Office of Qualifications and Examinations Regulation (Ofqual)
Main Estimate 2022/23

Memorandum to the
Education Select Committee
April 2022

Contents

Overview

Objectives

1. The Office of Qualifications and Examinations Regulation (Ofqual) is the independent qualifications regulator for England. Ofqual is a Non-Ministerial Department and regulates around 205 awarding organisations, and about 12,250 qualifications for which certificates were issued last year. These include GCSEs, AS and A levels, and a broad range of vocational and technical qualifications.

2. As set out in the Apprenticeships, Skills, Children and Learning Act 2009 (ASCLA 2009), Parliament created Ofqual to:

    a. secure standards in qualifications and apprenticeship end-point assessments

    b. promote public confidence in qualifications, apprenticeship end-point assessments and National Assessments

    c. oversee National Assessments and assure their validity

    d. improve public awareness and understanding of the range of qualifications available, to support clarity of choice in the market

    e. secure that qualifications are provided efficiently and that their price represents value for money

    f. raise awareness of the benefits of regulated qualifications, and of being a regulated awarding organisation

3. The coronavirus (COVID-19) pandemic has had a deep impact on the education and training of young people and adults across the country. The needs and interests of those students, apprentices and all those that use and rely on qualifications continue to be at the heart of our work. The funding agreed for Ofqual at the 2021 Spending Review (SR21) is for delivery of our statutory objectives and supports the government's intended outcomes for SR21 in the following ways:

    a. Supporting the recovery from the pandemic by regulating to secure the fairest possible outcomes for learners in a complex medium-term context
    b. Levelling up opportunity by regulating for high-quality qualifications and assessments at the heart of apprenticeships, technical education and skills reform
    c. Improving outcomes and ensuring a strong and innovative public service by regulating to restore stability in the qualifications system and build public trust
    d. Playing our part in understanding lost learning, which will contribute to enabling every child to have a high-quality education and to fulfil their potential
    e. Assessing, developing and implementing approaches to increase the resilience of qualifications
    f. Contributing to net zero through the regulation of qualifications and assessments that support investment in new green industries, as well as through our own effective estate planning.

4. The effects of the pandemic will continue to impact in 2022 and beyond. The SR21 Settlement has provided Ofqual with funding to support the medium-term goals of the corporate plan.

Priorities

5. Ofqual's priorities are detailed in the 2022 to 2025 corporate plan, and are summarised below.

Quality and fairness for students and apprentices

6. Ofqual will focus regulatory activity, research and engagement on ensuring that qualifications and assessments are good quality, as fair as they can be, and that they meet the needs of employers and other users of qualifications. At the heart of good quality qualifications and assessments is validity – assessing the right thing, in the right way, to provide accurate and useful assessment results. Good qualifications must be designed well. They must be delivered securely to create a level playing field for all who take them, and they must be awarded in a way that protects standards. For assessments to be as fair as possible, students and apprentices should not be advantaged or disadvantaged either by malpractice or by assessment design that favours certain groups of students over others.

7. The pandemic has had a significant effect on the delivery of qualifications over the past two years and will continue to have implications in the years to come. Ofqual will act to make sure that qualifications are as fair as they can be, and that they play their proper role in supporting effective teaching and learning as students recover from the pandemic.

Clarity, effectiveness, and efficiency in the qualifications market

8. The qualifications market needs to work well for those that purchase, take and use qualifications and assessments. It should have the right breadth of high-quality qualifications both to meet employer needs and to allow students to select the right mix of qualifications to meet their needs.

9. Ofqual will work to make sure that students, apprentices and those advising them are able to easily understand the range of subjects and different types of regulated qualifications available to them. We want to improve the information available to those that purchase qualifications – helping them achieve value for money and improving the efficiency of the qualifications market. Regulation is an assurance both of the quality of the qualification and of the capability of the awarding organisation providing it.

Shaping the future of assessment and qualifications

10. Ofqual has a key role to play in leading, influencing and enabling innovation and transformation in assessment and qualifications. New approaches to assessment, including the use of technology, have the potential to improve quality and fairness for students and apprentices and to strengthen the resilience of how qualifications and assessments are delivered.

11. Research is fundamental to all we do. We will use our research and assessment expertise to advance understanding across the sector helping to shape the future of assessment and qualifications in England. We will use our expertise and regulatory powers to inform, enable, promote and, where appropriate, require the adoption of new approaches – in the interests of students and apprentices.

Developing Ofqual as an effective, expert, and inclusive regulator

12. Underpinning all of Ofqual's work to regulate on behalf of students and apprentices are our people, the data we collect and analyse and the technology and systems we use. We will continue to develop those, so that we strengthen our expertise and so that we are effective and proportionate in our regulation.

13. We are committed to improving diversity and inclusion at Ofqual so that we continue to be a great place to work and be as effective as we can be in how we regulate for all students and apprentices whatever their background, community or protected characteristics.

Financial Analysis

Spending controls

14. Ofqual's net spending comprises several different spending totals, for which Parliament's approval is sought.

15. The spending totals that Parliament votes for Ofqual are:

- Resource Departmental Expenditure Limit (**Resource DEL**) - a net limit comprising day to day running costs, less income from cost recovery.
- Capital Departmental Expenditure Limit (**Capital DEL**) – investment in digital infrastructure. All Ofqual's capital is classified as programme expenditure.

16. Annually Managed Expenditure (**AME**), which supports the creation and use of provisions, is not required in 2022/23. The sum of Resource DEL and Capital DEL is the Total Managed Expenditure (**TME**) for Ofqual. Parliament also votes a net cash requirement, which covers the elements of the above budgets that require Ofqual to pay out cash in year.

Comparison of net spending totals sought

17. The Main Estimate is based on the Settlement agreed for Ofqual at SR21. In addition, in-year funding has been agreed from the Department for Education to support the delivery of vocational and technical qualifications reform.

18. Table 1 below shows how the net spending totals sought for Ofqual at the Main Estimate compare with the previous financial year.

Table 1: Comparison of net spending totals

	Amounts sought in 2022/23 £ million	Final budget 2021/22 £ million	Movement in budget between years £ million	Movement in budget between years %
Resource DEL	28.2	25.1	3.1	12%
Capital DEL	0.7	0.4	0.3	77%
AME	-	-	-	-
TME	28.9	25.5	3.4	13%

19. The net cash requirement is £28.3 million, comprising TME less depreciation and notional costs, which are non-cash items. Further information about the content of the TME is at paragraph 23.

Ambit changes

20. We have not made any amendments to our ambit.

Change in accounting policy

21. International Financial Reporting Standard (IFRS) 16 *Leases* was introduced by the International Accounting Standards Board in 2016 and will be adopted by the public sector

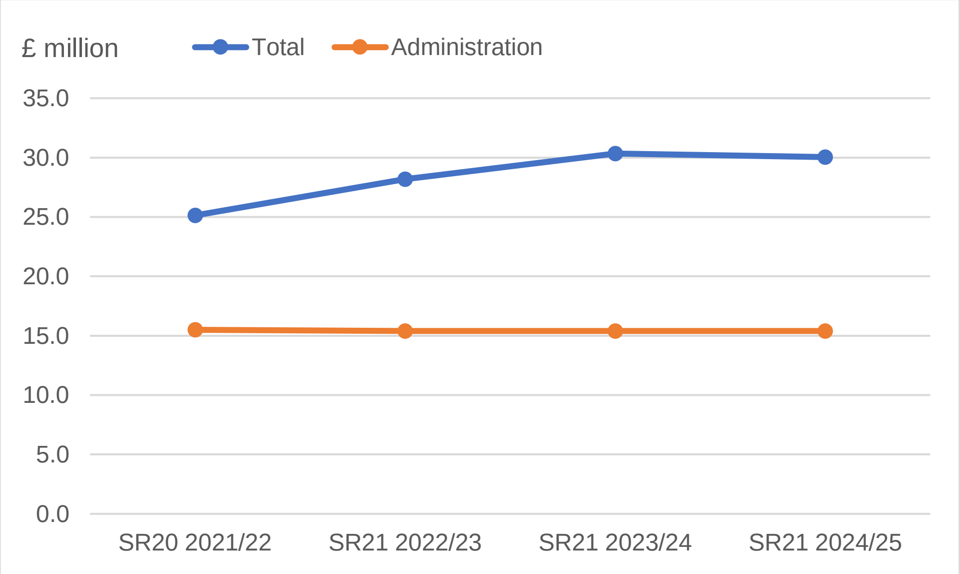
from 1 April 2022, deferred from 1 April 2021. The impact will be to bring most leases on to the Statement of Financial Position, which is the equivalent of the balance sheet. Ofqual has therefore adopted IFRS 16 from 1 April 2022. We hold one material lease, which is for our office premises. The financial effect of the change in policy is that £0.3 million of the annual office lease payment is capitalised, which accounts for the increase in Capital Del in 2022/23.

22. Ofqual will review its capital policy for 2022/23. The current capitalisation thresholds for asset purchase were last reviewed in 2017, therefore the impact of changes in the economic climate and comparative asset purchase costs will be considered.

Expenditure drivers and trends

23. The SR21 Settlement has enabled Ofqual to develop a medium-term financial strategy to underpin its three-year corporate plan. Figure 1 below shows the SR20 Settlement together with the three years of the SR21 Settlement.

Figure 1: Medium-Term Resource DEL



24. Ofqual's core Administration funding remains materially unchanged over the period. Overall TME will increase over the medium-term in response to the continuing expansion of our work to deliver reforms in vocational and technical qualifications. Additional temporary funding is provided to meet transitional costs. As individual programmes move out of transition, funding is provided on a permanent basis. In 2022/23, the key reform programmes include:

(1) Apprenticeships external quality assurance (£3.9 million) – to continue to recognise new End Point Assessment Organisations, review Assessment Plans, evaluate End Point Assessments and continue the ongoing regulation of End Point Assessment Organisations.

(2) Qualifications Review Level 3 and below (£3.1 million) – to continue to support the large-scale review of qualifications at Level 3 and below, evaluating them to provide advice to the Institute and strengthening them in delivery in due course.

(3) Technical Education (£0.8 million) – to continue to collaborate with the Department for Education and the Institute for Apprenticeships and Technical Education to shape and deliver the Technical Qualifications programme of work.

Ringfenced budgets

25. The total resource DEL includes a ringfenced element for depreciation. Underspends in this budget may not be used to fund pressures on other budgets. In 2022/23, Ofqual's depreciation budget comprises £0.3 million relating to existing technology assets, and £0.3 million for the building lease under IFRS 16 as noted at paragraph 21 above.

Contingent liabilities

26. Ofqual currently has no contingent liabilities.

Priorities and performance

27. Ofqual's Annual Report and Accounts sets out our progress in delivering the commitments in our corporate plan, a summary of the regulatory activity we have undertaken, and the impact of our actions. Each year we also undertake a range of targeted evaluations and reviews to assess the impact of our work.

Ofqual Accounting Officer

28. This memorandum has been prepared with reference to the guidance in the Estimates Manual published by HM Treasury.

29. The Accounting Officer retains personal responsibility for the content of this memorandum. The Accounting Officer for Ofqual is the Chief Regulator.