

**Office of Qualifications and Examinations  
Regulation (Ofqual)  
Main Estimate 2021/22**

Memorandum to the  
Education Select Committee  
April 2021

**ofqual**

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## 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 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 (ASCLA 2009):
  - a. To secure qualifications standards;
  - b. To promote National Assessment standards;
  - c. To promote public confidence in regulated qualifications and National Assessment arrangements;
  - d. To promote awareness of the range and benefits of regulated qualifications; and,
  - e. To secure that regulated qualifications are provided efficiently.
3. The funding agreed for Ofqual at the 2020 Spending Review (SR20) is for delivery of our statutory objectives and supports the government's intended outcomes for SR20 in the following ways:
  - f. Strengthening the economic recovery from Covid-19 by regulating to make sure students get fair outcomes in an exceptional 2021;
  - g. Improving outcomes in public services by regulating to restore stability and build public trust in high-stakes qualifications so that they can play their critical role in every student receiving a superb education that has currency in the world;
  - h. Levelling up opportunity by regulating for high-quality qualifications at the heart of technical education and skills reform, so the qualifications are set up to meet their purpose in strengthening the UK's economy;
  - i. Assess, develop and implement approaches to increase the resilience of high stakes qualifications – including potentially through greater use of technology; and
  - a. Improve the management and delivery of our commitments by ensuring the organisation is fit for purpose, efficient and effective, expert in our field, with ever better and secure data.
4. The impact of Covid-19 on summer examinations and assessments is significant for the second successive year. The Settlement includes funding that enables Ofqual to strengthen core capacity in preparation for the demands of 2021. Our priorities for 2021 are outlined below.

### Priorities for 2021

5. Ofqual consulted jointly with the Department of Education (DfE) on alternative arrangements for qualifications in 2021, following the Secretary of State's decision to cancel many examinations and assessments. Those arrangements were announced in March 2021 and will need to be implemented safely, consistently and effectively. Ofqual will need to prioritise activities to protect the interests of students, apprentices and other learners through this challenging period.

6. Ofqual is working closely with stakeholders to implement a fair and consistent assessment system that can produce trusted qualifications, and make sure that, to the fullest extent possible, learners are not disadvantaged by these unprecedented circumstances.
7. Responding to the impact of Covid-19 is our highest priority in 2021/22. We will then consider the impact on the goals and activities that underpin the Corporate Plan as anticipated at SR20. These are summarised below.

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

8. Ofqual regulates GCSEs, AS and A levels so that they are valid, worthy of public confidence, produce fair and reliable results, and to ensure that standards over time are maintained to the fullest extent possible. The Secretary of State announced on 4 January 2021 that it is government policy that the 2021 summer exam series for GCSEs, AS and A levels in England cannot go ahead. Ofqual focus is now to develop and implement a process for Summer 2021 where awarding organisations will deliver awards based on teacher assessment rather than based on examinations, and to develop the medium-term approach that will stabilise the system after two successive extraordinary years.
9. For 2021, Ofqual has completed a joint consultation with the DfE seeking views on how grades should be awarded without exams. The consultation closed on the 29 January 2021. Having considered the responses to the consultation and having had regard to a direction from the Secretary of State, Ofqual decided and published how grades for GCSEs, AS and A levels should be determined for summer 2021 at the end of February. Work has begun to develop, implement and monitor the new arrangements, working closely with exam boards, DfE and other stakeholders.
10. The introduction of the alternative arrangements will require significant changes to our planned work programme. Ofqual's priority is to secure public acceptance of the results, so that public confidence in these qualifications is maintained, after an exceptionally difficult period through the pandemic, and in light of challenges with awarding in 2020. This will require sustained, cross-sector activity and will be a significant feature of Ofqual's work.
11. Two successive years of extraordinary arrangements, along with the challenges experienced in awarding qualifications in summer 2020 create a legacy to be managed beyond Covid-19. Detailed planning for arrangements for assessments, qualifications standards and how to restore stability and resilience to the national qualifications system will be required through this business year and is a core feature of our work programme.

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

12. Technical and vocational qualifications provide learners with essential skills, knowledge and understanding to support progression in to work, further and higher education.
13. The impact of the pandemic means that, in line with the approach set out for GCSEs, AS and A levels, it is the government's policy that external exams for many vocational, technical and other general qualifications should not take place as planned. Some learners may also not be able to complete other forms of assessment because of the disruption arising from the pandemic, particularly where practical assessment cannot take place under socially distanced conditions.
14. Ofqual also completed a joint consultation with DfE for vocational and technical qualifications and announced our decisions in February. Our key focus is regulating to secure the safe implementation of the alternative arrangements by awarding organisations, so that as many students as possible secure an outcome which safely enables their progression into and through employment. Our strategy is to continue to provide a

regulatory framework that gives awarding organisations the appropriate level of flexibility needed to adapt their qualifications in response to public health restrictions and develop as consistent approaches across specific sectors and qualifications, as far as possible.

15. The approach will build on lessons and successes from 2020, and require significant and sustained coordination between awarding organisations, employer groups, sector associations and others who use and rely on qualifications. It will involve close and continued monitoring of the approaches awarding organisations develop in response, and regulatory interventions to secure compliance with our emergency regulations where necessary. This work will extend through the financial year.

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

16. We will continue priority programmes to secure quality in regulated qualifications in the medium term alongside our immediate responses to Covid-19. The key focus of our work will be ensuring quality in new and reformed qualifications in support of the government's ambitious agenda for technical education reform.
17. The current programme of reforms is broad, including the review of qualifications at level 3 and below, the continued introduction of technical qualifications within the T level programme, 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 DfE and the Institute for Apprenticeships and Technical Education (the Institute), to secure high quality qualifications for those who take, use and rely on them.
18. In addition, in 2020 the government and the Institute announced an expansion in Ofqual's role in the external quality assurance of reformed apprenticeship end-point assessment. Transition to this expanded role is fully underway, and execution of this strategic change a continuing priority in-year.
19. Ofqual regulates for a qualifications market that operates efficiently, offers value for money and is understandable to learners, employers, centres and all who deliver, use and rely on qualifications. Underpinning this is sustained work to collect, analyse and make available data and information about how qualifications and the market operate.

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

20. Ofqual is an established and expert organisation, achieving its goals through its people working together and with stakeholders across the education and training system. We will continue 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. We will use our SR20 Settlement to increase our capacity and expertise in areas of reform and new responsibilities including expansion of our external quality assurance of apprenticeship end-point assessment.
21. We will continue to actively review 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 2021/22. We will continue to ensure that 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.
22. Continued appropriate investment in technology to enable regulation, and the digitisation of regulatory processes remains within our delivery plan, as well as sustaining the integrity of the data we collect for regulation through investment in cyber defences.

## Financial Analysis

### Spending controls

23. Ofqual's net spending comprises several different spending totals, for which Parliament's approval is sought.
24. 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. All Ofqual's AME is resource AME; capital AME is not required.
25. 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

26. The Main Estimate is based on the Settlement agreed for Ofqual at SR20. In addition, in-year funding has been agreed from the DfE to deliver a comprehensive programme of vocational and technical qualifications reform. SR20 provided a 1-year Settlement; it is anticipated that medium term funding beyond 2021/22 will be agreed at a Spending Review to be announced in the Spring of 2021.
27. 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 2021/22 £ million	Compared to final budget 2020/21 £ million	Compared to final budget 2020/21 %	Compared to final budget 2019/20 £ million	Compared to final budget 2019/20 %
Resource DEL	25.136	22.826	10%	19.396	29%
Capital DEL	0.400	0.781	-49%	0.170	135%
AME	-	-	-	0.030	-100%
TME	25.536	23.607	8%	19.596	29%

28. A breakdown of expenditure and income within the net total is shown in Table 2 at paragraph 0. The net cash requirement is £25.315 million, comprising TME less notional costs, which is a non-cash item. Depreciation is not included in these figures because this is subject to a separate HM Treasury process in the Spring of 2021; depreciation is a non-cash item, therefore the net cash requirement is unaffected by this.

### Ambit changes

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

### Change in accounting policy

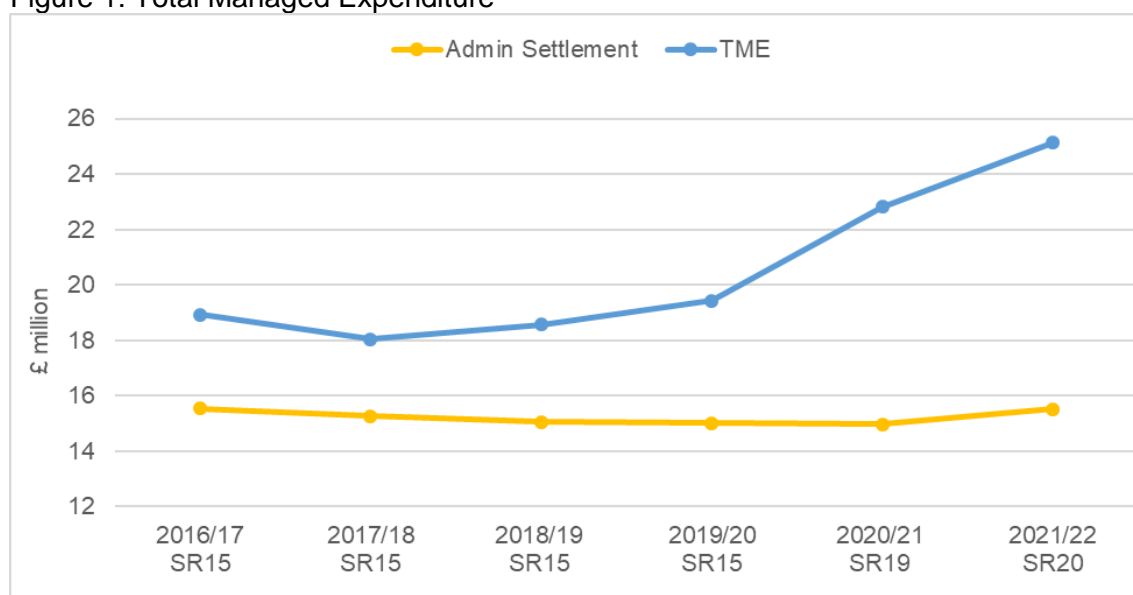
30. IFRS 16 *Leases* was introduced by the International Accounting Standards Board (IASB) in 2016 and will be adopted by the public sector from 1 April 2022, deferred from 1 April

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 will adopt IFRS 16 from 1 April 2022. We hold a small number of leases with one material lease relating to our office premises.

### Expenditure drivers, trends and efficiency plans

31. 2019/20 was the final year of the 4-year 2015 Spending Review period (SR15). The chart below shows the Administration Settlement and TME for SR15, together with SR19 and SR20. In each year of SR15, we achieved the annual 2% Administration savings requirement in accordance with the Settlement. The savings continued into SR19. In SR20, our Settlement includes an additional £0.6 million for capacity development to deliver our priorities in 2021.

Figure 1: Total Managed Expenditure



32. While core Administration funding has reduced overall since 2016/17, our TME has increased. In response to the continuing expansion of our work throughout SR15, additional Programme funding has been received over the period for the reform of GCSEs and A levels and for vocational and technical qualifications reform. In 2021/22, the DfE is providing £5.7 million to enable us to continue delivery of reforms in vocational and technical qualifications.
33. Further details about how 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, and an increasing proportion of our spend is now Programme. We began a conversation with HM Treasury about expenditure classification during the SR20 negotiations and aim to develop a proposal in 2021.

Table 2: Expenditure details

	SR15 2016/17 Outturn £ million	SR15 2017/18 Outturn £ million	SR15 2018/19 Outturn £ million	SR15 2019/20 Outturn £ million	SR19 2020/21 Forecast £ million	SR20 2021/22 Planned £ million	Note
<b>Programme:</b>							
<b>Expenditure</b>							
Pay	1.785	1.028	1.367	1.993	3.878	6.271	
Other expenditure	3.089	2.331	2.007	2.356	3.977	3.355	
<b>Total expenditure</b>	<b>4.874</b>	<b>3.359</b>	<b>3.374</b>	<b>4.349</b>	<b>7.855</b>	<b>9.626</b>	
Income	-	-	-	-	-	-	
<b>Total programme</b>	<b>4.874</b>	<b>3.359</b>	<b>3.374</b>	<b>4.349</b>	<b>7.855</b>	<b>9.626</b>	(1)
<b>Administration:</b>							
<b>Expenditure</b>							
Pay	10.297	11.042	10.712	11.925	12.193	12.732	(2)
Other expenditure	3.786	3.978	4.941	3.049	2.890	2.833	
<b>Total expenditure</b>	<b>14.083</b>	<b>15.020</b>	<b>15.653</b>	<b>14.974</b>	<b>15.083</b>	<b>15.565</b>	
Income	-0.035	-0.342	-0.787	-0.063	-0.112	-0.055	(3)
<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>15.510</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>	<b>25.136</b>	
Capital	-	0.267	0.100	0.169	0.781	0.400	
AME	-	0.177	-0.167	0.019	-	-	(4)
<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>	<b>25.536</b>	

## Notes to Table 2:

- (1) The Programme budget comprises both temporary and permanent funding. Temporary funding is provided to support development and transition periods for reform programmes; permanent funding is provided where there the reform leads to a new regulatory role for Ofqual. Permanent Programme funding is also provided to administer and analyse the National Reference Test. Temporary funding for 2021/22 has been provided by the DfE for the following programmes:
- Apprenticeships (£3.86 million): the funding will enable us to build on work completed in 2020/21 in support of Government's ambitions for high quality apprenticeship End Point Assessment (EPA). In 2021/22, we will 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. As this programme moves out of transition in 2021/22, funding is expected to form part of Ofqual's core Settlement from 2022/23.
  - T Levels (£0.84 million): we will continue to collaborate with the DfE and the Institute to shape and deliver the Technical Qualifications programme of work.
  - Qualifications Review Level 3 and below (£0.72 million): the funding will enable us to continue to support the large-scale review of qualifications at Level 3 and below, evaluating them in order to provide advice to the Institute and strengthening them in delivery in due course.
  - Digital Functional Skills (£0.22 million): subject to a decision by the Secretary of State, we will 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 will enable us to proceed at



pace should the decision be made to continue. If we are not required to continue with the programme this year, the funding will be returned to the DfE.

- e. Strengthening (£0.02 million): the funding supports the final transition that will enable us to continue regulating the validity and safe delivery of national VTQs.
- (2) In 2021/22, HM Treasury will provide an additional £0.59m towards capacity building. This is permanent funding to support Ofqual to develop long term resilience in exams and assessments. We will increase capacity in key areas, including public enquiries, stakeholder management and supporting Awarding Organisations.
  - (3) In 2021/22, the income total is based on cost recovery for the provision of data and analysis to our regulatory counterparts, digital development support and disposal of hardware as part of our IT equipment refresh. This will be reviewed at the Supplementary Estimate.
  - (4) We maintain a provision for building dilapidations, changes to which are backed by AME. We do not anticipate changing our provision in 2021/22, therefore no AME is required.

### Ringfenced budgets

- 34. The total resource DEL normally includes a ringfenced element for depreciation; underspends in this budget may not be used to fund pressures on other budgets. For the purposes of the Main Estimate, HM Treasury has rolled forward the budget from 2020/21, which was £171,000 and is included in the programme funding total. HM Treasury is running a separate exercise to determine depreciation budgets early in 2021/22 and will be finalised for the Supplementary Estimate. Ofqual has continued to invest in developing our technology, therefore it is anticipated that the total depreciation requirement for 2021/22 will be approximately £310,000. As depreciation is a non-cash item, this does not create a budget risk and HM Treasury is aware of Ofqual's requirement.

### Contingent liabilities

- 35. Ofqual currently has no contingent liabilities.

## Priorities and performance

### How spending relates to objectives

- 36. Table 2 above shows how the Resource DEL budget is distributed, with 61% being allocated to core regulatory activities, with the remainder applied to specific programmes, including the National Reference Test and developments in vocational and technical qualifications.
- 37. The capital budget enables us to invest in technology and digital infrastructure to deliver ongoing efficiencies.

### Performance: measuring our impact

- 38. Our 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.

39. Our current areas of planned focus for evaluation of our impact in 2021/22 will be reviewed through Quarter 1 given the ongoing impact of Covid-19 on schools, exams and the qualifications market.

### 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 this memorandum. The Accounting Officer for Ofqual is the Chief Regulator.