

**Office of Qualifications and
Examinations Regulation (Ofqual)
Main Estimate 2019/20**

Memorandum to the
Education Select Committee
May 2019

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 150 awarding organisations, and about 15,000 qualifications.
2. Ofqual continues 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
 - 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 is a major milestone in the reform of GCSEs, AS and A levels because this year the qualifications awarded to students will be in the new form in all but a few subjects. A key focus for our work remains 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 will play 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 will continue to focus particularly on all awarding organisations' arrangements with those who deliver assessments on their behalf and their handling of malpractice, and will also initiate 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 will continue to monitor and report on processes critical to maintaining test validity and will carry out research on the effect of test familiarity in assessments. We will also monitor 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, we will consult on changes to our requirements in relation to the transparency and availability of qualification fee information to purchasers. We will also continue 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 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.

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 Main Estimate compare with the previous financial year.

Table 1: Comparison of net spending totals

Net spending total					
Amounts sought in the Main Estimate 2019/20	Compared to final budget 2018/19 (Supplementary Estimate)			Compared to final budget 2017/18 (Supplementary Estimate)	
	£m	£m	%	£m	%
Resource DEL	18.065	18.643	-3%	17.904	1%
Capital DEL	0.100	0.100	0%	0.267	-63%
AME	0.030	-0.167	-118%	0.177	-83%
TME (Budget)	18.195	18.576	-2%	18.348	-1%

14. A breakdown of expenditure and income within the net total is shown in Table 2 at paragraph 19.
15. The net cash requirement is £18.0m, comprising TME less AME, depreciation and notional costs, which are non-cash items.

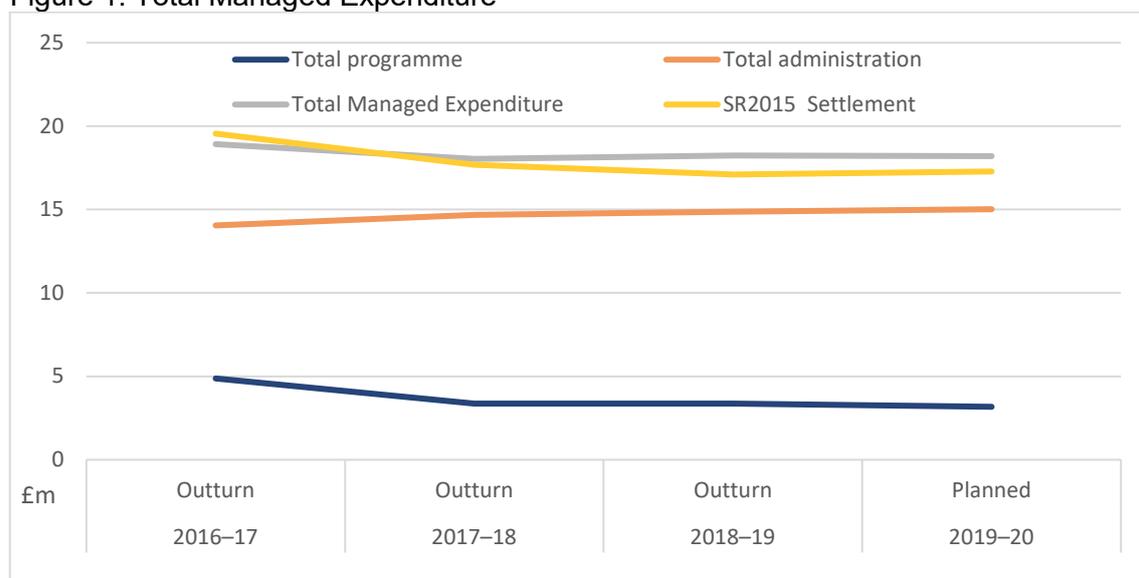
Ambit changes

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

Expenditure trends and efficiency plans

17. 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



18. In response to continuing expansion of our work, additional funding has been received over the 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. In 2019/20, this includes reform of apprenticeships and essential digital skills. In 2019/20, our Settlement has also been increased by £0.3m to support increased pension costs.

19. Although we have received additional funding for programmes and pensions costs, our funding in 2018/19 is 4% lower in nominal terms than at the start of the Spending Review period. In real terms, the reduction is 12%.
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 next Spending Review.

Table 2: Expenditure details

	2016/17 Outturn £m	2017/18 Outturn £m	2018/19 Outturn £m	2019/20 Planned £m	Note
<u>Programme:</u>					
Expenditure					
Pay	1,785	1,028	1,367	2,043	
Other expenditure	3,089	2,331	2,007	1,132	
Total expenditure	4,874	3,359	3,374	3,175	
Income	0	0	0	0	
Total programme	4,874	3,359	3,374	3,175	(1)
<u>Administration:</u>					
Expenditure					
Pay	10,297	11,042	10,712	11,819	(2)
Other expenditure	3,786	3,978	4,941	3,267	
Total expenditure	14,083	15,020	15,653	15,086	
Income	-35	-342	-787	-66	(3)
Total administration	14,048	14,678	14,866	15,020	
Total Managed Expenditure	18,922	18,037	18,240	18,195	

Notes to Table 2:

- (1) The original Settlement for 2019/20 includes £2m programme funding to administer and analyse the National Reference Test. Additional programme funding of £1.2m has been provided in-year by the Department for Education to support the following vocational and technical qualifications reforms, as follows:
- Apprenticeships: the funding will enable 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 will continue to recognise new Assessment Organisations, review Assessment Plans, evaluate End Point Assessments and continue the ongoing regulation of End Point Assessment Organisations.
 - Essential Digital Skills: the funding will enable us to progress the Basic Digital Skills reform project targeting a first teaching timeline of September 2020. An important aspect of our regulatory approach will be to undertake a technical evaluation process for reformed Basic Digital Skills qualifications before they reach the market. We will undertake this work from summer 2019.

Further funding of £0.9m has also been agreed to enable us to continue collaborating with the Department for Education and the Institute for Apprenticeships and Technical Education to shape and deliver the Technical Qualifications programme of

work. This will be provided at the Supplementary Estimate and is excluded from the Main Estimate figures.

- (2) From 1 April 2019, the cost of the employer pensions contributions has increased by an average of 5%, a cost of £0.5m. HM Treasury has provided £0.3m 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.

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.

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. 83% 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. 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.
26. Each year we undertake a range of targeted evaluations and reviews to assess the impact of our work. Some of our specific areas of focus for 2019/20 are set out here.
 - Our perception surveys will measure confidence in general qualifications and vocational and technical qualifications.
 - We will publish an evaluation of our work to monitor summer examinations and awarding in general qualifications and national technical and vocational qualifications taken in schools and colleges. This will include an evaluation of the comparability of grade standards between general qualification exam boards.

- We will continue to evaluate how reformed GCSEs, AS and A levels are working and the impact of our regulations by engaging with stakeholders, including teachers, exam boards, subject associations and higher education institutions. This year, this will include an evaluation of the impact of reformed GCSEs on the readiness of students progressing to reformed A level qualifications, and a review of non-examination assessment arrangements in targeted subjects.
- We will evaluate how well assessments within reformed GCSEs in French, German and Spanish function.
- We will publish metrics on exam boards' marking of GCSE and A levels over time to evaluate any impact of qualification reform on the consistency of marking.
- We will evaluate the impact of our decision to permit exam boards a one-sided reporting tolerance when comparing outcomes to predictions in the award of A levels in physics, chemistry, biology, French, German and Spanish.
- We will conclude our multi-year programme to evaluate the impact of changes to the assessment of practical skills in A level science, in particular its impact on progression at higher education, and publish our findings.
- Before reformed functional skills maths qualifications are made available we will evaluate their difficulty in comparison to the functional skills maths qualifications they will replace and between awarding organisations.
- We will gather feedback from vocational and technical awarding organisations and end-point assessment organisations on the extent to which our pro-active audit activity supports effectiveness and compliance.
- We will evaluate how well assessments in vocational and technical qualifications taken in schools and colleges function.
- We will publish an evaluation of the comparability of grade standards between applied general qualifications in similar subjects.
- We will review our work as an external quality assurer of apprenticeship end-point assessments.
- We will participate in the Civil Service people survey to understand the impact of our people strategy and policies on the wellbeing and motivation of our staff.
- We will evaluate the impact of enhancements to our digital capabilities including our awarding organisation portal by monitoring uptake and use, and engaging with users to gather and implement feedback.

Ofqual Accounting Officer

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

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