

Ofqual Board

Paper 66/14

Date:

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Title:

Chief Operating Officer's Report

Report by:

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Responsible Director:

Mike Bird

Paper for information

Open paper



Issue

1. This report updates the Board on operational performance and progress since the Board met in ordinary session in September 2014.

Recommendation

2. Board members are asked to note:
 - a. current financial position
 - b. current status of the new operating model programme
 - c. current status of HR and IT activity
 - d. project progress on accreditation of new GCSE and A levels
 - e. current status of legal activity
3. This report forms the reporting mechanism to the Board on operational matters.

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Finance and business planning

4. We report on two budgets separately. We report on our rolling delegated budget (the Comprehensive Spending Review (CSR) settlement) and then we report on programme budgets.

Rolling delegated budget (CSR) to date

5. Our quarterly management accounts to October 31st show a net underspend of £248k, a 0.4% variance against a year-to-date budget of £10,273k.
6. Following a review of interim and contractor costs, these numbers include a realignment of £209k from the Reform programme that is more correctly recognised in the CSR budget.
7. Recruitment to senior permanent positions continues at pace and this is steadily reducing our reliance on more expensive interim and contract resource at this level. As noted previously, recruitment to permanent positions outside the Leadership Team continues to be largely held until the end of the calendar year while implementation of the new operating model programme continues.
8. Non-Pay costs to date overall are in line with budget.

Onward CSR plan

9. As at the end of October, the CSR budget forecast to the end of the year is for a net overspend of £54k by year end.
10. A number of variables contribute to this forecast. Use of contractors for project and non-substantive posts, particularly in IT, HR and programme management is forecast to cost £335k over budget for the year. Third party legal costs to support regulatory and operational activities are also forecast to be £123k over original budget. We are also seeing the impact of the allocation in the summer of additional funding of £323k for research programmes.
11. These are offset by forecast savings against pay budgets in Regulatory Compliance and Strategy, Risk and Research of £386k and £247k respectively. These are both a result of running under complement against budget headcount. In Regulatory Compliance, this condition is forecast to continue to the end of the year. The forecast number for Strategy, Risk and Research reflects savings made in the first six months of the year. The rate of these savings is reducing as a result of more recent recruitment. A smaller permanent complement is also leading to cumulative forecast savings in non-pay staff costs of £100k.
12. We are currently completing November Star Chamber reviews. These will confirm our planned activity and spend profiles to the end of the year in each Directorate. The next phase of the new organisation model is scheduled for delivery in Q4 and a key output from the Star Chamber exercise is to plan to ensure that the forecast overspend is

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addressed and that possible costs of the next phase of the new organisational model are funded.

13. A second objective of the November Star Chamber process is to begin development of a first pass business plan for 2015/16 to deliver the objectives of the corporate plan and reflect our new organisational model.

The 2014/15 Reform budget to date

14. The Reform Programme to the end of October is largely on track with a £14k overspend against a budget to date of £2,375k.
15. This budget is being actively managed. Additional costs of £505k to date in Regulatory Strategy (£151k), National Reference Tests (£124k) and IT systems (£230k) are offset by savings in pay costs of £162k, associated savings on non-pay staff costs of £75k and smaller savings on ten other Reform projects that cumulatively come to £266k.

Reform programme plan 2014/15

16. As at the end of October, the Reform programme forecast for the year is for an overspend of £5k against a budget of £4,000k.
17. This includes £735k of forecast spend on new IT systems and £261k on Regulatory Strategy. These are offset by non-pay underspends of £526k on National Reference Tests, £86k on the Setting Grade Standards project and £65k of cumulative smaller savings from six other projects, £166k of budget reserve and £131k on pay costs and £69k on non-pay staff costs.
18. Our bid for funding the new IT platform has been approved. DfE has approved the allocation of £500k, originally offered for National Reference Tests, to the new platform, while BIS has approved provision of an additional £420k. As this approval was granted only in November, the funding from BIS does not yet feature in our accounts.
19. The bidding process for National Reference Tests has concluded. We are now at the evaluation stage. Until this stage is complete, forecast expenditure on this programme in this year will remain an estimate only.

New operating model

20. Work continues on implementing the new operating model. We are actively recruiting permanent staff to fill vacancies in the leadership structure we implemented in September. The wider leadership team are working together to develop robust and rigorous plans for implementing the new operating model for everyone outside of the leadership structure.
21. At the time of writing, we continue to seek approval from the Cabinet Office concerning exit arrangements for two members of staff following changes in the leadership structure in the summer.

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22. We will be announcing the new structure to the organisation on 13th January. In the meantime, we continue to work across the organisation to develop new working processes and to refine the proposed structures for the new organisation below the Leadership Team.
 23. While the most visible changes associated with the new operating model are to do with structure, we are taking care to ensure that the other elements of the model also receive attention and effort. The model is designed to enable Ofqual to implement its regulatory strategy and deliver risk-based regulation.
 24. To enable this, we are developing a risk model to inform where we need to direct regulatory attention; introducing a commissioning model for audit and compliance work and changing how this work is managed; we are clarifying standards and processes for investigation; and we are revising our processes for enforcement. These are continuing to be developed and trialled for our people to use when they move to the new structure.
 25. Clearly, our people will also need the skills necessary to meet the demands that these changes make. We are therefore developing a new training strategy. While this will address immediate skills gaps and operational requirements, it is primarily focused at ensuring that our people have the skills and capabilities to enable the success of the new operating model and meet our corporate objectives consistently well. The strategic training plan forms part of the transition to the operating model and will provide a structured, costed and scheduled programme of delivery through a variety of means, for 2015/16 and beyond.
 26. The training strategy also forms part of a wider people strategy. The leadership team have been engaged to diagnose and develop guiding policy for this people strategy. A plan to articulate and implement this strategy is being developed to ensure that we secure, engage, manage, motivate and grow Ofqual people. This strategy will be implemented as part of the long term delivery of the new operating model and to meet the aspirations for our people that we set out in the Corporate Plan. Some good changes have already been made, but a structured, costed and scheduled programme will ensure that we make the changes we need and continue to pay the right attention to our people in the long term.
- HR
27. We monitor staff turnover and absence monthly. Monthly staff turnover as a 12 month rolling average remains at just over 1% - approximately 2 people per month. Apart from a brief spike from February to May this year (when the average climbed to 3 people per month), this rate has remained reasonably steady for the past twelve months, despite a period of significant organisational and operational change. This translates into an annual figure of 14.25%, which is below the civil service average of 15%. Monthly average absence on the same basis

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is running at 2.4%, compared with a civil service target of 5%. We have no cases requiring formal HR action (disciplinary, grievances etc.) currently live.

28. We continue to manage down the number of interim and contract staff. In April, we had 31 interim staff and 13 contractors. As of October, these numbers were 19 and 11 respectively. Where we do need non-permanent resource, our preference is to offer fixed term contracts as these tend to offer better value for money. The number of fixed term contractors we employ has moved from 16 in April to 25 in October.

IT

29. We have appointed a new CIO on a two-year fixed-term contract to oversee the delivery of the new IT platform and ensure that we are equipped to support and operate it. We are embarked on the procurement of these new services and will, as agreed previously, be coming to the Finance Committee for approval at the appropriate stage.
30. In September, the Board approved that we transition our website to the Government Digital Service. On 27th November, the Government Digital Service (GDS) confirmed that we have successfully done so, two days ahead of schedule. Our new website is www.gov.uk/ofqual. This has been achieved in little more than eight weeks since the Board's decision, and represents a considerable effort by the Digital Communications team and many colleagues who have supported them by writing, rewriting or editing material for transition. Throughout this process, we have ensured that we have maintained our editorial independence and will continue to do so.

Compliance and Monitoring

31. We appointed a new Associate Director of Compliance and Monitoring, Rosemary Carter, at the start of November.
32. Compliance and monitoring has received a total of 385 event notifications so far this financial year. This compares to 241 for the same period in 2013. We see the increase in notifications as a positive direct result of the AO awareness sessions we conducted in May 14. The audit team will be carrying out monitoring visits to obtain a better understanding of AO's approach to event notifications with the aim of reporting in January 2015.
33. We have been looking closely at how exam boards handle malpractice. This started with a review of the systems and processes exam boards had in place to deal with malpractice earlier this year. Exam boards had established systems and processes in place but we found some areas for improvement. As a result they agreed to make improvements to aspects of their systems and controls to prevent malpractice, their processes and procedures for investigating and decision-making, and to the information they provide for centres and learners. Some of these improvements have already been made and we are monitoring to

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ensure others will be in place in time for the summer 2015 exam series. We will look closely again in 2015/16 at exam boards' investigations to check that they are both rigorous and effective.

34. In August and September we undertook a thematic review of Functional Skills Level 2 English and Maths. Systems audits were undertaken of 13 awarding organisations. We found a number of areas of concern and followed up with each AO to consider the findings. Each awarding organisation has provided us with detailed Action Plans to make immediate improvements to its qualifications. We are now following up these organisations so we can be assured that each has made corrective actions that are both effective and sustainable.

Recognition

35. We receive on average about 7 applications per month from bodies seeking to become recognised as awarding organisations. The requirements for recognition are demanding, and on average only 1 or 2 per month are accepted for full review to determine whether we can recognise a body as an awarding organisation. Currently we have 3 applications in full review.

Customer Services and Complaints

36. For quarter 3 of 2014 so far we are on track against our service level targets for both the helpdesk and complaints with the exception of one month (September) where we failed to answer calls within our KPI of 15 seconds. This was due to turnover of staff and training new staff.
37. Volumes of complaints on average are remaining steady at about 30 per month, expect in October when we received 43. The top three areas of complaint are to do with quality of marking and marking errors; whether a qualification is fit for purpose; and how assessments are delivered.
38. The most common area of complaint has been about marking errors and scale of errors found through the Enquiry About Results (EAR) process used by schools when querying exam results with exam boards. This year we have received 13 letters about this compared with last year's 7. An increase of 6 but still not a volume that gives us a major cause for concern.

Legal

39. We have been defending an Employment Tribunal case brought by a former employee. In August, the Tribunal found strongly in our favour. An appeal has been lodged and the Tribunal will now determine whether the application shows sufficient grounds for the Employment Appeals Tribunal to consider.
40. We took the decision to withdraw recognition from AABPS in March 2014. This took effect in July. At the time of the last Board, an application for a judicial review of this decision had been refused. The

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Court has since ordered that AABPS should pay our costs in defending the application. At the time of the last Board we were engaged in pre-action correspondence related to a 4th threatened application for judicial review, this time against our independent reviewer. Proceedings have now been issued. We have taken a firm stance that the application is wholly misconceived.

41. The Information Commissioner has previously upheld our decision not to release previous subject matter experts' personal information in response to a Freedom of Information request. This decision has now been challenged before the First Tier Tribunal (Information Rights) and we have joined the case as an interested party. We attended the hearing in November and await the Tribunal's decision.
42. A complainant has requested a Judicial Review of the Parliamentary Ombudsman's decision not to uphold a complaint that had been made against Ofqual / QCA by an individual. We have joined the case as an interested party. The claim is currently stayed by the Court pending mediation between the claimant, the PHSO and Ofqual. Mediation took place on 12 November. We are waiting for the other parties to decide how the matter should now proceed.

Finance and Resource

43. Finance implications are discussed at relevant paragraphs

Impact Assessments

Equality Analysis

44. An equality impact analysis is being conducted as part of the planning for the new organisation model. Other equality analyses will be completed as relevant work progresses.

Financial risks

45. The organisation is undergoing a significant period of change between now and the end of the financial year. These could result in unplanned demands for resources. We continue to mitigate these risks by continuing to tighten financial controls through the Star Chamber process and by introducing more effective monthly management reporting.
46. CSR and the Reform programme are currently forecasting overspends of £54k and £5k respectively. The introduction of the new operating model across the wider organisation may entail additional costs that will have to be supported from existing budgets. We are mitigating this risk by careful monitoring of spend by month and seeking savings through the Star Chamber process. Sources of such savings could include reducing costs of interim or contract staff by delaying recruitment, early termination of contracts or renegotiation of terms. Savings might also be found by postponing some projects until the new financial year and by delaying the filling of some permanent roles.

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New operating model risks

- 47. Our programme to implement a new operating model for Ofqual is progressing as described above.
- 48. Risks to this programme include possible disengagement of our people and unnecessary delays due to poor planning or programme control.
- 49. To address possible disengagement of our people, we are ensuring that new processes are being developed with the involvement of people at every level across the organisation; we are putting sustained effort to explaining our approach and ensuring that the Union is regularly informed; and we are using this programme as a vehicle for introducing the people strategy.
- 50. Delay due to poor planning or control we are handling through steady and continuous implementation, with the programme plan tracked weekly by the Strategic Management Group. Rigorous implementation plans for effective, timely implementation are being developed and worked up with the engagement of the wider leadership team.

Regulatory Impact Assessment

- 51. Regulatory Impact Assessments, especially in relation to RITS and regulatory strategy, will be completed as relevant work progresses.

Timescale

- 52. Timescales are discussed at relevant paragraphs

Paper to be published	YES
Publication date (if relevant)	After the meeting
If it is proposed not to publish the paper or to not publish in full please outline the reasons why with reference to the exemptions available under the Freedom of Information Act (FOIA), please include references to specific paragraphs	

ANNEXES LIST:-

ANNEX ONE: Financial Report