

Ofsted Supplementary 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. 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, 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 Estimate:

Voted control total	2020-21 Outturn*	Main Estimate 2021-22	Amounts sought in this Supplementary Estimate 2021-22	Movement in Estimate
	£m	£m	£m	£m
RDEL	116.3	138.2	137.5	-0.7
CDEL	3.3	3.5	6.1	2.6
Net DEL	119.6	141.7	143.6	1.9
AME	-0.1	-0.1	0.2	0.3
Total	119.5	141.6	143.8	2.2
Net cash requirement	118.3	136.8	138.9	2.1

**Note that the 2020-21 outturn was significantly reduced due to the impact of the COVID-19 pandemic. See section 1.6 for further details.*

Reasons for the movement in Estimate are explained in section 1.4.

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 budget** is reducing by £0.7m. This reduction is due to:

- Surrendering £2.7m of RDEL budget in 2021-22 in return for a reciprocal amount in 2022-23 through the budget exchange mechanism. Following the return to a full range of inspection activity in 2021-22, Ofsted experienced difficulty in delivering the expected volume of early years inspections, mainly as a result of a reduction in number of employed and contracted inspectors. Ofsted has put in place a recovery programme to rebuild its early years workforce which will enable this funding to be utilised for early years inspection delivery in 2022-23
- A transfer of £2.6m from RDEL to CDEL for investment in IT and digital related systems and research related costs
- A transfer of £0.25m from RDEL to AME to provide capacity for new provisions.
- A reduction of £0.15m in the ring-fenced depreciation following a HM Treasury initiative over the summer to provide more accurate projections of in year depreciation requirements
- A £4m budget cover transfer (BCT) from the DfE to cover the cost of inspecting schools, colleges and other organisations delivering publicly funded education and training that had previously been graded as 'outstanding' and therefore exempt from inspection (more information is available [here](#)).

- A £1m budget cover transfer (BCT) from the DfE to cover the shortfall in fee income as a result of delayed legislation changes to increase Ofsted's social care inspection and regulation fees.

CDEL is increasing by £2.6m due to the transfer from RDEL. Ofsted is investing in IT and digital related systems to replace older legacy systems that will improve the way we work and how we provide services to customers. Ofsted also undertakes research which is treated as a CDEL cost.

AME is increasing by £0.25m, this relates to potential new provisions that may be required under the relevant accounting standard for liabilities that are probable but are uncertain in both timing and amount.

Net cash requirement is increasing by £2.1m. This is due to the £5m BCT received from the DfE, partly off-set by the £2.7m budget exchange and the £0.25m transfer from RDEL to non-cash AME.

1.5 New policies, programmes and ambit changes

New areas of work

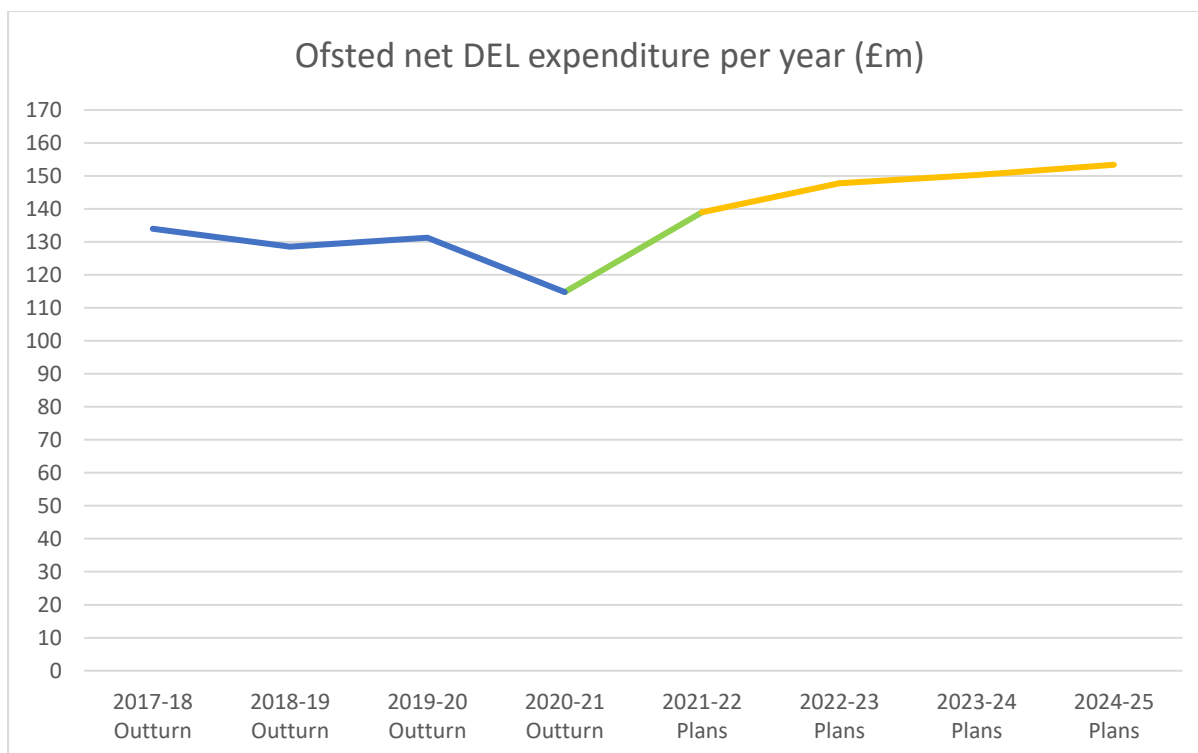
The DfE has requested that Ofsted registers and inspects providers of [supported accommodation](#) for 16 and 17-year-old children in care and care leavers. These measures will include mandatory national standards for this provision. In 2022-23, the DfE will provide funding to cover Ofsted's costs of developing a new inspection and regulatory framework related to this work ahead of registration and inspection activity beginning in 2023-24.

Changes to the ambit

The ambit has been amended to include reference to Ofsted retaining income in relation to the online education accreditation scheme. More information is available [here](#).

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 2020-21 are based on outturn (blue line), 2021-22 is based on the amounts sought in this Supplementary Estimate (green line), and years 2022-23 to 2024-25 are based on the spending review settlement agreed with HM Treasury (orange line).



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](#).

2021-22 plans have been adjusted for the changes sought through the Supplementary Estimate outlined in sections 1.3 and 1.4. 2022-23 plans include the £2.7m budget exchange from 2021-22.

Ofsted's funding increases from 2022-23 onwards mainly relate to additional temporary funding from the DfE (£9.3m in 2022-23, £14.4m in 2023-24, and £17.4m in 2024-25) agreed as part of the spending review to:

- reform unregulated children's social care provision (supported accommodation) see section 1.5
- inspect all schools by July 2025
- 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 all Further Education providers (excluding colleges) by August 2025
- inspect 33% of good providers (excluding colleges) as a full inspection from Summer 2022

- inspect all colleges, sixth form colleges and Special Designated Institutes (SDIs) 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 local skills needs

Additional funding has also been 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.

The spending review settlement (years 2022-23 to 2024-25) does not include funding for IFRS16 reclassification, which will be allocated at Main Estimates in 2022-23.

2 Spending and income detail

2.1 Ring fenced budgets and other budgetary control totals

Within the control totals in paragraph 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 separately through the Statement of Parliamentary Supply in the Annual Report and Accounts.

Voted control total	Outturn 2020-21 £m	Main Estimate 2021-22 £m	Amounts sought in this Supplementary Estimate 2021-22 £m	Movement in Estimate £m
Ring-fenced depreciation	3.8	4.8	4.6	-0.2
Admin costs	15.6	18.2	18.2	0
Income	26.5	47.2	47.2	0

Significant variances

Ofsted's income limit in the Estimate for 2021-22 is significantly more than the outturn in 2020-21. The Estimate for 2021-22 assumed that Ofsted would receive income for additional inspection work to be carried out on behalf of other governments departments. It was subsequently agreed that some of this work would not be undertaken in 2021-22 and that some funding would be received through a budget cover transfer instead of via invoicing. The actual outturn for income in 2021-22 is expected to be in the region of £30m.

2.2 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 will potentially receive income from accrediting online education providers (subject to a consultation outcome that is currently taking place). In addition, Ofsted also receives funding 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)
- Inspection of apprenticeship training providers (income from the DfE)
- Inspection of education and training in prisons (income from the MoJ)
- Funding from the DfE, other UK government departments and overseas government bodies for other inspection related activity

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 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.

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
1 February 2022