Office of Qualifications and Examinations Regulation (Ofqual)
Supplementary Estimate 2018/19

Memorandum to the
Education Select Committee
January 2019
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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 150 awarding organisations, and about 15,000 qualifications.

2. As detailed in our Main Estimate, Ofqual continues to deliver a comprehensive programme of work to fulfil our statutory objectives in 2018/19. 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
   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 2018-2021.

   **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. The second tranche of reformed GCSEs and A levels were awarded for the first time in 2018. We continue to remain focused on ensuring that exam boards introduce new qualifications effectively and that they are widely understood.

   **Goal 2** Regulate for the validity and safe delivery of national vocational qualifications and apprenticeship end-point assessments

5. We are engaging fully in the programme of vocational and technical qualifications reform, which includes the introduction of Technical Qualifications within T level programmes, the continued introduction of new apprenticeship end-point assessments, and the reform of functional skills qualifications. In 2018/19, our attention is focused particularly on ensuring that reformed qualifications are designed and developed well. We are putting in place the regulatory requirements to ensure that standards are maintained over time, and we are also looking closely at the impact that the reforms will have on the broader market.

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

6. We monitor the delivery of regulated qualifications drawing on a number of sources including stakeholder intelligence, any complaints we receive, the notifications awarding organisations are required to make to us, and the findings from our regulatory activity and enforcement. We use this information to assess system-wide risks to address in the year ahead. In 2018/19 we have focused particularly on awarding organisations’ arrangements with centres, and their handling of malpractice.
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 secure validity, and by raising risks so that these can be addressed by others to contribute to achieving greater validity over time. In 2018/19 we are continuing to monitor and report on those processes that are critical to maintaining test validity. We are also looking in more detail at the assessment of writing at key stage 2.

Goal 5 Develop and manage our people, resources and systems

8. We continue to ensure that we have the skills and capacity to deliver our goals. We aim to make the best use of public money through more effective use of technology and using our risk-based approach to target our activities. We continue to make our data more accessible to others to support system wide learning and improvement.

Spending controls

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

10. 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
- Annually Managed Expenditure (AME) – to support the creation and use of provisions. All Ofqual’s AME is resource AME.

11. 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

12. 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

<table>
<thead>
<tr>
<th>Net spending total</th>
<th>Amounts sought in the Supplementary Estimate 2018/19</th>
<th>Compared to Main Estimate 2018/19</th>
<th>Compared to final budget 2017/18 (Supplementary Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>%</td>
</tr>
<tr>
<td>Resource DEL</td>
<td>18.643</td>
<td>17.589</td>
<td>6%</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>0.100</td>
<td>0.100</td>
<td>0%</td>
</tr>
<tr>
<td>AME</td>
<td>-0.167</td>
<td>-0.167</td>
<td>0%</td>
</tr>
<tr>
<td>TME</td>
<td>18.576</td>
<td>17.522</td>
<td>6%</td>
</tr>
</tbody>
</table>
13. A breakdown of spending and income within the net total is shown in Table 2 at paragraph 19.

**Key drivers of spending changes since the Main Estimate**

14. The net Resource DEL at the Supplementary Estimate compared to the Main Estimate is an increase of £1.054m (6%). This relates to additional funding provided by the Department for Education in support of reforms to vocational and technical qualifications and also to enable the use of a provision created in 2017/18 connected to our office relocation. These are explained further from paragraph 19 below.

15. The increase in funding results in an increase of £0.977m in the net cash requirement for Ofqual, comprising the £1.054 increase in finding less the £77,000 depreciation increase, which is a non-cash item. No changes to capital DEL or to AME are requested at the Supplementary Estimate.

**Ambit changes**

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

**Expenditure trends and efficiency plans**

17. The chart below shows net administration resource DEL spending and Total Managed Expenditure (TME) for the current Spending Review Settlement. The downward trend indicates the achievement of the annual savings requirement in accordance with the Settlement. The difference between administration resource DEL and TME over the period reflects the programme funding received 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.

Figure 1: Admin Resource DEL trends

18. Ofqual’s administration resource DEL reduces by 2.5% a year in the current Settlement. We have achieved the savings mainly through investing in digital infrastructure and by delivering contract efficiencies.

**Spending and income detail**

**Explanations of changes in spending and income**

19. Table 2 below details the changes in resource DEL compared to the Main Estimate, with explanatory notes to the largest movements beneath.
Table 2: Detailed changes in Resource DEL

<table>
<thead>
<tr>
<th></th>
<th>Main Estimate £m</th>
<th>Supp. Estimate £m</th>
<th>Change £m</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Activities</td>
<td>14.9</td>
<td>15.9</td>
<td>1.0</td>
<td>(1)</td>
</tr>
<tr>
<td>Income</td>
<td>-</td>
<td>0.1</td>
<td>-0.6</td>
<td>(1)</td>
</tr>
<tr>
<td>Programme Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Reference Test</td>
<td>2.1</td>
<td>2.0</td>
<td>-0.1</td>
<td>(1)</td>
</tr>
<tr>
<td>Functional Skills</td>
<td>0.6</td>
<td>0.6</td>
<td>0.4</td>
<td>(2)</td>
</tr>
<tr>
<td>Apprenticeships</td>
<td>-</td>
<td>0.4</td>
<td>0.4</td>
<td>(2)</td>
</tr>
<tr>
<td>T Levels</td>
<td>-</td>
<td>0.4</td>
<td>0.4</td>
<td>(2)</td>
</tr>
<tr>
<td>Depreciation (ring-fenced)</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Resource DEL</strong></td>
<td><strong>17.6</strong></td>
<td><strong>18.7</strong></td>
<td><strong>1.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes to Table 2:

(1) In 2018/19, we have relocated our office in support of reducing the overall government estate. The Department for Education agreed to reimburse Ofqual for the additional costs incurred, therefore our administration expense and our income threshold have both been increased accordingly, which accounts for the majority of the adjustments. The Department for Education has also provided additional administration funding to support our use of the provision created in 2017/18, which also relates to our office move.

(2) The Department for Education has provided additional Programme funding for two elements of reform to vocational and technical qualifications, as follows:

   a. Apprenticeships: We continue to support the Government’s ambitions for high quality Apprenticeship End Point Assessment (EPA), building on work completed in 2017/18. In 2018/19, we are undertaking work to develop new regulations, to recognise new Assessment Organisations, to review assessment plans and to evaluate EPAs

   b. Technical Qualifications: Ofqual continues to collaborate with the Department for Education and the Institute for Apprenticeships to shape and deliver the Technical Qualifications programme of work. This includes supporting the Department’s T Level procurement approach, developing our regulatory framework for Technical Qualifications, and processing applications for recognition.

20. In addition to the resource DEL, Ofqual has £100,000 capital DEL budget, plus a resource AME budget to enable accounting for provisions. The AME figure is a negative figure this year because it reflects the reversal of a provision established last year.

**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. The depreciation ringfenced budget has therefore been increased to £87,000 to account for the associated increase in depreciation cost.
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. 81% is allocated to core regulatory activities as outlined in our objectives and goals at paragraph 1ff, 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
25. We are currently on track to meet our Corporate Plan commitments, as published in April 2018. 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 6.19m qualifications were awarded and standards were maintained.

26. In relation to National Vocational Qualifications we are on track in our management of Functional Skills Qualifications reform, currently reviewing the new qualifications before they go to market. We are now the external quality assurance organisation to 56 Apprenticeship Standards (with a further 32 under consideration) and have completed technical evaluation of 31 End Point Assessments that have so far been developed against those Standards. We completed the development of the new regulatory framework for Technical Qualifications in T Levels according to the timeline.

27. In relation to all vocational and technical qualifications our audit programme covering both moderation & centre controls, and assessor capability and capacity in apprenticeship assessment, remains on track. We have concluded our call for evidence in relation to the transparency of qualifications fees and will report in the new year. We published our annual report on our regulation of National Assessments in October, concluding our programme of monitoring for the series.

28. Considering people, resources and systems - we completed the move to our new premises on time and in budget. Our digitisation and cyber security programme continues as planned, including having secured Cyber Essentials Plus accreditation. Our staff engagement scores increased a further 2 percentage points this year to 69%, placing us 2 percentage points above that of Civil Service High Performing departments.

Ofqual Accounting Officer
29. This memorandum has been prepared with reference to the guidance in the Estimates Manual published by HM Treasury.

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