

**Office of Qualifications and Examinations
Regulation (Ofqual)**
Supplementary Estimate 2022 to 2023

Memorandum to the
Education Select Committee
January 2023

ofqual

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Overview

Objectives

1. The Office of Qualifications and Examinations Regulation (Ofqual) is the independent regulator of qualifications and assessments for England. Ofqual regulates on behalf of students of all ages and apprentices to make sure that qualifications, apprenticeship end-point assessments and National Assessments are good quality. Ofqual is a Non-Ministerial Department and regulates around 205 awarding organisations and more than 11,600 qualifications for which certificates were issued in 2022. 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 Ofqual's work. In 2022 a full series of exam-based assessments were reintroduced across general, vocational and technical qualifications, for the first time since 2019.
4. The funding agreed for Ofqual at the Spending Review 2021 settlement (SR21) is for delivery of our statutory objectives and supports the government's intended outcomes for SR21 particularly in relation to supporting recovery from the pandemic.
5. The SR21 has provided Ofqual with funding to support the medium-term goals of the corporate plan.

Priorities

6. Ofqual's highest priority in 2022/23 was to enable the delivery of exams and formal assessments after these were largely cancelled for two years due to the pandemic. Beyond this, Ofqual continued to prioritise work to support the government's reform of vocational and technical qualifications.
7. Ofqual's [Corporate Plan 2022 to 2025](#), published in May 2022, sets out four strategic priorities. These are summarised below:

Priority 1: Quality and fairness for students and apprentices

8. Ofqual focuses 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.
9. Returning to pre-pandemic standards is a priority for Ofqual, but in the interests of fairness to students and public confidence in qualifications, we have not done so in one jump. Instead, 2022 was a transition year to reflect the pandemic recovery period and disruption to students' education. In 2022 national outcomes were awarded to be broadly midway between those of 2021 and 2019.
10. While planning for the safe and effective delivery of exams in summer 2022, Ofqual also simultaneously developed and refined plans for contingencies which could be put in place if the pandemic took an unexpected turn and exams could not go ahead.
11. In parallel to overseeing the reintroduction of a full series of exam-based assessment in 2022 Ofqual put in place arrangements for 2023 and provided practical information to students to help them feel confident in preparing to take assessments.
12. In 2022 Ofqual introduced new guidance, following consultation, for awarding organisations on designing and developing accessible assessments. Ofqual has started research to evaluate the use of extra time in assessments provided to disabled students as a reasonable adjustment.
13. Ofqual continues to monitor, evaluate and report on the validity of National Assessments delivered by the Standards and Testing Agency (STA).
14. Throughout the year Ofqual has worked in partnership with the Institute for Apprenticeships and Technical Education (IfATE) on technical qualifications, T Levels, higher technical qualifications and apprenticeship end-point assessments.

Priority 2: Clarity, effectiveness, and efficiency in the qualifications market

15. 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. Regulation is an assurance of both the quality of the qualification and of the capability of the awarding organisation providing it.
16. Ofqual is working to make sure that students, apprentices and those advising them are able to understand easily 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. Ofqual has started a programme of work to develop the Register of Regulated Qualifications to improve clarity and navigability of the market.
17. Ofqual continues to use its recognition process to evaluate new entrants to the regulated market. In order to reduce burden, we have introduced a single recognition process for awarding organisations offering apprenticeship end-point assessments that addresses both Ofqual and DfE requirements.
18. There is ongoing work to monitor price changes in the market and the financial health of regulated awarding organisations in light of the effects of the pandemic on the market.

Priority 3: Shaping the future of assessment and qualifications

19. 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.
20. Ofqual has initiated thorough work to look at the opportunities, challenges, risks and benefits of technology in assessment and is engaging with awarding organisations to support the use of innovative practice and technology where innovation promotes valid and efficient assessment. Technology must always be deployed in the interest of students and apprentices, rather than as an end in itself.
21. Ofqual has carried out work to support the design and development of assessment arrangements for new GCSEs in British Sign Language (BSL) and Natural History.

Priority 4: Developing Ofqual as an effective, expert, and inclusive regulator

22. Ofqual is an established and expert organisation. 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 and achieve the work set out in our Corporate Plan.
23. Ofqual published a new [People Strategy 2022 to 2025](#) in September 2022 setting out ambitions for making Ofqual an inclusive workplace that enables colleagues to thrive. This strategy also sets out the investment Ofqual plans to make in both nurturing and expanding our expertise, while developing our culture, as we embrace post-pandemic ways of working together.
24. The People Strategy reaffirms Ofqual's commitment to improving diversity and inclusion in the organisation so that we continue to be a great place to work and are as effective as we can be in regulating for all students and apprentices, whatever their background, community or protected characteristics.

Financial Analysis

Spending controls

25. Ofqual's net spending comprises several different spending totals, for which Parliament's approval is sought.
26. 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.
27. 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

28. 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 (DfE) to support the delivery of vocational and technical qualifications reform.
29. Table 1 below shows how the net spending totals sought for Ofqual at the Main Estimate compared with the previous financial year.

Table 1: Comparison of net spending totals

Net spending total		Compared to the Main Estimate 2022/23		Compared to the final budget 2021/22 (Supplementary Estimate)	
Amounts sought in the Supplementary Estimate 2022/23					
	£m	£m	%	£m	%
Resource DEL	28.432	28.182	1%	25.131	13%
Capital DEL	0.742	0.707	5%	0.400	86%
AME	-	-	-	-	-
TME	29.174	28.889	1%	25.531	14%

30. Changes requested at the Supplementary Estimate are:
- £0.150 million programme returned to DfE as a result of the deferred Qualifications Review.
 - £0.300 million programme surrendering funds that were for potential legal challenges following COVID-19 (originally for 2021/22 and then deferred to 2022/23), no challenges have been received and these costs will now not materialise.
 - £0.626 million administration increase in rental costs to correct the amounts over-removed in error from the Main Estimate relating to the adoption of IFRS16; the total value of the building costs had been amended in Resource DEL, rather than just the capital element.
 - £0.074 million programme additional depreciation to support capital purchases, a non-cash item.
 - £0.035 million additional capital expenditure.
 - An increased administration income threshold of £0.034 million to recover costs associated with a penalty on an Awarding Organisation (the penalty itself being paid over to the Consolidated Fund as noted in Part III: Note M of the Supplementary Estimate); this is a gross up of income and expenditure, with no net effect.
31. The above adjustments increase the Resource DEL limit by £0.250 million (increase in administration by £0.626 million and decrease in programme by £0.376 million) and Capital DEL by £0.035 million; TME being increased by £0.285 million.

32. The net cash requirement is £28.482 million, being an increase of £0.211 million resulting from the increase in TME of £0.285 million, less the non-cash depreciation element of £0.074 million.

Ambit changes

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

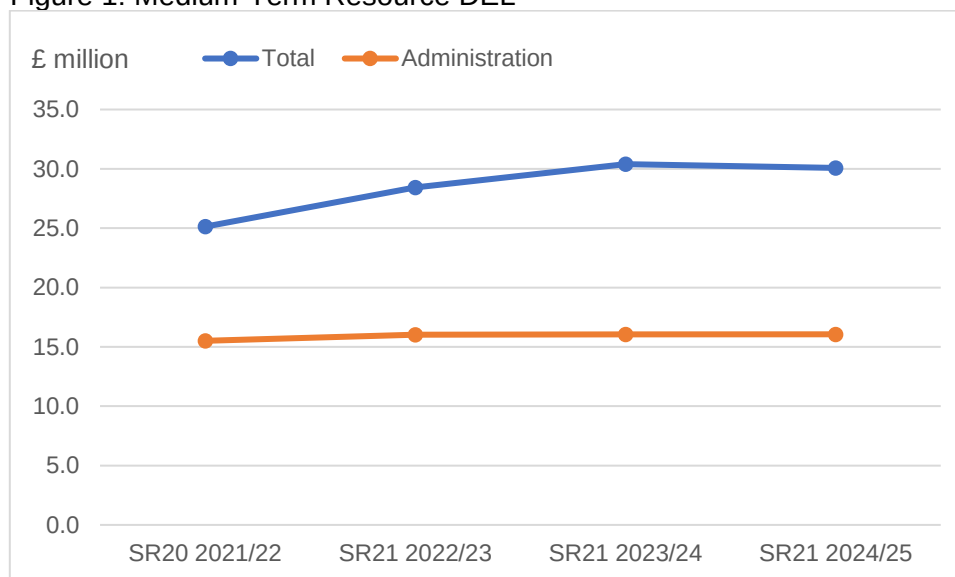
Change in accounting policy

34. International Financial Reporting Standard (IFRS) 16 *Leases* was introduced by the International Accounting Standards Board in 2016 and was adopted by the public sector from 1 April 2022. The impact brought most leases on to the Statement of Financial Position, which is the equivalent of the balance sheet. Ofqual adopted IFRS 16 from 1 April 2022 and has one material lease which is for office premises. The financial effect of the change in policy is that £0.273 million of the annual office lease payment is capitalised, which accounts for most of the increase in Capital Del in 2022/23. The corresponding reduction in Resource DEL was adjusted as £0.899 million in error in the Main Estimate, hence the correction of £0.626 million in this Supplementary Estimate noted above.
35. Ofqual will continue to 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

36. 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 together with the three years of the SR21.

Figure 1: Medium-Term Resource DEL



37. 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:

- i. Apprenticeships external quality assurance, £3.9 million (£11.8 million across the three years of SR21) – 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.
- ii. Qualifications Review Level 3 and below, £3.1 million (£11.2 million across the three years of SR21) – to continue to support the large-scale review of qualifications at Level 3 and below, evaluating them to provide advice to DfE and the Institute and strengthening them in delivery in due course.
- iii. Technical Education, £0.8 million (£2.4 million across the three years of SR21) – 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

38. The total resource DEL includes a ringfenced element for depreciation, £0.642 million, from which any underspends may not be used to fund pressures in other budgets.

Contingent liabilities

39. Ofqual currently has no contingent liabilities.

Priorities and performance

40. Ofqual's Annual Report and Accounts will set out 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

41. This memorandum has been prepared with reference to the guidance in the Estimates Manual published by HM Treasury.
42. The Accounting Officer retains personal responsibility for the content of this memorandum. The Accounting Officer for Ofqual is the Chief Regulator.