Office of Qualifications and Examinations Regulation (Ofqual)

Supplementary Estimate 2019/20

Memorandum to the
Education Select Committee
January 2020

Contents

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 15,000 qualifications.

2. Ofqual has continued to deliver a comprehensive programme of work to fulfil our statutory objectives in 2019/20. 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 2019-22.

Goal 1 Regulate for the validity and safe delivery of general qualifications

4. We regulate General Qualifications, particularly 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. Summer 2019 was a major milestone in the reform of GCSEs, AS and A levels because the qualifications awarded to students were in the new form in all but a few subjects. A key focus for our work has remained making sure that exam boards implement and continue to deliver new GCSEs, AS and A levels effectively, and that they are widely understood.

Goal 2 Regulate for the validity and safe delivery of national technical and vocational qualifications and assessments

5. National technical and vocational qualifications and assessments provide learners, in particular 14-19 year olds, with essential skills, knowledge and understanding to support progression into work, further or higher education. The current programme of reform is broad, including the introduction of technical qualifications within T Level programmes, the continued introduction of new apprenticeship 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, to secure high quality qualifications for those who take, use and rely on them.

Goal 3 Regulate for the validity and safe delivery of vocational and other regulated qualifications

6. There is a wide range of vocational and technical qualifications available to learners in addition to those taken predominantly by 14-19 year olds in schools, colleges and the workplace. These can be the gateway for individuals to work in a particular industry, can give employers and consumers assurance on safety and competence, or may be a mark of a learner’s achievement in an area of interest. In 2019/20 we have continued to focus particularly on all awarding organisations’ arrangements with those who deliver assessments on their behalf and their handling of malpractice, and have also initiated

work to look at how they manage specific areas of risk, including the competence of assessors.

Goal 4 Monitor and evaluate the validity of National Assessments

7. Our work on National Assessments focuses on promoting validity and public confidence. We do this by providing assurance where effective processes are in place to support validity and by raising risks so that these can be addressed by others, such as the Standards and Testing Agency, to contribute to greater validity over time. In 2019/20 we have continued to monitor and report on processes critical to maintaining test validity and have carried out research on the effect of test familiarity in assessments. We have also monitored preparations for changes to test delivery and marking arrangements and new assessments in 2020/21 for impacts on future validity.

Goal 5 Promote innovation and an effective and efficient regulated qualifications market

8. The qualifications market is diverse and dynamic. We are expanding our work to promote the range of regulated qualifications that are available so users can make good decisions about how they take or use a qualification. In particular, we are working with the Department for International Trade to improve information for overseas purchasers about the range of regulated qualifications available. In 2019/20, have consulted on changes to our requirements in relation to the transparency and availability of qualification fee information to purchasers. We have also continued to work with other stakeholders to review the use and availability of data as an important lever in enabling an effective, efficient and innovative qualifications market.

Goal 6 Develop and manage our people, resources and systems

9. 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.

Spending controls

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

11. 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.

12. 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

13. 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 2019/20**		**Compared to the Main Estimate 2019/20**		**Compared to the final budget 2018/19** (Supplementary Estimate)	
	£m	**£m**	**%**	**£m**	**%**
Resource DEL	19.396	18.065	7%	18.643	4%
Capital DEL	0.17	0.100	70%	0.100	70%
AME	0.03	0.030	0%	-0.167	-118%
TME	**19.596**	**18.195**	**8%**	**18.576**	**5%**

14. A breakdown of expenditure and income within the net total is shown in Table 2 at paragraph 20.

Key drivers of spending changes since the Main Estimate

15. The TME at the Supplementary Estimate compared to the Main Estimate is an increase of £1.401 million (8%), including capital funding of £0.070 million. This relates to additional funding provided by the Department for Education in support of reforms to vocational and technical qualifications, which is explained further from paragraph **Error! Reference source not found.** onwards below.

16. The increase in funding results in an increase of £1.401 million in the net cash requirement for Ofqual. No changes to AME are requested at the Supplementary Estimate.

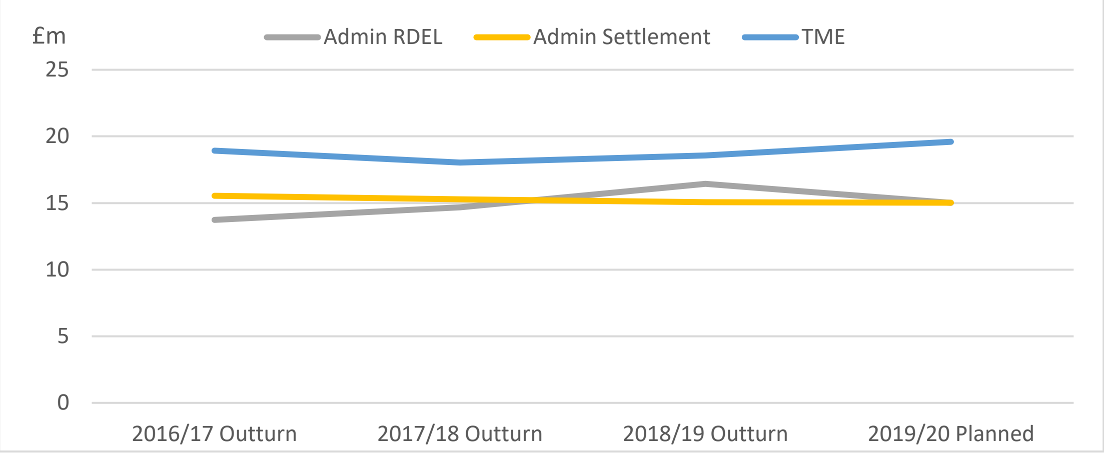
Ambit changes

17. We have no requirement to change our ambit as a result of the Main Estimate.

Expenditure trends and efficiency plans

18. The chart below shows Total Managed Expenditure (TME) for the current Spending Review Settlement. In each year, we have achieved the annual 2% savings requirement in accordance with the Settlement, mainly through investing in digital infrastructure and by delivering contract efficiencies.

Figure 1: Total Managed Expenditure



19. In response to the continuing expansion of our work, additional funding has been received over the Spending Review period for the reform of GCSEs and A levels, for vocational and technical qualifications reform, and for the National Reference Test, plus capital and AME costs.

20. 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, therefore we are keen to explore a conversation about expenditure classification as part of the 2020 Spending Review.

Table 2: Expenditure details

	2016/17 Outturn £000	2017/18 Outturn £000	2018/19 Outturn £000	2019/20 Planned £000	Note
Programme:					
Expenditure					
Pay	1,785	1,028	1,367	2,887	
Other expenditure	3,089	2,331	2,007	1,489	
Total expenditure	**4,874**	**3,359**	**3,374**	**4,376**	
Income	0	0	0	0	
Total programme	**4,874**	**3,359**	**3,374**	**4,376**	(1)
Administration:					
Expenditure					
Pay	10,297	11,042	10,712	12,120	(2)
Other expenditure	3,786	3,978	4,941	3,000	
Total expenditure	**14,083**	**15,020**	**15,653**	**15,120**	
Income	-35	-342	-787	-100	(3)
Total administration	**14,048**	**14,678**	**14,866**	**15,020**	
TOTAL RDEL	**18,922**	**18,037**	**18,240**	**19,396**	
Capital	0	267	100	170	
AME	0	177	-167	30	(4)
Total Managed Expenditure	**18,922**	**18,481**	**18,173**	**19,596**	

Notes to Table 2:

(1) In-year funding has been provided by the Department for Education to support the following programmes:

a. Apprenticeships (£1.4 million, including (£0.07 million capital): the funding has enabled us to build on work completed in 2018/19 in support of Government's ambitions for high quality apprenticeship End Point Assessment (EPA). In 2019/20, we have continued to recognise new Assessment Organisations, review Assessment Plans, evaluate End Point Assessments and continue the ongoing regulation of End Point Assessment Organisations.

b. T Levels (£0.9 million): we have continued 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.

c. Basic Digital Skills (£0.2 million): the funding has enabled us to progress the Basic Digital Skills reform project targeting a first teaching timeline of September 2020. An important aspect of our regulatory approach is to undertake a technical evaluation process for reformed Basic Digital Skills qualifications before they reach the market.

d. Digital Functional Skills (£0.09 million): Between 2019 and 2020 Ofqual is continuing work commenced in 2018 to progress the Functional Skills Digital reform programme, targeting a first teaching timeline of September 2021.

e. Functional Skills (English and Maths) (£0.03 million): The technical evaluation of the reformed English and Maths Functional Skills qualifications has continued this year, including the review of resubmissions where requirements have been made.

(2) From 1 April 2019, the cost of the employer pension contributions has increased by an average of 5%, a cost of £0.5 million. HM Treasury has provided £0.3 million towards the additional cost, which is included in the administration pay total.

(3) In October 2018, we relocated our office in support of reducing the overall government estate. Our income total in 2018/19 included reimbursement of the additional costs incurred. In 2019/20, 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.

(4) Fluctuations in our AME total reflect movement in the level of our provisions.

Ring fenced budgets

21. The total resource DEL includes a ring fenced element for depreciation; savings in this budget may not be used to fund pressures on other budgets. The current Settlement included a nominal budget for depreciation of £10,000. 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 2019/20, the ringfenced depreciation budget is £120,000. This remains unchanged at the Supplementary Estimate.

Contingent liabilities

22. Ofqual currently has no contingent liabilities.

Priorities and performance

How spending relates to objectives

23. Table 2 above shows how the Resource DEL budget is distributed. 77% 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.

24. The capital budget enables us to invest in technology and digital infrastructure to deliver ongoing efficiencies.

Performance: measuring our impact

25. We are currently on track to meet the majority of our Corporate Plan commitments, as published in April 2019. Against our goal to regulate for the validity and safe delivery of general qualifications we managed the regulation of a safe and successful summer series in which over 6 million qualifications were awarded and standards were maintained. This year represented the first time that all bar a handful were newly reformed GCSEs, AS and A levels. It was also the first year that the National Reference Test was used in the awarding process, and that a pilot using comparative judgement in awarding was successfully completed. In follow up to the summer exam series, we have published an in depth report into 2018 A level maths results and launched a programme of work to improve exam security. We have also published the conclusion of extensive research into inter-subject comparability in Modern Foreign Languages and will be taking action in light of that research.

26. In relation to National Vocational & Technical Qualifications, in our regulation of the Technical Qualifications in T Levels we have completed all our milestones in relation to Wave 1 qualifications. We have also completed recognition of the Wave 2 Awarding Organisations. We are now the external quality assurance organisation for the end point assessments (EPAs) in 72 Apprenticeship Standards and have completed technical evaluation of 75 EPAs that have so far been developed against those Standards. We have launched our consultation on measures to strengthen the quality of qualifications used in Key Stage 4 performance tables. The reform of Functional Skills Qualifications is drawing to a conclusion and the new qualifications are now operational in the market.

27. This year we introduced a new corporate objective in relation to market effectiveness and efficiency, including innovation. We published for the first time a new Qualifications Price Index to bring greater transparency to price industry. Alongside this, we have concluded our consultation in relation to the transparency of qualification fees and will publish our decision at the beginning of 2020. In the new year we will publish a literature review looking at the use of artificial intelligence in the marking process and will then commence a research project to assess potential application of the technology. Our programme of regulatory audits remains on track, with audits completed in relation to assessment material errors and centre approval monitoring.

28. We will publish our annual report on our regulation of National Assessments in the final quarter, concluding our programme of monitoring for the series.

29. We continue to implement our Digital, Data and Technology Strategy to maintain our cyber security and improve the effectiveness and efficiency of our operations. This has included launching an online system for applications for Ofqual Recognition as well as

improving publicly available information about Awarding Organisations' international export offerings. Our staff engagement scores increased again, to 70%.

Ofqual Accounting Officer

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

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