Ofsted Supplementary Estimate 2019-20: 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
- 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 Estimate:

Voted control total	2018-19 Outturn £m	Main Estimate 2019-20 £m	Amounts sought in this Supplementary Estimate £m	Movement in Estimate £m
RDEL	125.4	127.6	132.9	5.3
CDEL	6.1	3.5	4.1	0.6
Net DEL	**131.5**	**131.1**	**137.0**	**5.9**
AME	-0.7	-0.3	-0.1	0.2
Total	**130.8**	**130.8**	**136.9**	**6.1**
Net cash requirement	**129.3**	**127.4**	**133.3**	**5.9**

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

1.4 Key drivers of spending changes since the Main Estimate

The net **RDEL** is increasing by £5.3m. This increase is due to:

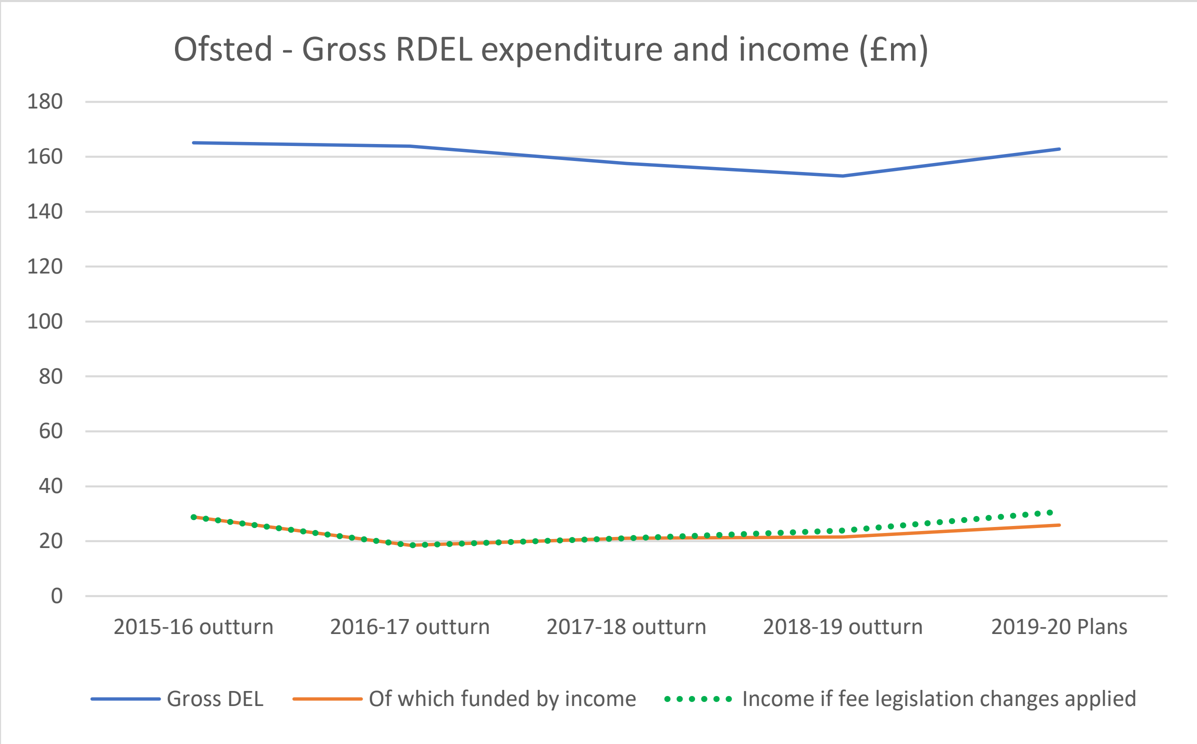
- A budget cover transfer into Ofsted's RDEL of £6.1m from the DfE to cover the shortfall in Ofsted's income. This is due to delays in the consultation and legislative process, outside of Ofsted's control, to increase statutory fees that had been agreed in the 2015 Spending Review
- A transfer of £0.6m from RDEL to CDEL, primarily for investment in IT and digital related systems
- A transfer of £0.2m from RDEL to AME to provide capacity for new provisions.

CDEL is increasing by £0.6m due to the transfer from RDEL. Ofsted is investing in IT and digital related systems that will improve the way we work, how we provide services to providers.

AME is increasing by £0.2m, this relates to potential new provisions.

Net cash requirement is increasing by £5.9m, this is due to £6.1m budget cover transfer from the DfE, partly offset by the transfer of £0.2m RDEL to non-cash AME.

1.5 Spending trends



Over the life of the 2015 spending review Ofsted's gross expenditure was set to reduce by £14.1m (8%). As part of delivering our spending review commitments Ofsted spent £12.1m (7%) less between 2015-16 and 2018-19.

Between 2018-19 and 2019-20 Ofsted's expenditure increased by £9.8m (6%). This is mainly due to the additional costs of undertaking monitoring visits of new apprenticeship training providers who have set-up following the introduction of the apprenticeship levy, significant increases in employer pension contribution costs across the Civil Service, and the budget exchange funding brought forward from 2018-19.

A recent NAO value for money study highlighted that the funding provided by the Department for Education for school inspection was 52% less, in real terms in 2017-18, than it was in 1999-2000.

Since 2017-18, the DfE has provided Ofsted with additional budget due to delays in increasing fees that were anticipated as part of Ofsted's 2015 spending review settlement (see table below).

Financial year	**Independent schools**	**Early Years**	**Social Care**	**Total**
	£m	**£m**	**£m**	**£m**
2017-18	0.8	0	0	**0.8**
2018-19	0.3	2.1	0	**2.4**
2019-20	0.3	4.5	0.1	**4.9**

2 Spending and income detail

2.1 Ring fenced budgets and other budgetary control totals

Within the control totals in 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.

Voted control total	Amounts sought in this Supplementary Estimate	Main Estimate	Movement in Estimate
	£m	£m	£m
Depreciation*	3.6	3.6	0
Admin costs	17.3	17.3	0
Income	25.8	25.8	0

**Ring fenced*

2.2 Income

Ofsted’s income is predominantly from registration and annual fees from Social Care and Early Years providers. We also receive inspection fees from Independent Schools and income from other Government departments for delivery of specific pieces of inspection activity including:

- Funding from the DfE for an unregistered schools team which investigates and inspects suspected illegal schools
- Inspections of local area services for children and young people with special educational needs and/or disabilities
- Inspection of education and training in prisons.

2.3 Spending trends

The table below sets out Ofsted’s outturn and plans for the period 2015-16 through to 2019-20:

Control Total	2015-16 Outturn* £m	2016-17 Outturn £m	2017-18 Outturn £m	2018-19 Outturn £m	2019-20 Plans (SE) £m
Gross RDEL	**162.9**	**160.2**	**150.1**	**146.9**	**158.7**
Income	-28.8	-18.5	-21	-21.5	-25.8
Net RDEL	**134.1**	**141.7**	**129.1**	**125.4**	**132.9**
of which:					
Ring fenced depreciation	2.1	2.4	2.6	2.9	3.6
Administration Budget	16	15.4	14.7	14.6	17.3
CDEL	2.2	3.8	7.4	6.1	4.1
Total DEL inc. depreciation	**136.3**	**145.5**	**136.5**	**131.5**	**137.0**
Total DEL exc. depreciation	**134.2**	**143.1**	**134**	**128.6**	**133.4**
AME	-2.3	-0.6	-0.2	-0.7	-0.1
Total Net Budget	**134**	**144.8**	**136.4**	**130.8**	**136.9**
of which:					
Resource	131.8	141.1	129	124.7	132.8
Capital	2.2	3.8	7.4	6.1	4.1
Net Cash Requirement	**134.2**	**140.9**	**136.4**	**129.3**	**133.3**

**Note that in 2015-16 Ofsted received £13.3m additional funding from the DfE through income. This was included in the estimate in subsequent years.*

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:

- More **intelligent** - all of our work will be evidence-led and our evaluation tools and frameworks will be valid and reliable
- More **responsible** - our frameworks will be fair. We will seek to reduce inspection burdens and make our expectations and findings clear
- More **focused**: We will target our time and resources where they can lead directly to improvement

We publish a set of indicators to help us measure our performance against our strategy. We use these indicators alongside a broader assessment of our performance to make sure we know our overall direction and are stretching ourselves to get to where we want to be. They are not targets and we do not treat them as such. The most recent figures from March 2019 are included Pages 9 to 23 of Ofsted's 2018-19 Annual Report and Accounts (here).

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 2018-19 annual report of Her Majesty's Chief Inspector published in January 2020 were:

- 86% of schools are judged to be good or outstanding
- 96% of early years providers are judged to be good or outstanding
- 81% of inspected further education and skills providers are judged to be 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
12 February 2020