

PARLIAMENTARY MEMORANDUM

2018-19 Main Estimate

OFFICE FOR STANDARDS IN EDUCATION, CHILDREN'S SERVICES AND SKILLS

Introduction

Ofsted's Main Estimate 2018-19 seeks the necessary resources and cash to inspect and regulate the education and care of children and young people, in order to raise standards and improve lives.

The purpose of this memorandum is to provide the Education Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied to achieve Ofsted's objectives.

Subject to Parliamentary approval of the Main Estimate, the Office for Standards in Education, Children's Services and Skills (Ofsted) total net budget for 2018-19 will be £132 million all of which is voted Resource.

	Main Estimate 2018-19	Final Estimate 2017-18	Change
	£m	£m	£m
Departmental Expenditure Limit (DEL)			
Resource	132.8	131.5	1.3
<i>of which:</i>			
<i>Ringfenced depreciation</i>	3.5	3.7	-0.2
<i>Administration budget</i>	14.8	15.0	-0.2
Capital	0	8.0	-8.0
Total DEL including depreciation	132.8	139.5	-6.7
Total DEL excluding depreciation	129.3	135.8	-6.5
Annually Managed Expenditure			
Resource	-0.8	1.2	-2.0
Capital	0	0	0
Total Net Budget	132.0	140.6	-8.6
<i>of which:</i>			
<i>Resource</i>	132.0	132.6	-0.6
<i>Capital</i>	0	8.0	-8.0
Net Cash Requirement	129.2	135.7	-6.4

Purpose of planned spending

The planned spending is fully in line with Ministerial, Department for Education and Ofsted's aims and priorities for raising standards and improving lives.

From childminders to prisons, schools to children's homes, there are thousands of organisations providing education, training and care services in England. Ofsted's role is to make sure that these institutions deliver for children and learners, creating the conditions that allow the next generation to realise its full potential.

Ofsted carries out that role through independent inspection and regulation. Inspection provides an independent assessment of the quality of provision. Regulation determines whether providers continue to meet the standards and requirements of registration. We take enforcement action against those that are not.

Ofsted's new strategy, launched in September 2017, is based on the principle that our inspection and regulatory activity should lead to improved outcomes for children, young people and learners.

Specifically the strategy states that Ofsted should exist to be: 'A force for improvement through intelligent, responsible and focused inspection and regulation.'

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

We fulfil our role by:

- designing and publishing clear, evidence based inspection frameworks which highlight what inspectors look for during inspections and how institutions will be evaluated
- reporting on what we find in a clear and accessible way, recognising good practice and being clear about what providers need to do to improve
- publishing transparent and comprehensive information about the quality of individual providers, local areas and national standards to help inform choice, support governance and target intervention
- listening to those using services, including parents, and acting on their views, alongside other risk assessment tools, in deciding who, when and how to inspect
- collecting first-hand evidence based on what we observe, engaging with senior stakeholders, academics and policy makers to make sure the way Ofsted works is informed by evidence and research
- using a combination of experienced expert inspectors and current serving practitioners who can credibly challenge providers on their performance
- Using our birds eye view of providers to conduct research into the overall state of education and care provision in England.

Inspection

Ofsted inspects the following services: maintained schools and academies, some independent schools, early years and childcare, children's centres, children's homes, family centres, adoption and fostering services and agencies, Cafcass (Children and Family Court Advisory and Support Service), children's services in local authorities, school improvement services in local authorities, initial teacher education, further education colleges and 14 to 19 provision, a wide range of work-based learning and skills training, adult and community learning, probation services, education and training in prisons and other secure establishments.

Regulation

We regulate a range of early years and children's social care services by checking that people, premises and the services provided are suitable to care for children and young people. We register childcare and children's social care providers that meet the required standards. If we find that providers are not meeting the required standards, we use our enforcement powers to ensure that they make the necessary improvements. If they are unable to meet the required standards, we act in the interests of the children and young people in their care and suspend or cancel their registration.

Reporting on our findings and disseminating good practice

We analyse the findings from our inspection and regulatory work and publish reports to highlight areas of strength and weakness across the different sectors in order to inform future policy development. We collect evidence in different ways, including statistical analysis, surveys and thematic inspections on specific areas of interest.

We publish reports that summarise our findings throughout the year. Over the past twelve months this has included:

- Joint inspections of the response to children experiencing neglect
- Reception curriculum in good and outstanding primary schools: bold beginnings
- Local area SEND inspections: one year on
- Ofsted Parents Panel

Changes to budgetary limits since 2017-18

Ofsted's overall net budget has reduced by £8.6 million since 2017-18. This is due to a £5.8 million reduction imposed as part of the 2015 spending review settlement, £2.5 million brought forward into 2017-18 from 2016-17 through budget exchange, and £0.3m relating to the net difference in additional AME allocations agreed separately with HM Treasury.

The £8.0 million reduction in Capital DEL is due to delaying the switch of funding between Resource DEL and Capital DEL until the 2018-19 Supplementary Estimate process. This has been agreed with HM Treasury.

New accounting standards

Ofsted will be adopting IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers) in the accounting period covered by this Estimate. Ofsted's assessment of these changes are as follows:

IFRS 9 - Financial Instruments

Ofsted's financial instruments have been assessed against the 'hold to collect' and 'contractual cash flow characteristics' tests prescribed by the standard. This determined that our financial instruments would qualify to be treated on an amortised basis, rather than on a fair value basis. Therefore there is no material change to our accounting treatment.

IFRS 15 Revenue from Contracts with Customers

Ofsted has assessed all of its revenue streams and is satisfied that there will be no material change to our current accounting treatment on revenue recognition.

Departmental Accounting Officer

The Departmental Accounting Officer has personal responsibility for the content in the above memorandum. Formal approval of the memorandum has, therefore, been obtained before to its submission to the Select Committee.

Appendix 1

Budgetary Limits 2014-15 to 2019-20

£m	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Plans	Plans	Plans
Departmental Expenditure Limit (DEL)						
Resource	157.2	134.1	141.7	131.5	132.8	127.1
of which:						
Ringfenced Depreciation	0.9	2.1	2.4	3.7	3.5	3.6
Administration Budget	16.1	16.0	15.4	15.0	14.8	14.4
Capital	3.7	2.2	3.8	8.0	0.0	0.0
Total DEL including depreciation	160.9	136.3	145.5	139.5	132.8	127.1
Total DEL excluding depreciation	160.0	134.2	143.1	135.8	129.3	123.5
Annually Managed Expenditure						
Resource	(1.7)	(2.3)	(0.6)	1.2	-0.8	0.0
Capital	0.0	0.0	0.0	0.0	0.0	0.0
Total Net Budget	159.2	134.0	144.8	140.6	132.0	127.1
of which:						
Resource	155.5	131.8	141.1	132.6	132.0	127.1
Capital	3.7	2.2	3.8	8.0	0.0	0.0
Net Cash Requirement	159.2	134.2	140.9	135.7	129.2	123.5