

# Ofsted Main 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 five-year 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 hardware and software
- Annually Managed Expenditure ("**AME**") - take up, movements in value and release of accounting provisions

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets 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	127.6	127.4	0.2	0%	132.8	-5.2	-4%
CDEL	3.5	6.4	-2.9	-45%	0	3.5	0%
<b>Net DEL</b>	<b>131.1</b>	<b>133.8</b>	<b>-2.7</b>	<b>-2%</b>	<b>132.8</b>	<b>-1.7</b>	<b>-1%</b>
AME	-0.3	-0.1	-0.2	200%	-0.8	0.5	-63%
<b>Total</b>	<b>130.8</b>	<b>133.7</b>	<b>-2.9</b>	<b>-2%</b>	<b>132</b>	<b>-1.2</b>	<b>-1%</b>
Net cash requirement	127.4	130.2	-2.8	-2%	129.2	-1.8	-1%

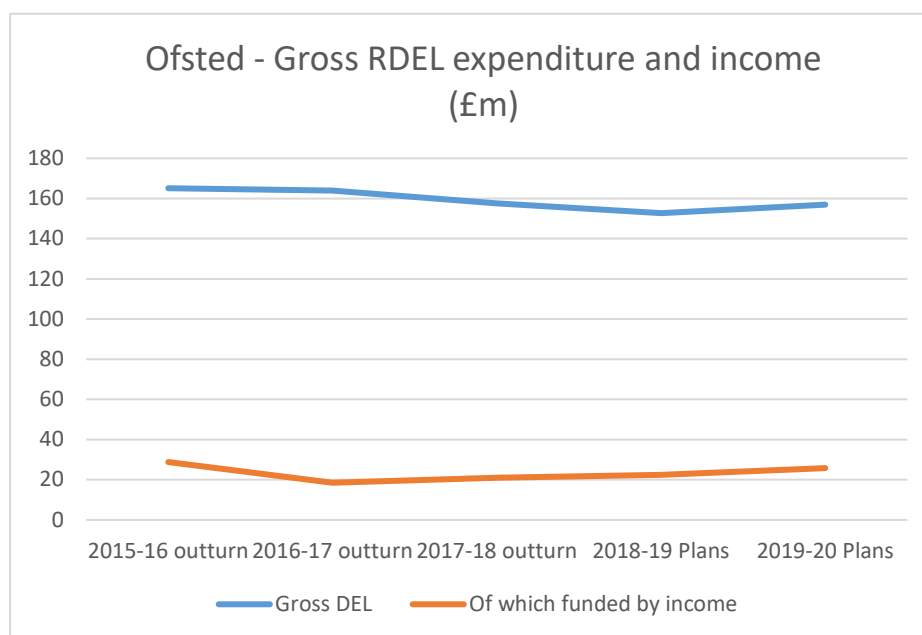
A breakdown of ring-fenced budgets, admin costs and income within the net total is shown in section 2.1.

### 1.4 Key drivers of spending changes

Material changes since last year's Main Estimate:

Ofsted's 2019-20 **DEL** budget has reduced by £1.7m. In line with the 2015 spending review settlement the overall DEL budget has reduced by £5.7m, this reduction is partially offset by £1m budget exchange transferred from 2018-19 and £3m funding from HM Treasury to cover a proportion of the increased costs associated with the changes in employer pension contributions.

## 1.5 Spending trends



Over the life of the spending review Ofsted's gross expenditure has reduced by £8.2m (5%).

A recent NAO value for money study highlighted that Ofsted's annual spending fell from £280m to £167m, a decrease of 40% in real terms between 2005-06 and 2015-16. In the 2015 Spending Review Ofsted's budget to 2019-20 would fall by a further 11% in real terms.

Ofsted is meeting its Spending Review obligations through a range of inspection policy savings, fee increases and efficiencies.

## 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.

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 %
Depreciation*	3.6	3.5	0.1	3%	3.5	0.1	3%
Admin costs	17.3	14.8	2.5	17%	14.8	2.5	17%
Income	25.8	22.4	3.4	15%	22.4	3.4	15%

\*Ring fenced

The £3.4m (15%) increase in the income limit since last year is due to the expected increase in fees charged to Early Years, Social Care and Independent Schools providers which were agreed in the spending review settlement.

The £2.5m (17%) increase in the administration costs limit is due to £3m funding from HM Treasury to cover a proportion of the increased employer pension contributions, partly offset by a £0.5m decrease agreed in the spending review settlement.

## 2.2 Income

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

## 2.3 Spending trends

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

<b>Control Total</b>	<b>2015-16 Outturn* £m</b>	<b>2016-17 Outturn £m</b>	<b>2017-18 Outturn £m</b>	<b>2018-19 Plans (SE) £m</b>	<b>2019-20 Plans (ME) £m</b>
<b>Gross RDEL</b>	<b>162.9</b>	<b>160.2</b>	<b>150.1</b>	<b>149.8</b>	<b>153.4</b>
Income	-28.8	-18.5	-21	-22.4	-25.8
<b>Net RDEL</b>	<b>134.1</b>	<b>141.7</b>	<b>129.1</b>	<b>127.4</b>	<b>127.6</b>
of which:					
Ring fenced depreciation	2.1	2.4	2.6	3.5	3.6
Administration Budget	16	15.4	14.7	14.8	17.3
<b>CDEL</b>	<b>2.2</b>	<b>3.8</b>	<b>7.4</b>	<b>6.4</b>	<b>3.5</b>
<b>Total DEL inc. depreciation</b>	<b>136.3</b>	<b>145.5</b>	<b>136.5</b>	<b>133.8</b>	<b>131.1</b>
<b>Total DEL exc. depreciation</b>	<b>134.2</b>	<b>143.1</b>	<b>134</b>	<b>130.3</b>	<b>127.5</b>
<b>AME</b>	<b>-2.3</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.3</b>
<b>Total Net Budget</b>	<b>134</b>	<b>144.8</b>	<b>136.4</b>	<b>133.7</b>	<b>130.8</b>
of which:					
Resource	131.8	141.1	129	127.3	127.3
Capital	2.2	3.8	7.4	6.4	3.5
<b>Net Cash Requirement</b>	<b>134.2</b>	<b>140.9</b>	<b>136.4</b>	<b>130.2</b>	<b>127.4</b>

*\*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

To make sure we are meeting the aims of our strategy we have a clear and ambitious framework for evaluating our performance. This includes annual metrics across each area of the strategy until 2022. The most recent figures from March 2018 are included in Annex A, and Pages 12 to 28 of Ofsted's 2017-18 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 annual report published in December 2018 were:

- 95% of early years providers are judged good or outstanding
- 76% of further education (FE) colleges and 86% of schools are at least good
- 82% of children's homes are good or better
- the number of local authorities (LAs) judged good or outstanding for children's services continues to rise

The annual report is available [here](#).

## 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  
29 April 2019

## Annex A

### Ofsted performance measures

Approach	Aims	Headline indicator	Measure	2017 baseline	2018 outturn	2022 aim
<b>More intelligent</b>	Valid measures	Providers believe that their latest inspection was a fair and accurate assessment.	% of school teachers who agree.	57	62 (aim: 58)	70
	A skilled workforce	Our inspectors have the information they need to effectively do their job.	% of Ofsted inspectors who agree.	75	82 (aim: 77)	87
	Informative grading	Providers know what action to take following an inspection.	% of social care providers who agree.	91	91 (aim: 93)	100
	Aggregation of insights	Our research has an influence on policy and practice.	Number of webpage views of Ofsted research.	122k	226k (aim: 134k)	170k
<b>More responsible</b>	Responsive and engaged	We engage with stakeholders and offer opportunities for feedback and challenge.	Number of speaking engagements by Ofsted staff.	162	243 (aim: 225)	325
	Understanding the consequences	We reduce the unintended consequences of inspection.	% of school teachers who agree.	86	82 (aim: 82)	66
	Responsible intervention	We spend a more proportionate amount across all our remits per child.	Ratio between the budget spent inspecting and regulating schools, compared to early years.	1:0.75	1:0.69 (aim: 1:0.7)	1:0.5
	Addressing our audience	We provide more useful information to parents.	% of parents who agree.	69	67 (aim: 70)	80
<b>More focused</b>	Prioritising inspection	We inspect and observe more outstanding practice.	Average years since last inspection among the 10% of outstanding schools with the longest gap between inspections.	10	11 (aim: 9)	5
	Keeping children safe	Our work leads to more providers complying with the law.	Number of warning notices issued to illegal schools.	31	52 (aim: 40)	40
	Keeping pace	We adapt inspection models to serve a changing education and care landscape.	% of FE reports that meaningfully comment on the quality of subcontractor provision (where applicable)	77	77 (aim: 83)	New indicator
	Pupil groups	We will comment more on standards for groups of children at a national level.	Number of relevant groups with 'protected characteristics', for whom our research or national reports have commented on outcomes.	5	5 (aim: 5)	6
	Right framework	We are increasingly seen as a force for improvement.	% of school teachers who strongly agree	19	24 (aim: 21)	35