

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

Resource Accounts 2007-08

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Resource Accounts 2007-08

(For the year ended 31 March 2008)

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ANNUAL REPORT

Scope

Entities within the Departmental Accounting Boundary

The only entity within the boundary during 2007-08 was the Office for Standards in Education, Children's Services and Skills (Ofsted).

Bodies outside the Departmental Accounting Boundary

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

Departmental Report

In May 2008 Ofsted published a Departmental Report for 2007-08. The Report is a way of letting Parliament and the public know what Ofsted has achieved and how it is contributing to raising standards in education, children's services and skills. It covered Ofsted's objectives, how it spends public money and what has been achieved. The report is available on-line at www.ofsted.gov.uk and the website also details how to order hard copies.

Management Commentary

Aims and Objectives of the Department

The Office for Standards in Education, Children's Services and Skills (Ofsted) is a non-ministerial government department created on 1st April 2007. The Education & Inspections Act 2006 established the new Department as the single inspectorate in England for children, young people and adult learners, bringing together functions from the Commission for Social Care Inspection (CSCI), the Children and Family Court Advisory & Support Service (CAFCASS) of HM Inspectorate of Court Administration (HMICA), the Adult Learning Inspectorate (ALI), and the Office for Standards in Education (the former Ofsted).

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

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

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

Through inspection:

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

Through regulation:

For a range of services relating to early years and children's social care, Ofsted also by law acts as a regulator by granting licence to operate or trade. This involves registering providers who meet the legal requirements for registration, inspecting registered providers and investigating complaints against

registered providers to see if they continue to meet the requirements. Where providers do not come up to the required standards Ofsted may refuse to register them, or take a range of enforcement measures, including prosecution.

We inspect and regulate services in ways that will be of real benefit. This includes driving improvement and giving assurance about standards, quality and use of resources.

Through the provision of information and advice:

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

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

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

Principal Activities

Ofsted's principal activities in 2007-08 included:

1. regulation and inspection of childminding and day care, children's homes, family centres and adoption and fostering services and agencies;
2. inspection of the Children and Family Court Advisory and Support Service;
3. inspection of maintained schools and some independent schools;
4. inspection of children's services in local authorities;
5. inspection of providers of teacher education;
6. inspection of local authority funded further education work and inspection of education provision for 16 to 19 year olds;
7. inspection of a wide range of work-based learning and skills training;
8. inspection of adult and community learning;
9. inspection of education and training in prisons and other secure establishments;
10. monitoring the work of other inspectorates of independent schools;
11. preparation of HMCI's Annual Report to Parliament on the state of education and skills in England and the quality of childcare;
12. provision of advice to the Secretary of State for Children, Schools and Families (DCSF) and to the Secretary of State for Innovation, Universities and Skills (DIUS); and
13. publication of most inspection reports on the Internet.

Financial performance against objectives

The total net request for resources approved by Parliament, including capital resources, was £221.8 million. Ofsted's net resources outturn was £213.2 million, meaning Ofsted underspent against this limit by £8.6 million. Ofsted's net expenditure for 2007-08 is 1% lower than Ofsted's restated net expenditure for 2006-07. This restatement allows like for like comparison as if the new Department had existed in its present form in 2006-07 (see Note 27 of the Resource Accounts for further information).

The 2007-08 accounts apportion net expenditure between Ofsted's six strategic priorities. These are shown in the Statement of Operating Costs by Departmental Aim and Objectives (SOCDAO) in the accounts. These objectives differ from the five objectives set out in the 2006-07 accounts for the previous Ofsted. However, the figures have been restated for 2006-07 so that direct comparisons can be made under each of the new objectives, and this comparison is shown below:

1. Better outcomes – an organisation with impact
 - net expenditure increased by 6.1% from £176.1 million to £186.9 million.
2. Better inspection and regulation – coherent, rigorous and proportionate
 - net expenditure decreased by 45.1% from £14.0 million to £7.7 million.
3. Better communication – clear and authoritative
 - net expenditure decreased by 25.4% from £9.9 million to £7.4 million
4. Better consultation – involving stakeholders
 - net expenditure decreased by 46.1% from £4.8 million to £2.6 million
5. Better value for money – promoting and delivering value for money
 - net expenditure decreased by 29.6% from £4.0 million to £2.8 million
6. Better ways of working – delivering results through people.
 - net expenditure of £5.7 million remained at the same level in 2007-08 as in the previous year

The increase in net expenditure under better outcomes is a consequence of the increased level and cost of direct inspection and regulation activity within the new Ofsted. The decreases in net expenditure for the other priorities are due to efficiency savings achieved on creation of the new Ofsted and underspending in 2007-08. Also substantial one-off investments in 2006-07 to secure long term savings are starting to be realised in 2007-08.

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

	2007-08	Restated 2006-07
	£000	£000
Net Resource Outturn (Estimates)	213,166	214,527
Net Operating Cost (Accounts)	213,166	214,527
Resource Budget Outturn (Budget)	220,809	237,129

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

The Departmental Report gives detailed information about the achievements of 2007-08. However, the

key highlights of the year include:

- successfully creating the new Department by integrating the work of the former Adult Learning Inspectorate (ALI), the children's services responsibilities of the Commission for Social Care Inspection (CSCI) and of Her Majesty's Inspectorate of Court Administration (HMICA) with that of the former Ofsted;
- continuing to meet and exceed our targets for the delivery of statutory programmes of inspection and regulation.

Management arrangements

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

During 2007-08 Ofsted was managed by a Corporate Management Team (CMT) which met weekly and which comprised Her Majesty's Chief Inspector (HMCI), and the Executive Directors: the Director of Education, the Director of Children, the Director of Learning and Skills, the Director of Corporate Services, the Director of Finance and, for part of the year, the Director of Inspectorate Reform. For the first five months of the year the Deputy Directors were also members of CMT.

The Education and Inspections Act 2006 established a statutory Board for the new Ofsted. Following an open recruitment process nine non-executive members of a shadow Board (a Chairman and eight non-executives) were appointed by the end of December 2006, and took over responsibility for developing the long-term strategy for the new Ofsted, and for establishing the required governance arrangements. These non-executives were Zenna Atkins, the Chairman, and Dame Enid Bibby, Sharon Collins, David MacLeod, Dame Jane Roberts, John Roberts, Beryl Seaman, Museji Takolia and Christopher Trinick. On 1 April 2007 they became the Board for the new Ofsted. HMCI is also a member of the Board. It is the role of the Board to set the long-term objectives for Ofsted, and to monitor its performance, as well as to be responsible for ensuring that effective governance arrangements are in place.

The new legislation clearly defines the relative roles of the non-executive Chairman of the Board and of HMCI. HMCI is directly accountable to the Board for the achievement of the long-term strategic objectives of the organisation and to Parliament for the performance of Ofsted and the delivery of those statutory duties. The Chief Inspector remains solely responsible for providing the Secretary of State for Children, Schools and Families (DCSF) with information or advice on all matters relating to activities within HMCI's remit.

Christopher Trinick, one of the non-executive members of the Board, chaired the Ofsted Audit Committee during 2007-08. Two other non-executive members of the Board, David MacLeod and John Roberts, also sat on the committee. In addition it had one further financially qualified and independent member, Richard Harbord. These non-executives worked with the Accounting Officer (HMCI) in line with the best practice for an Audit Committee as defined by HM Treasury.

Important events that have occurred since the financial year end

On 6 June 2008 Ed Balls, the Secretary of State for Children, Schools and Families, announced the appointment of four new members of the Ofsted Board. They will join the Chairman, HMCI and the existing six non-executives. The new Board members are:

- George Battersby, Director of Human Resources, Cable & Wireless
- Paul Blackburn, Senior Vice President Financial Controller, GlaxoSmithKline
- Yusuf Chuku, Founding Partner, Staufenberg, Smith & Butte
- Vijay Sodiwala, Managing Director, Digital Ventures, Chime Communications plc.

Important events which have occurred during the financial year

During 2007-08 the newly created Department successfully integrated the work of the former Adult Learning Inspectorate (ALI), the children's services responsibilities of the Commission for Social Care Inspection (CSCI) and of Her Majesty's Inspectorate of Court Administration (HMICA) with that of the former Ofsted. This machinery of government change was made in accordance with the Education & Inspections Act 2006.

During 2007 Ofsted published a Strategic Plan for 2007 to 2010. This strategy sets out Ofsted's aims and highlights the longer term priorities (objectives) that will provide a focus for Ofsted's work over the next three years. The strategy details how Ofsted will address its three aims: to serve children and learners, to encourage services to improve and to secure value for money. In order to achieve these aims the Board has identified six priorities: these are better outcomes, better inspection and regulation, better communication, better consultation, better value and better ways of working.

The strategy has driven the business plans that the Department has put in place to make our inspection and regulation more proportionate and cost-effective. These plans will ensure that Ofsted can also meet its commitments to reduce its costs and ensure a higher proportion of Ofsted's resources are spent directly on inspection and regulatory activities.

Of the new Department's predecessor organisations, only the former Ofsted had been set a financial target as part of the Gershon Review. Savings of £42 million, 20%, were needed by the end of 2007-08, together with a headcount reduction target. Both of these targets were achieved.

The new Department has been set a further efficiency target as part of a government Better Regulation initiative. This target means that Ofsted's costs will need to be 30% less in 2008-09 than they were in 2003-04 (the comparison assumes that the new Department existed in its present form in 2003-04). Good progress has already been made towards achieving this target.

Going concern

With the continued support of the Department for Children, Schools and Families, Ofsted is regarded as a going concern. The balance sheet at 31 March 2008 shows Net Liabilities of £22.7 million. This reflects the policy, under the Government Resources and Accounts Act 2000, that no money may be drawn from the Consolidated Fund other than required for the service of the specified year to meet the Net cash requirement. All unspent monies, including those derived from Ofsted's income, are surrenderable to the Consolidated Fund and are disclosed as a year-end liability.

Public interest and other**Employment of Disabled Persons and Equal Opportunities Policy**

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

Ofsted's updated Disability Equality Scheme was published in April 2008. It sets out the methods Ofsted will use to meet its duty as a public body under the Disability Discrimination Act both within the inspectorate and in the institutions it inspects or regulates. At October 2007, 4.8% of staff at Ofsted had classified themselves as disabled.

Ofsted's updated Race Equality Scheme which was published in December 2007 and sets out the methods Ofsted will use to eliminate discrimination, foster good race relations and promote equality of

opportunity both within the inspectorate and in the institutions it inspects or regulates. At October 2007, 10.2% of staff at Ofsted were from black and minority ethnic groups.

Ofsted's updated Gender Equality Scheme was published in July 2007, and sets out what Ofsted will do to meet its obligations on gender equality both within the inspectorate and in the institutions it inspects or regulates. At October 2007, 71.7% of the Ofsted workforce were female with the greatest proportion of female staff being amongst the inspectors of childcare and social care where 90.2% were female.

The October 2007 data is currently being updated and will be published on the Ofsted website.

Further information on Ofsted's equality and diversity schemes, including the details of the action plans in place and on performance against these plans are available on the Ofsted website (www.ofsted.gov.uk). Equality Impact Assessments conducted by Ofsted are also available on that site.

Environmental, social and community issues

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

In late 2006 our internal auditors carried out an advisory audit on corporate social responsibility (CSR) and sustainable development (SD). This contributed to the development of our action plan in these areas.

We follow the government guidelines on ensuring suppliers have a commitment to sustainable development and we revised our Procurement Policy in early 2008 to ensure that it has sustainability and environmental impact as core components of the supplier selection process.

Ofsted is organised on a regional basis, with offices in London, Bristol, Nottingham and Manchester; most of our inspectors are home-based, and we plan for the majority of their work to be within their home region.

Information security

Information security in the public sector has had a very high profile during the past twelve months with extensive media coverage of cases of data loss. As a result a series of additional security measures was introduced across government in January 2008, in response to a series of requirements defined by Robert Hannigan, Security Adviser to the Prime Minister. In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published in December 2007, the government also made a commitment that all Departments would cover this subject within their annual Resource Accounts.

Consequently Ofsted is reporting on personal data related incidents in these annual Resource Accounts for the first time. Personal data is defined as:

- information that links one or more identifiable living person with information about them whose release would put them at significant risk of harm or distress; or
- any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain; or
- data that a Department considers should receive a similar level of protection because it would put those affected at significant risk of harm or distress.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act or may be subject to the limitations of other UK information legislation.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2007-08

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

Summary of other protected personal data related incidents in 2007-08

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

Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	4
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
iv	Unauthorised disclosure	0
v	Other	0

Year-on-year total numbers of protected personal data related incidents prior to 2007-08

Total number of protected personal data related incidents reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents, by category number						
	i	ii	iii	iv	v	Total		i	ii	iii	iv	v	Total
2006-07	0	0	0	0	0	0	2006-07	0	7	0	2	0	9
2005-06	-	-	-	-	-	-	2005-06	-	-	-	-	-	-
2004-05	-	-	-	-	-	-	2004-05	-	-	-	-	-	-

No information is shown for 2004-05 and 2005-06, as fully complete and reliable records of protected personal data incidents are not available for this period.

Payment of Suppliers

Ofsted is committed to paying all undisputed invoices within 30 days of the later of receipt of goods/services or receipt of the invoice. As at the 31 March 2008 97% of payments achieved this target. There were no payments made to suppliers under the Late Payment of Commercial Debts (Interest) Act 1988.

Auditor

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

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

A notional fee of £61,000 has been charged for the audit.

Pension Liabilities

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

During the transfer in of staff to Ofsted from Local Authorities in 2001 and from the CSCI in 2007 as the remit of Ofsted expanded, there were some staff that elected to remain in their existing Local Government (LG) Pension schemes and Ofsted pays annual pension contributions in to these LG schemes.

The Provision of Information

Ofsted's Internet site was updated on 1 April 2007 to reflect the expanded remit of the new organisation, (www.ofsted.gov.uk). It presents information of interest to a range of users and stakeholders, and is heavily used. Over the past 12 months the average number of visits per month has continued to grow and it is now a key source of information for more than 750,000 visitors per month.

In addition to the information available on the website there are also over 41,200 subscribers to 'Ofsted News' our online newsletter for schools, childcare professionals and learning and skills practitioners which is delivered by email. Our latest reader survey attracted 2,500 responses and demonstrated a high level of satisfaction, with 75% of respondents agreeing that the new sections of the newsletter covering our entire remit were a good idea.

A new Ofsted Intranet was launched on 1 April 2007, with completely updated content in order to provide more detailed information to staff of the new organisation about the work they do.

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

REMUNERATION REPORT

Part A: Unaudited

Ministers

Ofsted is a non-ministerial government department.

Permanent Head of the Department and Senior Management

On 1 October 2006 Christine Gilbert was appointed to the position of Her Majesty's Chief Inspector (HMCI) and permanent head and Accounting Officer of the Department.

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

- Michael Hart – Director of Children (part year)
- Miriam Rosen – Director of Education
- Lorraine Langham – Director of Corporate Services (part year)
- Melanie Hunt – Director of Learning and Skills (part year)
- Vanessa Howlison – Director of Finance
- Dorian Bradley – Director of Children (part year)
- Robert Green – Director of Inspectorate Reform (part year)
- Andrew White – Director of Corporate Services (part year)

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

- Jean Humphrys – Deputy Director of Children
- David Hinchliffe – Deputy Director of Education
- Roger Shippam – Deputy Director of Education (part year)
- David Ansell – Deputy Director of Learning and Skills (part year)
- Peter Duffy – Deputy Director of Corporate Services
- Rob Barr – Deputy Director of Finance (part year)

The following people were non-executive members of the Board of the new Ofsted for whole or part of the financial year:

- Zenna Atkins – Chairman
- Dame Enid Bibby (part year)
- Sharon Collins
- David MacLeod
- Dame Jane Roberts
- John Roberts
- Beryl Seaman (part year)
- Museji Takolia
- Christopher Trinick

Appointment of the Permanent Head of the Department, Directors and the Deputy Directors

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

Robert Green became a Director for the former Ofsted on 4 March 2002. He occupied the position of Director of Corporate Services before taking on the role of Director of Inspectorate Reform from 1 January 2006. He retired from the Department on 30 September 2007.

Miriam Rosen became Director of Education for the former Ofsted on 6 April 2004. Vanessa Howlison was appointed to the post of Deputy Director of Finance for the former Ofsted on 1 September 2005, and was appointed Finance Director on 21 June 2006.

On 1 January 2006 Dorian Bradley and Andrew White were appointed to the respective positions of acting Directors of Early Years and of Corporate Services for the former Ofsted. Dorian Bradley retired on 31 August 2007 and Andrew White left the Department on 29 June 2007.

On 12 June 2007 Melanie Hunt was appointed to the new position of Director, Learning and Skills, on 29 June 2007. Michael Hart was appointed to the position of Director, Children. Lorraine Langham was appointed Director, Corporate Services on 27 June 2007. All three appointments were made following open competition.

David Hinchliffe was appointed Deputy Director of Education for the former Ofsted from 1 September 2005. On 5 October 2007 he became a Project Director working on inspectorate reform and retained his Deputy Director salary, and on 1 October 2007 Roger Shippam was appointed acting Deputy Director, Education. Peter Duffy became acting Deputy Director of Corporate Services for the former Ofsted from 1 January 2006, and was appointed to the post on 22 June 2007. On 1 April 2006 Jean Humphrys became acting Deputy Director of Early Years for the former Ofsted, and was appointed to the post on 22 June 2007. Rob Barr was appointed to the post of Deputy Director of Finance on 29 July 2007. David Ansell was appointed to the new post of Deputy Director, Learning and Skills on 1 September 2007. All of these appointments were made following open competition and are on two-year fixed-term contracts.

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

Appointment of non-executive Board members

The Education and Inspections Act 2006 resulted in the establishment of the Office for Standards in Education, Children's Services and Skills (the new Ofsted) on 1 April 2007. The Act also established a non-executive Board for Ofsted.

In preparation for the establishment of the new Ofsted Zenna Atkins was appointed as Chairman of the shadow Board for the new Ofsted on 1 October 2006. On 12 December 2006, the following non-executives were appointed to the shadow Board: Dame Enid Bibby, Sharon Collins, David MacLeod, Dame Jane Roberts, John Roberts, Beryl Seaman, Museji Takolia and Christopher Trinick. They all formally became members of the Board of the new Ofsted on 1 April 2007.

Beryl Seaman resigned from the Board on 14 October 2007 and Dame Enid Bibby resigned on 1 January 2008. As a consequence recruitment was undertaken to appoint replacement members for the Board. This recruitment was conducted in line with government guidelines for the recruitment of non-executives and was overseen by the Nominations Committee, which is a sub-committee of the Board.

Part B: Audited

Non-executives' Remuneration

During 2007-08 the Chairman of the Board received a salary in the £35,000-40,000 band and the other non-executives were entitled to receive a salary in the £0-5,000 band. David MacLeod elected not to receive this payment.

Directors' Remuneration

HMCI's remuneration is an annual salary with a bonus of 20 per cent available for a 12-month period subject to performance. The directors and deputy directors are paid as senior civil servants and are subject to the recommendations of the Senior Salaries Review Body.

Ofsted has established a SCS Pay Committee comprising HMCI, the Directors and a further independent person. This Committee decides on all annual pay and bonus awards for members of the SCS as well as agreeing any changes to Ofsted's SCS pay strategy. John Roberts, a member of the Board and of Ofsted's Audit Committee, served as the independent member on the SCS Pay Committee during 2007-08.

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

The salary and pension entitlements of the most senior members of Ofsted for the year ending 31 March 2008 and as at 31 March 2007 were as follows:

Salaries (Note a):

Name	Salary (s) year ending 31 March 2008 £000	Salary (s) year ending 31 March 2007 £000
Christine Gilbert	225-230	90-95 <i>(185-190 full year equivalent)</i>
David Ansell	60-65 <i>(105-110 full year equivalent)</i>	Not in post
Rob Barr	60-65 <i>(90-95 full year equivalent)</i>	Not in post
Peter Duffy	100-105	95-100
Michael Hart	90-95 <i>(115-120 full year equivalent)</i>	Not in post
Vanessa Howlison	110-115	105-110
Jean Humphrys	130-135	90-95
Melanie Hunt	115-120 <i>(150-155 full year equivalent)</i>	Not in post
Lorraine Langham	120-125 <i>(150-155 full year equivalent)</i>	Not in post
Miriam Rosen	130-135	120-125
Roger Shippam	60-65 <i>(125-130 full year equivalent)</i>	Not in post
Dorian Bradley	50-55 <i>(115-120 full year equivalent)</i>	110-115
Robert Green	65-70 <i>(125-130 full year equivalent)</i>	115-120
David Hinchliffe	130-135	105-110
Andrew White	50-55 <i>(115-120 full year equivalent)</i>	110-115

Salary

Note a. 'Salary' includes gross salary; performance related pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and other allowances (including disturbance allowances) to the extent that it is subject to UK taxation.

Benefits in Kind

In 2007-08 Christine Gilbert received a Government Car Service allowance of £7,555 as a Benefit in Kind (2006-07 – £3,700).

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

Pension Benefits (Note b):

Name	Real increase in pension at 60 (Note b) Year ending 31 March 2008 £000	Real increase in Lump Sum Year ending 31 March 2008 £000	Total accrued Pension at 60 At 31 March 2008 £000	Total Lump Sum At 31 March 2008 £000	CETV at start of year (Note c) £000	CETV at end of year (Note d) £000	Employee contributions and transfers in £	Real increase in CETV (Note e) £000
Christine Gilbert	0-2.5	–	0-5	–	18	60	2,825	37
David Ansell	2.5-5	–	45-50	–	804	960	805	62
Rob Barr	7.5-10	–	25-30	–	213	414	931	145
Peter Duffy	2.5-5	–	45-50	–	551	688	1,380	47
Michael Hart	60-62.5	–	60-65	–	–	1,116	697,968	418
Vanessa Howlison	0-2.5	–	30-35	–	333	417	1,574	21
Jean Humphrys	2.5-5	10-12.5	40-45	120-125	807	1,006	1,380	95
Melanie Hunt	2.5-5	10-12.5	25-30	80-85	353	519	1,445	65
Lorraine Langham	32.5-35	–	30-35	–	–	491	332,918	158
Miriam Rosen	5-7.5	–	65-70	–	1,180	1,472	9,351	133
Roger Shippam	2.5-5	10-12.5	35-40	105-110	701	845	690	79
Dorian Bradley	2.5-5	7.5-10	40-45	130-135	957	1,034	682	65
Robert Green	7.5-10	27.5-30	55-60	170-175	904	1,124	2,332	212
David Hinchliffe	0-2.5	2.5-5	40-45	100-105	851	896	705	45
Andrew White	0-2.5	0-2.5	30-35	95-100	448	432	678	11

Pension Benefits

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Value

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

Real increase in CETV

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

Compensation for loss of office

Two senior members of staff received compensation for loss of office during 2007-08.

Robert Green left under Compulsory Early Retirement on 30 September 2007. He received immediate payment of his pension and associated lump sum plus a contractual compensation payment of £57,183.

Dorian Bradley left under Compulsory Early Retirement on 31 August 2007. He received immediate payment of his pension and associated lump sum plus a contractual compensation payment of £13,370.

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

Date: 12 June 2008

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

HM Treasury has appointed HMCI as Accounting Officer of the department with responsibility for preparing the Ofsted's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the *Government Financial Reporting Manual (FRM)* prepared by HM Treasury, and in particular to:

- observe the 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.

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

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve aims, objectives and policies. It can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental aims and objectives; to evaluate the likelihood of those risks being realised and the impact if they are realised; and, to manage them efficiently, effectively and economically. The system of internal control has been in place in Ofsted for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

Capacity to handle risk

Although Ofsted could be considered to have a relatively conservative risk appetite, the organisation has taken a series of carefully managed risks over the past two years in order to successfully establish the new Ofsted on 1 April 2007. This has been supported by 'Creating the New Ofsted' programme, and in the embedding of the new organisational structures and working arrangements over the past twelve months.

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

The monthly management information report, which is routinely reviewed by the Corporate Management Team, focuses attention on progress against Ofsted's key operational objectives. A section of this pack also contains a summary of progress in managing and mitigating the key strategic risks that face the organisation. It also enables CMT to review progress in managing these most important areas of risk over time.

As part of the strategic planning process for the new Ofsted, a key step was the identification of the key risks associated with each of the strategic priorities the new organisation has set itself for 2007 to 2010. Consequently the Ofsted Board and the Audit Committee also review these key strategic risks at each of their meetings.

Risks associated with information security and data loss have received an increasing level of attention in the past year. The Cabinet Office issued a set of guidelines for government departments in January 2008 that provided a minimum baseline standard for the protection of information. New security arrangements were also implemented with immediate effect. These new arrangements built on those that Ofsted already had in place and included restricting the use of unencrypted laptops or drives outside Ofsted offices. A special dispensation was obtained which allowed their use on inspection activities during the period while encryption software was put in place throughout the organisation. Encryption will be finalised in June 2008.

For the first time this year government departments need to report in their resource accounts any incidents of data loss (see the section headed 'Information Security'). Work in this area during the first quarter of 2008-09 will focus on building an enhanced governance framework on information assurance. This will involve supporting the Senior Information Risk Owner (SIRO) by appointing Information Asset Owners for all key information assets, and reviewing and conducting information risk assessments. The results of these assessments will be shared with Ofsted's senior managers and the Audit Committee. More information on these developments will be made available in future annual Resource Accounts.

Risk and control framework

The Ofsted governance procedures and risk management processes continued to be enhanced during 2007-08. Significant items included:

- The Ofsted Board developed the long-term strategy for the organisation in line with the requirements stipulated in the Education and Inspections Act 2006, and has also revised Ofsted's corporate governance framework so that it is compliant with all of the appropriate guidelines.
- A new Corporate Governance Framework was introduced from 1 April 2007 in order to reflect the wider remit of the new Ofsted and the new governance arrangements surrounding the operation of the Ofsted Board and the Corporate Management Team.
- The Risk Management Policy and Procedures were reviewed and updated in March 2008, and the modified arrangements came into effect during April 2008, following consideration by CMT and the Audit Committee.
- Continued emphasis on educating key staff on the importance of effective risk management, with a regular series of workshops entitled "Playing your part in risk management" being held across the organisation. An online information package on risk management has been developed, with the aim of spreading a simple understanding of the basics of risk management across the whole workforce. This rolled out across the whole organisation during 2007-08.

During the past year the identification of risks has continued to be integrated into the annual planning processes. As part of the annual planning cycle risks were identified from the top down as part of the strategic planning process for 2007 to 2010, and from the bottom up as part of the annual resource planning and budgeting process. Risks identified from both top down and bottom up processes are used to populate Directorate and Divisional risk registers, which are maintained by the local managers. This is the main way in which risk is managed on a day to day basis.

Each month every Division evaluates the probability and impact of their risks, and sets out the latest position on actions being taken to mitigate and manage the risk. Probability and impact scores allow those risks deemed to be the most significant for Ofsted to be easily identified, and these are reported in the monthly management information pack that is reviewed by CMT.

Review of effectiveness

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

During 2007-08 this process of continuous improvement has allowed Ofsted to embed the following processes:

- Every month the Corporate Management Team reviewed the financial and operational performance of the organisation. Since January 2008 information in the monthly and quarterly management information packs has been enhanced by including more information on strategic, corporate and operational performance and risk management. During 2007-08, CMT also considered and approved the strategic and corporate plans, the resource plans and budget, the risk register and a regular series of reports on the financial performance of the organisation.
- A non-executive Ofsted Board was established this year and is responsible for long-term strategy. In December 2006, following open competition, nine non-executive members of the shadow Board for the new Ofsted were appointed and became members of the Board of the new Ofsted on 1 April 2007. During 2007-08 they developed and reviewed a three-year strategic plan for the new organisation and the appropriate corporate governance framework for the new organisation.
- An Audit Committee that meets up to six times a year and which is chaired by one of the non-executive directors. It also had one further financially qualified, independent member.
- Reports by internal audit. These reports are to standards defined in the Government Internal Audit Standards and include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.
- A formal Meetings Framework that ensures that important information is communicated effectively, and on a regular basis, to all staff across the whole organisation.
- Managerial procedures and practice that resulted in Investors in People accreditation on 23 May 2008.
- The establishment and monitoring of key strategic, corporate and operational performance indicators and risks.
- The monitoring of Ofsted's risk management performance by the Risk Management Moderation Group, a sub-committee of CMT.
- The completion of annual Assurance Statements by all Directors, Deputy Directors and Divisional Managers confirming their compliance with all standard governance arrangements, systems and processes, including policies on fraud and corruption.
- The maintenance of an organisation-wide central risk register (for strategic risks) supported by Directorate and Divisional registers.
- Integrated processes for resource planning and budgeting and for risk management.
- Participation in the government-wide Risk Improvement Managers network, which is designed to ensure the spread of best practice in risk management.

During 2007-08 all of the audits that were conducted by our internal auditors reported 'substantial' or 'adequate' levels of assurance in those areas that were subjected to audit. Of all the reports finalised in the year there were none that contained any fundamental recommendations.

This level of performance has allowed the internal auditors to conclude in their annual report that overall Ofsted has adequate levels of assurance and effective risk management, control and governance

processes in place to manage the achievement of the organisation's objectives.

Conclusion

I recognise that significant progress continues to be made and I note the evidence of such progress that has been supplied to me. In collaboration with the Board of the new Ofsted and with the Corporate Management Team, I want to ensure that performance continues to improve and that the new governance requirements, required in the Education and Inspections Act 2006, continue to be embedded during 2008-09.

With this in mind the Ofsted Board will be reviewing the Corporate Governance Framework for the organisation at their first meeting in 2008-09. Following their deliberations the framework will be updated in order to reflect the best possible practice.

Over the next twelve months Ofsted will face the strategic challenges of maintaining and improving the quality and impact of its work at the same time as meeting the cost saving target that has been set for all inspectorates through the government's Better Regulation initiative. Detailed plans have been developed that will deliver these savings, but in doing this we shall also be making sure that we do not weaken the control and governance frameworks that we currently have in place.

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

Date: 12 June 2008

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

I certify that I have audited the financial statements of the Office of Her Majesty's Chief Inspector of Education, Children's Services and Skills in England for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

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

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

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

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

Basis of audit opinions

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T. J. Burr
Comptroller and Auditor General

17 June 2008

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

Note	Estimate			Outturn				Restated 2007-08 2006-07 Outturn
	Gross expenditure	Approp- riations- in-Aid	Net request for resources	Gross expenditure	Approp- riations- in-Aid	Net Total	Net total outturn compared with estimate	Net Total
							savings/ (excess)	
£000	£000	£000	£000	£000	£000	£000	£000	
Request for Resources 1: Improving the quality and standards of education and childcare through independent inspection regulation and advice	236,250	(15,441)	220,809	228,106	(14,940)	213,166	7,643	214,527
Total Resources	<u>236,250</u>	<u>(15,441)</u>	<u>220,809</u>	<u>228,106</u>	<u>(14,940)</u>	<u>213,166</u>	<u>7,643</u>	<u>214,527</u>
8 Net Cash Requirement			<u>227,091</u>			<u>212,942</u>	<u>14,149</u>	<u>222,759</u>

Summary of income payable to the Consolidated Fund.

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

	Forecast 2007-08		Outturn 2007-08	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Total	-	-	-	-

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

The variation between the Estimate and the Net Cash Requirement Outturn is set out in Note 8 on page 35. The resource underspend of £7.6m is the most significant contribution of this variation.

Operating Cost Statement

for the year ended 31 March 2008

Note	2007-08		Restated 2006-07	
	£000	£000	£000	£000
	Administration Costs			
2		8,747		7,197
3		12,774		13,542
		21,521		20,739
5		Operating Income		(5)
		Net Administration Costs		(127)
		21,516		20,612
	Programme Costs			
2		106,719	108,901	
4		99,866	96,504	
		206,585	205,405	
5		Less Income	(11,490)	
4		191,650		193,915
7		Net Operating Cost		214,527
7		Net Resource Outturn		214,527

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	2007-08	Restated 2006-07
	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	-	-
Net gain/(loss) on revaluation of intangible fixed assets	-	(1)
Recognised Gains and Losses for the financial year	-	(1)

Balance sheet

as at 31 March 2008

Note	31 March 2008		Restated 31 March 2007	
	£000	£000	£000	£000
9	Tangible fixed assets	663	1,424	
10	Intangible fixed assets	73	178	
		736		1,602
12	Debtors falling due after more than one year	24		57
	Current assets			
12	Debtors	8,256	6,469	
13	Cash at bank and in hand	592	203	
		8,848	6,672	
	Creditors			
14	Creditors: amounts falling due within one year	(21,675)	(18,928)	
	Net current liabilities			(12,256)
	Total assets less current liabilities			(10,597)
14	Creditors: amounts falling due after more than one year	-		(204)
15	Provisions for liabilities and charges	(10,616)		(10,963)
		(22,683)		(21,764)
	Financed by:			
	Taxpayers' Equity			
16	General fund	(22,683)		(21,720)
17	Revaluation reserve	-		(44)
		(22,683)		(21,764)

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

Date: 12 June 2008

Cash Flow Statement

for the year ended 31 March 2008

Note		<u>2007-08</u>	Restated <u>2006-07</u>
		<u>£000</u>	<u>£000</u>
A	Net cash outflow from operating activities	(212,942)	(222,702)
B	Capital expenditure and financial investment	–	651
	Payments of amounts due to the Consolidated Fund	–	(708)
C	Financing from Consolidated fund	212,772	217,512
	Merger related cash balance	559	–
D	Increase/(Decrease) in cash in period	389	(5,247)

Reconciliation of operating cost to operating cash flows

	Net operating cost	213,166	214,527
	Adjustments for non cash transactions	(7,770)	(4,336)
	Auditor's Remuneration	(61)	(65)
	Provisions	(7,548)	(3,872)
	Profit/(Loss) on disposal of fixed assets	–	145
	Fixed Assets write off	(482)	–
	Capital Charges	321	(544)
	Additional cash expended on ALI staff redundancies	51	–
11	Adjustments for movement in working capital other than cash	(604)	3,034
	Decrease/(Increase) in creditors due after more than one year	204	(204)
15	Use of provision	7,895	9,681
A	Net cash outflow from operating activities	212,942	222,702

Analysis of Capital expenditure and financial investment

9	Tangible fixed asset additions	–	654
10	Intangible fixed asset additions	–	6
	Proceeds of disposal of fixed assets	–	(1,311)
B	Net cash outflow from investing activities	–	(651)

Analysis of financing

	From Consolidated Fund (Supply) – current year	212,772	217,512
C	Net Financing	212,772	217,512

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

	Net cash requirement (SOPS)	(212,942)	(222,759)
	From Consolidated Fund (Supply) – current year	212,772	217,512
	Amounts due to the Consolidated Fund – paid over	–	–
	Merger related cash balance	559	–
D	Increase/(Decrease) in cash	389	(5,247)

Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

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

	Gross	2007-08	Net	Gross	Restated	Net
	£000	Income	£000	£000	2006-07	£000
		£000			Income	£000
					£000	£000
Objective One – Better outcomes						
To deliver planned inspection programmes which maximise the impact of inspection and regulation on the quality of provision for children, young people and adult learners – with a particular focus on vulnerable and underachieving people – so that their life outcomes and general well-being are enhanced. To identify strengths and weaknesses in priority areas – nationally, regionally and locally – and to make effective use of that information to drive improvement.	201,624	14,730	186,894	187,709	11,617	176,092
Objective Two – Better inspection & regulation						
To ensure that inspection continues to develop as high quality, coherent and well matched to the needs of the user and the quality of the service, with an increased focus on targeting inspection where it makes most difference. To use the views of users, stakeholders and key partners, to influence how, what and when we inspect, to promote improvement and to track future improvement. To ensure that we take swift enforcement action, acting quickly to drive improvement.	7,780	105	7,675	13,981	–	13,981
Objective Three – Better communication						
To ensure that all Ofsted's communications are clear and accessible to the whole range of audiences at an appropriate level, and support informed choice and drive improvement. To ensure quick and effective responses to enquiries and complaints.	7,488	105	7,383	9,902	–	9,902
Objective Four – Better consultation						
To ensure that consultation with users, stakeholders, partners and the public is inclusive and effective.	2,583	–	2,583	4,789	–	4,789
Objective Five – Better value						
To ensure that value for money is a continued focus for improvement. To ensure that our operational and business support functions provide good value for money and compare well against external benchmarks.	2,835	–	2,835	4,028	–	4,028
Objective Six – Better ways of working						
To achieve excellent performance through a high quality workforce that appropriately reflects the diversity of the communities it serves. To be an exemplary employer, committed to its staff, responsive to employee views and focused on development and continuous improvement. To build and develop Ofsted's capacity for improvement.	5,796	–	5,796	5,735	–	5,735
Net operating costs	228,106	14,940	213,166	226,144	11,617	214,527

The Education and Inspections Act 2006 established Ofsted as the single inspectorate in England for children and learners from 1 April 2007 with the formal title of the Office for Standards in Education, Children's Services and Skills. This entailed bringing together functions from the Commission for Social Care Inspection (CSCI), the Children and Family Court Advisory & Support Service (CAFCASS) of HM Inspectorate of Court Administration (HMICA) and the Adult Learning Inspectorate (ALI) together with the work of the former Ofsted. The creation of new Ofsted required a change in objectives and therefore the 2007-08 accounts have been produced by apportioning net expenditure between six main priorities (our key objectives). These differ from the five operational objectives that were used to apportion expenditure in the 2006-07 accounts of the former Ofsted. However, we have restated the figures for 2006-07 so that direct comparisons can be made under each of the six objectives for each time period.

NOTES TO THE OFSTED RESOURCE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2007-08 Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. Ofsted's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. The accounts have been prepared on a going concern basis. Ofsted's activities will continue in operational existence for 2008-09 and in future years, subject to Parliamentary approval.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention. Ofsted now has a very small asset base. This means the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

1.2 Tangible Fixed Assets

These accounts have been prepared under the historical cost convention. Expenditure on the acquisition of fixed assets is capitalised where these costs exceed £10,000, which has now led to a very small asset base. Consequently, the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value, where applicable, on a straight-line basis over their estimated useful lives.

Asset lives are normally in the following ranges:

Information Technology	3 to 5 years
Motor Vehicles	3 years
Furniture and Fittings	4 to 15 years

1.4 Intangible Fixed Assets

Purchased computer software licenses in excess of the capitalisation threshold are capitalised as intangible fixed assets and amortised over their useful economic life of 5 years. Ofsted now has a very small asset base. This means the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

1.5 Operating and Other Income

Operating and other income relates to charges levied on the directly provided services of Ofsted. It principally comprises registration fees and charges for services provided, but not on a full cost basis. It includes both income appropriated in aid of the Estimate and also income to the Consolidated Fund, which in accordance with the FRoM should be treated as operating income.

Income has been adjusted by a Deferred Income calculation which is based on invoices sent out before the year end but which relate to registration renewals for the new financial year in the case of both Childcare and Social Care. In previous years this was the case for Childcare and has been reflected in restated comparatives but not for Social Care.

1.6 Administration and Programme Expenditure

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

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

Programme costs reflect the cost of activities 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, exclusively or largely engaged in delivering inspections or in direct support of inspections.

1.7 Capital Charge

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

1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which are described in the remuneration report on page 15. The defined benefit schemes is unfunded and is non-contributory except in respect of dependents' benefits. Ofsted recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Ofsted recognises the contributions payable for the year.

1.9 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS12, the department discloses for parliamentary reporting and accountability purposes certain statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to parliament in accordance with the requirements of Managing Public Money. Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.10 Operating Leases

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

1.11 Provisions

In accordance with FRS12, Provisions, Contingent Liabilities and Contingent Assets, Ofsted provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

1.12 Value Added Tax

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

1.13 Machinery of Government Changes

Ofsted had three machinery of government (MoG) changes affecting its estimates and accounts where functions were transferred to Ofsted with effect from 1 April 2007. This entailed bringing together functions from the Commission for Social Care Inspection (CSCI), the Children and Family Court Advisory and Support Services (CAFCASS) of HM Inspectorate of Court Administration (HMICA) and the Adult Learning Inspectorate (ALI) together with the work of the former Ofsted.

MoG changes which involve the merger of the transfer of functions or responsibility of one part of the public sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Operating Costs by Departmental Aim and Objectives and associated Notes to the Accounts. The impact on the Balance Sheet and the Operating Cost Statement is shown in Note 27.

2 STAFF NUMBERS AND RELATED COSTS

Staff costs

	<u>2007-08</u>	Restated <u>2006-07</u>
	£000	£000
Wages and Salaries	86,168	90,057
Other Pension Costs	17,305	17,035
Social Security Costs	7,295	6,747
Early Departure Costs	-	440
Agency Costs	4,698	1,819
	<u>115,466</u>	<u>116,098</u>
Analysis for the year ended 31 March:		
Administration costs	8,747	7,197
Programme costs	106,719	108,901
Total	<u>115,466</u>	<u>116,098</u>

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

For 2007-08, employers' contributions of £17,051,560 were payable to the PCSPS (2006-07 – £17,035,000) at any one of four rates in the range 17.1 to 25.5 per cent of pensionable pay. Employer contribution rates are reviewed every four years following a full scheme valuation by the Government Actuary. This year the salary bands have been revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

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

For 2007-08 employers' contributions of £141,482 were payable to the LGPS (comparative not available). Also, for 2007-08 employers' contributions of £4,194 were payable to NHSPS (comparative not available). There were also payments of £39,697 for other pension schemes for seconded staff.

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

Average number of persons employed

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

	2007-08			Restated 2006-07	
	Senior Management	Officials	Agency and contract staff	Total	Total
	No	No	No	No	No
Objective 1 – Better outcomes	7	2,328	61	2,396	2,399
Objective 2 – Better inspection & regulation	3	76	15	94	108
Objective 3 – Better communication	–	96	13	109	120
Objective 4 – Better consultation	1	26	5	32	34
Objective 5 – Better value	1	27	3	31	33
Objective 6 – Better ways of working	1	19	4	24	24
Total	13	2,572	101	2,686	2,718

The Education and Inspections Act 2006 established Ofsted as the single inspectorate in England for children and learners from 1 April 2007 with the formal title of the Office for Standards in Education, Children's Services and Skills. This entailed bringing together functions from the Commission for Social Care Inspection (CSCI), the Children and Family Court Advisory & Support Service (CAFCASS) of HM Inspectorate of Court Administration (HMICA) and the Adult Learning Inspectorate (ALI) together with the work of the former Ofsted. The creation of new Ofsted required a change in objectives and therefore the 2007-08 accounts have been produced by apportioning staffing between six main priorities (our key objectives). These differ from the five operational objectives that were used to apportion the staffing in the 2006-07 accounts of the former Ofsted. However, we have restated the staffing figures for 2006-07 so that direct comparisons can be made under each of the six objectives for each time period.

3 NON STAFF ADMINISTRATION COSTS

	2007-08		Restated 2006-07	
	£000		£000	
Accommodation – Rates	611		597	
Accommodation – Service Charge	33		74	
Building Maintenance and Utilities	1,309		1,011	
Cleaning	93		94	
Hospitality	6		6	
Information Systems Maintenance and Licenses	318		3	
Other Expenses	1,757		3,010	
Outside Professional Assistance	4,056		2,798	
Postage and Telecommunications	112		529	
Printing, Distribution and Publicity	144		184	
Rentals under operating leases	2,667		2,983	
Staff Training	517		754	
Stationery and Office Supplies	106		69	
Travel and Subsistence	582		186	
Subtotal	12,311		12,298	
<i>Non cash items:</i>				
Auditor's Remuneration	61		65	
(Interest on capital)/cost of capital	(75)		(88)	
Depreciation	17		69	
Early Retirement Provision in year	(111)		1,058	
Early Retirement Unwinding of discount	77		47	
Other Provision Unwinding of discount	–		1	
Vacant Property Provision	409		412	
Other provision	100		54	
Loss on disposal of fixed assets	–		(185)	
Provision for Doubtful Debts (Note 22)	(1)		8	
Write back provision for Doubtful Debts previously provided for	–		(320)	
Write-off Bad Debts	–		156	
Write back Bad Debt	(14)		(33)	
Total	12,774		13,542	

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

4 NET PROGRAMME COSTS

Note	2007-08		Restated 2006-07	
	£000	£000	£000	£000
		106,719		108,901
a	100,131		95,932	
	410		1,363	
	(675)	99,866	(791)	96,504
		206,585		205,405
		(14,935)		(11,490)
		191,650		193,915

a – In 2007-08, 'Other Expenditure' includes £7.7m of non-recurrent cost relating to the establishment of the new Ofsted. Of this, £4.7m related to a pension liability relating to ex-CSCI staff (outlined later in note 15 on Provisions).

5 INCOME AND APPROPRIATIONS IN AID**Operating Income**

Operating income not appropriated in aid (A in A) (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not. All income was classified as A in A in 2007-08.

	2007-08		Restated	
	Resource Outturn	Operating Cost	Resource Outturn	Operating Cost
	A in A	Statement	A in A	Statement
	£000	£000	£000	£000
Programme Income:				
Fees Income	11,382	11,382	9,959	9,959
Other Income	3,553	3,553	1,531	1,531
	14,935	14,935	11,490	11,490
Administrative Income:				
Other Income	5	5	127	127
	14,940	14,940	11,617	11,617
Non-Operating A-in-A Proceeds from the sale of Fixed Assets	-		1,311	

6 OUTTURN AGAINST FINAL ADMINISTRATION BUDGET

	Budget	2007-08	Restated
	£000	Outturn	2006-07
		£000	Outturn
			£000
Gross Administration Budget	29,050	21,521	20,739
Income allowable against the Administration Budget	(95)	(5)	(127)
Net outturn against the final Administration Budget	28,955	21,516	20,612

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

7 RECONCILIATION OF NET RESOURCE OUTTURN TO OPERATING COST

	Outturn	Supply Estimate	2007-08	2006-07
	£000	£000	Outturn compared to estimate	Outturn
			£000	£000
Net Resource Outturn	213,166	220,809	7,643	214,527
Non-supply income (CFERs)	-	-	-	-
Net Operating Cost	213,166	220,809	7,643	214,527

8 RECONCILIATION OF RESOURCES TO CASH REQUIREMENT

	Estimate	2007-08 Outturn	Savings/ (Excess)
	£000	£000	£000
Net Total Resources	220,809	213,166	7,643
Capital:			
Acquisition of fixed assets:	981	-	981
Investments	-	-	-
Non-operating A In A			
Proceeds of fixed asset disposals	-	-	-
Accruals Adjustments:			
Non-cash items	(1,359)	(299)	(1,060)
Additional cash expended on ALI staff redundancies	-	51	(51)
Changes in working capital other than cash	3,370	(604)	3,974
Changes in creditors falling due after more than one year	-	204	(204)
New Provisions	-	(7,471)	7,471
Use of Provisions	3,290	7,895	(4,605)
Net cash requirement (Cash Flow Statement)	227,091	212,942	14,149

9 TANGIBLE FIXED ASSETS

	Information Technology	Furniture Fittings	Motor Vehicles	Total
	£000	£000	£000	£000
Cost or Valuation				
at 1 April 2007 (Restated)	4,669	807	301	5,777
Additions	-	-	-	-
Disposals	-	-	(28)	(28)
Revaluation (a)	56	(6)	(5)	45
Write Off (b)	(3,646)	-	-	(3,646)
at 31 March 2008	1,079	801	268	2,148
Depreciation				
At 1 April 2007 (Restated)	3,893	189	271	4,353
Charged in the year	202	138	28	368
Disposals	-	-	(28)	(28)
Revaluation (a)	14	(1)	(3)	10
Write Off (b)	(3,263)	45	-	(3,218)
at 31 March 2008	846	371	268	1,485
Net Book Value at 31 March 2008	233	430	-	663
Net Book Value at 31 March 2007 (Restated)	776	618	30	1,424
Asset Financing at 31 March 2008				
Owned	233	430	-	663

a – This is a write back of prior year revaluations. Ofsted now has a very small asset base. This means the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

b – On its creation, Ofsted inherited the assets of four organisations, and these were incorporated into the opening balance sheet. Each former organisation had a different capitalisation threshold. The new organisation's threshold is £10,000. As a result, all capitalised assets which fell beneath this threshold have been written out of the balance sheet, although a few continue to be used.

10 INTANGIBLE FIXED ASSETS

	Purchased software licences
	£000
Cost or Valuation	
At 1 April 2007 (Restated)	655
Additions	–
Disposals	–
Revaluation (a)	18
Write Off (b)	(309)
at 31 March 2008	364
Depreciation	
At 1 April 2007 (Restated)	477
Charged in the year	60
Disposals	–
Revaluation (a)	9
Write Off (b)	(255)
at 31 March 2008	291
Net Book Value at 31 March 2008	73
Net Book Value at 31 March 2007 (Restated)	178

a – This is a write back of prior year revaluations. Ofsted now has a very small asset base. This means the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

b – On its creation, Ofsted inherited the assets of four organisations, and these were incorporated into the opening balance sheet. Each former organisation had a different capitalisation threshold. The new organisation's threshold is £10,000. As a result, all capitalised assets which fell beneath this threshold have been written out of the balance sheet, although a few continue to be used.

11 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

The movements in working capital used in Note 8 comprise:

	2007-08	Restated 2006-07
	£000	£000
Increase/(Decrease) in Debtors	1,754	1,789
(Increase)/Decrease in Creditors	(2,358)	1,245
Net (decrease)/increase in working capital other than cash	(604)	3,034
Adjustment: movement in working capital not related to net operating costs:		
Amounts due to the Consolidated Fund	31	(2,128)
Net (decrease)/increase in working capital other than cash	(573)	906

The movements in working capital other than cash used in the Cash Flow Statement comprise:

	2007-08	2006-07
	£000	£000
Increase/(Decrease) in Debtors	1,754	1,789
(Increase)/Decrease in Creditors	(2,358)	1,245
Net (decrease)/increase in working capital other than cash	(604)	3,034
Amounts due to the Consolidated Fund	31	(2,128)
Net (decrease)/increase in working capital other than cash	(573)	906

12 DEBTORS

	2007-08	2006-07
	£000	£000
Amounts falling due within one year		
VAT	1,039	2,143
Trade debtors	4,262	1,295
Staff Deposits and advances	198	211
Other debtors	-	46
Prepayments	2,757	2,774
	8,256	6,469
Amounts falling due after more than one year		
Staff Deposits and advances	24	57
	24	57
Total debtors	8,280	6,526

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with central government bodies	1,108	2,552	-	-
Balances with local authorities	773	1,406	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations	-	-	-	-
<i>Subtotal: intra-government balances</i>	1,881	3,958	-	-
Balances with bodies external to government	6,375	2,511	24	57
Total Debtors at 31 March	8,256	6,469	24	57

13 CASH AT BANK AND IN HAND

	2007-08	Restated 2006-07
	£000	£000
Balance at 1 April	203	2,331
Net Cash (Outflow)/Inflow	389	(2,128)
Balance at 31 March	592	203
The following balances are held at 31 March:		
Balances at PGO	590	201
Commercial banks and cash in hand	2	2
	592	203
The balance at 31 March comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	31	201
Other: Petty Cash	2	2
Merger related cash balance	559	-
	592	203

14 CREDITORS

	2007-08	2006-07
	£000	£000
Amounts falling due within one year		
Trade Creditors	13,549	12,841
Taxation and Social Security	3,609	3,560
Other Creditors	2,746	2,035
Deferred Income	1,181	291
	21,085	18,727
Amounts payable to Consolidated Fund:		
Consolidated Fund for supply but not spent at year end	31	201
Merger related cash balance	559	-
	21,675	18,928
Amounts falling due after more than one year (a)	-	204
	21,675	19,132

(a) In addition to the creditors above, Ofsted holds £204k on behalf of a tenant as security for future rent commitments and is a third party asset. In 2006-2007, it had been included within Note 14 under amounts falling due after more than one year.

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with central government bodies	7,382	4,819	-	-
Balances with local authorities	61	569	-	-
Balances with NHS Trusts	1	-	-	-
Balances with public corporations	8	261	-	-
<i>Subtotal: intra-government balances</i>	7,452	5,649	-	-
Balances with bodies external to government	13,633	13,078	-	(204)
Total Creditors at 31 March	21,085	18,727	-	(204)

15 PROVISION FOR LIABILITIES AND CHARGES

	Pension	Dilapidation	Estates	Reorganisation	Early Retirement	Other	Total	Restated 2006-07
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2007	-	677	5,175	1,210	3,617	284	10,963	16,772
Provided/(written back) in the year	4,700	671	1,880	-	(111)	331	7,471	3,824
Amount utilised in year	(2,650)	-	(3,011)	(1,014)	(1,130)	(90)	(7,895)	(9,681)
Unwinding of discount	-	-	-	-	77	-	77	48
Balance as at 31 March 2008	2,050	1,348	4,044	196	2,453	525	10,616	10,963

Pension – Merger related Pension liabilities

On 1 April 2007, as a result of the creation of the new Ofsted, a significant number of staff transferred from Commission for Social Care Inspection. A value of £4.7 million has been estimated by Government Actuary's Department (GAD), for the potential deficit that may accrue to the new Ofsted should those staff decide to transfer their respective pensions from the Local Government Pension Scheme (LGPS) into the Principal Civil Service Pension Scheme (PCSPS). The aforementioned deficit, which Ofsted has agreed to pay, has risen from the relative underperformance of these LGPS schemes when taking into account external market conditions.

Dilapidations – Dilapidation costs of leased property

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

Estates – Surplus Estate Costs

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

Re-organisation

This provision is mainly relating to the redundancy and relocation costs for transferees and relocated staff from the Adult Learning Inspectorate.

Early Retirement

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

Other

The amount includes an Injury Provision and a provision for Compromise Agreements.

16 RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

	2007-08	Restated 2006-07
	£000	£000
Net Operating Cost for the year (Operating Cost Statement)	(213,166)	(214,527)
Income not appropriated in aid payable to Consolidated Fund	-	-
	(213,166)	(214,527)
Net Parliamentary Funding:		
Deemed funding for ALI, CSCI, HMICA	-	27,950
Drawn Down	212,772	189,562
Deemed Supply	201	2,329
Merger related cash balance	559	-
	366	5,314
Transferred to General Fund of realised element of Revaluation Reserve (see Note 17)	(44)	241
Income due, payable to the Consolidated Fund	-	(708)
Merger related cash balance	(559)	-
Consolidated fund creditor for cash unspent	(31)	(201)
<i>Non-cash Charges/(Credit)</i>		
(Interest on capital)/Cost of capital	(750)	(885)
Audit Fees	61	65
Reversal of ALI Cost of Capital	(6)	-
	(963)	3,826
Net Increase/(decrease) in General Fund	-	(3)
Arising on Revaluation during year (net)	-	(3)
General Fund at 1 April	(21,720)	(25,543)
General Fund as at 31 March	(22,683)	(21,720)

17 RESERVES

	2007-08	2006-07
	£000	£000
Revaluation		
Balance at 1 April	(44)	200
Arising on Revaluation during the year (net)	-	(3)
Adjustment to Fixed Assets / General Fund	44	(241)
Balance at 31 March	-	(44)

Ofsted now has a very small asset base. This means the revaluation adjustments are very minor and for this reason we have decided to discontinue revaluations and also write back all previous revaluations.

18 NOTES TO STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIMS AND OBJECTIVES

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

	2007-08	2007-08	Restated	
	Programme	Admin	2006-07 Programme	2006-07 Admin
	£000	£000	£000	£000
Objective 1 - Better outcomes	(17,994)	(2,000)	(19,750)	(2,194)
Objective 2 - Better inspection & regulation	(696)	(77)	(1,470)	(163)
Objective 3 - Better communication	(670)	(74)	(1,042)	(116)
Objective 4 - Better consultation	(230)	(26)	(504)	(56)
Objective 5 - Better value	(252)	(28)	(424)	(47)
Objective 6 - Better ways of working	(517)	(57)	(604)	(67)
	(20,359)	(2,262)	(23,794)	(2,643)

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

The Education and Inspections Act 2006 established Ofsted as the single inspectorate in England for children and learners from 1 April 2007 with the formal title of the Office for Standards in Education, Children's Services and Skills. The creation of new Ofsted required a change in objectives and therefore the 2007-08 accounts have been produced by apportioning capital employed between six main priorities (our key objectives). These differ from the five operational objectives that were used to apportion the capital employed in the 2006-07 accounts of the former Ofsted. However, we have restated the capital employed figures for 2006-07 so that direct comparisons can be made under each of the six objectives for each time period. The average capital employed during the year has been allocated between programme and administration on the same basis as other apportioned costs. Capital employed is normally a positive figure but as we have net liabilities, this will show up as negative as was also the case last year.

19 (a) Capital Commitments

There are no contracted capital commitments at 31 March 2008 (2007: £nil).

(b) Other Commitments

Ofsted has the following 2 large contracts:

From 1 September 2005 Ofsted entered into a four year fixed price contract for schools, independent schools and FE College inspection. At 31 March 2008 the total payable for the remainder of all contracts, to August 2009, is forecast to be £64,471,614 (2007 – £122,668,041).

The total contract value for IS services as at 31 March 2008 is £16,337,413 (2007 – £23,655,953). This contract expires in February 2011.

20 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2008 Ofsted was committed to making the following payments during the next year:

Operating leases expiring :	2007-08	Restated 2006-07
	£000	£000
Land and Buildings		
Expiry within 1 year	61	500
Expiry between 2 and 5 years	2,965	2,738
Expiry thereafter	3,562	3,766
	6,588	7,004
Other		
Expiry within 1 year	52	–
Expiry between 2 and 5 years	3	108
Expiry thereafter	–	–
	55	108

21 CONTINGENT LIABILITIES

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

(b) In 2008, a few potential claims were presented to Human Resources which are at an early stage and thus cannot be quantified.

22 PROVISION FOR DOUBTFUL DEBTS

There is a provision for doubtful debts arising in the year, of £465,178. (2007 £37,924).

23 RELATED PARTY TRANSACTIONS

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

Audit Commission
Border & Immigration Agency
British Council
Cabinet Office
Commission for Social Care Inspection
Criminal Records Bureau
Department for Children, Schools and Families
Department for Work and Pensions
Department of Health
Export Credit Guarantee Department
Government Actuary's Department
Government Car & Despatch Agency
Healthcare Commission
HM Procurator General and Treasury Solicitor
HM Revenue & Customs
HM Treasury
Home Office
Jobcentre Plus
Learning and Skills Council
Local Authorities
Ministry of Defence
National School of Government
NHS Trusts
Office of Government Commerce
Office of National Statistics
Quality Improvement Agency
Rail Accident and Investigation Bureau
Youth Justice Board England & Wales

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

24 LOSSES AND SPECIAL PAYMENTS

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

	No. of cases	£000
Fruitless payments and constructive losses	133	117
Special Payments	10	115
Total Losses and Special Payments	143	232

25 FINANCIAL INSTRUMENTS

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and in the way in which government departments are financed, Ofsted is not exposed to the degree of financial risk faced by business entities. Ofsted has no borrowings and relies primarily on parliamentary funding for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. The book values of financial instruments are considered equivalent to their fair values as at 31 March 2008.

26 EVENTS AFTER THE BALANCE SHEET DATE

FRS 21, Events after the Balance Sheet date, requires disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 17 June 2008 by Christine Gilbert (Accounting Officer). There have been no events after the balance sheet date requiring an adjustment to the financial statements.

27 Restatement of 2006-07 Balance Sheet and Operating Cost Statement as a result of Machinery of Government (MoG) changes

Ofsted had three machinery of government changes affecting its estimates and accounts where functions were transferred to Ofsted with effect from 1 April 2007. This entailed bringing together functions from the Commission for Social Care Inspection (CSCI), the Children and Family Court Advisory & Support Service (CAFCASS) of HM Inspectorate of Court Administration (HMICA) and the Adult Learning Inspectorate (ALI) together with the work of the former Ofsted.

MoG changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Operating Costs by Departmental Aim and Objectives and associated Notes to the Accounts. The Balance Sheet and the Operating Cost Statement were restated as follows:

Balance Sheet	Published balance 31 March 2007	Transfers	Restated balance 31 March 2007
	£000	£000	£000
Fixed Assets			
Tangible fixed assets	1,177	247	1,424
Intangible fixed assets	124	54	178
Debtors falling due after more than one year	57	–	57
Current assets			
Debtors	5,774	695	6,469
Cash at bank and in hand	203	–	203
Creditors: amounts falling due within one year	(16,418)	(2,510)	(18,928)
Total assets less current liabilities	(9,083)		(10,597)
Creditors: falling due after more than one year	(204)	–	(204)
Provisions for liabilities and charges	(7,403)	(3,560)	(10,963)
	<u>(16,690)</u>	<u>(5,074)</u>	<u>(21,764)</u>
Financed by:			
Taxpayers' Equity			
General fund	(16,646)	(5,074)	(21,720)
Revaluation reserve	(44)	–	(44)
	<u>(16,690)</u>	<u>(5,074)</u>	<u>(21,764)</u>
Operating Cost Statement	Published	Movements on transfers	Restated
	2006-07		2006-07
	£000	£000	£000
Administration Costs			
Staff Costs	10,556	(3,359)	7,197
Non-staff administration Costs	17,428	(3,886)	13,542
Operating Income	(127)	–	(127)
Programme Costs			
Staff Costs	78,661	30,240	108,901
Expenditure	79,012	17,492	96,504
Other Current Expenditure	–	–	–
Less : Income	(3,922)	(7,568)	(11,490)
Net Operating Cost	<u>181,608</u>	<u>32,919</u>	<u>214,527</u>
Net Resource Outturn	<u>181,608</u>	<u>32,919</u>	<u>214,527</u>

The movement on transfers includes reallocation of costs between administration and programme arising from improvements in management information.

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