

**Office of Qualifications and  
Examinations Regulation (Ofqual)  
Supplementary Estimate 2020/21**

Memorandum to the  
Education Select Committee  
January 2021

**ofqual**

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# Overview

## Objectives

1. The Office of Qualifications and Examinations Regulation (Ofqual) is the independent qualifications regulator for England. We are a Non-Ministerial Department and we regulate around 160 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. Ofqual has five statutory objectives, as set out in the Apprenticeships, Skills, Children and Learning Act 2009:
  - i. To secure qualifications standards;
  - ii. To promote National Assessment standards;
  - iii. To promote public confidence in regulated qualifications and National Assessment arrangements;
  - iv. To promote awareness of the range and benefits of regulated qualifications; and
  - v. To secure that regulated qualifications are provided efficiently.
3. Our current goals and activities underpinning these objectives are summarised below; further details are found in our [Corporate Plan 2020-21](#). Our 2020 Corporate Plan takes an exceptional format in light of Covid-19, which has had significant implications for our work.

### **Priority 1 Regulating GCSE, AS and A levels in response to coronavirus (Covid-19)**

4. In response to Covid-19, awarding organisations delivered grades in summer 2020 based on centre assessments, rather than examinations. This unprecedented approach required a substantial and significantly different programme of work compared to our usual summer exams regulation. The initial method we adopted, aligned to that used in the Devolved Administrations, was to calculate grades based on teachers' rank order of candidates, with adjustments to maintain standards. However, this approach did not command public confidence and so centre assessment grades were awarded where these were higher than calculated grades.
5. Throughout the year we have worked closely with the DfE and key stakeholders to seek the best possible outcome in the interests of students, given the significant disruption caused by the pandemic. The Secretary of State's statement to the House of Commons on 6 January 2021 and subsequent letter<sup>1</sup> to the Chief Regulator confirmed government policy that in some qualifications, including for GCSE, AS and A levels, results in 2021 should be determined by teachers assessing the performance of their students. We remain committed to making sure that the fairest possible arrangements are put into place rapidly in these exceptionally difficult circumstances. A [consultation](#) on arrangements for awarding grades for GCSE, AS and A levels commenced on 15 January 2021.
6. The 2021 National Reference Test is under consideration and advice is being provided to the Secretary of State. The potential impact is under discussion with the DfE and HM Treasury, whose willingness to support us is appreciated. This has not resulted in a change within the Supplementary Estimate.

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<sup>1</sup> [Letter from Gavin Williamson to Simon Lebus](#) dated 13 January 2021

## **Priority 2 Regulating vocational and technical qualifications in response to coronavirus (Covid-19)**

7. In response to Covid-19, we implemented an Extraordinary Regulatory Framework to enable and support the award of results to learners in summer and autumn 2020. This gave awarding organisations the appropriate level of flexibility needed to adapt their qualifications in relevant ways considering public health restrictions, or to award grades based on centre assessments. In some instances, it was necessary for assessments to be delayed; for example in safety critical qualifications where it is essential for students to be able to demonstrate the relevant competencies before receiving a qualification.
8. For assessments in the 2020/21 academic year, we have extended the Extraordinary Regulatory Framework. This maintains the necessary flexibilities, whilst also setting clear principles to ensure that qualifications remain sufficiently valid, safe and reliable assessments of skills, knowledge and understanding. A single approach to these is not possible, therefore we will develop regulatory arrangements that enable awarding organisations to take decisions regarding the most appropriate approach to awarding based on their qualification design and delivery. We are proposing to develop guiding principles to underpin awarding organisations' decisions, and we will put in place arrangements to support the development of consistent approaches across different awarding organisations, and qualifications, as far as possible. A [consultation](#) on the approach to awarding vocational and technical grades in 2021 commenced on 15 January 2021.

## **Priority 3 – Supporting quality in regulated qualifications and assessments.**

9. We are continuing priority programmes to secure quality in regulated qualifications in the medium term alongside our immediate responses to Covid-19. We have focused our work on three areas: ensuring quality in new and reformed qualifications, addressing systemic risks and promoting an efficient and effective market.
10. The current programme of reforms is broad, including the introduction of technical qualifications within the T level programme, the continued introduction of end point assessments, and developing new higher-level technical qualifications at levels 4 and 5. We are playing an active part in these reforms, working closely with the Institute for Apprenticeships and Technical Education (the Institute), to secure high quality qualifications for those who take, use and rely on them.
11. Key work on systemic risk includes our focus on National Assessments. However, National Assessments were cancelled by the Secretary of State in the 2020 academic year and have also been cancelled for 2021.
12. We want the qualifications market to operate efficiently, to offer value for money and to be understandable to learners, employers, centres and all who deliver, use and rely on qualifications. Underpinning this goal is our work to collect, analyse and make available data and information about how qualifications and the market operate. We continue our focus on increasing transparency of the market through the implementation of the new condition for all regulated awarding organisations to publish fee information about their qualifications in a standard format and through our annual update and publication of a qualification price index.

## **Priority 4 – Managing our people, resources and systems**

13. We are an established and expert organisation, achieving our goals through our people working together and with stakeholders across the education and training system. We have continued to make sure our people have the right skills, expertise and capacity to

work effectively and achieve the work set out in our Corporate Plan, and we continue to implement our diversity and exclusion strategy. We are increasing our capacity and expertise in areas of reform and new responsibilities including expansion of our external quality assurance of apprenticeship end-point assessment.

14. We are actively reviewing our capacity and capability needs in response to the exceptional demands presented by Covid-19 to ensure we have sufficient resource available to deliver where necessary through 2020/21. We are taking steps to ensure our people have access to well-being support through new and existing routes as they manage the pressures of home-working, the implications of the pandemic and the significant demands on the organisation this year.

### Spending controls

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

16. 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.
- Annually Managed Expenditure (**AME**) – to support the creation and use of provisions. Ofqual does not require AME in 2020/21; in prior years, all Ofqual's AME has been resource AME.

17. The sum of these 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

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

Table 1: Comparison of net spending totals

Net spending total					
Amounts sought in the Supplementary Estimate 2020/21	Compared to the Main Estimate 2020/21			Compared to the final budget 2019/20 (Supplementary Estimate)	
	£m	£m	%	£m	%
Resource DEL	22.826	22.926	0%	19.396	18%
Capital DEL	0.781	0.100	681%	0.170	359%
AME	0.00	0.000	0%	0.030	-100%
<b>TME</b>	<b>23.607</b>	<b>23.026</b>	<b>3%</b>	<b>19.596</b>	<b>20%</b>

19. A breakdown of expenditure and income within the net total is shown in Table 2 at paragraph 25.

## Key drivers of spending changes since the Main Estimate

20. The TME at the Supplementary Estimate compared to the Main Estimate is an increase of £0.581 million (3%), comprising capital funding of £0.681 million offset by a return of RDEL of £0.1 million due to a net reduction in reform funding. These are explained further from paragraph 25 onwards below.
21. The increase in funding results in an increase of £0.581 million in the net cash requirement for Ofqual. In addition to this, Ofqual has requested an additional £0.45 million to cover a cash shortfall due to delayed invoicing of prior year costs. The total increase in the net cash requirement is therefore £1.031 million. No changes to AME are requested at the Supplementary Estimate.

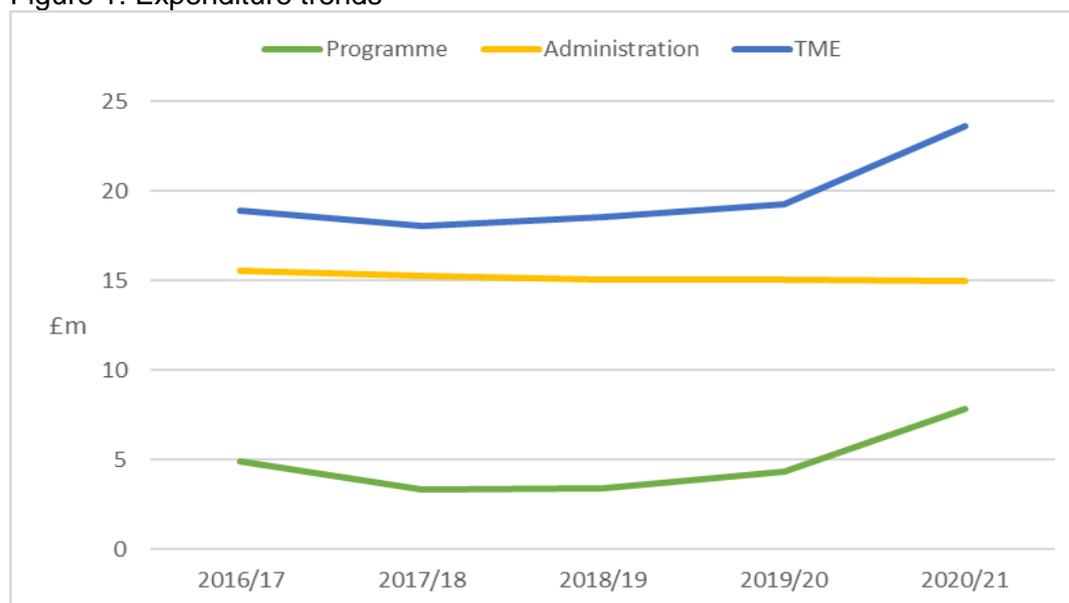
## Ambit changes

22. We have no requirement to change our ambit as a result of the Supplementary Estimate.

## Expenditure trends and efficiency plans

23. The chart below shows Total Managed Expenditure (TME) for the current and previous Spending Review settlements. In each year of the 2015 Spending Review (SR2015) settlement, we achieved the annual 2% administration savings requirement, mainly through investing in digital infrastructure and by delivering contract efficiencies. This continued into the current year settlement, agreed through the 2019 Spending Round (SR19).

Figure 1: Expenditure trends



24. In the early part of the SR15 period, additional programme funding was received for the continuing reform of GCSEs and A levels. In the latter part of SR15 and into the current year, we have seen growth in our work on the reform of various aspects of vocational and technical qualifications, including functional skills, T levels and our most recent role in the external quality assurance of apprenticeship end-point assessment.
25. Further details about how our spend is apportioned between programme and administration, and income, pay and non-pay are in Table 2 below. While the majority of our funding is currently classed as administration, it is directly attributed to the regulation of qualifications. We have begun a conversation with HM Treasury to explore our expenditure classification and will continue to pursue a change in 2021.

Table 2: Expenditure details

	2016/17 Outturn £000	2017/18 Outturn £000	2018/19 Outturn £000	2019/20 Outturn £000	2020/21 Planned £000	Note
<b>Programme:</b>						
<b>Expenditure</b>						
Pay	1,785	1,028	1,367	1,993	3,878	
Other expenditure	3,089	2,331	2,007	2,356	3,977	
<b>Total expenditure</b>	<b>4,874</b>	<b>3,359</b>	<b>3,374</b>	<b>4,349</b>	<b>7,855</b>	
Income	0	0	0	0	0	
<b>Total programme</b>	<b>4,874</b>	<b>3,359</b>	<b>3,374</b>	<b>4,349</b>	<b>7,855</b>	(1)
<b>Administration:</b>						
<b>Expenditure</b>						
Pay	10,297	11,042	10,712	11,925	12,193	
Other expenditure	3,786	3,978	4,941	3,049	2,890	
<b>Total expenditure</b>	<b>14,083</b>	<b>15,020</b>	<b>15,653</b>	<b>14,974</b>	<b>15,083</b>	
Income	-35	-342	-787	-63	-112	(2)
<b>Total administration</b>	<b>14,048</b>	<b>14,678</b>	<b>14,866</b>	<b>14,911</b>	<b>14,971</b>	
<b>TOTAL RDEL</b>	<b>18,922</b>	<b>18,037</b>	<b>18,240</b>	<b>19,260</b>	<b>22,826</b>	
Capital	0	267	100	169	781	(3)
AME	0	177	-167	19	0	
<b>Total Managed Expenditure</b>	<b>18,922</b>	<b>18,481</b>	<b>18,173</b>	<b>19,448</b>	<b>23,607</b>	

## Notes to Table 2:

(1) Additional in-year funding is being provided by the DfE to support the following programmes:

- a. Functional Skills (£0.206 million): to continue the reform programme targeting a first teaching deadline of September 2021 – a programme of work to design, develop and implement an effective regulatory approach to Digital Functional Skills qualifications which form part of the government's plans to improve adult basic digital skills. While this programme is currently paused, the transfer reflects reimbursement for costs already incurred;
- b. Qualifications Review L3 & Below (£0.1million): funding for Ofqual to engage with the DfE as it sets out proposals to significantly change the criteria through which level 2 and level 3 qualifications are eligible for public funding, with the intention that many fewer qualifications are publicly funded; and
- c. Essential Digital skills (£0.1 million): a programme of work to design, develop and implement an effective regulatory approach for Essential Digital Skills Qualifications in response to the DfE's intentions to improve adult basic digital skills.

Ofqual is returning ringfenced funding at the Supplementary Estimate to the DfE for the following:

- d. Apprenticeships (£0.506 million): funding was provided at the Main Estimate for Ofqual to deliver a programme, working with the Institute and the Education and Skills Funding Agency (ESFA), to transition the external quality assurance of Apprenticeship End Point Assessments to Ofqual. Covid-19 created a delay in the DfE's consultation on this work, therefore we adjusted our transition timelines accordingly and are returning the related funds.
- (2) In 2020/21, the income total is based on cost recovery for the provision of data and analysis to our regulatory counterparts, digital development support, disposal of hardware as part of our IT equipment refresh and cost recovery of legal fines. The income total is increasing at the Supplementary Estimate to account for staff secondments.
  - (3) In-year capital funding has been provided by the DfE to enable Ofqual to develop our core technology infrastructure that supports our key regulatory tools in readiness for 2021 awarding.

### Ringfenced budgets

26. The total resource DEL includes a ringfenced element for depreciation; savings in this budget may not be used to fund pressures on other budgets. In 2017/18, we changed our capital policy and created a capital budget to support investment in our digital infrastructure. In subsequent years, the depreciation ringfenced budget has therefore been increased to account for the associated increase in depreciation cost. In 2020/21, the ringfenced depreciation budget is £171,000. This remains unchanged at the Supplementary Estimate.

### Contingent liabilities

27. Ofqual currently has no contingent liabilities.

## Priorities and performance

### How spending relates to objectives

28. Table 2 above shows how the Resource DEL budget is distributed. 63% is allocated to core regulatory activities as outlined in our objectives, with the remainder applied to specific programmes, including the National Reference Test and developments in vocational and technical qualifications.
29. The capital budget enables us to invest in technology and digital infrastructure to deliver ongoing efficiencies.

### Performance: measuring our impact

30. As with many aspects of society, Covid-19 has presented exceptional challenges to the education and training system in England. The effect on assessment has been significant, with the use of centre assessment grades for all students in GCSEs, AS, A levels and many vocational and technical qualifications. Whilst this was not ideal, it did enable the vast majority of students to obtain qualification outcomes so that they could progress to the next stages of their lives.

31. For GCSEs and A levels we successfully regulated to put in place an additional autumn series so that students could take exams if they wished to do so. Marking and awarding is now underway for the series.
32. Our extraordinary regulatory framework for vocational and technical qualifications performed well and enabled students, apprentices and other learners to progress in their training or employment. Awarding organisations took a range of approaches – as relevant to their qualification – including deploying new and innovative methods to delivery.
33. We continue to engage extensively with a broad range of stakeholders, to ensure that their views and interests are heard and reflected in these difficult judgements for arrangements in 2021. This will be a key priority for the year ahead.
34. Towards Priority 3, supporting quality in regulated qualifications and assessments, we have undertaken work to ensure new and reformed qualifications meet their purpose, are valid, and delivered securely. Specifically, significant progress has been made across all waves of T Levels; with wave 1 in operation, we are moving to a monitoring approach. The majority of qualifications in wave 2 have been accredited and we have recognised the awarding organisations due to deliver in wave 3.
35. Transition of external quality assurance for apprenticeships to Ofqual is delivering to plan. Sixty-eight standards transitioned on 12 November 2020 and a further ninety-two in scope for transition have been reviewed. We continue to maintain a close, effective relationship with both the Institute and ESFA, to mitigate key relationship risks of transition and take a system wide approach to securing quality.
36. Research and technical capacity continue to be core strengths of the organisation and we have recently published research in relation to the sawtooth effect and optionality.
37. We continue to implement our Digital, Data and Technology Strategy to maintain our cyber security and improve the effectiveness and efficiency of our operations. Our technology enabled the organisation to make an immediate and smooth switch to homeworking. Our premises are available to staff, as Covid-19 restrictions allow, to support wellbeing.
38. Our data collection, analysis and publication has also continued to expand, particularly in relation to VTQs. We have also completed the first year of new data regarding the size of the international market for regulated qualifications. In the new year we will collect for the first time information regarding the prices for regulated qualifications, as part of our work on efficiency of the market.
39. We successfully implemented improved IT systems to improve the efficiency of our customer facing services in advance of the peak of demand in summer 2020. These streamlined interfaces improve the experience of those contacting us and our ability to effectively case manage public enquiries, complaints and whistle blower cases. Over the summer we received an unprecedented increase in demand for these services – improved systems playing a key role in handling the peak.

## Ofqual Accounting Officer

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

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