Ofsted Supplementary Estimate 2025-26: 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.

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.

Ofsted aims to raise standards and improve lives for all, with disadvantaged and vulnerable children and learners at the heart of what we do. We want to be trusted by the parents, carers, children and learners we work for, and the professionals we work with. In 2025, we set out our renewed framework for inspecting and grading providers in the education sector. These reforms, which came into effect in November 2025, will help us towards our goal of raising standards and improving the lives of all children and learners.

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)
- Annually Managed Expenditure ("**AME**") – new or movements in accounting provisions, and depreciation and impairment charges

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 last year and the Spending Review 2025 (SR25) settlement:

Amounts sought this year (Supplementary Estimate 2026-27)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2025-26)		Difference (+/-) compared to original budget last year (Main Estimate 2025-26)		Difference (+/-) compared to Spending Review (SR25)*	
Voted control total	**£ m**	**Change £ m**	**Change %**	**Change £ m**	**Change %**	**Change £ m**	**Change %**
Resource DEL (excluding ring-fenced depreciation)	184.509	23.314	14%	24.605	15%	7.950	5%
Resource DEL ring-fenced depreciation**	-	-11.762	-	-10.594	-	-	-
Capital DEL	5.500	-2.500	-31%	-2.800	-34%	0.300	6%
Capital DEL - IFRS 16 leased assets	36.000	1.700	5%	1.700	5%	-	-
Net DEL	**226.009**	**10.752**	**5%**	**12.911**	**6%**	**8.250**	**4%**
Resource AME	0.520	-0.720	-58%	0.580	-967%	-	-
Resource AME ring-fenced depreciation**	10.557	10.557	-	10.557	-	-	-
Capital AME	2.700	0.700	35%	2.700	-	-	-
Total	**239.786**	**21.289**	**10%**	**26.748**	**13%**	**8.250**	**4%**

**The SR25 figures include £17.2m temporary funding from DfE*
***Note that HMT re-allocated ring-fenced depreciation from Resource DEL to Resource AME from 2026-27*

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 last year's Supplementary Estimate

Ofsted's total budget has increased by £21.3m (10%) compared to the final budget last year. This is mainly due to the following additional funding agreed during SR25:

- £9.7m to fund pay pressures such as the annual pay award
- £4.8m to fund the development a new framework for Multi Academy Trust (MAT) inspections, including recruitment and training of inspectors and IT system changes in advance of a planned implementation date from Autumn 2027. More information is available here: [Government to introduce academy trust inspections - GOV.UK]
- £3.8m funding to improve the access routes for professionals and peers to inspect for Ofsted as well as enhancing the relationship between Ofsted and the sector.
- £3m funding to develop IT systems to enhance Ofsted's ability to spot trends, risks and patterns and keep children safe through timely and proportionate regulatory action and enable delivery on new powers envisaged as part of the Government's Children's Wellbeing and Schools Bill and wider Social Care reforms.

1.5 Key drivers of changes since the Spending Review

Ofsted's total budget has increased by £8.3m (12%) compared to the SR25 settlement. This is mainly due to DfE providing Ofsted with £7.8m additional Resource DEL funding to cover the increased frequency of Early Years inspections and to shorten the timescale for post-registration inspections of new EY providers. More information is available here: Early years inspections: frequently asked questions – Ofsted: early years.

1.6 New policies and programmes

New areas of work and significant changes

There are no wholly new areas of work in 2026-27 for which this provision is sought.

Changes to the ambit

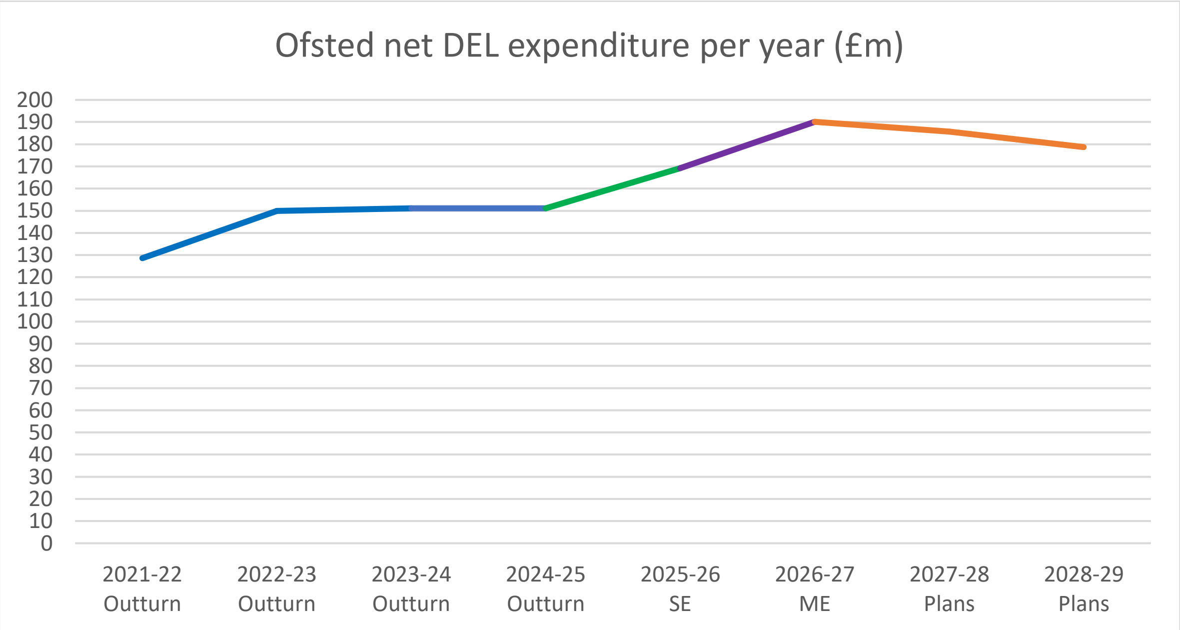
Minor drafting changes were made to the ambit during the Main Estimate.

1.7 Spending trends

The graph below shows overall net DEL spending trends (resource and capital excluding ring-fenced depreciation):

- 2021-22 to 2024-25 are based on outturn (blue line)
- 2025-26 is the Supplementary Estimate last year (green line)
- 2026-27 is the Main Estimate sought for this year (purple line)
- to 2028-29 are the remaining SR25 years (orange line)

The graph excludes the impact of IFRS 16 CDEL to enable comparability across years.



Significant variances

In 2021-22 net expenditure was a significantly less than the available DEL funding for the year. This was mainly because Ofsted did not return to a full programme of routine school and further education and skills inspections until September 2021, following the pause the prior year due to the pandemic. 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 and 2022-23 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 in 2022-23.

There are no significant variances between 2022-23 and 2024-25.

The increase in 2025-26 is mainly due to increased RDEL funding agreed with HM Treasury during SR25 for the pay award and increased employer National Insurance costs, and temporary funding agreed with DfE for new report cards.

The increase in 2026-27 is mainly due to additional funding agreed during SR25. See section 1.4 for more information.

Ofsted's funding will decrease from 2026-27. This reduction is due to the impact of efficiencies and savings that Ofsted is expected to deliver over the Spending Review period.

2 Spending and income detail

2.1 Ring fenced budgets and other budgetary control totals

Within the budgets 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 (Supplementary Estimate 2026-27)		Difference (+/-) compared to final budget last year (Supplementary Estimate 2025-26)		Difference (+/-) compared to original budget last year (Main Estimate 2025-26)		Difference (+/-) compared to Spending Review (SR25)	
Voted control total	**£ m**	**Change £ m**	**Change %**	**Change £ m**	**Change %**	**Change £ m**	**Change %**
Administration costs	23.539	-1.005	-4%	-0.079	0%	0.150	1%
Ring-fenced depreciation	10.557	-1.205	-10%	-0.037	0%	-	-
Income limit	78.007	14.495	23%	14.495	23%	5.657	8%

2.2 Key drivers of changes since last year's Supplementary Estimate

The £14.5m increase in the income limit mainly relates to:

- £9.4m increase in income from fees and charges to providers, mainly due to significant growth in the number of children's homes and fee increases
- £2.9m additional income from DfE to help improve the quality of early years inspections
- £2.2m less material net increases

2.3 Key drivers of changes since the Spending Review

The income limit has increased by £5.7m (8%) to reflect additional anticipated income from providers relating to the registration and inspection of new children's homes. The number of children's homes Ofsted registers has significantly increased, more information on this can be found in the 2024-25 annual report of His Majesty's Chief Inspector.

2.4 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 inspection activity including:

- Inspection of previously exempt outstanding schools and FES providers and ensuring all inspections at led by HMI on a four-year cycle (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 EY providers, specifically to shorten the inspection cycle and funding to help improve the quality of inspections (income from the DfE)
- Inspection of apprenticeship training providers (income from DWP)
- Inspection of local area arrangements for special educational needs (income from the DfE)
- Inspection of education and training in prisons (income from MoJ)
- Inspection of Initial Teacher Education providers, specifically to shorten the inspection cycle (income from DfE)
- Inspection of Skills Bootcamp providers (income from DWP)
  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

Our 2024-25 Annual Report and Accounts provides an assessment of our performance against our current set of strategic priorities.

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 2024-25 annual report of His Majesty's Chief Inspector were:

- Many children known to social care are able to succeed and thrive because of the great support they receive. But there is a lack of coordinated support across education, care and wider services, which sees outcomes for young people growing up in care remain far poorer than those of their peers.
- In schools, the attainment gap between disadvantaged and non-disadvantaged children remains stubborn, with poorer pupils lagging months behind their peers. The problem of absence also remains endemic across the whole school system, and severe absence is almost three times higher than before the pandemic. Notably, children with SEND are four and a half times more likely to be severely absent.
- When children are too long out of school, it makes them more likely to challenge teachers and disrupt the learning of others. The influence of social media and smartphones is also partly responsible for poor behaviour, through its effect on pupils' attention spans and by promoting disrespectful attitudes. Increasingly, commentary suggests the impact of poor behaviour is playing a part in driving teachers out of the profession.

We previously set out that our updated strategy would be published in Autumn 2025. With our newly appointed Chair, Dame Christine Gilbert, and the appointment of new Board members, Ofsted will develop a new strategy to set out His Majesty's Chief Inspector's (HMCI's) new strategic priorities, which will further implement the ambitious reform package we have committed to. Until then, HMCI continues to be focused on the following priorities:

- Getting our work right for vulnerable and disadvantaged 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.

We are publicly reporting on our progress against the actions set out in the Big Listen and Dame Christine Gilbert's review in our 'Big Listen Action Monitoring' reports and expect to lay Ofsted's 2025-26 Annual Report and Accounts in summer 2026.

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
21 April 2026

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

INTRODUCTION

1. The Office for Standards in Education, Children’s Services and Skills (Ofsted) inspects and regulates to promote excellence in education and skills for learners of all ages and in the care of children and young people, thereby raising standards and improving lives.

PART I: EXPENDITURE AND AMBIT

	Voted	Non-Voted	Total
			£
Departmental Expenditure Limit			
Resource	**184,509,000**	-	184,509,000
Capital	**41,500,000**	-	41,500,000
Annually Managed Expenditure			
Resource	**11,077,000**	-	11,077,000
Capital	**2,700,000**	-	2,700,000
Total Net Budget			
Resource	**195,586,000**	-	195,586,000
Capital	**44,200,000**	-	44,200,000
Non-Budget Expenditure	**-**		
Net Cash Requirement	**191,832,000**		

Amounts required in the year ending 31 March 2027 for expenditure by Office for Standards in Education, Children's Services and Skills on:

Departmental Expenditure Limit:

Expenditure arising from:

Promoting improvement in the quality of education, skills, care, and support for children and young people through independent inspection, regulation and reporting, and sector workforce training and development. Sharing research findings and good practice through mechanisms including publications, seminars, conferences and collaboration with and support to other regulators including the Institute of Regulation.

Working closely with other Government departments to achieve shared objectives, including the identification of fraud related to the childcare benefit system.

Governmental emergency responses including (but not limited to) advice and support, and the deployment or secondment of staff to and from the Office for Standards in Education, Children's Services and Skills (Ofsted) in support of the response.

This includes related administrative and operational costs, capital expenditure, and other non-cash costs falling within DEL.

Income arising from:

The registration of childcare providers, inspection for the care and support of children and young people, some maintained schools, independent schools and further education colleges, publicly funded adult education and training and accreditation of online education providers.

Transactions with departmental and other government or not-for-profit bodies: receipts for inspection and other related activity undertaken on behalf of other government departments, and overseas government bodies (where clearance has been provided by the relevant UK government department).

Miscellaneous asset sales and recovery of costs, property charges made to minor occupiers, receipts for goods and services provided by Ofsted, grants and other funding provided to Ofsted.

PART I: EXPENDITURE AND AMBIT

Annually Managed Expenditure:

Expenditure arising from:

Provisions, depreciation, amortisation, impairment and other non-cash items in AME.

Office for Standards in Education, Children's Services and Skills will account for this Estimate.

£

	Voted Total	Allocated in Vote on Account	Balance to complete or surrender
Departmental Expenditure Limit			
Resource	184,509,000	71,957,000	**112,552,000**
Capital	41,500,000	19,170,000	**22,330,000**
Annually Managed Expenditure			
Resource	11,077,000	4,767,000	**6,310,000**
Capital	2,700,000	-	**2,700,000**
Non-Budget Expenditure	-	-	**-**
Net Cash Requirement	191,832,000	75,634,000	**116,198,000**

PART II: SUBHEAD DETAIL

£'000

	2026-27 Plans										2025-26 Plans	
	Resources							Capital			Resources	Capital
	Administration			Programme			Total					
	Gross	Income	Net	Gross	Income	Net	Net	Gross	Income	Net	Net	Net
	1	2	3	4	5	6	7	8	9	10	11	12
Departmental Expenditure Limit (DEL)												
Voted expenditure												
A Administration and Inspection	23,539	-	23,539	238,977	-78,007	160,970	184,509	41,500	-	41,500	161,195	42,300
Total voted DEL	**23,539**	**-**	**23,539**	**238,977**	**-78,007**	**160,970**	**184,509**	**41,500**	**-**	**41,500**	**161,195**	**42,300**
Total DEL	**23,539**	**-**	**23,539**	**238,977**	**-78,007**	**160,970**	**184,509**	**41,500**	**-**	**41,500**	**161,195**	**42,300**
Annually Managed Expenditure (AME)												
Voted expenditure												
B Activities to Support All Functions	-	-	-	11,077	-	11,077	11,077	2,700	-	2,700	13,002	2,000
Total voted AME	**-**	**-**	**-**	**11,077**	**-**	**11,077**	**11,077**	**2,700**	**-**	**2,700**	**13,002**	**2,000**
Total AME	**-**	**-**	**-**	**11,077**	**-**	**11,077**	**11,077**	**2,700**	**-**	**2,700**	**13,002**	**2,000**
Voted expenditure	**23,539**	**-**	**23,539**	**250,054**	**-78,007**	**172,047**	**195,586**	**44,200**	**-**	**44,200**	**174,197**	**44,300**
Non-voted expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total for Estimate	**23,539**	**-**	**23,539**	**250,054**	**-78,007**	**172,047**	**195,586**	**44,200**	**-**	**44,200**	**174,197**	**44,300**

PART II: RESOURCE TO CASH RECONCILIATION

£'000

	2026-27 Plans	2025-26 Plans	2024-25 Outturn
Net Resource Requirement	**195,586**	**174,197**	**155,504**
Net Capital Requirement	**44,200**	**44,300**	**5,110**
Accruals to cash adjustments	**-47,954**	**-46,292**	**-9,233**
Of which:	-	-	-
Adjustment for ALBs:	-	-	-
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:	-	-	-
Depreciation	-10,557	-11,762	-7,685
New provisions and adjustments to previous provisions	-3,250	-3,300	-1,506
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-142	-129	-129
Adjustments to reflect movements in working balances:	-	-	-
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	-34,035	-31,161	-
Use of provisions	30	60	87
Removal of non-voted budget items	**-**	**-**	**-**
Of which:	-	-	-
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	**191,832**	**172,205**	**151,381**

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

£'000

	2026-27 Plans	2025-26 Plans	2024-25 Outturn
Gross Administration Costs	23,539	23,618	17,112
Less:			
Administration DEL Income	-	-	-
Net Administration Costs	**23,539**	**23,618**	**17,112**
Gross Programme Costs	250,054	214,091	191,942
Less:			
Programme DEL Income	-78,007	-63,512	-52,160
Programme AME Income	-	-	-
Non-budget income	-	-	-
Net Programme Costs	**172,047**	**150,579**	**139,782**
Total Net Operating Costs	**195,586**	**174,197**	**156,894**
Of which:			
Resource DEL	184,479	161,135	146,331
Capital DEL	-	-	1,390
Resource AME	11,107	13,062	9,173
Capital AME	-	-	-
Non-budget	-	-	-
Adjustments to include:			
Departmental Unallocated Provision (resource)	-	-	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-	-	-
Adjustments to remove:			
Capital in the SoCNE	-	-	-1,390
Grants to devolved administrations	-	-	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-	-	-
Other adjustments	-	-	-
Total Resource Budget	**195,586**	**174,197**	**155,504**
Of which:			
Resource DEL	184,509	161,195	146,418
Resource AME	11,077	13,002	9,086
Adjustments to include:			
Grants to devolved administrations	-	-	-
Prior period adjustments	-	-	-
Adjustments to remove:			
Consolidated Fund Extra Receipts in the resource budget	-	-	-
Other adjustments	-	-	-
Total Resource (Estimate)	**195,586**	**174,197**	**155,504**

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

£'000

	2026-27 Plans	2025-26 Plans	2024-25 Outturn
Voted Resource DEL			
Programme			
A Administration and Inspection			
Sales of Goods and Services	-78,007	-63,512	-52,066
Other Income	-	-	-94
Total Sales of Goods and Services	**-78,007**	**-63,512**	**-52,066**
Total Other Income	**-**	**-**	**-94**
Total Programme	**-78,007**	**-63,512**	**-52,160**
Total Voted Resource DEL	**-78,007**	**-63,512**	**-52,160**
Total Voted Resource Income	**-78,007**	**-63,512**	**-52,160**

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2026-27 or 2025-26. No CFER income or receipts were received in 2024-25.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other statements and notes for further details of Accounting Officer responsibilities.

Accounting Officer:	Sir Martyn Oliver