of reporting was straight, fair and broadly accurate and our key messages were widely covered. **Ninety-five per cent of the national pieces were positive in tone**, up from 83% last year. The national divide in secondary education was the most extensively covered theme, with 12 of 21 reports highlighting this message.

### Responding to our messages on apprenticeships

The apprenticeships report received good amount of broadcast, print and online coverage, despite its publication falling on a busy news day. The vast majority of coverage was positive and straight, and mostly focused around the small percentage of young people taking up apprenticeships and HMCI's comments that coffee makers and cleaners should not be considered apprentices. There was also broadcast coverage on LBC Radio, Sky News and 5 Live that also reflected our key messages and, while there were some criticisms from stakeholders, they were in the minority of responses.

The Skills Minister, Nick Boles, has spoken on the report and his comments feature in most coverage. He said:

*'Putting an end to poor-quality apprenticeship training lies at the heart of our reforms of apprenticeships. Ofsted's report backs up the findings of our 2012 review and provides further evidence for our decision to put employers rather than training providers in the driving seat.'*

Association of Teachers and Lecturers General Secretary Mary Bousted said:

*'This report makes clear however, that poor-quality apprenticeship programmes are still being offered to our young people. Sir Michael is right, being an apprentice should be a badge of honour.'*

### Our regional messages

52. One of the advantages of our regional structure is that we have teams who inspect locally and have regular meetings with local leaders and professionals. As a result, our regional teams develop intelligence about what is working locally and what needs improvement. The regional directors are important commentators in their areas and we identify opportunity, through the year, to draw attention to issues arising from our work that need attention locally.
53. As part of the publication of HMCI's Annual Report 2014/15, regional directors briefed the press on the performance of providers in their region. Based on last year's coverage, our target was five broadcast interviews in every region and 10 local articles. **Every region met the broadcast target**, with most regions exceeding it by a wide margin. Print targets were met in four of the eight regions. The combined circulation for the media outlets covering the regional messages in the Annual Report was 44 million.
54. Throughout the year, Ofsted senior leaders draw attention to issues in particular areas where issues arise or improved performance merits notice.

### **Exemplary leadership and high quality social work has led to outstanding results in two London boroughs.**

Two London children's services departments have been awarded Ofsted's top inspection grade. Westminster and Royal Borough Kensington and Chelsea are the first to be judged 'outstanding' under Ofsted's tough single inspection framework. The third borough in the tri-borough partnership, Hammersmith and Fulham, has also been rated as good by the inspectorate.

The tri-borough partnership has shown what can be achieved with strong political will and an ambition that only the best services will do for vulnerable children and young people. These inspections clearly show the difference that excellent leadership and social work practice make to the lives of children and their families.

### **Sir Michael raised concerns about declining secondary school performance and pupil attainment in Liverpool, Manchester and surrounding areas.**

The Northern Powerhouse will 'splutter and die' if youngsters in Manchester and Liverpool lack the skills to sustain it, Her Majesty's Chief Inspector, Sir Michael Wilshaw said.

Sir Michael spoke out amid concerns about declining secondary school performance and pupil attainment in the two cities and many of their surrounding towns.

Three in 10 secondary schools in Manchester and four in 10 in Liverpool are judged by Ofsted to be inadequate or requires improvement.

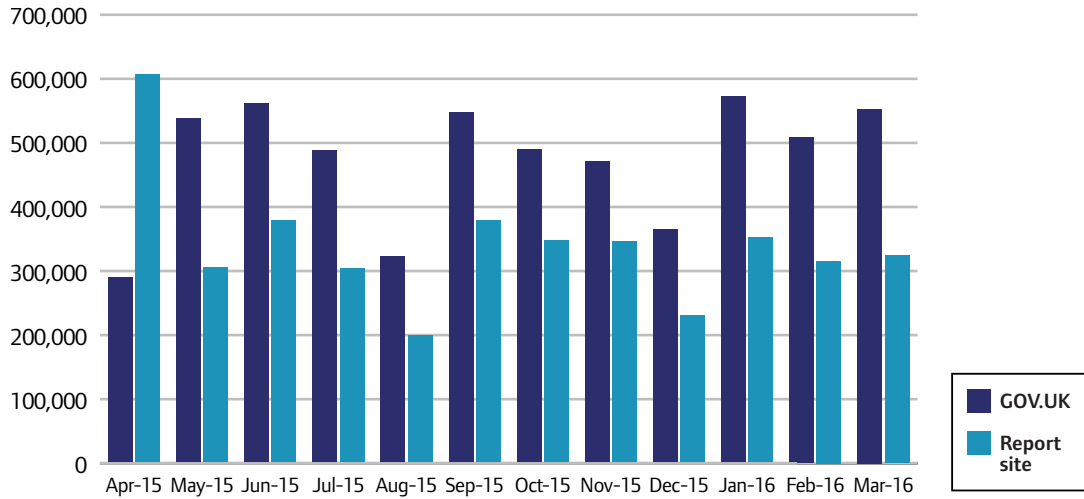
**Figure 13: Coverage of regional messages 2015/16**

Region	TV	Radio	Print/ online	Total
North East, Yorkshire and Humber	11	25	18	54
North West	9	28	9	46
West Midlands	6	10	15	31
East Midlands	12	48	5	65
East of England	12	44	16	72
South West	8	18	9	35
South East	10	17	19	46
London	1	5	11	17
<b>Total</b>	<b>69</b>	<b>195</b>	<b>102</b>	<b>366</b>

### **Extending our reach**

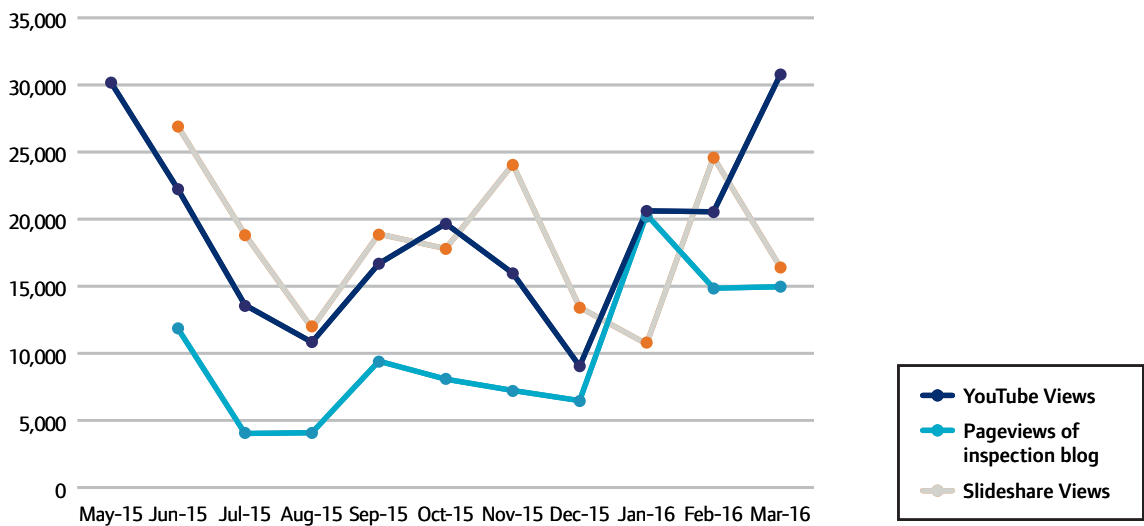
55. Traffic online is an important measure of our reach; figure 14 shows traffic for our main website and for reports.ofsted.gov.uk, which holds inspection reports. Because we migrated to GOV.UK in the middle of the last financial year, traffic is not comparable to last year. While traffic is very seasonal and reflects school terms, overall, the trends are relatively static over the year.

**Figure 14: Online visitors each month**



56. Increasingly, professionals and members of the public are hearing Ofsted’s messages through social media. We have continued to develop our social media presence, and our Twitter feed now has **125,729 followers**. Followers have grown every month, accelerating through the year. LinkedIn has grown more slowly but has still reached 9,807 followers. YouTube and our inspection blog have seen a pattern of increased traffic. Slideshare remains very popular, with several Ofsted presentations gaining 15–20k views.

**Figure 15: Social media growth**

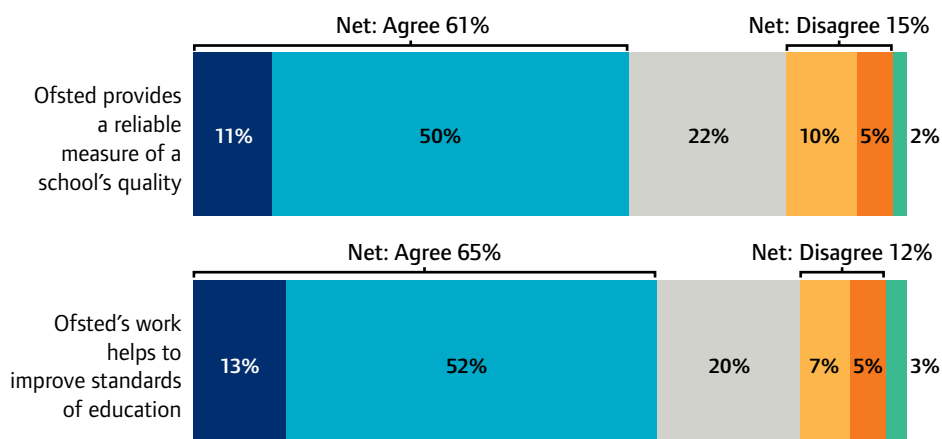


## Improved engagement

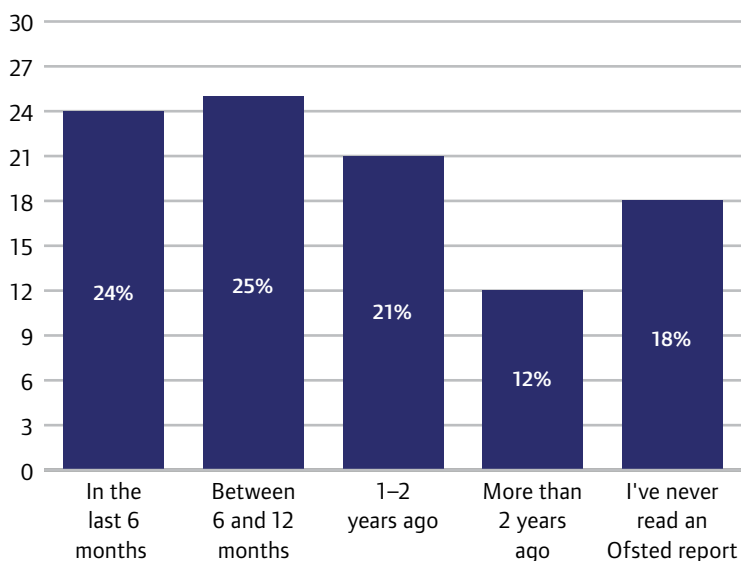
### Engaging with parents and learners

57. This year we surveyed over 1,000 parents about their views of Ofsted and our inspection reports. The response suggested that the majority of parents view the reliability of our reports and our impact on standards in education positively. Across a number of questions, there were divides between parents from higher social grades (ABC1) compared with lower social grades (C2DE), with a higher grade being associated with having more knowledge of Ofsted and our inspection reports, but a lower social grade being associated with more positive views of the reliability and usefulness of inspection.
58. Around half of parents surveyed had read an Ofsted report in the past year and 88% knew the Ofsted rating of the school their child attended.

**Figure 16: Parents' views of Ofsted**



**Figure 17: Do parents read Ofsted reports?**







59. While parents often have views of Ofsted, they have views on many more issues and topics relating to education and skills. In July 2015, we created a Parents Panel, which now has nearly 600 members from all eight regions. These parents respond to questions and requests for advice through email and text. Since starting, we have asked members for their views on 14 occasions and have received over 3,000 responses.

Parent panel question 24 March 2016: **What are your aspirations for your child by the time they reach the age of 21?**

'A really interesting question! Being ambitious for our children feels like accessing the best education opportunities available, keeping a close eye on how they are progressing through school, providing opportunities outside school to appreciate the wider world/culture.... We all want our children to be happy and fulfil their potential.....but without those kind of opportunities how can we know what their actual potential is?' *Parent*

**Gathering views online**

60. One of the ways we encourage parents and learners to influence inspection is through Parent View and Learner View. Growth has been strongest in the further education and skills sector, with 5,000 additional responses on Learner View this year. While there has been growth in the independent education sector on Parent View, participation for maintained schools has dropped. Past experience suggests that schools are most active in encouraging parents to complete the online questions when they are being inspected. Therefore, the lower volume of inspections in the autumn term this year may be directly linked to lower volumes of responses.

**Figure 18: Responses to Parent View and Learner View**

	2014/15 autumn and spring terms	2015/16 autumn and spring terms
Total submissions	237,425	207,244
Maintained schools and academies	198,630	160,628
Further education and skills	35,932	43,279
Independent schools	2,569	3,154
Service children’s education	294	183

61. In addition to the opportunity to talk with inspectors during the inspection, Ofsted introduced an online pupils’/learners’ questionnaire from September 2015. In response to feedback, Parent View was adjusted this year so that parents could leave free text comments explaining their views during the time the school is being inspected.

## Direct engagement in the regions

62. Since September 2015, we have carried out 32 focus groups in 16 schools, involving 196 parents, 201 staff and 58 pupils. The insight gathered has been used to inform development work on Parent View, shaped the surveys used in the short inspections and formed the basis for ongoing work with teachers to test perception, sentiment and awareness.
63. Ninety-eight per cent of the parents attending the groups said they would recommend attending these events to other parents. 'I didn't think Ofsted were as approachable as this.'

## Engaging with stakeholders

64. Across Ofsted there is a wide range of reference groups and regular meetings between Ofsted staff and stakeholders all over the country and across all the different sectors that we inspect and/or regulate.
65. We operate consultative forums for national stakeholders groups from the maintained schools, further education and skills, early years and social care sectors. These meet at regular intervals each year. Each of our eight regions also operate reference groups for sector representatives.

### Engaging stakeholders in the South West

We have a headteacher reference group that meets termly with schools SHMI. They set the agenda and we add anything that is hot off the Ofsted press. This is a useful consultation group for our work in the region. We also meet termly with a group of assistant directors and/or heads of school improvement.

At the two most recent meetings of these groups, we presented a slide pack and a draft regional update paper on the achievement of children eligible for the pupil premium across the region. Both groups fed back on the update and helped finalise its content. Over the past year, we also used both groups to help shape our pupil premium seminars and our middle leadership workshops.

The stakeholders involved use the meetings to ask questions: in March, primary school assessment was a hot topic.

## Responding to correspondence

66. Our stakeholders include many different groups, not only representative bodies and national organisations but also people as diverse as politicians, bloggers and interested members of the public. Formal letters, questions and information requests are one way that individuals approach us with the issues that are relevant to them.

**Figure 19: Correspondence performance 2015/16**

	Official correspondence	Parliamentary question	Freedom of Information request
Responses this year	607	33	800*
Target timescale	15 days	5 working days	20 working days
Proportion in time	83%	94%	96%

\*Between 1 January 2015 and 31 December 2015: Freedom of Information data are reported one quarter in arrears.

## Engaging with those we inspect

### Consulting on changes to inspection

67. This year we have conducted seven formal consultations. Each consultation has included an online survey to capture responses and where appropriate this has been supplemented with other activities such as face-to-face groups and online webinars. We have developed material suitable for different groups, including age-appropriate materials for children and young people and accessible surveys for children with SEN and disabilities.

The LA SEN and disabilities consultation gathered quantitative and qualitative data from **1,964 responses** to the questionnaires (1,223 to the general questionnaire including 741 from children and young people) and information from:

- 13 face-to-face events nationally attended by over 500 delegates
- parent and carer consultative webinars (30 attendees)
- public webinars (86 attendees)
- one face-to-face parent group consultation
- webchat with 40 individual parent participants
- five consultative pilot inspections – testing how best to engage parents for the new inspection framework starting May 2016.

### Mythbusting

68. In January 2016, we launched a mythbusting campaign to dispel common misconceptions about what inspectors do and don't look at, or 'expect', when they visit a school:

- We published the document 'Ofsted inspection: myths' in an html version to make it easier for school teachers and leaders to access. In the first week of the campaign, the document received 5,009 views, and by end of March more than 14,300 views, compared with 15,602 views over the six months before the campaign.
- We produced a series of short videos on our YouTube channel featuring two Ofsted directors tackling myths on marking and pupil feedback, lesson planning, grading and observation. The videos led to a rise in activity on our YouTube channel with views up by 128% and estimated minutes watched up by 76%.
- We posted a blog from Sean Harford, Ofsted's National Director for Education. The mythbusting blog is our third most popular post, with 11,472 page views by the end of March.
- We filmed our first Vine in late March to clarify our position on approaches to marking. In the first two weeks, the Vine had accumulated around 45,000 loops.
- We promoted the materials through social media using #OfstedMyths and in conjunction with teaching unions and associations.

## Social care questionnaire

69. Each year, Ofsted uses online questionnaires to gather views about children's homes, secure children's homes, adoption services, fostering services and residential family centres. The questionnaires are for children and young people, parents, staff, social workers and other professionals, such as independent reviewing officers. In 2015, these questionnaires ran from 4 February to 9 May 2015 and we received responses from 27,715 individuals, of which 3,271 were children and young people.
70. We use the responses, along with other information we have, such as previous inspection findings or any concerns, to decide when to inspect and what to focus on when we do. We share response summaries with providers and local authorities to help them identify areas for improvement.<sup>3</sup> This year we published two slide packs, one reflecting the key things that children and young people told us, which was viewed 7,386 times online, and another reflecting the key things adults told us, which was viewed 3,735 times online.

### Adults and children told us that listening matters

'Listening and respecting the opinion of the foster carer who knows the children best needs to have a stronger voice as part of the any discussions about the children's future.' *Foster carer*

'...listen and respect my views more often if not always, and try and understand my emotions and routines and be able to regulate the things that get me agitated and upset.' *12-15-year-old child looked after*

## Better regulation

71. Ofsted has been liaising closely with the DfE and the Department for Business, Innovation and Skills to ensure that it is in a position to meet the future expectations of the Better Regulation requirements in the Enterprise Bill. We plan to report on this in our 2016-17 Annual Report and Accounts. We have also drafted an innovation plan that sets out Ofsted's intention to make better use of technology to develop high-quality services and take account the changing use of technology by those we inspect and regulate. We expect to publish this plan in July 2016.
72. In line with existing better regulation expectations, Ofsted has continued to engage with businesses when it has made changes to regulatory activities so that we understand and can take account of the impact our proposals are likely to have.

Sir Michael Wilshaw:

Date: 24 June 2016

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

3. In order to maintain anonymity we do not share comments, only data, and only where there have been 10 or more responses to a question.

# ACCOUNTABILITY REPORT



# Corporate Governance Report

## The Directors Report

### Ministers

1. Ofsted is a non-ministerial government department.

### Chair of the Ofsted Board

2. David Hoare is the Chair of the Ofsted Board. He has particular responsibility for providing effective leadership on matters such as:
  - formulating the Board's strategy for discharging its statutory duties
  - encouraging high standards of propriety
  - representing the views of the Board externally and internally within Ofsted
  - providing for the induction, training, objectives and assessment of individual Board members
  - advice to the Secretary of State for Education on the performance of HMCI, on behalf of the Board.

### Her Majesty's Chief Inspector

3. Sir Michael Wilshaw is Her Majesty's Chief Inspector (HMCI). He is responsible for the inspection and regulation of services within his remit. He is responsible for the overall organisation, management and staffing of Ofsted and for its procedures in financial, legal and other matters, including conduct and discipline.
4. HMCI delegates some of his powers to the Chief Operating Officer and Ofsted's Directors and Regional Directors, who support HMCI through the Executive Board and HMCI's Inspection and Improvement Forum.

### Our structure

5. Ofsted consists of eight regions across England, each led by a Regional Director who is responsible for the quality of inspection and the improvement of providers in their region. The Regional Directors lead teams of Inspectors to promote improvement through inspection. Our regional structure aims to target our resources more effectively to where we can drive greatest improvement.
6. To support the structure, administrative, professional and technical staff are organised into a single directorate under the Chief Operating Officer. Directors lead functional and policy teams of skilled staff who provide high quality inspection and corporate support from each of our main offices in London, Bristol, Nottingham and Manchester and in our regional offices, which are located in government buildings in Birmingham, Cambridge and York.

## **Register of Interests**

7. 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.

## Our Non-Executive and Executive Board

Non-executive Board



David Hoare  
Chair of the Ofsted  
Board



Linda Farrant  
Non-Executive  
Board Member



John C Hughes  
Non-Executive  
Board Member



James Kempton  
Non-Executive  
Board Member



John Roberts CBE  
Non-Executive  
Board Member



Paul Snell CBE  
Non-Executive  
Board Member

Executive Board



Sir Michael Wilshaw  
Her Majesty's Chief  
Inspector



Matthew Coffey  
Chief Operating  
Officer



Sir Robin Boshier  
Regional Director,  
South East



Andrew Cook  
Regional Director,  
East of England



Lorna Fitzjohn  
Regional Director,  
West Midlands



Chris Russell  
Regional Director,  
East Midlands  
and North West



Bradley Simmons  
Regional Director,  
South West



Mike Sheridan  
Regional Director,  
London



Nick Hudson  
Regional Director,  
North East,  
Yorks and Humber



Eleanor Schooling  
National Director,  
Social Care



Sean Harford  
National Director,  
Education



Nick Jackson  
Director,  
Corporate Services



Karen Shepperson  
Director,  
Human Resources



Neil Greenwood  
Director,  
Strategy



## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury 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.

As Accounting Officer, as far as I am aware there is no relevant audit information of which Ofsted's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Ofsted's auditors are aware of that information.

## Governance Statement

### Scope of responsibility

8. HMCI is the Accounting Officer for Ofsted and is answerable to Parliament for ensuring that all the resources available are used properly and that services provide value for money, are legally compliant and take account, where appropriate, of wider government policy.
9. 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

10. 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.
11. 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.
12. To support delivery of its responsibilities, the Board reviews management reports that have been approved by the Executive Board that detail Ofsted's performance against its corporate and strategic objectives. These reports cover all aspects of the organisation's business, including its external inspection and regulation activities and its internal budgetary, risk and resource management. The information provided is signed off by the relevant director and is subject to internal quality control checks during its production. The Board assesses the quality and appropriateness of the reports as part of the annual evaluation of Board performance and reports back any concerns to management. Following a recent review, the Board agreed that the reports were of good quality.
13. The Ofsted Board meets at least six times a year. Membership and attendance details are provided in Appendix B.

#### Ofsted committees

14. The Board may establish committees and delegate any of its functions to the Chair, another Board member, a committee or a sub-committee.
15. The committees of the Board that operated in the year are as follows:

- Audit and Risk Assurance Committee
- Strategic Risk Committee

### *Audit and Risk Assurance Committee*

16. The Audit and Risk Assurance Committee's function is to support both HMCI and the Board in their responsibilities for issues of risk management, internal control and governance including:
  - the effectiveness of strategic processes for risk management, internal control and governance, and information assurance
  - the accounting policies, including the process for review of the Annual Report and Accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors
  - the planned activities and results of internal and external audit.
17. 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.
18. The Audit and Risk Assurance Committee meets regularly during the year, aligned to the financial reporting timetable. During 2015–16, the Committee met on five occasions and reviewed the following formal reports:
  - 2014–15 Audit and Risk Assurance Committee Annual Report
  - 2014–15 Annual Internal Audit Report and Opinion
  - 2014–15 Annual Report and Accounts
  - 2014–15 External Audit Completion Report
  - 2015–16 External Audit Planning Report
  - 2015–16 Annual Internal Audit Plan.
19. During 2015–16, the Committee has continued to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the risk management framework and the associated control environment; and in providing robust scrutiny and challenge of Ofsted's financial management and performance. There has been focus on governance, risk management processes, contract management and the effectiveness of internal and external audit. Audit Committee members have attended a range of external events, including HM Treasury's Audit and Risk Assurance Committee event, and subsequently shared the best practice with other members.
20. The launch of the future of education inspection<sup>1</sup> (FOEI) changes and the Future Operating Model<sup>2</sup> (FOM) has resulted in unprecedented changes for Ofsted. The Committee was committed to ensuring that there were effective strategic processes for risk management, internal control and governance throughout delivery of these programmes of work.

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<sup>1</sup> A new common inspection framework and new short inspections for good schools and further education and skills providers

<sup>2</sup> A new operating model, to help ensure that we have the necessary quality, control and flexibility in our workforce to deliver our plans for the future of school and further education inspection.

21. The Committee was proactive in tracking the development of the FOM business case and associated risks to provide challenge to the programme board and assurance to the Ofsted Board.
22. The Committee has been involved in the re-procurement of the internal audit contract that expired on 31 March 2016 and has been proactive in the early development of the 2016–17 internal audit plan and transition to the new internal audit contract.
23. The Committee has continued to develop effective relationships and communication with Ofsted’s wider management through seeking assurance directly from those responsible for decision-making.

#### *Strategic Risk Committee*

24. The Ofsted Board requested that a Strategic Risk Committee be established to give them the assurance that Ofsted has effective approaches to understand and manage strategic risks and issues. The Strategic Risk Committee is distinguished from the Audit & Risk Assurance Committee in that it aims to support Ofsted’s actual management of risks, rather than providing assurance on the risk management process.
25. The Strategic Risk Committee is a sub-committee of the Ofsted Board, which advises both HMCI as Accounting Officer and the Ofsted Board on the effectiveness with which Ofsted is managing its strategic risks and issues including:
  - reviewing Ofsted’s strategic risk register and recommendations for approval to the Ofsted Board, together with any strategic issues that arise
  - challenging the owners of each strategic risk with regard to progress with delivery of mitigating actions
  - identifying further opportunities to reduce the likelihood of risks materialising or the impact that they may if they do materialise
  - horizon-scanning strategic risks and issues impacting on the work of Ofsted to raise standards and improve lives
  - reviewing the progress made, with a steer towards measurable outcomes
  - providing updates to the Board and HMCI on the effectiveness with which strategic risks and issues are identified and managed by the Executive.
26. The Strategic Risk Committee will provide an update (generally through its Chair), as a minimum, to each meeting of the Ofsted Board. The Strategic Risk Committee will also provide an annual report to the Ofsted Board and Accounting Officer. This will summarise its conclusions from the work it has completed during the year.
27. The Strategic Risk Committee meets up to four times each year. During 2015–16, the Committee met on three occasions. The Chair of the Strategic Risk Committee may convene additional meetings, as they deem necessary. The Chair of the Board, HMCI or members of the Ofsted Board may, in exceptional circumstances, ask the Strategic Risk Committee to meet to consider any matter of relevant business.
28. At its inaugural meeting on 8 July, the Strategic Risk Committee identified three new strategic risks and agreed to adopt a deep-dive approach to gain assurance that the identified risks are right and appropriate controls to mitigate likelihood and/or impact are in place for each of them. The committee has been effective in supporting HMCI and the

Ofsted Board in their responsibilities for strategic risks and issues and enabled the Audit and Risk Assurance Committee to focus on other priorities.

### *The Chair's Committee*

29. The Chair's Committee was responsible for the performance framework; the annual assessment of HMCI; the framework for evaluating Board performance; and Board learning and development. In addition, it offered advice to the Secretary of State for Education on the appointment of Board members.
30. The Chair's Committee has not met in 2015–16. The Chair of the Board has considered the ongoing need for a distinct Chair's Committee and determined that the Committee's responsibilities should, in future and where necessary, be covered by the Ofsted Board.

### **Executive Boards**

31. 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.
32. In 2015–16, the following Executive Boards were in operation.

#### *Executive Board*

33. The Executive Board advises HMCI in making decisions and supports him in the strategic and operational management of Ofsted. The Executive Board:
  - sets strategic direction, through publication of a forward-looking strategic plan
  - makes strategic decisions, taking appropriate account of internal and external intelligence, and any strategic risks that have been identified
  - regularly reviews the risks that Ofsted is facing to ensure it is appropriately mitigating these
  - agrees long-term, annual and in-year resource allocation, including release of contingency funds
  - approves significant changes to policy that will impact on the work of region or remits
  - assesses Ofsted's impact and value for money
  - acts as the point of escalation on regional or corporate operational issues
  - agrees Ofsted's reaction to emerging issues which may involve significant reputational or financial risk.
34. The Executive Board will consider the following matters prior to determination by HMCI, on the advice of the Chief Operating Officer:
  - the strategic plan
  - the annual corporate plan and targets
  - the annual budget
  - the medium term financial plan
  - the Annual Report and Accounts (including the Governance Statement)
  - disposal and acquisition of major assets

- major contracts and investments
  - treasury policies and risk management strategies
  - the appointment of auditors
  - changes to staff terms and conditions
  - the people strategy and workforce plan
  - the pay remit
  - recommendations that mean permanent changes to budget or headcount
  - the external communications strategy
35. All other strategic matters relating to the performance, management or conduct of Ofsted's affairs that are not reserved to HMCI are delegated to an individual director or to a lower decision-making forum.
36. The Executive Board meets monthly and is chaired by the Chief Operating Officer, with the membership consisting of Regional Directors and Directors. Individual members of the Executive Board have specific and clearly defined responsibilities for inspection, inspection support and corporate activities, but they act corporately and collectively to ensure the achievement of the priorities set out in the strategic plan and the objectives in Ofsted's corporate plan.

#### *Inspection and Improvement Forum*

37. The Inspection and Improvement Forum (IIF) ensures that inspection is driving improvement. It is an advisory forum that supports 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.
38. 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.
39. The IIF meets monthly and is chaired by HMCI, with membership consisting of National and Regional Directors and Senior HMI.

#### *Committees of the Executive Board*

40. In 2015–16, changes have been made to Ofsted's meeting structure. 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. The new structure improves the management of

change and enables more delegated decision making to take place, reflecting Ofsted's philosophy of 'Freedom within boundaries'. The Executive Board will be supported by the following groups:

- Policy Portfolio Group – responsible for policy development and delivery as a coherent portfolio of activity in support of Ofsted's strategic priorities
- Change Impact Group – responsible for the effective delivery of change within Ofsted
- Chief Operating Officer's Directorate Management Board – to support the Chief Operating Officer to effectively manage the operational delivery of Ofsted
- Safeguarding Group – to ensure that robust internal arrangements are in place for assuring safe and secure provision for children, young people and learners across all
- Regional Star Chamber – to review and challenge performance in each individual region; looking at resources including financial, people and contracted workforce, and risk associated with all aspects of delivery.

41. Where detailed scrutiny has taken place at a lower level of the governance structure but escalation is required for final decision, this will be done by producing a short summary paper for Executive Board consideration.

### **Declaration of interest**

42. 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.
43. 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.
44. During 2015–16, the following interests were declared. The son of a Board member is a director of a third party organisation that is a supplier to Ofsted; the wife of a Board member works for a university that is inspected by Ofsted; a Board member is a Trustee of a children's charity; and a Board member is a governor for an independent school and is an independent member of the Audit and Corporate Governance Committee of a joint inspection provider.

### **Effectiveness of the Corporate Governance Framework**

45. Ofsted Board members are to agree an updated version of the Corporate Governance Framework in June 2016. By the end of 2016, the Board will carry out a wider review of the Framework's performance against the standards set out in the Corporate Governance Code in Central Government Departments. Covering five main areas – Board role, Board mechanics, Board capability, Board dynamics and Board engagement – the evaluation will aim to demonstrate that the Ofsted Board is working effectively and there were no departures from the Code.

### **The assessment of risk**

46. 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.

47. The Strategic Risk Committee advises both HMCI and the Ofsted Board on the effectiveness with which Ofsted manages strategic risks and issues.
48. In September 2015, as part of the audit programme, an internal audit of Ofsted's strategic risk management was undertaken. The audit provided independent assurance that Ofsted's risk management, governance and control systems are operating effectively except for some areas where weaknesses have been identified.
49. 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.
50. 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 priorities. The benefits of this approach have been evident during what has been a period of significant change to both Ofsted's priorities and operational structure.
51. The strategic risk register is reviewed quarterly by the Executive Board and the Strategic Risk Committee and bi-annually by the Ofsted Board. The strategic risk register is still evolving and will continue to do so. In light of the development of the new strategic priorities, covering the 2016–2020 period, the Executive Board and Strategic Risk Committee have considered the threats to the delivery of the new priorities and, as a result have updated the strategic risks register.
52. The most significant operational risks to Ofsted are reported to the Executive Board each quarter. This report includes a summary of the routine controls and mitigating actions in place to reduce Ofsted's exposure to each risk. Ofsted continues to manage operational risks at a directorate, regional, divisional, project and team level.

## **Information risk**

53. Ofsted's staff and contractors will have privileged access to some sensitive data and information. This is to support our inspection and regulation work in the care of children and young people and in education and skills for learners of all ages. Ofsted has a duty to respect this privileged access and to ensure that all personal information it holds is appropriately safeguarded.
54. Ofsted regularly reviews information risk alongside other business risks. We continue to ensure that the value of information is understood and exploited, with sensitivities safeguarded within our documented risk appetites.
55. There is an established governance structure, incorporating a Senior Information Risk Owner (SIRO) who sits on Ofsted's Executive Board and who is supported by a specialist team and a community of interest, including information asset owners, that shares knowledge and good practice in managing and sharing information.
56. During the year to 31 March 2016, one loss was formally reported by Ofsted to the Information Commissioner's Office. This affected one individual only. The majority of the



personal data incidents recorded in this period are unauthorised disclosures. This was information released in error either electronically, through post, on paper or in conversations.

57. A summary of personal data-related incidents during 2015–16 is provided in Appendix C.

## **Effectiveness of the internal control framework**

58. 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. Senior managers are accountable for addressing Select Committee recommendations and, where appropriate, progress on recommendations are reported to the Audit and Risk Assurance Committee.
59. During the year to 31 March 2016, HMCI appeared in front of the House of Commons Education Select Committee to give evidence on the work of Ofsted as well as the purpose and quality of education in England. He was supported during these two sessions by Ofsted's Chief Operating Officer and Ofsted's National Director for Education. A number of subjects were covered over the course of the evidence sessions. These included the implementation of the new common inspection framework; the selection process for Ofsted Inspectors; improvements in the education system over time; and the use of data during inspection. Ofsted will consider and respond to any recommendations made by the Select Committee in relation to these evidence sessions.

## **Internal audit**

60. 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.
61. An audit programme for 2015–16 was developed based on an annual assessment that focuses on Ofsted's major risks and in consultation with both the Executive Board and Audit and Risk Assurance Committees. The 2015–16 internal audit plan covered nine processes or systems operating within Ofsted. During the period to 31 March 2016, six audits were completed and reports issued with the remaining three reports issued in May 2016. In addition, a follow-up audit was undertaken. The timing of the audits are spread out across the year so that continuous assurance is provided while considering the operational pressures of major programmes and business as usual.
62. 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. 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. Any control weaknesses were reported to and reviewed by the Audit and Risk Assurance Committee in the year. Progress against plans to strengthen any control weaknesses are tracked and reported to the Executive Board and Audit and Risk Assurance Committee on a regular basis. Internal audit carried out an independent review in February 2016 to ensure that recommendations are being adopted and provide assurance to the Accounting Officer.

## **Audit and Risk Assurance Committee**

63. 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 and formal minutes of the Audit and Risk Assurance Committee meetings are presented to the Ofsted Board.
64. 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**

65. Each director and deputy director must complete a mid-year review and end-of-year review of the controls that they have in place to manage risks. They must report on this by completing an internal control checklist and giving written assurance to the Accounting Officer that these controls are effective.
66. 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. Significant deviations must be disclosed.
67. The assurance process identified potential weaknesses in the management of IT assets, including the allocation, usage and return of laptops and mobile phones. As a result, Ofsted has requested an internal audit to review the processes, identify any process weaknesses and recommend proposals for improvement.

## **Capacity to handle risk and change**

68. This has been a period of significant internal and external change for Ofsted; in response, Ofsted has been proactive in identifying and mitigating emerging risks.
69. The Chief Operating Officer was appointed as the Interim Accounting Officer for the period 19 March to 11 May 2015 due to a period of ill health absence of HMCI. The Interim Accounting Officer was accountable to Parliament for the transactions reported in the financial statements and the governance relating to those the transactions for this period. The Interim Accounting Officer also provided assurance to the Accounting Officer over the governance arrangements during this period to enable the appropriate signature of the governance statement.
70. The annual budget for 2015–16 was endorsed by the Ofsted Board and included a £2.0m over-allocation agreed by the Executive Board as part of the budget setting process. The Executive Board agreed that, rather than seek to fully close this relatively small remaining gap, the budget would be closely monitored during the first quarter of 2015–16 and the position revisited in-year if necessary. Given that bringing inspection in-house gives greater control of volumes and costs, the Executive Board agreed this was a reasonable way forward.

71. Following the Chancellor's emergency budget in June 2015, all government departments were asked to make in-year funding reductions. Ofsted was asked to contribute £6.0m in-year savings.
72. The quarter one financial forecast against the revised funding presented an emerging risk of breaching the parliamentary control totals. In response, a detailed review of each budget was undertaken and a number of options for in-year controls were agreed by the Executive Board in July, including the introduction of central controls for all recruitment. In addition, a number of policy changes were agreed with the Department for Education (DfE).
73. This intervention had a significant impact on Ofsted's financial management during the remainder of the financial year and enabled Ofsted to operate within its parliamentary control limits.
74. In July 2015, the Chancellor announced a Spending Review for all government departments. Ofsted was asked by the DfE to model the implications of a reduction in its funding of between 25% and 40%, from 2016–17 to 2019–20. In response, policy teams were commissioned to identify a range of savings options and set out the impact and associated risk of each option.
75. In August, HMCI and the Ofsted Chair wrote to the Secretary of State setting out the implications and significant risks of the scale of potential budget reduction together with a proposed package of savings initiatives for ministerial consideration. Detailed negotiations took place between Ofsted and DfE officials before agreement was reached in November 2015 to deliver a 20% reduction in our budget over the Spending Review period. Formal confirmation of the outcome of the Spending Review was set out in the Settlement Letter from the DfE Permanent Secretary, received in March 2016.
76. The Executive Board has agreed a balanced budget for the first year of the Spending Review, 2016–17. However, 2017–18 will present a far more challenging budget position, as it requires Ofsted to deliver further efficiencies and the DfE to increase provider fees across several remits.
77. Each Spending Review savings proposal has been risk assessed and work is underway to ensure that the required legislative, policy and internal changes are managed effectively to ensure delivery. Regular assurance will be provided to the Audit and Risk Assurance Committee and the Ofsted Board.
78. The social and political context in which Ofsted works is continuously evolving. This can lead to new demands on the organisation. The government's counter-extremism strategy, published on 19 October, makes reference to concerns about other educational settings, including supplementary schools and tuition centres, due to the lack of regulation and oversight. If a setting is suspected of operating as a school without being registered, which is illegal, Ofsted has powers to investigate. As the inspectorate for these settings, Ofsted has established a small team of specialist HMI to undertake a greater volume of targeted inspections and investigations and to support prosecutions where required.
79. 1 September 2015 marked the launch of the FOEI changes and the future operating model to directly contract with inspectors rather than contract with the inspection service providers (IPSS) for education and further education and skills inspections.

80. The governance structure of the change programme covered both FOM and FOEI. Both programmes were led by a Senior Responsible Officer and draft proposals, progress, risks and outputs were reviewed at the Business Change Authority Group, Programme Board, Executive Board and Ofsted Board.
81. Ofsted appointed an external Programme Director to take responsibility for the delivery of the programme to required timescales. The Programme Director was supported by staff across key business areas with the experience, skills and knowledge to deliver each strand of the programme successfully. The substantive roles of key staff were filled by temporary staff to ensure that business as usual operations were delivered effectively.
82. The business case and supporting financial analysis were reviewed by the Executive Board, members of the Audit and Risk Assurance Committee, the DfE and HM Treasury. The final business case was approved by the Executive Board and agreed by HM Treasury.
83. The FOM Programme Board identified a number of emerging risks and was responsive in implementing mitigating actions. The Board identified the risk of regional capacity to take on the new inspection work. In response, a new regional strand was established that focused on ensuring that business and inspection processes were aligned and the appropriate resource was in place in the regions to support inspection work and to provide a single point of contact for engagement and communication with regional Ofsted Inspectors (OIs).
84. A delivery confidence assessment was undertaken in August to assure the Programme Board of readiness of business areas for go live in September. The assessment involved interviewing business areas on their level of confidence in delivering their plan, identifying any areas of concern and dependency and agreeing steps to address any risks. Progress against the assessment was reviewed and monitored through the Programme Board in August and September 2015.
85. Recognising the positive impact of effective engagement, during the period to 1 September 2015 Ofsted held a number of engagement events with both internal and external stakeholders, including Ofsted's non-inspection employees, inspection colleagues and employees of the ISPs. Ofsted:
  - published an education newsletter in each month, updating stakeholders on progress of the programme and giving them the opportunity to get involved in discussing important areas of the programme, contribute their ideas and become aware of the key risks
  - published 'Your future, your views' communications in May and August 2015 to update stakeholders on proposals for how Ofsted would be structured to best support inspection services in the future and to invite feedback; stakeholder feedback was considered to finalise proposed structures
  - hosted six familiarisation visits over the course of July and August 2015 so that transferring ISP employees could see the Ofsted offices, learn more about the organisation and meet some of their new colleagues.
86. Ofsted has established systems and processes to ensure that the recruitment experience was as efficient as possible. However, the recruitment of sufficient high-quality OIs willing to lead inspections has been challenging in the year. In contrast, there has been significant interest from potential OIs willing to be part of an inspection team, which has generated significant volume of correspondence, checks and training.

87. Throughout the year, Ofsted has continued to source OIs, prioritising specific locations and specialisms, and those team inspectors willing to become lead inspectors. OIs are now being sourced on a rolling and focused basis, as and when the requirement for further inspectors is identified.
88. Ofsted has implemented a new IT system to improve the management, information handling and reporting of our regulatory and inspection processes. A significant development and testing programme of the system involving all users commenced in April and was completed in September ready for go live.
89. Following go live, a process was established to rapidly deal with system and process issues as they arose and to support users and OIs. This included coordinating rapid response groups to deal with cross-cutting and cross-system issues, and drawing together key people to resolve problems quickly.
90. The Executive Board recognised that there would be a period of time required for staff transferring to Ofsted and new staff working in the regions to get up to speed with new processes and systems. Also, inspectors would require time to become familiar with the new inspection framework. As a result, it was agreed to build up the volume of inspections from mid-September onwards. Regions were advised of the volumes required to meet corporate plan targets and a process was put in place to prioritise those inspections required to meet statutory obligations.
91. A quarterly Star Chamber process has been established to review regional performance and identify actions to facilitate delivery of corporate targets. In addition, the Strategic Risk Committee, a sub-committee of the Ofsted Board, has been working with the Executive Board to establish a revised set of strategic risks and provide assurance to the Ofsted Board that management of these is delegated effectively within the organisation.
92. In September 2015, Ofsted completed the implementation of some of the most significant changes to inspection frameworks and practice in recent history, bringing schools, further education and early year remits into a common inspection framework. The FOEI Programme developed an evaluation strategy and identified measures to monitor our inspections closely to ensure that our changes were being implemented as envisaged, that the sectors benefit from the changes and that the benefits of the changes implemented are realised.
93. A 'lessons learnt' review was conducted for both programmes that set out clear recommendations for future change programmes and identified areas that would benefit from future activity to improve service delivery and efficiency.
94. On 1 March 2016, HMCI announced that services delivered by our inspection service providers (ISPs) for the inspection and registration of early years providers will be insourced when the contracts come to an end in March 2017. The decision to in-source followed several months of work to explore a range of potential options for the future provision of these services. These options were analysed against a number of criteria, including ensuring the quality of our work and value for money. A programme is in place to oversee the delivery of new processes and systems to support early years activities when they migrate to Ofsted. The organisation will continue to work closely with the ISPs to ensure a carefully managed transition to Ofsted next year.

95. As described in the assessment of risk section above, Ofsted's risk policy, including the strategic risk management process, has been reviewed by internal audit. Ofsted's risk management process remains robust and continues to support the governance of Ofsted.
96. 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.

# Remuneration and Staff Report

## Remuneration Report

### Part A: Unaudited

#### Appointment of non-executive Board members

97. 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

98. 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.
99. Full details of the membership of the Executive Board and their dates of appointment are provided in the Governance Statement. Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
100. Further information about the work of the Civil Service Commission can be found at: <http://civilservicecommission.independent.gov.uk>.
101. Sir Michael Wilshaw was appointed as HMCI from 1 January 2012; this is a Crown appointment for a period of five years.
102. Unless otherwise stated, the Directors are all permanent senior civil servants.

##### Remuneration policy

103. 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.
104. 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 2015–16. 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.

105. 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.
106. 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.
107. The final allocation therefore reflected how the job had been performed by each post-holder, their overall track record and their growth in competence, as well as what had been achieved against individual performance agreements.

## Part B: Audited

### Remuneration (including salary) and pension entitlements

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

#### Non-executive remuneration

109. David Hoare was appointed to the position of Chair of the Ofsted Board from 1 September 2014. Baroness Sally Morgan of Huyton’s tenure as the Chair of the Ofsted Board ended in August 2014
110. The salary entitlements of all non-executives of Ofsted for the year ending 31 March 2016 were as follows:

Officials	Salary (£'000)	
	2015-16	2014-15
David Hoare (from 1 Sept 2014)	45-50	25-30 (45-50 FYE*)
Linda Farrant	5-10	5-10
John Roberts CBE	5-10	5-10
Paul Snell CBE	5-10	5-10
James Kempton (from 11 Mar 2015)	5-10	0-5
John Hughes (from 11 Mar 2015)	5-10	0-5
Baroness Sally Morgan of Huyton (to 31 Aug 2014)	-	25-30 (70-75 FYE*)
Andy Palmer (to 31 Dec 2014)	-	0-5
Sir Alan Steer (to 31 Dec 2014)	-	0-5
Professor Geoff Whitty CBE (to 31 Dec 2014)	-	0-5
Vijay Sodiwala (to 31 May 2014)	-	0-5

\*Full year equivalent



## Senior management remuneration (salary and payments in kind)

111. The salary entitlements of the most senior members of Ofsted for the year ending 31 March 2016 were as follows:

Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (£'000)		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Sir Michael Wilshaw	195-200	195-200	-	-	-	-	-	-	195-200	195-200
Matthew Coffey <sup>1</sup>	140-145	140-145	15-20	10-15	1,320	1,600	55	95	215-220	250-255
Sir Robin Bosher (from 22 Apr 2014)	150-155	135-140 (150-155 FYE*)	10-15	-	-	-	48	42	210-215	175-180
Andrew Cook (from 1 Dec 2014)	120-125	40-45 (120-125 FYE*)	-	-	-	-	115	49	235-240	85-90
Lorna Fitzjohn	120-125	120-125	-	-	-	-	54	244	175-180	365-370
Christopher Russell (from 25 Aug 2014)	120-125	70-75 (120-125 FYE*)	-	-	-	-	88	88	210-215	160-165
Bradley Simmons	120-125	120-125	10-15	-	-	-	56	303	190-195	420-425
Mike Sheridan (from 1 Sep 2015)	70-75 (120-125 FYE*)	-	-	-	-	-	128	-	195-200	-
Nick Hudson	135-140	135-140	-	10-15	-	-	48	49	180-185	200-205
Eleanor Schooling (from 4 Jan 2016)	25-30 (110-115 FYE*)	-	-	-	-	-	-	-	25-30	-
Sean Harford	120-125	130-135	10-15	10-15	-	-	32	146	165-170	290-295
Nick Jackson	120-125	120-125	-	-	-	-	48	45	170-175	165-170
Karen Shepperson	90-95	105-110	10-15	10-15	-	-	43	30	145-150	145-150
Neil Greenwood	95-100	105-110	10-15	10-15	-	-	34	25	140-145	145-150
John Kennedy (from 1 Jun 2015 to 31 Aug 2015)	20-25 (85-90 FYE*)	-	-	-	-	-	35	-	55-60	-
Debbie Jones (to 31 Aug 2015)	100-105 (175-180 FYE*)	150-155	-	-	-	-	28	51	125-130	200-205
Joanne Morgan (to 31 Oct 2015)	70-75 (120-125 FYE*)	115-120 (120-125 FYE*)	-	0-5	-	-	28	44	95-100	165-170
Kath O'Dwyer (from 1 May 2014 to 20 Sep 2015)	60-65 (135-140 FYE*)	120-125 (135-140 FYE*)	-	-	-	-	-	40	60-65	160-165
Lorraine Langham (to 6 Apr 2014)	-	0-5 (170-175 FYE*)	-	-	-	-	-	3	-	5-10
Louise Soden (to 30 Aug 2014)	-	65-70 (165-170 FYE*)	-	-	-	-	-	-	-	65-70
Michael Cladingbowl (to 31 Dec 2014)	-	90-95 (120-125 FYE*)	-	-	-	-	-	19	-	105-110

\* Full year equivalent

<sup>1</sup> Pension benefit for 2014-15 revised by MyCSP leading to revised total remuneration

112. Salary includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and Private Office allowances and other allowances to the extent that it is subject to UK taxation.

113. Bonus payments are based on performance levels attained and are made as part of the appraisal process. Bonus payments relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2015-16 and the comparative bonuses reported for 2014-15 relate to the performance in 2014-15.

114. 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 2015-16, £1,320 (2014-15: £1,600) benefits in kind were provided by Ofsted to Matthew Coffey, who received a salary advance to assist with relocation costs.

115. Debbie Jones received a non-consolidated taxable allowance of £46,619 in lieu of pension contributions and benefits for the period 16 September 2013 to 31 August 2015.

116. Eleanor Schooling was seconded to Ofsted by the London Borough of Islington to work in the post of National Director, Social Care from 2 September 2015 to 31 December 2015. For the period of her secondment, Ofsted paid the London Borough of Islington remuneration of £56,649 including VAT. She was employed by Ofsted on a one year fixed term and part time contract from 4 January 2016.

### **Pay multiples**

117. 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.

118. Ofsted operates a grading structure that is broadly aligned to the traditional Civil Service grades AO to SCS. The range of staff remuneration is between £17,760 and £195,000 (2014–15: £17,712 and £195,000).

119. The banded remuneration for the highest paid director in Ofsted in the financial year 2015–16 was £195,000 to £200,000 (2014–15: £195,000 to £200,000). This was 4.07 times (2014–15: 4.05) the median remuneration of the workforce, which was £48,545 (2014–15: £48,799).

120. In 2015–16, zero (2014–15: zero) employees received remuneration in excess of the highest paid Director. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

### **Pension benefits**

121. The pension entitlements of the most senior members of Ofsted for the year ending 31 March 2016 were as follows:

Officials	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Sir Michael Wilshaw <sup>1</sup>	-	-	-	-	-
Matthew Coffey <sup>3</sup>	33 plus lump sum of 90	3 plus lump sum of -	556	478	24
Sir Robin Boshier (from 22 Apr 2014)	5	3	83	38	32
Andrew Cook (from 1 Dec 2014)	22	6	355	234	93
Lorna Fitzjohn	45 plus lump sum of 134	3 plus lump sum of 8	1031	912	54
Christopher Russell (from 25 Aug 2014)	20	5	349	244	77
Bradley Simmons	55	3	947	826	47
Mike Sheridan (from 1 Sep 2015)	34	7	329	-	65
Nick Hudson	10	3	134	91	23
Eleanor Schooling <sup>1</sup> (from 4 Jan 2016)	-	-	-	-	-
Sean Harford	54	2	834	745	15
Nick Jackson	17	3	214	166	19
Karen Shepperson	38 plus lump sum of 108	2 plus lump sum of 1	634	580	-1
Neil Greenwood	24	2	283	240	10
John Kennedy (from 1 Jun 2015 to 31 Aug 2015)	35	2	687	650	33
Debbie Jones (to 31 Aug 2015)	18	3	321	290	-8
Joanne Morgan (to 31 Oct 2015)	7	2	67	50	10
Kath O'Dwyer <sup>2</sup> (from 1 May 2014 to 20 Sep 2015)	-	-	-	29	-
Lorraine Langham (to 6 Apr 2014)	-	-	-	1,006	-
Louise Soden <sup>1</sup> (to 30 Aug 2014)	-	-	-	-	-
Michael Cladingbowl (to 31 Dec 2014)	-	-	-	878	-

<sup>1</sup> Not a member of PCSPS scheme

<sup>2</sup> Member of PCSPS for less than two years therefore refund in progress

<sup>3</sup> CETV at 31 March 2015 revised by MyCSP

## Civil Service Pensions

122. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil

Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

123. These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha**, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).
124. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
125. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or state pension age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
126. Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## **Cash Equivalent Transfer Values**

127. 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.
128. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **Real increase in CETV**

129. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **Compensation for loss of office**

130. A payment of £38,125 was made to Debbie Jones for compensation for loss of office in 2015–16 (2014–15 nil).

## Staff Report

### Part A: Audited

#### Number of senior civil servants by pay band

131. As part of a government-wide transparency drive, Ofsted has released details about the salaries of top band senior civil servants. These figures have been in accordance with Cabinet Office guidance. Further details can be found at: <http://data.gov.uk/organogram/ofsted>.

	At 31 March 2016	At 31 March 2015
SCS Band 1	15	16
SCS Band 2	11	11
Permanent Secretary Equivalent	1	1
<b>Total</b>	<b>27</b>	<b>28</b>

#### Staff numbers and related costs

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

	Permanently Employed Staff	Other	2015 - 16 Total	2014 - 15 Total
Total	1,363	36	1,399	1,284

133. The average number of full-time equivalents employed in the year has increased due mainly to the transfer of staff from inspection contractors on 1 September 2015.

134. Total staff costs for the year were

£'000	Permanently Employed Staff	Other	2015 - 16 Total	2014 - 15 Total
Wages and Salaries	66,468	3,908	70,376	66,599
Social Security Costs	6,226	14	6,240	6,157
Other Pension Costs	13,986	23	14,009	12,821
<b>Sub Total</b>	<b>86,680</b>	<b>3,945</b>	<b>90,625</b>	<b>85,577</b>
Restructuring Costs	1,640	-	1,640	1,027
<b>Total Net Costs</b>	<b>88,320</b>	<b>3,945</b>	<b>92,265</b>	<b>86,604</b>

135. Other staff costs of £3.9 million include £2.6 million of temporary and agency and £1.3 million of specialist contractor staff costs. Restructuring costs include £1.3 million of in-year exit costs and £0.3 million of exit costs relating to prior years.

136. The PCSPS and the alpha are unfunded multi-employer defined benefit scheme. Ofsted is unable to identify its share of the underlying assets and liabilities. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation: [www.civilservicepensionscheme.org.uk/about-us/resource-accounts](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts).

137. For 2015–16, employers' contributions of £13.9 million were payable to the PCSPS (2014–15: £12.4 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to

meet the cost of the benefits accruing during 2015–16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

138. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.1 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015 were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

### Exit costs

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

Cost Band £'000	Number of Compulsory Exits	Number of Other Exits	2015-16 Total Number of Exits	2014-15 Total Number of Exits*
0 - 10	2	4	6	4
10 - 25	1	6	7	7
25 - 50	-	26	26	6
50 - 100	-	4	4	-
100 - 150	-	-	-	-
150 - 200	-	-	-	-
200 +	-	-	-	-
<b>Total number of exits</b>	<b>3</b>	<b>40</b>	<b>43</b>	<b>17</b>
<b>Total resource cost £000</b>	<b>26</b>	<b>1,282</b>	<b>1,308</b>	<b>780</b>

\* Restated

### Monitoring of consultancy and temporary staff

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

£'000	2015-16	2014-15
Consultancy	20	19
Temporary and agency staff	3,925	5,986

### Off-payroll engagements

141. 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.

142. There were five off-payroll engagements at a cost of over £58,200 per annum in place between 1 April 2015 and 31 March 2016, all of which were in place from the previous reporting period as detailed in the table below.

<b>No. of existing engagements as of 31 March 2016</b>	<b>5</b>
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one and two years at time of reporting.	2
No. that have existed for between two and three years at time of reporting.	3

143. All existing off-payroll engagements, outlined above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax. Where necessary that assurance has been sought.
144. Ofsted carries out an assessment of all off-payroll engagements on a quarterly basis. Of the five engagements current at the time of reporting, all were considered to be low risk and assurance has not been sought at the date of reporting.
145. There were no new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that lasted for longer than six months as detailed in the table below.

<b>No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016</b>	<b>0</b>
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	0
No. for whom assurance has been requested	0

146. There were zero off-payroll engagements of Ofsted board members and/or senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016 as detailed in the table below. Ofsted Board members and senior officials with significant financial responsibility are defined as Her Majesty's Chief Inspector, Chief Operating Officer, Director, Corporate Services, Chair of the Ofsted Board, Chair of the Audit and Risk Assurance Committee.

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	5

## Part B: Unaudited

### Staff composition

147. On 31 March 2016, Ofsted directly employed 1,457 (1,400 FTE) staff across England. This represents an increase in employed staff numbers compared with 1,366 (1,313 FTE) on 31 March 2015. The overall headcount increase includes employees who transferred to Ofsted on 1 September 2015 as part of the FOM Programme.
148. The gender of the staff is as follows:



	Female	Male	2015-16 Total	2014-15 Total
Executive Board	3	9	12	15
Other SCS	6	9	15	13
Other	880	550	1,430	1,338
<b>Total</b>	<b>889</b>	<b>568</b>	<b>1,457</b>	<b>1,366</b>

## Sickness absence

149. Ofsted monitors sickness absence regularly and produces monthly management information to help managers offer early intervention and assist employees who become ill. We have a robust attendance management procedure.
150. We renewed our contract for Occupational Health services during the year and work closely with our medical advisers to ensure that employees are given the benefit of temporary adjustments, phased returns to work or amended duties wherever possible.
151. Although our average working days lost (AWDL) figure remains low, our biggest reasons for absence, in common with many other civil service departments, are psychological illnesses relating to depression, stress and anxiety. To tackle this, we offer a free and confidential counselling service for employees and, during the year, ran an ongoing stress awareness campaign. Feedback from this has been excellent and we are seeking new ways to keep our workforce aware of how to protect and maintain their psychological wellbeing while ensuring that managers act quickly to help any employee who appears to be under stress.
152. The AWDL per employee to sickness for the year was 5.9. This is lower than the overall public sector average of 6.9 (which includes public sector, private sector, manufacturing and production and non-profits - 'Absence management: annual survey report 2015', Chartered Institute of Personnel and Development).

## Staff policies

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

# Parliamentary accountability and audit report

## Part A: Audited

### Statement of Parliamentary Supply

150. In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FReM) requires Ofsted to prepare a Statement of Parliamentary Supply and supporting notes to show resource and capital outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.
151. Figures described as estimate totals are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.
152. Our performance against the total funding received in the Estimate of £137.3 million was:

£m	Estimate	Outturn	Variance
Departmental Expenditure Limit - Resource	133.427	132.041	1.386
Departmental Expenditure Limit - Capital	2.250	2.194	0.056
<b>Ofsted's Core Funding</b>	<b>135.677</b>	<b>134.235</b>	<b>1.442</b>
Departmental Expenditure Limit - Depreciation	2.800	2.063	0.737
Annually Managed Expenditure - Resource	(1.135)	(2.278)	1.143
<b>Total Budget</b>	<b>137.342</b>	<b>134.020</b>	<b>3.322</b>

153. Against the core funding of £135.7 million, Ofsted's achieved an underspend of £1.4 million equivalent to 1%. This primarily relates to agreed changes in inspection activity where Ofsted adapted effectively to changing internal and external requirements.
154. Overall, the volume of inspections completed in the autumn and spring terms was lower than planned at the start of the financial year. We planned for a slow start to inspection from September to enable our new inspection framework and operating model to embed. With a focus on quality, delays in procuring and training sufficient numbers of Ofsted inspectors had an impact on the number of inspections completed. In addition, some inspection activity was removed from the plan in response to policy changes agreed with the DfE.
155. Ofsted's administration expenditure in 2015–16 was £16.0 million, £1.3 million less than budget. We have made these savings by continuing to invest in technology and systems to improve efficiency, and by changing our office accommodation and ways of working.

## Summary of resource and capital outturn 2015–16

	2015-16						2014-15	
	Estimate			Outturn			Net total outturn compared with estimate saving / (excess)	
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<b>Departmental Expenditure Limit</b>							Net Total	
- Resource	136,227	-	136,227	134,104	-	134,104	2,123	157,242
- Capital	2,250	-	2,250	2,194	-	2,194	56	3,667
<b>Annually Managed Expenditure</b>								
- Resource	(1,135)	-	(1,135)	(2,278)	-	(2,278)	1,143	(1,719)
- Capital	-	-	-	-	-	-	-	-
<b>Total Budget</b>	<b>137,342</b>	<b>-</b>	<b>137,342</b>	<b>134,020</b>	<b>-</b>	<b>134,020</b>	<b>3,322</b>	<b>159,190</b>
<b>Non-Budget</b>								
- Resource	-	-	-	-	-	-	-	-
<b>Total Resource</b>	<b>135,092</b>	<b>-</b>	<b>135,092</b>	<b>131,826</b>	<b>-</b>	<b>131,826</b>	<b>3,266</b>	<b>155,523</b>
<b>Total Capital</b>	<b>2,250</b>	<b>-</b>	<b>2,250</b>	<b>2,194</b>	<b>-</b>	<b>2,194</b>	<b>56</b>	<b>3,667</b>
<b>Total</b>	<b>137,342</b>	<b>-</b>	<b>137,342</b>	<b>134,020</b>	<b>-</b>	<b>134,020</b>	<b>3,322</b>	<b>159,190</b>

## Net Cash Requirement 2015–16

	2015-16			2014-15
	Estimate Total £'000	Outturn Total £'000	Outturn compared with estimate saving / (excess) £'000	Outturn Total £'000
<b>Net Cash Requirement</b>	<b>134,609</b>	<b>134,167</b>	<b>442</b>	159,227

## Administration Costs 2015–16

	2015-16			2014-15
	Estimate Total £'000	Outturn Total £'000	Outturn compared with estimate saving / (excess) £'000	Outturn Total £'000
<b>Administration Costs</b>	<b>17,250</b>	<b>15,958</b>	<b>1,292</b>	16,105

## SoPS 1 Net Outturn

### SoPS 1.1 Analysis of net resource outturn by section

	2015-16									2014-15
	Administration			Programme			Outturn	Estimate		Outturn
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	Total £'000	Net Total £'000	Net Total Outturn compared with Estimate saving/ (excess) £'000	
Spending in Departmental Expenditure Limit: Voted	15,958	-	15,958	146,966	(28,820)	118,146	134,104	136,227	2,123	157,242
Annually Managed Expenditure: Voted	-	-	-	(2,278)	-	(2,278)	(2,278)	(1,135)	1,143	(1,719)
<b>Total</b>	<b>15,958</b>	<b>-</b>	<b>15,958</b>	<b>144,688</b>	<b>(28,820)</b>	<b>115,868</b>	<b>131,826</b>	<b>135,092</b>	<b>3,266</b>	<b>155,523</b>

### SoPS 1.2 Analysis of net capital outturn by section

	2015-16					2014-15
	Outturn			Estimate		Outturn
	Gross £'000	Income £'000	Net £'000	Net Total £'000	Net Total Outturn compared with Estimate saving/ (excess) £'000	
Spending in Departmental Expenditure Limit: Voted	2,194	-	2,194	2,250	56	3,667
<b>Total</b>	<b>2,194</b>	<b>-</b>	<b>2,194</b>	<b>2,250</b>	<b>56</b>	<b>3,667</b>

## SoPS 2 Reconciliation of Net Resource Outturn to Net Cash Requirement

		2015-16		
		Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)
	Note	£'000	£'000	£'000
<b>Resource Outturn</b>	SoPS 1.1	<b>135,092</b>	<b>131,826</b>	<b>3,266</b>
<b>Capital Outturn</b>	SoPS 1.2	<b>2,250</b>	<b>2,194</b>	<b>56</b>
<b>Accruals to cash adjustments:</b>		<b>(2,733)</b>	<b>147</b>	<b>(2,880)</b>
<i>Of which:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		<b>(2,800)</b>	<b>(2,063)</b>	<b>(737)</b>
New provisions and adjustments to previous provisions		<b>(265)</b>	<b>102</b>	<b>(367)</b>
Auditor's remuneration		<b>(68)</b>	<b>(63)</b>	<b>(5)</b>
Other non cash items		-	<b>(49)</b>	<b>49</b>
Loss on revaluation of non-current assets		-	-	-
IAS 19 Pension Liability - staff costs		-	<b>930</b>	<b>(930)</b>
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-	<b>(1,278)</b>	<b>1,278</b>
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		<b>(1,000)</b>	<b>(1,960)</b>	<b>960</b>
(Increase)/decrease in payables		-	<b>2,352</b>	<b>(2,352)</b>
Use of provisions		<b>1,400</b>	<b>2,176</b>	<b>(776)</b>
<b>Net cash requirement</b>		<b>134,609</b>	<b>134,167</b>	<b>442</b>

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

## Fees and charges

	2015-16		
	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social Care registration and inspection	7,392	18,949	(11,557)
Childcare registration and inspection	6,625	35,514	(28,889)
Independent Schools registration and inspection	756	3,598	(2,842)
Other income	229	426	(197)
<b>Total</b>	<b>15,002</b>	<b>58,487</b>	<b>(43,485)</b>

	2014-15		
	Income	Full Cost	Surplus/ (Deficit)
	£'000	£'000	£'000
Social Care registration and inspection	7,067	18,681*	(11,614)
Childcare registration and inspection	6,600	32,021	(25,421)
Independent Schools registration and inspection	675	3,701	(3,026)
Other income	524	792	(268)
<b>Total</b>	<b>14,866</b>	<b>55,195</b>	<b>(40,329)</b>

\*Restated due to change in the allocation of direct inspection support costs and the apportionment of overheads relating to Children's Home inspections.

**Sir Michael Wilshaw:**

**Date: 24 June 2016**

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

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

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (the Department) for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration Report and the Parliamentary Accountability disclosures within the Accountability Report that is described in those reports and disclosures as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 2016 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 2016 and of the Department's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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



## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**Date: 27 June 2016**

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

# THE FINANCIAL STATEMENTS



**Statement of Comprehensive Net Expenditure**  
for the year ended 31 March 2016

	Note	2015-16		2014-15
		£'000	£'000	£'000
<b>Total operating income</b>	5		<b>(28,820)</b>	(14,866)
Staff costs	3	<b>92,265</b>		86,604
Purchase of goods and services		<b>66,357</b>		82,629
Depreciation and impairment charges	4	<b>2,063</b>		870
Provision expense	14	<b>(102)</b>		218
Other operating expenditure	4	<b>63</b>		68
<b>Total operating expenditure</b>			<b>160,646</b>	170,389
<b>Net expenditure for the year</b>			<b>131,826</b>	155,523
<b>Other comprehensive net expenditure</b>				
Net (gain)/loss on:				
Actuarial revaluation of pension scheme		<b>968</b>		162
<b>Total comprehensive expenditure</b>			<b>132,794</b>	155,685

Ofsted received additional income in the year from the Department for Education and Business Innovation and Skills for driving improvement across all the remits we inspect and for additional inspection work. In 2014–15 the funding for this work was included in the Estimate.

## Statement of Financial Position

as at 31 March 2016

	Note	31 March 2016		31 March 2015	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	2,187		2,655	
Intangible assets	7	5,816		5,265	
Trade and other receivables	12	108		183	
<b>Total non-current assets</b>			<b>8,111</b>		8,103
<b>Current assets:</b>					
Trade and other receivables	12	6,466		8,351	
Cash and cash equivalents	11	442		1,720	
Net retirement benefit schemes asset	19	-		208	
<b>Total current assets</b>			<b>6,908</b>		10,279
<b>Total assets</b>			<b>15,019</b>		18,382
<b>Current liabilities</b>					
Trade and other payables	13	(17,303)		(19,600)	
Provisions	14	(1,070)		(2,962)	
<b>Total current liabilities</b>			<b>(18,373)</b>		(22,562)
<b>Non-current assets less net current liabilities</b>			<b>(3,354)</b>		(4,180)
<b>Non-current liabilities</b>					
Provisions					
	14	(1,955)		(2,341)	
Other payables	13	-		(55)	
<b>Total non-current liabilities</b>			<b>(1,955)</b>		(2,396)
<b>Assets less liabilities</b>			<b>( 5,309)</b>		( 6,576)
<b>Financed by:</b>					
<b>Taxpayers' equity</b>					
General fund			( 5,309)		( 6,576)
<b>Total taxpayers' equity</b>			<b>( 5,309)</b>		( 6,576)

Sir Michael Wilshaw:

Date: 24 June 2016

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

## Statement of Cash Flows

for the year ended 31 March 2016

	2015-16	2014-15
Note	£'000	£'000
<b>Cash flows from operating activities</b>		
Net operating cost	<b>131,826</b>	155,523
Adjustment for non-cash transactions	<b>(2,073)</b>	(1,188)
IAS 19 Pension Liability - staff costs	<b>930</b>	379
(Decrease)/Increase in trade and other receivables	<b>(1,960)</b>	(1,555)
(Increase)/Decrease in trade payables	<b>1,074</b>	464
Use of provisions	<b>2,176</b>	1,937
<b>Net cash outflow from operating activities</b>	<b>131,973</b>	155,560
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>163</b>	818
Purchase of intangible assets	<b>2,031</b>	2,849
Proceeds of disposal of property, plant and equipment	-	-
<b>Net cash outflow from investing activities</b>	<b>2,194</b>	3,667
<b>Cash flows from financing activities</b>		
Advances from the Contingency Fund	-	19,400
Repayments to the Contingency Fund	-	(19,400)
From the Consolidated Fund (Supply) - current year	<b>132,889</b>	159,350
From the Consolidated Fund (Supply) - prior year	-	-
Capital element of payment in respect of finance lease	-	-
<b>Net Financing</b>	<b>132,889</b>	159,350
<b>Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>	<b>(1,278)</b>	123
Payments of amounts due to the Consolidated Fund	-	-
<b>Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>(1,278)</b>	123
Cash and cash equivalents at the beginning of the period	<b>11 1,720</b>	1,597
Cash and cash equivalents at the end of the period	<b>11 442</b>	1,720

**Statement of Changes in Taxpayers Equity**  
for the year ended 31 March 2016

		<b>2015-16</b>		
	Note	<b>General Fund</b>	<b>Pension Reserve</b>	<b>Total Reserves</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 31 March 2014</b>		<b>(8,229)</b>	<b>(1,957)</b>	<b>(10,186)</b>
Net Parliamentary Funding		<b>159,227</b>	-	<b>159,227</b>
Comprehensive Expenditure for the year		<b>(155,523)</b>	-	<b>(155,523)</b>
Auditors remuneration	4	<b>68</b>	-	<b>68</b>
Net actuarial gain/(loss) in pension schemes	19	-	<b>(162)</b>	<b>(162)</b>
Transfer of Pension Reserve to General Fund		<b>(2,119)</b>	<b>2,119</b>	-
<b>Balance at 31 March 2015</b>		<b>(6,576)</b>	-	<b>(6,576)</b>
Net Parliamentary Funding - drawdown		<b>134,168</b>	-	<b>134,168</b>
Comprehensive Expenditure for the year		<b>(131,826)</b>	-	<b>(131,826)</b>
Auditors remuneration	4	<b>63</b>	-	<b>63</b>
Pension scheme asset reversal	19	<b>(1,138)</b>	-	<b>(1,138)</b>
<b>Balance at 31 March 2016</b>		<b>(5,309)</b>	-	<b>(5,309)</b>

# Notes to the Ofsted Resource Accounts

## 1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2015–16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofsted are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared on a going concern basis.

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

### 1.1 Accounting Convention

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

### 1.2 Valuation of Non-Current Assets

Plant and equipment assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2015–16 FReM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted uses this method as it has a very small asset base and any revaluation adjustments would be immaterial.

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

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

### 1.3 Depreciation and Amortisation

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

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. Amortisation is charged in the month following acquisition or use.

Asset lives are in the following ranges:

- Information Technology - three to five years
- Furniture and Fittings - four to 15 years
- Purchased Computer Software - five 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 of fees for registration and inspection of privately and publicly funded provisions. Although there are moves towards recovering full cost, the charges to the majority of providers do not currently represent Ofsted's full costs. Ofsted's income includes income appropriated-in-aid of the Estimate, which in accordance with the FReM should be treated as operating income.

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.

A fee is also charged in relation to progress monitoring inspections undertaken for independent schools. The schools are billed for the full amount of progress monitoring inspection in the year the inspection took place and income recognised when billed.

#### **1.5 Administration and Programme Expenditure**

The Statement of Comprehensive Net Expenditure contain both administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs below:

- Administration costs reflect the costs incurred in running Ofsted. These include administrative costs net of associated operating income.
- Programme costs reflect the cost of activities engaged in delivering inspections or in direct support of inspections to achieve Ofsted's operational aims. It includes certain staff costs and the costs for the provision of IS equipment and services for Ofsted together with the majority of depreciation.

#### **1.6 Pensions**

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



Ofsted has one employee who is a member of a local authority pension scheme. The pension 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 one member in a Local Government Pension Scheme (LGPS). When Ofsted no longer has an active member in the scheme, Ofsted's share of the scheme liabilities become due in full. Ofsted cannot control the timing of this liability and as such has put in place an exit strategy to mitigate the risk to the budget and service delivery. As part of this exit strategy Ofsted has made additional contributions to this scheme during 2015–16.

## **1.7 Leases**

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

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

Ofsted reviews all existing contractual arrangements under International Accounting Standards Interpretations IFRIC4, Determining Whether an Arrangement Contains a Lease, to determine whether individual contracts are a lease in substance but not in legal form. Except for the Regulatory Support Application (RSA) element of the Ofsted contract for outsourced IS services, no contractual agreements inspected contained elements indicating that they were leases. The RSA element of the aforementioned contract has been classified as a finance lease as a result of this review. The contract gives Ofsted a perpetual and irrevocable licence 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 the activities of Ofsted are outside the scope of value added tax (VAT) and, in general output tax does not apply. Input tax on most purchases is not recoverable unless the VAT has been incurred in the course of contracting out those services listed in the HM Treasury Contracting Out of Services Directions. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Income and Expenditure is otherwise shown net of recoverable VAT.

## 1.9 Provisions

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

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

## 1.10 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised as liabilities or assets in the Statement of Financial Position of Ofsted.

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

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

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

## 1.11 Financial Instruments

Ofsted holds the following financial assets and liabilities:

### Assets

- Cash and cash equivalents
- Trade Receivables – current
- Trade Receivables – non-current

### Liabilities

- Trade and other payables – current
- Other payables > 1 year – non-current
- 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 the effective interest method. Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount. The carrying amount of the asset is reduced, with the amount of the loss recognised in the Statement of Comprehensive Net Expenditure.

### *Cash and cash equivalents*

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

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

## Financial Liabilities

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

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

### **Trade and other payables**

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

## **1.12 Estimation Techniques Used and Changes in Accounting Estimates**

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

Ofsted also applies estimation techniques in the calculation of provisions, details of which are in note 14 Provisions.

Ofsted also applies estimation techniques when determining levels of Administration and Programme expenditure. Where costs cannot be wholly attributed to either Administration or Programme, Ofsted attempts to find a reasonable basis to apportion the costs. During 2015–16, Ofsted refined the basis on which it apportions costs between Admin and Programme, this resulted in a small number of changes to the basis used in the prior year. Ofsted has not re-stated the prior year figures as the resulting change would not have been material.

## **1.13 Segmental Reporting**

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

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

- income
- inspection
- inspection support
- corporate costs

## **1.14 Accounting Standards in Issue But Not Yet Effective**

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

## 2 Statement of Operating Costs by Operating Segments

	2015-16				
	Income	Inspection	Inspection Support	Corporate Costs	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure		93,368	51,393	15,885	160,646
<i>of which Contracted inspection</i>		<i>37,193</i>			
Income	(28,820)				(28,820)
Net Expenditure	(28,820)	93,368	51,393	15,885	131,826

	2014-15				
	Income	Inspection	Inspection Support	Corporate Services	Total
	£'000	£000	£000	£000	£000
Expenditure		111,366	42,918	16,105	170,389
<i>of which Contracted inspection</i>		<i>54,267</i>			
Income	(14,866)				(14,866)
Net Expenditure	(14,866)	111,366	42,918	16,105	155,523

### Description of Segments

#### Income

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

#### Inspection

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

#### Inspection Support

The cost of direct support of inspection and regulation.

#### Corporate Costs

The cost of administration.

### 3 Staff Costs

Staff costs comprise:

	2015-16			2014-15
	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	70,376	66,468	3,908	66,599
Social security costs	6,240	6,226	14	6,157
Other pension costs	14,009	13,986	23	12,821
<b>Sub Total</b>	<b>90,625</b>	<b>86,680</b>	<b>3,945</b>	<b>85,577</b>
Restructuring costs	1,640	1,640	-	1,027
<b>Total Net Costs</b>	<b>92,265</b>	<b>88,320</b>	<b>3,945</b>	<b>86,604</b>

### 4 Expenditure

	Note	2015-16 £'000	2014-15 £'000
Goods and services		4,978	5,396
Accommodation costs		2,278	2,162
Inspection Costs		39,729	54,727
Travel Costs		6,617	7,049
Training Costs		1,818	1,736
Managed Services		8,210	9,030
Other expenditure		59	82
Rentals under operating leases		2,668	2,446
Non-cash items:			
Depreciation	6	583	133
Amortisation	7	1,480	738
Auditor's remuneration and expenses		63	68
Loss on revaluation of non-current assets		-	-
Impairment		-	-
Increase/Decrease in provisions (Provision provided for in year less any release)	14	(194)	153
Borrowing Costs (unwinding of discount) on provisions	14	92	65
<b>Total</b>		<b>68,381</b>	<b>83,785</b>

### 5 Income

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

	2015-16 £'000	2014-15 £'000
Children's Services applications & fees	13,855	13,500
Inspection of Independent Schools fees	756	675
College inspection fees	162	167
Income from sales & services	140	338
Other income	89	186
Additional government department income	13,818	-
<b>Total</b>	<b>28,820</b>	<b>14,866</b>

## 6 Property, plant and equipment

Property, plant and equipment comprises of IT hardware and office equipment. The asset under construction related to fit out works to a new property which has now been completed and subsequently transferred to fixtures and fittings.

2015-16

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

2014-15

	Information Technology £'000	Furniture & Fittings £'000	Asset under construction £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2014	1,881	237	1,567	3,685
Additions	640	-	178	818
Disposals	(990)	-	-	(990)
Server refresh asset transfer	1,567	-	(1,567)	-
Impairments	-	-	-	-
At 31 March 2015	3,098	237	178	3,513
<b>Depreciation</b>				
At 1 April 2014	1,507	209	-	1,716
Charged in year	110	22	-	132
Disposals	(990)	-	-	(990)
Impairments	-	-	-	-
At 31 March 2015	627	231	-	858
Carrying amount at 31 March 2015	2,471	6	178	2,655
Carrying amount at 1 April 2014	374	28	1,567	1,969
<b>Asset financing:</b>				
Owned	2,471	6	178	2,655
Finance leased	-	-	-	-
Carrying amount at 31 March 2015	2,471	6	178	2,655

## 7 Intangible Assets

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

	2015-16			
	RSA Finance Lease	Software	Development Expenditure	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2015	18,305	3,396	3,183	24,884
Additions	-	2,031	-	2,031
Disposals	-	(652)	-	(652)
Revaluations	-	-	-	-
Impairments	-	-	-	-
IT system transfer	-	3,183	(3,183)	-
<b>At 31 March 2016</b>	<b>18,305</b>	<b>7,958</b>	<b>-</b>	<b>26,263</b>
<b>Amortisation</b>				
At 1 April 2015	17,823	1,796	-	19,619
Charged in year	240	1,240	-	1,480
Disposals	-	(652)	-	(652)
Revaluations	-	-	-	-
Impairments	-	-	-	-
<b>At 31 March 2016</b>	<b>18,063</b>	<b>2,384</b>	<b>-</b>	<b>20,447</b>
<b>Carrying amount at 31 March 2016</b>	<b>242</b>	<b>5,574</b>	<b>-</b>	<b>5,816</b>
Carrying amount at 1 April 2015	482	1,600	3,183	5,265
<b>Asset financing:</b>				
Owned	-	5,574	-	5,574
Finance leased	242	-	-	242
<b>Carrying amount at 31 March 2015</b>	<b>242</b>	<b>5,574</b>	<b>-</b>	<b>5,816</b>
				2014-15
	RSA Finance Lease	Software	Asset under construction	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2014	18,305	3,328	442	22,075
Additions	-	108	2,741	2,849
Disposals	-	(40)	-	(40)
Impairments	-	-	-	-
At 31 March 2015	18,305	3,396	3,183	24,884
<b>Amortisation</b>				
At 1 April 2014	17,583	1,306	-	18,889
Charged in year	240	498	-	738
Disposals	-	(8)	-	(8)
Impairments	-	-	-	-
At 31 March 2015	17,823	1,796	-	19,619
Carrying amount at 31 March 2015	482	1,600	3,183	5,265
Carrying amount at 1 April 2014	722	2,022	442	3,186
<b>Asset financing:</b>				
Owned	-	1,600	3,183	4,783
Finance leased	482	-	-	482
Carrying amount at 31 March 2015	482	1,600	3,183	5,265



## 8 Impairments

The total impairment charge for the year was nil (2014–15: nil) charged directly to the statement of net comprehensive expenditure.

## 9 Capital and other commitments

### 9.1 Commitments under leases

#### 9.1.1 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>2015-16</u>	<u>2014-15</u>
	<u>£'000</u>	<u>£'000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	<b>2,660</b>	3,492
Later than one year and not later than five years	<b>7,037</b>	8,089
Later than five years	<b>4,608</b>	5,894
	<u><b>14,305</b></u>	<u>17,475</u>

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

#### 9.1.2 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>2015-16</u>	<u>2014-15</u>
	<u>£'000</u>	<u>£'000</u>
Obligations under finance leases comprise:		
Other:		
Not later than one year	<b>57</b>	57
Later than one year and not later than five years	-	57
Later than five years	-	-
	<u><b>57</b></u>	<u>114</u>
Less interest element	<u><b>2</b></u>	<u>6</u>
Present Value of obligations	<b>55</b>	108

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

## 9.2 Capital commitments

	<u>2015-16</u> <u>£'000</u>	<u>2014-15</u> <u>£'000</u>
Contracted capital commitments at 31 March not otherwise included in these financial statements		
RSA lease	55	108
IT system build	-	1,245
<b>Total</b>	<u>55</u>	<u>1,353</u>

## 9.3 Other financial commitments

Ofsted 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. This contract ended 30 August 2015.

Ofsted entered into an agreement for the supply of regional inspection services for early years childcare inspection work and into non-cancellable contracts (which are not a lease or PFI contract) for IS services.

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

	<u>2015-16</u> <u>£'000</u>	<u>2014-15</u> <u>£'000</u>
Not later than one year	<b>26,719</b>	39,597
Later than one year and not later than five years	-	26,555
Later than five years	-	-
	<u>26,719</u>	<u>66,152</u>

## 10 Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

## 11 Cash & cash equivalents

	<u>2015-16</u> <u>£'000</u>	<u>2014-15</u> <u>£'000</u>
Balance at 1 April	<b>1,720</b>	1,597
Net changes in cash and cash equivalent balances	<b>(1,278)</b>	123
<b>Balance</b>	<u>442</u>	<u>1,720</u>
	<u>2015-16</u> <u>£'000</u>	<u>2014-15</u> <u>£'000</u>
The following balances at 31 March were held at:		
Government Banking Service	<b>442</b>	1,720
<b>Balance</b>	<u>442</u>	<u>1,720</u>

## 12 Trade receivables, financial and other assets

	<u>2015-16</u>	<u>2014-15</u>
	<u>£'000</u>	<u>£'000</u>
<b>Amounts falling due within one year:</b>		
Trade receivables	2,422	1,498
Deposits and advances	199	122
Other receivables	126	78
Prepayments and accrued income	3,492	6,408
VAT	227	245
	<u>6,466</u>	<u>8,351</u>
<b>Amounts falling due after more than one year:</b>		
Trade receivables	-	-
Deposits and advances	108	139
Prepayments and accrued income	-	44
	<u>108</u>	<u>183</u>

## 13 Trade payables and other current liabilities

	<u>2015-16</u>	<u>2014-15</u>
	<u>£'000</u>	<u>£'000</u>
<b>Amounts falling due within one year:</b>		
Trade payables	902	85
Other payables	1,691	1,667
Other taxation and social security	2,001	1,923
Accruals and deferred income	12,213	14,152
Current part of finance lease	54	53
VAT payable	-	-
Amounts issued from the Consolidated Fund supply but not spent at year end	442	1,720
	<u>17,303</u>	<u>19,600</u>
<b>Amounts falling due after more than one year:</b>		
Finance Leases	-	55
	<u>-</u>	<u>55</u>

## 14 Provisions for liabilities and charges

	<u>2015-16</u>					<u>2014-15</u>
	<u>Early Departure Costs</u>	<u>Property Dilapidation</u>	<u>Vacant Property Provision</u>	<u>Early Years Pensions Bulk Transfer</u>	<u>Other</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance at 1 April 2015	3,151	1,224	689	100	139	5,303
Provided in the year	15	169	-	-	47	231
Provisions not required written back	(320)	-	(5)	(100)	-	(425)
Provisions utilised in the year	(1,092)	(400)	(678)	-	(6)	(2,176)
Borrowing costs (unwinding of discount)	67	-	-	-	25	92
<b>Balance at 31 March 2016</b>	<u>1,821</u>	<u>993</u>	<u>6</u>	<u>-</u>	<u>205</u>	<u>3,025</u>
						<u>5,303</u>

## 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	844	212	6	-	8	1,070
Later than one year and not later than five years	977	713	-	-	38	1,728
Later than five years	-	68	-	-	159	227
<b>Balance at 31 March 2016</b>	<b>1,821</b>	<b>993</b>	<b>6</b>	<b>-</b>	<b>205</b>	<b>3,025</b>

### 14.1 Early Departure Costs

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

Early retirement costs come in the form of annual compensation payments (over the period between early departure and normal retirement date), 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 on 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).

£15k 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.

### 14.2 Property Dilapidation

Ofsted leases all of the property it uses. It is a standard contractual requirement that the lessee returns leased estate in good order at the end of the lease period, and makes good any dilapidation. This payment will materialise at the end of the lease.

### 14.3 Vacant Property Provision

Ofsted no longer has any vacant properties at year end. However, residual costs remain due.

#### **14.4 Early Years Outsourcing Pensions Bulk Transfer**

Former employees who transferred (under TUPE) to an outsourced early years inspection provider had the option to transfer their civil service pension to a private scheme ran by the provider. Ofsted was obligated to meet any shortfall that arose between the value of the civil service pension transferred and the value of that pension in the provider's private scheme. The remaining individuals did not take up this option and the provision has now been reversed.

#### **14.5 Other**

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

### **15 Contingent liabilities**

Ofsted has the following contingent liabilities:

#### **Contractual obligation for redundancy costs in relation to staff TUPE transfer**

In 2009–10 Ofsted contracted out its early years inspection function to ISPs. A number of inspection and other staff were transferred to the ISPs under TUPE arrangements. Ofsted agreed to fund any redundancies in relation to its former staff to a maximum limit of £4.7 million until the end of the 2014/15 academic year. This period was adjusted to cover up until March 2017, which reflects a contract extension. To date £4.4 million has been recharged to Ofsted. A further potential liability of £0.3 million remains.

#### **Local Government Pension Scheme (LGPS) defined benefit scheme**

One member of staff who transferred to Ofsted in 2001 elected to remain in their existing LGPS (West Yorkshire Pension Scheme). Ofsted is an admission body participating in funds without a recognised guarantor for its pension liabilities, and so the responsibility for any deficit rests with Ofsted. Due to scheme rules the deficit becomes payable when Ofsted no longer has any contributing scheme members. Ofsted is aware of this risk and has taken steps to actively manage down its share of the deficit in this scheme.

### **16 Contingent asset disclosed under IAS 37**

#### **Gain share agreed with third party ISP**

Ofsted has a contingent asset relating to gain share with one of our early years ISPs. Ofsted had agreed with the contractor that any cumulative gains realised in years 3–5 of the original contract period would be paid to Ofsted at the end of the contract extension period. Ofsted has agreed that any gain share owing at the end of the original contract term can be carried forward and used solely to offset future pension liabilities that the contractor may incur at the end of the contract extension.

## 17 Related-party transactions

Ofsted has had transactions with the following other Government Departments, Central Government bodies and other public sector organisations during the year:

British Broadcasting Corporation  
Cabinet Office  
Criminal Records Bureau  
Department for Business, Innovation and Skills  
Department for Communities & Local Government  
Department for Culture, Media and Sports  
Department for Education  
Department for Work and Pensions  
Dept of Energy & Climate Change  
Environment Agency  
Food Standards Agency  
Government Actuaries Dept.  
Highways Agency  
HM Revenue & Customs  
HM Treasury  
Inland Revenue  
Local Authorities  
Ministry of Defence  
Ministry of Justice  
Office of National Statistics  
Treasury Solicitors Department  
Valuation Office Agency

One member of the Board has a relationship with a supplier to Ofsted, CitySprint, whose transactions amounted to £8k in the year. No other Board members, key managerial staff or other related parties have undertaken any material transactions with Ofsted during the year.

Any compensation for key managerial staff has been disclosed in the remuneration report.

## 18 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 2016 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.

	<b>31-Mar 2015</b>	<b>Gross</b>	<b>Gross outflows</b>	<b>31-Mar 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Monetary assets such as bank balances and monies on deposit	<b>210</b>	-	-	<b>210</b>

## 19 Pension Arrangements - Local Government Pension Scheme defined benefit scheme disclosure

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. During the year, the last remaining member of the Teesside Pension Fund left Ofsted and our obligation ended. Ofsted has one staff member of the West Yorkshire Pension Fund.

The level of contributions to the scheme is the amount needed to provide adequate funds to meet pension obligations as they fall due. As at 31 March 2016, contributions of £937k (2015: £90k) were made by Ofsted and the scheme participants to West Yorkshire LGPS pension fund.

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

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

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

	Pension Totals		Teesside Pension Fund		West Yorkshire Pension Fund	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
	£'000	£'000		£'000	£'000	£'000
Present Value of Funded Obligation	4,588	7,333	-	2,369	4,588	4,964
Fair Value of Scheme Assets	5,809	7,541	-	2,539	5,809	5,002
Unrecognised asset	(1,221)	-	-	-	(1,221)	-
<b>Net Assets</b>	-	208	-	170	-	38
Present Value of Unfunded Obligation	-	-	-	-	-	-
Unrecognised Past Service Cost	-	-	-	-	-	-
<b>Net Asset/(Liability) in Balance Sheet</b>	-	208	-	170	-	38
<b>Bid Value of Scheme Assets</b>	-	7,541	-	2,539	-	5,002

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

Financial Assumptions as at	West Yorkshire Pension	
	31-Mar-16	31-Mar-15
	% p.a.	% p.a.
RPI increases	2.80%	2.90%
CPI increases	1.70%	1.80%
Salary increases	3.20%	3.30%
Pension increases	1.70%	1.80%
Discount rate	3.40%	3.10%

### Mortality Assumptions:-

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected mortality improvements. Sample life expectancies resulting from these mortality assumptions are:

	<b>West Yorkshire Pension Fund 31-Mar-16</b>
	<b>Years</b>
<i>Retiring today</i>	
Males	22.7
Females	25.6
<i>Retiring in 20 years</i>	
Males	24.9
Females	28.0

### iii) Sensitivity Analysis:

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

<b>Adjustment to discount rate</b>	<b>West Yorkshire Pension Fund</b>		
	+0.5%	0%	-0.5%
	£'000	£'000	£'000
Present Value of Total Obligation as at 31 Mar 16	4,242	4,588	4,962
<b>Adjustment to mortality age rating assumption</b>	<b>+1 year</b>	<b>none</b>	<b>-1year</b>
Present Value of Total Obligation as at 31 Mar 16	4.471	4,588	4.704

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

	<b>31-Mar-16</b>		31-Mar-15	
	Value £'000	Rates of Return % p.a.	Value £'000	Rates of Return % p.a.
Equities	-	-	<b>5,954</b>	-
Gilts	-	-	<b>568</b>	-
Other bonds	-	-	<b>316</b>	-
Property	-	-	<b>373</b>	-
Cash	-	-	<b>169</b>	-
Other	-	-	<b>161</b>	-
Total	-	-	<b>7,541</b>	-

Information on rates of return for each individual asset component are no longer provided by the scheme Actuaries.

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

	<b>31-Mar-16</b>	31-Mar-15
Equities	<b>75.6%</b>	79.0%
Gilts	<b>10.3%</b>	7.6%
Other bonds	<b>4.6%</b>	4.2%
Property	<b>4.9%</b>	4.9%
Cash	<b>1.3%</b>	2.2%
Other	<b>3.3%</b>	2.1%
	<b>100.0%</b>	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 2015 for the year ended 31 March 2016). 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 <b>31-Mar-16</b> £'000	Year to 31-Mar-15 £'000
Current service cost	11	19
Past service cost	-	-
Losses/(gains) on curtailments and settlements	-	-
<b>Total Operating Charge</b>	<b>11</b>	<b>19</b>
<u>Analysis of amount credited to Other Finance Income:</u>		
Expected return on Pension Scheme Assets	155	280
Interest on Pension Scheme Liabilities	(151)	(281)
<b>Net Return</b>	<b>4</b>	<b>(1)</b>
<b>Employers' contribution</b>	<b>937</b>	<b>399</b>
<b>LGPS Pension costs</b>	<b>(930)</b>	<b>(379)</b>
<b>Actual Return on Scheme Assets</b>	<b>41</b>	<b>699</b>

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

	Year to <b>31-Mar-16</b> £'000	Year to 31-Mar-15 £'000
<b>Opening Defined Benefit Obligation</b>	<b>4,964</b>	<b>6,810</b>
Current service cost	11	19
Interest cost	151	281
Actuarial losses/(gains)	(367)	581
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Estimated benefits paid (net of transfers in)	(174)	(363)
Past service cost	-	-
Contributions by scheme participants	3	5
Unfunded pension payments	-	-
<b>Closing Defined Benefit Obligation</b>	<b>4,588</b>	<b>7,333</b>

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

	Year to <b>31-Mar-16</b> £'000	Year to 31-Mar-15 £'000
<b>Opening Fair Value of scheme assets</b>	<b>5,002</b>	<b>6,801</b>
Expected return on scheme assets	155	280
Actuarial gains and (losses)	(114)	419
Contributions by employer	937	399
Contributions by scheme participants	3	5
Estimated benefits paid (net of transfers in)	(174)	(363)
Receipt of bulk transfer value	-	-
<b>Fair value of Scheme assets at end of period</b>	<b>5,809</b>	<b>7,541</b>

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

	<b>Year to 31-Mar-16 £'000</b>	Year to 31-Mar-15 £'000
<b>Surplus/(Deficit) at the beginning of the year</b>	<b>38</b>	(9)
Service cost	(11)	(19)
Employer contributions	937	399
Unfunded pension payments	-	-
Past service costs	-	-
Other finance income	4	(1)
Settlements/curtailments	-	-
Actuarial gain/(loss)	253	(162)
Unrecognised asset	<b>(1,221)</b>	
<b>Surplus/(Deficit) at the end of the year</b>	<b>-</b>	<b>208</b>

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

Amounts for the current and previous period	<b>Year to 31-Mar-16 £'000</b>	Year to 31-Mar-15 £'000	Year to 31-Mar-14 £'000	Year to 31-Mar-13 £'000
Defined Benefit Obligation	<b>(4,588)</b>	(7,333)	(6,810)	(6,880)
Fair Value of scheme assets	<b>5,809</b>	7,541	6,801	6,147
Surplus/(Deficit)	<b>1,221</b>	208	(9)	(733)
Unrecognised asset	<b>(1,221)</b>	-	-	-
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

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

The scheme actuary has indicated the possibility of a 'trapped surplus' within West Yorkshire Pension Fund. IAS 19 restricts recognisable surplus to the lower of the surplus in the defined benefit plan and the asset ceiling. IAS 19 defines the asset ceiling as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.

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

**20 Events after the reporting period**

IAS 10, Events after the reporting period, requires disclosure of the date on which financial statements were 'authorised for issue' and who gave that authorisation. 'The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General. '

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

## Appendix A - Core Expenditure Tables

Table 1 - Total departmental spending , 2011-12 to 2019-20

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS	PLANS
<b>£'000</b>									
<b>Resource DEL</b>									
Administration and Inspection	170,856	157,148	161,308	157,242	134,104	150,500	138,610	132,800	127,100
<b>Total Resource DEL</b>	<b>170,856</b>	<b>157,148</b>	<b>161,308</b>	<b>157,242</b>	<b>134,104</b>	<b>150,500</b>	<b>138,610</b>	<b>132,800</b>	<b>127,100</b>
<i>Of which:</i>									
Staff costs	77,994	78,395	80,768	86,373	92,265	92,650	85,000	80,750	76,500
Purchase of goods and services	105,416	92,291	93,381	82,351	65,865	71,787	68,647	70,887	72,737
Income from sales of goods and services	-13,399	-14,091	-13,894	-14,866	-28,820	-16,500	-18,800	-22,400	-25,800
Rentals	-	-	-	2,446	2,668	-	-	-	-
Depreciation <sup>1</sup>	767	474	978	870	2,063	2,500	3,700	3,500	3,600
Other resource	78	79	75	68	63	63	63	63	63
<b>Resource AME</b>									
Activities to Support All Functions	-6,218	-755	-4,703	-1,719	-2,278	-806	-	-	-
<b>Total Resource AME</b>	<b>-6,218</b>	<b>-755</b>	<b>-4,703</b>	<b>-1,719</b>	<b>-2,278</b>	<b>-806</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>									
Take up of provisions	1,139	3,960	-701	218	-104	-	-	-	-
Release of provision	-7,357	-4,715	-4,002	-1,937	-2,174	-806	-	-	-
<b>Total Resource Budget</b>	<b>164,638</b>	<b>156,393</b>	<b>156,605</b>	<b>155,523</b>	<b>131,826</b>	<b>149,694</b>	<b>138,610</b>	<b>132,800</b>	<b>127,100</b>
<i>Of which:</i>									
<b>Capital DEL</b>									
Administration and Inspection	173	905	4,302	3,667	2,194	-	-	-	-
<b>Total Capital DEL</b>	<b>173</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>2,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>									
Purchase of assets	173	905	4,302	3,667	2,194	-	-	-	-
<b>Capital AME</b>									
<i>Of which:</i>									
<b>Total Capital Budget</b>	<b>173</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>2,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total departmental spending <sup>3</sup></b>	<b>164,044</b>	<b>156,824</b>	<b>159,929</b>	<b>158,320</b>	<b>131,957</b>	<b>147,194</b>	<b>134,910</b>	<b>129,300</b>	<b>123,500</b>
<i>Of which:</i>									
Total DEL	170,262	157,579	164,632	160,039	134,235	148,000	134,910	129,300	123,500
Total AME	-6,218	-755	-4,703	-1,719	-2,278	-806	-	-	-

<sup>1</sup> Includes impairments

<sup>2</sup> 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

<sup>3</sup> 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.

Ofsted received additional income in 2015–16 from the Department for Education and Business Innovation and Skills for driving improvement across all the remits we inspect and for additional inspection work. In 2014–15 the funding for this work was included in the Estimate.

Resource DEL for 2016–17 includes plans for capital expenditure. A transfer from Resource DEL to Capital DEL will be made as part of the 2016–17 Supplementary Estimate process.

AME is agreed on a year-by-year basis with HM Treasury. AME for 2017–18 onwards will be agreed as part of the annual Estimate process.

Expenditure for 2017–18 onwards is subject to revision following the agreement of Ofsted's Spending Review settlement.

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

	£'000								
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS	PLANS
<b>Resource DEL</b>									
Administration and Inspection	18,075	16,427	16,693	16,105	15,948	16,125	14,950	14,825	14,350
<b>Total administration budget</b>	<b>18,075</b>	<b>16,427</b>	<b>16,693</b>	<b>16,105</b>	<b>15,948</b>	<b>16,125</b>	<b>14,950</b>	<b>14,825</b>	<b>14,350</b>
<i>Of which:</i>									
Staff costs	10,757	10,222	10,553	10,661	10,811	10,792	-	-	-
Purchase of goods and services	7,240	6,047	5,905	4,801	4,327	5,270	14,887	14,762	14,287
Rentals	-	-	-	444	462	-	-	-	-
Depreciation	-	85	167	131	285	-	-	-	-
Other resource	78	73	68	68	63	63	63	63	63

A transfer to depreciation will be made as part of the 2016–17 Supplementary Estimate process.

Expenditure for 2017–18 onwards is subject to revision following the agreement of Ofsted’s Spending Review settlement.

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

### Ofsted Board

The non-executive members are appointed by the Secretary of State for Education for terms 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 2015–16, the membership of the Ofsted Board and their attendance record was:

Member	Date of appointment	Attendance record
David Hoare Chair	1 September 2014	Full attendance (6 out of 6 meetings)
Sir Michael Wilshaw HMCI	1 January 2012	Partial attendance (4 out of 6 meetings)
Linda Farrant	Reappointed 25 April 2014	Full attendance (6 out of 6 meetings)
John Roberts CBE	Reappointed 3 September 2015	Partial attendance (5 out of 6 meetings)
Paul Snell CBE	Reappointed 25 April 2014	Full attendance (6 out of 6 meetings)
James Kempton	11 March 2015	Partial attendance (5 out of 6 meetings)
John Hughes	11 March 2015	Full attendance (6 out of 6 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.

During 2015-16, the membership of the Audit and Risk Assurance Committee and their attendance record was:

Member	Date of appointment	Attendance record
John Roberts CBE Chair	Reappointed 17 May 2015	Full attendance (5 out of 5 meetings)
Linda Farrant	Reappointed 2 December 2015	Partial attendance (4 out of 5 meetings)
James Kempton	1 December 2015	Full attendance (5 out of 5 meetings)

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

## Strategic Risk Committee

The Chair and non-executive members of the Strategic Risk Committee are proposed and appointed by the Ofsted Board, for a term of two years, with the option of reappointment.

During 2015-16, the membership of the Strategic Risk Committee and their attendance record was:

Member	Date of appointment	Attendance record
John Hughes Chair	8 July 2015	Full attendance (3 out of 3 meetings)
Linda Farrant Non-executive	8 July 2015	Full attendance (3 out of 3 meetings)
Matthew Coffey	8 July 2015	Partial attendance (1 out of 3 meetings)
Nick Jackson	8 July 2015	Full attendance (3 out of 3 meetings)

The Deputy Director, Finance was regularly invited to attend committee meetings.

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

## 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 2016, HMCI was supported by the Executive Board and HMCI's Inspection and Improvement Forum.

### Executive Board

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

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

At 31 March 2016, membership of the EB was as follows:

Member	Date of appointment
Matthew Coffey Chief Operating Officer	1 April 2014
Lorna Fitzjohn Regional Director, West Midlands	1 January 2013
Nick Hudson Regional Director, North East, Yorkshire and Humber	1 January 2013
Bradley Simmons Regional Director, South West	1 January 2014
Mike Sheridan Regional Director, London	1 September 2015

Sir Robin Boshier Director, Quality and Inspector Training and Regional Director, South East	22 April 2014
Chris Russell Regional Director, East Midlands and South West	25 August 2014
Andrew Cook Regional Director, East of England	1 December 2014
Sean Harford Director, Education	1 January 2013
Eleanor Schooling Director, Social Care	2 September 2015
Nick Jackson Director, Corporate Services	16 September 2013
Karen Shepperson Director, HR	1 April 2014
Neil Greenwood Director, Strategy	1 April 2014

### HMCI's Inspection and Improvement Forum

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

At 31 March 2016, membership of the IIF was as follows:

Member	Date of appointment
Sir Michael Wilshaw HMCI	1 January 2012
Matthew Coffey Chief Operating Officer	1 April 2014
Lorna Fitzjohn Regional Director, West Midlands	1 January 2013
Nick Hudson Regional Director, North East, Yorkshire and Humber	1 January 2013
Bradley Simmons Regional Director, South West	1 January 2014
Mike Sheridan Regional Director, London	1 September 2015
Sir Robin Boshier Director, Quality and Inspector Training and Regional Director, South East	22 April 2014
Chris Russell Regional Director, East Midlands and South West	25 August 2014
Andrew Cook Regional Director, East of England	1 December 2014
Sean Harford Director, Education	1 January 2013
Eleanor Schooling Director, Social Care	2 September 2015
Nick Jackson	16 September 2013

Member	Date of appointment
Director, Corporate Services	

### SCS Pay Committee

The SCS Pay Committee meets once a year and is composed of HMCI, Directors and an independent member of Ofsted's Board. The SCS Pay Committee was held on 11 June 2015 and was chaired HMCI.

At 31 March 2016, membership of the SCS Pay Committee was as follows:

Member	Date of appointment
Sir Michael Wilshaw HMCI	1 January 2012
Matthew Coffey Chief Operating Officer	1 June 2011
Nick Jackson Director, Corporate Services	16 September 2013
Sean Harford National Director, Education	12 January 2016
Eleanor Schooling National Director, Social Care	12 January 2016
John Roberts Independent Member	1 June 2007

### 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.



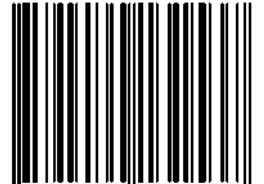
## Appendix C - Information Risk

### Summary of other protected personal data related incidents in 2015–16

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	-
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
iv	Unauthorised disclosure	5
v	Other	-

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