

Ofsted Main Estimate 2022-23: Estimates Memorandum

1 Overview

1.1 Objectives

Ofsted is the Office for Standards in Education, Children's Services and Skills. It is a non-ministerial government department. Our principal objective when carrying out our functions 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. Regulation allows us to determine whether certain providers are fit to provide services. We take enforcement action against those that are not. We also aggregate the insights from our work and report on the state of education and children's social care.

Our strategy sets out our ambition to be a force for improvement through inspection, regulation and insights. Inspections determine provider quality using a wide range of criteria established in inspection frameworks. The inspection process, including the professional dialogue with leaders, helps providers to improve. The judgements we give through inspection and the minimum standards we report against in regulation should contribute to improved standards across the country. Our inspections also provide assurance to parents, students, commissioners, and responsible bodies. Our bird's-eye view across the system puts us in a unique position to aggregate and report on what does and does not work well in education and care, allowing us to inform both practitioners and policymakers.

1.2 Spending controls

Ofsted's net spending is broken down into a several different control totals, for which Parliament's approval is sought.

The control totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - a net limit comprising day to day running costs, less income
- Capital Departmental Expenditure Limit ("**Capital DEL**") - investment in capital equipment mainly comprising IT and digital related systems, research related costs, and right of use assets (i.e. lease contracts that are recognised as assets under IFRS 16)
- Annually Managed Expenditure ("**AME**") – new or movements of accounting provisions

In addition, Parliament votes a net cash requirement, designed to cover the elements of the budget which require Ofsted to pay out cash in year.

1.3 Comparison of net spending totals sought

The table below shows how the net spending totals sought for Ofsted compares with the Main and Supplementary Estimate from last year:

Amounts sought this year		Compared to final budget last year (Supplementary Estimates)			Compared to original budget last year (Main Estimates)		
Voted control total	£ m	£ m	Change £ m	Change %	£ m	Change £ m	Change %
RDEL	157.8	137.5	20.3	13%	138.2	19.6	12%
CDEL	4.1	6.1	-2.0	-49%	3.5	0.6	15%
Net DEL	161.9	143.6	18.3	11%	141.7	20.2	13%
AME	0	0.2	-0.2	0%	-0.1	0.1	0%
Total	161.9	143.8	18.1	11%	141.6	20.3	13%

A breakdown of other spending controls and income within the net total is shown in section 2.1.

1.4 Key drivers of changes since the prior year Supplementary Estimate

Ofsted's total budget is increasing by £18.1m (11%) compared to the final budget last year. This increase is mainly due to:

- £9.3m additional funding agreed as part of the Spending Review (see section 1.5 for more details)
- £3.5m additional funding provided by HM Treasury to compensate for the public sector employer costs of increased National Insurance Contributions for employees directly employed by the public sector and to partially cover inflationary cost increases
- £5.3m impact of budget exchange. Ofsted surrendered £2.67m of RDEL budget in 2021-22 in return for a reciprocal increase in 2022-23. As the budget exchange process involves reducing budget in one year and increasing it in the next year the impact is doubled when comparing across the two years.

Also included in this Estimate are budgets for 'International Financial Reporting Standard 16 – Leases' (IFRS 16). This new accounting standard will remove the distinction between operating and finance leases for lessees and will require right of use assets and lease liabilities to be recognised in the Statement of Financial Position. Of the £4.1m CDEL budget £0.6m of this relates to right of use assets. More information from HM Treasury on IFRS 16 is available [here](#).

1.5 New policies and programmes

New areas of work and significant changes

As part of the Spending Review it was agreed that the DfE would provide Ofsted with increased funding to undertake new areas of work, and bring forward certain inspections.

DfE will provide Ofsted with £9.3m in 2022-23 for this work, increasing to £14.4m in 2023-24, and £17.4m in 2024-25. The funding is to be used for the following:

- reform unregulated children's social care provision (supported accommodation), more information is available on Gov.UK [here](#)
- inspect all schools by July 2025 and Further Education providers (excluding colleges) by August 2025, more information is available on Gov.UK [here](#)
- inspect 33% of schools that are graded as 'good' through a full section 5 inspection and 67% through a section 8 inspection. (Section 5 inspections have more inspectors on-site during an inspection than a section 8 and the outcome of a section 5 inspection can result in the grade of the school changing)
- inspect 33% of good providers (excluding colleges) as a full inspection from Summer 2022
- inspect all colleges, sixth form colleges and Specialist Designated Institutes (DIs) at least once in a three-year cycle
- move from short to full inspections for 100% of Colleges, Sixth Form Colleges and SDIs, as well as introduce enhanced inspections to cover skills needs

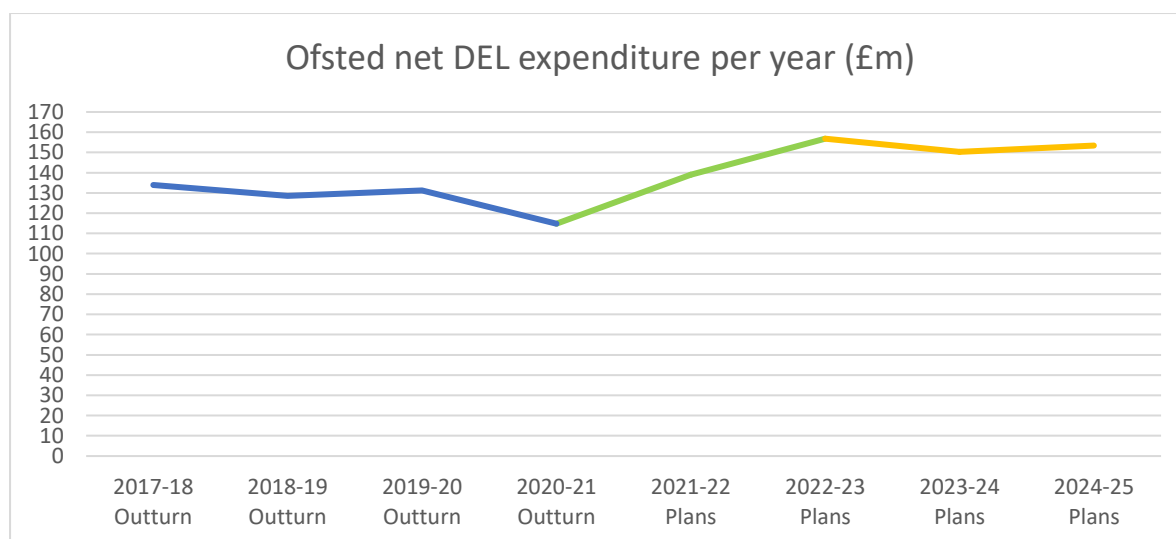
Changes to the ambit

There has been a minor amendment to the ambit to provide increased flexibility for Ofsted to use its resources to provide support during national emergencies such as the Covid-19 pandemic.

1.6 Spending trends

The graph below shows overall net DEL spending trends (resource and capital excluding ring-fenced depreciation). Years 2017-18 to 2020-21 are based on outturn (blue line), 2021-22 and 2022-23 are Estimates sought for those years (green line), and years 2023-24 and 2024-25 are based on the spending review settlement agreed with HM Treasury (orange line).

The graph also excludes the impact of IFRS 16 to enable comparability across the years (see section 1.4 for more information on IFRS 16).



Significant variances

The reduction in net expenditure in 2020-21 is mainly as a consequence of the COVID-19 pandemic. Ofsted continued to carry out regulatory activity and essential demand-led inspections, but routine inspection was paused. This led to a significant reduction in variable costs, such as travel or use of contracted inspectors to inspect. More information about the impact of the pandemic on Ofsted's work in 2020-21 can be found in the Annual Report and Accounts [here](#).

Ofsted's funding increases in 2022-23, this is mainly due to additional temporary funding from the DfE (see section 1.5). Additional funding has also been provided by HM Treasury to compensate for National Insurance and inflation increases (see section 1.4).

2 Spending and income detail

2.1 Ring fenced budgets and other budgetary control totals

Within the control totals in section 1.3, the following elements are either ring fenced (i.e. savings in these budgets may not be used to fund pressures on other budgets) or reported on through the Statement of Parliamentary Supply in the Annual Report and Accounts.

Amounts sought this year		Compared to final budget last year (Supplementary Estimates)			Compared to original budget last year (Main Estimates)		
Voted control total	£ m	£ m	Change £ m	Change %	£ m	Change £ m	Change %
Ring-fenced depreciation	7.5	4.7	2.8	60%	4.8	2.7	56%
Admin costs	21.7	18.2	3.5	19%	18.2	3.5	19%
Income	55.4	47.2	8.2	17%	47.2	8.2	17%

2.2 Key drivers of changes since the prior year Supplementary Estimate

The £2.8m increase in ring-fenced depreciation relates to the impact of IFRS 16. There has been an off-setting reduction in Ofsted's non-ring-fenced RDEL for this change.

The admin cost limit has increased by £3.5m (19%), this mainly relates to the additional funding provided by HM Treasury to compensate for National Insurance and inflation increases (see section 1.4).

The income limit has increased by £8.2m (17%), this mainly relates to activities that Ofsted may undertake on the behalf of other government departments and some increases in fees charged to Social Care providers. Discussions are still ongoing between Ofsted and other government departments to finalise agreements on these additional activities.

2.3 Income

Ofsted's income is predominantly from registration and annual fees from Social Care and Early Years providers. Ofsted also receives inspection fees from Independent Schools and income from other government departments for delivery of specific pieces of inspection work and related activity including:

- Inspection of previously exempt outstanding schools and FES providers (income from the DfE – this is a permanent change with long-term implications for our work. The expectation is that funding will be consolidated into our budget in future years)
- Inspection of apprenticeship training providers (income from the DfE)
- Inspection of local area arrangements for special educational needs (income from the DfE)
- Inspection of education and training in prisons (income from HMPPS)
- Inspection work and related activity on behalf of the DfE, other UK government departments and overseas government bodies

3 Priorities and performance

3.1 Measures of performance

Ofsted's corporate strategy 2022-27 sets out our ambition to be a force for improvement through intelligent, responsible and focused inspection, regulation and insights:

- **Intelligent** - our work is evidence-led and our frameworks and regulatory approaches are grounded in what works best to improve outcomes for children and learners.
- **Responsible** – we seek to minimise unintended consequences and perverse incentives as far as possible . We seek to reduce inspection burdens and make our expectations and findings clear
- **Focused** – We direct our resources to the areas that have the most impact and where children and learners are most at risk.

Our 2020-21 Annual Report and Accounts ([here](#)) provides an assessment of our performance against our strategy. We have not been able to collect data for some of our strategic metrics in 2020-21 because of COVID-19 and we therefore do not have a complete picture of performance. Treasury guidance allowed departments to omit their performance analysis in their annual report and accounts in recognition of the fact that COVID-19 may restrict what they are able to collect and analyse. Our 2021-22 Annual Report and Accounts will provide an assessment of our performance against the 2017-2022 strategy.

Ofsted is just one part of a complex and interconnected education and care system, but our work should contribute to improvement in the sectors we inspect. In addition to evaluating our own performance, we also assess whether improvement is happening at the system level. We can then reflect on the role we have played in any improvement or decline. One of the Chief Inspector's statutory responsibilities is to publish an annual report on the state of education and care. We use this to judge improvement in the systems that we play a role in and to highlight areas of concern to policy makers.

Some of the key findings of the [2020-21 annual report of Her Majesty's Chief Inspector](#) were:

- The education and social care sectors have been under tremendous strain since the pandemic began, and their staff have worked tirelessly in children's interests. But the challenges of COVID-19 were great and it was a difficult period to be young and a challenging time to be learning.

- The loss of education, disrupted routine, and lack of activities led some children to develop physical and mental health problems. Loneliness, boredom and misery became endemic among the young.
- Children with special educational needs and/or disabilities (SEND) had additional barriers to overcome as many were unable to access the support they rely on.
- Vulnerable children, at risk of harm or neglect, disappeared from teachers' line of sight, resulting in significantly lower levels of referrals to social care.
- Some children in care felt less safe due to lockdown restrictions and broken relationships with staff. In the worst cases, increased levels of anxiety led children to self-harm.
- Long-standing pressures on care placements grew, with long waiting lists and children being placed far from their families, or in unregistered homes.
- Some children attending alternative provision became involved in criminal activity, including gang violence, and were at risk of child sexual exploitation.
- The development and progress of many of the youngest children were hampered, with some even regressing in basic language and social skills.
- The further education and skills sector was hit particularly hard. Many apprentices found themselves furloughed, or out of work altogether. And the number of learners experiencing significant mental health problems or safeguarding concerns increased.
- Prisoners seeking a second chance through education were unable to leave their cells to learn. Many lost motivation and floundered, especially those with learning difficulties, low levels of education or limited English.

4 Departmental Accounting Officer

The Departmental Accounting Officer has personal responsibility for the content in the above memorandum. Formal approval of the memorandum has been obtained prior to its submission to the Select Committee.

Amanda Spielman
Accounting Officer
21 April 2022