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

Annual Report and Accounts 2019–20

HC 505

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

Annual Report and Accounts 2019–20

(For the year ended 31 March 2020)

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Overview by Her Majesty's Chief Inspector

This report covers the year to March 2020, but of course recent months have been dominated by the pandemic. COVID-19 (coronavirus) has affected all aspects of our lives. It has been a particularly challenging time for everyone in education and children's services, and we have seen great efforts in many quarters to make sure children and young people learn as much as possible while being well looked after.

I am proud of Ofsted's response to the pandemic. We recognised early that some of our regular work would need to pause, but that other areas of government, along with local authorities and frontline services, would come under great pressure. We acted quickly to deploy many hundreds of staff to support the national response, in central and local government and elsewhere, while making sure that our critical regulatory work continued. Our staff are showing great flexibility and real dedication to public service.

As a result of the COVID-19 pause, we did not make a small number of regulatory inspections and visits within the statutory timeframe. We also missed some internal inspection targets for the same reason. This is explained in the report.

I am pleased to report solid performance across the rest of our work. Our new education inspection framework (EIF) has been a real success, clearly reflected in the balance of post-inspection survey responses from many hundreds of schools and colleges that have experienced the new model. We worked with the education sector to make sure that the changes were clearly understood, trained our own inspectors thoroughly, and have acted on feedback.

Beyond the EIF, we have worked with help from sector experts to develop a new inspection framework for initial teacher education (ITE), which has a greater focus on how well trainees are prepared to teach. We have also reviewed the effectiveness of our area special educational needs and disabilities (SEND) framework, as well as the implementation of our inspection of local authority children's services (ILACS) framework.

This year, we have also placed greater emphasis on our role as a regulator and reviewed our approach to regulation. We have changed our structure and the way we work as a result, and next year we will be doing still more to improve our strategic use of data and intelligence.

Despite this being a year of considerable change, I am very pleased to report our best ever People Survey results: Ofsted was the 11th highest ranking Civil Service Department (out of 106 survey participants) on the headline employee engagement measure, with consistently strong scores on the various sub-measures.

We face an uncertain year ahead and while we do not yet know quite what challenges we will face, I am confident that we will continue to rise to them.

Amanda Spielman
Her Majesty's Chief Inspector

Overview by the Chair

Much has changed since last year.

On 17 March, as a consequence of the COVID-19 pandemic, we suspended our routine inspection activity. The pandemic has brought loss of loved ones and livelihoods to many, and disrupted all our lives. I am proud of the way that Ofsted has responded. Wherever possible, we are working proactively with government and local authorities. We have deployed staff so that they have been able to bring their expertise to roles where, at this moment, they are most needed. I am grateful to all those staff who have shown flexibility and citizenship; they have been willing to do what it takes to support others.

The challenge now for us all is to continue to fulfil our role of providing assurance to government, parents and the sectors we inspect and regulate, but to recognise that the manner in which we do this will, for some time at least, be different. Indeed, we do not yet know what the landscape will look like, or how we will be working. However, I am confident that Ofsted staff will continue to do the best that they can.

The board is better placed than ever to support the executive through this task. This year, we welcomed five new members to our board, each bringing a wealth of experience, skills and expertise to our table. Last year, following board and Audit and Risk Assurance Committee (ARAC) meetings, we ensured that we had generic systems in place that could respond to an unknown but serious event. Our ability to respond to challenge has been tested! The ARAC continues to work closely with the executive on issues of risk and finance, work that will continue to be highly significant.

My term on the board comes to an end on 31 July. I will look back with fondness on my time as Ofsted Chair, particularly meeting many of the committed, knowledgeable, wise staff, often when shadowing inspections. My successor has an excellent board to support them, and an executive team that seeks improvement and rises to challenges. We all look forward to the time soon when we and the sectors we inspect and regulate can return to something approaching normality. Whenever that happens, and whatever the future holds, I am confident that Ofsted will continue to play an important part in ensuring that education, training and care services for children and young people are as good as they can be.

Julius Weinberg
Chair

PERFORMANCE REPORT

About us

A force for improvement

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.

We carry out our role through independent inspection and regulation. Inspection provides an independent assessment of the quality of provision for parents and carers, commissioners and young people themselves. It also allows us to aggregate and report on what we see about what works well and what does not across the country. Regulation allows us to determine whether certain providers are fit to provide services. We take enforcement action against those that are not.

Our five-year strategy sets out our ambition to be a force for improvement through inspection and regulation, and 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 firs :** 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.

Performance summary

Our corporate strategy 2017–22 sets out our ambition to continue to be a force for improvement through intelligent, responsible and focused inspection and regulation. This year, we have made considerable progress across our three strategic approaches.

Our activity this year has, of course, been affected by COVID-19. On 17 March, we formally paused all routine inspection. During this time, we have directed our resource towards supporting the national effort to manage the pandemic and continued to take decisions in line with our strategy and values, particularly the commitment to put children and students first. Our response to COVID-19 is explained on page 17.

Statutory obligations

Ofsted has a legal duty to inspect schools and social care providers within set time periods. However, in the light of a clear and urgent need to respond to COVID-19, we were unable to complete a small number of social care regulatory inspections and visits within the statutory timeframe. We initially updated our deferral policy on 13 March to allow providers to tell us about any COVID-19 impact on their provision and request a deferral. On 16 March, the Prime Minister announced that all non-essential contact with others and non-essential travel should stop. We therefore paused all imminent inspections and worked quickly with the Department for Education (DfE) on the necessary emergency legislation and ministerial letter to suspend our duties before the end of the statutory period.

The ministerial letter specified the arrangements for inspections of maintained schools and academies, further education and skills (FES) providers, non-association independent schools, early years providers, children's social care, unregistered social care settings and secure training centres, as well as area SEND inspections and joint targeted area inspections (JTAIs). It also stated that we should continue to inspect if there are safeguarding or serious concerns about a provider.

Due to the suspension of regular inspections, the following inspections and visits were not completed within the statutory timeframe:

- 36 full inspections of children's homes
- nine post-registration visits
- 61 interim inspections of children's homes.

Delivering our strategy

The right frameworks

Having the right frameworks is a core part of being an intelligent, responsible and focused regulator and inspectorate. Our strategy states that we will remove from our frameworks any measures that do not genuinely assess quality of education, training and care and that we will tackle a compliance culture in schools.

This year, we introduced the EIF, consulted on a new ITE framework and reviewed the ILACS and area SEND frameworks.

We have continued to ensure that the social care common inspection framework (SCCIF) is relevant and up to date. This year, we made amendments to take account of fostering agencies that want to offer fostering-for-adoption services.

Education inspection framework

The EIF puts the real substance of education – the curriculum – back at the centre of inspection and supports leaders and teachers who act with integrity. Under this framework, early years, schools and college leaders should no longer feel the need to generate and analyse lots of internal data for inspection. Instead, they can spend their time planning the curriculum, teaching it and making a real difference to children's and learners' lives.

We published the final EIF and accompanying handbooks in May 2019, following full public consultation and extensive sector engagement in the previous year. This year, we focused on implementing the EIF successfully. We put in place a comprehensive package of inspector training, drawing on our inspection knowledge and curriculum research. It was the most extensive training we have ever given for any framework. It was well received by our inspector workforce as well as headteacher associations and teacher unions that attended training events.

Over this development period, from consultation to the start of implementation, we have seen a rise in both the level and quality of debate about the importance of the curriculum, and its different forms and purposes. This has put the education sector in a better place to respond to the curriculum challenge created by COVID-19 of how to keep children's and students' learning going under the difficult restrictions in place.

We have now been inspecting under the EIF for almost two terms and have carried out around:

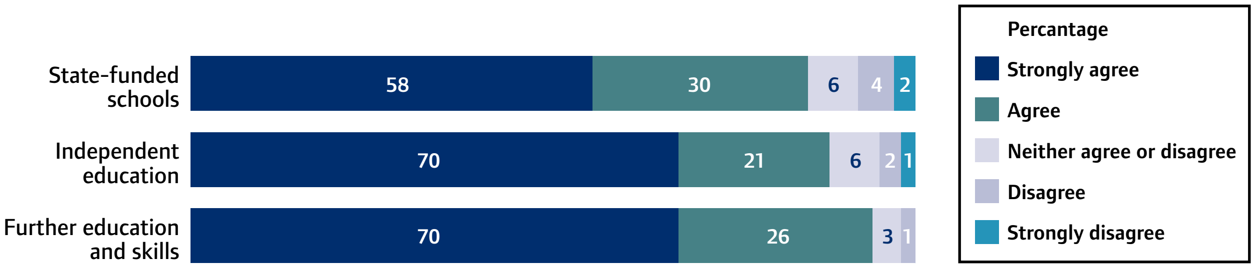
- 8,500 early years inspections
- 3,200 school inspections
- 200 FES inspections.

The feedback has been positive.

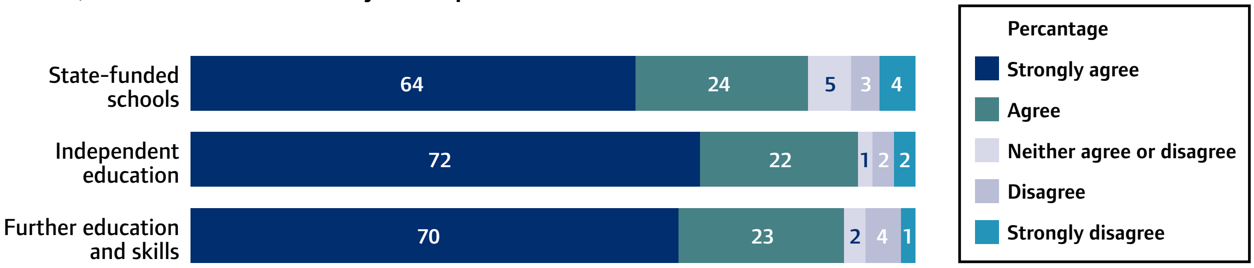
Around half of schools and further education and skills providers inspected completed the post-inspection survey. Close to nine out of 10 say they are 'satisfied' or 'very satisfied' with the inspection experience and that the feedback inspectors gave on the quality of education will help them to improve.

Figure 1: Post-inspection survey of state-funded schools, independent schools, and further education and skills providers[1]

The feedback the inspector(s) gave on the quality of education will help my school/setting to improve



Overall, I am satisfied with the way the inspection was carried out



When inspection changes, inevitably some questions and issues arise. We listened to the sector and made some adjustments in these first two terms of implementation. We recognised that curriculum development takes time and that nurseries, schools and colleges might be at different stages in their journey, so in February we made a one-year extension to our transition period, taking it to July 2021.[2] This gives more time for schools and colleges to consider developments to their curriculums.

In response to questions about the length of key stage 3, we clarified that it is for schools to decide how and when the curriculum is delivered, but they should ensure that pupils can study a broad range of subjects to the end of Year 9 in enough depth.[3]

Early in the autumn, small primary schools raised the understandable concern that their staff have to coordinate a number of subjects across the curriculum and so would potentially be needed for multiple discussions with inspectors. We have been clear that inspectors want to talk about subject curriculums with whichever colleague or colleagues the school feels are best placed to have those discussions, which could be subject coordinators, senior leaders or both together. Inspectors will work with schools to identify which subjects to look at in depth to try to avoid an individual needing to have multiple discussions.

We will evaluate how the EIF has been implemented and explore providers' and inspectors' experiences of it so far. Initial findings suggest that the reduced emphasis on data is reducing workload in some schools. We plan to publish this research in autumn 2020.

1. Numbers shown are the proportion of responses to the statement (%); they are rounded and may not add up to 100%. Total providers responding to survey (and survey response rate) – 1,486 state-funded schools (53%); 134 independent schools (38%); 186 further education and skills providers (48%). Based on providers that were inspected between 03/09/19 and 28/02/20 and where their inspection report had been published by 23/03/20. A small number of providers do not answer every question in the survey.
2. The transition arrangements acknowledge that a great curriculum takes time and requires careful consideration. Under these arrangements, providers that would otherwise be rated as requires improvement for the quality of education because they have good plans in place but they are not quite happening yet, can still be graded as 'good' if they can show substantial progress.
3. 'Making curriculum decisions in the best interests of children', Ofsted education blog, January 2020; https://educationinspection.blog.gov.uk/2020/01/09/making-curriculum-decisions-in-the-best-interests-of-children.

Initial teacher education

This year, we published a new framework for ITE, which will mean that inspectors spend more time focusing on the quality of the ITE curriculum, how well trainees are prepared to teach and how well they are prepared for the reality of the classroom. The new inspections will move away from the focus on outcomes data, such as employment rates, completion rates and the grading of trainees against the relevant professional teachers' standards.

We consulted on these proposals in the spring. Respondents strongly supported our key proposals, and also raised some issues to explore. We carried out 33 pilot inspections, which helped us to consider these issues in detail. Further planned pilots were cancelled because of the COVID-19 pandemic.

We intend to begin the new cycle of inspection in January 2021. However, this will be kept under review because of COVID-19.

Inspecting local authority children's services

Inspections under the ILACS framework began in January 2018. This year, we reviewed the extent to which the framework is implemented as intended.[4] The review found that:

- the framework provides a proportionate and efficient inspection system
- inspectors using the framework rigorously investigate the social work practice of local authorities
- judgements from standard and short inspections are sufficiently reliable
- inspection reports are clear and concise
- further work is required so that inspection teams make full use of new methods and processes, ensuring that all teams consistently adhere to the framework.

In relation to the last finding, we have appointed a national lead for quality assurance. Their role includes monitoring and development.

We are carrying out an evaluation to assess the impact of the framework in enabling improvement of children's services.

4. 'Inspection of local authority children's services framework: implementation review', Ofsted, September 2019; www.gov.uk/government/publications/implementation-review-inspection-of-local-authority-childrens-services-framework.

Area SEND inspections

We have continued to work with the Care Quality Commission (CQC) on area SEND inspections, which evaluate how well areas fulfil their responsibilities for children and young people up to the age of 25 with SEND.

We carried out an evaluation of the effectiveness of this framework and will publish the results of this soon. The DfE has commissioned us to work with CQC to develop a new framework to operate from April 2022. The new framework will address three priorities identified in our evaluation, which are to:

- focus more sharply on the experience of children and young people with SEND and their families
- place a greater focus on the quality, integration and commissioning of education, health and care services for all children and young people in an area
- implement a continuous inspection cycle.

We will use the findings from the evaluation to inform this work.

Joint targeted area inspections

This year, we completed eight JTAIs to assess how partner agencies are working together in an area to identify, support and protect vulnerable children and young people.[5] These inspections looked at the themes of: child sex abuse in the family and child exploitation. Child sex abuse in the family can be a difficult subject to talk about, but not talking frankly and honestly can reduce our ability to protect children. Our overview report brought together our findings from this series of JTAIs. It received widespread media coverage and was published in many specialist newspapers and journals. It has raised awareness of child sexual abuse in the family and brought more attention to this issue outside of the sector.

We are carrying out a review of the JTAI methodology and plan to publish updates to the framework in 2020.

5. This only relates to inspections for which site activity took place in the 2019–20 financial year, regardless of when the report was published.

Regulatory review

As well as our inspection work, Ofsted is also responsible for regulating a range of early years and childcare providers and children's social care services. We make sure that they are suitable for the children and young people they serve.

Making sure that our regulatory approach is intelligent, responsible and focused is just as important as having the right frameworks for inspecting.

This year, we reviewed our role as regulator in order to identify areas to improve. We assessed our approaches to regulation and inspection against the principles of 'right-touch regulation', which are as follows:

- Proportionate: regulators should only intervene when necessary. Remedies should be appropriate to the risk posed, and costs identified and minimised.
- Consistent: rules and standards must be joined up and implemented fairly.
- Targeted: regulation should be focused on the problem, and minimise side effects.
- Transparent: regulators should be open, and keep regulations simple and user-friendly.
- Accountable: regulators must be able to justify decisions, and be subject to public scrutiny.
- Agile: regulation must look forward and be able to adapt to anticipate change.

We consulted internal colleagues and sector representatives and developed the following three policy objectives governing our work:

Figure 2: To be a force for improvement

We want to improve the way we design changes to our regulatory approach and place greater emphasis on our role as a regulator. Therefore, we have brought together responsibility for regulatory policy and strategy into a single directorate: the Regulation and Social Care Directorate.

This directorate is responsible for delivering the next phase of the programme, which aims to improve our strategic use of data and intelligence and to enhance ways of working, systems and processes.

Keeping children safe

We have continued to address the issue of unregistered and illegal care and education. Children in these settings are out of sight because of deliberate decisions by adults to keep them hidden, or because of gaps and weaknesses in the law.

In children's social care, we investigated 291 concerns about unregistered settings this year. We found 105 were providing unregistered care and issued 70 letters requiring organisations to stop providing unregistered care or to register.[6] In our ILACS, we have also reviewed and reported on the use of unregistered settings by local authorities.

In education, we successfully prosecuted the individuals and organisations that were running three illegal schools in 2019–20, taking the total to four. In a landmark case in March 2020, the Chief Magistrate for England and Wales imposed the first custodial sentences for running an unregistered school. Our work has also caused some illegal schools to change the way they operate before reaching the prosecution stage. We issued 23 warning notices to 19 different settings. Of these, nine now comply with existing legislation, one has registered as an independent school and one has closed. The remaining eight settings are still under investigation.

Our work with both unregistered children's homes and illegal schools has helped to raise the profile of these issues. We have worked closely with the DfE and we are pleased that it is consulting on legislative changes in relation to both unregistered children's social care settings and unregistered schools.

Outstanding education providers

Schools and FES providers that are judged outstanding have been exempt from regular inspections under law since 2012. We have only been able to inspect the highest-risk 10% of outstanding providers each academic year. As a result, children can go through an entire phase of education without an inspector seeing their school or college, and parents often do not have up-to-date information when deciding where to send their children.

It also limits the extent to which inspectors see and can report on outstanding practice from which others can learn. Around 3,500 schools and around 60 FES providers are currently exempt, and around 1,000 schools and 20 FES providers have not been inspected for more than a decade.

This year, the government announced its intention to remove the outstanding exemption. We have been calling for this change for many years and it has been widely welcomed by parents and the education sector. Subject to parliamentary approval, we will work closely with the DfE to make this change.

6. There are a number of reasons why we may not have issued a cease and apply letter, including that the setting has closed or is closing, the setting had applied to register or the letter was not issued in the timeframe for this report.

Addressing our audience

Our work serves many different audiences and parents are one of the most important. This year, we have continued to improve the information that we provide for parents.

When we introduced the EIF, we also made our inspection reports more accessible. We worked with parents to develop a new report format that is shorter, more straightforward and clearly focused on what it is like to be a pupil at the nursery, school or college. Next year, we will look at whether the new reports are easier for parents to understand.

We listen to what parents think about their school or childcare provider through our Ofsted Parent View questionnaires. This year, we received over 300,000 submissions through these. In September, we changed the questions we ask to align with the EIF. We gather parents' views on colleges and FES providers through a separate survey.

We have also consulted our Parents Panel, which currently has around 1,000 members, about how and why they would like to be able to contact Ofsted. This has informed a programme of work to improve their experience.

Parents continue to value our work. Our 2020 parent attitude survey found that:

- three quarters of parents believe the information Ofsted provides is reliable
- 81% of parents found their child's setting's inspection report useful, increasing to 88% for recent inspection reports
- nearly nine out of 10 parents know the Ofsted rating for their child's setting.

Research and aggregation of insights

Our programme of research has influenced our own work and wider policy and sector thinking.

In May 2019, we published research about off-rolling and followed it up in October with research about pupils moving from secondary school to home education.[7] Off-rolling is a complex issue and this research has influenced how we explore it on inspection, as well as contributing to national debates about how it might be addressed.

Our research about teacher well-being, published in July 2019, was widely reported in the media.[8] We presented the findings from this research at several conferences to help school leaders and policy makers develop ways to improve teacher well-being.

7. 'What is off-rolling, and how does Ofsted look at it on inspection?', Ofsted's education blog, May 2019; https://educationinspection.blog.gov.uk/2019/05/10/what-is-off-rolling-and-how-does-ofsted-look-at-it-on-inspection; 'Off-rolling: an update on recent analysis', Ofsted's education blog, October 2019; https://educationinspection.blog.gov.uk/2019/09/06/off-rolling-an-update-on-recent-analysis.
8. 'Teacher well-being at work in schools and further education providers', Ofsted, July 2019; www.gov.uk/government/publications/teacher-well-being-at-work-in-schools-and-further-education-providers.

Perhaps one of our most significant studies this year was about 'stuck schools' – schools that have not been judged good for 13 years or more.[9] This research compared the characteristic 'stuck schools' with similar schools that have since been judged good twice. The research generated a lot of interest from national and regional media and we hope it will inform policies to help these schools to improve.

This year, we continued to publish official statistics and management information. These received more than 100,000 unique views.

In our Annual Report 2018/19, we included a list of the blogs and analysis we had published throughout the year.[10] These publications:

- informed policy development relating to potential 'gaming', including off-rolling
- provided the initial view of the first term of school inspections under the EIF
- highlighted what we know about pupils with low prior attainment and 'stuck schools'.

We have also collaborated with other specialist research and analysis organisations. Examples of this include our work with the Alan Turing Institute's Data Science for Social Good Foundation to develop a model to help risk assess independent fostering agencies, and our work with the Office for National Statistics' Public Services Analysis team to analyse quality of education using cross-government datasets.

Workforce

We take part in the Civil Service survey each year. Our employee engagement index score rose from 68% to 71% in 2019–20, 7 percentage points above the Civil Service average and 4 percentage points above the Civil Service high performer average. Ofsted is now the 11th highest Civil Service organisation out of 106 survey participants, ranked by the employee engagement index.

We are pleased to have scored particularly highly for:

- the way we manage change
- staff feeling that changes are for the better.

We have been through three significant change programmes in the last year: the EIF, the regulatory review and the electronic evidence gathering project.

Average working days lost through sickness has remained below the organisational target throughout the year and, as at 31 March 2020, is 6.6 days. Our recent evaluation of the new approach to managing attendance, which we launched in November 2018, has highlighted that our approach has given managers the autonomy and flexibility to manage attendance in their teams effectively, and has placed more emphasis on looking after the well-being of our workforce. Our use of flexible working practices and workplace adjustments has supported our staff to return to work more quickly after sickness-related absence.

9. 'Fight or flight? How 'stuck' schools are overcoming isolation', Ofsted, January 2020; www.gov.uk/government/publications/fight-or-flight-how-stuck-schools-are-overcoming-isolation.
10. The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2018/19, Ofsted, January 2020; www.gov.uk/government/publications/ofsted-annual-report-201819-education-childrens-services-and-skills.

We publish equality objectives and report on our progress each year. Our commitments include that we will:

- give due regard to equality, diversity and inclusion during inspection and in our research and evaluation work
- promote equal opportunities for our entire workforce, including both staff and directly contracted Ofsted Inspectors, tackling bullying and discrimination whenever it occurs.

COVID-19

The COVID-19 pandemic is having a significant impact on children and young people. Those working in education and care are doing a remarkable job to help keep children safe and learning in very challenging circumstances. We have changed the way we work so that we can make the best possible contribution to the national effort to control the virus and mitigate its impact.

COVID-19 response

We had clear and tested processes in place to respond to an emergency. In February, we set up our emergency response team and in March we established an operations centre to gather intelligence, address issues and coordinate communications.

Our guiding principle to be a force for improvement has remained at the centre of decision-making during this period, as have our core values of putting children and learners first, maintaining independence and being accountable and transparent.

We have contributed to the national effort and made changes in our own work during this time:

- **We have paused all routine inspections but have maintained emergency inspections of education and social care settings, which are driven by concerns for welfare/serious failings.** We formally suspended all regular inspections of all provider types on 17 March. We have carried out some urgent on-site inspections and, when we have been concerned about the safety and welfare of children, have used our enforcement powers to suspend and restrict providers. We have also carried out off-site monitoring of children's homes we had concerns about.

- **We have continued to carry out our crucial regulatory work to maintain capacity in the social care and early years sectors.** We have registered over 100 children's homes during the period 17 March to 30 June. We have introduced a fast-track approach and published temporary guidance so that we can process more applications faster, while upholding sufficient scrutiny and safeguarding. We continue to monitor notifications that tell us about serious incidents and act where needed.
- **We have deployed significant numbers of staff to support local authorities, other government departments and the frontline.** We anticipated early in the crisis that we had the capacity and skills to support the national effort. We immediately gathered information about staff's skills, locations and availability and established a deployment panel to match staff to roles. To enable the temporary deployment of Ofsted staff and contracted inspectors to these roles, the Secretary of State for Education assigned an additional function to Her Majesty's Chief Inspector and our ambit, the description of what we can spend our funding on, was changed for 2020–21.[11] We have deployed staff to support other government departments and the wider public sector, including the Department for Work and Pensions and the Department for Health and Social Care, local authorities, schools and multi-academy trusts, and children's social care providers. During the crisis, over 600 Ofsted staff have been deployed to other organisations.
- **We have worked as part of the DfE's Regional Education and Children's Teams (REACT),** both nationally and regionally. These teams work together to assist local authorities in managing services for vulnerable children during the pandemic. We have used the information from this work to allocate staff with the most relevant knowledge and skills to local authorities.
- **We have responded to the pandemic in our own work.** Across the organisation, we have staff working directly on our emergency response, including providing emergency policy development and advice, developing our COVID-19 communications and staff support, and making sure that our technology supports full home working and work for other government departments.

During this time, we have maintained a focus on staff well-being. The findings from a Cabinet Office survey of Ofsted staff show that:

- 93% feel well supported by their manager
- 96% feel well supported by their team
- 94% feel confident in how senior leaders are handling the impact of the COVID-19 outbreak.

We have commissioned an internal audit of our response to the crisis. The audit will consider the risk that decisions, changes and processes implemented in response to COVID-19 may not be appropriate and may have unintended consequences. The audit is not yet complete but the interim report states:

> 'Overall, the response to the crisis has been swift and well controlled despite the pace of decision-making and implementation of changes. A good audit trail is being maintained of decisions taken, and the potential for conflicts of interest arising has been considered in the temporary organisational redesign. The redeployment effort is impressive and should help minimise reputational risks that could have arisen. Having dealt with the short-term impacts of the crisis early on, management have now also considered in detail what it means in terms of the risks that Ofsted may face longer term. We have not seen any evidence that the risk highlighted above has materialised.'

11. The change to the ambit was enabled through an advance from the contingencies fund to support the deployment until the 2020–21 ambit was agreed through the passage of the Supply and Appropriation (Main Estimates) Act 2020 in July 2020.

Looking forward

It is too early to know the full impact of COVID-19 but it is likely to have a significant and potentially lasting effect on education and children's services, and the children and young people they support.

We are undertaking research and gathering insights to inform our work over the next year. This includes:

- a review of further education learners' experience of online learning to identify areas of strength and potential for improvement. This will support post-16 providers reviewing their online education strategies, particularly from September 2020
- a review of the role of governance and governors during COVID-19 in collaboration with the National Governance Association to provide an overview of the ways governors can support their schools, and the challenges they face in doing so
- a survey of Ofsted Inspectors (OIs) to gather insight from people on the frontline of responding to COVID-19
- a set of pulse surveys of Ofsted staff to assess their working conditions and resilience over time
- a joint study with the Children and Family Court Advisory and Support Service (Cafcass) on the impact of COVID-19 on its support for children and families, including evaluating its parent hub
- working with the DfE on an evaluation of the effectiveness of the REACT programme
- sharing our insights with partner inspectorates in health, police and probation to understand the pillars of an effective multi-agency system.

We are working closely with the DfE and talking to unions, parent groups and other stakeholders to determine when all regular inspections and other non-emergency visits will resume. It is extremely unlikely that we will complete some inspections that we were required to make by 31 August 2020:

- 166 legally required school inspections, although the duty has been temporarily suspended through the Coronavirus Act
- 4,727 early years provider inspections that we are required to carry out under the terms of a letter from the Secretary of State
- 34 area SEND inspections by the March 2021 deadline.

Corporate performance

Internal targets

Every year, we set internal targets for the number of inspections and visits to be carried out based on estimates of the number of inspections and visits required. Providers subsequently opening, merging or closing change the number delivered. Internal targets are not adjusted for these changes.

The suspension of routine inspection in March meant that we lost about 6% of available inspection days in the year. As a result, we missed a number of our internal inspection targets.

Our delivery was as follows:

Table 1: Corporate performance

Remit	Inspections and visits planned 2019–20	Inspections and visits made 2019–20 (2018–19)	% of plan completed 2019–20 (2018–19)
Schools (state-funded and independent)	5,345	5,009 (5,872)	94 (104)
Further education and skills	796	748 (553)	94 (98)
Early years	13,559	10,627 (12,481)	78 (114)
Social care	3,390	3,167 (3,315)	93 (96)
Area SEND	33	25 (33)	76 (114)
ITE	19	15 (101)	79 (95)

In schools, FES and social care, the loss of inspection days in March broadly accounts for the shortfall in meeting targets.

In early years, we recruited and trained more OIs during the year, which put us behind schedule in this financial year. However, we were on track to complete the statutory cycle due to end in July 2020.

In area SEND, some inspections were moved to the following year because there is flexibility in when they need to be completed. All required area SEND inspections were on track to be completed by March 2021, the original end date for the cycle.

In ITE, all required inspections were delivered. The shortfall in planned events relates to monitoring visits that were estimated at the start of the year but not required.

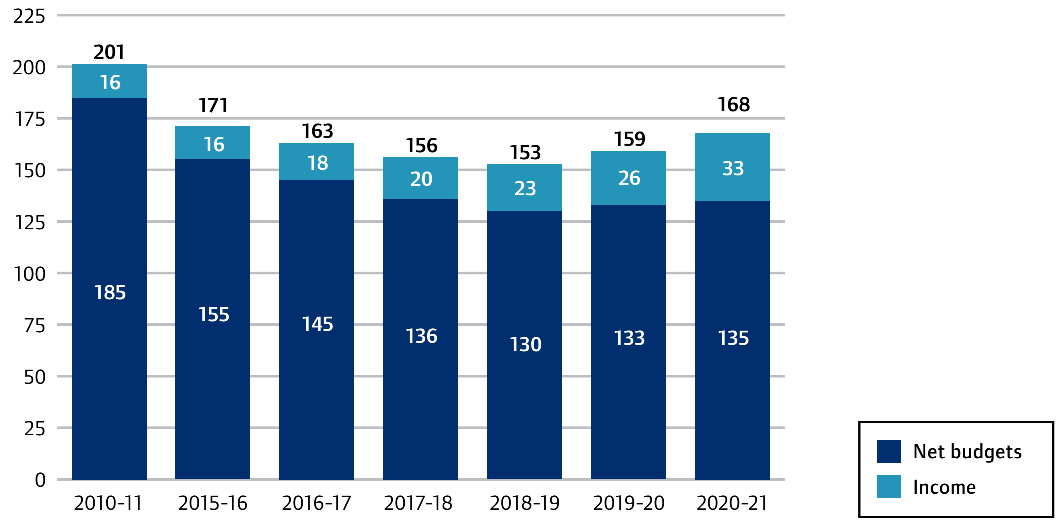
Efficiency of delivery

Ofsted's core funding has decreased from £185m in 2010–11 to £135m in 2020–21. This is a reduction of £50m, or 27% before taking account of inflation. Our gross budget, which includes income, has reduced from £201m in 2010–11 to £167m in 2020–21, again before taking account of inflation. This is a net reduction of £34m, or 17%.

Over this period, we have worked with the DfE to identify a range of policy changes and fee increases, and also found other efficiencies to reduce our spending.

Figure 3: Corporate performance – efficiency of delivery

Ofsted gross budget £m



1. All figures exclude depreciation and annually managed expenditure budgets and show the position after the supplementary Estimate, with the exception of 2020–21, which is based on the main Estimate.
2. The income limit in the 2020–21 main Estimate was £45.5m. Our expected income is £33.3m. This is due to the income Estimate being overstated for items that are included in our core funding through budget cover transfer, or relate to activities that are either reduced or are no longer taking place.
3. In 2015–16, an in-year reduction of £6m was made to the budget, which is not shown here.
4. In 2019–20, the DfE provided Ofsted with a total of £6.3m additional budget due to delays in increasing fees and other shortfall as part of Ofsted's 2015 spending review settlement.
5. Figures in 2019–20 and 2020–21 include transfer from Her Majesty's Treasury (HMT) of £3m to cover a proportion of an increase in employer pension contributions.
6. Figures for 2019–20 include £1m budget exchange.
7. Figures in 2020–21 include an additional £2.3m inflationary increase from HMT.

We have carried out several projects to improve our systems, deliver better outcomes for customers and realise efficiencies.

These projects include the following.

- Electronic evidence gathering – we introduced electronic evidence gathering for EIF and ILACS inspections. This has made it easier for inspectors to capture data, saved time both on inspection and in back-office functions, and improved our analysis capabilities and quality assurance processes.
- Contacts modernisation – we are reviewing our systems and approach for users contacting Ofsted, in order to improve their experience and make efficiencies. This includes a 'single customer view' approach and using automation to improve efficiency and analytic capabilities.

- Registration services – we have launched new digital services to support the application, payment and information systems for early years and social care applicants and registered providers. The new services are built on modern, mobile-friendly and accessible platforms and have been co-designed with users.
- Inspection data summary reports (IDSR) – we redesigned these to make them clearer for schools and to reduce inspectors' time spent on pre-inspection preparation. We have received positive feedback from schools about the new format. The IDSRs are now released up to six weeks earlier than previously with more reliable technology.

Complaints

The Independent Complaints Adjudication Services for Ofsted (ICASO) reviews how we respond to complaints. Its 2020 annual report stated that it continued to be impressed by our openness and the careful consideration we give to each of their recommendations. Their report stated that:

> 'Within the context of Ofsted's overall workload in the 2018/19 academic year of more than 26,700 inspections and visits to schools, colleges and providers of social care, early years and further education and skills, it is remarkable that only 13 of the inevitable complaints that arise from what can occasionally be stressful situations for inspected settings have resulted in referrals to the Independent Complaints Adjudication Service. This is a record low number, as is the fact that our adjudicators were minded to make recommendations for improvement in only five cases. These results bear testament not only to the quality of Ofsted's front line work but also to diligence and thoroughness of its complaints handling team, who continue to work very cooperatively with ICASO.'

We also value feedback on our work from the providers that we inspect, and use this to improve the services we deliver. Building on the strength of existing post-inspection and complaints-handling arrangements, we recently consulted on proposals to:[12]

- provide greater consistency in post-inspection arrangements across our work
- allow all inspected providers five working days to review their draft inspection report and submit any comments about issues of factual accuracy and the inspection process for us to consider before we finalise the report
- consider and respond to formal complaints from inspected providers before we publish their inspection report, if these complaints are submitted promptly
- retain current arrangements for internal reviews into complaints handling, including the scrutiny panel.

In light of COVID-19, we extended the consultation. The consultation outcome will be published this summer.

In 2019–20, the proportion of inspections complained about has increased slightly, by 0.7 percentage points, compared with the previous year. This is not unexpected following the implementation of a new inspection framework for many of those we inspect. Most complainants were challenging the graded judgements awarded. The proportion of inspections complained about each month has now fallen and is at a similar level to the start of the reporting year before the new framework was implemented. The proportion of providers that complain is still low: 2.5% of all inspections and other activities in the period covered.

12. 'Changes to Ofsted's post-inspection processes and complaints handling: proposed improvements', Ofsted, March 2020; www.gov.uk/government/consultations/changes-to-ofsteds-post-inspection-processes-and-complaints-handling-proposed-improvements.

Table 2: Complaints

Period	Inspections/ activities[13]	Complaints received[14]	Proportion of total	Proportion closed and responded to within 30 days
2019–20	35,763	890	2.5%	93%
2018–19	36,396	662	1.8%	97%
2017–18	41,157	746	1.8%	96%

Approximately 19% of all complaints investigated this year had an aspect upheld or partially upheld, a reduction from 22% last year. Following complaint investigations, we changed the overall effectiveness judgement for 12 inspections and we deemed 13 inspections to be incomplete, leading to inspectors carrying out a further visit to gather additional evidence. This continues to represent a very small proportion of all inspections.

When a complaint is upheld, we take prompt action to put things right as required. This can include making minor changes to inspection reports or identifying where inspectors had not followed guidance.

Scrutiny panels normally consider the findings of complaints escalated to internal review. This year, 43 external sector representatives took part in scrutiny panels. We received positive feedback about their experience. Examples include:

- 'I was impressed by the attention to detail and thoroughness of the whole process'
- 'It was also reassuring to observe that Ofsted investigates complaints in a considered and impartial manner'.

The Parliamentary and Health Services Ombudsman did not report on any complaints about Ofsted this year.

13. The inspections/activities include regulatory activity that is not included in Ofsted's corporate plan.
14. The complaints received includes all complaints about inspections/activities carried out in 2019–20 where the complaint was also received in 2019–20.

Sustainability

We aim to reduce our environmental impact by being a more efficient and streamlined organisation. We have met the revised Greening Government Commitment (2016–2020) to reduce greenhouse/carbon emissions by at least 32% by 2020.

Since 2011–12, the first year for which comparable figures are available, we have recorded a reduction of 38% in our overall carbon emissions. This year, overall carbon emissions from business-related travel decreased by 14% to 1,186 tonnes:

- business-related vehicle mileage down 10%
- journeys made into our main offices down 15%
- business-related rail travel mileage down 12%.

This is due to smarter working initiatives such as changing why, how and where we hold meetings; maximising our remote working capability with online collaboration tools; and the pause of regular inspections from 17 March.

In 2019–20, based on estimated readings, water consumption has increased. This could be attributed to higher overall staff numbers in the buildings we occupy.

Estimated waste figures indicate a general increase in overall waste. The amount of recycled waste is up by 31% compared with last year. However, our landfill waste continues to reduce and now accounts for just 5% of total waste.

When possible, we use Crown Commercial Service frameworks for purchasing goods and services. These have considered sustainability as part of their evaluation and contract award. We also adhere to government buying standards whenever possible.

Strategic measures

For the last two years, we have published a set of metrics to help measure our performance against our strategy. The metrics help us to understand our overall direction and to stretch ourselves to where we want to be. They are not targets, and we do not treat them as such. This year, we have not been able to collect data for some of the metrics because of COVID-19 and we therefore do not have a complete picture of performance. Treasury guidance allows departments to omit their performance analysis this year, in recognition of the fact that COVID-19 may restrict what they are able to collect and analyse.

ACCOUNTABILITY REPORT

Corporate governance report 2019–20

1. The corporate governance report contains three sections:

   - the directors' report
   - the statement of Accounting Officer's responsibilities
   - the governance statement.

2. It describes Ofsted's structure and governance framework, and includes information about board members and directors' significant interests. It describes the Accounting Officer's responsibilities and how they have been assured. It also describes risk management arrangements.

3. The report covers the period from 1 April 2019 to 31 March 2020. It also includes information about some significant matters up until the date of publication.

Directors' report

4. Ofsted is a non-ministerial government department linked to, but independent of, the DfE.

5. Ofsted is led by Her Majesty's Chief Inspector (HMCI), Amanda Spielman, who was appointed by the Crown to serve a five-year term from January 2017. HMCI is responsible for the inspection and regulation of services for children and learners and is accountable to Parliament. Her duties are set out in full in Ofsted's corporate governance framework.

Executive leadership team

6. The executive's leadership team consists of:

   - Amanda Spielman, Her Majesty's Chief Inspector
   - Matthew Coffey, Chief Operating Officer and Deputy Chief Inspector
   - 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
   - Katrina Gueli, Regional Director, East Midlands
   - Emma Ing, Regional Director, North East, Yorkshire and Humber
   - Chris Russell, Regional Director, South East
   - Bradley Simmons, Regional Director, South West

- Mike Sheridan, Regional Director, London
- Karen Shepperson, Director, People and Operations
- Neil Greenwood, Director, Digital and Information
- Louise Grainger, Director, Finance, Planning and Commercial
- Chris Jones, Director, Corporate Strategy.

7. Members of the leadership team had the following interests in 2019–20:

Name	Interest	Role	Type
Amanda Spielman	Victoria and Albert Museum Brunel University (to January 2020)	Trustee Council member	Museum University
Paul Brooker	Cotterstock Parish meeting	Chair	Parish
Katrina Gueli	Willow Dene Properties Willow Dene Property Development Ltd Montfield Homes Ltd	Director Director Director	Limited companies
Louise Grainger	Kings School	Governor	School
Sean Harford	World Bank global education policy technical advisory board	Member	Financial institution
Chris Jones	St Matthias School	Governor	School
Mike Sheridan	MK Dons Sport Education	Trustee	Charity
Yvette Stanley	Grandparents Plus	Board member	Charity

Board

8. The board had the following membership during the year:

Name	Notes
Professor Julius Weinberg	Chair
Amanda Spielman	HMCI
Dame Kathryn August	Senior board member – as of January 2020
John Cridland CBE	Senior board member – until January 2020
John Hughes	Board member (Chaired Audit and Risk Assurance Committee until February 2020)
Julie Kirkbride	Board member – appointed 18 July 2019
Hamid Patel CBE	Board member – appointed 18 July 2019
Pamela Scriven QC	Board member
Martin Spencer	Chair of Audit and Risk Assurance Committee (From February 2020) – appointed to the board 18 July 2019
Carole Stott MBE	Board member – appointed 18 July 2019
Venessa Willms OBE	Board member
Baroness Laura Wyld	Board member – appointed 18 July 2019

9. The audit and risk committee had the following membership during the year:

Name	Notes
Martin Spencer	Joined November 2019 (chair from February 2020)
Kathryn August	
Venessa Willms	
Laura Wyld	Joined March 2020
James Aston	Co-opted member (extended until February 2022)
John Hughes	Former chair (until February 2020)
Helen Jesson	Former co-opted member (until February 2020)

10. Board and committee members reported the following interests for 2019–20:

Non-executive board members directorships and other significant interests

Name	Other significant interests	Role	Organisation type
Julius Weinberg	Saturday Club Trust Buckinghamshire Cultural Partnership	Trustee Chair	Charity Charity
Kathryn August	Association of Education Advisers August Education Services Institute of Leadership and Management University of Salford Business School	Director Director Values Ambassador Visiting Professor	Professional membership body Consultancy University
John Cridland	Transport for the North Home Group Comino Foundation Brunel University Northern Powerhouse Partnership	Chairman Chairman Trustee Pro-Chancellor Director	Sub-national transport body Housing association Charity University Think Tank

	University College London	Visiting Professor	University
John Hughes	JCH Global Consulting Audit committee, London School of Economics Trustee of the Community Schools Trust	Director Chair Trustee	Consultancy University Multi-academy trust
Pamela Scriven	Judiciary of England and Wales	Barrister (QC), Deputy High Court Judge (Family Division) and Recorder	Judiciary
Venessa Willms	ARK ARK Boulton Academy	Director of Primary Chair of Governors	Multi-academy trust Multi-academy trust
Hamid Patel	Star Academies Confederation of Schools Trust Education Partnerships Trust	Chief Executive Member Member	Multi-academy trust National body for multi-academy trusts Not for profit multi-academy trust
Julie Kirkbride	Quatro PR New Schools Network Volunteering matters	Part-time consultancy Trustee Trustee	Limited company Charity Charity
Martin Spencer	NTT Data Education and Skills Funding Agency NHS Counter Fraud Authority Serious Fraud Office	Senior Vice President Board member Board member Board member	Multi-national company Executive agency sponsored by DfE Health authority Non-ministerial government department

	Companies House Criminal Cases Review Commission	Board member Board member	Executive agency Statutory body
Carole Stott	Bath College CreditWorks Services Ltd	Chair of Governors Director	College Limited company
Laura Wyld	The Chadlington Consultancy Member of the House of Lords Public Services Committee The Urology Foundation	Senior Adviser Member Member Trustee	Freelance management and communications consultancy House of Lords Committee of House of Lords
James Aston (co-opted member of ARAC)	BDO LLP	Accountancy and business advice Partner, National Head of Education	Business
Helen Jesson (co-opted member of ARAC) – term ended February 2020	Nil		Nil

Statement of Accounting Officer's responsibilities

11. HM Treasury appointed HMCI as Accounting Officer. The Accounting Officer must make sure that Ofsted operates with regularity and propriety, and that resources are spent efficiently to secure value for public money. This is set out in 'Managing public money' (www.gov.uk/government/publications/managing-public-money), published by HM Treasury.

12. HM Treasury directs Ofsted to prepare resource accounts for each financial year. Accounts are prepared on an accrual basis and present a true representation of Ofsted's net resource out-turn, application of resources and cash flows for the financial year.

13. In preparing the accounts, the Accounting Officer is required to comply with the requirements issued in the government Financial Reporting Manual (FReM) 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 where applicable accounting standards as set out in the reporting manual have been followed, and disclose and explain any material departures in the accounts
    - prepare the accounts on a going-concern basis.

14. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Ofsted's assets, are set out in 'Managing public money'.

15. Senior civil servants (SCS) in Ofsted provide written assurance to HMCI of the controls that they have in place to manage risks in their remit areas. An internal controls list is completed by each SCS member setting out all the internal controls the signatory has in place. By signing the form, they confirm to HMCI as Accounting Officer that their controls are effective.

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 the steps that I ought to have taken to make myself aware of any relevant audit information. I can confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the judgements required to ensure this.

Amanda Spielman

Amanda Spielman
Her Majesty's Chief Inspector

Governance statement

16. As Accounting Officer, HMCI is responsible for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives. This system must safeguard the public's funds and our assets, for which HMCI is responsible in accordance with the responsibilities assigned in 'Managing public money'.

17. This governance statement describes the corporate governance and risk management arrangements for the period ending 31 March 2020.

Governance structure

Ofsted board

18. The responsibilities of the board are set out in the corporate governance framework. The Chair of the board is Professor Julius Weinberg. He was appointed in April 2017. Professor Weinberg's term was due to expire on 18 April 2020, but has been extended to 31 July 2020.

19. The senior board member supports the Chair and deputises when necessary. In January 2020, Dame Kathryn August was appointed senior member, succeeding John Cridland.

20. Following a recruitment process regulated by the Commissioner for Public Appointments, five new non-executive board members were appointed in by the Secretary of State in July 2019 and will serve terms of either three and four years. Two serving members, John Cridland and Venessa Willms, were reappointed to serve for an additional three years from July 2019. End dates are staggered to ensure continuity.

21. The Chief Operating Officer, National Directors for Social Care and Education, Director of Corporate Strategy and Director Finance, Planning and Commercial also attend board meetings. Other staff attend when appropriate.

22. The board and its sub-committees have held meetings online since the government issued its advice on working from home where possible.

23. In 2019–20, the board has discussed:

    - implementation of the EIF
    - our response to the COVID-19 pandemic
    - the regulatory review
    - our research programme
    - challenges in the sectors we inspect
    - the corporate governance framework review
    - the strategic risk register

- updates from each remit.

24. The board can delegate functions to sub-committees. At the present time, ARAC is the only such committee.

Performance of the board

25. A review of the board's effectiveness will take place once the five new board members are familiar with their role and how the board operates.

Audit and Risk Assurance Committee

26. ARAC provides advice and assurance to the board and HMCI. ARAC offers guidance on the adequacy and effectiveness of internal controls, risk management processes and governance arrangements. It also provides assurance on internal and external audit arrangements covering both financial and non-financial systems. Its terms of reference are set out in full in the corporate governance framework.

27. Throughout 2019–20, the committee consisted of four board members and two independent financially qualified members (for four out of five meetings). John Hughes chaired the committee between February 2018 and February 2020, handing over the chair to Martin Spencer.

28. As Accounting Officer, HMCI attends meetings of the committee along with the Chief Operating Officer and Director Finance, Planning and Commercial. The internal auditors and the National Audit Office also attend. Other members of staff attend when appropriate.

29. In 2019–20, the committee:

    - monitored the implementation of audit recommendations and reviewed internal audit reports relating to core financial controls
    - reviewed internal audit reports, including on Ofsted's readiness to implement the EIF
    - provided assurance on risk management
    - tracked to completion recommendations arising from the National Audit Office (NAO) and Public Accounts Committee reports on Ofsted's inspection of schools
    - monitored delivery of the 2019–20 internal audit plan
    - endorsed the 2018–19 Annual Report and Accounts
    - reviewed plans made to adapt and respond to the UK leaving the European Union
    - agreed its approach to its next effectiveness review, having tracked the actions arising from the review in 2019

- discussed the re-appointment of the Government Internal Audit Agency (GIAA) to provide internal audit services in 2020–21
- reviewed Ofsted's compliance with the government's counter-fraud standard
- reviewed and commented on the whistle-blowing policy
- reviewed the 2020–21 internal audit plan
- reviewed the 2018–19 NAO audit completion report
- considered information management and cyber-security issues.

Board committee member attendance: April 2019–March 2020

Meetings attended (out of possible)		
Board member	**Board**	**ARAC**
Julius Weinberg	5/5	
Amanda Spielman	5/5	5/5
Kathryn August	4/5	5/5
John Cridland	4/5	
John Hughes	4/5	5/5
Pamela Scriven	5/5	
Venessa Willms	5/5	5/5
Hamid Patel	4/4	
Julie Kirkbride	4/4	
Martin Spencer	3/4	2/3
Carole Stott	4/4	
Laura Wyld	4/4	1/1
James Aston	N/A	4/5
Helen Jesson	N/A	4/4

Executive board

30. Ofsted's senior management team, the executive board, is chaired by HMCI. The executive board provides support and guidance to HMCI as the decision-maker on significant strategic and operational issues. Attendees have oversight of operational change and business as usual activity and scrutinise monthly finance, performance and risk reports.

31. Executive board meets twice a month. The first meeting is dedicated to strategic discussions and the second is a forum for operational decision making.

32. In response to the COVID-19 pandemic, HMCI decided on 26 March 2020 to temporarily suspend the strategy and operational executive board model but retain fortnightly meetings. The decision did not affect any executive board meetings in the 2019–20 financial year.

33. The Chief Operating Officer, National Directors for Education and Social Care, the Director of Corporate Strategy, Director of Digital and Information, Director of People and Operations and the Director of Finance, Planning and Commercial and the eight regional directors make up the executive board.

Other corporate meetings

34. The following operational groups escalate risks, concerns and items for decision to the executive board and HMCI where necessary:

- the Chief Operating Officer's delivery management meeting – brings together regional delivery and support functions to manage operational delivery effectively
- Star Chambers – reviews and challenges performance in each region.

COVID-19 temporary operating model

35. Alongside the changes to the executive board's operation, HMCI implemented a temporary operating model in March 2020 for as long as necessary during the pandemic. The model ensures that there is clear delineation and distinct accountability to ensure that independence and impartiality are fully maintained in our continuing inspection and regulatory work, and at the same time contributing as much as possible to the national effort to respond to COVID-19.

36. A different member of the executive board oversees:

- emergency planning for, and oversight of, our response to the pandemic
- emergency inspection and regulation work throughout this period
- the redeployment of our staff, working with local authorities, education and social care providers and other government departments
- planning for a return to routine inspection and regulation activity.

37. Updates on each strand of work are given at each executive board. The model has been designed to:

- make sure staff have clear roles and responsibilities and clear lines of accountability
- avoid unnecessary disruption by retaining existing line management and support structures where possible; this will also help us to be ready to return to business as usual as quickly as possible
- preserve local relationships and intelligence-gathering about local areas and providers
- take account of reduced resource because of sickness absence and caring responsibilities.

Planning for exiting the European Union

38. On 29 March 2017, the UK government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. Ofsted neither receives nor provides funding via the EU, nor does it expect any direct material impact as a result of leaving the EU.

Data incidents

39. We reported six personal data incidents to the Information Commissioner's Office during the year.

40. In all cases, we took prompt action to contain or limit the action of the breach. Following internal investigations and appropriate changes to our handling procedures, no action was taken by the Information Commissioner's Office in response to these incidents.

41. There have been 14 non-reportable incidents in the year. All incidents were resolved, and appropriate controls were put in place where necessary.

Risk management

42. 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 the delivery of long-term strategic aims. These risks are monitored and scrutinised at executive board, ARAC and board meetings. The executive board is responsible for ensuring that appropriate mitigating actions are taken to prevent these risks.

43. The risk management framework has been adapted to address external and internal changes arising from COVID-19. The objectives remain to enable proportionate, timely and useful risk reporting to support decision-making and to provide oversight and transparency to the Accounting Officer, ARAC and board on the nature of the risks and mitigations.

The strategic risk register

44. In 2019–20, the strategic risk register included risks related to the following topics.

Credibility

45. Ofsted's guiding principle is to be a force for improvement through intelligent, responsible and focused inspection and regulation. To achieve this, the sectors we inspect and regulate must have confidence in our ability to improve

standards. We are led by research and make sure that our approach to inspection and regulation is underpinned by evidence.

Validity

46. Inspection needs to be sufficiently valid to provide assurance to different audiences. We manage risks to our validity, for example through evaluating our frameworks and monitoring post-inspection feedback to understand what is working well and what could be improved.

Force for improvement

47. Our strategy sets out how we will be a force for improvement. We have established a strategy team that will look at the implementation and effectiveness of the strategy.

Regulation

48. Ofsted is the regulator in early years and social care. This year, we focused our attention on our regulatory role and carried out a review to identify areas to improve.

Delivering our funded inspection programme

49. We prioritise completing our statutorily constrained and target inspections and have consistently met what has been required of us. However, COVID-19 has radically altered the circumstances in which we operate. We were granted permission from the Secretary of State to suspend routine inspection activity, and our ability to fulfil our statutory targets has been impacted by this. We continue to prepare for the transition back to routine inspection as soon as is appropriate.

Workforce

50. We manage risks around having the capacity and capability to deliver our strategic priorities. This year, we have seen a reduction in both staff turnover and the number of working days lost to staff absence. We have seen high levels of interest in recruitment.

Financial

51. To guard against the risk of poor-quality resourcing decisions, we allocate our resources with value for money and impact at the centre of our decision-making. Beyond our internal processes, we liaise closely with the DfE and other relevant bodies as necessary to ensure that stakeholders are aware of the resources required to provide an adequate level of assurance.

52. We agreed funding with HM Treasury for 2020–21 following discussions over the course of 2019–20. We continue to work with HM Treasury to monitor our progress against the conditions attached to this. We placed continued

emphasis on prioritising and focusing our resources to maximise our efficiency and impact.

Unforeseen events

53. Before the start of 2019–20, our risk registers included the risk of an unexpected external event placing significant demands on our ability to operate effectively and deliver our strategic aims.

54. During 2019–20, we reviewed our business continuity plan and put in place plans for dealing with both short- and long-term emergencies. These plans have helped our preparations for Brexit and the response to COVID-19.

Internal audit

55. GIAA served as Ofsted's internal auditors from 1 April 2019 to 31 March 2020. Based on the work undertaken in the year to 31 March 2020, the Head of Internal Audit provided a substantial opinion, stating that overall Ofsted's framework of governance, risk management and control in 2019–20 was largely adequate and effective.

Internal controls

56. HMCI, as Accounting Officer, is required to 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, ARAC and the senior managers responsible for the internal control framework. This governance statement is completed to provide assurance to HMCI about the effectiveness of the governance and internal control framework, as set out above.

57. HMCI reviews the systems in place to minimise risks and to support the achievement of our policy, aims and objectives. This includes a review of standard mid- and end-year checks carried out by SCS of the controls to manage risks in their area. Each director and deputy director must give written assurance to HMCI that their controls are effective.

58. Any deviations from our internal control checklist are reported. No deviations were recorded this year.

Remuneration and staff report

Remuneration report part A: unaudited

Appointing non-executive board members

59. 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 appoints 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

60. Amanda Spielman was appointed as HMCI from 1 January 2017. This is a Crown appointment for a period of five years.

61. Full details of the membership of the executive board and their dates of appointment are listed 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.

62. Unless otherwise stated, the directors are all permanent SCS.

63. 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 exemptions to this.

64. You can find further information about the Civil Service Commission's work at: http://civilservicecommission.independent.gov.uk.

Remuneration policy

65. Directors are paid in accordance with the SCS pay framework. This is set by the government and subject to the recommendations of the Senior Salaries Review Body.

66. Ofsted has established an 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. Kathryn August, a member of the board, served as the independent member on the SCS pay committee during 2019–20. 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.

67. Ofsted’s approach to assessing SCS staff performance adheres to the relevant Cabinet Office guidance. Our assessment has therefore been based on:

- whether objectives have been met
- the demonstration of leadership behaviours
- professional skills
- an assessment of the management of resources
- degree of difficulty in meeting the objectives in light of actual events.

68. 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, our SCS pay committee challenged and validated the rank order and merged the agreed lists into the three performance distribution groups.

69. 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

70. The salaries of all non-executives for the year ending 31 March 2020 were as follows:

Name	Salary (£'000)	
	2019–20	2018–19
Professor Julius Weinberg (chair)	45–50	45–50
John Hughes	5–10	5–10
Venessa Willms OBE	5–10	5–10
John Cridland CBE	5–10	5–10
Pamela Scriven QC	5–10	5–10
Dame Kathryn August	5–10	5–10
Martin Spencer (from 1 August 2019)	5–10 (5–10 FYE*)	-
Carole Stott MBE (from 1 August 2019)	5–10 (5–10 FYE*)	-
Hamid Patel CBE (from 1 August 2019)	5–10 (5–10 FYE*)	-
Julie Kirkbride (from 1 August 2019)	5–10 (5–10 FYE*)	-
Baroness Laura Wyld (from 1 August 2019)	5–10 (5–10 FYE*)	-

*FYE = full-year equivalent.

Remuneration of executive board members

71. The salaries of the most senior members of staff for the year ending 31 March 2020 were as follows:

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000)		Total (£'000)	
Name	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19
Amanda Spielman	185–190	180–185	-	-	-	-	71	70	255–260	250–255
Matthew Coffey	145–150	140–145	10–15	15–20	-	-	52	46	205–210	200–205
Paul Brooker	125–130*	125–130*	-	-	-	-	17	8	145–150	130–135
Andrew Cook	135–140*	130–135*	5–10	-	-	-	54	31	195–200	165–170
Lorna Fitzjohn	135–140*	135–140*	-	10–15	-	-	19	12	155–160	160–165
Katrina Gueli (from 14 April 2019)	110–115* (115–120 FYE**)	-	-	-	-	-	92	-	205–210	-
Sean Harford	140–145*	140–145*	0–5	15–20	-	-	58	19	200–205	175–180
Emma Ing	125–130*	130–135*	-	0–5	-	-	30	26	150–155	160–165
Christopher Russell	140–145*	140–145*	-	-	-	-	38	31	180–185	170–175
Karen Shepperson	120–125	120–125	0–5	0–5	-	-	42	121	170–175	245–250
Mike Sheridan	135–140*	135–140*	5–10	10–15	-	-	53	47	200–205	195–200
Bradley Simmons	135–140*	135–140*	5–10	10–15	-	-	43	28[1]	185–190	175–180[1]
Yvette Stanley	140–145	140–145	5–10	-	-	-	48	47	195–200	185–190
Louise Grainger	95–100	90–95	5–10	-	-	-	34	58	135–140	150–155
Neil Greenwood	100–105	100–105	5–10	-	-	-	42	29	150–155	125–130
Chris Jones (from 4 March 2019)	95–100	5–10 (85–90 FYE**)	5–10	-	-	-	37	3	140–145	10–15
Cathryn Kirby (left 31 July 2019)	40–45* (120–125 FYE**)	125–130*	-	-	-	-	21	15	60–65	140–145
Luke Tryl (left 1 March 2019)	-	85–90 (90–95 FYE**)	-	10–15	-	-	-	-	-	95–100

* Salaries include taxable travel.
** FYE = full-year equivalent.
[1] The figure published in 2018–19 has been recalculated.

72. Luke Tryl was a member of the partnership pension scheme. In 2018–19, Ofsted contributed £5,600 in employer contributions towards his pension.

73. Salary includes gross salary, recruitment and retention allowances, and other allowances to the extent that they are subject to UK taxation.

74. In line with the SCS pay framework, bonus payments are based on performance levels and are made as part of the appraisal process. The bonuses reported in 2019–20 are end-of-year performance payments for 2018–19 and

the in-year performance payments for 2019–20. The comparative bonuses reported for 2018–19 relate to the end-of-year performance payments for 2017–18 and the in-year performance payments for 2018–19.

75. Given the disruption to our work this year, all senior managers have agreed to waive any bonus payment that might otherwise have been made (in line with wider Civil Service pay policy) in the current financial year.

76. The monetary value of benefits in kind covers any benefits provided by the employer and treated by HMRC as a taxable emolument. In 2019–20, we made no payments of benefits (2018–19: none).

Pay multiples

77. We are required to disclose the relationship between the remuneration of the highest-paid director and median remuneration of our workforce as at 31 March 2020.

78. The grading structure is aligned to the traditional Civil Service grades AO to SCS. The range of staff remuneration is between £19,968 and £187,500 (2018–19: £15,839 and £182,500). This year is showing an increase at lowest end of the range due to aligning the apprentice salary with the AO salary.

79. 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 2019–20 was £187,500 on a full-year equivalent basis (2018–19: £182,500). This was 3.94 times (2018–19: 4.51) the median remuneration of the workforce, which was £47,557 (2018–19: £40,441).

80. Most of our B1 inspectors (SEO) in early years were promoted from B2 inspector (HEO) in late 2018–19. This was following a re-structure of roles, with staff taking on significant new responsibilities for regulatory work. The impact of their pay increase was fully realised in 2019–20 and has contributed to an increase on the median remuneration of the workforce this year. In addition, this year we used the flexibility in the SCS pay guidance to address some pay anomalies within our small SCS workforce.

81. In 2019–20, no employee received remuneration in excess of the highest paid director (2018–2019: none). Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash-equivalent transfer value of pensions.

Pension benefits

82. The pension entitlements of the most senior members of staff for the year ending 31 March 2020 were as follows:

Name	Accrued pension at pension age as at 31 March 2020 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Amanda Spielman	10–15	2.5–5	203	134	47
Matthew Coffey	45–50 plus a lump sum of 90–95	2.5–5 plus a lump sum of 0	848	777	27
Paul Brooker	55–60 plus a lump sum of 175–180	0–2.5 plus a lump sum of 2.5–5	1,392	1,372	18
Andrew Cook	30–35	2.5–5	609	543	35
Lorna Fitzjohn	50–55 plus a lump sum of 155–160	0–2.5 plus a lump sum of 2.5–5	1,184	1,164	19
Katrina Gueli (from 14 April 2019)	30–35	5–7.5	456	376	59
Sean Harford	65–70	2.5–5	1,181	1,091	36
Emma Ing	30–35	0–2.5	623	573	31
Christopher Russell	25–30	0–2.5	611	539	40
Karen Shepperson	50–55 plus a lump sum of 120–125	2.5–5 plus a lump sum of 0	1,027	957	22
Mike Sheridan	50–55	2.5–5	609	552	25
Bradley Simmons	65–70	2.5–5	1,349	1,245*	44
Yvette Stanley	5–10	2.5–5	77	37	29
Louise Grainger	40–45	0–2.5	545	501	16
Neil Greenwood	30–35	0–2.5	467	422	20
Chris Jones (from 4 March 2019)	10–15	0–2.5	98	78	10
Cathryn Kirby (left 31 July 2019)	60–65	0–2.5	1269	1209	21

*The figure published in 2018–19 has been recalculated.

Civil Service pensions

83. 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 1 April 2015, 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.

84. 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).

85. 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.

86. 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).

87. 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. Note that part of that pension may be payable from different ages.)

88. You can find further details about the Civil Service pension arrangements at: www.civilservicepensionscheme.org.uk.

Cash-equivalent transfer values

89. A cash-equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a 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.

90. 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

91. 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

92. No compensation for loss of office payments were made in 2019–20.

Staff report part A: audited

Number of senior civil servants by pay band

	As at 31 March 2020	As at 31 March 2019
SCS Band 1	16	17
SCS Band 2	11	11
SCS Band 3	1	1
Permanent Secretary Equivalent	1	1
Total	**29**	**30**

Staff numbers and related costs

93. The **average** number of staff during the year was:

	2019–20			2018–19
	Total	**Permanently employed staff**	**Others**[1]	Total
FTE	**1,725**	1,621	104	1,717
Headcount	**1,796**	1,688	108	1,796

94. Total staff costs for the year are included in note 3 of the accounts.

Reporting of Civil Service and other compensation schemes – exit packages

95. 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.

96. There were fewer exits in 2019–20 than in the previous year. The 15 exits during the year arose from restructuring in the early years inspection team.

97. Those who did not get a role in the new staffing structure were offered the option to apply for the voluntary exit scheme. All exits for these schemes were agreed in 2019–20 in line with our planned exit strategy for the early years programme.

[1] Those working for Ofsted on a non-permanent basis, for example fixed-term contract, loan-in and agency staff.

Exit package cost band £'000	Number of compulsory redundancies	Number of other departures agreed	2019–20 total number of exit packages by cost band	2018–19 total number of exit packages by cost band
0–10	0	2	**2**	6
10–25	0	5	**5**	10
25–50	0	4	**4**	7
50–100	0	3	**3**	8
100–150	0	1	**1**	1
150–200	0	0	**0**	0
200+	0	0	**0**	0
Total number of exits	**0**	**15**	**15**	**32**
Total resource cost £'000	**0**	**528**	**528**	**1,141**

Monitoring of consultancy and temporary staff

98. Ofsted has used the Public Sector Resourcing framework, operated by the Crown Commercial Service, for procuring new agency staff and interim contractors.

	2019–20	2018–19
	£'000	£'000
Consultancy	**285**	233
Temporary and agency staff	**4,327**	3,701

Off-payroll engagements

99. There were **no** off-payroll engagements at a cost of over £245 per day in place between 1 April 2019 and 31 March 2020 (2018–19: none).

Staff report part B: unaudited

Staff composition

100. On 31 March 2020, Ofsted directly employed 1,771 staff across England.

101. The gender of the staff was as follows (headcount):

	Female	Male	2019–20 total
Executive board	7	9	16
Other SCS	7	6	13
Other	1,170	572	1,742
Total	**1,184**	**587**	**1,771**

Employee matters

Diversity and inclusion

102. Ofsted's equality, diversity and inclusion group, together with our four staff networks, works to ensure that equality, diversity and inclusion are at the heart of our work. Equality training is mandatory for all staff.

103. We are a Disability Confident employer and design all policies to be inclusive and accessible. We operate the guaranteed interview scheme, and use blind sifting to overcome unconscious bias and promote diversity within our workforce.

104. In 2019–20, we launched a new gender identity policy in collaboration with our staff networks.

105. In line with gender pay reporting legislation, we have published our gender pay gap report: www.gov.uk/government/publications/ofsted-gender-pay-gap-report-and-data-2019.

106. The gender pay gap is the difference in the average earnings between all men and women in an organisation. Ofsted's mean gender pay gap was 6.6% in favour of men. There was no median gender pay gap.

107. In line with our early years inspection strategy, the B2 (HEO) early years roles came to an end in early 2019. Most colleagues in these roles secured a promotion to the early years regulatory inspector role (at the B1 (SEO) inspector grade, 89% of whom are female), leading to an overall improvement in our gender pay gap for 2019.

Supportive employment practices

108. We provide supportive employment practices to our employees through, for example, supportive attendance, flexible working and time-off-work procedures, as well as mental health first aiders, occupational health referrals and free counselling and advice services. We monitor how our policies are applied, reporting to the executive board on any adverse impact for particular groups.

Whistle-blowing

109. There has been one whistle-blowing case during the year. The case was investigated but was not upheld.

Anti-bribery and corruption

110. Ofsted employees are expected to observe a high standard of personal honesty and integrity, and to ensure that their behaviour meets the standards expected of them.

111. All offers of gifts, rewards and hospitality must be reported and will be recorded on our register. Our guiding principles are clear that, should there be any doubt over the propriety of accepting any gift, reward or hospitality, it should be refused.

112. Any conflict, whether real or perceived, that is not appropriately managed can severely jeopardise Ofsted's public standing and trust in our judgements. Our policies are clear that those who work for Ofsted must not put themselves in a position where previous employment, personal relationships or private interests conflict, or could be perceived to conflict, with our values. All conflicts must be declared and assessed to determine whether they can proceed alongside the individual's work for Ofsted, without affecting their integrity and reputation, and that of Ofsted.

113. In February 2020, Ofsted launched a revised counter-fraud, bribery and corruption policy, supported by mandatory training for all staff.

Trade union facility time

114. Ofsted works in partnership with three recognised unions, which make up our trade union side: FDA, Public and Commercial Services Union (PCS), and UNISON.

115. 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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
20	18

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1–50%	19
51–99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£69k
Total pay bill	£111.5m
Percentage of total pay bill spent on facility time	0.06%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	18.5%

Parliamentary accountability and audit report: audited

Statement of Parliamentary Supply

116. In addition to the primary statements prepared under the international financial reporting standards (IFRS), the government FReM requires Ofsted to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

117. The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

118. The SoPS is a key accountability statement that shows, in detail, how an entity has spent against its supply estimate (Estimate). Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the consolidated fund) that Parliament gives statutory authority for entities to use. The Estimate details supply and is voted on by Parliament at the start of the financial year.

119. Should an entity exceed the limits set by its Estimate, called control limits, its accounts will receive a qualified opinion.

120. The format of the SoPS mirrors the Estimates (www.gov.uk/government/publications/main-supply-estimates-2019-to-2020) to enable comparability between what Parliament approves and the final outturn.

121. The SoPS contain a summary table, detailing:

- performance against the control limits that Parliament has voted on
- cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent)
- administration.

122. The supporting notes detail:

- outturn by Estimate line, providing a more detailed breakdown (SoPS 1)
- a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SoCNE), to tie the SoPS to the financial statements (SoPS 2)
- a reconciliation of outturn to net cash requirement (SoPS 3
- an analysis of income payable to the consolidated fund (note 4).

123. Figures described as Estimates are voted on by Parliament and are subject to Parliamentary control. Any breach of these limits is treated as unauthorised expenditure and requires retrospective approval, known as an excess vote.

124. In addition, although not a separate voted limit, any breach of the administration budget would also require an excess vote.

125. Our performance against the total funding received in the Estimate of £136.9 million was:

	Estimate £'000	Outturn £'000	Variance £'000
Departmental expenditure limit – resource (RDEL excluding depreciation)	129,253	127,451	1,802
Departmental expenditure limit – capital (CDEL)	4,100	3,826	274
Ofsted's core funding	**133,353**	**131,277**	**2,076**
Departmental expenditure limit – depreciation	3,600	3,331	269
Annually managed expenditure – resource (AME)	(81)	(286)	205
Total budget	**136,872**	**134,322**	**2,550**

126. Ofsted underspent against RDEL (excluding depreciation) by £1.8m, of which £1.1m is estimated to be as a consequence of the temporary pause in routine inspection from 16 March 2020 due to COVID-19. Excluding the £1.1m, this represents an underspend of £0.7m, or less than 1%.

127. Ofsted underspent against CDEL by £0.3m, depreciation by £0.3m and AME by £0.2m, showing an effective but prudent approach to managing our expenditure control limits.

Summary of resource and capital outturn 2019–20

	Estimate			**Outturn**			**Outturn vs Estimate, saving/ (excess)**	Prior year outturn total
	Voted	**Non-voted**	**Total**	**Voted**	**Non-voted**	**Total**	**2019–20**	2018–19
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Departmental expenditure limit								
– Resource	**132,853**	**-**	**132,853**	**130,782**	**-**	**130,782**	**2,071**	125,383
– Capital	**4,100**	**-**	**4,100**	**3,826**	**-**	**3,826**	**274**	6,098
Annually managed expenditure								
– Resource	**(81)**	**-**	**(81)**	**(286)**	**-**	**(286)**	**205**	(717)
– Capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
Total budget	**136,872**	**-**	**136,872**	**134,322**		**134,322**	**2,550**	130,764
Total resource	**132,772**	**-**	**132,772**	**130,496**	**-**	**130,496**	**2,276**	124,666
Total capital	**4,100**	**-**	**4,100**	**3,826**	**-**	**3,826**	**274**	6,098
Total	**136,872**	**-**	**136,872**	**134,322**	**-**	**134,322**	**2,550**	130,764

Figures in the 'voted' column cover the voted control limits voted by Parliament. Refer to the 'Supply Estimates guidance manual' (www.gov.uk/government/publications/supply-estimates-guidance-manual) for detail on the control limits voted by Parliament.

Net cash requirement 2019–20

		2019–20			2018–19
		Estimate total	Outturn total	Outturn vs Estimate, saving/ (excess)	Prior year outturn total
	Reference	£'000	£'000	£'000	£'000
Net cash requirement	**SoPS 2**	**133,290**	**131,946**	**1,344**	129,286

Administration costs 2019–20

	2019–20			2018–19
	Estimate total	Outturn total	Outturn vs Estimate, saving/ (excess)	Prior year outturn total
	£'000	£'000	£'000	£'000
Administration costs	**17,334**	**15,811**	**1,523**	14,624

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

SoPS 1 Outturn detail by Estimate line

SoPS 1.1 Analysis of resource outturn by Estimate line

	2019–20									2018–19
	Administration			Programme			Outturn	Estimate		
	Gross	Income	Net	Gross	Income	Net	Total	Net total Estimate	Outturn vs Estimate, saving/ (excess)	Prior year outturn total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in departmental expenditure limit:										
Voted	15,811	-	15,811	142,233	(27,262)	114,971	130,782	132,853	2,071	125,383
Annually managed expenditure:										
Voted	-	-	-	(286)	-	(286)	(286)	(81)	205	(717)
Total	**15,811**	**-**	**15,811**	**141,947**	**(27,262)**	**114,685**	**130,496**	**132,772**	**2,276**	124,666

SoPS 1.2 Analysis of net capital outturn by Estimate line

					2019–20	2018–19
	Outturn			Estimate		
	Gross	Income	Net	Net total Estimate	Outturn vs Estimate, saving/ (excess)	Prior year outturn total
	£'000	£'000	£'000	£'000	£'000	£'000
Spending in departmental expenditure limit:						
Voted	**3,826**	**-**	**3,826**	**4,100**	**274**	6,098
Total	**3,826**	**-**	**3,826**	**4,100**	**274**	6,098

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require Parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). See the 'Supply Estimates guidance manual' for more information on virements.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

SoPS 2 Reconciliation of net resource outturn to net operating expenditure

Item	Reference	Outturn total	Prior year outturn total 2018–19
Total resource outturn	**SoPS 1.1**	**130,496**	124,666
Add:			
Research costs classified as capital DEL in the SoPS under ESA 10, but treated as operating costs in the SoCNE		**1,761**	2,058
Income payable to the consolidated fund		**(271)**	-
		131,986	126,724
Net operating expenditure in consolidated SoCNE	**SoCNE**	**131,986**	126,724

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, the IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the financial statements.

SoPS 3 Reconciliation of net resource outturn to net cash requirement

				2019–20
		Outturn	Estimate	Outturn vs Estimate, saving/ (excess)
	Reference	£'000	£'000	£'000
Resource outturn	SoPS 1.1	**130,496**	**132,772**	**2,276**
Capital outturn	SoPS 1.2	**3,826**	**4,100**	**274**
Total outturn		**134,322**	**136,872**	**2,550**
Accruals to cash adjustments:		**(2,376)**	**(3,582)**	**(1,206)**
Of which:				
Adjustments to remove non-cash items:				
Depreciation		**(3,331)**	**(3,600)**	**(269)**
New provisions and adjustments to previous provisions		**(12)**	**(200)**	**(188)**
Auditor's remuneration		**(69)**	**(63)**	**6**
Other non-cash items		**(2)**	**-**	**2**
Income payable to the consolidated fund	SoPS 4	**(271)**	**-**	**271**
Less: movements in payables relating to items not passing through the SoCNE		**651**	**-**	**(651)**
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		**(47)**	**-**	**47**
(Increase)/decrease in payables		**407**	**-**	**(407)**
Use of provisions		**298**	**281**	**(17)**
Net cash requirement		**131,946**	**133,290**	**1,344**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SoPS4 Analysis of income payable to the consolidated fund

In addition to income retained by Ofsted, the following income is payable to the consolidated fund.

		Outturn total	Prior year outturn total, 2018–19
	Reference	£'000	£'000
Income outside of the ambit of the Estimate	5	**271**	-
Total amount payable to the consolidated fund		**271**	-

This relates to income that may not be retained and is to be surrendered to the consolidated fund.

Losses and special payments

Losses statement

	2019–20		2018–19*	
	No. of cases	**£'000**	No. of cases	£'000
Fruitless payments and constructive losses	**556**	**481**	121	45
Total	**556**	**481**	121	45

*The comparator figure for 2018–19 has been re-stated to include some cancelled events from that year that had been previously excluded in error.

Special payments

	2019–20		2018–19	
	No. of cases	**£'000**	No. of cases	£'000
Special payments	**115**	**162**	5	30
Total	**115**	**162**	5	30

The increase in fruitless payments, constructive losses and special payments is mainly due to the impact of COVID-19. Ofsted honoured payments to contracted inspectors for the working week commencing 16 March, and some training, conference and meeting room bookings had to be cancelled, which incurred charges. We work from a small number of offices, which do not have facilities to host larger meetings, so inspector meetings and training events are mostly held off site.

Without this, the values and volumes of fruitless payments and constructive losses would have been broadly similar between the two years.

Fees and charges

	2019–20		
	Income*	**Full cost**	**Surplus/ (deficit)**
	£'000	**£'000**	**£'000**
Social care	**11,025**	**26,536**	**(15,511)**
Early years	**6,253**	**38,754**	**(32,501)**
Independent schools	**1,499**	**8,452**	**(6,953)**
Total	**18,777**	**73,742**	**(54,965)**

* Childcare registration and inspection income includes £271k that was transferred to the consolidated fund (see SoPS4).

	2018–19		
	Income	Full cost**	Surplus/ (deficit)
	£'000	£'000	£'000
Social care	9,913	23,815	(13,902)
Early years	6,381	36,873	(30,492)
Independent schools	1,291	7,853	(6,562)
Total	17,585	68,541	(50,956)

** Due to a change in methodology in 2019–20, the 2018–19 full cost figures have been restated to ensure comparability.

Amanda Spielman

Amanda Spielman
Accounting Officer

Date: 3 July 2020

The Certificate and Report of the Comptroller and Auditor 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 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement 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 2020 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 outturn against voted Parliamentary control totals for the year ended 31 March 2020 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 Ofsted 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- Ofsted's use of the going-concern basis of accounting in the preparation of the financial statements is not appropriate; or
- Ofsted has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Ofsted's ability to continue to adopt the going-concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

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 Ofsted's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- 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
- conclude on the appropriateness of Ofsted'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 Ofsted's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause Ofsted to cease to continue as a going concern.

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 outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are departmental expenditure limits (resource and capital), annually managed expenditure (resource and capital), non-budget (resource) and net cash requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include 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.

Gareth Davies **Date: 8 July 2020**
Comptroller and Auditor General

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

FINANCIAL STATEMENTS

Statement of comprehensive net expenditure

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

			2019–20	2018–19
	Reference	**£'000**	**£'000**	**£'000**
Revenue from contracts with customers			**(27,206)**	(21,465)
Grant income – apprentice levy			**(56)**	(51)
Consolidated fund extra receipts (CFER)			**(271)**	-
Total operating income	**5**		**(27,533)**	(21,516)
Staff costs	3	**116,166**		108,005
Purchase of goods and services	4	**40,022**		37,352
Depreciation and amortisation	4	**3,331**		2,883
Total operating expenditure			**159,519**	148,240
Net expenditure for the year			**131,986**	126,724
Other comprehensive net expenditure				
Net (gain)/loss on actuarial revaluation of pension scheme	18	**461**		(569)
Comprehensive net expenditure for the year			**132,447**	126,155

Statement of financial position

This statement presents the financial position of Ofsted. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		31 March 2020		31 March 2019	
	Reference	**£'000**	**£'000**	£'000	£'000
Non-current assets:					
Property, plant and equipment	6	**1,812**		2,187	
Intangible assets	7	**11,033**		11,924	
Trade and other receivables	12	**198**		296	
Local government pension scheme asset	18	**-**		565	
Total non-current assets			**13,043**		14,972
Current assets:					
Trade and other receivables	12	**3,929**		3,878	
Cash and cash equivalents	11	**1,344**		964	
Net retirement benefit schemes asset	18	**102**		-	
Total current assets			**5,375**		4,842
Total assets			**18,418**		19,814
Current liabilities					
Trade and other payables	13	**(13,688)**		(14,581)	
Contract liabilities	13	**(7,867)**		(7,381)	
Provisions	14	**(115)**		(299)	
Total current liabilities			**(21,670)**		(22,261)
Non-current assets less net current liabilities			**(3,252)**		(2,447)
Non-current liabilities					
Provisions	14	**(1,126)**		(1,228)	
Total non-current liabilities			**(1,126)**		(1,228)
Total assets less total liabilities			**(4,378)**		(3,675)
Taxpayers' equity and other reserves:					
Total reserves			**(4,378)**		(3,675)
Total equity			**(4,378)**		(3,675)

Amanda Spielman

Amanda Spielman
Accounting Officer

Date: 3 July 2020

Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents of the department during the reporting period. It shows how Ofsted generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by income from the recipients of Ofsted's services. Investing activities represent the extent to which cash inflows and outflows have been made for resources that are intended to contribute to future public service delivery.

	Reference	**2019–20** **£'000**	2018–19 £'000
Cash flows from operating activities			
Net operating cost		**(131,986)**	(126,724)
Adjustment for non-cash transactions		**3,414**	3,301
(Increase)/decrease in trade and other receivables		**47**	(1,103)
Increase/(decrease) in trade payables		**(407)**	1,191
(Increase)/decrease in departmental balances with the Consolidated fund		**(651)**	(889)
Use of provisions	14	**(298)**	(1,022)
Net cash outflow from operating activities		**(129,881)**	(125,246)
Cash flows from investing activities			
Purchase of non-financial assets	6 and 7	**(2,065)**	(4,040)
Proceeds from disposal of non-financial assets		**-**	-
Net cash outflow from investing activities		**(2,065)**	(4,040)
Cash flows from financing activities			
From the consolidated fund (supply) – current year		**132,326**	130,175
Net financing		**132,326**	130,175
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the consolidated fund		**380**	889
Payments of amounts due to the consolidated fund		**-**	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the consolidated fund		**380**	889
Cash and cash equivalents at the beginning of the period	11	**964**	75
Cash and cash equivalents at the end of the period	11	**1,344**	964

Statement of changes in taxpayers' equity

This statement shows the movement in the year on the different reserves held by Ofsted, analysed into 'general fund reserves' (reserves that reflect a contribution from the consolidated fund).

The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure.

The general fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

		General fund
	Reference	**£'000**
Balance at 31 March 2018		**96**
Net Parliamentary funding		129,286
Comprehensive net expenditure for the year	SoCNE	(126,724)
Auditors remuneration	4	68
IFRS 15 opening balance adjustment		(6,969)
Recognition of pension scheme asset	18	568
Balance at 31 March 2019		**(3,675)**
Net Parliamentary funding		131,946
Comprehensive net expenditure for the year	SoCNE	(131,986)
Auditors remuneration	4	69
Movement in value of pension scheme asset	18	(461)
CFER payable to the consolidated fund	5	(271)
Balance at 31 March 2020		**(4,378)**

Notes to the Ofsted resource accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2019–20 FReM, issued by HM Treasury. The accounting policies contained in the FReM apply the 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 SoPS). The SoPS and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention (the practice of recording the original cost of an asset as its cost on a balance sheet), 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 FReM. Intangible assets are held at cost less accumulated amortisation (the amount of costs allocated to an asset over its useful life) and any impairment losses (when the value of an asset abruptly falls below its cost). Ofsted uses this method because we have 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 are 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 – typically three to five years, assumptions on remaining asset lives are reviewed with asset owners annually and may be adjusted in line with the latest expectations on how long they will be in operational use
- furniture and fittings – four to 15 years (usually in line with the remaining length of the respective property lease).

1.4 Income

Income consists mainly of registration and annual fees from social care and early years providers. We also receive income for inspections of independent schools, and from other government departments for delivering specific pieces of inspection activity.

Ofsted recognises our income in accordance with IFRS 15. The standard sets out that the point of recognition is based on when performance obligations of a contract are satisfied and control of the benefits are fully received by the customer. The table below sets out the approach to income recognition for the main customer contract types:

Contract type	Point-of-revenue recognition	Judgements applied
Registration and annual fees from social care and early years providers	Revenue to be recognised over a period of time	For annual fees, Ofsted assessed that we fulfil our obligations by maintaining the customer's registration over the period the fee covers and the control of the benefits is simultaneously received by the customer (the right to continue operating as a registered provider). Therefore, the revenue we receive for annual fees should be recognised proportionately over the 12-month period the fee covers. IFRS 15 requires Ofsted to treat as one single contract any linked contracts that have similar features, such as the timing and commercial purpose. Therefore, revenue received for registration will also be recognised proportionately over a 12-month period.
Fees for inspections of independent schools	Point-in-time recognition	The performance obligation is to carry out inspection and the revenue is recognised in full when this has been completed. This involves estimation, which is explained in section 1.12.
Income from the DfE and other government departments	Point-in-time recognition	The performance obligation is to carry out an inspection or related activity, and the revenue is recognised in full at the point at which this has been completed.

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' (www.gov.uk/government/publications/consolidated-budgeting-guidance-2019-to-2020) from 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 we benefit 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.

We have 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 schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in staff costs.

The pension 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, our share of the scheme surplus or deficit becomes due in full. We cannot control the timing or value of this potential asset or liability. At the reporting date, the scheme was in surplus and an asset has been recognised in the statement of financial position. Adverse changes in financial markets could lead to this becoming a liability in the future, so a remote contingent liability has been disclosed to this effect.

1.7 Leases

All leases are accounted for under International Accounting Standards (IAS) 17, '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 SoCNE on a straight-line basis over the term of each lease.

Ofsted reviews all existing contractual arrangements under International Financial Reporting Interpretations Committee (IFRIC) 4, '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 activities 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's '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 are otherwise shown net of recoverable VAT.

1.9 Provisions

Provisions are recognised in accordance with IAS 37, '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.

A contingent liability is disclosed when the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset is disclosed when an inflow of economic benefit is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, 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 IFRS 9, 'Financial instruments', and IFRS 7, 'Financial instruments: disclosures'.

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, nor 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 applies estimation techniques for the following:

- IAS 19 annual leave accrual – we use a sample of 50% of employees and extrapolate the results to produce an estimated figure for the whole workforce.
- Calculating provisions – we estimate early departure costs using average costs from previous early departure schemes. We estimate property dilapidations using the cost per square metre from previous works. Injury benefit costs involve using mortality assumptions.
- Determining levels of administration and programme expenditure – when costs cannot be wholly attributed to either administration or programme, we determine the most appropriate method to apportion the costs.
- Recognising income from independent schools for standard inspections – independent schools pay for standard inspections in three annual instalments and receive an inspection once within that three-year period. Our inspection delivery plan involves inspecting a third of all independent schools each year. We receive approximately third of the total fee each year and carry out approximately a third of the inspections each year. Therefore, the revenue from the annual instalments is recognised in full each year. There may be small variations in terms of actual volumes of schools inspected, and the size of the school (this determines the fee level), but the impact on the financial statements would not be material.

1.13 Segmental reporting

In line with HM Treasury guidance, Ofsted has applied IFRS 8 in full.

Ofsted's operating segments have been identified on the basis of internal reports used to allocate resources to the segment and assess its performance. We have five reportable segments:

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

The report reviewed by the Accounting Officer (chief operating decision maker) and the executive board has more detail. The operating segments reported are an aggregation of that information. This is in line with the reporting requirements of IFRS 8 'Operating segments'.

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 16 leases will come into force from 1 April 2021. It is expected that this will affect Ofsted's financial statements because some leases that are currently classified as operating leases will need to be recognised in the Statement of Financial Position. It was expected that this standard would be effective from 1 April 2020 and significant work had been carried out during the year to prepare for the transition to the new standard. We only have a small number of leases that are within scope of IFRS 16 and do not expect the impact to be material.

HM Treasury has issued application guidance: www.gov.uk/government/publications/government-financial-reporting-manual-application-guidance.

2. Statement of operating costs by operating segments

						2019–20
	Inspection	**Inspection support and corporate services**	**Strategy and policy**	**Income**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure	**86,975**	**49,404**	**19,076**	**-**	**4,064**	**159,519**
Income	**-**	**-**	**-**	**(27,477)**	**(56)**	**(27,533)**
Net expenditure	**86,975**	**49,404**	**19,076**	**(27,477)**	**4,008**	**131,986**

						2018–19
	Inspection	Inspection support and corporate services	Strategy and policy	Income	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure	83,159	43,794	16,529	-	4,758	148,240
Income	-	-	-	(21,452)	(64)	(21,516)
Net expenditure	83,159	43,794	16,529	(21,452)	4,694	126,724

Ofsted's net operating costs have increased by £5.3 million (4%) since 2018–19. This is mainly due to increases in staff costs resulting from pension increases, as set out in note 3 – staff costs.

Increase in income is mainly due to income received from the Education and Skills Funding Agency (ESFA) relating to inspection and monitoring visits of new apprenticeship training providers.

In addition to staff costs, the increases in costs also relate to:

- inspection – an increase in further education and skills inspections and monitoring visits of new apprenticeship training providers
- inspection support and corporate services – digital projects designed to improve the way we interact with our users and to improve the efficiency of internal operations
- strategy and policy – expenditure associated with implementing the EIF and a number of other policy developments, carrying out a review of our regulatory practice, and an increase in internal research and strategy development capacity.

Factors used to identify the reportable segments

The Accounting Officer and the executive board review the resource allocated to each segment on a regular basis. The report reviewed by the Accounting Officer and the executive board has more granular directorate-level information, but the information can be easily mapped to each operating segment 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, HR, 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
This includes depreciation and movements in provisions.

3. Staff costs

			2019–20	2018–19
Staff costs comprise:	**Total**	**Permanently employed staff**	**Others**	Total
	£'000	**£'000**	**£'000**	£'000
Wages and salaries	**84,344**	**80,535**	**3,809**	81,611
Social security costs	**9,160**	**9,007**	**153**	8,798
Apprentice levy	**396**	**396**	**-**	382
Pension costs	**21,951**	**21,586**	**365**	16,542
Sub total	**115,851**	**111,524**	**4,327**	107,333
Restructuring costs	**315**	**315**	**-**	672
Total net costs	**116,166**	**111,839**	**4,327**	108,005

Staff costs have increased by £8.2 million (8%) this is mainly due to the impact of HM Treasury's decision to revise the discount rate underpinning the valuation of public service pension schemes. This increased the employer contributions in 2019–20 by 33%. In addition, Ofsted increased employee pay by 2%, in line with the maximum allowable under the Civil Service pay guidance.

Other staff costs of £4.3 million include £2.1 million of temporary agency staff costs, and £2.2 million of costs relating to other fixed-term contract staff.

Restructuring costs of £0.3 million relate to a small number of in-year employee exit costs.

The majority of Ofsted employees have a pension with the PCSPS. In 2019–20, employers' contributions of £21.7 million were paid to the PCSPS (2018–19: £16.4 million) at one of four rates in the range 26.6% to 30.3% (2018–19: 20.0% to 24.5%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years after a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

A small number of employees have opted to open a partnership pension account, a stakeholder pension with an employer contribution. For 2019–20, we paid employers' contributions of £0.2 million (2018–19: £0.1 million) to appointed stakeholder pension providers. 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).

4. Expenditure

		2019–20	2018–19
	Reference	**£'000**	£'000
Contracted inspection costs		**15,749**	14,743
ICT – outsourcing, maintenance and support of infrastructure, and telecoms		**2,626**	2,690
Estates costs including rent, rates, facility management and security		**4,542**	4,392
Contracted professional services		**4,985**	4,169
Travel and subsistence costs		**8,168**	7,076
Legal costs		**406**	213
Recruitment, training and staff related costs		**2,507**	2,367
Stationery, printing, postage and office equipment		**524**	553
Equipment purchases (non-capital)		**229**	202
Other expenditure		**165**	439
Non-cash items:			
Increase/decrease in provisions	14	**12**	305
Depreciation	6	**524**	708
Amortisation	7	**2,807**	2,175
Auditor's remuneration and expenses		**69**	68
Training – apprenticeship levy		**56**	51
Other non-cash costs		**(16)**	84
Total		**43,353**	40,235

5. Income

5.1 Revenue from contracts with customers and other operating income

	2019–20	2018–19
	£'000	£'000
Social care (registration and annual fees)	**11,025**	9,913
Early years (registration and annual fees)	**5,984**	6,381
Independent schools	**1,499**	1,291
DfE income	**7,161**	2,559
Other government department/other income	**1,537**	1,308
Sub-total revenue from contracts with customers	**27,206**	21,452
Grant income – apprentice levy (non-cash)	**56**	51
Other income	**-**	13
Other operating income	**56**	64
Total income within the ambit	**27,262**	21,516
CFER	**271**	-
Total payable to the consolidated fund	**271**	-
Total income	**27,533**	21,516

The increase in DfE income from £2.6 million to £7.2 million primarily relates to funding to carry out apprenticeship monitoring visits.

5.2 Details of contracts with customers

The following additional disclosure supplements section 1.4 (Income) to provide users of the accounts with more detailed information regarding the nature of Ofsted’s contracts with customers.

Contract	Social care and early years fees
Contract details	Application fees to be registered with Ofsted and annual fees to retain that registration. Under IFRS 15, both fees are treated as a single contract.
Customer details	For social care, this mainly includes adoption agencies, fostering agencies and children's homes. For early years, this mainly includes childminders, nannies, and nurseries.
Performance obligations	To maintain the registration over the contract duration.
Contract duration	12 months.
Revenue recognition	Revenue is recognised proportionally in each accounting period over the life of the contract duration.
Contract values	Social care fees range from £500 to £9,285 depending on the type and size of the entity. You can find more information at: www.gov.uk/guidance/apply-for-registration-as-a-childrens-social-care-provider-or-manager. Early years fees range from £35 to £220. You can find more information at: www.gov.uk/guidance/childminders-and-childcare-providers-register-with-ofsted/fees.
Other information	All fees are non-refundable.

Contract	Independent schools inspection fees
Contract details	All independent schools are inspected at the direction of the DfE, which is the registration authority for independent schools. Typically, an independent school receives a pre-registration inspection and then a 'standard inspection' once every three years, plus further post-monitoring inspections depending on the outcome of the standard inspection. A fee is payable for each inspection.
Customer details	There are around 2,350 independent schools in England. Of these, Ofsted inspects 1,100 non-association independent schools. The remaining independent schools are members of an association affiliated to the Independent Schools Council and are inspected by the Independent Schools Inspectorate (ISI).
Performance obligations	Completion of the inspection activity.
Contract duration	The contract duration lasts for the length of the inspection activity.
Revenue recognition	The full contract price is recognised at the point in time when the inspection has been completed.
Contract values	The levels of fees currently charged to independent schools for inspections carried out by Ofsted are made under a power in s.111 of the Education and Skills Act 2008. Standard inspection fees range from £1,200 to £8,250 depending on numbers of pupils and are payable in three equal instalments over three years. A fixed fee of £2,500 is payable for pre-registration inspections. Post-monitoring inspection fees range from £300 to £3,000 depending on numbers of pupils and whether it is a first or subsequent post-monitoring inspection. These payable in full on completion of the inspection.

Other information	You can find more information on independent schools inspections at: www.gov.uk/guidance/being-inspected-as-a-non-association-independent-school.

Contract	Income from the DfE and other government departments
Contract details	Charges for specific pieces of inspection activity including: inspecting local area provision for special educational needs and disabilities (Area SEND); identification and investigation of potential unregistered schools; inspection of education and training in prisons; monitoring visits to all newly funded apprenticeship training providers; and other smaller pieces of inspection activity.
Customer details	Government departments, including the DfE, MoJ and ESFA.
Performance obligations	Completion of the inspection activity.
Contract duration	Contract durations are variable and are set by a memorandum of understanding between Ofsted and the relevant department.
Revenue recognition	The full contract price is recognised at the point in time when the inspection activity has been completed.
Contract values	These vary between each contract, but the most significant ones are: – monitoring of independent learning providers (ESFA) – area SEND inspections and revisits (DfE) – unregistered schools (DfE) – education and training in prisons (MoJ).

6. Property, plant and equipment

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

			2019–20
	Information technology	**Furniture and fittings**	**Total**
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2019	**2,895**	**2,009**	**4,904**
Additions	**-**	**149**	**149**
Disposals	**(327)**	**-**	**(327)**
Impairments	**-**	**-**	**-**
At 31 March 2020	**2,568**	**2,158**	**4,726**
Depreciation			
At 1 April 2019	**2,279**	**438**	**2,717**
Charged in year	**292**	**232**	**524**
Disposals	**(327)**	**-**	**(327)**
Impairments	**-**	**-**	**-**
At 31 March 2020	**2,244**	**670**	**2,914**
Carrying amount at 31 March 2020	**324**	**1,488**	**1,812**
Carrying amount at 1 April 2019	616	1,571	2,187
Asset financing:			
Owned	**324**	**1,488**	**1,812**
Finance leased	**-**	**-**	**-**
Carrying amount at 31 March 2020	**324**	**1,488**	**1,812**

	2018–19		
	Information technology	Furniture and fittings	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2018	2,836	1,854	4,690
Additions	59	155	214
Disposals	-	-	-
At 31 March 2019	2,895	2,009	4,904
Depreciation			
At 1 April 2018	1,770	239	2,009
Charged in year	509	199	708
Disposals	-	-	-
At 31 March 2019	2,279	438	2,717
Carrying amount at 31 March 2019	616	1,571	2,187
Carrying amount at 1 April 2018	1,066	1,615	2,681
Asset financing:			
Owned	616	1,571	2,187
Carrying amount at 31 March 2019	616	1,571	2,187

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.

	2019–20		
	Software	**Development expenditure**	**Total**
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2019	**35,992**	**2,284**	**38,276**
Additions	**1,763**	**153**	**1,916**
Disposals	**(44)**	**-**	**(44)**
Impairments	**-**	**-**	**-**
Reclassifications and transfers	**2,284**	**(2,284)**	**-**
At 31 March 2020	**39,995**	**153**	**40,148**
Amortisation			
At 1 April 2019	**26,352**	**-**	**26,352**
Charged in year	**2,807**	**-**	**2,807**
Disposals	**(44)**	**-**	**(44)**
Impairments	**-**	**-**	**-**
At 31 March 2020	**29,115**	**-**	**29,115**
Carrying amount at 31 March 2020	**10,880**	**153**	**11,033**
Carrying amount at 1 April 2019	**9,640**	**2,284**	**11,924**
Asset financing:			
Owned	**10,880**	**153**	**11,033**
Finance leased	**-**	**-**	**-**
Carrying amount at 31 March 2020	**10,880**	**153**	**11,033**

			2018–19
	Software	Development expenditure	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2018	28,610	5,913	34,523
Additions	2,008	1,818	3,826
Disposals	(73)	-	(73)
Impairments	-	-	-
Reclassifications and transfers	5,447	(5,447)	-
At 31 March 2019	35,992	2,284	38,276
Amortisation			
At 1 April 2018	24,208	-	24,208
Charged in year	2,175	-	2,175
Disposals	(31)	-	(31)
Impairments	-	-	-
At 31 March 2019	26,352	-	26,352
Carrying amount at 31 March 2019	9,640	2,284	11,924
Carrying amount at 1 April 2018	4,402	5,913	10,315
Asset financing:			
Owned	9,640	2,284	11,924
Carrying amount at 31 March 2019	9,640	2,284	11,924

8. Impairments

The total impairment charge for the year was nil (2018–19: nil).

9. Capital and other commitments

9.1 Operating leases

Total future minimum lease payments under operating leases are analysed in the table below.

	2019–20	2018–19*
	£'000	£'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	**2,776**	2,931
Later than one year and not later than five years	**9,234**	9,205
Later than five years	**3,036**	4,944
Total	**15,046**	17,080

*The comparator year figure was understated and has been re-stated to reflect the impact of lease-break terms, which have now been clarified.

Operating leases relate to office space.

9.2 Capital commitments

	2019–20	2018–19
	£'000	£'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
IT system build	**-**	508
Total	**-**	508

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.

	2019–20	2018–19
	£'000	£'000
Not later than one year	**1,199**	826
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
Total	**1,199**	826

10. Financial instruments

Ofsted's cash requirements are met through the Estimates process. Therefore, 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, and the department is therefore exposed to little credit, liquidity or market risk.

11. Cash and cash equivalents

	2019–20	2018–19
	£'000	£'000
Balance at 1 April	**964**	75
Net changes in cash and cash-equivalent balances	**380**	889
Balance	**1,344**	964

	2019–20	2018–19
	£'000	£'000
The following balances at 31 March were held at:		
Government Banking Service	**1,344**	964
Balance	**1,344**	964

12. Trade receivables, financial and other assets

	2019–20	2018–19
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**737**	2,021
Deposits and advances	**283**	245
Other receivables	**75**	95
Prepayments	**1,210**	1,130
Accrued income	**1,360**	152
VAT	**264**	235
	3,929	3,878
Amounts falling due after more than one year:		
Trade receivables	**-**	-
Deposits and advances	**168**	162
Prepayments	**30**	134
	198	296
Total trade receivables	**4,127**	4,174

13. Trade payables and other current liabilities

	2019–20	2018–19
	£'000	£'000
Amounts falling due within one year:		
Trade payables	**68**	56
Other payables	**2,775**	2,002
Other taxation and social security	**2,728**	2,762
Accruals	**6,005**	8,565
Contract liabilities	**7,867**	7,381
CFER payable to the consolidated fund	**271**	-
Deferred income	**497**	232
Amounts issued from the consolidated fund supply but not spent at year end	**1,344**	964
	21,555	21,962
Amounts falling due after more than one year:		
	-	-
Total trade payables	**21,555**	21,962

14. Provisions for liabilities and charges

	2019–20				
	Early departure costs	**Property dilapidation**	**Injury benefits**	**Total**	2018–19
	£'000	**£'000**	**£'000**	**£'000**	£'000
Balance at 1 April 2019	**253**	**513**	**761**	**1,527**	2,244
Provided in the year	**-**	**-**	**-**	**-**	885
Provisions not required written back	**-**	**-**	**(5)**	**(5)**	(584)
Provisions used in the year	**(253)**	**-**	**(45)**	**(298)**	(1,022)
Borrowing costs (unwinding of discount)	**-**	**4**	**13**	**17**	4
Balance at 31 March 2020	**-**	**517**	**724**	**1,241**	1,527

Analysis of expected timing of discounted flows

	Early departure costs	**Property dilapidation**	**Injury benefits**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	**-**	**69**	**46**	**115**
Later than one year and not later than five years	**-**	**199**	**193**	**392**
Later than five years	**-**	**249**	**485**	**734**
Balance at 31 March 2020	**-**	**517**	**724**	**1,241**

14.1 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. These costs will materialise at the end of each respective lease.

14.2 Injury benefits

This provision relates to staff who have been injured at work and are receiving benefits through the Civil Service Pensions Injury Benefit Scheme as a result.

15. Contingent liabilities

Legal cases

A small number of legal cases are not yet settled. Their outcomes depend on the court or the relevant decision-making body's rulings. Therefore, no liability has been recognised in the financial statements. No material liabilities are expected to arise from these cases.

Local Government Pension Scheme (LGPS) defined benefit scheme

Ofsted has one employee and a small number of former employees who are members of a local authority pension scheme (West Yorkshire Pension Scheme). Ofsted will become liable for its share of the scheme's deficit, or receive its share of the surplus, at the date when its last remaining active member in the scheme elects to start receiving their pension benefits. The existing employee is eligible to start receiving their pension benefits and may elect to do so at any time.

Ofsted has recognised an asset in the statement of financial position of £0.1 million relating to the scheme surplus. Adverse changes in financial markets may cause the scheme to move from a surplus to a deficit position by the time the last remaining member exits the scheme, which would mean Ofsted has a liability rather than an asset. Ofsted assesses that it has a contingent liability for its share of a potential scheme deficit that may arise at the actual retirement date but is unable to quantify the amount.

16. Contingent asset disclosed under IAS 37

Ofsted has no contingent assets to disclose.

17. Related-party transactions

17.1 Transactions between Ofsted and other government departments

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
- Care Quality Commission
- Crown Prosecution Service
- Department for Education
- Education and Skills Funding Agency
- Government Internal Audit Agency
- HM Revenue and Customs
- HM Prison and Probation Service
- Manchester City Council
- Ministry of Defence
- Ministry of Justice
- Nottingham City Council
- Planning Inspectorate

- Youth Justice Board.

17.2 Transactions between Ofsted and board members and key managers

No board member, key manager or other related parties has undertaken any material transactions with Ofsted during the year. Full details of the related parties are disclosed in the directors' report.

18. Pension arrangements – LGPS defined benefit scheme disclosure

The LGPS is a guaranteed, final salary scheme open primarily to employees of local government. It is a Funded scheme, with funds managed and invested locally within the framework of government regulations. Ofsted has one staff member in the West Yorkshire Pension Fund.

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

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

A summary of disclosure information as per IAS 19 'Retirement benefits' is as follows:

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

	31 March 2020	31 March 2019
	£'000	£'000
Present value of funded obligation	**5,358**	5,607
Fair value of scheme assets	**6,506**	7,233
Unrecognised asset	**(1,046)**	(1,061)
Net assets	**102**	565
Present value of unfunded obligation	**-**	-
Unrecognised past service cost	**-**	-
Net asset/(liability) in Statement of Financial Position	**102**	565
Bid value of scheme assets	**6,506**	7,233

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

	31 March 2020	31 March 2019
Financial assumptions as at	**% p.a.**	% p.a.
RPI increases	**2.30%**	3.30%
CPI increases	**2.10%**	2.20%
Salary increases	**3.35%**	3.45%
Pension increases	**2.10%**	2.20%
Discount rate	**2.30%**	2.40%

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:

Mortality assumptions as at	31 March 2020	31 March 2019
Males	**Years**	Years
Member aged 65 at 31 March 2020	**21.8**	22.2
Member aged 45 at 31 March 2020	**22.5**	23.2
Females		
Member aged 65 at 31 March 2020	**24.6**	25.4
Member aged 45 at 31 March 2020	**25.7**	27.2

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:

			31 March 2020
Adjustment to discount rate	**+0.1% p.a.**	**Base figure**	**-0.1% p.a.**
Present value of total obligation (£'000)	**5,279**	**5,358**	**5,438**
% change in present value of total obligation	**-1.5%**		**1.5%**
Adjustment to mortality age rating assumption	**-1 year**	**none**	**+1 year**
Present value of total obligation (£'000)	**5,536**	**5,358**	**5,182**
% change in present value of total obligation	**3.3%**		**-3.3%**

iv) Composition of assets in the scheme:

	31 March 2020	31 March 2019
Equities	**77.5%**	74.0%
Gilts	**9.6%**	11.2%
Other bonds	**5.1%**	4.0%
Property	**4.5%**	4.7%
Cash	**1.9%**	2.3%
Other	**1.4%**	3.8%
	100.0%	100.0%

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2019 for the year ended 31 March 2020). 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 2020	Year to 31 March 2019
	£'000	£'000
Current service cost	**9**	13
Total operating charge	**9**	13
Expected return on pension scheme assets	**(171)**	(182)
Interest on pension scheme liabilities	**132**	138
De-recognition of movements in assets	**39**	45
Net return	**-**	-
Employers' contributions added to pension scheme assets	**(7)**	(10)
Net amount charged to the Statement of Comprehensive Net Expenditure	**2**	4

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

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Return on plan assets in excess of that recognised in net interest	**717**	(133)
Actuarial losses due to changes in financial assumptions	**10**	225
Actuarial losses due to changes in demographic assumptions	**(189)**	17
Actuarial losses due to liability experience	**(23)**	-
De-recognition of movements in assets	**(39)**	(43)
Adjustments due to the limit in para 64	**(15)**	(634)
Total recognised in other comprehensive net expenditure	**461**	(568)

vii) Movement in benefit obligation during the year:

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Opening defined benefit obligation	**5,607**	5,422
Current service cost	**9**	13
Interest cost	**132**	138
Actuarial losses/(gains)	**(202)**	243
Estimated benefits paid (net of transfers in)	**(190)**	(211)
Contributions by scheme participants	**2**	2
Closing defined benefit obligation	**5,358**	5,607

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

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Opening fair value of scheme assets	**7,233**	7,117
Expected return on scheme assets	**171**	182
Actuarial gains and (losses)	**(717)**	133
Contributions by employer	**7**	10
Contributions by scheme participants	**2**	2
Estimated benefits paid (net of transfers in)	**(190)**	(211)
Fair value of scheme assets at end of period	**6,506**	7,233

ix) Actual return on scheme assets:

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Interest income on assets	**171**	182
Actuarial gains and (losses)	**(717)**	133
Actual return on assets	**(546)**	315

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

	Year to 31 March 2020	Year to 31 March 2018
	£'000	£'000
Surplus/(Deficit) at the beginning of the year	**565**	-
Service cost	**(9)**	(13)
Employer contributions	**7**	10
Total recognised in other comprehensive net expenditure	**(461)**	568
Surplus/(Deficit) at the end of the year	**102**	565

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

	Year to 31 March 2020	Year to 31 March 2019	Year to 31 March 2018	Year to 31 March 2017
	£'000	£'000	£'000	£'000
Defined benefit obligation	**(5,358)**	(5,607)	(5,422)	(5,404)
Fair value of scheme assets	**6,506**	7,233	7,117	6,912
Surplus/(Deficit)	**1,148**	1,626	1,695	1,508
Unrecognised asset	**(1,046)**	(1,061)	(1,695)	(1,508)
Net asset	**102**	565	-	-

Note xi) above provides a summary of the scheme's history as per IAS 19.

Regulations currently permit a payment of an 'exit credit' to an employer who exits the pension fund. The 'exit credit' (or net asset) recognised is based upon the most recent exit valuation received from the pension fund.

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.

Ofsted has assessed the impact of COVID-19 to be a non-adjusting post balance sheet event. A review of the carrying value of assets and liabilities identified that the most significant impact is likely to be in relation to trade receivables, other receivables and accrued income. These balances mainly relate to fees due from registered providers and independent schools. The overall value of these balances is not material to the financial statements (see note 12 – Trade receivables, financial and other assets), and we expect to receive the majority of these fees.

Ofsted's non-current assets are mainly comprised of intangible IT software, that is used to support the inspection and regulation process, and to interact with customers. It is our assessment that these assets have suffered no impairment due to COVID-19.

Details of our response to COVID-19 and the impact on our ways of working are set out in the performance report.

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

Appendix A: Core expenditure tables

Table 1 – Total departmental spending, 2015–16 to 2020–21

	2015–16 Outturn	2016–17 Outturn	2017–18 Outturn	2018–19 Outturn	2019–20 Outturn	2020–21 Plans
Resource DEL						
Administration and inspection	134,104	141,685	129,136	125,383	130,782	135,759
Total resource DEL	**134,104**	**141,685**	**129,136**	**125,383**	**130,782**	**135,759**
Of which:						
Staff costs	92,265	96,316	106,654	108,005	116,166	113,882
Purchase of goods and services	65,865	58,700	38,010	33,589	36,080	62,504
Income from sales of goods and services	(28,820)	(18,476)	(21,049)	(21,516)	(27,262)	(45,500)
Rentals	2,668	2,667	2,878	2,354	2,398	-
Depreciation 1	2,063	2,415	2,575	2,883	3,331	4,810
Other resource	63	63	68	68	69	63
Resource AME						
Activities to support all functions	(2,278)	(630)	(151)	(717)	(286)	(55)
Total resource AME	**(2,278)**	**(630)**	**(151)**	**(717)**	**(286)**	**(55)**
Of which:						
Take up of provisions	(104)	327	611	305	12	-
Release of provision	(2,174)	(957)	(762)	(1,022)	(298)	(55)
Total resource budget	**131,826**	**141,055**	**128,985**	**124,666**	**130,496**	**135,704**
Of which:						
Capital DEL						
Administration and inspection	2,194	3,785	7,405	6,098	3,826	3,500
Total capital DEL	**2,194**	**3,785**	**7,405**	**6,098**	**3,826**	**3,500**
Of which:						
Purchase of assets	2,194	3,785	6,198	4,040	2,065	3,500
Research costs (ESA10)	-	-	1,207	2,058	1,761	-
Total capital budget	**2,194**	**3,785**	**7,405**	**6,098**	**3,826**	**3,500**
Total departmental spending 2	**131,957**	**142,425**	**133,815**	**127,881**	**130,991**	**134,394**
Of which:						
Total DEL	134,235	143,055	133,966	128,598	131,277	134,449
Total AME	(2,278)	(630)	(151)	(717)	(286)	(55)

1 – Includes impairments.
2 – 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).

In Table 1, there is a significant decrease in the net total departmental spending in 2015–16. This is due to the receipt of additional income from the DfE for additional inspection and improvement work. In the following year (2016–17), the funding was included in the estimate. If this funding had been included in the estimate in 2015–16, net total departmental spending for the year would have been £145.3 million.

Table 2 – Administration budget, 2015–16 to 2020–21

	2015–16 Outturn	2016–17 Outturn	2017–18 Outturn	2018–19 Outturn	2019–20 Outturn	2020–21 Plans
Resource DEL						
Administration and Inspection	15,948	15,425	14,654	14,624	15,811	17,653
Total administration budget	**15,948**	**15,425**	**14,654**	**14,624**	**15,811**	**17,653**
Of which:						
Staff costs	10,811	10,888	10,680	11,135	12,031	12,917
Purchase of goods and services	4,327	3,943	3,230	2,929	3,125	4,673
Rentals	462	472	415	321	353	-
Depreciation	285	59	112	171	233	-
Other resource	63	63	217	68	69	63

Appendix B: Whistle-blowing disclosures report (social care) – from 1 April 2019 to 31 March 2020

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 and in relation to the welfare of children provided with accommodation by schools and colleges. All relevant services are listed in Figure 1.

Figure 1: The number of workers' disclosures received in the reporting period, which we reasonably believe are both qualifying disclosures and fall within HMCI's prescribed matters[2]

The children's social care services that the disclosure related to	Number of disclosures received[3]
Adoption support agencies	0
Cafcass	0
Children's homes	205
Independent fostering agencies	15
Local authority children's services[4] (this includes disclosures about Trusts that deliver services on behalf of local authorities)	86
Residential family centres	5
Residential holiday schemes for disabled children	0
Welfare of children provided with accommodation by boarding schools and further education colleges	–[5]
Welfare of children provided with accommodation by residential special schools	5
Voluntary adoption agencies	–

[2] To be covered by the whistle-blowing 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.
[3] Sometimes we receive concerns from more than one whistle-blower 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.
[4] Local authority functions as outlined in the Schedule to the Public Interest Disclosure (Prescribed Persons) Order 2014.
[5] In some instances, we suppress data if a small number of disclosures were received about service types to maintain anonymity of the whistle-blower.

Figure 2: A summary of the action Ofsted has taken in respect of the above qualifying disclosures

Action taken in the reporting period	Number of disclosures received[6]
Referred the matter to the child protection team in the relevant local authority. We refer child protection concerns to the children's social care department of the local authority where the child lives because this department has overarching responsibility for safeguarding and promoting the welfare of all children and young people in its area.	25
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.	109
Carried out a monitoring 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. This category includes when we were already monitoring a provider and the whistle-blowing disclosure informed this work.	44
The information received informed compliance and enforcement action.[7]	17
Reviewed the timing of the next inspection/visit and brought forward if appropriate.	44
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.	140
Passed the information to another organisation because it was not for Ofsted to take action.	4
Our review of the information received is ongoing.[8]	30
Other action taken not included in other categories above.	16

[6] It is possible a disclosure received resulted in more than one type of action.
[7] Social care compliance handbook, Ofsted, December 2019; www.gov.uk/government/publications/social-care-compliance-handbook-from-september-2014.
[8] Due to the information being received at the end of the reporting year, the information was under consideration.

Figure 3: A summary of the overall categories under which the whistle-blowing disclosures were classified

Category	Number of disclosures received[9]
Concerns that a specific child or children may be at risk of harm	52
Concerns that there are wider or systemic failures in safeguarding practice	103
Concerns that children are not receiving the right quality of care but that do not suggest a risk to their safety	105
Concerns that a social care service is not meeting regulatory requirements	48

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

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

[9] It is possible that a disclosure received includes concerns from more than one category and we have used the category that provides the best fit.

Appendix C: Grade tables

Civil Service (CS) grade equivalent	Ofsted administrative, professional or technical grade
Grade 6	PO
Grade 7	London A APT
	National A APT
SEO	London B1 APT
	National B1 APT
HEO	London B2 APT
	National B2 APT
EO	London B3 APT
	National B3 APT
AO	London C1 APT
	National C1 APT

CS grade equivalent	Ofsted inspector grade
Grade 6	Senior HMI
Grade 7	HMI
	RIM
SEO	B1 Inspector[10]
HEO	B2 Inspector

CS grade equivalent	Ofsted grade
AO	London C1 Apprentice
	National C1 Apprentice

[10] This is now a legacy grade, with just one remaining member of staff falling within it.

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