

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



**Annual Report and Accounts 2017–18**



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

## **Annual Report and Accounts 2017–18**

**(For the year ended 31 March 2018)**

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

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

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

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# Overview by Her Majesty's Chief Inspector

Last year, I had the great pleasure of overseeing the development of our new strategy. This report sets out how we have performed against the stretching ambitions we set ourselves. This is entirely in line with the National Audit Office (NAO) recommendation in its recent review of our schools inspection work: that we use our new performance measures 'to monitor, and report publicly on, progress against [our] new strategy.' This report shows that we addressed how we assess the impact of the strategy from the very start of the process.

Evidence of impact is essential for any organisation using public funds. We continue to have searching discussions about the contribution we make to better education and care, and really test ourselves on whether we can be called a 'force for improvement'. However, we do not attempt to 'prove' our impact using targets for inspection outcomes. Certainly, our judgements represent an excellent measure of the quality of education and care in England. I firmly believe, however, that they would have much less credibility if giving a better judgement to a provider led directly to a higher score on our own performance indicators.

This year, our out-turn has been generally strong. We have met or exceeded most aims. I am grateful to our Board for pressing us to commit to such challenging five-year aims. I am also grateful to the hard work from our staff that has resulted in such strong performance on so many of the measures that matter to us. Some of these are very hard won, such as a five percentage point increase in the proportion of school teachers who agree that their latest inspection was a fair and accurate assessment of the strengths and weaknesses of their school.

Being scrutinised by the NAO was a testing process, but the process of being held accountable is always valuable. This investigation identified an error in our past reporting on our statutory obligations. I apologise for this error, which I am pleased is rectified in this report.

It is a testament to the dedication of our staff that we have been able to put our resources to maximum effect. I continue to be amazed by the discipline and creativity across the organisation that have made it possible to deliver on our commitments within a reducing budget, while maintaining strong systems of quality and control. Our commitment is as ever to do the very best we can with what we receive.

This is only year one of our strategy. There remains much more to do, and there will be new challenges that arise that we have not yet foreseen. I look forward to reflecting on these in next year's report.

**Amanda Spielman**  
Her Majesty's Chief Inspector

# Overview by the Chair of the Board

What Ofsted does is shaped by many things. Among the most important are educational research, the knowledge of our staff, government policy and our history. These come together to form the basis of Ofsted's strategic direction. We test our activities against this critical framework.

Last year, we published a new strategy. As Chair of the Board, I was impressed by the process that was put in place to develop it. Ideas were brought forward and tested through extensive consultation. This took place both within Ofsted and with those outside. More people were involved at all levels than often happens in organisations, in my experience. As a result, I think we have a better strategy than would have been delivered by a narrow 'strategy development team'. This wide-reaching approach has given us a better appreciation of the risks and opportunities: political change; the working lives of inspectors; the changing complex environment of education (academies, free schools, apprenticeships); and the challenges in social care. The strategy also recognises the opportunities provided by digital change.

We will continue to be tested by the extent of the demand for inspection and regulation and the complexity of what we do. The strategy is there to help us make the difficult choices we may have to make.

The Board has changed over the last year. It is smaller and we have some new members. We have changed board meetings so that we spend more time discussing strategic issues and less time on routine business. I think this is a better use of Board expertise and reflects trust between the Board and the executive team. The Board trusts the executive team to get on with 'business as usual' and to share the right level of detail. The executive team trusts the Board to constructively debate difficult issues and provide insightful reflection on 'think pieces'. This is where the broad experience of the Board can most help.

We finish the year with a new strategy that is now being implemented, a better understanding of risk and a good relationship between the Board and the executive team. We cannot be complacent and there are always challenges. However, I think we are well placed to do our best for the people who matter: children and students.

**Professor Julius Weinberg**  
**Chair of Ofsted**

# PERFORMANCE REPORT

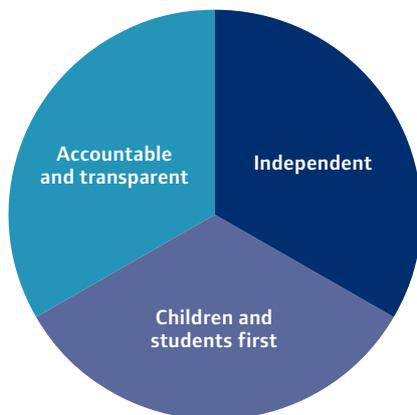


# About us

## A force for improvement

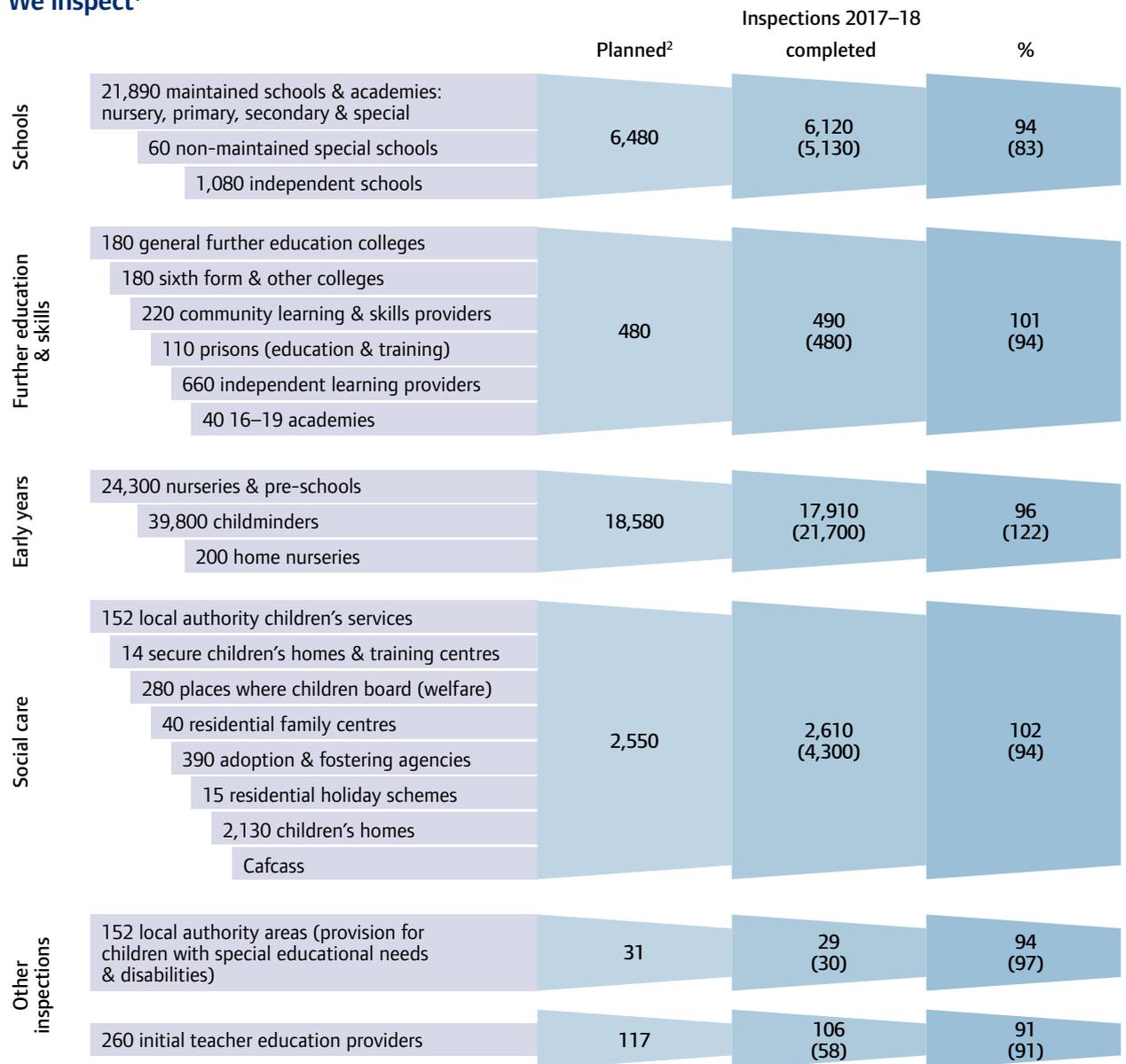
1. Ofsted's role is to make sure that organisations providing education, training and care services in England do so to a high standard for children and students. There are thousands of these organisations and they create the conditions that allow the next generation to realise its full potential.
2. We carry out our role through independent inspection and regulation. Inspection provides an independent assessment of the quality of provision. Regulation allows us to determine whether certain providers are fit to provide services. We take enforcement action against those that are not.
3. Our five-year strategy sets out our ambition to be a force for improvement through that inspection and regulation. The judgements we give through inspection and the minimum standards we report against in regulation should contribute to improved standards across the country. Our bird's-eye view across the system puts us in a unique position to aggregate and report on what does and does not work well in education and care.
4. Our values guide everything we do. They apply to everyone in Ofsted and all those who work on our behalf.

## Our values



- **Children and students first:** We have high expectations for every child, regardless of their background. Everything we do as an organisation is in the interests of children and students first.
- **Independent:** Whether reporting on a provider, assessing policy outcomes or advising government, we do so without fear or favour.
- **Accountable and transparent:** An organisation that holds others to account must be accountable itself. We are always open to challenge and scrutiny.

## We inspect<sup>1</sup>



1. The number of providers has been rounded for some categories.

2. This shows inspections from 1 April 2017 to 31 March 2018. The 2016–17 out-turn is shown in brackets. Inspections counted here exclude those we classify as 'demand-led'. This means that inspections such as first inspections of new or newly registered providers, or visits triggered by a previous judgement, like as monitoring visits, are not included.

## Our role

### 5. In carrying out our role, we:

Publish clear, evidence-based inspection frameworks that highlight what inspectors look for during inspections and how providers will be evaluated.

Collect first-hand evidence based on what we observe, and engage with senior stakeholders, academics, and policy makers so that the way we work is informed by evidence and research.

Decide what, when and how to inspect by listening to those using services, including parents, alongside other risk assessment tools.

Challenge providers and their performance credibly by using a combination of experienced expert inspectors and current serving practitioners.

Report on what we find in a clear and accessible way, recognising good practice and being clear about what providers need to do to improve.

Publish transparent and comprehensive information about the quality of individual providers, local areas and national standards to help inform choice, support governance and target intervention.



# Performance summary

6. This has been a year of strategy. Not only did we publish a new strategy, but we increasingly recognise the central role that strategy plays and how to use it to shift our direction across many dimensions of our work. As part of changing our direction, we engaged extensively with the sectors we inspect and with staff at many levels. The outcome was a strong consensus around our ambition to be a force for improvement and the principles that will guide us in pursuing this.
7. To deliver our aims in the new strategy, we will need strong operations. We have focused this year on developing our ability to deliver these aims. We continue to operate in a context where stakes are high and resources are reducing. This has not held us back: we have seen real achievements. These are more rewarding for having been hard won.
8. For example, we want to be seen as a force for improvement, even by our toughest critics. This year, we saw a five percentage point increase in the proportion of school teachers who agreed that we were achieving this. This increase may be underpinned by another five percentage point increase, in school teachers who thought their latest inspection was fair and accurate. We also saw a decrease in the proportion of teachers who see Ofsted as creating burden within the system and we have increased our engagement with external stakeholders by around 50%. These factors may also have had an effect on teacher perceptions.
9. We know that we are an influential organisation. We also know that any influence that we have is founded on the strength of our inspections. Inspectors completed around 35,000 inspections this year.
10. We continue to carry out this large volume of inspections with reducing funding. Since 2010–11, we have carried out over 340,000 inspections across a very wide range of providers. The range of providers that we inspect and the volume inspected each year have only changed in marginal terms over this time. By the end of 2019–20, our budget will have nearly halved. Achieving this has only been possible with hard work over many years to increase our efficiency. We have had to sacrifice the frequency of some inspections and the length of time that inspectors have when they visit providers.
11. While inspection is at the core of our role, being a force for improvement is about more than influencing through individual inspections. This year, the Chief Inspector has shaped some important national debates, often in a context of acute social concern. In particular, this has meant maintaining a strong focus on the risks presented to children by illegal schools. The government has responded by acknowledging the case we have been making through the measures in the recent Integration Strategy. HMCI also set an ambitious agenda around the curriculum, repositioning this as a central focus in education. This has generated ongoing debate and has been welcomed by many stakeholders for having the potential to inject a new focus on quality. It is already rebalancing the focus across the education world, which has often been disproportionately on examination results.
12. This reflects our strategic commitment to using the power of the Chief Inspector's voice sparingly, but in contexts where independence is vital. To be responsible in this, we use our research base to underpin what she says nationally. This year, our research publications received almost twice as many views as last year.

13. We have set challenging aims for ourselves. To achieve these, we have begun to look more strategically and creatively at what we do that has the greatest impact on improvement. This process of fundamental review has only just begun, but we have already taken steps to change the frequency of some types of inspection in both education and care. This will enable us to reallocate resources to areas of greater priority. We are asking root and branch questions about what we do, when we do it and what skills we need to do it to the highest quality. This will continue apace through the coming year.
14. Much will depend on our people. In recent years, shortages of some types of inspector reduced the number of inspections that we were able to complete against the targets we set. This year, we have completed more and are now much closer to target across all types of inspection. Last year, inspections of state-funded schools were 83% of target, which has risen to 94% this year.<sup>3</sup> We achieved this by developing the capability of our Ofsted Inspectors (OIs) contracted to inspect schools, 68% of whom are serving practitioners. Many more OIs have been given the expertise to lead short inspections of good schools.
15. This has not been the only major change we have made over this period. At the start of the year, we brought our early years inspectors in-house. This was a major, multi-year project that will only be completed once we transfer responsibility for early years inspections to our regional teams later this year.
16. We also started inspecting against two new social care frameworks: the social care common inspection framework (SCCIF) and the framework for inspections of local authority children's services (ILACS). Together, these represent a new approach to inspection that touches nearly every social care provider within our remit. A priority of both of these frameworks was focusing on the experiences and progress of children. This year, 95% of social care providers agreed that we had achieved this.
17. While these changes have been significant, staff perceive the direction of the organisation positively. Our staff engagement score has risen again, from 66% to 68%, making us 11th out of 101 departments in the Civil Service on this measure.
18. There is more to do to give our directly employed HMI and regulatory inspectors a varied 'diet' of work that stimulates them and uses their breadth of knowledge. We have started changing our approach to professional development. For example, we have a new research programme that will widen the kinds of analytical opportunities open to inspectors and supplement day-to-day inspection. Already, inspectors are recognising this. Last year, 75% of inspectors told us that they had the information they needed to do their jobs. This rose to 82% this year.
19. Our strategy takes us to 2022. This year, we have improved in many of the areas where we set aims for ourselves. Other ambitions are likely to take longer. Some of the improvement we would like to see depends on working closely with the Department for Education on changes to policy, which can be complex and take time.

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3. These figures are based on a different classification of 'demand-led' inspections and therefore may not match figures reported by the NAO.

# Strategic performance

20. Ofsted's corporate strategy 2017–2022 sets out our ambition to be a force for improvement through intelligent, responsible and focused inspection and regulation. We published the strategy in autumn 2017. Implementation is at an early stage. However, we have made encouraging progress in some important areas. This is set out in full in our reporting on our strategic performance.
21. We invited all Ofsted staff to give us their views on how the strategy is being implemented. Sixty-six per cent of staff surveyed agreed or strongly agreed that 'I understand how my work contributes towards the strategy'. Generally, we remain an organisation in which staff are very clear about our objectives and purpose. The two questions in the People Survey that relate to this remained at 93% positive – the fifth highest result across the Civil Service.

'The strategy allows me to consider decisions I make against the core values of Ofsted'  
'I think the strategy is clear and we've discussed it a lot. There's more we can do though to really bring it to life for everyone in terms of breaking it down and explaining exactly what the organisation will do to deliver it'

22. Staff said that the three main barriers to implementation were time, culture and finance. In order to inform our next steps, we commissioned a financial review looking at how we deliver our operations and manage our resources.
23. In our inspections, we find that providers often lose sight of the purpose of education and focus instead on meeting targets for exams and qualifications. When this happens, it is usually children and students who suffer, because what they learn lacks depth and richness. We see a similar pattern in social care. Therefore, we are mindful of the risks of pursuing numbers at any cost. While it is important to carry out inspections, this is not the only way that we have impact. At the same time, our inspections must be valid and reliable to ensure that what we do has impact and that we maintain our credibility.
24. When we think about our impact, we remind ourselves that our reports serve many audiences. First, our reports must serve the needs of parents. That is why this year we commissioned a series of focus groups to hear first-hand from groups of parents what they need and expect from us. They said that we need to say more about the distinctiveness of schools to inform the choices that they have to make. They told us that what we say needs to be in language that is familiar to the majority and is not education jargon. We will be taking this into account when we think about what education reports look like in future. We also need to provide more opportunities for parents to feed in their views. We will be revisiting Parent View this year, which will give us an opportunity to do this.
25. Over the course of the coming year, we will be looking closely at how we use our people. We will think hard about what areas of our work have the greatest impact on improvement. We are investing in research and evaluation so that our policy development work rests on the soundest basis. It will allow us to use our bird's-eye view to produce system-wide commentaries that have a much wider impact than individual inspection reports. These findings will also inform our decisions about how to shape our operations to deliver our inspection aims.
26. We will still hold ourselves rigorously to account. We will use measurements guided by a solid understanding of the risks involved in using numerical aims and the limitations of the indicators that are available to us. In particular, we will be cautious in how we interpret the numerical aims we set for ourselves. We will be clear that these are about making sure we know our overall direction and are stretching ourselves to get to where we want to be. These aims are not targets and we will not treat them as such.

## How we hold ourselves to account

27. Our strategy sets out three approaches for continuing to be a force for improvement. These are for us to become:

**More intelligent:** All of our work will be evidence-led and our evaluation tools and frameworks will be valid and reliable. This includes the following priority workstreams:

- Valid measures
- A skilled workforce
- Informative grading
- Aggregation of insights

**More responsible:** Our frameworks will be fair. We will seek to reduce inspection burdens and make our expectations and findings clear. This includes the following priority workstreams:

- Responsive and engaged
- Understanding the consequences
- Responsible intervention
- Addressing our audience

**More focused:** We will target our time and resources where they can lead directly to improvement. This includes the following priority workstreams:

- Prioritising inspection
- Keeping children safe
- Keeping pace
- Pupil groups
- Right framework

28. We are holding ourselves to account at two levels. If we are to be a force for improvement, even as one part of a complex, interconnected system, we must be able to judge whether system improvement is happening. We can then reflect on whether we have contributed to that improvement. One of the Chief Inspector's statutory responsibilities is to publish an annual report on the state of education and care. We will use this to judge improvement in the systems that we play a role in.
29. We will also hold ourselves to account for those aspects of the strategy where our actions can have a more direct impact. Inspection judgements are within our control but we have not set ourselves the aim of judging more providers to be good or better. This might create a bias that would cloud judgements. As an inspectorate, we must maintain objectivity and concentrate on ensuring that our judgements are reliable, valid and consistent. Instead, in March 2018 we set ourselves other annual aims for each part of our strategy. These are reported in the following pages. The thresholds for green, amber and red are in Annex A.

30. We have committed to and then published aims which tells us whether our strategy is taking us on a trajectory that will lead to where we want to go. This helps us to be transparent and challenge ourselves to do better. But all data has limitations. We have to be careful in how we use it and how we interpret it. So that we do not lose sight of what we are aiming for, we have set out what we want to achieve in **bold** in the following pages. Some of the indicators are only proxies, so we are mindful of the gap between the numbers and the aim.
31. When interpreting the indicators on the following pages, these are factors to bear in mind.
- Our inspections are risk-assessed. Outstanding schools and colleges are exempt from inspection. This means that any polling data based on experiences that providers have of their latest inspection will be skewed towards the lower end of the distribution. We have compensated for this skew in indicators 1, 6 and 13, but not 3.<sup>4</sup>
  - Some of our means of data collection are self-selecting, such as feedback from post-inspection questionnaires (indicator 3). This means that the data may not be representative of all inspected providers. These questionnaires go directly to Ofsted rather than an independent agency, which may influence how people respond.
  - It is methodologically challenging to measure the potential burden of regulation on small providers, such as childminders. For indicator 7, we have used our spending as a proxy, recognising the limitations of this as a measure.
  - Some of the indicators relate to activities that are not entirely under our control. For example, it is the government's job to close illegal schools once we issue a warning notice (indicator 10). Also, our ability to inspect more outstanding provision ultimately relies on the removal of the government's exemption policy (indicator 9), where we continue to collaborate with the DfE.

## How we have performed

32. Our progress against the strategic workstreams is set out on the following pages. In most (nine of 13) of our workstreams, we met or exceeded our aim for this year. In three of the workstreams, we narrowly missed our aim and in one workstream we missed our aim by a wider margin.
33. In two of the workstreams where we did not improve as much as we had hoped, the measures reflected the opinion of groups of stakeholders that matter to us. Shifting opinion can be challenging, and we will continue to think hard about all the factors that shape the views of these groups.
34. In the one workstream where our performance worsened, the measures related to an area that touched on government policy. We knew that choosing this specific metric might make it harder to achieve, but given its strategic importance we were prepared to accept that we might not meet our aim. Our aims show our strategic direction of travel: they are not management targets.

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4. The indicators are numbered in Annex A.





## Valid measures

We will work to improve the validity of our inspections so that our judgements provide the best measure of the quality of education, training or care within an institution.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>Providers believe that their latest inspection was a fair and accurate assessment of the strengths and weaknesses of their provision.</b>	% of school teachers who agree that the following best describes their latest inspection: 'It was a fair and accurate assessment of the strengths and weaknesses of my school' (n = ~1,000) ( $\pm 3$ ).	57	62 (aim: 58)	70

### Our performance

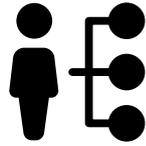
- **All education** – 59% of parents believe that our information is reliable, across early years (EY), schools and further education (FE), according to independent YouGov polling.
- **Social care** – 95% of social care providers believe that our inspectors understand the strengths and weaknesses of their service, according to our social care post-inspection questionnaire.
- **Further education** – 92% of FE leaders believe that their most recent inspection report fairly and accurately reflects their quality.
- **Early years** – 98% of EY providers think that their most recent inspection report fairly and accurately reflects their quality.

In November, we invited some of the leading experts in lesson observation practice from around the globe to share their insight into what makes observation valid and reliable. We have published a report following this event.<sup>5</sup> We held 23 workshops with primary and secondary schools to develop our understanding of the foundations of curriculum management and development. This will inform a more rigorous but evidence-based approach to how we inspect the curriculum.

### Where next?

We will evaluate the methods and practices in early years, college and school inspections. At the same time, we will carry out research into reliable observation, test curriculum evaluation and pilot new framework criteria. This will create the evidence base that will support a more valid education framework from 2019.

5. 'Six models of lesson observation: an international perspective', Ofsted, May 2018; [www.gov.uk/government/publications/ofsted-research-on-lesson-observation-models](http://www.gov.uk/government/publications/ofsted-research-on-lesson-observation-models).



## A skilled workforce

We will ensure that we have the right balance of HMI and serving practitioners. We will ensure that HMI expertise is used where it adds most value and the job is rewarding. We will continue to create an environment that recognises diversity as a strength. All inspectors will receive high-quality training grounded in the latest research.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>Our inspectors have the information they need to effectively do their job.</b>	% Ofsted inspectors who agree with the statement "I get the information I need to do my job well". (n = ~1,500) ( $\pm 1$ ).	75	82 (aim: 77)	87

### Our performance

- 82% of all our staff agree that they have the information to do their job well.
- 54% of HMI time allocated for school inspection is spent on site and 64% for further education and skills inspection.
- On average, 8.6% working days were lost from absence across all our staff.
- Next year, we will report on the number of research-based training modules carried out by inspectors at the higher levels.

This year, we held our first all-staff conference following the launch of our new strategy. We have made greater use of our Ofsted Inspectors by having them lead short inspections of good schools. We have brought our early years inspectors in house, which means that we now provide their recruitment, induction and ongoing development directly, rather than through a third party. This year, we have taken the first steps towards a more individually focused approach to inspectors' professional development. We held the first in-depth training in curriculum theory in March 2018. The inspection 'diet' has become more varied, with more opportunity to get involved in research-related activities.

### Where next?

We are developing a workforce strategy to deliver our ambitions. This includes looking at how we map inspector expertise so that we can better make use of it. Talent in professions like data science is in great demand and so we need to do more to retain this kind of expertise. Not all inspectors can immediately benefit from the new 'diet', so we will need to manage expectations while making sure opportunities for them are not too restrained.



## Informative grading

We will make sure that our grading system (outstanding to inadequate) encourages improvement and does not create undesirable incentives. We will work with the DfE to carry out research into the impact of grading and seek to better understand what factors influence grade profiles and key judgements.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>Providers know what action to take following an inspection.</b>	% of social care providers who, following a G3 or G4 inspection report, agree with the statement “The outcome of the inspection process will help you to improve the services you offer to children, young people, parents, carers and other service users.” (n = 201).	91	91 (aim: 93)	100

### Our performance

- **All remits** – 28% of click-throughs to our website are from third-party sites.
- **Schools** – 87% of parents know the Ofsted grade of their child’s school.
- **Further education** – we will collect data on students’ awareness of Ofsted grades for next year.
- **Early years** – 85% of parents know the Ofsted grade of their child’s provider.

Our stakeholder research tells us that parents generally like and understand our grading system. International inspectorates see our approach to grading as a model to follow. Stakeholders tell us that grades have an effect on the system. Retaining the current four grades is a priority for ministers, who have used it as a model for public regulation. Based on the analysis we did this year, and in the light of wider considerations, we took the decision not to make changes to grading for the 2019 education inspection framework.

### Where next?

A full understanding of the impact of grading will take more analysis and some time. We will continue to evaluate these complex issues to inform developments post-2019.



## Aggregating insights

Ofsted will use its bird's-eye view of the education, training and care systems to aggregate insights. We will use these insights to publish survey and research reports on the impact of policy and practice, identifying negative trends and showcasing what works to improve outcomes.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>Our research has an influence on policy and practice.</b>	# page views (including repeat) of Ofsted research published within that year.	122k	226k (aim: 134k)	170k

### Our performance

- Ofsted research was cited 14 times by select committees, parliamentary debates and government departments.
- Ofsted research was cited twice in reports or articles by well-regarded charities and think tanks.
- Next year, we will report on the number of citations of our research in academic journals and sector representative materials.

*Note: measuring volumes is not indicative of quality, but it is indicative of reach and gives some indication of impact.*

We developed and published a plan for research and evaluation. Our research is now led by a Head of Research who is an international expert in research on educational effectiveness.

Our research into the curriculum<sup>6</sup> has helped shape a national conversation about the importance of curricular thinking in our schools. We have used regionally based inspectors to review inspection evidence to answer some questions of national importance, such as the quality of careers guidance in secondary schools and sixth forms.

Our report 'Bold beginnings'<sup>7</sup> continues to receive much attention from the early years sector. These research messages have challenged some preconceptions in the sector and we will continue to engage with stakeholders over the important findings for Reception practice.

### Where next?

We are investing in our ability to record the evidence we gather on inspection in a digital tool. This will have far-reaching and positive implications for our ability to record, sift and store evidence. This will be rolled out across our inspections in the coming year.

Our ability to see inspection evidence clearly depends on the quality of interaction between inspectors, analysts, researchers and our quality assurance function. We continue to improve this co-working. This includes facilitating good two-way communication between regional and central teams.

6. 'HMCI's commentary: recent primary and secondary curriculum research', Ofsted, October 2017; [www.gov.uk/government/speeches/hmcis-commentary-october-2017](http://www.gov.uk/government/speeches/hmcis-commentary-october-2017).

7. 'Bold beginnings: The Reception curriculum in a sample of good and outstanding primary schools', Ofsted, November 2017; [www.gov.uk/government/publications/reception-curriculum-in-good-and-outstanding-primary-schools-bold-beginnings](http://www.gov.uk/government/publications/reception-curriculum-in-good-and-outstanding-primary-schools-bold-beginnings).



## Responsive and engaged

We will continue to be clear about what inspections do and do not look for. We will be willing to address criticisms and take on board feedback. We will build on the strength of our regional model to build on strong local relationships.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We engage with stakeholders and offer opportunities for feedback and challenge.</b>	Number of speaking engagement sessions delivered by Ofsted staff, including webinars.	162	243 (aim: 225)	325

### Our performance

- 36% of teachers have heard something about Ofsted’s myth-busting campaign: up from 27% last year.
- We had 248 appearances in the media and 170 million potential opportunities to view across all regions.
- 96% of complaints about Ofsted have received a response within 30 working days.
- 76% of complaints about schools have been closed within 30 working days.
- We had an 82% satisfaction rate for those going through childminder registration process.
- 96% of court hearings on enforcement action won.

All our regional teams continue to be outwardly focused, building strong relationships and gathering local intelligence. Our London team is engaged with police and local leaders on the risk that knife crime poses. Sir David Carter, National Schools Commissioner, has stated that the relationship between regional schools commissioners and Ofsted is better than it has ever been. We have expanded our myth-busting work to the early years sector. Nursery staff and childminders have appreciated this. The reach of myth-busting is expanding rapidly. Recently, Kevin Courtney of the the National Education Union posted a video of our infographic on Twitter: this has been shared 130,000 times so far.

### Where next?

New myths continue to emerge, and so we have plans to extend our myth-busting work in the coming year. We are building new online registration services, in line with government digital standards. Pilots will take place in the coming year, starting with childminders and nannies. This will be followed by nurseries and social care providers later in the year.



# Understanding the consequences

We will work to mitigate against the undesirable incentives of inspection. We will do more to stop our judgements and grade profiles being barriers to professionals working in challenging circumstances.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We reduce the unintended consequences of inspection.</b>	% of school teachers who agree with the statement “Ofsted inspection introduced unacceptable levels of burden into the system” (n = ~1,000) (±3).	86	82 (aim: 82)	66

## Our performance

### Schools

- 21% of teachers do not think inspection requires additional work.
- In schools judged to require improvement, the headteacher retention rate after two years is 13% higher if the leadership and management was judged good.

### Social care

- We will report next year on a measure of the impact of inspection on retention and recruitment in social care.

We launched the new framework for the inspection of local authority children’s services (ILACS) in January. This sets out that regions will give local authorities time to address issues that have been identified in focused visits before carrying out a full inspection.

This year, we published new analysis relating to schools judged to require improvement. We found that schools in challenging circumstances were more likely than other schools to be judged good for leadership and management. We have put emphasis in our external messaging about the importance of looking beyond the top level judgement when intervening in schools.

We commissioned the National Foundation for Educational Research (NFER) to do research on headteachers’ retention. Across schools judged to require improvement, retention was 13% higher when leadership and management was judged good than when it received the same grade.

## Where next?

We are starting to plan a major evaluation of ILACS, and will be seeking an academic partner for this work. This will include careful review of whether the various elements of ILACS are encouraging improvement, while reducing the damaging effects that judgements can have on the system and its leaders.

When developing a new education inspection framework, we will try to make it more explicit when we are judging against standards that must be common to all to ensure fairness and opportunity, and when we are taking context into account.



## Responsible intervention

We will use our voice as an inspectorate only when it will lead to improvements in education and care for children, young people, and adult students. We will ensure that the effect of our inspections is proportionate and does not impose undue burdens.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We spend a more proportionate amount across all our remits per child.</b>	Ratio between the amount of our budget we spend inspecting and regulating in schools, compared to early years.	1: 0.75	1: 0.69 (aim: 1: 0.7)	1: 0.5

### Our performance

#### Schools

- 79% of teachers said that they thought that having an Ofsted inspection would result in extra work.
- 27% of inadequate schools that are in the process of converting to an academy and have gone six months without completing the process have been re-inspected.

#### Social care

- Next year, we will report on the percentage of local authorities that audit their social work caseload.

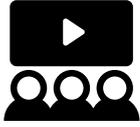
In March, HMCI and the Secretary of State made a public statement about their shared responsibility and joint commitment to tackling the workload burden on schools.

It is our policy that schools that become academies are treated as new schools and therefore are not inspected for a period of time. However, there has been a group of schools where this process has taken longer than anticipated. We have assessed our approach and concluded that we should use our powers to inspect schools in this situation more rapidly. We have shifted our inspection practice so that academy re-brokerage does not result in delays if schools are underperforming.

We have published analysis and comments on caseloads. In doing so, we have recognised the limitations of data sources but have also made it clear that some caseloads are too high. The issue of caseloads has been identified in inspection reports both when we have concerns and when providers are taking action successfully.

#### Where next?

At the request of practitioners, we will be starting a project on teachers' well-being and workload. This will provide additional insight into what generates workload and relates either to inspection or to misconceptions about inspection.



# Addressing our audience

We will make sure that the reports, letters and other information from our inspections are accessible for the different audiences who use them. We will make our reports more understandable for parents and other users. We will take advantage of digital channels to develop new ways of presenting information.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We provide more useful information to parents.</b>	% of parents who agree with the statement "Ofsted is a valuable source of information about education and childcare" (n = ~1,000) ( $\pm 3$ ).	69	67 (aim: 70)	80

## Our performance

### Schools and early years

- Around half of parents report using Ofsted reports when choosing their child's school, nursery or pre-school.
- 16% of parents of a school-aged child and 18% of parents of a pre-school child have not read an Ofsted report.

### Further education

- Next year, we will report on the percentage of students who read Ofsted reports when deciding on their college or apprenticeship providers.

### Social care

- 95% of social care providers agree that reports focus on the experiences and progress of children.

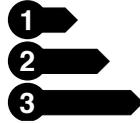
The social care common inspection framework (SCCIF) came into effect in April 2017. Our new inspections and reports should now focus more clearly on the experiences and progress of children.

In order to better understand the needs of parents, we commissioned a series of focus groups with parents in different contexts, taking in account location, the quality of their child's school and socio-economic background. This work made clear that parents in different contexts can have very different perspectives, but also that there is more we can do to get them the information they need and want. In particular, they need us to showcase the distinctiveness, as well as performance, of different schools.

We are in the process of redesigning our inspection reports website. We are testing different model inspection reports directly with parents. We are also redesigning Parent View, our feedback tool for parents and carers, to enable and encourage greater parental commentary and feedback on schools.

## Where next?

We are partway through our evaluation of the SCCIF, which will tell us how effectively our reports now reflect the intended focus of this framework. There is still a great deal to be done so that our reports, website, and interactions with parents reflect what they want and need. These projects will continue over the coming year, feeding into the overall development of a new education framework.



# Prioritising inspection

We will prioritise inspecting providers that are less than good or are at risk of becoming less than good. But we will also observe more outstanding providers so that others can learn from them.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We inspect and observe more outstanding practice.</b>	Current: Average years since last inspection among the 10% of outstanding schools with the longest gap between inspections.	10	11 (aim: 9)	5
	Other metrics: the same metric for other providers is in the 'basket of measures'.			

## Our performance

We have not met our 2018 aim for a reduction in the length of time without inspection for the least inspected outstanding schools. This is because the government still exempts outstanding schools from inspection, and we can only inspect up to 10% of schools. As the NAO reported earlier this year, 296 schools have not been inspected for 10 years or more as of August 2017. These schools may not still be outstanding and will not have recent experience of inspection. We continue to collaborate with the DfE to identify workable solutions to this challenge.

### Schools

- On average, it is 4.47 years between short inspections of good schools.

### Further education

- On average, it is 11 years since last inspection among the 10% of outstanding FE providers that have not been inspected for the longest period of time.

The new ILACS framework, which started in spring 2018, depends on regions using their relationships and intelligence to determine the timing and focus of visits. This is designed so that inspection can be used for the greatest positive impact.

We reviewed the frequency of all our types of inspections and identified that resource was too heavily focused on good schools. We have taken a policy decision to increase the frequency between inspections. This has resulted in an equivalent saving of £2 million a year to be used on other priorities.

We have just published a new risk assessment methodology,<sup>8</sup> that details how we identify providers at risk of decline. We have invested in a method called 'machine learning' to help us assess risk and prioritise inspections accordingly.

## Where next?

There are still too many providers that have been left uninspected for too long. Parents tell us that they value inspections that are up to date. We are continuing to look at what we are required to do in law, compared with what we consider to be critical for improvement. This may lead to further shifts in the focus of our inspection resource to achieve greater effect. We recognise the impact of the exemption of outstanding schools on the system and are engaging constructively with policy-makers on this issue.

8. 'Risk assessment process for good and outstanding schools', Ofsted, April 2018; <https://educationinspection.blog.gov.uk/2018/04/17/risk-assessment-process-for-good-and-outstanding-schools>.



# Keeping children safe

We will have an unrelenting focus on institutions in which believe young people are at risk. We will work with others to clamp down on illegal unregistered schools and tackle extremism and radicalisation.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>Our work leads to more providers complying with the law.</b>	Number of warning notices issued to illegal schools.	31	52 (aim: 40)	40

## Our performance

- We found 366 illegal schools.
- We judged 63% of children’s services and 14% of early years providers as requires improvement or lower in their first inspection.
- 52% of teachers believe that our inspections encourage them to take a sensible, proportionate approach to risk.

We have maintained our focus on identifying and investigating schools that may be operating illegally. For the first time, we have published data on our activities, increasing the level of visibility. We welcome the recent Integration Strategy which acknowledges much of the case we have been making to government in recent years. These important proposals will make it easier to take action against illegal operators. Good progress has already been made: this strategy included a number of measures we had requested to strengthen our hand in this area.

The ILACS framework now demands that our regional teams better know the authorities in their region. They must be able to prioritise and focus inspection to promote improvement as well as moving quickly if children are unsafe.

The Chief Inspector has made public statements about the importance of schools taking a proportionate approach to risk when keeping children safe.

## Where next?

We are starting a new project on what schools and colleges do to protect students (under 18) from the risks associated with knife crime. This is a high-profile project that has interest across the political spectrum. We will need to take care to ensure that stakeholders understand the limitations of what we can and cannot answer.



## Keeping pace

Our inspection practice must keep pace with changes in education and care structures. We will work with the DfE to develop new approaches to scrutinising multi-academy trusts and children’s services.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We adapt inspection models to serve a changing education and care landscape.</b>	% of FE reports that meaningfully comment on the quality of subcontractor provision (for those providers with subcontractor models).	77	77 (aim: 83)	New target agreed in 2019

### Our performance

- Nine out of 10 voluntary adoption agencies reported that inspectors had a good understanding of their strengths and weaknesses in their latest inspection.
- We hired 34 apprentices.
- Next year, we will report on the percentage of multi-academy trusts (MATs) that believe Ofsted understands issues of governance and accountability within their trusts.

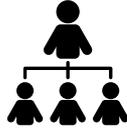
We have engaged well with policy-makers to explore the complex issues around accountability and the changing educational landscape. Our relationship with regional schools commissioners (RSCs) is developing, though there is more to be done on the ground to ensure that schools do not receive conflicted messages.

We are continuing to make the case for the inspection of MATs. As part of that, we are working with the department on improving the accountability system for MATs, including improving the batched inspection process. We have started a new research project on this topic, which will add to the growing evidence base from government and other research bodies. We are feeding this learning into planning how to inspect education from 2019.

### Where next?

The world of apprenticeships is changing rapidly. We are modifying our approach to inspection so that we can keep pace with changes.

In order to be more effective in how we inspect social work, we need to be a part of the national thinking on what social work is aiming to achieve. We will be working with other leading bodies to make a contribution to this debate.



## Pupil groups

We will highlight group underperformance and what works in tackling it, ensuring that whole-school approaches are considered alongside targeted intervention. We will provide better inspector training on data interpretation.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We will comment more on standards for groups of children at a national level.</b>	Number of relevant groups with 'protected characteristics', with EAL or disadvantage (n = 11) for whom our research or national reports have commented on outcomes in the education and care system.	5	5 (aim: 5)	6

### Our performance

- Four inspector training modules were about whole-group approaches to education.
- 2,700 parents registered for webinars during LA SEND inspections to give their feedback and experiences.

In order to improve the reliability and insight that inspectors gain from data analysis, we trialled providing statistical support for inspectors. We have also simplified the data summaries that are provided to inspectors to ensure that no data is provided that could be based on sample sizes too small to be valid.

Our LA SEND inspections have seen increasing numbers of parents coming forward to share their experiences. This has strengthened our evidence and led to more insightful findings.

### Where next?

We know that schools that do best for disadvantaged pupils have an unrelenting focus on teaching and curriculums across the schools and for all pupils. We have identified that inspection has drifted away over time from direct scrutiny of teaching and curriculum, focusing more on leadership. Both our new training programme and work to develop the new framework will seek to rebalance this.



## Right framework

We will remove from our frameworks any measures that do not genuinely assess quality of education, training and care. New frameworks will tackle a compliance culture in schools and practice that discourages innovation.

Headline indicator	Metric	2017 (baseline)	2018 (out-turn)	2022 (aim)
<b>We are increasingly seen as a force for improvement.</b>	% of school teachers who strongly or agree "Ofsted is a force for improvement in England's education system." (n = ~1000) (±3).	19	24 (aim: 21)	35

### Our performance

- **Schools** – 24% of school teachers strongly agree or agree that 'Ofsted is a force for improvement in England's education system'.
- **Social care** – 91% of directors of children's services believe that our inspections help their local authority to improve.
- **Further education and skills** – 71% of employers agree that our reports on training providers are very or fairly reliable.

We have listened to social care stakeholders, piloted the ILACS framework and received strong support for all our proposals. This system of inspection introduced a self-evaluation element. This helps ground inspection in the things that local authorities know are fundamental to the quality of care.

The recent social care innovation programme evaluation found that our acknowledgement of good practice was an incentive for authorities to replicate positive findings, citing our inspection of Westminster, Hammersmith and Fulham, and Kensington and Chelsea (known as the 'tri-borough') and Lincolnshire as examples.

### Where next?

We are investing heavily in challenging the underpinning assumptions within education inspection. We are drawing on international practice, reviewing research on educational effectiveness and carrying out our own research and evaluations. We will be publishing the evidence base in the coming year.

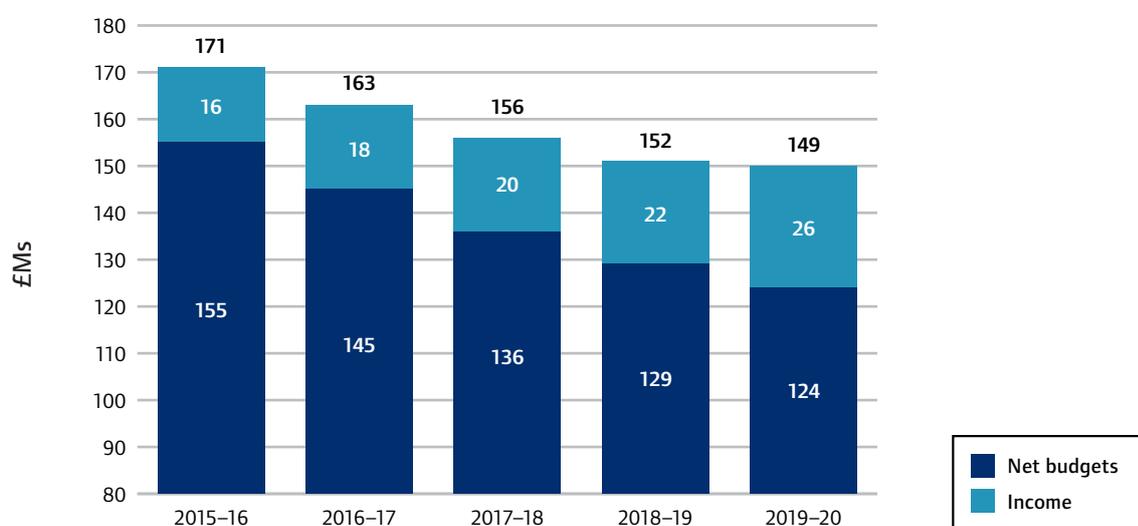
All icons within these tables are from [www.flaticon.com](http://www.flaticon.com).

# Corporate performance

## The efficiency of our delivery

35. The National Audit Office’s recent report ‘Ofsted’s inspections of schools’<sup>9</sup> looked at value for money. It highlighted that between 2005–06 and 2015–16, our total expenditure has reduced from £280m to £167m: a decrease of 40% in real terms. The report also noted that we significantly reduced our administration and inspection support costs from an estimated £96m in 2010–11 (adjusted to 2017–18 prices) to an estimated £61m million in 2017–18. This has enabled us to protect inspection activity.

**Figure 1: Corporate performance – efficiency of delivery**



1. All figures exclude depreciation and AME budgets.
2. In 2015–16 an in year reduction of £6m was made to the budget which is not shown here.

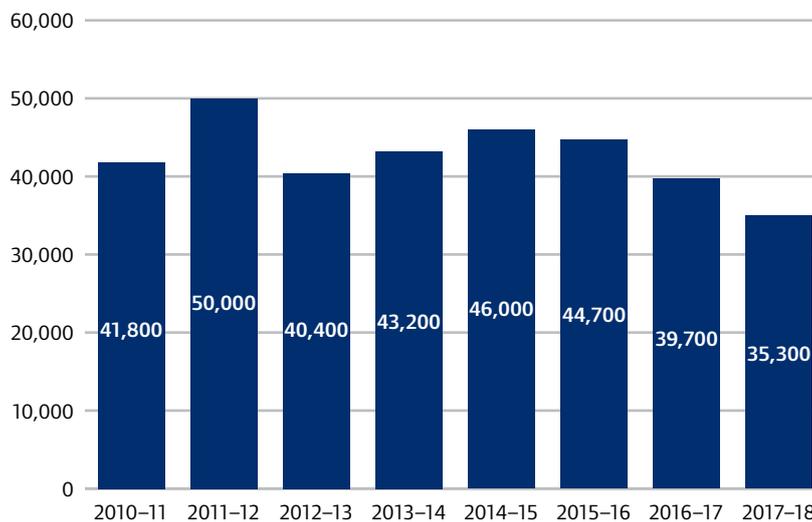
36. In the current spending review period, Ofsted’s core funding will reduce from £155m in 2015–16 to £124m by 2019–20. Our gross budget, which includes income, will reduce from £171m in 2015–16 to £149m by 2019–20. This is a net reduction of £22m. We have made good progress delivering the savings to date but still face significant challenges over the next two years. In 2018–19, our Executive Board agreed to a 3% saving across our workforce budgets by:

- prioritising the work that will support us to deliver our strategy and our commitment to being a force for improvement
- protecting permanent jobs wherever possible
- recognising that workloads are already high and should not be increased further – instead, we need to stop any work that isn’t a priority
- reviewing our processes to make them simpler where we can
- identifying and investing in opportunities to save Ofsted money and improve our services in the longer term.

9. Ofsted’s inspection of schools’, National Audit Office, May 2018; [www.nao.org.uk/report/ofsted-inspection-of-schools](http://www.nao.org.uk/report/ofsted-inspection-of-schools).

37. In 2018–19, we will work with the Department for Education to identify the further savings required for 2019-20, the final year of the spending review. These savings will come through a combination of policy changes, fee increases or further efficiencies.
38. To support us in this work, we are devising an integrated operational plan that will set out how the financial, digital and people divisions of our work will support the strategy. This year, we commissioned an external agency to scrutinise all aspects of how we use our resources. The findings of this work will challenge us to question our assumptions and enable us to compare how we work against similar organisations.
39. Over the spending review period, we completed over 340,000 visits. In 2017–18, we completed over 35,000 separate visits.

**Figure 2: Volume of inspection visits 2010–11 to 2017–2018: all remits**



40. This year, we completed more school and further education and skills inspections than last year. We completed fewer early years and social care inspections. This reflects the large-scale change projects in these two remits. We classify some of our inspections as ‘demand-led’ because they are triggered by events. For example, first inspections of new or newly registered providers or monitoring visits. We plan for demand-led inspections but report against those that are not demand-led because they are less subject to events outside our control. The table below includes all our inspections. The chart on page 8 excludes inspections classified as demand-led. Figures may differ from those reported by the NAO due to differences in how first inspections are classified.

**Figure 3: Total inspections 1 April 2017 to 31 March 2018**

Remit	Completed	(2016–17) Completed
Schools (stated-funded and independent)	8,040	6,870
Further education and skills	730	740
Early years	23,030	27,610
Social care	3,370	4,410
LA SEND	29	30
ITE	106	58

- 41. In social care, we introduced two new frameworks: the SCCIF and ILACS. In recognition of the scale of change, targets were lower and we delivered 102% of target.
- 42. In early years, inspections transferred in-house having previously been delivered by contracted service provider organisations. This year has been a transition year while staff prepare for our early years inspections to move from a temporary central team into our eight regions. Early years inspections were only marginally below target (96%). Delivery in 2016–17, the year before they were brought in house, was significantly above target (122%). This created the disparity in total inspections delivered.
- 43. Because we increased the number of school inspections considerably, we were much closer to our delivery target this year. This rose from 83% to 94%. A strong year was brought up short after snow in March led to a number of inspections being cancelled. Carrying out slightly fewer inspections has resulted in an underspend against budget. In 2017–18, we had a £1.8 million underspend, which is 1.3% of our department expenditure limit budget excluding depreciation.
- 44. The notable increase in the volume of inspecting both state-funded and independent schools inspection was possible because of work to increase inspector capacity. As at 31 March 2018, we directly employed 800 HMI and regulatory inspectors. This capacity was supplemented by 1,700 Ofsted Inspectors (OIs). This year, our turnover of HMI and regulatory inspectors was 19% compared with 26% last year. We also saw a significant period of investment by all our regions in training and development for our contracted OIs. Previously, all inspections were led by HMI. As our OI workforce has grown in experience, this year regions trained a selection of OIs to lead short inspections of good schools. This additional capacity has increased our reach, reduced the pressure on HMI and created more opportunities for OIs to gain valuable experience.

## Spending comparisons

45. The total cost of inspection to the public purse, relative to the amount that is spent overall by the state in the sectors we inspect, remains very small. This does vary, however, across sectors. Though schools represent our most well-known responsibility, these costs are the smallest relative to state spending: only 0.12%. By way of comparison, the Care Quality Commission has calculated that the relative expenditure of their inspections is 0.16%.

**Figure 4: Comparison of total public spending with Ofsted spending**

	Ofsted full cost* (millions) 2017–18	Proportion of total budget, %	Total public spending in England (millions) 2016–17**	Ofsted spending as proportion of total public spending, %
Schools	59	39	48,200	0.1
Further education and skills	16	11	5,442	0.3
Social care	36	24	8,422	0.4
Early years	41	27	2,700	1.5
<b>Total</b>	<b>151</b>	<b>100</b>	<b>64,764</b>	<b>0.2</b>

\*Total inspection costs for each remit are made up of direct inspection costs, plus apportioned inspection support and corporate costs.

Figures may not sum to total due to rounding. Figures vary slightly to those reported in the NAO study due to using different methodology.

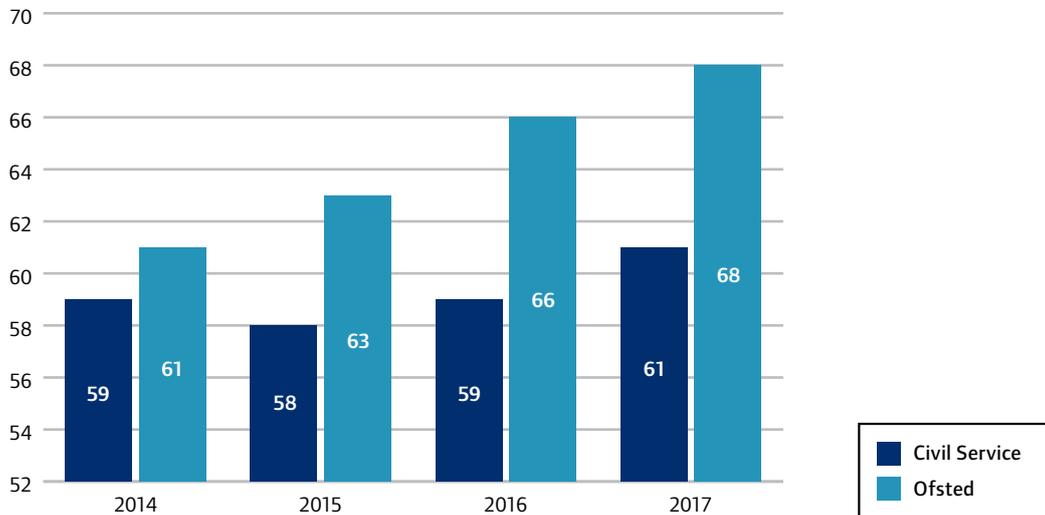
\*\*Estimated based on publicly available data from 2016–17.

46. It is often assumed that the vast majority of our expenditure is spent on schools, but in fact our spending is much more evenly spread. Only 39% of our budget is spent on school inspection compared with 27% on early years, 11% on further education and skills, and 24% on social care. The amount spent on inspecting state-funded, mainstream schools is even less: £43 million or 28% of total expenditure.
47. A large proportion of our budget is spent on inspection and regulation in early years. Relative costs in early years are higher, primarily due to the large volumes of childminders who each care for comparatively small numbers of children. As a result, when our spending in education is taken as a proportion of the number of pupils, we estimate we spend approximately £6 per pupil in school compared with £69 per child in a childminder setting and £18 per child in a nursery.

## Workforce

48. For the fifth consecutive year, our overall engagement index has increased. This year, we have achieved an engagement index of 68%. This is an increase of two percentage points from last year and 16 points from 2012. This is seven percentage points above the Civil Service average and three percentage points above the Civil Service high performer average. It also means that Ofsted is now the 11th highest ranked out of 101 departments in the Civil Service by engagement index. Our response rate also increased from 84% to 86% this year.

**Figure 5: Ofsted engagement score compared with Civil Service**



49. In 2012 when we started the survey, our score for leadership and managing change was only 33%. This year it increased again and is now 63%: eighth highest in the Civil Service.
50. As last year, the level of engagement from different staff groups varied. Staff at C1 grade remain less engaged than their colleagues. Levels of engagement from HMI were comparable with other staff, an improvement from last year. However, this year regulatory inspectors had lower scores. This may reflect the impact of large-scale changes as staff were brought in-house.
51. Levels of sickness were low for HMI this year, compared with some other groups of staff. However, though sickness varied considerably across different groups of staff, across the organisation the average number of working days lost (AWDL) per employee to sickness for the year was 8.6, up from 7.4 last year. The most common cause of absence is psychological illness.
52. In common with other government departments and Cabinet Office guidance, Ofsted has a well-being plan that includes a number of initiatives aimed at supporting employees to maintain their physical and psychological health. Evidence suggests that early support for employees helps to avoid time off or helps them to return to work as quickly as possible following illness. Actions within this plan include a review of current research to find the most effective measures to build individuals' resilience and ability to manage change, as well as to help employees maintain a work-life balance. In recognition that psychological illness, stress and anxiety are not always work-related, Ofsted has a contract with an employee assistance provider to enable employees to access free and confidential counselling, advice and cognitive behavioural therapy (CBT).
53. Workload continues to be a priority. Positively, we saw a three percentage point increase for the question 'I have an acceptable workload' and a two percentage point increase for 'I achieve a good balance between my work life and my private life'.

## Responding to complaints and concerns

54. Complaints are an important opportunity to understand where we need to improve. The number of formal complaints we have received this year, as a proportion of the total number of inspections and other activities we have carried out, is similar to last year. This continues to represent a very small proportion of all of Ofsted's work. Complaints are an opportunity to learn about how we can improve how we work. Most learning points are very specific to particular situations, for example, resulting in advice to inspectors on how to better judge their use of language to avoid misinterpretation. We share all feedback with the relevant inspector or team so that they can improve their performance, or so that learning can feed into training if that is appropriate.
55. Sometimes, investigating complaints results in wider learning for the organisation. For example, the complaints team identified a need for clearer guidance for providers on the contexts in which an inspection might be shadowed, and suggested a review of policy on the timing of school inspections at the start of autumn term.

**Figure 6**

Period	Total inspection/ activities	Total inspection/ activities complained about	Proportion of total	Proportion of complaints resolved on time
2017–18	41,157	746	2.00%	96%
2016–17	45,610	1,032	2.20%	96%
2015–16	49,174	1,398	2.80%	98%

56. Those who request an internal review have their complaints considered by a panel, which has external representation. External panel members continue to reflect back views that the process is positive, professional and thorough.

'I was reassured by the extremely fair and balanced way in which complaints were addressed and the amount of detail which was considered.' (Pre-school manager)

'It was professionally run and very detailed. I feel that Ofsted arrived at the correct decision and their processes for dealing with the complaint were fair.' (Principal)

Figure 7: Responding to complaints and concerns – 2017–18

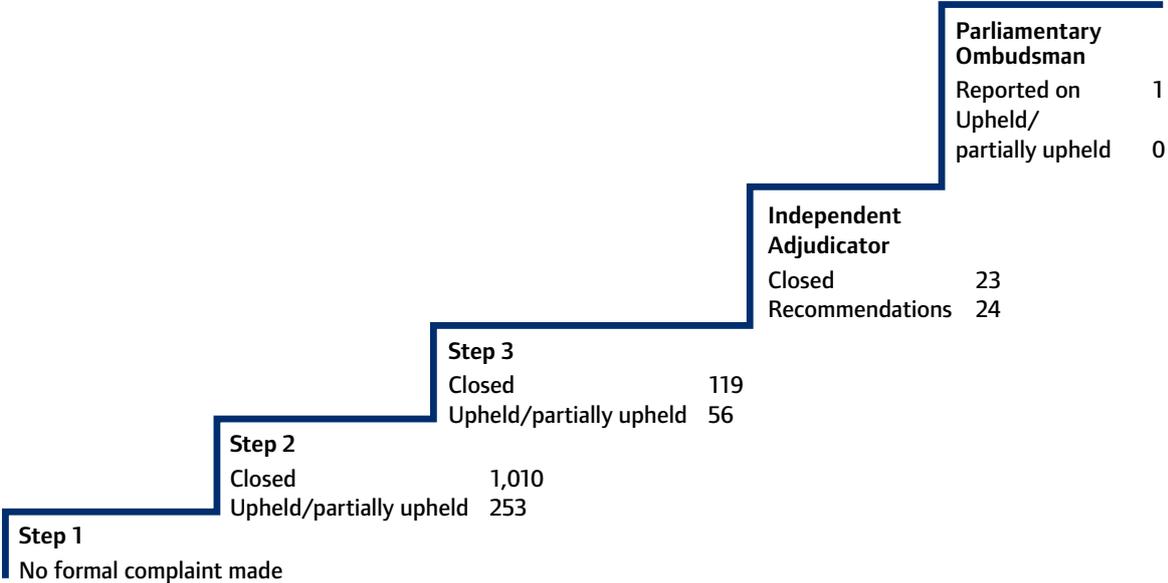
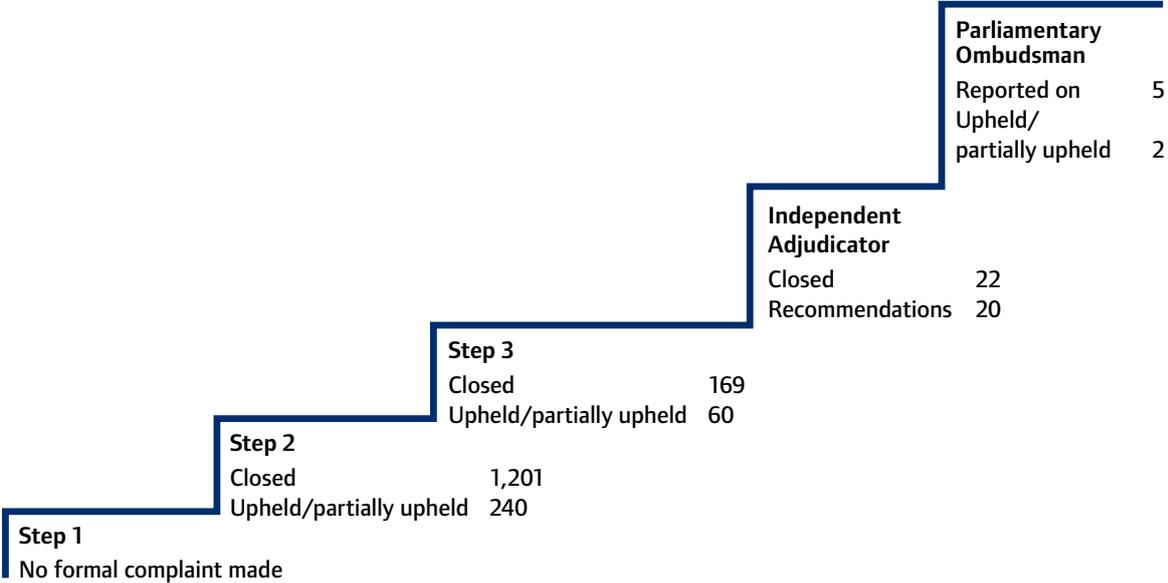


Figure 8: Responding to complaints and concerns – 2016–17



57. Every year, the Independent Complaints Adjudication Service for Ofsted (ICASO) publishes an annual report on its work. The message of the report for 2017 was as follows:

The headline message from this report is that the Ofsted complaints process continues to work very well. The number of complaints which reach the stage at which we become involved (just 19 this year)<sup>10</sup> is remarkably low in the context of Ofsted's overall caseload. Furthermore, those complaints which we do see are invariably accompanied by very thorough and considered responses from the Ofsted complaints handling team; and we are equally impressed by their openness to our recommendations and the careful consideration which each receives at the highest level in Ofsted.

58. A very small number of inspections result in providers bringing legal action against us. During 2017–18, we received 13 threats of action. As at 31 March 2018, no proceedings had been issued for six of these. The case brought by learndirect was successfully defended and we were awarded costs. One case was settled and five cases were ongoing. Last year, we also sought permission to appeal the judgement in the case brought by Durand Academy Trust. We have now been given this permission.

## Responding to the public

59. Members of the public can get in touch with us using our contact centre. This includes individuals who have concerns about providers, which our regulatory teams deal with as compliance matters. We also respond to the thousands of childminders, nurseries and pre-schools applying to register to provide childcare.
60. Last year, issues with IT systems meant that some targets were missed. This year, levels of service returned to their usual high performance.

Contact centre calls received 2017–18			Average queue time (mm:ss)
Year end	All	244,200	02:39
	Compliance	56,870	01:06
	General enquiries	187,330	03:10

Contact centre emails received 2017–18			Target time	% response within target time
Year end	All	167,902		99
	Compliance	46,747	1 day	98
	General enquiries	121,155	3 days	100

10. ICASO reports on the calendar year and we report on the financial year.

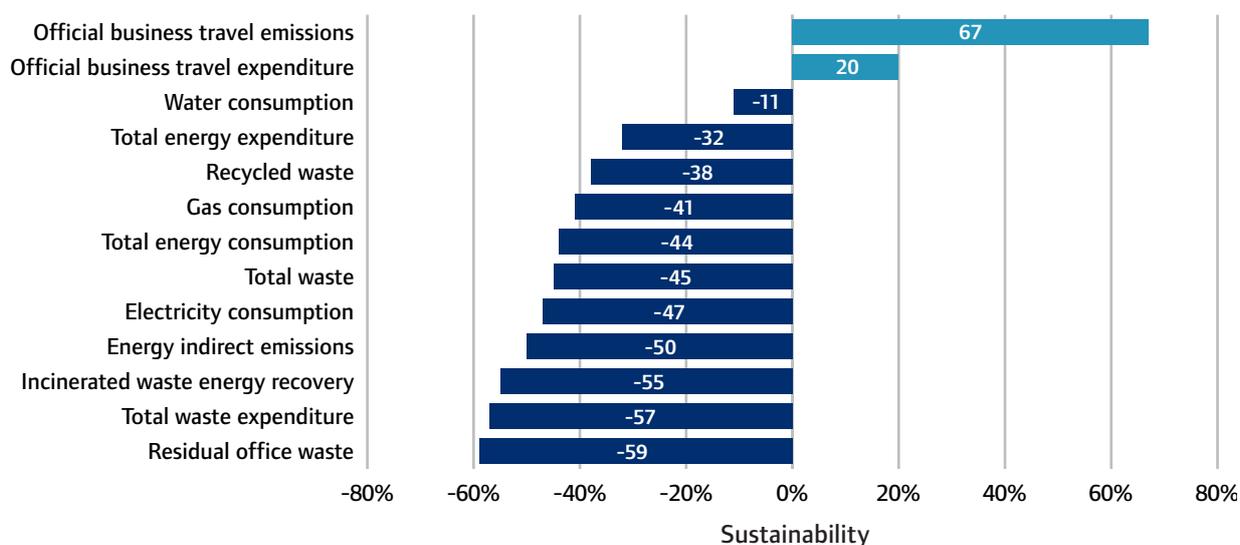
Childcare applications completed		Total	Average length of application (weeks)
Year end	All	9,219	11
	Compliance	5,955	11
	General enquiries	3,264	11

61. One of the reasons we may be contacted is if a social care practitioner wants to raise a concern about their employer under whistleblowing regulations. Last year, we received 271 of these concerns (known as 'disclosures'). The full detail of the nature of these disclosures and our response is detailed in Annex C.

## Sustainability

62. We aim to reduce the environmental impact of our services as part of being a more efficient and streamlined organisation. The revised Greening Government Commitment (2016–20) requires a reduction in greenhouse/carbon emissions by at least 32% by 2020. This is measured from a 2009–10 baseline for the whole estate and business-related transport.

**Figure 8: Change between 2012–13 and 2017–18 (%)**



63. Since 2011–12, the first year for which comparable figures are available, we have recorded an ongoing consolidated reduction of 16% in our overall emissions. For this year, we have seen minor increases in building-related energy use due to the adverse weather. Water consumption has also increased because our staffing numbers rose this year. However, there was a decrease in waste due to improved building management arrangements.

64. Our carbon emissions from travel have increased sharply from 1,075 to 1,429 tonnes due to bringing EY inspections in house. The main contributor was business-related car mileage. External providers accounted for 720,000 miles during last year and these are now counted as part of our total mileage after bringing early years inspections in house. This represents an increase of 23% since 2016–17. We continue to encourage staff to travel only when necessary, to use the most sustainable and cost-effective travel options available and to hold meetings virtually.
65. We sourced our main contractors for the refurbishment of our new London headquarters, Clive House, through the Crown Commercial Service (CCS) framework. They recycled 96% of the eight tonnes of waste the project generated. This reduced carbon emissions by up to seven tonnes.
66. Wherever possible when purchasing goods and services, we use CCS framework that have considered sustainability as part of their evaluation and contract award.
67. We also adhere to government buying standards whenever possible and the standards are embedded within Ofsted's procurement code.

**Amanda Spielman**

**Date: 28 June 2018**

**Accounting Officer**

# ACCOUNTABILITY REPORT



# Corporate governance report

68. Ofsted is a non-ministerial government department.
69. Our Chair is Julius Weinberg. The chair has particular responsibility for providing effective leadership on matters such as:
  - formulating the board's strategy for discharging its statutory duties
  - encouraging high standards of propriety
  - representing the views of the board externally and internally within Ofsted
  - providing for the induction, training, objectives and assessment of individual board members
  - providing advice to the Secretary of State for Education on the performance of HMCI, on behalf of the board.
70. Her Majesty's Chief Inspector (HMCI) is Amanda Spielman. HMCI is responsible for:
  - the inspection and regulation of services within the Ofsted remit
  - the overall organisation, management and staffing
  - Ofsted's procedures in financial, legal and other matters, including conduct and discipline.
71. In addition, when requested, HMCI has a duty to provide advice to the Secretary of State for Education on activities that fall within her remit, such as:
  - the quality of these activities and (where appropriate) the standards achieved by those for whose benefit the activities are carried out
  - improvements in the quality of activities and in any relevant standards
  - the extent to which activities are being carried on as user-focused activities
  - the efficient and effective use of resources in carrying out these activities and services.
72. HMCI delegates some powers to the chief operating officer, directors and regional directors, who support HMCI through the executive board.

## Our structure

73. Ofsted is divided into four directorates that each report to HMCI: Corporate Strategy, Education (schools, further education and skills, and early years), Social Care and the Chief Operating Officer group.
74. The chief operating officer and deputy chief inspector (Matthew Coffey) heads the Chief Operating Officer's group. Reporting to the deputy chief inspector, eight regional directors are responsible for the quality of inspection and the improvement of providers in, respectively, the East of England, East Midlands, London, North East Yorkshire and Humber, North West, South East, South West and West Midlands. They each lead teams of Senior Her Majesty's Inspectors (SHMI) and Her Majesty's Inspectors (HMI) to promote improvement through intelligent, responsible and focused inspection and regulation.

75. The group also includes three directorates: Finance, Property and Commercial (Louise Grainger), Digital and Information (Neil Greenwood) and People and Operations (Karen Shepperson). The teams that make up these groups ensure that the inspection workforce and senior management have the information, resources and administrative support they need to deliver their work. Early Years Operations also sits within the group as a transitional arrangement pending transfer of early years inspection to the eight regions in autumn 2018.
76. The National Director, Education (Sean Harford) and the National Director, Social Care (Yvette Stanley) are responsible for developing inspection frameworks, guidance and policy within their remits. They are each supported by deputy directors and small policy teams, drawing on support from 'national lead' subject specialist HMI and other HMI in agreement with regional directors.
77. The Director, Corporate Strategy (Luke Tryl) has responsibility for the programme of work to define and communicate Ofsted's priorities. This is supported by teams that provide the research and evaluation that underpins those priorities and communicates these externally.

## Register of Interests

78. HMCI and the other members of the Executive Board are covered by the Civil Service management code. None of the Ofsted directors holds any company directorships or other significant interests that might conflict with their management responsibilities. Interests that are deemed relevant to declare in their capacity as Ofsted Executive Board members are listed in the table below.

Executive board member	Organisation	Type of organisation	Nature of role
Amanda Spielman	Brunel University	University	Council member
Mike Sheridan	MK Dons Sport Education Trust	Charity	Trustee
Luke Tryl	Canary Wharf College	Multi-academy trust	Trustee

79. There are instances when immediate family members (including partners) of board members, employees and contracted Ofsted Inspectors hold either remunerated or voluntary positions in the institutions that we inspect or are students at the institutions that we inspect. Board members and Ofsted staff are required to declare any such interests. Arrangements are put in place to ensure that there is no conflict of interest relating to any decision or judgement made by or on behalf of Ofsted.

**Our Non-Executive and Executive Board**  
**Non-Executive Board as at 31 March 2018**



Amanda Spielman



Professor Julius Weinberg



Dame Kathryn August



John Cridland CBE



John C Hughes



Pamela Scriven QC



Venessa Willms OBE

## Executive Board as at 31 March 2018



Amanda Spielman  
Her Majesty's Chief  
Inspector



Matthew Coffey  
Chief Operating Officer



Sean Harford  
National Director,  
Education



Yvette Stanley  
National Director, Social  
Care



Paul Brooker  
Regional Director,  
East of England



Andrew Cook  
Regional Director,  
North West



Lorna Fitzjohn  
Regional Director,  
West Midlands



Emma Ing  
Regional Director,  
East Midlands



Cathy Kirby  
Regional Director,  
North East, Yorkshire  
and Humber



Chris Russell  
Regional Director,  
South East



Mike Sheridan  
Regional Director,  
London



Bradley Simmons  
Regional Director,  
South West



Karen Shepperson  
Director, People and  
Operations



Louise Grainger  
Director, Finance,  
Planning and  
Commercial



Neil Greenwood  
Director, Strategy and  
Digital



Luke Tryl  
Director, Corporate  
Strategy

## Statement of accounting officer's responsibilities

80. Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofsted to prepare resource accounts for each financial year detailing the resources acquired, held or disposed of and Ofsted's use of resources during the year.
81. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofsted and of its net resource out-turn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
82. In preparing the accounts, the accounting officer is required to comply with the requirements of the 'Government financial reporting manual' and in particular to:
  - observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
  - make judgements and estimates on a reasonable basis
  - state whether applicable accounting standards as set out in the 'Government financial reporting manual' have been followed, and disclose and explain any material departures in the accounts
  - prepare the accounts on a going concern basis.
83. HM Treasury has appointed HMCI as accounting officer of Ofsted. The responsibilities of an accounting officer include: the propriety and regularity of the public finances for which the accounting officer is answerable, keeping proper records and safeguarding Ofsted's assets, as set out in 'Managing public money' ([www.gov.uk/government/publications/managing-public-money](http://www.gov.uk/government/publications/managing-public-money)), published by HM Treasury.
84. As Accounting Officer, as far as I am aware there is no relevant audit information of which Ofsted's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Ofsted's auditors are aware of that information. I confirm that the annual report and accounts as a whole is fair, balanced and understandable, and that I take personal responsibility for the judgements required to ensure this.

## Governance statement

### Scope of responsibility

85. HMCI is the accounting officer for Ofsted and is answerable to Parliament for ensuring that all the resources available are used properly and that services provide value for money, are legally compliant and take account, where appropriate, of wider government policy.
86. HMCI, working with the board, has responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of policy, aims and objectives.

### Governance structure

#### *Ofsted board*

87. The functions of the non-executive board ('the board'), as set out in Part 8 of the Education and Inspections Act 2006, are to determine strategic priorities for HMCI in connection with the performance of her functions; to determine strategic objectives and targets relating to such priorities; and to ensure that HMCI's functions are performed efficiently and effectively.
88. In performing its functions, the board ensures that high standards of corporate governance are observed at all times and discharges the following corporate governance responsibilities:
  - monitoring Ofsted's performance against strategic objectives and targets
  - ensuring that Ofsted uses resources efficiently and achieves value for money
  - overseeing the risk management process within Ofsted
  - ensuring that a transparent system of prudent and effective controls is in place (including internal controls)
  - ensuring that Ofsted has regard to the views of users in the performance of its functions
  - ensuring that Ofsted is an open organisation that provides information about its operations in accordance with the statutory regimes applicable to it
  - ensuring that Ofsted operates with corporate social responsibility in the discharge of its statutory functions.
89. The board reviews management reports that have been approved by the executive board that detail Ofsted's performance against its corporate and strategic objectives. These reports cover all aspects of the organisation's business, including its external inspection and regulation activities and its internal budgetary, risk and resource management.
90. The information provided is signed off by the relevant director and is subject to internal quality control checks. The board assesses the quality and appropriateness of the reports as part of the annual evaluation of board performance and reports back any concerns to management.
91. The board meets up to six times a year. Membership and attendance for the period to 31 March 2018 is provided in Appendix B. Further details about the board, its sub-committees and its compliance with the '[Corporate governance in central government departments: code of good practice](#)' can be found in our [corporate governance framework](#). The chair conducted an assessment of the board's performance and effectiveness in May 2017, through an evaluation questionnaire. The results were positive overall. Due to the number of changes in membership of the board this year, the chair intends to wait until the autumn of 2018 to undertake a more comprehensive assessment of its performance.

## *Ofsted committees*

92. The board may establish committees and delegate any of its functions to the chair, another board member, a committee or a sub-committee. The only committee of the board that operated in the year was the audit and risk assurance committee.
93. The audit and risk assurance committee's function is to support both HMCI and the board in fulfilling their responsibilities for issues of risk management, internal control and governance, including:
- the effectiveness of strategic processes for risk management, internal control and governance, and information assurance
  - the accounting policies, including the process for review of the annual report and accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors
  - the planned activities and results of internal and external audit.
94. The audit and risk assurance committee also provides robust scrutiny and challenge of financial management and oversees internal and external audit arrangements, including both financial and non-financial systems.
95. The audit and risk assurance committee meets regularly during the year, aligned to the financial reporting timetable. For the period to 31 March 2018, the committee met on five occasions and reviewed the following formal reports:
- Annual internal audit report and opinion for 2016–17
  - Annual report and accounts for 2016–17
  - External audit completion report for 2016–17
  - External audit planning report for 2017–18
  - Annual internal audit plan for 2017–18
  - Audit and risk assurance committee annual report for 2017–18
  - Draft annual internal audit plan for 2018–19.
96. During the period to 31 March 2018, the committee continued to make progress in terms of discharging its responsibilities to provide assurance to the board and HMCI, independent of management, on the adequacy of the risk management framework and the associated control environment, and in providing robust scrutiny and challenge of financial management. There has been focus on risk management and the effectiveness of internal and external audits. The committee has been proactive in developing the 2018–19 internal audit plan.
97. The committee has continued to develop effective relationships and communication with Ofsted's wider management by seeking assurance directly from those responsible for decision-making. The committee carried out a review of Ofsted's strategic risk relating to inspector and administrative, professional and technical staff morale and workloads in October 2017.
98. The chair of the board, in consultation with HMCI and the Chair of the committee, appointed two co-opted non-executive members to the committee in order to strengthen its expertise, skills and experience in the fields of financial management, accounting and risk management. To that end, Helen Jesson and James Aston were appointed for a period of two years from 1 February 2018.

### *Executive board*

99. HMCI is supported by an executive board that helps to ensure that Ofsted has effective strategic and corporate management, including the leadership of the risk management process.
100. The executive board is responsible for strategic and operational management. The executive board oversees significant operational change and business as usual activity, scrutinising monthly finance, performance and risk reports and commissioning strategic work to ensure that Ofsted's needs in the medium and longer term are identified and met. The business conducted at each meeting is determined by the Chair.
101. Throughout the period 1 April 2017 to 31 March 2018, the executive board met on a fortnightly basis and was chaired by HMCI. The membership consisted of the chief operating officer, the national directors, the regional directors and the directors for finance, planning and commercial, people and operations, digital and information and corporate strategy.
102. Operational decision-making meetings have alternated with meetings about strategic issues, providing an opportunity for full discussion of strategic issues.
103. Individual members of the executive board continue to have specific and clearly defined responsibilities for inspection, inspection support and corporate activities. They act corporately and collectively to ensure the achievement of the priorities set out in the corporate strategy and the objectives in Ofsted's corporate plan.

### *Committees of the executive board*

104. The formal governance structure is supported by a number of other groups that contribute to the formulation, steering and dissemination of policy and ensure the general consistency and quality of work. The executive board is supported by the following groups:
  - chief operating officer's delivery management meeting – to support the chief operating officer to effectively manage operational delivery
  - safeguarding group – to ensure that robust internal arrangements are in place for assuring safe and secure provision for children, young people and students across all remits
  - star chamber – to review and challenge performance in each individual region and in the Early Years Delivery Unit; looking at resources including financial, people including contracted workforce, and risk associated with all aspects of delivery.
105. If detailed scrutiny has taken place at a lower level governance but escalation is required for final decision, a short summary paper is produced for the executive board to consider.

### **Declaration of interest**

106. Ofsted maintains a register of interests to ensure that potential conflicts of interest can be identified. Board members and members of its sub-committees are required to declare any potential conflicts of interest on appointment and on an annual basis.
107. Where potential conflicts of interests are identified, board members take no part in any discussions and are not involved in any decisions that relate to those interests.
108. For the period ending 31 March 2018, the following interests were deemed relevant to declare in their capacity as board members or co-opted non-executive members to the audit and risk assurance committee.

Board member	Organisation	Type of organisation	Nature of role
Professor Julius Weinberg	Kingston University	University	President
	Saturday Club Trust	Charity	Trustee
Amanda Spielman	Brunel University	University	Council member
Kathryn August	St Anne's Roman Catholic High School (Stockport)	School	Chair of Governors
	Institute of Education Advisers	Professional membership body	Director
	August Education Services LLP	Private company	Director
	Institute of Leadership and Management	Professional membership body	Values Ambassador
	University of Salford Business School	University	Visiting Professor
	Academies Enterprise Trust (until 26 February 2018)	Multi-academy trust	Board member
John Cridland	Comino Foundation	Charity	Trustee
	Brunel University	University	Pro-Chancellor
Linda Farrant	Bishop's Stortford College	School	Governor
John Hughes	London School of Economics and Political Science	University	Chair of the audit committee
James Kempton	NASUWT	Trade union	Member
	Oldham Opportunity Area Partnership Board	Partnership of education providers	Chair
Paul Snell	Action for Children	Charity	Trustee and council member
Pamela Scriven	Judiciary of England and Wales	Judiciary	Barrister (QC), Deputy High Court Judge (Family Division) and Recorder
Venessa Willms	ARK Schools	Multi-academy trust	Senior employee
James Aston (co-opted member of ARAC)	BDO LLP	Accountancy and business advice	Partner, National Head of Education
Helen Jesson (co-opted member of ARAC)	Nil	Nil	Nil

## Effectiveness of the corporate governance framework

109. The board continues to monitor the effectiveness of governance arrangements as part of regular business. A further review of the corporate governance framework is planned for 2018.

## The assessment of risk

110. A function of the governance structure is to ensure the effective understanding and management of risk. The audit and risk assurance committee supports the board in reviewing the comprehensiveness, reliability and integrity of internal controls and risk management processes.
111. The environment in which Ofsted operates is constantly evolving. These changes require Ofsted to manage its risks carefully to ensure that excellence in the care of children and young people and in education and skills for students of all ages continues to be achieved.
112. Risk management forms an integral part of governance procedures across the organisation; the strategic risk register is used to identify, monitor and help mitigate threats to Ofsted's long-term strategic priorities. The benefits of this approach have been evident during what has been a period of significant change to both Ofsted's corporate priorities and operational structure.
113. The strategic risk register includes threats to the delivery of strategic priorities and is reviewed at least quarterly by the executive board and at each meeting by the audit and risk assurance committee. The audit and risk assurance committee provides assurance on the strategic risk register to the Ofsted board.
114. The most significant operational risks to Ofsted are reported to the executive board at least quarterly. This report includes a summary of the routine controls and mitigating actions in place to reduce Ofsted's exposure to each risk. Ofsted continues to manage operational risks at directorate, regional, project and team levels.

## Information risk

115. Ofsted's staff and contractors have privileged access to some sensitive data and information. Ofsted has a duty to respect this privileged access and to ensure that all personal information it holds is appropriately protected. Ofsted is moving from a reactive to proactive stance, particularly as it relates to cyber and internet risks including phishing exercises, to raise staff awareness of the risks of clicking on links in emails from apparently trustworthy sources.
116. Ofsted is obliged to strengthen its protection of personal data through the new General Data Protection Regulation (GDPR). Ofsted has undertaken a review of its information assets where personal data is held and processed. We have assessed these against the compliance with GDPR and launched extensive internal communication to raise awareness of the requirements. Our implementation plans to achieve compliance have also been subject to an internal audit. The findings of the review were reported to the audit and risk assurance committee in January 2018.
117. Ofsted regularly reviews information risk alongside other business risks. We continue to ensure that the value of information is understood and exploited and that sensitivities are safeguarded within our documented risk appetites. The chief operating officer delivery management meeting reviews the information incidents log on a monthly basis to identify wider information risks or control issues that need to be addressed.
118. There is an established governance structure that incorporates a senior information risk owner on the executive board. The senior information risk owner is supported by a specialist team and a community of interest, including information asset owners, that shares knowledge and good practice in managing and sharing information.

119. During the period 1 April 2017 to 31 March 2018, two losses were formally reported by Ofsted to the Information Commissioner's Office. Most of the personal data incidents recorded in this period are unauthorised disclosures. This was information released in error either electronically, through post, on paper or in conversations.
120. A summary of personal data-related incidents that occurred during 2017–18 is provided in Appendix C.

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

121. HMCI as accounting officer is required to formally review the effectiveness of the system of internal control on an annual basis. This review is informed by the work of internal and external auditors, the audit and risk assurance committee and senior managers who have responsibility for developing and maintaining the internal control framework. Senior managers are accountable for addressing parliamentary select committee recommendations.
122. An interim governance statement was completed in January 2018 to provide assurance to HMCI about the effectiveness of the governance arrangements and the internal control framework as set out above. The interim statement was reviewed by the audit and risk assurance committee at its meeting on 24 January 2018.
123. On 31 October 2017, HMCI and the chair of the board gave evidence to an accountability hearing of the Education Select Committee. HMCI returned to the Education Select Committee to give evidence about a range of matters relating to Ofsted's work and remit on 7 March 2018.

### **Internal audit**

124. Ofsted's governance arrangements and risk management processes are supported by an internal audit function. We developed an audit programme for 2017–18 based on an annual assessment that focuses on Ofsted's major risks and in consultation with the executive board, the audit and risk assurance committee and the Ofsted board. The timing of the audits is spread out across the period so that continuous assurance is provided while considering the operational pressures of major programmes and business as usual. For the period 1 April 2017 to 31 March 2018, 11 out of 13 audits were completed.
125. All audit reports included the head of internal audit's independent opinion on the adequacy and effectiveness of the system of internal control together with any recommendations for improvement. The head of internal audit's opinion stated that Ofsted has adequate and effective governance, risk management and control processes to enable the related risks to be managed and objectives to be met. Any control weaknesses were reported to and reviewed by the audit and risk assurance committee. Internal audit carried out an independent review in March 2018 to ensure that recommendations are being adopted and to provide assurance to the accounting officer. Internal audit reported that all actions reviewed have been addressed in full.

### **Audit and risk assurance committee**

126. Every year, the audit and risk assurance committee provides formal and independent assurance on the adequacy of the risk management framework and the associated control environment to HMCI as accounting officer. There is a line of communication that enables the audit and risk assurance committee chair to raise any matters of concern directly with HMCI and/or the chair. The audit and risk assurance committee chair provides a synopsis of the work of the committee to the board at each meeting and formal minutes of the audit and risk assurance committee meetings are presented to the board.

127. The audit and risk assurance committee provides advice on the implications of internal audit reviews and monitors progress against the plan to tackle identified weaknesses to ensure that there is continuous improvement of the system of internal control.

### **Certificates of assurance**

128. Each director and deputy director must complete mid-year and end-of-year reviews of the controls that they have in place to manage risks. They must report on this by completing an internal control checklist and give written assurance to the accounting officer that these controls are effective.
129. Certificates of assurance are supported by an internal control checklist that outlines all of the internal controls that each signatory should have in place. Significant deviations must be disclosed. During the period 1 September 2012 and 31 August 2017, Ofsted did not meet its statutory target to re-inspect schools within five years in 43 (0.2%) cases. A letter was sent to the Secretary of State explaining the reasons for the missed target and revised controls implemented immediately to avoid this re-occurring. For 32 of the schools, all been accounted for but our interpretation of statute and regulations had incorrectly treated them as new, rather than continuing schools. In 11 cases, inspections were deliberately deferred because of exceptional circumstances, such as to avoid jeopardising a likely criminal investigation. All 43 schools have been scheduled for inspection prior to publication of this report.

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

130. In recent years, the pace of change in education, skills and care has been dramatic. The growth of multi-academy trusts and the role of regional schools commissioners, the creation of children's services trusts, the expansion in government-funded childcare and the introduction of the apprenticeship levy are just a few examples. This pace of change is unlikely to slow. New demands and challenges, such as the impact of Brexit on the skills sector, are continuing to emerge. If Ofsted is to function effectively as a regulator, its regulatory and inspection frameworks must keep pace. A further tension exists in Ofsted's work between the number and variety of audiences we serve. Informing parents is one purpose of our inspection reports. However, Ofsted also exists to provide performance information on providers for government and responsible bodies to use in deciding whether and what intervention might be necessary, and to give feedback directly to providers about where they can improve. This tension requires Ofsted to make careful choices about where, when and how to inspect and how to report on our findings.
131. For all of these reasons, Ofsted's strategic priorities have been thoroughly reviewed, taking account of emerging evidence, recognising sector changes and building on previous work to reduce inspection burdens. This new strategy is built on the principle that Ofsted's inspection and regulatory activity should lead to improved outcomes for children, young people and students. Inspection and regulation must be more than the sum of its parts. The risk that the strategy does not get implemented effectively was recognised and mitigating actions have been identified. A strategy implementation group that includes non-executive members was established to lead on translating the strategy into action and developing system and accountability measures. In addition, each member of the executive board has been made a champion for a specific priority workstream.
132. The social and political context in which Ofsted works is continuously evolving. This can lead to new demands on the organisation. HMCI, chief operating officer and Ofsted's directors are well positioned to influence changes, working closely with the sector, policy makers and ministers. Ofsted's national directors for education and social care are supported by deputy directors for state-funded schools, independent and unregistered schools, further education and skills, early years and social care. Ofsted also has a director of corporate strategy to engage with senior

stakeholders, academics and policy makers to make sure that the way we work is informed by their evidence as well as our own.

133. The National Audit Office (NAO) has undertaken a study into Ofsted's approach to inspecting schools and whether we are providing value for money.<sup>1</sup> It concluded that we are a vital part of the school system but that we have faced significant challenges in recent years, as our budget has reduced and we have struggled to retain staff and deploy enough contracted inspectors. The report states that the ultimate measure of the value for money of our inspection of schools is the impact we have on the quality of education, relative to the cost. Our spending on school inspection has fallen significantly but, it says, we do not have reliable information on efficiency and we have limited information on impact. Without this information, we were not able to demonstrate value for money. They recommended that we should:
- work with the DfE to review our framework, resources and remit to ensure that we can provide enough independent assurance about the quality of schools, and to differentiate our role from that of regional schools commissioners
  - set out a plan for recruiting and retaining the inspectors we need to undertake school inspections
  - review the effectiveness of our complaints process
  - use our new performance measures to monitor, and report publicly on, progress against our new strategy
  - take action to make inspection reports more useful to parents.
134. The NAO's report highlights that the funding provided by the Department for Education for school inspection is 52% less, in real terms, than it was in 2000. Its conclusion, that we cannot prove the value for money, is explicitly not the same as demonstrating that we do not provide value, particularly considering that the cost of our school inspection work represents just 0.1% of the overall school budget. Ofsted is only one lever in the school system, which is why it has proven difficult for the NAO to judge our impact and value for money. All of the NAO's further recommendations are ones we were already in the process of addressing.
135. On 29 March 2017, the UK government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. As a result, an unquantifiable remote contingent liability is disclosed. In accordance with accounting standards, no contingent assets can be recognised. During this two-year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the Ofsted financial statements in the short term from making the formal notification. Ofsted has identified a lead officer to assess and deliver the changes required as a result of the UK's exit from the EU.
136. The 2017–18 financial year was always going to be a challenging year for Ofsted, with its core funding reducing by £13.1 million compared with the previous year as a result of the spending review. These savings include a range of inspection policy savings, fee increases and efficiencies. Many of the actions identified to achieve these savings require changes to legislation. Ofsted has put in place robust controls to ensure that all the savings are delivered. These controls include

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<sup>1</sup> 'Ofsted's inspection of schools', National Audit Office, May 2018; [www.nao.org.uk/report/ofsteds-inspection-of-schools](http://www.nao.org.uk/report/ofsteds-inspection-of-schools).

frequent and regular reporting to the executive board, the audit and risk assurance committee and the board.

137. A number of spending review savings still carry a degree of risk but are being managed closely with escalation in both Ofsted and the Department for Education (DfE). Against this very challenging context, the annual budget for 2017–18 was endorsed by the board and included a £0.2 million over-allocation, equivalent to 0.1% of the budget.
138. Ofsted reported a full year underspend of £1.8 million against the delivery budget, excluding depreciation for the period ending 31 March 2018. Executive board considers known risks and opportunities on a monthly basis in order to maximise the funding available without overspending.
139. The indicative budget for 2018–19 was presented to the board in September 2017 to provide assurance and get an early understanding of the potential financial pressure and opportunities facing the organisation and to inform discussions relating to the delivery of our strategic priorities. HMCI, with the support of the executive board, approved a budget of £153.4 million for 2018–19 (£129.3 million core funding and £24.1 million income).
140. Introduced in September 2015, short inspections are a proportionate approach to inspecting state-funded schools that were previously judged to be good. Although widely welcomed by the sector, short inspections that immediately convert to full section 5 inspections have proven to be challenging for schools and for inspectors. Following extensive consideration by the executive board, Ofsted consulted on proposals to change its approach to undertaking short inspections. These proposals were accepted and were implemented from January 2018. The new arrangements will ensure that short inspections continue to be responsible interventions that minimise the burden on schools, while at the same time providing schools with constructive support and time to improve.
141. Delivery of the inspection volumes has continued to be an area of focus throughout 2017. The executive board reviews actual and planned delivery on a monthly basis. Additional insight has been developed for the areas of greatest risk. This is reported to the chief operating officer and the regional directors on a weekly basis.
142. The quarterly star chamber process continues to provide an opportunity to formally review regional performance and assess regional director plans to deliver the corporate plan volumes. At the end of March 2018, the regions had completed the majority of their corporate plan volumes. Where they had not, this was through a combination of not having enough inspector capacity earlier in the year, the constraints of the short inspection conversion model and also the exceptionally cold weather in March. All of these affected overall performance. All regions were confident that they had the required resources to deliver their inspection volumes in 2018–19.
143. Ofsted's early years contracts with inspection service providers ended in March 2017. A full change programme was established that is overseen by a steering group chaired by the chief operating officer, who is the senior responsible officer for the programme. The transition of the inspection service providers employed and contracted workforce took place on 1 April 2017 and delivery of the 2017–18 inspection programme remains on track. An internal audit of phase 1 in November 2017 reviewed the lessons learned and the expected benefits and reported the current status of the programme as low risk. Phase 2 began in January 2018, focusing on preparing Ofsted for the regionalisation of the combined early years inspection and regulation work. Phase 3 is the transition to full regionalisation, which will take place in January 2019.

144. Ofsted has continued to strengthen its risk management processes with a focus on maximising the value of risk registers as a management tool across the organisation. In September 2017, the board registered the people-related strategic risk and commissioned the audit and risk assurance committee to further analyse and assess the risk.
145. HMCI has considered the evidence that supports this governance statement and is assured that Ofsted has strong governance, risk and internal control arrangements that support delivery of its aims and objectives.

## Remuneration and staff report

### Remuneration report part A: Unaudited

#### *Appointing non-executive board members*

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

#### *Appointment of the Permanent Head of the Department and Directors*

147. Civil Service appointments are made in accordance with the Civil Service Commission’s recruitment principles. The principles set out that appointments must be made on merit on the basis of fair and open competition. They also include exceptions to this.
148. Full details of the membership of the executive board and their dates of appointment are provided in the governance statement. Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.
149. You can find further information about the Civil Service Commission’s work at: <http://civilservicecommission.independent.gov.uk>.
150. Amanda Spielman was appointed as HMCI from 1 January 2017. This is a Crown appointment for a period of five years.
151. Unless otherwise stated, the directors are all permanent senior civil servants.

#### *Remuneration policy*

152. The directors are paid in accordance with the senior civil servant pay framework. This is set by the government and subject to the recommendations of the Senior Salaries Review Body.
153. Ofsted has established a Senior Civil Service (SCS) pay committee consisting of HMCI, directors and one non-executive board member. This committee decides on all annual pay and bonus awards for members of the SCS, as well as agreeing any changes to Ofsted’s SCS pay strategy. Linda Farrant, a member of the board, served as the independent member on the SCS pay committee during 2017–18. The role of the independent member is to quality assure the process. They ensure that pay decisions are consistent with individuals’ performance evidence and that consistent criteria are applied to arrive at individual pay decisions.
154. Ofsted’s approach to assessing SCS staff performance adheres to the criteria detailed in the Cabinet Office guidance on managing performance in the SCS. Our assessment has therefore been based on:
- whether objectives have been met
  - the demonstration of leadership behaviours
  - professional skills
  - the degree of difficulty in meeting the objectives in light of actual events.

155. We allocated staff to particular performance groups following a two-stage process. Initially, directors differentiated and ranked their SCS staff against the appropriate assessment criteria. Subsequently, the SCS pay committee robustly challenged and validated the rank order and merged the agreed lists into the three performance distribution groups.
156. The final allocation therefore reflected how each post-holder had performed in their job, their overall track record and their growth in competence, as well as what they had achieved against individual performance agreements.

## Remuneration report part B: Audited

### Non-executive remuneration

157. The salaries of all non-executives for the year ending 31 March 2018 were as follows:

Officials	Salary (£'000)	
	2017–18	2016–17
Julius Weinberg (chair from 17 April 2017)	40–45 (45–50 FYE*)	-
Linda Farrant (to 31 January 2018)	5–10 (5–10 FYE*)	5–10
Paul Snell (to 31 January 2018)	5–10 (5–10 FYE*)	5–10
John Hughes	5–10	5–10
James Kempton (to 25 March 2018)	5–10	30–35
John Cridland	5–10	0–5 (5–10 FYE*)
Venessa Willms	5–10	5–10
Dame Kathryn August (from 1 February 2018)	0–5 (5–10 FYE*)	-
Pamela Scriven QC (from 1 February 2018)	0–5 (5–10 FYE*)	-

\*Full year equivalent

## Senior management remuneration

158. The salaries of the most senior members of staff for the year ending 31 March 2018 were as follows:

Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17
Amanda Spielman	180–185	45–50 (180–185 FYE*)	-	-	-	-	69	17	245–250	60–65
Matthew Coffey	140–145	140–145	15–20	20–25	100	1,100	35	55	195–200	220–225
Andrew Cook	135–140*	120–125	0–5	-	-	-	23	32	160–165	155–160
Lorna Fitzjohn	135–140*	125–130	-	05–10	-	-	6	27	140–145	155–160
Christopher Russell	145–150*	120–125	-	10–15	-	-	24	32	170–175	165–170
Bradley Simmons	140–145*	120–125	-	-	-	-	10	32	150–155	155–160
Mike Sheridan	135–140*	120–125	-	-	-	-	38	130	170–175	250–255
Eleanor Schooling (to 31 Mar 2018)	110–115	110–115	0–5	-	-	-	-	-	115–120	110–115
Paul Brooker	125–130*	50–55 (120–125 FYE*)	-	-	-	-	207	181	330–335	230–235
Cathryn Kirby	125–130*	65–70 (120–125 FYE*)	-	-	-	-	211	173	335–340	235–240
Sean Harford	135–140*	135–140*	15–20	10–15	-	-	28	38	180–185	185–190
Karen Shepperson	110–115	100–105	15–20	10–15	-	-	46	113	170–175	230–235
Neil Greenwood	100–105	100–105	-	05–10	-	-	35	32	135–140	140–145
Luke Tryl	90–95	5–10 (95–100 FYE*)	-	-	-	-	-	3	90–95	10–15
Louise Grainger	85–90	80–85	-	-	-	-	45	45	130–135	125–130

Emma Ing (from 3 April 2017)	135– 140* (135– 140 FYE**)	--	0 – 5***	-	-	-	158	-	295– 300	-
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\* Salaries include taxable travel

\*\* Full year equivalent

\*\*\* This award was made in relation to a previous role.

159. Salary includes gross salary, overtime, recruitment and retention allowances and other allowances to the extent that it is subject to UK taxation.
160. In line with the senior civil servant pay framework, bonus payments are based on performance levels and are made as part of the appraisal process. Bonus payments relate to the year in which they become payable to the individual. The bonuses reported in 2017–18 relate to end-of-year performance payments for 2016–17 and the in-year performance payments for 2017–18. The comparative bonuses reported for 2016–17 relate to the end-of-year performance payments for 2015–16 and the in-year performance payments for 2016–17.
161. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. In 2017–18, we provided £131 (2016–17: £1,140) benefits in kind to Matthew Coffey, who received a salary advance to assist with relocation costs.
162. Eleanor Schooling was employed by Ofsted on a fixed-term and part-time contract from 4 January 2016 to 31 March 2018.
163. Luke Tryl was employed by Ofsted on a fixed-term contract from 27 February 2017 to 30 September 2017, when he moved to a permanent contract.

### *Pay multiples*

164. Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and median remuneration of the organisation's workforce at the reporting period end date.
165. We operate a grading structure that is broadly aligned to the traditional Civil Service grades AO to SCS. The range of staff remuneration is between £15,486 and £182,500 (2016–17: £15,000 and £182,500). These salary ranges exclude non-executive directors whose salaries are disclosed in the non-executive remuneration section above.
166. The mid-point of the banded remuneration for the highest paid director (HMCI) in office at the reporting period end date in the financial year 2017–18 was £182,500 on a full-year equivalent basis (2016–17: £182,500). This was 4.77 times (2016–17: 4.42) the median remuneration of the workforce, which was £38,220 (2016–17: £41,200). This represents a 7% reduction since last year, in the main due to the insourcing of early years inspection and the introduction of a B2 inspector (HEO) grade with a full year equivalent salary of £32,000. As at 31 March 2018, there were 137 (124.1 FTE) B2 inspectors.
167. In 2017–18, zero (2016–17: zero) employees received remuneration in excess of the highest paid director. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.
168. In line with gender pay reporting legislation Ofsted has published its gender pay gap report [www.gov.uk/government/publications/ofsted-gender-pay-gap-report-and-data-2017](http://www.gov.uk/government/publications/ofsted-gender-pay-gap-report-and-data-2017). The gender pay gap shows the difference in the average earnings between all men and women in an

organisation. Ofsted's mean gender pay gap was 8.1% in favour of men. The median gender pay was 2.3% in favour of men.

### *Pension benefits*

169. The pension entitlements of the most senior members of staff for the year ending 31 March 2018 were as follows:

	Accrued pension at pension ages as at 31/3/18	Real increase in pension and related lump sum at pension age	CETV at 31/03/2018	CETV at 31/03/2017	Real increase in CETV
<b>Officials</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amanda Spielman	5–10	2.5–5	68	13	40
Bradley Simmons	55–60	0–2.5	1095	1019	8
Michael Sheridan	40–45	0–2.5	446	405	12
Karen Shepperson	40–45 plus a lump sum of 110–115	2.5–5 plus a lump sum of 0–2.5	765	695	23
Christopher Russell	20–25	0–2.5	453	399	22
Cathryn Kirby	55–60	10–12.5	1080	829	194
Emma Ing	25–30	7.5–10	493	313	153
Sean Harford	60–65	0–2.5	964	898	8
Neil Greenwood	25–30	0–2.5	349	313	11
Louise Grainger	35–40	2.5–5	403	360	20
Lorna Fitzjohn	45–50 plus a lump sum of 145–150	0–2.5 plus a lump sum of 0–2.5	1095	1067	5
Andrew Cook	25–30	0–2.5	455	403	19
Matthew Coffey	40–45 plus a lump sum of 90–95	0–2.5 plus a lump sum of 0	665	612	9
Paul Brooker	55–60 plus a lump sum of 165–170	7.5–10 plus a lump sum of 27.5–30	1281	1004	208

170. Luke Tryl is a member of the partnership pension scheme. In 2017–18, Ofsted contributed £11,300 in employer contributions towards his pension.

### *Civil Service pensions*

171. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme, or alpha. This scheme provides benefits on a career average basis with a normal pension age equal to the member's state pension age. From that date, all newly appointed civil

servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

172. These statutory arrangements are unfunded, with the cost of benefits met by monies voted by parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switched/will switch into alpha between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. If the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).
173. Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
174. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
175. The accrued pension quoted is the pension that the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. If the individual has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
176. Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

### *Cash equivalent transfer values*

177. 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.
178. The figures include the value of any pension benefit in another scheme or arrangement that the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax that may be due when pension benefits are taken.

### *Real increase in CETV*

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

### *Compensation for loss of office*

180. No compensation for loss of office payments were made in 2017–18.

## Staff report part A: Audited

### Number of senior civil servants by pay band

181. As part of a government-wide transparency drive, we have released details about the salaries of our top band senior civil servants. These figures have been published in accordance with Cabinet Office guidance.

	At 31 March 2018	At 31 March 2017
SCS Band 1	16	16
SCS Band 2	11	12
SCS Band 3	1	-
Permanent Secretary Equivalent	1	1
<b>Total</b>	<b>29</b>	<b>29</b>

### Staff numbers and related costs

182. The overall headcount increased in 2017–18 due to 253 employees transferring in to Ofsted on 1 April 2017 when Ofsted insourced early years inspection. The average number of full-time equivalents employed during the year were:

	2017–18			2016–17
	Total	Permanently employed staff	Others	Total
	No.	No.	No.	No.
<b>Total</b>	<b>1,842</b>	<b>1,727</b>	<b>115</b>	1,548

183. Total staff costs for the year were:

Staff costs comprise:	2017–18			2016–17
	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	80,524	76,634	3,890	72,350
Social security costs	8,672	8,545	127	7,696
Apprentice levy	403	403	-	
Pension costs	16,304	16,123	181	14,388
<b>Sub total</b>	<b>105,903</b>	<b>101,705</b>	<b>4,198</b>	94,434
Restructuring costs	751	751	-	1,882
<b>Total net costs</b>	<b>106,654</b>	<b>102,456</b>	<b>4,198</b>	96,316

184. The £10.3 million (11%) increase in staffing costs compared with the previous year mainly relates to the employees who transferred to Ofsted on 1 April 2017. The increase is also partly due to the annual 1% Civil Service pay increase and the introduction of the apprentice levy in 2017–18.
185. Other staff costs of £4.2 million include £2.6 million of temporary agency staff costs, and £1.6 million of costs relating to other fixed-term contract staff and seconded staff. Restructuring costs of £0.8 million include £0.7 million of in-year exit costs and £0.1 million relating to top-up of prior year exit costs following the legal challenge on the changes made to the Civil Service compensation scheme in November 2016.
186. For 2017–18, we paid employers' contributions of £16.1 million were payable to the PCS (2016–17: £14.2 million) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years after following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017–18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.
187. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. We paid employers' contributions of £0.2 million were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015 were payable to the PCS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

*Reporting of Civil Service and other compensation schemes – exit packages*

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

Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	2017–18 total number of exit packages by cost band	2016–17 total number of exit packages by cost band
0–10	0	1	1	0
10–25	0	6	6	2
25–50	0	7	7	2
50–100	0	3	3	8
100–150	0	1	1	0
150–200	0	0	0	0
200+	0	0	0	0
<b>Total number of exits</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>12</b>
<b>Total resource cost £'000</b>	<b>0</b>	<b>660</b>	<b>660</b>	<b>792</b>

*Monitoring of consultancy and temporary staff*

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

	2017–18 £'000	2016–17 £'000
Consultancy	123	-
Temporary and agency staff	4,198	3,264

### Off-payroll engagements

190. There was one off-payroll engagement at a cost of over £245 per day in place between 1 April 2017 and 31 March 2018. This off-payroll engagement was in place from the previous reporting period as detailed in the table below. This engagement was assessed as in scope of the IR35 regulations.

No. of existing engagements as of 31 March 2018	1
Of which...	
No. that have existed less than one year at time of reporting	0
No. that have existed for between one and two years at time of reporting	1
No that have existed for between two and three years at time of reporting	0

191. There were no new off-payroll engagements or those that reached six months in duration between 1 April 2017 and 31 March 2018 for more than £245 per day and that lasted for longer than six months.

No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	0
Number assessed as caught by IR35	0
Number assessed as not caught by IR35	0

192. There were no new off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2017 and 31 March 2018 as detailed in the table below. Board members and senior officials with significant financial responsibility are defined as: Her Majesty's Chief Inspector; chief operating officer; director, finance, planning and commercial; chair of the board; and chair of the audit and risk assurance committee.

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

## Staff report part B: Unaudited

### Staff composition

193. On 31 March 2018, Ofsted directly employed 1,763 (1,685 full-time equivalent (FTE) staff across England. This represents an increase in employed staff numbers compared with 1,529 (1,478 FTE) on 31 March 2017. The overall headcount increase includes 253 employees who transferred to Ofsted on 1 April 2017 when Ofsted insourced early years inspection.

194. The gender of the staff is as follows:

	Female	Male	2017–18 Total	2016–17 Total
Executive board	7	9	16	15
Other SCS	6	7	13	14
Other	1,161	573	1,734	1,500
<b>Total</b>	<b>1,174</b>	<b>589</b>	<b>1,763</b>	1,529

### Sickness absence

195. The rate of average working days lost (AWDL) has increased during the course of the year, from 7.4 in 2016–17 to 8.6 at the end of 2017–18. The executive board is therefore monitoring this as a particular area of concern. Distribution of sickness absence is not uniform and some groups contribute disproportionately to this rise. Sickness absence among the HMI workforce remains lower than other groups. During 2018/19, we will carry out a full review of our attendance management process and procedure and provide training for managers on avoiding and managing employee absence and ill health.

### Staff policies

196. People who feel valued and included are more likely to be engaged with their work and deliver better quality services. Ofsted's Equality Diversity and Inclusion group ensures that equality, diversity and inclusion is the heart of its work by providing strategic oversight and reporting progress in these areas to the executive board. Ofsted is a Disability Confident employer and is committed to attracting, recruiting and retaining employees who have disabilities. All policies are designed to be inclusive and accessible. Specifically, we have workplace adjustments passports and guidance, both of which support employees who have a disability or long-term health condition to record, manage and maintain the continuity of their adjustments and remain in work. Through the Guaranteed Interview Scheme, interviews are offered to disabled people who meet the minimum criteria for the role. Blind sifting is used to overcome unconscious bias and promote diversity within our workforce.

197. We further support our employees through the provision of flexible working procedures, occupational health referrals and the time off work policy, to enable all employees to maintain a suitable work–life balance. We monitor how we apply our policies for equity, reporting to the executive board on any adverse impact for groups with protected characteristics.
198. There are four staff networks: Ethnic equalities, Religion and faith, Ofsted Rainbow Alliance and the Disability at work network. Through these, we listen to the views of our employees and undertake to improve equality, diversity and inclusion for all staff. All Ofsted employees undertake mandatory equality training and all managers are required to undertake mandatory unconscious bias training.
199. In June 2017, we successfully launched our Mental Health First Aiders scheme. The first aiders are trained to act as a supportive first point of contact for employees who may be facing mental health challenges or need to seek advice. We also have an SCS-level well-being champion to further support Ofsted’s well-being action plan and as part of the Civil Service well-being priorities (2017–10). In addition, the aims of the anti-bullying and harassment group chaired by a member of the SCS, is to tackle bullying, harassment and discrimination in Ofsted and build a culture of fairness, respect and tolerance.

#### *Whistleblowing*

200. Our policy is based on the Civil Service Employee Policy (CSEP) model and we regularly remind employees how to raise a concern. We report any cases to the Cabinet Office on a quarterly basis. We also report on developments and plans to improve our whistleblowing culture and employee awareness.
201. There have been two whistleblowing cases during the year and each has been fully investigated. One was upheld and one was not.

#### *Facility time*

202. We believe that a positive and inclusive approach to employee relations can really help us to achieve our objectives and aims, and support our colleagues to achieve theirs. We also believe that creating a culture in which our employees can thrive, morale is high and well-being is a priority is critical to our success. Ofsted works in partnership with three recognised unions, who make up our trade union side: FDA, Public and Commercial Services Union (PCS), and UNISON.
203. Facility time is reported in line with the requirements set out in the Trade Union (Facility Time Publications Requirements) Regulations 2017. This represents paid time off provided to trade union representatives for trade union duties and activities.

#### *Relevant union officials*

204. During the year ending 31 March 2018, there were 26 employees who were relevant trade union officials, a full-time equivalent of 25.1. During this period 10 union officials spent no time and 16 spent between 1-50% of their time on union activities. There were no union officials who spent over 50% of time. This is in line with the Cabinet Office facility time framework, which requires that union representatives spend at least half of their time undertaking their Civil Service job.

205. The total cost of facility time was £84,545, out of a total pay bill of £101,686, 892. This represents 0.08% of the total pay bill spent on paying employees who were relevant union officials for facility time during the year ending 31 March 2018. Facility time costs of 0.08% of pay bill are below the guide figure of 0.1% set by the Cabinet Office.
206. The percentage of total paid facility time hours spent on paid trade union activities was 22%. The time recorded on trade union activities was higher than expected. We have identified that this is because some of our trade union representatives have incorrectly categorised trade union duties (for example learning and development and meeting with members to discuss Ofsted matters) as trade union activities. We are working with trade union colleagues to ensure that work is accurately allocated against facility time recording and are confident that time is not being inappropriately used on trade union activity.

## Parliamentary accountability and audit report: Audited

### Statement of Parliamentary Supply

207. In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRoM) requires Ofsted to prepare a Statement of Parliamentary Supply and supporting notes to show resource and capital out-turn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.
208. Figures described as estimate totals are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.
209. Our performance against the total funding received in the Estimate of £140.6 million was:

	<b>Estimate</b>	<b>Out-turn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Departmental Expenditure Limit – Resource (RDEL excluding depreciation)	127,770	126,561	1,209
Departmental Expenditure Limit – Capital (CDEL)	8,000	7,405	595
<b>Ofsted's core funding</b>	<b>135,770</b>	<b>133,966</b>	<b>1,804</b>
Departmental Expenditure Limit–Depreciation	3,700	2,575	1,125
Annually Managed Expenditure – Resource (AME)	1,162	(151)	1,313
<b>Total budget</b>	<b>140,632</b>	<b>136,390</b>	<b>4,242</b>

210. Against the core funding of £135.8 million, Ofsted underspent by £1.8 million: equivalent to 1.3% of its budget. This primarily relates to accounting related adjustments rather than underspending against the operating budget. During the year, it was identified that Ofsted would no longer need to make a payment in relation to a £0.8 million accrual made in 2016–17. We also received information regarding another accrual which reduced the value from £1.2 million to £0.5 million, of which part was treated as a provision. These changes resulted in a net £1.6 million credit against our RDEL expenditure in the year. Operating related underspends in inspection and other business areas were offset by increased investment in technology and systems to improve efficiency and ways of working.
211. In the year, Ofsted spent £7.4m against its capital budget, which is an increase of £3.6 million on the previous year. This increase is due to further investment in systems that will improve the way we work and how we engage with our stakeholders. These include:
- electronic evidence gathering, a digital tool that will allow efficient collection, sharing and use of evidence from all inspections
  - My Ofsted Registration (MORe), a new and more user-friendly online service for registering with Ofsted
  - a new website for inspection reports to make it easier for parents and other stakeholders to find inspection reports on schools, colleges, childminders, nurseries and other organisations that Ofsted inspects.
212. We have also continued to invest in our core inspection management system (Cygnus) so that early years inspection can be managed through this system along with all our other inspection types. In addition to this, we have invested in a number of other smaller IT projects to improve the way we work and a new office location in London following the end of the lease on the previous property. We have also conducted a number of research projects which are classed as capital expenditure under government accounting guidelines (ESA 10).
213. Overall, Ofsted's administration expenditure in 2017–18 was £14.6 million: £0.4 million less than budget. We have made these savings by continuing to invest in technology and systems to improve efficiency and ways of working.

Summary of resource and capital out-turn 2017–18

	Estimate			Out-turn			Net total out-turn compared with estimate saving / (excess)	Net total
	Voted	Non-voted	Total	Voted	Non-voted	Total	2017–18	2016–17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Departmental expenditure limit</b>								
– Resource	131,470	-	131,470	129,136	-	129,136	2,334	141,685
– Capital	8,000	-	8,000	7,405	-	7,405	595	3,785
<b>Annually managed expenditure</b>								
– Resource	1,162	-	1,162	(151)	-	(151)	1,313	(630)
– Capital	-	-	-	-	-	-	-	-
<b>Total budget</b>	<b>140,632</b>	<b>-</b>	<b>140,632</b>	<b>136,390</b>	<b>-</b>	<b>136,390</b>	<b>4,242</b>	<b>144,840</b>
Total resource	132,632	-	132,632	128,985	-	128,985	3,647	141,055
Total capital	8,000	-	8,000	7,405	-	7,405	595	3,785
<b>Total</b>	<b>140,632</b>	<b>-</b>	<b>140,632</b>	<b>136,390</b>	<b>-</b>	<b>136,390</b>	<b>4,242</b>	<b>144,840</b>

Net cash requirement 2017–18

	Note	2017–18			2016–17
		Estimate total	Out-turn total	Out-turn compared with estimate saving / (excess)	Out-turn total
		£'000	£'000	£'000	£'000
<b>Net cash requirement</b>	<b>SOPS 2</b>	<b>135,707</b>	<b>135,632</b>	<b>75</b>	<b>140,882</b>

Administration costs 2017–18

	2017–18			2016–17
	Estimate total	Out-turn total	Out-turn compared with estimate saving/ (excess)	Out-turn total
	£'000	£'000	£'000	£'000
<b>Administration costs</b>	<b>14,950</b>	<b>14,654</b>	<b>296</b>	15,425

SoPS 1 Net out-turn

SoPS 1.1 Analysis of net resource out-turn by section

	2017–18									2016–17
	Administration			Programme			Out-turn	Estimate		Out-turn
	Gross	Income	Net	Gross	Income	Net	Total	Net total estimate	Net total out-turn compared with estimate saving/ (excess)	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit:										
Voted	14,661	(7)	14,654	135,524	(21,042)	114,482	129,136	131,470	2,334	141,685
Non-voted	-	-	-	-	-	-	-	-	-	-
Annually managed expenditure:										
Voted	-	-	-	(151)	-	(151)	(151)	1,162	1,313	(630)
<b>Total</b>	<b>14,661</b>	<b>(7)</b>	<b>14,654</b>	<b>135,373</b>	<b>(21,042)</b>	<b>114,331</b>	<b>128,985</b>	<b>132,632</b>	<b>3,647</b>	141,055

SoPS 1.2 Analysis of net capital out-turn by section

	2017-18					2016-17
	Out-turn				Estimate	Out-turn
	Gross	Income	Net	Net total estimate	Net total out-turn compared with estimate saving/ (excess)	
	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit:						
Voted	7,405	-	7,405	8,000	595	3,849
<b>Total</b>	<b>7,405</b>	<b>-</b>	<b>7,405</b>	<b>8,000</b>	<b>595</b>	<b>3,849</b>

SoPS 2 Reconciliation of net resource out-turn to net operating expenditure

	Out-turn 2017-18	Out-turn 2016-17
	£'000	£'000
<b>Total resource out-turn in Statement of Parliamentary Supply</b>	<b>128,985</b>	141,055
<i>Add:</i>		
<i>Research costs classified as Capital DEL in the Statement of Parliamentary Supply under ESA 10, but treated as operating costs in the Statement of Comprehensive Net Expenditure</i>	<b>1,207</b>	-
	<b>130,192</b>	<b>141,055</b>
<b>Net operating expenditure in Statement of Comprehensive Net Expenditure</b>	<b>130,192</b>	<b>141,055</b>

SoPS 3 Reconciliation of net resource out-turn to net cash requirement

		2017–18		
		Estimate	Out-turn	Net total out-turn compared with estimate saving/ (excess)
		£'000	£'000	£'000
<b>Resource out-turn</b>	Note SoPS 1.1	<b>132,632</b>	<b>128,985</b>	<b>3,647</b>
<b>Capital out-turn</b>	Note SoPS 1.2	<b>8,000</b>	<b>7,405</b>	<b>595</b>
<b>Total out-turn</b>		<b>140,632</b>	<b>136,390</b>	<b>4,242</b>
<b>Accruals to cash adjustments:</b>		<b>(4,925)</b>	<b>(758)</b>	<b>(4,167)</b>
<i>Of which:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		<b>(3,700)</b>	<b>(2,575)</b>	<b>(1,125)</b>
New provisions and adjustments to previous provisions		<b>(1,714)</b>	<b>(611)</b>	<b>(1,103)</b>
Auditor's remuneration		<b>(63)</b>	<b>(68)</b>	<b>5</b>
Other non-cash items		<b>-</b>	<b>(5)</b>	<b>5</b>
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		<b>-</b>	<b>(787)</b>	<b>787</b>
(Increase)/decrease in payables		<b>-</b>	<b>2,920</b>	<b>(2,920)</b>
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		<b>-</b>	<b>(394)</b>	<b>394</b>
Use of provisions		<b>552</b>	<b>762</b>	<b>(210)</b>
<b>Net cash requirement</b>		<b>135,707</b>	<b>135,632</b>	<b>75</b>

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

## Losses and special payments

### Losses statement

	2017-18		2016-17	
	No. of cases	£'000	No. of cases	£'000
Fruitless payments and constructive losses	8	9	30	5
<b>Total</b>	<b>8</b>	<b>9</b>	<b>30</b>	<b>5</b>

### Special payments

	2017-18		2016-17	
	No. of cases	£'000	No. of cases	£'000
Special payments	2	16	2	34
<b>Total</b>	<b>2</b>	<b>16</b>	<b>2</b>	<b>34</b>

### Fees and charges

	2017-18		
	Income	Full cost	Surplus / (Deficit)
	£'000	£'000	£'000
Social care	9,394	21,303	(11,909)
Early years	6,427	34,071	(27,644)
Independent schools	1,579	5,007	(3,428)
<b>Total</b>	<b>17,400</b>	<b>60,381</b>	<b>(42,981)</b>

	2016-17		
	Income	Full cost*	Surplus / (Deficit)
	£'000	£'000	£'000
Social care	8,519	21,701	(13,182)
Early years	6,323	43,929	(37,606)
Independent schools	860	3,834	(2,974)
<b>Total</b>	<b>15,702</b>	<b>69,464</b>	<b>(53,762)</b>

\*Note that the 2016-17 full cost figures have been re-stated due to incorporating costs of early years regulatory inspectors into the full cost of childcare registration and inspection activity.

Full cost is calculated by multiplying actual inspections delivered in the year by the unit cost for each inspection taken from Ofsted's unit cost model.

**Amanda Spielman:**

**Date: 28 June 2018**

**Accounting Officer**

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

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Office for Standards in Education, Children's Services and Skills (Ofsted) for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: Ofsted's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Ofsted's affairs as at 31 March 2018 and of Ofsted's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the out-turn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Office for Standards in Education, Children's Services and Skills in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Office for Standards in Education, Children's Services and Skills' internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office for Standards in Education, Children's Services and Skills' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the out-turn against voted Parliamentary control

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

### **Other information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000
- in the light of the knowledge and understanding of Ofsted and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

**Report**

I have no observations to make on these financial statements.

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

**Date: 29 June 2018**

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



# THE FINANCIAL STATEMENTS



## Financial statements

### Statement of comprehensive net expenditure

		2017–18		2016–17
	Note	£'000	£'000	£'000
Income from sale of services			(20,980)	(18,476)
Grant income – apprentice levy			(69)	-
<b>Total operating income</b>	<b>5</b>		<b>(21,049)</b>	(18,476)
Staff costs	3	<b>106,654</b>		96,316
Purchase of goods and services	4	<b>41,246</b>		60,410
Depreciation and amortisation	4	<b>2,575</b>		2,415
Provision expense	14	<b>611</b>		327
Other operating expenditure	4	<b>86</b>		63
Training – apprentice levy	4	<b>69</b>		-
<b>Total operating expenditure</b>			<b>151,241</b>	159,531
<b>Net expenditure for the year</b>			<b>130,192</b>	141,055
<b>Other comprehensive net expenditure</b>				
Net (gain)/loss on:				
Actuarial revaluation of pension scheme		(5)		(2)
<b>Total comprehensive expenditure</b>			<b>130,187</b>	141,053

## Statement of financial position

	Note	31 March 2018		31 March 2017	
		£'000	£'000	£'000	£'000
<b>Non-current assets:</b>					
Property, plant and equipment	6	2,681		1,735	
Intangible assets	7	10,315		7,638	
Trade and other receivables	12	407		232	
<b>Total non-current assets</b>			<b>13,403</b>		9,605
<b>Current assets:</b>					
Trade and other receivables	12	2,664		3,626	
Cash and cash equivalents	11	75		469	
<b>Total current assets</b>			<b>2,739</b>		4,095
<b>Total assets</b>			<b>16,142</b>		13,700
<b>Current liabilities</b>					
Trade and other payables	13	(13,802)		(16,722)	
Provisions	14	(1,186)		(1,177)	
<b>Total current liabilities</b>			<b>(14,988)</b>		(17,899)
<b>Non-current assets less net current liabilities</b>			<b>1,154</b>		(4,199)
<b>Non-current liabilities</b>					
Provisions	14	(1,058)		(1,218)	
<b>Total non-current liabilities</b>			<b>(1,058)</b>		(1,218)
<b>Total assets less total liabilities</b>			<b>96</b>		(5,417)
<b>Taxpayers' equity and other reserves:</b>					
<b>General fund</b>			<b>96</b>		(5,417)
<b>Total equity</b>			<b>96</b>		(5,417)

Amanda Spielman

Date: 28 June 2018

Accounting Officer

## Statement of cash flows

		2017–18	2016–17
	Note	£'000	£'000
<b>Cash flows from operating activities</b>			
Net operating cost		<b>(130,192)</b>	(141,055)
Adjustment for non-cash transactions		<b>3,259</b>	2,807
(Increase)/Decrease in trade and other receivables		<b>787</b>	2,716
Increase/(Decrease) in trade payables		<b>(2,920)</b>	(581)
Less: movements in Departmental balances within the consolidated fund		<b>394</b>	(27)
Use of provisions	14	<b>(762)</b>	(957)
<b>Net cash outflow from operating activities</b>		<b>(129,434)</b>	(137,097)
<b>Cash flows from investing activities</b>			
Purchase of non-financial assets	6 & 7	<b>(6,198)</b>	(3,785)
Proceeds from disposal of non-financial assets		-	-
<b>Net cash outflow from investing activities</b>		<b>(6,198)</b>	(3,785)
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		<b>135,238</b>	140,909
From the Consolidated Fund (Supply) – prior year		-	-
<b>Net Financing</b>		<b>135,238</b>	140,909
<b>Net increase/ (decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>		<b>(394)</b>	27
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/ (decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>		<b>(394)</b>	27
Cash and cash equivalents at the beginning of the period	11	<b>469</b>	442
Cash and cash equivalents at the end of the period	11	<b>75</b>	469

## Statement of changes in taxpayers' equity

		2017–18		
		General fund	Pension reserve	Total reserves
	Note	£'000	£'000	£'000
<b>Balance at 31 March 2016</b>		<b>(5,309)</b>		<b>(5,309)</b>
Net Parliamentary Funding		140,882	-	140,882
Comprehensive net expenditure for the year	SoCNE	(141,055)	-	(141,055)
Auditors remuneration	4	63	-	63
Net actuarial gain/(loss) in pension schemes	18	2	-	2
<b>Balance at 31 March 2017</b>		<b>(5,417)</b>	<b>-</b>	<b>(5,417)</b>
Net Parliamentary Funding		135,632	-	135,632
Comprehensive net expenditure for the year	SoCNE	(130,192)	-	(130,192)
Auditors remuneration	4	68	-	68
Net actuarial gain/(loss) in pension schemes	18	5	-	5
<b>Balance at 31 March 2018</b>		<b>96</b>	<b>-</b>	<b>96</b>

## Notes to the Ofsted resource accounts

### 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ofsted for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofsted are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared on a going concern basis.

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

#### 1.1 Accounting convention

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

#### 1.2 Valuation of non-current assets

Plant and equipment assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2016–17 FReM. Intangible assets are held at cost less accumulated amortisation and any impairment losses. Ofsted uses this method as it has a very small asset base and any revaluation adjustments would be immaterial.

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

#### 1.3 Depreciation and amortisation

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

Asset lives are in the following ranges:

- information technology – three to eight years (most assets in the category have a useful life of five years)
- furniture and fittings – four to 15 years.

## **1.4 Operating and other income**

Operating and other income relates to charges levied by Ofsted on its directly provided services. It comprises mainly of fees for registration and regulation of privately and publicly funded provisions. Although there are moves towards recovering full cost, the charges to the majority of providers do not currently represent Ofsted's full costs. Ofsted's income includes income appropriated-in-aid of the Estimate, which in accordance with the FReM should be treated as operating income.

## **1.5 Administration and programme expenditure**

The classification of expenditure and income as administration and programme follows the definition of administration costs set out in Consolidated Budgeting Guidance by HM Treasury.

## **1.6 Pensions**

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

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

The pension scheme surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the statement of financial position.

At the point when Ofsted no longer has any current employees who are active members in the scheme, Ofsted's share of the scheme liabilities become due in full. Ofsted cannot control the timing of this liability and as such has put in place an exit strategy to mitigate the risk to the budget and service delivery. This has been disclosed as a remote contingent liability.

## **1.7 Leases**

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

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

Ofsted reviews all existing contractual arrangements under International Accounting Standards Interpretations IFRIC4, Determining Whether an Arrangement Contains a Lease, to determine whether individual contracts are a lease in substance but not in legal form.

## **1.8 Value added tax**

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

## **1.9 Provisions**

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

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

## **1.10 Contingent liabilities and contingent assets**

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

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

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

## **1.11 Financial instruments**

Ofsted holds the following financial assets and liabilities:

### Assets

- Cash
- Trade receivables – current
- Trade receivables – non-current

### Liabilities

- Trade and other payables – current
- Other payables > 1 year – non-current

Financial Assets and Liabilities are accounted for under IAS39, Financial Instruments, and IFRS7, Financial Instruments: Disclosure.

### **Financial assets**

Ofsted does not currently have any financial assets that need to be classified as available-for-sale or financial assets at fair value through profit or loss, neither does it have cash equivalents or derivative financial instruments. Cash balances are measured as the amounts received in Ofsted's bank account. Ofsted does not currently have cash equivalents.

### **Financial liabilities**

Ofsted does not currently have financial liabilities classified as fair value through profit or loss, neither does it have derivative Financial Instruments.

### **1.12 Estimation techniques used and changes in accounting estimates**

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

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

Ofsted also applies estimation techniques when determining levels of Administration and Programme expenditure. Where costs cannot be wholly attributed to either Administration or Programme, Ofsted determines the most appropriate method to apportion the costs.

### **1.13 Segmental reporting**

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

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

- inspection
- inspection support and corporate services
- strategy and policy
- income
- other

### **1.14 Accounting standards in issue but not yet effective**

Ofsted has considered the accounting standards in issue but not yet effective at the reporting date. Our assessment of these changes are as follows:

IFRS 9 Financial instruments. Ofsted's financial instruments have been assessed against the 'hold to collect' and 'contractual cash flow characteristics' tests prescribed by the standard. This determined that our financial instruments would qualify to be treated on an amortised basis, rather than on a fair value basis. This is consistent with how Ofsted currently accounts

for financial instruments, therefore the impact of this new standard is not expected to be material.

IFRS 15 Revenue from contracts with customers. This new standard will apply from 1 April 2018. Ofsted has assessed all of its revenue streams and is satisfied that there will be no material change to our current accounting treatment on revenue recognition.

IFRS 16 leases. This new standard will not come into force until 1 April 2019. Some of the key details and practical issues for public bodies are still being considered by the Financial Reporting Advisory Board and HM Treasury.

## 2 Statement of operating costs by operating segments

						2017–18
	Inspection	Inspection support and corporate services	Strategy and policy	Income	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>	<b>85,833</b>	<b>46,141</b>	<b>15,039</b>	-	<b>4,228</b>	<b>151,241</b>
<b>Income</b>	-	-	-	<b>(20,980)</b>	<b>(69)</b>	<b>(21,049)</b>
<b>Net expenditure</b>	<b>85,833</b>	<b>46,141</b>	<b>15,039</b>	<b>(20,980)</b>	<b>4,159</b>	<b>130,192</b>

						2016–17
	Inspection	Inspection support and corporate services	Strategy and policy	Income	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	92,238	45,999	14,690	-	6,604	159,531
Income	-	-	-	(18,476)	-	(18,476)
Net expenditure	92,238	45,999	14,690	(18,476)	6,604	141,055

*Note that the operating segments in this note have changed since last year to ensure compliance with IFRS 8. Both years have been changed to enable comparison between years.*

Inspection costs have reduced by £6.4 million (7%) compared to the previous year. In 2017–18, Ofsted brought the early years inspections in house which has reduced inspection costs. In 2016–17, the inspection service providers were asked to deliver more inspections to safeguard against any unforeseen circumstances during the transition resulting in additional costs. The reduction in inspection costs is also partly off-set by an increase in schools inspections in 2017–18.

Ofsted's income has increased by £2.5m (14%) compared to the previous year. This is mainly as a result of: fee increases for social care providers following consultation with the sector; additional funding from the DfE in relation to independent school inspection (see note 5); and charges to other government departments for inspection work carried out on their behalf.

Other costs have reduced by £2.5m (38%) compared to the previous year. This mainly relates to accounting related adjustments rather than reductions in operating costs (see the Parliamentary accountability and audit report section for further details).

### Factors used to identify the reportable segments

The operating results of the segments described below are reviewed regularly by executive board and HMCI to make decisions about resources to be allocated to the segment and assess its performance. This is in line with the reporting requirements of IFRS 8 Operating Segments.

### Description of segments inspection:

The costs of direct inspection delivery and management.

### Inspection support and corporate costs:

The costs of this segment include: inspection support; regulatory activity; and corporate functions including IT, human resources, property and finance.

### Strategy and policy:

The costs of this segment include: inspection policy and framework development; inspection quality assurance; inspector training; corporate strategy; research and evaluation; and external engagement.

### Income:

Fees and charges arising from inspection and regulation activity.

### Other:

Other corporate costs.

## 3 Staff costs

	2017–18			2016–17
Staff costs comprise:	Total	Permanently employed staff	Others	Total
	£'000	£'000	£'000	£'000
Wages and salaries	80,524	76,634	3,890	72,350
Social security costs	8,672	8,545	127	7,696
Apprentice levy	403	403	-	-
Pension costs	16,304	16,123	181	14,388
<b>Sub total</b>	<b>105,903</b>	<b>101,705</b>	<b>4,198</b>	<b>94,434</b>
Restructuring costs	751	751	-	1,882
<b>Total net costs</b>	<b>106,654</b>	<b>102,456</b>	<b>4,198</b>	<b>96,316</b>

The £10.3 million (11%) increase in staffing costs compared with the previous year mainly relates to employees who transferred to Ofsted on 1 April 2017 when Ofsted in-sourced early years inspection.

## 4 Expenditure

		2017–18	2016–17
	Note	£'000	£'000
Contracted inspection costs		<b>16,547</b>	33,208
ICT – outsourcing, maintenance and support of infrastructure, and telecoms		<b>3,225</b>	5,591
Estates costs including rent, rates, facility management and security		<b>5,473</b>	4,273
Contracted professional services		<b>5,099</b>	4,571
Travel and subsistence costs		<b>7,429</b>	6,904
Legal costs		<b>539</b>	539
Recruitment, training and staff related costs		<b>2,376</b>	3,072
Stationery, printing, postage and office equipment		<b>656</b>	662
Equipment purchases (non-capital)		<b>1,358</b>	1,489
Other expenditure		<b>(1,456)</b>	213
Non-cash items:			
Increase/decrease in provisions	14	<b>611</b>	327
Depreciation	6	<b>618</b>	565
Amortisation	7	<b>1,957</b>	1,850
Auditor's remuneration and expenses		<b>68</b>	63
Training – apprentice levy		<b>69</b>	-
Other non-cash costs		<b>18</b>	(112)
<b>Total</b>		<b>44,587</b>	63,215

The £18.7m (30%) reduction in expenditure mainly relates to the reduction in contracted inspection costs. In 2016–17, early years inspection work was outsourced, whereas in 2017–18 the work was done in-house by Ofsted staff. A large proportion of these staff transferred to Ofsted under TUPE regulations. Therefore, staffing related costs have increased (note 3) and non-staff costs decreased.

## 5 Income

Operating income analysed by classification is as follows:

	2017–18	2016–17
	£'000	£'000
Social care	9,394	8,519
Early years	6,427	6,323
Independent schools*	1,579	860
DfE income**	2,266	2,215
Other government department/other income	1,314	559
<b>Total</b>	<b>20,980</b>	<b>18,476</b>
Grant income – apprentice levy	69	-
<b>Total</b>	<b>21,049</b>	<b>18,476</b>

\*Independent schools income in 2017–18 includes £0.8 million from the DfE as a result of delays in implementing new charges and fee increases agreed as part of Ofsted's spending review settlement.

\*\*DfE income in 2017–18 includes £1 million of funding for identifying, inspecting and closing unregistered schools, £0.9 million of funding for inspections of the local area special educational needs (LA SEND) arrangements, and £0.3 million for other inspection work carried out on the behalf of the DfE.

## 6 Property, plant and equipment

Property, plant and equipment comprises of IT hardware and office equipment.

	2017–18		
	Information technology	Furniture and fittings	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 April 2017	3,047	290	3,337
Additions	-	1,564	1,564
Disposals	(211)	-	(211)
Impairments	-	-	-
<b>At 31 March 2018</b>	<b>2,836</b>	<b>1,854</b>	<b>4,690</b>
<b>Depreciation</b>			
At 1 April 2017	1,430	172	1,602
Charged in year	551	67	618
Disposals	(211)	-	(211)
Impairments	-	-	-
<b>At 31 March 2018</b>	<b>1,770</b>	<b>239</b>	<b>2,009</b>
<b>Carrying amount at 31 March 2018</b>	<b>1,066</b>	<b>1,615</b>	<b>2,681</b>
Carrying amount at 1 April 2017	1,617	118	1,735
<b>Asset financing:</b>			
Owned	1,066	1,615	2,681
Finance leased	-	-	-
<b>Carrying amount at 31 March 2018</b>	<b>1,066</b>	<b>1,615</b>	<b>2,681</b>

	2016-17		
	Information technology	Furniture and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2016	2,934	290	3,224
Additions	113	-	113
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2017	3,047	290	3,337
Depreciation			
At 1 April 2016	907	130	1,037
Charged in year	523	42	565
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2017	1,430	172	1,602
Carrying amount at 31 March 2017	1,617	118	1,735
Carrying amount at 1 April 2016	2,027	160	2,187
Asset financing:			
Owned	1,617	118	1,735
Finance leased	-	-	-
Carrying amount at 31 March 2017	1,617	118	1,735

## 7 Intangible assets

Intangible assets comprise purchased software licences, and bespoke IT systems developed in partnership with external suppliers to support regulation and inspection activity.

	2017–18		
	Software	Development expenditure	Total
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 1 April 2017	27,940	1,995	29,935
Additions	716	3,918	4,634
Disposals	(46)	-	(46)
Impairments	-	-	-
<b>At 31 March 2018</b>	<b>28,610</b>	<b>5,913</b>	<b>34,523</b>
<b>Amortisation</b>			
At 1 April 2017	22,297	-	22,297
Charged in year	1,957	-	1,957
Disposals	(46)	-	(46)
Impairments	-	-	-
<b>At 31 March 2018</b>	<b>24,208</b>	<b>-</b>	<b>24,208</b>
<b>Carrying amount at 31 March 2018</b>	<b>4,402</b>	<b>5,913</b>	<b>10,315</b>
Carrying amount at 1 April 2017	5,643	1,995	7,638
<b>Asset financing:</b>			
Owned	4,402	5,913	10,315
Finance leased	-	-	-
<b>Carrying amount at 31 March 2018</b>	<b>4,402</b>	<b>5,913</b>	<b>10,315</b>

	2016–17		
	Software	Development expenditure	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2016	26,263	-	26,263
Additions	1,677	1,995	3,672
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2017	27,940	1,995	29,935
Amortisation			
At 1 April 2016	20,447	-	20,447
Charged in year	1,850	-	1,850
Disposals	-	-	-
Impairments	-	-	-
At 31 March 2017	22,297	-	22,297
Carrying amount at 31 March 2017	5,643	1,995	7,638
Carrying amount at 1 April 2016	5,816	-	5,816
Asset financing:			
Owned	5,643	1,995	7,638
Finance leased	-	-	-
Carrying amount at 31 March 2017	5,643	1,995	7,638

## 8 Impairments

The total impairment charge for the year was nil (2016–17: nil).

## 9 Capital and other commitments

### 9.1 Operating leases

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

	2017–18	2016–17
	£'000	£'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	2,792	2,666
Later than one year and not later than five years	9,766	6,675
Later than five years	6,906	3,251
<b>Total</b>	<b>19,464</b>	<b>12,592</b>

Significant operating lease arrangements include those for properties occupied by Ofsted staff as required to carry out their administrative duties. The increase is mainly due to a new property lease following the end of the previous lease.

## 9.2 Capital commitments

	2017–18	2016–17
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
IT system build	211	952
<b>Total</b>	<b>211</b>	<b>952</b>

## 9.3 Other financial commitments

Ofsted has entered into non-cancellable contracts (which are not a lease or PFI contract) for IT related services.

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

	2017–18	2016–17
	£'000	£'000
Not later than one year	1,363	3,676
Later than one year and not later than five years	285	-
Later than five years	-	-
<b>Total</b>	<b>1,648</b>	<b>3,676</b>

## 10 Financial instruments

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

## 11 Cash and cash equivalents

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	469	442
Net changes in cash and cash equivalent balances	(394)	27
<b>Balance</b>	<b>75</b>	<b>469</b>

	2017-18	2016-17
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	75	469
<b>Balance</b>	<b>75</b>	<b>469</b>

## 12 Trade receivables, financial and other assets

	2017-18	2016-17
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade receivables	964	1,698
Deposits and advances	165	170
Other receivables	170	40
Prepayments	947	1,497
Accrued income	156	(6)
VAT	262	227
	<b>2,664</b>	<b>3,626</b>
<b>Amounts falling due after more than one year:</b>		
Trade receivables	-	-
Deposits and advances	117	114
Prepayments	290	118
	<b>407</b>	<b>232</b>

### 13 Trade payables and other current liabilities

	2017-18	2016-17
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade payables	277	129
Other payables	2,026	1,794
Other taxation and social security	2,403	2,122
Accruals	8,905	12,094
Deferred income	116	114
Amounts issued from the Consolidated Fund supply but not spent at year end	75	469
	<b>13,802</b>	16,722
<b>Amounts falling due after more than one year:</b>		
	-	-
	-	-

## 14 Provisions for liabilities and charges

	2017-18						2016-17
	Early departure costs	Property dilapidation	Injury benefits	Early years pensions bulk transfer	Vacant property	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	1,332	781	276	-	6	2,395	3,025
Provided in the year	720	135	6	163	-	1,024	422
Provisions not required written back	(272)	(137)	-	-	(6)	(415)	(124)
Provisions utilised in the year	(541)	(208)	(13)	-	-	(762)	(957)
Borrowing costs (unwinding of discount)	2	-	-	-	-	2	29
Balance at 31 March 2018	1,241	571	269	163	-	2,244	2,395

*Analysis of expected timing of discounted flows:*

	Early departure costs	Property dilapidation	Injury benefits	Early years pensions bulk transfer	Vacant property	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	1,005	5	13	163	-	1,186
Later than one year and not later than five years	236	362	60	-	-	658
Later than five years	-	204	196	-	-	400
<b>Balance at 31 March 2017</b>	<b>1,241</b>	<b>571</b>	<b>269</b>	<b>163</b>	<b>-</b>	<b>2,244</b>

### **14.1 Early departure costs**

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

Early retirement costs come in the form of annual compensation payments (over the period between early departure and normal retirement date) and lump sum compensation payments (to compensate for any impairment to retirement lump sums that have arisen due to retiring early). An individual's entitlement to these payments will depend upon the terms of the scheme at their point of departure. All costs in the provision are based on estimates provided by MyCSP.

The £720k of early departure costs provided in year relate to a new early exit scheme. Under the terms of this scheme, Ofsted is only obligated to make a lump sum severance payment. No further compensatory payments will be due.

### **14.2 Property dilapidation**

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

### **14.3 Injury benefits**

This provision relates to staff who have suffered injury at work, and are receiving benefits in relation to their reduced capacity to carry out the duties of their role as a result of those injuries.

### **14.4 Early years pension bulk transfer**

At the start of 2017–18, a number of staff transferred to Ofsted under TUPE terms and conditions following the early years inspection service provider contract. Under the terms of TUPE employees have the option to transfer their private pensions into the Civil Service Pension Scheme (CSPS). The Government Actuary's Department (GAD) have estimated that upon completion of the pension transfer process there will be a potential shortfall of £0.5 million which Ofsted will be liable for under the 'TUPE fair deal provisions'. £0.3 million of this relates to employees who have already elected to transfer their pension and has been recognised as an accrual, the balance has been recognised as a provision.

### **14.5 Vacant property**

Ofsted no longer has any vacant properties.

## **15 Contingent liabilities**

Ofsted has the following contingent liabilities:

### *Legal and injury cases*

Ofsted has a small number of legal cases which are not yet settled, and an injury related case which is still being assessed by MyCSP. The outcomes of these cases are contingent upon the court or the relevant decision making body's rulings, therefore no liability has been recognised in the financial statements. If liabilities do arise from either of these cases the impact on Ofsted's budget is not expected to be material.

Ofsted has the following remote contingent liabilities:

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

Ofsted has one current employee and a small number of former employees who are members of a local authority pension scheme (West Yorkshire Pension Scheme). Ofsted is an admission body participating in funds without a recognised guarantor for its pension liabilities, and so the responsibility for any deficit rests with Ofsted. Due to scheme rules the deficit becomes payable when Ofsted no longer has any contributing scheme members. Ofsted is aware of this risk and has taken steps to actively manage down its share of the deficit in this scheme. At present Ofsted assesses this contingent liability to be remote as the scheme is in surplus, but this can vary depending on market conditions.

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

Ofsted has no contingent assets to disclose.

## **17 Related-party transactions**

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

Cabinet Office  
Children and Family Court Advisory and Support Service  
Crown Prosecution Service  
Department for Education  
Disclosure & Barring Service  
Food Standards Agency  
Government Actuary's Department  
Government Legal Department  
HM Revenue & Customs  
Home Office  
House of Commons  
London Borough of Camden  
Manchester City Council  
Ministry of Defence  
Ministry of Design  
Ministry of Justice  
Nottingham City Council  
Office of National Statistics

During the year, no board member, key manager or other related parties has undertaken any material transactions with the above listed organisations. Full details of the related parties are disclosed in the directors' report.

## **18 Pension arrangements – Local Government Pension Scheme defined benefit scheme disclosure**

The Local Government Pensions Scheme (LGPS) is a guaranteed, final salary scheme open primarily to employees of local government but not to new entrants outside local government. It is a Funded scheme, with its pension funds being managed and invested locally within the framework of regulations provided by Government. Ofsted has one current employee and a small number of former employees who are members of a local government pension scheme (West Yorkshire Pension Fund).

The level of contributions to the scheme is the amount needed to provide adequate funds to meet pension obligations as they fall due.

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

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

	West Yorkshire Pension Fund	
	31 March 2018	31 March 2017
	£'000	£'000
Present value of funded obligation	5,422	5,404
Fair value of scheme assets	7,117	6,912
Unrecognised asset	(1,695)	(1,508)
<b>Net assets</b>	-	-
Present value of unfunded obligation	-	-
Unrecognised past service cost	-	-
<b>Net asset/(Liability) in balance sheet</b>	-	-
<b>Bid value of scheme assets</b>	-	-

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

	West Yorkshire Pension Fund	
	31 March 2018	31 March 2017
Financial assumptions as at	% p.a.	% p.a.
RPI increases	3.20%	3.10%
CPI increases	2.10%	2.00%
Salary increases	3.35%	3.25%
Pension increases	2.10%	2.00%
Discount rate	2.60%	2.50%

*Mortality assumptions:*

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

	West Yorkshire Pension Fund
	31 March 2018
<b>Retiring today</b>	<b>Years</b>
Males	22.1
Females	25.3
<b>Retiring in 20 years</b>	
Males	23.1
Females	27.1

**iii) Sensitivity analysis:**

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

	<b>West Yorkshire Pension Fund</b>		
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of total obligation as at 31 March 17	5,342	5,422	5,503
<b>Adjustment to mortality age rating assumption</b>	<b>-1 year</b>	<b>none</b>	<b>+1 year</b>
Present value of total obligation as at 31 March 17	5,586	5,422	5,259

**iv) Composition of assets in the scheme:**

	<b>31 March 2018</b>	31 March 2017
Equities	<b>77.3%</b>	77.2%
Gilts	<b>9.4%</b>	10.1%
Other bonds	<b>3.7%</b>	3.9%
Property	<b>4.5%</b>	4.3%
Cash	<b>1.8%</b>	1.2%
Other	<b>3.3%</b>	3.3%
	<b>100.0%</b>	100.0%

**Expected return on assets**

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2017 for the year ended 31 March 2018). The return on gilts and other bonds are assumed to be the gilt yield and the corporate bond yield respectively at the relevant date. The return on the equities and properties is then assumed to be a margin above the gilt yields.

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

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
Current service cost	13	10
<b>Total operating charge</b>	<b>13</b>	<b>10</b>
<b>Analysis of amount credited to other finance income:</b>		
Expected return on pension scheme assets	(171)	(195)
Interest on pension scheme liabilities	133	153
De-recognition of movements in assets	38	42
<b>Net return</b>	<b>-</b>	<b>-</b>
<b>Employers' contributions added to pension scheme assets</b>	<b>(8)</b>	<b>(8)</b>
<b>Net amount charged to the Statement of Comprehensive Net expenditure</b>	<b>5</b>	<b>2</b>

vi) Analysis of the amount charged to other comprehensive income:

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
Return on plan assets in excess of that recognised in net interest	(195)	(1,069)
Actuarial losses due to changes in financial assumptions	-	862
Actuarial losses due to changes in demographic assumptions	-	(45)
Actuarial losses due to liability experience	41	5
Adjustments due to the limit in para 64	149	245
<b>Total recognised in other comprehensive income</b>	<b>(5)</b>	<b>(2)</b>

vii) Movement in benefit obligation during the year:

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
<b>Opening defined benefit obligation</b>	<b>5,404</b>	<b>4,588</b>
Current service cost	13	10
Interest cost	133	153
Actuarial losses/(gains)	41	822
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Estimated benefits paid (net of transfers in)	(172)	(172)
Past service cost	-	-
Contributions by scheme participants	3	3
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>5,422</b>	<b>5,404</b>

**viii) Movements in fair value of scheme assets during the year:**

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>6,912</b>	5,809
Expected return on scheme assets	<b>171</b>	195
Actuarial gains and (losses)	<b>195</b>	1,069
Contributions by employer	<b>8</b>	8
Contributions by scheme participants	<b>3</b>	3
Estimated benefits paid (net of transfers in)	<b>(172)</b>	(172)
Receipt of bulk transfer value	-	-
<b>Fair value of scheme assets at end of period</b>	<b>7,117</b>	6,912

**ix) Actual return on scheme assets:**

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
Interest income on assets	<b>171</b>	195
Actuarial gains and (losses)	<b>195</b>	1,069
<b>Actual return on assets</b>	<b>366</b>	1,264

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

	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000
<b>Surplus/(Deficit) at the beginning of the year</b>	<b>1508</b>	1,221
Service cost	<b>(13)</b>	(10)
Employer contributions	<b>8</b>	8
Unfunded pension payments	-	-
Past service costs	-	-
Other finance income	<b>38</b>	42
Settlements/curtailments	-	-
Actuarial gain/(loss)	<b>154</b>	247
Unrecognised asset	<b>(1,695)</b>	(1,508)
<b>Surplus/(Deficit) at the end of the year</b>	<b>-</b>	-

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

	<b>Year to 31 March 2018</b>	Year to 31 March 2017	Year to 31 March 2017	Year to 31 March 2017
	<b>£'000</b>	£'000	£'000	£'000
Defined benefit obligation	<b>(5,422)</b>	(5,404)	(4,588)	(7,333)
Fair value of scheme assets	<b>7,117</b>	6,912	5,809	7,541
Surplus/(Deficit)	<b>1,695</b>	1,508	1,221	208
Unrecognised asset	<b>(1,695)</b>	(1,508)	(1,221)	-
Experience adjustments on scheme liabilities	-	-	-	-
Experience adjustments on scheme assets	-	-	-	-

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

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

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

### **19 Events after the reporting period**

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

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

## Appendix A: Core expenditure tables

**Table 1 – Total departmental spending, 2012–13 to 2019–20 (£'000)**

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
	Out-turn	Out-turn	Out-turn	Out-turn	Out-turn	Out-turn	Plans	Plans
<b>Resource DEL</b>								
Administration and inspection	157,148	161,308	157,242	134,104	141,685	129,136	132,800	127,100
<b>Total resource DEL</b>	<b>157,148</b>	<b>161,308</b>	<b>157,242</b>	<b>134,104</b>	<b>141,685</b>	<b>129,136</b>	<b>132,800</b>	<b>127,100</b>
<i>Of which:</i>								
Staff costs	78,395	80,768	86,373	92,265	96,316	106,654	110,380	108,633
Purchase of goods and services	92,291	93,381	82,351	65,865	58,700	38,816	41,257	40,604
Income from sales of goods and services	-14,091	-13,894	-14,866	-28,820	-18,476	-21,049	-22,400	-25,800
Rentals	-	-	2,446	2,668	2,667	2,878	-	-
Depreciation <sup>1</sup>	474	978	870	2,063	2,415	2,575	3,500	3,600
Other resource	79	75	68	63	63	68	63	63
<b>Resource AME</b>								
Activities to support all functions	-755	-4,703	-1,719	-2,278	-630	-151	-794	-
<b>Total resource AME</b>	<b>755</b>	<b>4,703</b>	<b>1,719</b>	<b>-2,278</b>	<b>630</b>	<b>-151</b>	<b>-794</b>	<b>-</b>
<i>Of which:</i>								
Take up of provisions	3,960	-701	218	-104	327	611	5	-
Release of provision	-4,715	-4,002	-1,937	-2,174	-957	-762	-799	-
<b>Total resource budget</b>	<b>156,393</b>	<b>156,605</b>	<b>155,523</b>	<b>131,826</b>	<b>141,055</b>	<b>128,985</b>	<b>132,006</b>	<b>127,100</b>
<i>Of which:</i>								
<b>Capital DEL</b>								
Administration and inspection	905	4,302	3,667	2,194	3,785	7,405	-	-
<b>Total capital DEL</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>2,194</b>	<b>3,785</b>	<b>7,405</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>								
Purchase of assets	905	4,302	3,667	2,194	3,785	6,198	-	-
Research costs (ESA 10)	-	-	-	-	-	1,207	-	-
<b>Total capital budget</b>	<b>905</b>	<b>4,302</b>	<b>3,667</b>	<b>2,194</b>	<b>3,785</b>	<b>7,405</b>	<b>-</b>	<b>-</b>
<b>Total departmental spending <sup>2</sup></b>	<b>156,824</b>	<b>159,929</b>	<b>158,320</b>	<b>131,957</b>	<b>142,425</b>	<b>133,815</b>	<b>128,506</b>	<b>123,500</b>
<i>Of which:</i>								
Total DEL	157,579	164,632	160,039	134,235	143,055	133,966	129,300	123,500
Total AME	-755	-4,703	-1,719	-2,278	-630	-151	-794	-

<sup>1</sup> – Includes impairments.

<sup>2</sup> – Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget.

**Resource DEL** is made up of income and expenditure from normal operating activities.  
**Resource AME** relates to expenditure which meets the criteria of an accounting provision in the relevant accounting standard.

**Capital DEL** relates to investment in assets (and from 2016–17 onwards this also includes research costs which meet specific criteria to be classified as Capital DEL).

The reduction in total departmental spending in 2015–16 is due to the receipt of additional income from the Department for Education and Business Innovation and Skills for driving improvement across all the remits we inspect and for additional inspection work. In the following year (2016–17) the funding for this work was included in the Estimate. If this funding had been included in the estimate in 2015–16 total departmental spending for the year would have been £145.3 million.

Resource DEL for 2018–19 includes plans for capital expenditure. A transfer from Resource DEL to Capital DEL will be made as part of the 2018–19 Supplementary Estimate process.

AME is agreed on a year-by-year basis with HM Treasury. AME for 2019–20 onwards will be agreed as part of the annual Estimate process.

Expenditure for 2019–20 onwards is subject to revision following the agreement of Ofsted's Spending Review settlement.

**Table 2 – Administration budget, 2011–12 to 2019–20 (£'000)**

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
	Out-turn	Out-turn	Out-turn	Out-turn	Out-turn	Out-turn	Plans	Plans
<b>Resource DEL</b>								
Administration and Inspection	16,427	16,693	16,105	15,948	15,425	14,654	14,825	14,350
<b>Total administration budget</b>	<b>16,427</b>	<b>16,693</b>	<b>16,105</b>	<b>15,948</b>	<b>15,425</b>	<b>14,654</b>	<b>14,825</b>	<b>14,350</b>
<i>Of which:</i>								
Staff costs	10,222	10,553	10,661	10,811	10,888	10,680	9,933	9,615
Purchase of goods and services	6,047	5,905	4,801	4,327	3,943	3,230	4,829	4,673
Rentals	-	-	444	462	472	415	-	-
Depreciation	85	167	131	285	59	112	-	-
Other resource	73	68	68	63	63	217	63	62

Expenditure for 2019–20 onwards is subject to revision following the agreement of Ofsted's spending review settlement.

**Table 3 – Out-turn 2017–18 (£'000)**

	2017–18		2017–18		2017–18	
	Original plans		Final plans		Out-turn	
	Resource	Capital	Resource	Capital	Resource	Capital
<b>Spending in Departmental Expenditure Limits (DEL)</b>						
<b>Voted expenditure</b>	141,110	0	131,470	8,000	129,136	7,405
Of which:						
Administration and inspection	141,110	0	131,470	8,000	129,136	7,405
<b>Total Spending in DEL</b>	<b>141,110</b>	<b>0</b>	<b>131,470</b>	<b>8,000</b>	<b>129,136</b>	<b>7,405</b>
<b>Spending in Annually Managed Expenditure (AME)</b>						
<b>Voted expenditure</b>	-478	0	1,162	0	-151	0
Of which:						
Activities to support all functions	-478	0	1,162	0	-151	0
<b>Total spending in AME</b>	<b>-478</b>	<b>0</b>	<b>1,162</b>	<b>0</b>	<b>-151</b>	<b>0</b>
<b>Total</b>	<b>140,632</b>	<b>0</b>	<b>132,632</b>	<b>8,000</b>	<b>128,985</b>	<b>7,405</b>
Of which:						
Voted expenditure	140,632	0	132,632	8,000	128,985	7,405

## Appendix B: Membership and attendance of the Ofsted board, sub-committees and the executive board

### Ofsted board

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

For the period 1 April to 31 March 2018, the membership of the board and their attendance record was:

Member	Appointment date	Attendance record
Professor Julius Weinberg Chair	11 April 2017	Full attendance (6 out of 6 meetings)
Amanda Spielman HMCI	1 January 2017	Full attendance (6 out of 6 meetings)
Linda Farrant	1 August 2011, re-appointed 1 August 2014  End of term: 31 January 2018	Full attendance (5 out of 5 meetings)
Paul Snell CBE	1 August 2011, re-appointed on 1 August 2014  End of term: 31 January 2018	4 out of 5 meetings
John Hughes	11 March 2015, re-appointed on 12 March 2018	Full attendance (6 out of 6 meetings)
James Kempton	11 March 2015  End of term: 25 March 2018	5 out of 6 meetings
John Cridland CBE	18 July 2016	5 out of 6 meetings
Venessa Willms OBE	18 July 2016	5 out of 6 meetings
Dame Kathryn August	1 February 2018	1 out of 1 meeting
Pamela Scriven QC	1 February 2018	1 out of 1 meeting

## Audit and risk assurance committee

Members of the audit and risk assurance committee are appointed by the board, for a term of two years, with the option of reappointment.

For the period to 31 March 2018, the membership of the audit and risk assurance committee and their attendance record was:

Member	Appointment date	Attendance record
Linda Farrant, former Chair	2 December 2011 Term of office ended on 31 January 2018	3 out of 3 meetings
John Hughes, Chair	13 September 2016 Appointed as chair on 1 February 2018	5 out of 5 meetings
Venessa Willms OBE	23 November 2016	5 out of 5 meetings
Dame Kathryn August	1 February 2018	1 out of 1 meeting
James Aston (non-executive co-opted member)	1 February 2018	1 out of 1 meeting
Helen Jesson (non-executive co-opted member)	1 February 2018	1 out of 1 meeting

The Accounting Officer, the Chief Operating Officer, the Director, Finance, Planning and Commercial were all invited to attend committee meetings. Representatives of Ofsted's internal auditors and external auditors attended all committee meetings.

## Executive board

Between 1 April and 31 March 2018, the executive board was chaired by HMCI. At 31 March 2018, membership of the executive board was as follows:

Member	Appointment date
Amanda Spielman, HMCI	1 January 2017
Matthew Coffey, Deputy Chief Inspector and Chief Operating Officer	1 April 2014
Lorna Fitzjohn, Regional Director	1 January 2013
Sean Harford, National Director, Education	1 January 2013
Bradley Simmons, Regional Director	1 January 2014
Karen Shepperson, Director, People and Operations	1 April 2014
Neil Greenwood, Director, Digital and Information	1 April 2014
Chris Russell, Regional Director	25 August 2014
Andrew Cook, Regional Director	1 December 2014
Mike Sheridan, Regional Director	1 September 2015
Eleanor Schooling, National Director, Social Care	1 September 2015
Louise Grainger, Director, Finance, Planning and Commercial	23 May 2016
Cathryn Kirby, Regional Director	1 November 2016
Paul Brooker, Regional Director	1 November 2016
Luke Tryl, Director, Corporate Strategy	27 February 2017
Emma Ing, Regional Director	3 April 2017

## SCS Pay Committee

The SCS Pay Committee usually meets once a year and consists of HMCI as chair, directors and a non-executive board member. This year, due to the timing of the general election, there was a delay in Cabinet Office issuing the SCS pay guidance. This meant that the committee met twice in 2017, once on 13 June to agree performance ratings and non-consolidated awards and once on 19 September to agree consolidated pay increases.

At 31 March 2018, membership of the SCS Pay Committee was as follows:

<b>Member</b>	<b>Appointment date</b>
Amanda Spielman, HMCI	1 January 2017
Matthew Coffey, Deputy Chief Inspector and Chief Operating Officer	1 June 2011
Sean Harford, National Director, Education	12 January 2016
Karen Shepperson, Director, People and Operations	31 May 2016
Neil Greenwood, Director, Digital and Information	27 January 2017
Eleanor Schooling, National Director, Social Care	1 September 2015
Luke Tryl, Director, Corporate Strategy	1 December 2017
Dame Kathryn August, Non-Executive board member	1 February 2018

## Appendix C: Information risk

### Summary of protected personal data-related incidents formally reported to the Information Commissioner's Office (ICO) in 2017–18

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 2000 or may be subject to the limitations of other UK information legislation.				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
May	Unauthorised disclosure of personal information, through human error, to the individual's local authority employer.	Details of an internal investigation.	1	Information Commissioner informed.
November	Couriered papers temporarily mislaid in transit.	Evidence for a tribunal.	10	Information Commissioner informed.
January	Breach of confidentiality when sharing information with a local authority.	Details of an internal investigation.	1	Information Commissioner informed
<b>Further action on information risk</b>	Ofsted has reviewed and revised internal processes in light of the events noted above. We continue to raise awareness of where additional fail-safes are required in process or system design.			

### Summary of other protected personal data related incidents during 2017–18

Incidents deemed by the Data Controller not to fall within the criteria for reporting to the Information Commissioner's Office but recorded centrally within the department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	–
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	1
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	–
iv	Unauthorised disclosure	4
v	Other	–

## Annex A: Strategy evaluation framework

Ofsted's corporate strategy 2017–2022 sets out our ambition to be a force for improvement through intelligent, responsible and focused inspection and regulation. We want our work to lead to improved outcomes for children and young people, and we believe the best way to achieve this is by ensuring our work is sufficiently valid and reliable, informative and fair, and efficient and proportionate.

Our strategy will be realised through several priority work streams. They are underpinned by the core values of putting children and students first, maintaining our independence, and being both accountable and transparent. These are set out in our [strategy summary document](#).

To make sure we meet the aims of our strategy and continue to be a self-reflective and improving organisation, we want a clear and ambitious framework for evaluating our performance. This allows us to identify areas of success and ways to improve, as well as to provide assurance to the public who rely on our inspection and regulation activity. Our core business is the evaluation of standards in education and care, and so it is only right that we apply the same rigour to assessing our own performance.

This evaluation framework sets out how we will assess performance against our strategy over the next five years. This includes the high-level evaluation principles we will adhere to and the performance indicators we will publish and report against. It is in addition to routine reporting against our statutory targets and an early review of the implementation of our strategy.

We will also evaluate the implementation and impact of any new framework or key policy decision for the duration of the strategy. These evaluation projects will assess, among other things, whether inspection policy and practice aligns with our strategic priorities and guiding principle. They will provide qualitative information on our performance and progress against our strategy.

This document outlines the headline performance indicators we will use for each of our strategic priorities. There is at least one headline metric for each of our remits. So that we do not meet the target but miss the point, we have a 'basket of measures' for each of our priorities without targets.

### Evaluation principles

- Our performance indicators will last the lifetime of our strategy, and therefore will be, as far as possible, equally appropriate for measuring our success next year as our success in 2022;
- Our evaluation work will encourage us to be better across all our remits, although some metrics will be more relevant for certain parts of the strategy;
- Reporting will take account of stakeholder perceptions but recognise that they do not give us the whole picture;
- We will achieve a balance between quantitative and qualitative information in reporting against our framework;

- Our metrics will be designed in a way that discourages 'gaming', by including a basket of metrics;
- We will be clear on our aspirations for better metrics and evaluation tools, particularly where we do not currently have adequate measures. All our current headline metrics will be tracked until the end of the strategy period, although we may introduce new headline metrics as our measurement systems improve.

### **Strategy reporting schedule**

There are many existing opportunities for us to report on our own performance. We will use these to better link our statutory reporting with reporting against our strategy. Below outlines what we will produce, for whom, and in what format. **It is not an exhaustive list of what is reported to the public, Board and Executive Board.**

Reporting to	Core question	Name	Information type	Frequency	Output
<b>Public</b>	Is the quality of education and care improving?	System evaluation	Qualitative and quantitative analysis of inspections, and education and care outcomes data	Annual (Dec)	Annual Report
	Are we implementing our strategy?	Strategic performance indicators Basket of strategic measures	Quantitative data with narrative	Annual (Jul)	Annual Report and Accounts
<b>Board</b>	All the above	All the above	As above	As above	As above
	Are we implementing our strategy?	Strategic performance indicators Basket of strategic performance measures	Quantitative data	Every four months	Strategic dashboard
	Will our corporate plan help us achieve our strategy?	Corporate plan	Information on activities and success measures	Annual	Corporate plan
<b>Executive Board</b>	All of the above	All the above	As above	As above	As above
	Are we implementing our corporate plan?	Corporate performance	Quantitative data	Monthly	Internal report

Headline indicators		Remit	Baseline	Metric aims (financial year ending)					
			2017	2018	2019	2020	2021	2022	
More intelligent	Valid measures	1) Providers believe that their latest inspection was a fair and accurate assessment of the strengths and weaknesses of their provision.  <b>Current metric:</b> % school teachers who agree that the following best describes their latest inspection: "It was a fair and accurate assessment of the strengths and weaknesses of my school" (n=~1,000) (±3)	Sch	57	G≥58 57≥A≥51 R<51	59	61	65	70
	A skilled workforce	2) Our inspectors have the information they need to effectively do their job.  <b>Current metric:</b> % Ofsted inspectors who agree with the statement 'I get the information to do my job well'. (n=~1,500) (±1)	ALL	75	G≥77 76≥A≥73 R<72	80	83	85	87
	Informative grading	3) Providers know what action to take following an inspection.  <b>Current metric:</b> % social care providers who, following a G3 or G4 inspection report, agree with the statement 'the outcome of the inspection process will help you to improve the services you offer to children, young people, parents and carers'. (n=~201) (±1)	SC	91	G≥92 91≥A≥88 R<88	94	96	98	100
	Aggregating insights	4) Our research has an influence on policy and practice.  <b>Current metric:</b> # page views (including repeat) of Ofsted research published within that year.	ALL	122k	G≥134k 133k≥A≥122k R<122k	147k	155k	162k	170k

Headline indicators		Remit	Baseline	Metric aims (financial year ending)					
			2017	2018	2019	2020	2021	2022	
More responsible	Responsive & engaged	5) We engage with stakeholders and offer opportunities for feedback and challenge  Current metric: # speaking engagement sessions delivered by Ofsted staff, including webinars.	ALL	162	G ≥ 225 224 ≥ A ≥ 160 R > 160	250	275	300	325
	Understand consequences	6) We reduce the unintended consequences of inspection.  Current metric: % school teachers who agree with the statement 'Ofsted inspection introduced unacceptable levels of burden into the system' (n=~1,000) (±3)	Sch	86	G ≤ 82 83 ≤ A ≤ 86 R < 86	78	74	70	66
	Responsible intervention	7) We spend a more proportionate amount across all our remits per child.  Current metric: ratio between the amount of our budget we spend inspecting and regulating in schools, compared to early years.	EY	1: 0.75	G ≤ 1:0.7 1:0.71 ≤ A ≤ 1:0.75 R > 1:0.75	1: 0.65	1:0.6	1:0.55	1:0.5
	Addressing audience	8) We provide more useful information to parents.  Current metric: % parents who agree with the statement 'Ofsted is a valuable source of information on education'. (n=~1,000) (±3)	ALL edu	69	G ≥ 70 70 ≥ A ≥ 64 R < 64	71	73	76	80

Headline indicators		Remit	Baseline	Metric aims (financial year ending)					
			2017	2018	2019	2020	2021	2022	
More focused	Prioritising inspection	<b>9) We inspect and observe more outstanding practice.</b> <b>Current metric:</b> Average years since last inspection among the decile of outstanding schools with longest gap between inspections <b>Other metrics:</b> the same metric for other providers is in 'basket of measures'	Sch	10	<b>G</b> ≤9 9< <b>A</b> ≤10 <b>R</b> >10	8	7	6	5
	Keeping children safe	<b>10) Our work leads to more providers complying with the law.</b> <b>Current metric:</b> Number of warning notices issued to illegal schools.	Indy	31	<b>G</b> ≥40 39≥ <b>A</b> ≥30 <b>R</b> <30	45	50	45	40
	Keeping pace	<b>11) We adapt inspection models to serve a changing education and care landscape.</b> <b>Current metric:</b> % FE reports that meaningfully comment on the quality of subcontractor provision (for those providers with subcontractor models)	FE	77	<b>G</b> ≥83 82≥ <b>A</b> ≥74 <b>R</b> <74	90	100	New aim	
	Groups	<b>12) We will comment more on standards for groups of children at a national level.</b> <b>Current metric:</b> Number of relevant groups with 'protected characteristics', with EAL or disadvantage (n=11) for whom our research or national reports have commented on outcomes in the education and care system.	ALL	5	<b>G</b> ≥5 4≥ <b>A</b> ≥2 <b>R</b> <2	6	6	6	6
	Right framework	<b>13) We are increasingly seen as a force for improvement.</b> <b>Current:</b> % school teachers who strongly or agree 'Ofsted is a force for improvement in England's education system'. (n=~1000) (±3)	Sch	19	<b>G</b> ≥21 20≥ <b>A</b> ≥15 <b>R</b> <15	23	26	30	35

<b>Baskets of measures</b>			
<p><b>Valid measures</b></p> <p>% parents who think our information is reliable, across EY, schools and FE</p> <p>% social care providers who think our inspectors understand the strengths and weaknesses of their service</p> <p>% FE leaders who think their recent inspection report fairly and accurately reflects their quality</p> <p>% EY providers who think their recent inspection report fairly and accurately reflects their quality</p>	<p><b>A skilled workforce</b></p> <p>% staff overall who agree they have the information to do their job well</p> <p>% time allocated for school and FES inspection that is spent on site</p> <p>Absence rates for all Ofsted staff</p> <p>Number of research-based training modules undertaken by inspectors (metric for 2019)</p>	<p><b>Informative grading</b></p> <p>% of click-through to our website from third party sites</p> <p>% parents who know the Ofsted grade of their child's school</p> <p>% parents who know the Ofsted grade of their child's early years provider</p>	<p><b>Aggregating insights</b></p> <p># Ofsted research cited in literature by select committees, parliamentary debates and government departments</p> <p># Ofsted research cited in research by think tanks and charities</p> <p># Ofsted research cited in academic journals and sector representative materials (metric for 2019)</p>
<p><b>Responsive and engaged</b></p> <p>% teachers who have heard something about Ofsted's myth busting campaign</p> <p>Number of media engagement opportunities and circulation figures for all regions</p> <p>% complaints about providers that we have given timely response to</p> <p>% complaints about Ofsted that we have given a timely response to</p> <p>Satisfaction rate for those going through childminder registration process</p> <p>% court hearings on enforcement action won</p>	<p><b>Understanding the consequences</b></p> <p>% teachers who do not think inspection requires additional work</p> <p>Difference between headteacher retention in RI schools where L&amp;M is good to when RI</p> <p>Retention and recruitment in social care subsequent to inspection</p>	<p><b>Responsible intervention</b></p> <p>% providers who mention workload as an issue in the inspection process</p> <p>% inadequate schools that have not been reinspected when they have gone six months without rebrokerage</p> <p>% local authorities who audit their social work caseload (metric for 2019)</p>	<p><b>Addressing our audience</b></p> <p>% parents who report using Ofsted reports when choosing their child's school or EY provider</p> <p>% parents who have not read an Ofsted report</p> <p>% students who read Ofsted reports when deciding on their college or apprenticeship providers (metric for 2019)</p> <p>% social care providers who agree our reports focus on the experiences and progress of children</p>

<b>Prioritising inspection</b>	<b>Keeping children safe</b>	<b>Keeping pace</b>	<b>Pupil groups</b>	<b>Right framework</b>
Length of time between short inspections of good schools	Number of illegal schools detected	% multi-academy trust central team members who believe Ofsted understands issues of governance and accountability within their trust (metric for 2019)	% inspector training sessions that are about whole-group approaches to education	% headteachers and employers who believe Ofsted is a force for improvement in the system
Longest time an outstanding school has gone without inspection	% children's services and EY providers graded as RI or lower in their first inspection	% of voluntary adoption agencies that believe their latest inspection understands their strengths and weaknesses of their model	# parents that have given feedback on LA SEND inspections	% DCSs that believe our inspections help their local authority to improve
Average years since last inspection among the decile of outstanding FE providers that have been left for the longest period of time	% of teachers that believe our inspections encourage them to take a sensible, proportionate approach to risk	# apprenticeships hired by Ofsted		% employers who believe our reports on training are very or fairly reliable

## Annex B: Major research and evaluation projects

Focus	Start in financial year
How do you measure intent, implementation and impact in a model of curriculum quality?	2018–19
The functions of multi-academy trusts	2018–19
What do schools and colleges do to protect children (under 18) from the risks posed by knife crime?	2018–19
Inspection methods and practice including: <ul style="list-style-type: none"> <li>• What happens on inspection</li> <li>• Improving the validity of book scrutiny</li> <li>• Improving the validity of lesson observation</li> </ul>	2018–19
Educational effectiveness research (literature review)	2018–19
Practices that reduce workload and improve teacher wellbeing	2018–19
What practices are being used in education to manage the most challenging behaviour and what are the consequences?	2018–19
What can looking at a locality tell us about how some students in colleges can come through education with very basic gaps in knowledge?	2018–19
What does it look like when schools with a declared faith (independent and state) successfully navigate potential conflicts between equality legislation, and how they teach their beliefs and express them in their ethos and practices? (In partnership with the faith inspectorates of religious education)	2018–19
Can children from low income backgrounds access outstanding early years provision, and what is the educational impact if they can't?	2018–19
Evaluation of ILACS	2018–19
Science in primary and languages and art in secondary	2019–20
Why are interventions designed to secure improvement consistently ineffective in some schools?	2019–20
Physical development in the early years curriculum	2019–20
16 to 19 curriculum	2019–20
Curriculum knowledge and pedagogy in initial teacher education	2019–20
What are the factors that lead to good decisions for children either in care or where care is a prospect?	2019–20
Can pupils in mainstream schools access the specialist therapies and support that they need, and what factors help secure access, including the use of plans (EHC, PEP and SEND support)?	2019–20
What support is being provided directly to families to supplement education and care services so that children at risk of falling behind in their development are ready for school?	2019–20
Evaluation of education inspection framework	2019–20

Research will also contribute to the publication of the joint targeted area inspection reports in partnership with CQC, HMI Probation and HMI Constabulary.

## Annex C: Whistleblowing disclosures report (social care)

From 1 April 2017 to 31 March 2018

HMCI is a 'prescribed person' under The Public Interest Disclosure (Prescribed Persons) Order 2014 which provides the statutory framework for protecting workers from harm if they blow the whistle on their employer. Workers may tell the relevant prescribed person about suspected wrongdoing they believe may have occurred, including crimes and regulatory breaches. Passing information like this is known as making a 'disclosure'. HMCI is prescribed under the order in relation to the children's social care services listed in Figure 1.

**Figure 1** The number of workers' disclosures received in the reporting period, which we reasonably believe are qualifying disclosures<sup>2</sup>

The children's social care services that the disclosure related to	Number of disclosures received <sup>3</sup>
Adoption support agencies	0
Cafcass	0
Children's homes	176
Independent fostering agencies	10
Local authority children's services <sup>4</sup>	78
Residential family centres	3
Residential holiday schemes for disabled children	0
Welfare of children provided with accommodation by boarding schools and further education colleges	3
Welfare of children provided with accommodation by residential special schools	1
A third party provider to which a local authority has delegated functions	0
Voluntary adoption agencies	0
<b>Total</b>	<b>271</b>

**Figure 2** Summary of the action Ofsted has taken in respect of the above qualifying disclosures

Action taken in the reporting period	Number of disclosures received <sup>5</sup>
Referred the matter to the child protection team in the relevant local authority.	23

<sup>2</sup> To be covered by the whistleblowing law, the disclosure must be a 'qualifying disclosure'. This is any disclosure of information which, in the reasonable belief of the worker making the disclosure, is made in the public interest and tends to show that one or more of the following has occurred, is occurring or is likely to occur: a criminal offence; a breach of legal obligation; a miscarriage of justice; danger to health or safety of any individual; damage to the environment; or the deliberate covering up of wrongdoing in these categories.

<sup>3</sup> Sometimes, we receive concerns from more than one whistleblower about the same issue in a service, in these circumstances we may record these in a single record so that we can respond to the concerns holistically.

<sup>4</sup> Local authority functions as outlined in the Schedule to the Public Interest Disclosure (Prescribed Persons) Order 2014.

<sup>5</sup> It is possible a disclosure received resulted in more than one type of action.

We refer child protection concerns to the children's social care department of the local authority where the child lives as they have overarching responsibility for safeguarding and promoting the welfare of all children and young people in their area.	
Contacted the appropriate person at the children's social care service and asked them to investigate and respond to Ofsted with more information. We do this because we need further information to make a decision about possible further action required.	154
Undertook a compliance visit (this action applies only to services that Ofsted regulates) if we considered the registered person is failing, or has failed, to comply with a regulatory requirement.	31
Reviewed the timing of the next inspection/visit and brought forward if appropriate.	30
Held the information for follow-up at the next planned inspection/visit. We review information received along with a range of other intelligence gathered about a service to determine when we need to inspect and what lines of enquiry we need to follow up on.	147

**Figure 3** Summary of the overall categories under which the whistleblowing disclosures were classified

<b>Category</b>	<b>Number of disclosures received<sup>6</sup></b>
Concerns that a specific child or children may be at risk of harm	42
Concerns that there are wider or systemic failures in safeguarding practice	84
Concerns that children are not receiving the right quality of care but that do not suggest a risk to their safety	96
Concerns that a social care service is not meeting regulatory requirements	49

We use the categories above to help us assess the urgency of the issues disclosed and take action within appropriate timescales.

Ofsted receives whistleblowing disclosures in letters, emails, and via our helpline. Sometimes, the information is provided anonymously.

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<sup>6</sup> It is possible a disclosure received includes concerns from more than one category and we have used the category that provides the best fit.

## Annex D: Correction to the Annual Report and Accounts 2012–13 to 2016–17

The 2016–17 Annual Report and Accounts reported that Ofsted met our targets for constrained inspections (that which we are required to do in legislation) in 2015/16 and that we were on track to meet them for 2016/17 (para 15). This was incorrect: during the period 1 September 2012 to 31 August 2017, 43 schools were not inspected within the maximum permitted interval as laid down in The Education (School Inspection) (England) (Amendment) Regulations 2009. Previous Annual Report and Accounts did not distinguish between our internal targets for inspections and our targets for constrained inspections, and so any constrained inspections that were deferred earlier in the period would not have been highlighted in any of the reports.

There were two broad reasons for these deferrals.

The first was that 32 of these schools over the period had either amalgamated with another school or had significantly reconfigured and expanded their operations through the addition of a new key stage. We had recognised the significant changes to these schools and believed that they were most appropriately treated as new schools for inspection purposes. However, unlike the position with schools that were also converting to academy status, which were formally classified as new schools, these schools retained the unique reference number (URN) of one of the original schools. They should therefore have been treated as continuing schools for the purposes of the inspection requirements in the Education Act 2005 and related regulations. We have now amended our policy to avoid repeating this error in this year’s Annual Report and Accounts. A school with a continuing URN will not be treated as a new school even if there has been a substantial change in the composition, such as a merger with another school.

The second reason, impacting 11 schools over the period, was that we judged there to be exceptional circumstances that should mean inspections were deferred beyond the maximum permitted interval. The exceptional circumstances included, for example, to avoid jeopardising a likely criminal investigation, to avoid wasting public resource inspecting a school that was about to close, and an occasion when a school leader had sudden serious health issues. Given the sensitivity around some of these cases, we are not publishing any further details. Again, we have amended our policy so that HMCI will now take any decision to defer an inspection beyond its maximum permitted interval.

All of the schools impacted have been scheduled for inspection prior to publication of this report.

Reason for missing statutory requirement	Number of schools impacted
Significant change leading to treatment as new school, of which:	32
a. Amalgamation	16
b. Key stage change	16
Exceptional circumstances	11

