

Ofsted Main Estimate 2024-25: 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 ambition is to be a modern, world-class inspectorate and regulator. We want to be trusted by the parents, carers, children and learners we work for, and the professionals we work with. We start from the position that Ofsted aims always to be a force for good in this country, with the interests of children and learners as our priority. But we know we have work to do to achieve our ambition. That is why we are carrying out a Big Listen to hear how we can improve what we do.

Sir Martyn Oliver took up post as His Majesty's Chief Inspector on 1 January 2024. HMCI will review the current strategy following the Big Listen, launched on 8 March and closing on 31 May. In the intervening period, HMCI remains focused on making sure Ofsted is improving outcomes for vulnerable children and learners; improves consistency in all aspects of our work; and that Ofsted is a modern, forward thinking inspectorate and regulator.

1.2 Spending controls

Ofsted's net spending is broken down into 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)
- Resource Annually Managed Expenditure ("**Resource AME**") – new or movements of accounting provisions

- Capital Annually Managed Expenditure ("Capital AME") – new or movements of capitalised 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 (Main Estimate 2024-25)		Compared to final budget last year (Supplementary Estimate 2023-24)			Compared to original budget last year (Main Estimate 2023-24)		
Voted control total	£ m	£ m	Change	Change	£ m	Change	Change
			£ m	%		£ m	%
Resource DEL (excluding ring-fenced depreciation)	146.964	146.495	0.469	0%	146.563	0.401	0%
Resource DEL ring- fenced depreciation	10.594	9.215	1.379	15%	9.215	1.379	15%
Capital DEL	4.000	4.350	-0.350	-8%	4.200	-0.200	-5%
Capital DEL - IFRS 16 leased assets	49.733	0.000	49.733	100%	0.000	49.733	100%
Net DEL	211.291	160.060	51.231	32%	159.978	51.313	32%
Resource AME	-0.053	0.082	-0.135	-165%	-0.018	-0.035	194%
Capital AME	0.883	0.400	0.483	121%	0.000	0.883	100%
Total	212.121	160.542	51.579	32%	159.960	52.161	33%

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 has increased by £51.6m (32%) compared to the final budget last year. Most of this increase (£49.7m) is due to the impact of accounting standard IFRS 16.

Agreed in Spending Review, this notional funding will enable new office leases to be recognised on the balance sheet when the current office leases end. This funding relates to accounting adjustments, it is not additional cash funding for Ofsted's operations or purchase of assets.

More information from HM Treasury on IFRS 16 is available [here](#).

Excluding the Capital DEL required for IFRS 16, the variance between this year's and last year's Estimate would be an increase of £1.8m (1%), This mainly relates to expected increases in depreciation.

1.5 New policies and programmes

New areas of work and significant changes

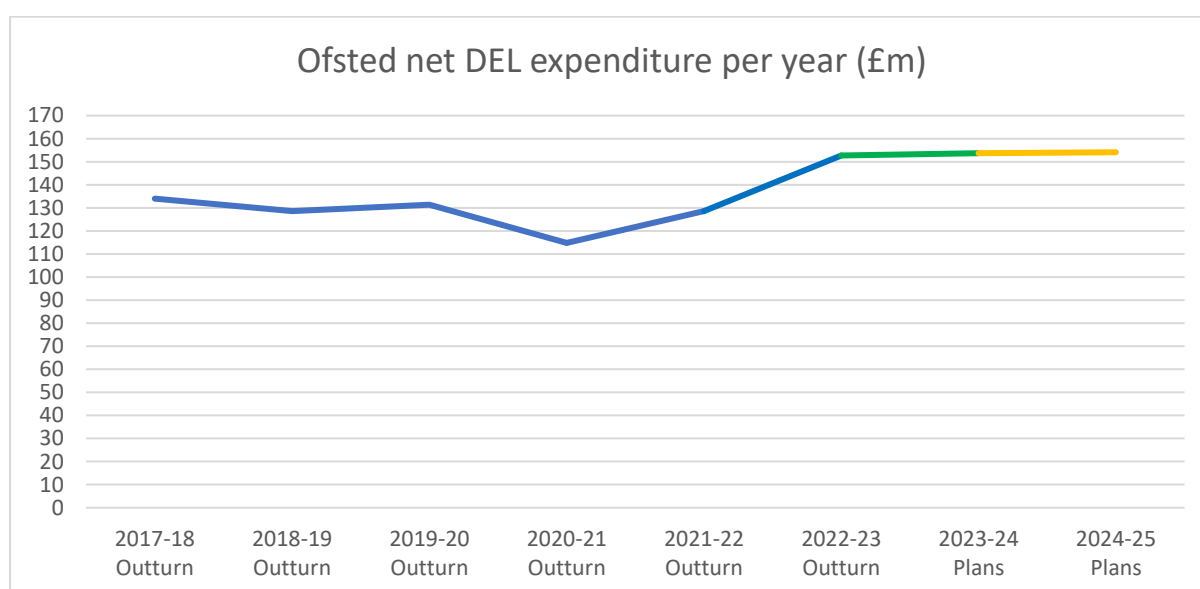
There are no new significant areas of work in 2024-25.

Changes to the ambit

Minor drafting changes have been made to ensure that plans to work collaboratively with other public bodies are in scope of the ambit.

1.6 Spending trends

The graph below shows overall net DEL spending trends (resource and capital excluding ring-fenced depreciation). Years 2017-18 to 2022-23 are based on outturn (blue line), 2023-24 and 2024-25 are Estimates sought for those years (green line). The graph excludes the impact of IFRS 16 to enable comparability across the years.



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. During 2020-21, we deployed over 700 staff in total, around a third of our workforce to support other government departments and public bodies, more on our response to the pandemic can be found on pages 11 to 12 of Ofsted's 2020-21 annual report and accounts [here](#).

In 2021-22 net expenditure increased, but this was a significantly less than the available DEL funding for the year, a £13m underspend (excluding the impact of Budget Exchange). This was mainly because Ofsted did not return to a full programme of routine school and further education and skills inspections until September 2021. The underspend was also due to the impact of the Omicron variant of COVID-19 resulting in Ofsted not using serving practitioners (contracted inspectors) altogether in January 2022 so that they could

concentrate on their jobs in early years settings, schools and colleges and we only returned to normal capacity towards the end of the year.

The increase between the 2021-22 outturn and the 2022-23 Supplementary Estimate is mainly due to additional temporary funding for new and increased levels of inspection from the DfE agreed as part of the spending review. Ofsted also returned to a full programme of inspections across all remits for the full year in 2022-23. In addition to this a further £3.5m of funding was provided by HM Treasury to compensate for National Insurance and inflation increases, and a further £2.7m through use of Budget Exchange.

There are no significant variances in funding between 2023-24 and 2024-25.

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 2024-25		Compared to final budget 2023-24 (Supplementary Estimates)			Compared to original budget 2023-24 (Main Estimates)		
Voted control total	£ m	£ m	Change £ m	Change %	£ m	Change £ m	Change %
Ring-fenced depreciation	10.594	9.215	1.379	15%	9.215	1.379	15%
Admin costs	22.017	21.840	0.177	1%	21.758	0.259	1%
Income	65.570	62.022	3.548	6%	62.022	3.548	6%

2.2 Key drivers of changes since the prior year Supplementary Estimate

The £1.4m (15%) increase in ring-fenced depreciation relates to the development of digital systems to improve the way we interact with customers, and to improve the efficiency of internal operations. Elements of the systems developed through this multi-year programme are expected to become operational this year and start to incur depreciation costs.

The income limit has increased by £3.5m (6%), 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.

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 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 of Initial Teacher Education providers, specifically to accelerate the inspection cycle (income from DfE)
- Inspection of Skills Bootcamp providers (income from DfE)
- 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 2022-23 Annual Report and Accounts ([here](#)) provides an assessment of our performance against our strategy. This was the first year of our new five-year strategy as we began to implement eight new strategic priorities.

Until our new strategy is published following the findings from the Big Listen, HMCI is focused on the following priorities:

- Getting our work right for vulnerable children and the contemporary context we work in;
- Ensuring our delivery model supports and embeds consistency throughout policy and practice, structure and decision making; and
- Focusing on futures thinking to help us be best prepared for system changes, challenges and opportunities.

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 [2022-23 annual report of His Majesty's Chief Inspector](#) were:

- Education and children's social care continue to recover from the lingering impact of the pandemic restrictions.
- There is evidence that the curriculum has improved with many subjects and the teaching of reading in primary schools is significantly better. The skills agenda has re-energised the conversation about post-16 education. Improvements in education have been supported and reinforced by the progress in teacher training.
- However, there has been a shift in behaviour, attendance and attitudes towards education since the pandemic. The social contract between parents and schools has been fractured. This unwritten agreement expects parents to ensure their children go to school every day and respect the school's policies and approach. In return, schools give children a good education and help prepare them for their next steps in life.

Inspections in the 2022-23 academic year resulted in:

- 88% of schools judged good or outstanding
- 90% of previously good schools remaining good or improving to outstanding
- 75% of schools that previously required improvement improving to good or outstanding
- 97% of previously inadequate schools improving
- Overall, 89% of all schools are now judged good or outstanding at their most recent inspection, a slight increase from 88% at the end of last year.
- 85% of early years provider are judged to be good or outstanding for overall effectiveness.
- In the alternative provision sector, 83% of state-funded alternative provision (AP) were judged good or outstanding at a graded or ungraded inspection
- 79% of further education and skills providers were judged good or outstanding
- 68% of independent schools inspected this year were judged good or outstanding.

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.



Sir Martyn Oliver
Accounting Officer
Ofsted
24 April 2024