

# Ofsted Main Estimate 2021-22: 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.

Our strategy sets out our ambition to be a force for improvement through inspection and regulation. The judgements we give through inspection and the minimum standards we report against in regulation should contribute to improved standards across the country. Our bird's-eye view across the system puts us in a unique position to aggregate and report on what does and does not work well in education and care, 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, and research related costs
- 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                     | 138.2        | 133.6  | 4.6        | 3%        | 135.8  | 2.4        | 2%        |
| CDEL                     | 3.5          | 5.3  | -1.8       | -34%      | 3.5  | 0          | 0%        |
| <b>Net DEL</b>           | <b>141.7</b> | <b>138.9</b>   | <b>2.8</b> | <b>2%</b> | <b>139.3</b>   | <b>2.4</b> | <b>2%</b> |
| AME                      | -0.1         | 0.3  | -0.4       | -133%     | -0.1   | 0          | 0%        |
| <b>Total</b>             | <b>141.6</b> | <b>139.2</b>   | <b>2.4</b> | <b>2%</b> | <b>139.2</b>   | <b>2.4</b> | <b>2%</b> |
| Net cash requirement     | 136.8        | 134  | 2.8        | 2%        | 134.4  | 2.4        | 2%        |

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 budget is increasing by £2.5m (2%) compared to the final budget last year. This increase is mainly due to:

- £1.5m funding for investigation and inspection of unregistered schools. This funding was previously in the DfE's budget and Ofsted invoiced the DfE for the cost of undertaking this work.
- £0.8m funding for investigation and inspection of unregistered children's social care providers. This is new funding to enhance Ofsted's response in taking action against unregistered provision in the children's social care sector.
- £0.2m net minor increases in budget including £0.1m to undertake reinspection monitoring visits of Further Education and Skills providers who have been found to be inadequate at their most recent full inspection. This funding was previously included in the DfE's budget and Ofsted invoiced the DfE for the cost of carrying out this work.

Ofsted's CDEL limit has reduced by £1.8m (34%) compared to the final budget last year. Ofsted has agreed flexibility with HM Treasury to transfer funding from RDEL to CDEL at the Supplementary Estimate stage, if required. Capital expenditure is incurred on enhancing existing and building new digital systems to efficiently manage inspection and engage with customers, and to carry out research work which is classified as capital expenditure.

### 1.5 New policies and programmes

#### New areas of work

Teacher education programmes: the Early Career Framework and the National Professional Qualifications from September 2021. In 2021-22 the DfE will provide funding to cover

Ofsted's costs of developing a new inspection framework and carrying out inspections of the quality of training offered by providers delivering these programmes.

There is a growing number of online school providers in England. These providers offer a full curriculum and represent a child's main source of education. Online schools are currently unregulated. The DfE is looking at how children, parents and local authorities can be assured of the quality of education and appropriate safeguarding arrangements through an online schools accreditation scheme. Ofsted is to become the quality assurance body for the accreditation scheme. The DfE will provide funding in 2021-22 to cover Ofsted's costs associated with developing and implementing the inspection framework.

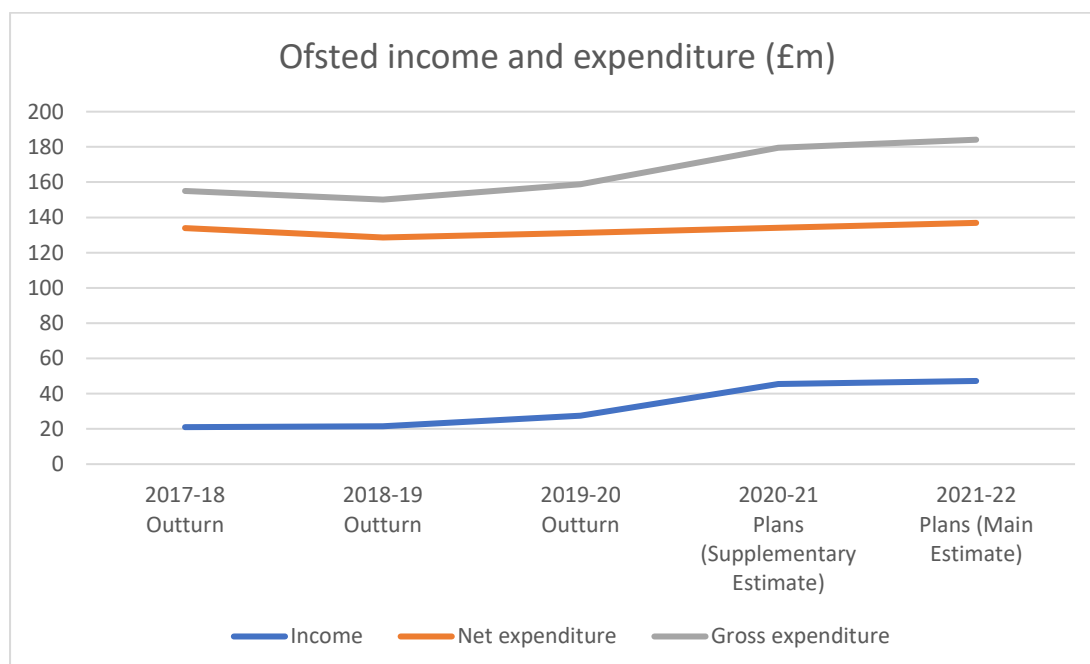
### Changes to the ambit

The ambit has been amended to remove the reference to Ofsted membership in the Local Government Pension scheme. This is no longer relevant as Ofsted's remaining member in the pension scheme has retired.

## 1.6 Spending trends

The graph below shows overall net DEL spending trends for the last five years (resource and capital excluding ring-fenced depreciation).

Years 2017-18 to 2019-20 are based on outturn, 2020-21 is based on the Supplementary Estimate, and 2021-22 is based on the Main Estimate.



The graph shows that there is a significant increase in income and gross expenditure from 2020-21 onwards. This is in relation to income and associated costs for new areas of work being undertaken by Ofsted on behalf of the DfE. This includes the investigation and inspection of unregistered education and care providers, inspection of apprenticeship training providers, and inspection of outstanding schools and Further Education and Skills (FES) providers that were previously exempt from inspection.

Ofsted's net DEL budget (excluding depreciation) in 2020-21 is £134.1m. The provisional outturn 2020-21 is an underspend of around £18m (14%). This 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 activity was paused. A significant proportion of Ofsted's costs are fixed and relate to staff salaries. Variable costs, such as travel or use of contracted inspectors to deliver inspections, have reduced in line with inspection activity.

During the pause in routine inspection Ofsted deployed over 700 staff, around a third of our workforce, to roles in local authorities, the wider public sector and other government departments, including Department for Work and Pensions, Department of Health and Social Care, Department for Education and the Cabinet Office.

On 29 March 2021 Ofsted [announced](#) its transitional arrangements for Education inspections in the summer term, with a full programme expected from the autumn term. Further details of our plans for other remits can be found [here](#).

## 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 | 4.8   | 4.8  | 0          | 0%       | 4.8  | 0          | 0%       |
| Admin costs              | 18.2  | 17.7   | 0.5        | 3%       | 17.7   | 0.5        | 3%       |
| Income                   | -47.2 | -45.5  | -1.7       | 4%       | -45.5  | -1.7       | 4%       |

### 2.2 Key drivers of changes since the prior year Supplementary Estimate

There is no change in the ring-fenced depreciation budget as HM Treasury agreed a process to roll forward last year's budget and review this during the 2021-22 Supplementary Estimate.

The admin cost limit has increased by £0.5m (3%). This is because there are admin costs associated with the new activities Ofsted will be undertaking on behalf of the DfE.

The income limit has increased by £1.7m (4%), this mainly relates to activities that Ofsted may undertake on the behalf of the DfE. Discussions are still ongoing between the DfE and Ofsted to finalise whether some of the activities will be funded via an invoice or budget cover transfer.

### 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 the MoJ)
- 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 2017–2022 sets out our ambition to be a force for improvement through intelligent, responsible and focused inspection and regulation:

- **Intelligent** - all of our work is evidence-led and our evaluation tools and frameworks are valid and reliable
- **Responsible** - our frameworks are fair. We seek to reduce inspection burdens and make our expectations and findings clear
- **Focused** - We target our time and resources where they can lead directly to improvement

Our 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 allows 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.

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 [2019-20 annual report of Her Majesty's Chief Inspector](#) were:

- Curriculum in outstanding schools tends to be rich, well planned and coherent, well sequenced and comprehensive

- Leaders are increasingly prioritising early reading and schools are placing greater emphasis on the teaching of phonics
- As education settings were closed their face-to-face provision from March to June for all but vulnerable children and children of key workers, the vast majority of children and young people have lost at least some learning time.
- Many children lost not just a term's education, but also the consolidation of what they were taught in previous years.
- Covid-19 has exacerbated concerns about sufficiency in the children's social care market
- While we saw major concerns because of the Covid-19 pandemic, we also saw some impressively resilient responses from providers
- 86% of schools are judged good or outstanding
- 96% of early years providers are 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.

Amanda Spielman  
Accounting Officer  
21 April 2021