

Office of Her Majesty's Chief Inspector of Schools in England

Resource Accounts 2006–07

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Resource Accounts 2006–07

(For the year ended 31 March 2007)

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ANNUAL REPORT

Scope

Entities within the Departmental Accounting Boundary

The only entity within the boundary during 2006-07 was the Office of Her Majesty's Chief Inspector of Schools in England (Ofsted). This entity became part of the Office of Her Majesty's Chief Inspector of Education, Children's Services and Skills (the new Ofsted) on 1 April 2007.

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 2007 Ofsted published a Departmental Report for 2006-07. 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 and childcare. 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

Ofsted aimed to serve the interests of children and young people, their parents and the community by providing impartial and authoritative inspection, evaluation and reporting of the quality and standards of education and childcare in England.

To achieve the aim, Ofsted worked to:

- deliver high quality regulation of childminders and day care providers;
- deliver high quality inspection of schools, funded nursery education, teacher training, local authorities, further education for students up to 19, providing independent assessment to help them raise educational standards;
- provide high quality advice, based on inspection evidence, to the Secretary of State for Education and Skills to assist in the formulation and evaluation of Government policies.

Principal Activities

The duties of Her Majesty's Chief Inspector (HMCI) during 2006-07 were to establish and maintain the systems for the regular inspection of all state-funded schools and other aspects of education in England and for the regulation of childminders and day-care providers. Particular activities include:

- organising and regulating a contracted schools inspection system and a nursery education inspection system;
- regulation and inspection of childminding and day care;
- inspection of local authorities;
- inspection of providers of teacher training;
- inspection of local authority funded further education work and inspection of education provision for 16 to 19 year olds;
- preparation of HMCI's Annual Reports to Parliament on the state of education in England and the quality of childcare;
- providing advice to the Secretary of State for Education and Skills;
- publication of inspection reports on the Internet and publication of guidance and good practice on aspects of education;
- delivering the new Ofsted for the Secretary of State for Education and Skills.

Financial performance against objectives

The total net request for resources approved by Parliament was £204.2 million with net resources outturn of £181.6 million falling within this limit by £22.6 million. This expenditure is a decrease of 17.2 per cent from that for 2005-06.

The 2006-07 accounts have been produced by apportioning net expenditure between five main objectives. These differ from the six operational objectives that were used to apportion expenditure in the 2005-06 accounts. However, we have restated the figures for 2005-06 so that direct comparisons can be made under the each of the five objectives for each time period.

The aims of Ofsted are reflected in these five objectives shown in the Statement of Operating Costs by Departmental Aim and Objectives (SOCDAO) of the accounts. The first concentrates on the regulation of early year's childcare providers where the net expenditure fell by 31.9 per cent from £85.3 million to £58.0 million. The second objective focuses on the inspection of schools, other educational institutions, colleges, local authorities and initial training of teachers where the net expenditure fell by 5.4 per cent from £105.7 million to £99.9 million. The third objective focuses on ensuring Ofsted's data and inspection findings are disseminated where the net expenditure rose by 6.8 per cent from £6.2 million to £6.6 million. The fourth objective focuses on ensuring efficiency and value for money where the net expenditure fell by 73.2 per cent from £22.4 million to £6.0 million. The fifth objective focuses on integrating our national and regional structure and on creating the new Ofsted where the net expenditure was £11.1 million.

These changes in net expenditure are accentuated by planned reductions in funding over time combined with an underspend in 2006-07. In addition during 2005-06 a number of one-off investments were made in order to help deliver long-term savings.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2006-07	2005-06
	£000	£000
Net Resource Outturn (Estimates)	204,210	220,000
Net Operating Cost (Accounts)	181,608	219,446
Resource Budget Outturn (Budget)	204,210	220,000
<i>Of which</i>		
Departmental Expenditure Limits (DEL)	204,210	220,000
Annually Managed Expenditure (AME)	0	0

The Departmental Report gives detailed information about the achievements of 2006-07. However, the key highlights of the year include:

- continuing to meet and exceed our targets for the statutory programme of inspection of childminders and day care providers, maintained schools, colleges, local authorities, initial teacher training providers and independent schools, together with a full programme of subject and thematic surveys;
- completing the complex arrangements in the Creating the New Ofsted programme which successfully delivered the new Ofsted, with its enhanced remit, on 1 April 2007. The new organisation brings together the work of the former Adult Learning Inspectorate (ALI), the children's services responsibilities of the Commission for Social Care Inspection (CSCI) and the inspection work of the Children and Family Court Advisory and Support Service (CAFCASS) of Her Majesty's Inspectorate of Court Administration (HMICA) with that of the old Ofsted.

Management arrangements

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

During 2006-07 Ofsted was managed by a Management Board which met weekly and which comprised Her Majesty's Chief Inspector (HMCI), and the Directors and Deputy Directors of each of the Ofsted Directorates. These members were the Director and Deputy Director of Education, the Director and Deputy Director of Early Years, the Director and Deputy Director of Corporate Services, the Director of Inspectorate Reform and the Director and Deputy Director of Finance.

Up until the start of 2006-07 a Strategic Board also met every six weeks, and comprised HMCI, the Directors and two non-executive Directors. In December 2005 the Secretary of State for the Department for Education and Skills announced the intention to legislate for the setting up of a new Ofsted on 1 April 2007, with the formal title of the Office for Standards in Education, Children's Services and Skills. This entailed bringing together the work of the former Adult Learning Inspectorate (ALI), the children's services responsibilities of the Commission for Social Care Inspection (CSCI) and the inspection work of the Children and Family Court Advisory and Support Service (CAFCASS) of Her Majesty's Inspectorate of Court Administration (HMICA) with that of the old Ofsted. As a consequence the original Strategic Board was dissolved in February 2006 and was replaced by an interim Strategy Board that was appointed by the Secretary of State for Education and Skills to oversee the transition to the new organisational structure.

The Education and Inspections Act 2006 set up 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 from the interim Strategy Board, and for establishing the required governance arrangements. On 1 April 2007 they became the Board for the new Ofsted. Under the new legislation there are clearly defined and distinct roles for the non-executive Chairman of the Board and for HMCI.

David MacLeod, one of the non-executive members of the shadow Board, chaired the Ofsted Audit Committee during 2006-07. It also had one further independent member, Ken Bradley, who was not paid. These non-executives worked with the Accounting Officer 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 1 April 2007 the Office for Standards in Education (the old Ofsted) formally became part of the Office for Standards in Education, Children's Services and Skills (the new Ofsted).

Important events which have occurred during the financial year

On 8 June 2006 the Secretary of State for Education and Skills announced that Christine Gilbert, then Chief Executive of the London Borough of Tower Hamlets, had been appointed the new Chief Inspector of Schools in England and she took up the post on 1 October 2006. She became the first Chief Inspector of Education, Children's Services and Skills in the new Ofsted on 1 April 2007.

In November 2006 the Education and Inspections Act 2006 received Royal Assent. The Act 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 the work of the former Adult Learning Inspectorate (ALI), the children's services responsibilities of the Commission for Social Care Inspection (CSCI) and the inspection work of the Children and Family Court Advisory and Support Service (CAFCASS) of Her Majesty's Inspectorate of Court Administration (HMICA) with that of the old Ofsted.

During 2006-07 a major programme, 'Creating the new Ofsted', was implemented in order to manage the complex process of bringing together the inspection functions of the component bodies that make up the new Ofsted.

Along with these changes to our remit the Act also makes significant changes to Ofsted's governance arrangements. Ofsted remains a non-ministerial government department, but with a body corporate – in effect, a board – with a non-executive chair. Most members are non-executive, but HMCI is also a member, and the independence of HMCI's role is enshrined in statute. 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. HMCI is directly accountable to the statutory 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 with information or advice on all matters relating to activities within HMCI's remit. These new governance arrangements came into effect from 1 April 2007.

In March 2007 Ofsted published a Strategic Plan for 2007 to 2010 in order to cover the requirements of its new remit as the single inspectorate in England for children and learners. This new strategy sets out Ofsted's longer-term aims and highlights the key priorities and activities that will steer the work of the organisation over the next three years. The strategy details how Ofsted will meet the key objectives that have been set for it in the Education and Inspections Act 2006 to promote improvement in the services it impacts on by regulation and inspection, to be user-focused and to be efficient and effective. In order to achieve these objectives 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 a higher proportion of Ofsted's resources will be going into inspection and regulatory activities. This is in line with delivering, by the end of March 2008, annual cost savings of 20%, representing about £40 million that are required to meet our obligations under the Gershon Review, and with meeting a further savings target for 2008-09 that has been set as part of a government Better Regulation initiative.

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 2007 shows Net Liabilities of £16.7 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

Ofsted is committed to equal opportunities for all staff. It is Ofsted's policy to recruit, retain and promote the best available people without reference to race, religion, marital status, gender, sexual orientation, disability or any other irrelevant factors. This means ensuring that all have an equal opportunity to be recruited for posts in which they have the necessary skills and expertise, to contribute to the full extent of their abilities, and to enjoy the benefits of their contribution by way of training, development and advancement.

The Deputy Director Early Years, acted as Ofsted's Dignity at Work Champion. This role provided a senior sponsor to champion work and initiatives in the area of diversity and equal opportunities.

Ofsted's revised Race Equality Scheme, which was published in September 2006 and which is currently being revised, 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. There is a commitment by staff at senior levels to promote race equality in Ofsted, and a committed and continuing relationship with the Commission for Racial Equality. Currently 9% of staff at Ofsted are from minority ethnic groups which is above average for the civil service (8%).

Ofsted's Disability Equality Scheme (DES) was published in early December 2006, and sets out the methods Ofsted will use to meet its duty as a public body under the Disability Discrimination Act 2005.

Further information on Ofsted's equality and diversity schemes are available on the Ofsted website (www.ofsted.gov.uk). These schemes are currently being revised in the context of the new Ofsted.

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.

We also follow government guidelines on sustainable development and are developing a procurement process that has sustainability and environmental impact as core components of the selection process. In the autumn of 2006 our internal auditors carried out an advisory audit on corporate social responsibility (CSR) and sustainable development (SD). This made recommendations that will enable Ofsted to follow best practice in these areas. Consequently, they will be used to develop CSR and SD strategies for implementation in the new Ofsted during 2007-08.

An important benefit of Ofsted being organised on a regional basis, with offices in London, Bristol, Nottingham and Manchester, is that it allows staff to build local links so that our inspection and regulatory activity and its contribution to local improvement can be as strong and relevant as possible.

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. At the end of 2006-07 97.4 per cent of payments achieved this target. There was £184.18 paid 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 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 £65,000 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.

The Provision of Information

Ofsted's Internet site (www.ofsted.gov.uk) presents information of interest to parents, teachers and other groups and is heavily used. Over the past 12 months the average number of visits per month has continued to grow and has now increased to more than 850,000. In addition to the information available on the website there are also over 27,000 subscribers to '*Ofsted Direct*' our online newsletter for schools which is delivered by email. It has a readership from 74 per cent of schools in England. A newly launched sister publication '*Ofsted Direct: Early Years*' is aimed at childcare professionals, and already has 2,700 subscribers.

The Ofsted Intranet has also continued to be developed, with many divisions having developed sub-sites to provide more detailed information to staff about the work they do. During 2006-07 an extranet site was also developed in order to provide the staff of the ALI, CSCI, HMICA and Ofsted with up to date information on the programme of work to create the new Ofsted.

Under the Freedom of Information Act 2000 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 department.

Permanent Head of the Department and Senior Management

Maurice Smith held the position of Her Majesty's Chief Inspector (HMCI) and permanent head and Accounting Officer of the Department until 30 September 2006. On 1 October 2006 Christine Gilbert was appointed to the position.

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

Dorian Bradley	Director of Early Years
Miriam Rosen	Director of Education
Robert Green	Director of Inspectorate Reform
Andrew White	Director of Corporate Services
Jonathan Thompson	Director of Finance
Vanessa Howlison	Director of Finance

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

Jean Humphrys	Deputy Director of Early Years
David Hinchliffe	Deputy Director of Education
Vanessa Howlison	Deputy Director of Finance
Peter Duffy	Deputy Director of Corporate Services

The following people were appointed as non-executives for the shadow Board of the new Ofsted during the financial year:

Zenna Atkins, *Chairman*
Dame Enid Bibby
Sharon Collins
David MacLeod
Dame Jane Roberts
John Roberts
Beryl Seaman
Museji Takolia
Chris Trinick

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

On 1 January 2006 Maurice Smith was appointed as Her Majesty's Chief Inspector of Schools in England (HMCI) and vacated the role on 30 September 2006, continuing to work for Ofsted until 31 March 2007. On 1 October 2006 Christine Gilbert was appointed to the position of HMCI. 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 on 4 March 2002 following a service wide trawl. He occupied the position of Director of Corporate Services before taking on the role of Director of Inspectorate Reform from 1 January 2006. Miriam Rosen became Director of Education on 6 April 2004 following open competition. Jonathan Thompson took up the post of Director of Finance on 27 September 2004, following open competition, and left Ofsted on 9 May 2006 to take up a post at the Department for Education & Skills. Vanessa Howlison was appointed to the post of Deputy Director of Finance on 1 September 2005, took on the role of acting Finance Director on 10 May 2006 and was appointed Finance Director on 21 June 2006 following open competition. 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, having previously been the Deputy Directors for these Directorates.

David Hinchliffe was appointed Deputy Director of Education from 1 September 2005, following open competition. Peter Duffy was appointed acting Deputy Director of Corporate Services from 1 January 2006. On 1 April 2006 Jean Humphrys was appointed to the position of acting Deputy Director of Early Years.

HMCI and the senior 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

In his 2005 Budget statement the Chancellor of the Exchequer announced that the government would create a single inspectorate for children and learners. Part of the government's strategy for public service inspection, the details were set out in the Education and Inspection Act 2006. The Act 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 and following an open recruitment process Zenna Atkins was appointed as Chairman of the shadow Board for the new Ofsted on 1 October 2006. On 12 December 2006, and also following open competition, 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 Chris Trinick. They all formally became members of the Board of the new Ofsted on 1 April 2007.

During 2006-07 the Chairman of the shadow Board received a prorated salary in the £15-20,000 band (£35-40,000 full year equivalent) and the other non-executives received a salary in the £0-5,000 band (£0-5,000 full year equivalent).

Part B: Audited

Directors' Remuneration

HMCI's remuneration is an annual salary with a bonus of 12 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 single 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. Ken Bradley, a retired Civil Servant and external member of Ofsted's Audit Committee, served as the independent member on the SCS Pay Committee during 2006-07.

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 2007 and as at 31 March 2007 were as follows:

Salaries ^(Note a):

Name	Salary (s) year ending 31 March 2007 £000	Salary (s) year ending 31 March 2006 £000
Maurice Smith ⁽¹⁾	175-180	135-140
Christine Gilbert ⁽²⁾	90-95 <i>(185-190 full year equivalent)</i>	Not in post
Robert Green ⁽³⁾	115-120	115-120
Miriam Rosen ⁽⁴⁾	120-125	110-115
Jonathan Thompson ⁽⁵⁾	30-35 <i>(105-110 full year equivalent)</i>	115-120
Vanessa Howlison ⁽⁶⁾	105-110	45-50 <i>(80-85 full year equivalent)</i>
Dorian Bradley ⁽⁷⁾	110-115	95-100
Andrew White ⁽⁸⁾	110-115	95-100
David Hinchliffe ⁽⁹⁾	105-110	50-55 <i>(85-90 full year equivalent)</i>
Peter Duffy ⁽¹⁰⁾	95-100	20-25 <i>(80-85 full year equivalent)</i>
Jean Humphrys ⁽¹¹⁾	90-95	Not in post

In 2006-07, none of the senior members of staff received any Benefit in Kind (in 2005-06 – Vanessa Howlison received a relocation allowance of £40K as a Benefit in Kind).

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 to the extent that it is subject to UK taxation.

Pension Benefits ^(Note b):

Name	Real increase in pension at 60 (Note b) Year ending 31 March 2007 £000	Real increase in Lump Sum Year ending 31 March 2007 £000	Total accrued Pension at 60 At 31 March 2007 £000	Total Lump Sum at 60 At 31 March 2007 £000	CETV at start of year (Note c) £000	CETV at end of year (Note d) £000	Employee contributions and transfers in £000	Real increase in CETV (Note e) £000
Maurice Smith ⁽¹⁾	5-7.5	15-17.5	45-50	135-140	697	857	2.126	137
Christine Gilbert ⁽²⁾	0-2.5	0	0-5	0	1	18	3.237	14
Robert Green ⁽³⁾	0-2.5	2.5-5	45-50	135-140	856	904	4.493	17
Miriam Rosen ⁽⁴⁾	0-2.5	0	60-65	0	1,112	1,181	9.101	23
Jonathan Thompson ⁽⁵⁾	0-2.5	0	10-15	0	163	149	0.655	1
Vanessa Howlison ⁽⁶⁾	5-7.5	0	25-30	0	266	333	3.529	63
Dorian Bradley ⁽⁷⁾	5-7.5	17.5-20	40-45	120-125	782	959	1.575	140
Andrew White ⁽⁸⁾	2.5-5	12.5-15	30-35	90-95	334	439	1.575	100
David Hinchliffe ⁽⁹⁾	2.5-5	7.5-10	35-40	95-100	662	853	2.981	156
Peter Duffy ⁽¹⁰⁾	5-7.5	0	40-45	0	462	551	3.003	80
Jean Humphrys ⁽¹¹⁾	7.5-10	22.5-25	35-40	105-110	598	791	1.236	171

- (1) *Maurice Smith* was appointed HMCI on 1 January 2006 and resigned the post on 30 September 2006.
- (2) *Christine Gilbert* was appointed HMCI on 1 October 2006.
- (3) *Robert Green* was appointed a Director on 4 March 2002.
- (4) *Miriam Rosen* was made a Director on 6 April 2004.
- (5) *Jonathan Thompson* was appointed a Director on 27 September 2004 and left the post on 9 May 2006.
- (6) *Vanessa Howlison* was appointed a Deputy Director on 1 September 2005 and a Director on 21 June 2006.
- (7 & 8) *Dorian Bradley* and *Andrew White* were Deputy Directors until 31 December 2005 and were appointed acting Directors on 1 January 2006.
- (9) *David Hinchliffe* was appointed Deputy Director on 1 September 2005.
- (10) *Peter Duffy* was appointed as acting Deputy Director on 1 January 2006.
- (11) *Jean Humphrys* was appointed as acting Deputy Director on 1 April 2006.

Note (b). Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (*Classic*, *Premium* and *Classic Plus*). New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (*Partnership Pension Account*). Details of these schemes are as follows:

Classic scheme: Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium scheme: 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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/80ths of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus scheme: This is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Pensions payable under *Classic*, *Premium*, and *Classic Plus* are increased in line with the Retail Prices Index.

Partnership Pension Account: This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25 per cent of the fund as a lump sum.

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

Notes (c) & (d). This cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension schemes 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 pension benefits they have 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Note (e). Real increase in CETV. This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme arrangement) and uses common market valuation factors for the start and end of the period.

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

Date: 28 June 2007

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 Resource Accounting 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 *Government Accounting*.

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 *Government Accounting*. My post is a Crown appointment but, in terms of reporting, I met regularly with DfES Ministers, and I appear before the House of Commons Education and Skills 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 should they be 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 2007 and up to the date of approval of the annual report and accounts, in accordance with Treasury guidance.

Capacity to handle risk

In general terms Ofsted has a relatively conservative risk appetite, although the organisation has taken a series of carefully managed risks over the past three years in order to successfully deliver the 'Improving Ofsted' and 'Creating the New Ofsted' programmes. The Management Board provided leadership to the risk management process. For this purpose all Board papers contain a section headed "Finance, efficiency and risk implications". The monthly management information report, which is routinely reviewed by the Management Board, focuses the Board's attention on progress against Ofsted's key strategic objectives. A section of this pack also contains a summary of progress in managing and mitigating the key strategic risks and this also enables the Board to view progress in managing the 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.

Ofsted has continued to use the HM Treasury Risk Management Assessment Framework to provide a method of self-assessing risk management performance. This enables the organisation to contribute to government-wide surveys on risk management and to assess its performance relative to that of other government bodies.

Risk and control framework

The Ofsted risk management and other governance procedures continued to be enhanced during 2006-07. Significant items included:

- The Ofsted Financial Code was revised and re-written during 2007 to make it easier to use and to be more useful for budget holders and other staff with financial responsibilities in the new Ofsted. The document has been renamed the Ofsted Financial Handbook to reflect this change in emphasis and will be released later in 2007.
- The Risk Management Policy and Procedures were updated in July 2006.

- Ofsted achieved compliance with HM Treasury financial management and HM Treasury corporate governance standards in March 2007.
- 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 was trialled during March 2007 and is now being rolled out across the whole organisation.
- In preparation for the creation of the new Ofsted on 1 April 2007 the Secretary of State appointed nine non-executive members of a shadow Strategic Board for Education and Skills in December 2006. During the first three months of 2007 they have developed the long-term strategy for the organisation in line with the requirements stipulated in the Education and Inspections Act 2006, and have revised Ofsted's corporate governance framework so that it is compliant with all of the appropriate guidelines.

During the past year the identification of risks has continued to be integrated into the annual planning process. As part of the annual planning cycle risks were identified from the top down as part of strategic planning process for 2007 to 2010, and from the bottom up as part of business planning for 2007-08. In terms of business planning this means that all the operations and activities in divisional business plans were defined and any risks associated with them were quantified. These risks were then extracted from the business plans to create divisional risk registers that are maintained by the local management. During 2006-07 divisions evaluated the probability and impact of their risks on a monthly basis and submitted this information, together with the latest details of the actions being taken to counter the risk, to staff that consolidate the information from across the Ofsted Directorates. The probability and impact assessments were then scored and those items deemed to be the most significant risks to Ofsted were reported in the management information pack that is reviewed by the Management Board each month.

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 2006-07 this process of continuous improvement has allowed Ofsted to embed the following processes:

- A Management Board, of executives, that met weekly. Once a month the Board specifically considered the financial and operational performance of the organisation. From 1 April 2006 the information in the existing monthly management information pack was enhanced to include more information on operational performance and risk management. During 2006-07, the Board also considered and approved the strategic and business plans, the budget, the risk register and a regular series of reports on the financial performance of the organisation. The Board was renamed the Corporate Management Team from 1 April 2007, with the establishment of the new Ofsted.

- A Board responsible for long-term strategy. In February 2006 the Secretary of State for Education and Skills appointed a temporary Strategy Board, which had the remit to provide guidance on the establishment of the new Ofsted from 1 April 2007. In December 2006, following open competition, nine non-executive members of the shadow Board for the new Ofsted were appointed and took over responsibility from the Strategy Board. During the first three months of 2007 they developed a three-year strategy for the new organisation and the appropriate corporate governance framework. They formally became the Board of the new Ofsted on 1 April 2007.
- An Audit Committee that met up to five times a year and which was chaired by one of the non-executive directors. It also had one further financially qualified, independent member. A new Audit Committee was established for the new Ofsted on 1 April 2007.
- 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.
- Monthly reports from managers on the steps they are taking to manage their budgets, and the delegation of resource budgets down to cost centre level.
- The establishment and monitoring of key performance and risk indicators.
- The monitoring and scoring of Ofsted's risk management performance.
- The monitoring and scoring of Ofsted's performance against HM Treasury's financial management standards, with which Ofsted is compliant.
- The monitoring and scoring of Ofsted's performance against HM Treasury's corporate governance standards, with which Ofsted is compliant.
- 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.
- The maintenance of an organisation-wide central risk register and of divisional registers.
- The integration of the processes of business planning and risk management.
- Participation in the HM Treasury Risk Improvement Programme (which formally ended during 2006) and feedback on risk management performance to HM Treasury.

During 2006-07 all but one of the audits that were conducted by our internal auditors reported substantial or adequate assurance. Of all the reports finalised in the year there were none that contained any fundamental recommendations. This performance allowed the internal auditors to conclude in their annual report that overall Ofsted has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

I took further assurance from compliance with the HM Treasury financial management standards and the HM Treasury corporate governance standards.

Conclusion

I recognise that significant progress continues to be made and I note the evidence of such progress supplied. 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, are fully embedded during 2007-08.

Ofsted faces a number of strategic challenges over the next two years including the need to meet the further cost saving target that has been set for inspectorates by the government's Better Regulation initiative. Plans are currently being 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.

With the establishment of the new Ofsted on 1 April 2007 our major challenges in 2007-08 will be to embed the new corporate governance framework, to maintain effective risk management and controls while we consolidate the required structural modifications to the organisation, introduce and integrate the new staff into the organisation and deliver the cost savings that are required.

Consequently we will therefore be monitoring our performance very carefully over the next twelve months.

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

Date: 28 June 2007

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 Schools in England for the year ended 31 March 2007 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 2007, 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.

John Bourn
Comptroller and Auditor General

2 July 2007

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

The maintenance and integrity of the Ofsted's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Statement of Parliamentary Supply

Summary of Resource Outturn 2006-07

	Estimate			Outturn				2006-07	2005-06
	Gross expenditure	Appropriations-in-Aid	Net request for resources	Gross expenditure	Appropriations-in-Aid	Net Total	Net total outturn compared with estimate savings/ (excess)	Net Total	
							£000		£000
Request for Resources 1:									
Improving the quality and standards of education and childcare through independent inspection regulation and advice	208,377	(4,167)	204,210	185,657	(4,049)	181,608	22,602	219,446	
Total Resources	208,377	(4,167)	204,210	185,657	(4,049)	181,608	22,602	219,446	
Net Cash Requirement			209,742			191,690	18,052	203,588	

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 2006-07		Outturn 2006-07	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Total	701	702	708	708

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

The net cash outturn was £18 million below estimate. The underspend in cash resources is mainly attributable to a reduction in operating costs after offsetting non-cash transactions and movements in working capital.

Operating Cost Statement

for the year ended 31 March 2007

Note		2006-07		2005-06	
		£000	£000	£000	£000
	Administration Costs				
2	Staff Costs		10,556		10,425
3	Non-staff administration Costs		17,428		13,348
	Gross Administration Costs		27,984		23,773
5	Operating Income		(127)		(197)
	Net Administration Costs		27,857		23,576
	Programme Costs				
2	Staff Costs	78,661		78,550	
4	Expenditure	79,012		104,126	
4	Other Current Expenditure	–		16,571	
	Gross Programme Costs	157,673		199,247	
5	Less Income	(3,922)		(3,377)	
4	Net Programme Costs		153,751		195,870
7	Net Operating Cost		181,608		219,446
7	Net Resource Outturn		181,608		219,446

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

Note		2006-07	2005-06
		£000	£000
18	Net gain/(loss) on revaluation of tangible fixed assets	(2)	105
	Net gain/(loss) on revaluation of intangible fixed assets	(1)	–
	Recognised Gains and Losses for the financial year	(3)	105

Balance sheet

as at 31 March 2007

Note		31 March 2007		31 March 2006	
		£000	£000	£000	£000
9	Tangible fixed assets	1,177		2,302	
10	Intangible fixed assets	124		194	
			1,301		2,496
13	Debtors falling due after more than one year		57		94
	Current assets				
13	Debtors	5,774		3,777	
14	Cash at bank and in hand	203		2,331	
		5,977		6,108	
15	Creditors: amounts falling due within one year	(16,418)		(19,956)	
	Net current liabilities		(10,441)		(13,848)
	Total assets less current liabilities		(9,083)		(11,258)
15	Creditors: falling due after more than one year		(204)		–
16	Provisions for liabilities and charges		(7,403)		(14,085)
			(16,690)		(25,343)
	Financed by:				
	Taxpayers' Equity				
17	General fund		(16,646)		(25,543)
18	Revaluation reserve		(44)		200
18	Donated asset reserve		–		–
			(16,690)		(25,343)

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

Date: 28 June 2007

Cash Flow Statement

for the year ended 31 March 2007

Note		2006-07	2005-06
		£000	£000
A	Net cash outflow from operating activities	(191,675)	(202,606)
B	Capital expenditure and financial investment	693	(982)
	Payments of amounts due to the Consolidated Fund	(708)	–
C	Financing from Consolidated fund	189,562	202,908
D	(Decrease)/Increase in cash in period	(2,128)	(680)

Reconciliation of operating cost to operating cash flows

	Net operating cost	181,608	219,446
	Adjustments for non cash transactions	(1,631)	(15,349)
	Auditor's Remuneration	(65)	(50)
	Provisions	(1,850)	(7,170)
	Profit/(Loss) on disposal of fixed assets	185	(5)
	Fixed Assets write off	–	(8,313)
	Capital Charges	99	189
11	Adjustments for movement in working capital other than cash	3,370	(5,262)
	Increase in creditors due after more than one year	(204)	–
16	Use of provision	8,532	3,771
A	Net cash outflow from operating activities	191,675	202,606

Analysis of Capital expenditure and financial investment

10	Intangible fixed asset additions	–	88
9	Tangible fixed asset additions	615	894
	Proceeds of disposal of fixed assets	(1,308)	–
B	Net cash (inflow)/outflow from investing activities	(693)	982

Analysis of financing

	From Consolidated Fund (Supply) – current year ^(a)	189,562	202,908
C	Net Financing	189,562	202,908

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

	Net cash requirement (SOPS)	(191,690)	(203,588)
	From Consolidated Fund (Supply) - current year ^(a)	189,562	202,908
	Amounts due to the Consolidated Fund – paid over	–	–
D	(Decrease)/Increase in cash	(2,128)	(680)

^(a) Amount of supply actually issued to support the net cash requirement

189,561,998.00

202,907,500.00

Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2007

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

	2006-07			2005-06 (Restated)		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objective One Ensure that providers of care and education help children to be healthy, stay safe, enjoy and achieve, make a positive contribution and achieve economic well-being.	61,409	3,387	58,022	88,396	3,146	85,250
Objective Two Help learners to achieve their full potential by reporting clearly, independently and unambiguously on quality and standards in education.	100,590	662	99,928	106,090	428	105,662
Objective Three Ensure that Ofsted's data and inspection findings are made widely available and used to make the fullest possible contribution to the inspection process, the improvement of provision, debate on educational policy and provision of advice.	6,607	–	6,607	6,184	–	6,184
Objective Four Ensure efficiency and value for money in departmental operations. Strengthen our internal governance and our understanding of, and engagement with, stakeholder opinion.	5,955	–	5,955	22,350	–	22,350
Objective Five Effectively integrate our national and regional operations, and successfully take on additional inspection and regulatory responsibilities, in order to provide a more focussed regulation and inspection service for children and learners	11,096	–	11,096	–	–	–
Net operating costs	<u>185,657</u>	<u>4,049</u>	<u>181,608</u>	<u>223,020</u>	<u>3,574</u>	<u>219,446</u>

Expenditure shown for 2006-07 reflects a change in the number of objectives from 6 to 5. Expenditure shown for 2005-06 has been restated for consistency. Net Operating Cost figures remain unchanged.

NOTES TO THE OFSTED RESOURCE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2006-07 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 2007-08 and in future years, subject to Parliamentary approval, as part of the functions of a new Ofsted with the formal title of the Office for Standards in Education, Children's Services and Skills.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets where material, at their value to the business by reference to their current costs.

1.2 Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All tangible fixed assets are restated to current value each year.

Land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years and in the intervening years by the use of published indices appropriate to the type of land or building. Title to the freehold land and buildings shown in the accounts is held by the first Secretary of State.

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:

Buildings	50 years
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.

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.

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

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

1.12 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.

2 STAFF NUMBERS AND RELATED COSTS**Staff costs**

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Wages and Salaries	67,933	68,055
Other Pension Costs	13,383	12,959
Social Security Costs	5,650	5,756
Early Departure Costs	440	209
Agency Costs	1,811	1,996
	<u>89,217</u>	<u>88,975</u>

Analysis for the year ended 31 March:

Administration costs	10,556	10,425
Programme costs	78,661	78,550
Total	<u>89,217</u>	<u>88,975</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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The 2006-07 employers' contributions of £13,333,991 were payable to the PCSPS (2005-06 £12,959,836) 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. From 2007-08, the salary bands will be 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 £49,306 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. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £3,216, 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 £4,998. There were no Contributions prepaid at that date.

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:

	2006-07			Restated 2005-06	
	Senior Management	Officials	Agency and contract staff	Total	Total
	No	No	No	No	No
Objective 1	5	1,404	33	1,442	1,647
Objective 2	3	513	16	532	490
Objective 3	–	74	5	79	80
Objective 4	1	134	5	140	158
Objective 5	1	19	1	21	–
Total	10	2144	60	2214	2,375

The staff numbers shown for 2006-07 reflects a change in the number of objectives from 6 to 5. Staff Numbers shown for 2005-06 have been restated for consistency. Staffing figures remain unchanged.

See Statement of Operating Costs by Departmental Aim and Objectives for details

3 NON STAFF ADMINISTRATION COSTS

	2006-07	2005-06
	£000	£000
Accommodation – Rates	597	549
Accommodation – Service Charge	74	5
Building Maintenance and Utilities	1,011	442
Cleaning	94	104
Hospitality	9	8
Information Systems Maintenance and Licenses	1,295	854
Other Expenses	4,294	2,768
Outside Professional Assistance	3,718	3,867
Postage and Telecommunications	674	497
Printing, Distribution and Publicity	194	261
Rentals under operating leases	2,983	2,624
Staff Training	868	586
Stationery and Office Supplies	80	80
Travel and Subsistence	283	419
Subtotal	16,174	13,064
<i>Non cash items:</i>		
Auditor's Remuneration	65	50
(Interest on capital) / cost of capital	(78)	(70)
Depreciation	69	40
Early Retirement Provision in year	1,058	–
Early Retirement Unwinding of discount	47	–
Other Provision Unwinding of discount	1	–
Other Provision	466	66
(Profit)/Loss on disposal of fixed assets	(185)	–
Write back provision for Doubtful Debts (Note 23)	(312)	194
Write-off Bad Debts	156	4
Write back Bad Debt	(33)	–
Total	17,428	13,348

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

The 2005-06 corresponding amounts have been restated to include VAT refunds which were previously disclosed on a separate line. The subtotal remains unchanged.

4 NET PROGRAMME COSTS

Note	2006-07		2005-06	
	£000	£000	£000	£000
		78,661		78,550
a	Staff costs			
	Other current expenditure	71,003	95,662	
	IS Service Contract	8,095	8,623	
	Depreciation	616	465	
	(Interest on capital)/cost of capital	(702)	(624)	
		79,012		104,126
		157,673		182,676
b	Other current expenditure			
	Fixed asset write off	-	8,313	
c	Accrued liability relating to IS Service Contract	-	8,258	16,571
	Less programme income (Note 5)	(3,922)		(3,377)
		153,751		195,870

a – £9.3m relates to transition costs for creating the new Ofsted.

b – During 2005-06 Ofsted carried out a fundamental review of fixed assets which identified certain assets which were no longer attributable to the activities carried out by Ofsted. These assets were written off to revenue.

c – Last year, in renegotiating a large Information Systems support contract Ofsted recognised expenditure of £8.3m in respect of the contractor's original upfront investment.

The 2005-06 corresponding amounts have been restated to include VAT refunds which were previously disclosed on a separate line. The subtotal remains unchanged.

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. There was no income not classified as A in A in 2005-06.

	2006-07		2005-06	
	Resource Outturn		Resource Outturn	
	A in A	Operating Cost Statement	A in A	Operating Cost Statement
	£000	£000	£000	£000
Programme Income:				
Income from Registration and Early Years	3,281	3,281	2,972	2,972
Other Programme Income	641	641	405	405
	3,922	3,922	3,377	3,377
Administrative Income:				
Other Income	127	127	197	197
	4,049	4,049	3,574	3,574
Non-Operating A-in-A				
Proceeds from the sale of Fixed Assets	1,308		-	

6 OUTTURN AGAINST FINAL ADMINISTRATION BUDGET

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

	Budget	2006-07 Outturn	2005-06 Outturn
	£000	£000	£000
Gross Administration Budget	28,565	27,984	23,773
Income allowable against the Administration Budget	(95)	(127)	(197)
Net outturn against the final Administration Budget	28,470	27,857	23,576

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	2006-07 Outturn compared to estimate	2005-06 Outturn
	£000	£000	£000	£000
Net Resource Outturn	181,608	204,210	22,602	219,446
Non-supply income (CFERs)	-	-	-	-
Net Operating Cost	181,608	204,210	22,602	219,446

8 RECONCILIATION OF RESOURCES TO CASH REQUIREMENT

	Estimate	2006-07 Outturn	Savings/ (Excess)
	£000	£000	£000
Net Total Resources	204,210	181,608	22,602
Capital:			
Acquisition of fixed assets:	600	615	(15)
Investments	-	-	-
Non-operating A In A			
Proceeds of fixed asset disposals	(600)	(600)	-
Accruals Adjustments:			
Non-cash items	(2,417)	171	(2,588)
Changes in working capital other than cash	(61)	3,370	(3,431)
Changes in creditors falling due after more than one year	-	(204)	204
New Provisions	(1,000)	(1,802)	802
Use of Provisions	9,010	8,532	478
Excess cash receipts surrenderable to the consolidated fund	-	-	-
Net cash requirement (Cash Flow Statement)	209,742	191,690	18,052

9 TANGIBLE FIXED ASSETS

	Land and Buildings	Information Technology	Furniture Fittings	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
at 1 April 2006	1,716	1,043	395	314	3,468
Additions	-	249	366	-	615
Disposals	(1,716)	-	-	(15)	(1,731)
Revaluation	-	(6)	1	2	(3)
at 31 March 2007	-	1,286	762	301	2,349
Depreciation					
At 1 April 2006	547	408	52	159	1,166
Charged in the year	52	306	137	121	616
Disposals	(599)	-	-	(10)	(609)
Revaluation	-	(2)	-	1	(1)
at 31 March 2007	-	712	189	271	1,172
Net Book Value at 31 March 2007	-	574	573	30	1,177
Net Book Value at 31 March 2006	1,169	635	343	155	2,302
Asset Financing at 31 March 2007					
Owned	-	574	573	30	1,177

All assets of Ofsted are revalued based on relevant price indices supplied by the Office of National Statistics (ONS) and HM Treasury.

Preston Regional Office was sold in December 2006, with sale proceeds received in the same month. It had been revalued to its open market value in accordance with the *FReM* as at November 2006.

10 INTANGIBLE FIXED ASSETS

	Purchased software licences
	£000
Cost or Valuation	
At 1 April 2006	348
Additions	-
Disposals	-
Revaluation	(2)
at 31 March 2007	346
Depreciation	
At 1 April 2006	154
Charged in the year	69
Disposals	-
Revaluation	(1)
at 31 March 2007	222
Net Book Value at 31 March 2007	124
Net Book Value at 31 March 2006	194

11 MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

The movements in working capital used in Note 8 comprise:

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Increase/(Decrease) in Debtors	1,960	(1,356)
Decrease/(Increase) in Creditors	1,410	(3,906)
Net increase/(decrease) in working capital other than cash	<u>3,370</u>	<u>(5,262)</u>
Adjustment: movement in working capital not related to net operating costs:		
Amounts due to the Consolidated Fund	<u>(2,128)</u>	<u>(680)</u>
Net increase/(decrease) in working capital other than cash	<u>1,242</u>	<u>(5,942)</u>

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

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Increase/(Decrease) in Debtors	1,960	(1,356)
Decrease/(Increase) in Creditors	1,410	(3,906)
Net (decrease)/increase in working capital other than cash	<u>3,370</u>	<u>(5,262)</u>
Amounts due to the Consolidated Fund	<u>(2,128)</u>	<u>(680)</u>
Net increase/(decrease) in working capital other than cash	<u>1,242</u>	<u>(5,942)</u>

12 MOVEMENTS IN CREDITORS DUE AFTER MORE THAN ONE YEAR

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
(Increase)/Decrease in Creditors	<u>(204)</u>	<u>-</u>

13 DEBTORS

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
VAT	2,143	1,104
Trade debtors	785	516
Deposits and advances	211	242
Other debtors	2	44
Prepayments	2,633	1,871
	<u>5,774</u>	<u>3,777</u>
Amounts falling due after more than one year		
Deposits and advances	57	94
	<u>57</u>	<u>94</u>
Total debtors	<u>5,831</u>	<u>3,871</u>

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with central government bodies	2,552	1,372	-	-
Balances with local authorities	1,111	611	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations	-	183	-	-
<i>Subtotal: intra-government balances</i>	<u>3,663</u>	<u>2,166</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	2,111	1,611	57	94
Total Debtors at 31 March	<u>5,774</u>	<u>3,777</u>	<u>57</u>	<u>94</u>

14 CASH AT BANK AND IN HAND

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	2,331	3,011
Net Cash (Outflow)/Inflow	(2,128)	(680)
Balance at 31 March 2007	<u>203</u>	<u>2,331</u>
The following balances are held at 31 March 2007		
Balances at PGO	201	2,329
Commercial banks and cash in hand	2	2
	<u>203</u>	<u>2,331</u>
The balance at 31 March comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	201	2,329
Other: Petty Cash	2	2
	<u>203</u>	<u>2,331</u>

15 CREDITORS

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Trade Creditors	12,562	13,683
Taxation and Social Security	1,879	1,923
Other Creditors	1,776	2,021
	<u>16,217</u>	<u>17,627</u>
Amounts payable to Consolidated Fund:		
Consolidated Fund for supply but not spent at year end	201	2,329
	<u>16,418</u>	<u>19,956</u>
Amounts falling due after more than one year	<u>204</u>	<u>-</u>
	<u>16,622</u>	<u>19,956</u>

A deposit of £204k is held on behalf of a tenant as security for future rent commitments.

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with central government bodies	3,136	3,478	-	-
Balances with local authorities	-	25	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations	3	22	-	-
<i>Subtotal: intra-government balances</i>	<u>3,139</u>	<u>3,525</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	13,078	14,102	(204)	-
Total Creditors at 31 March	<u>16,217</u>	<u>17,627</u>	<u>(204)</u>	<u>-</u>

16 PROVISION FOR LIABILITIES AND CHARGES

	Dilapidations	Surplus Estates	Reorganisation	Early Retirement	Other	Total	2005-06
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2006	-	7,133	4,586	2,226	140	14,085	10,686
Provided/(written back) in the year	677	(378)	243	1,058	202	1,802	7,129
Amount utilised in year	-	(3,583)	(4,562)	(328)	(59)	(8,532)	(3,771)
Unwinding of discount	-	-	-	47	1	48	41
Balance as at 31 March 2007	677	3,172	267	3,003	284	7,403	14,085

Dilapidations

This provision includes all our occupied leasehold property.

Surplus Estates

The provision reflects future contractual costs of vacant leased property net of rental incomes, arising from the implementation of the "Improving Ofsted Programme" (IOP).

Re-organisation

In 2004-05 a provision of £9 million was established relating to the IOP. There is still a residual amount left for a couple of people yet to leave.

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.

17 RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Net Operating Cost for the year (Operating Cost Statement)	(181,608)	(219,446)
Income not appropriated in aid payable to Consolidated Fund	-	-
	(181,608)	(219,446)
Net Parliamentary Funding:		
Drawn Down	189,562	202,908
Deemed Supply	2,329	3,009
	10,283	(13,529)
Transferred to General Fund of realised element of Revaluation Reserve (see Note 18)	241	2,269
Income due, payable to the Consolidated Fund	(708)	-
Consolidated fund creditor for cash unspent	(201)	(2,329)
<i>Non-cash Charges/(Credit)</i>		
(Interest on capital)/Cost of capital	(780)	(694)
Audit Fees	65	50
Net Increase/(decrease) in General Fund	8,900	(14,233)
Arising on Revaluation during the year (net)	(3)	-
General Fund at 1 April 2006	(25,543)	(11,330)
General Fund as at 31 March 2007 (Balance Sheet)	(16,646)	(25,563)
Transfer to Revaluation Reserve	-	20
	(16,646)	(25,543)

18 RESERVES

	<u>2006-07</u>	<u>2005-06</u>
	<u>£000</u>	<u>£000</u>
Revaluation		
Balance at 1 April	200	2,384
Arising on Revaluation during the year (net)	(3)	105
Transferred to General Fund	(241)	(2,269)
Balance at 31 March	(44)	220
Transfer from General Fund	-	(20)
	(44)	200
Donated Asset		
Balance at 1 April	-	228
Arising on Revaluation during the year (net)	-	-
Write off to revenue	-	(228)
Balance at 31 March	-	-

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

19 NOTES TO STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES

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

	2006-07	2006-07	Restated	
	Programme	Admin	2005-06 Programme	2005-06 Admin
	£000	£000	£000	£000
Objective One	(6,634)	(737)	(7,070)	(785)
Objective Two	(10,866)	(1,207)	(8,483)	(943)
Objective Three	(714)	(79)	(494)	(55)
Objective Four	(643)	(72)	(1,787)	(198)
Objective Five	(1,199)	(133)	-	-
Objective Six	-	-	-	-
	(20,056)	(2,228)	(17,834)	(1,981)

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.

As per the Statement of Operating Costs by Departmental Aim and Objectives, the 2005-06 figures have been restated.

20 (a) Capital Commitments

There are no contracted capital commitments at 31 March 2007 (2006 – £nil).

(b) Other Commitments

As at 31st March 2007 Ofsted had entered into non-cancellable inspection and other contracts for various services totalling £122,668,041 for periods up to July 2009 (2006 – £169,879,947).

The total contract value for IS services as at 31 March 2007 is £23,655,953. (2006 – £29,518,597). This contract expires in February 2011.

21 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2007 Ofsted was committed to making the following payments during the next year:

Operating leases expiring:	2006-07	2005-06
	£000	£000
Land and Buildings		
Expiry within 1 year	500	261
Expiry between 2 and 5 years	2,738	2,650
Expiry thereafter	3,766	4,237
	7,004	7,148
Other		
Expiry within 1 year	-	-
Expiry between 2 and 5 years	42	42
Expiry thereafter	-	-
	42	42

22 CONTINGENT LIABILITIES

- (a) In 2007, a few claims were presented to Human Resources, with a potential liability of £18k accruing to Ofsted.

On 1st April 2007, as a result of the creation of the new Ofsted, a significant number of staff will be transferring from Commission for Social Care Inspection. An initial value of £6 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 arisen from the relative underperformance of these LGPS schemes when taking into account external market conditions.

- (b) There are no non-statutory and statutory liabilities that have been reported to Parliament under the guidance in chapter 26 of Government Accounting 2000.
-

23 PROVISION FOR DOUBTFUL DEBTS

There is a provision for doubtful debts arising in the year of £37,924 (2006 – £350,023).

24 RELATED PARTY TRANSACTIONS

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

Adult Learning Inspectorate
Audit Commission
Cabinet Office Votes cash a/c
Commission for Social Care Inspection
Criminal Records Bureau
Defence Bills Agency
Department for Education and Skills
Department for Work and Pensions
Government Actuary's Dept
Government Car & Despatches
HM Revenue & Customs
Learning & Skills Council
Local Authorities
NHS Trusts
Office of Government Commerce
Treasury Solicitors cash a/c
Treasury Votes cash a/c

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

25 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	137	63
Special Payments	18	169
Total Losses and Special Payments	155	232

26 FINANCIAL INSTRUMENTS

FRS 13, *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. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Ofsted has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

27 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 10th July 2007 by Christine Gilbert (Accounting Officer). There have been no events after the balance sheet date requiring an adjustment to the financial statements.

On 1st April, the new Ofsted was created, details of which are provided separately in the Annual Report under the section headed 'Important events which have occurred during the financial year'. As a result, Ofsted will consolidate our Balance Sheet with that of the precursor organisations to form the opening Balance Sheet for the new Ofsted.

On 1st April 2007, the responsibility for defending four Care Standards Tribunals was passed from CSCI to Ofsted. These may involve non-recoverable costs of attendance, and additional complexity may arise as evidence is investigated further, with a potential liability of £60k accruing to Ofsted.

Ofsted is currently defending an employment tribunal case brought by former Adult Learning Inspectorate employees for alleged failure to properly consult them on the decision to close Spring Place on 31st March 2007. The case is due to be considered by the Employment Appeals Tribunal to decide whether an Employment Tribunal has any jurisdiction to hear the case. Counsel has advised that Ofsted should be successful at EAT but that cannot be guaranteed so there remains a potential liability of up to £0.75 million.

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