Office of Qualifications and Examinations Regulation (Ofqual)

Supplementary Estimate 2024 to 2025

Memorandum to the
Education Select Committee
February 2025

Contents

Introduction

1. The Office of Qualifications and Examinations Regulation (Ofqual) is the independent qualifications regulator for England. Each year we undertake a range of activities targeted to the greatest risks to our statutory objectives, with a particular focus on threats to the standards of qualifications and their validity, and impacts on public confidence.

2. In 2024/25, our priorities are:

- Quality and fairness for students and apprentices. 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.

- Clarity, effectiveness, and efficiency in the qualifications market. 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 to meet employer needs and to allow students to select the right mix of qualifications to meet their needs.

- Shaping the future of assessment and qualifications. 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.

- Developing Ofqual as an effective, expert, and inclusive regulator. 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.

3. We will conduct relevant investigation, research and analysis, and undertake engagement and consultation with stakeholders as necessary to enable us to provide assurance that regulated qualifications support good educational and training outcomes.

4. As part of its statutory enforcement powers, Ofqual can impose both monetary penalties and cost recovery orders where we believe that a breach of our General Conditions of Recognition or other regulations have been breached by a recognised awarding organisation. The decision to impose a monetary penalty is taken only where a breach is of a level of severity to warrant this action.

5. Ofqual can provide data capture and analysis to other government departments and our regulatory counterparts, for which the direct cost of provision is recovered. Income may also be recovered from the disposal of computer hardware as a result of continuing IT transformation. Ofqual encourages secondment opportunities as part of staff development, for which costs are recovered from the host department. Ofqual may also recover costs for building related expenditure.

6. More details on our strategic priorities and corporate objectives can be found in our 2022-25 [Corporate Plan.]

Financial Analysis

Spending controls

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

8. 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.

9. Annually Managed Expenditure (**AME**), which supports the creation and use of provisions, is not required in 2024/25. 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

10. Table 1: Comparison of net spending totals

	Main Estimate 2024/25	**Changes sought at Supplementary Estimate 2024/25**		**Supplementary Estimate 2024/25**
	£m	**£m**	**%**	**£m**
Resource DEL	30.016	0.582	2%	30.598
Capital DEL	2.910	(2.460)	(86%)	0.450
Capital AME	-	0.282	100%	0.282
TME	**32.926**	(1.596)	**(4.8%)**	**31.330**

11. On 20th March 2023, the Chief Secretary to the Treasury (CST) committed to providing funding for increases in employer contribution rates for employers whose employment costs are centrally funded through departmental expenditure. Reserve support of £0.19m was requested at the 2024/25 Supplementary Estimate to reflect this additional cost pressure.

12. Additionally, Ofqual transferred £250k back to the Department for Education (DfE) for temporary funding that it received for work in relation to Level 2 and Level 3 Qualifications review, following the DfE's decision to pause work in the 2024/25 financial year.

13. Changes approved at the 2024/25 Supplementary Estimate (SE) are a:
    a. £0.642m increase in administration expenditure to reinstate the over-removal of the rental costs of our offices at the Main Estimate to adjust for the introduction of IFRS16; and
    b. (£2.460m) decrease in capital expenditure in relation to the new office lease that was treated as being incepted on 1st March 2024 instead of 1st April 2024 following the conclusion of the 2023/24 external audit; and
    c. £0.282m increase in Capital Annually Managed Expenditure for the provision of dilapidations in relation to our new office premises; and
    d. £0.190m increase in administration expenditure and net cash requirement in relation to the increased employer pension contributions costs this year; and
    e. £0.025m increase in the retainable income limit in relation to increased recovery of legal fees incurred from fines issued to awarding organisations this year; and
    f. (£0.250m) decrease in revenue expenditure and net cash requirements following the return of the budget cover transfer to the Department for Education.
    g. reclassification of £0.349m (cost neutrally) from RDEL Administration (ringfenced) to RDEL Programme (ringfenced) in relation to Depreciation and Finance costs.

14. The above adjustments increase the Resource DEL limit by £0.582 million and decrease the Capital DEL by £2.460 million; TME being decreased by £1.596 million.

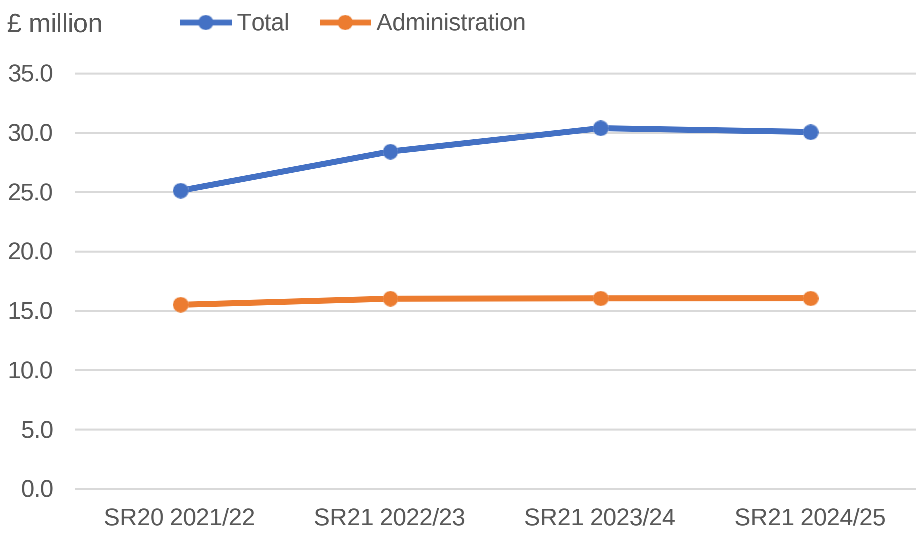
Ambit changes

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

Expenditure drivers and trends

16. 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



Ringfenced budgets

17. The total resource DEL includes a ringfenced element for Depreciation and Finance costs, originally of £0.752 million. Although this has remained the same, there has been a reclassification to treat all Depreciation and Finance costs as Programme spend.

Contingent liabilities

18. Ofqual currently has no contingent liabilities.

Priorities and performance

19. 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

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

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

Office of Qualifications and Examinations Regulation

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

£

Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
Budget Cover Transfers			
Return of temporary funding relating to Level 2 and Level 3 Qualifications Review to the DfE		-250,000	
Budget Neutral Changes			
Reclassification of all ringfenced RDEL to Programme	349,000	-349,000	
Other Changes			
Adoption of International Financial Reporting Standards (IFRS) 16 - Leases	642,000		
Reserve Claims			
Employer pension contributions	190,000		
Total change in Resource DEL (voted)	**1,181,000**	**-599,000**	**582,000**
Other Changes			
Return of CDEL no longer required in relation to new office premises		-2,460,000	
Total change in Capital DEL (voted)		**-2,460,000**	**-2,460,000**
AME Expenditure Changes			
Increase in dilapidations provision	282,000		
Total change in Capital AME (voted)	**282,000**		**282,000**
Revisions to the Net Cash Requirement reflect changes to resources and capital as set out above.		-1,993,000	
Total change in Net Cash Requirement		**-1,993,000**	**-1,993,000**

PART I: EXPENDITURE AND AMBIT

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	**582,000**	-	582,000
Capital	**-2,460,000**	-	-2,460,000
Annually Managed Expenditure			
Resource	**-**	-	-
Capital	**282,000**	-	282,000
Total Net Budget			
Resource	**582,000**	-	582,000
Capital	**-2,178,000**	-	-2,178,000
Non-Budget Expenditure	**-**		
Net Cash Requirement	**-1,993,000**		

Supplementary amounts required in the year ending 31 March 2025 for expenditure by Office of Qualifications and Examinations Regulation on:

Departmental Expenditure Limit:

Expenditure arising from:

The regulation of the validity of general, vocational and other qualifications throughout their lifecycle; promoting public confidence in regulated qualifications; continuing delivery of vocational and technical education reforms; monitoring and evaluating reformed qualifications; and evaluating the validity of National Assessments. Conducting relevant investigation, research and analysis, and undertaking engagement and consultation with stakeholders to provide assurance that regulated qualifications are fit-for-purpose and support good educational and training outcomes.

Exploring, investigating and acknowledging opportunities for innovation, including the use of artificial intelligence to improve the quality of marking in high-stakes qualifications.

Developing the skills and capabilities of its people, and developing and investing in its digital systems to secure efficiency and value for money.

* Audit fees and other non-cash items.

Income arising from:

The Department for Education to support ongoing Reform programmes, and, where required, to enable the Office of Qualifications and Examinations Regulation (Ofqual) to take on new Reform programmes as they arise.

The recovery of costs associated with the monetary penalties imposed on awarding organisations for breaches of Ofqual's regulations.

The recovery of costs associated with the provision of data and analysis to regulatory counterparts and to other government departments; for provision of support relating to IT/digital development, including developments to the register of qualifications; and income from the disposal of hardware as part of ongoing IT refresh. Receipts relating to the recovery of salaries and associated costs for seconded staff. Receipts relating to the recovery of building-related costs.

Annually Managed Expenditure:

Expenditure arising from:

* Provisions related to dilapidations and other non-cash items.

Office of Qualifications and Examinations Regulation will account for this Estimate.

PART II: CHANGES PROPOSED

£'000

	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin	Prog	Admin	Prog	Admin	Prog			
	1	2	3	4	5	6	7	8	9
Departmental Expenditure Limit (DEL)									
Voted expenditure									
A Regulation of qualifications and statutory assessments	15,887	13,249	483	-	16,370	13,249	2,910	-2,460	450
B Additions	-	880	-	99	-	979	-	-	-
Total voted DEL	**15,887**	**14,129**	**483**	**99**	**16,370**	**14,228**	**2,910**	**-2,460**	**450**
Total DEL			**483**	**99**				**-2,460**	
Annually Managed Expenditure (AME)									
Voted expenditure									
C Regulation of qualifications and statutory assessments	-	-	-	-	-	-	-	282	282
Total voted AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282**	**282**
Total AME			**-**	**-**				**282**	
Voted expenditure			**483**	**99**				**-2,178**	
Non-voted expenditure			**-**	**-**				**-**	
Total for Estimate			**483**	**99**				**-2,178**	

£'000

	Present Plans	Changes	Revised Plans
Net Cash Requirement	**32,174**	**-1,993**	**30,181**

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

	Revised Plans									
	Resources							Capital		
	Administration			Programme			Total			
	Gross	Income	Net	Gross	Income	Net	Net	Gross	Income	Net
	1	2	3	4	5	6	7	8	9	10
Departmental Expenditure Limit (DEL)										
Voted expenditure										
A Regulation of qualifications and statutory assessments	16,485	-115	16,370	13,249	-	13,249	29,619	450	-	450
B Additions	-	-	-	979	-	979	979	-	-	-
Total voted DEL	**16,485**	**-115**	**16,370**	**14,228**	**-**	**14,228**	**30,598**	**450**	**-**	**450**
Total DEL	**16,485**	**-115**	**16,370**	**14,228**	**-**	**14,228**	**30,598**	**450**	**-**	**450**
Annually Managed Expenditure (AME)										
Voted expenditure										
C Regulation of qualifications and statutory assessments	-	-	-	-	-	-	-	282	-	282
Total voted AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282**	**-**	**282**
Total AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282**	**-**	**282**
Voted expenditure	**16,485**	**-115**	**16,370**	**14,228**	**-**	**14,228**	**30,598**	**732**	**-**	**732**
Non-voted expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total for Estimate	**16,485**	**-115**	**16,370**	**14,228**	**-**	**14,228**	**30,598**	**732**	**-**	**732**

PART II: RESOURCE TO CASH RECONCILIATION

			£'000
	Present Plans	**Changes**	**Revised Plans**
Net Resource Requirement	**30,016**	**582**	**30,598**
Net Capital Requirement	**2,910**	**-2,178**	**732**
Accruals to cash adjustments	**-752**	**-397**	**-1,149**
Of which:			
Adjustment for ALBs:			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:			
Depreciation	-752	-	-752
New provisions and adjustments to previous provisions	-	-282	-282
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-	-115	-115
Adjustments to reflect movements in working balances:			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	-	-	-
Use of provisions	-	-	-
Removal of non-voted budget items	**-**	**-**	**-**
Of which:			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	**32,174**	**-1,993**	**30,181**

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Administration Costs	16,485
Less:	
Administration DEL Income	-115
Net Administration Costs	**16,370**
Gross Programme Costs	14,228
Less:	
Programme DEL Income	-
Programme AME Income	-
Non-budget income	-
Net Programme Costs	**14,228**
Total Net Operating Costs	**30,598**
Of which:	
Resource DEL	30,598
Capital DEL	-
Resource AME	-
Capital AME	-
Non-budget	-
Adjustments to include:	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-
Adjustments to remove:	
Capital in the SoCNE	-
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-
Other adjustments	-
Total Resource Budget	**30,598**
Of which:	
Resource DEL	30,598
Resource AME	-
Adjustments to include:	
Grants to devolved administrations	-
Prior period adjustments	-
Adjustments to remove:	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	**30,598**

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

	£'000
	Revised Plans
Voted Resource DEL	
Administration	
A Regulation of qualifications and statutory assessments	
Other Income	-115
Total Other Income	**-115**
Total Administration	**-115**
Total Voted Resource DEL	**-115**
Total Voted Resource Income	**-115**

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2024-25.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other Statements and notes of Main Estimates 2024-25 for further details of Accounting Officer responsibilities.

Accounting Officer: Sir Ian Bauckham CBE