

Ofqual Board

Paper 27/14

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 (part closed where indicated)



Issue

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

Recommendation

2. Board members are asked to note:
 - a. current financial position
 - b. the current activities associated with Ofqual people
 - c. current IT activity
 - d. Strategic communications update
 - e. regulatory performance, including project progress on accreditation of new GCSE and A levels
 - f. IT contract developments
3. This report forms the reporting mechanism to the Board on operational matters.

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Finance and business planning Rolling delegated budget (CSR) to date

4. Our quarterly management accounts to June 30th (Q1) for our rolling delegated budget (the Comprehensive Spending Review (CSR) settlement) shows a net underspend of £78,000 (1.7% variance) against a budget of £4,405,000 for Q1.
5. Pay for Q1 is £72,000 (2.4%) under a budget of £3,009,000, in part because the organisation is running with 199 whole time equivalent staff against a budget of 205. A freeze on permanent recruitment required by our Target Operating Model (TOM) programme accounts for much of this shortfall. Some savings are offset by extensions offered to contractors to support work in the Delivery Hub within Regulatory Operations, in Systemic Risk and in IMT. The recruitment freeze for senior positions ends in August.
6. Non-Pay staff costs are £59,000 (35%) under a budget of £167,000.
7. Non-pay, non-staff costs for the quarter are £61,000 (5.7%) over a budget of £1,076,000, primarily due to extended consultancy support for development of the Target Operating Model. This consultancy project has now completed.

Current CSR plan

8. The organisation appears to be tracking to a £400,000 underspend by the end of the year. It is likely, however, that a number of our original planning assumptions may not hold true and so this number may reduce.
9. For example, the current accreditation process for new GCSE and A-level examinations has drawn on the support (some full-time, many part-time) of more than fifty people from Regulatory Operations or Policy. We have accommodated this temporary demand through secondments and careful planning of work. The outcomes of the first round of accreditation, however, mean that further work is needed to ensure that these qualifications are suitably accredited in time to be taught from September 2015. This work may be considerably more than we had originally planned, and we may need additional temporary resources to enable us to do so. Work is currently underway to size this demand.
10. Similarly, interim and contract staff tend to be more expensive to employ than permanent equivalents. Our forecast is based on reducing our current 24 interim and contract staff to 5 by the end of the year. If we do not fill permanent positions quickly enough, our pay budgets may come under strain.
11. Our current change control process is working well to identify and manage unplanned recruitment of contract personnel. We are

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reviewing this to ensure that such recruitment is managed rigorously while taking every opportunity to move permanent recruitment forward.

Finance and business planning

The 2014/15 Reform budget

12. We are currently managing Reform to an annual budget of £4,000,000. *Sentence redacted as publication would be prejudicial to the effective conduct of public affairs.*
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The Reform budget in Q1

18. The Reform Programme shows an underspend of £470,000 (33%) against a forecast of £1,416,000. Reasons for this underspend include efficiency savings and scheduling.
19. First, the Programme has made more efficient use of programme and project management resources and has minimised funding of back-fill resources. This has reduced absolute spend.
20. Second, much of the Reform programme spend forecast for Q1 was around the operation of the accreditation panels. Panels only started sitting from the 24 June; as a result, some of the spend forecast for June has moved to July.

Reform programme plan 2014/15

21. The Reform programme forecast for the remainder of the year indicates that we are tracking to an underspend of £79,000 (2%) against a budget of £4,000,000. This includes continued efficiency savings in programme and project management, offset by initial spend on defining and preparing for the new regulatory platform.
22. We are tracking an alternative budget on the premise that the funds from BIS are forthcoming. Against this budget, we are tracking to an underspend of £565,000 (10%) against a budget of £5,400,000.

Budget management

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23. We will be commencing the first round of 'star chamber' reviews with each cost centre owner later this month. Each will be challenged about their current spending and controls. We will develop with them revised plans and schedules for the rest of the year.
24. We also expect this work to improve our ability to manage accruals and the ease and accuracy with which we produce our monthly accounts. The immediate result will be a revised budget forecast for the year to be shared with the Board in August.

People

25. Our recent pay and grading exercise completed in June. The purpose of this exercise was ensure that pay and grading across the organisation was more fair and equitable and reduce the risk of pay claims. The new pay and grading structures came into effect from July 1st.
26. This pay and grading exercise and the development of the Target Operating Model to date have been conducted with the full involvement of the PCS Union. Relationships with the Union are much improved in comparison with earlier in the year.
27. Staff turnover is remaining steady at a 12-month rolling average of 1.11% while absence on the same basis is running at 3.83%, compared with a civil service target of 5%. More cheerily, we now have no long-term absences due to sickness, compared with seven cases at this time last year. Grievances and complaints have declined from an average of 4.3 per quarter last year to none at the end of Q1.
28. But we have little cause for complacency. Absence in the last quarter appears to be on a slightly upward trend while May saw more leavers (5) than in any month in the last twelve.
29. The staff survey that we undertook in March was conducted as the pay and grading exercise was in full flow and in the face of uncertainty associated with the launch of the TOM. It is not surprising that it yielded such chequered results
30. We have work to do and we are doing it. We have communicated to our people on Herald and in person that we have learned from the survey and are seeking to work with them to do better. The executive and leadership teams are very aware of the need to demonstrate effective leadership through the forthcoming changes and we are undertaking a planned range of activities to address the issues raised.
31. Senior staff changes resulting from the first phase of the Target Operating Model were communicated to the organisation on 18th July. New Directors and Assistant Directors will be leading teams formally from the 8th September.

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32. *Paragraph redacted as publication would be prejudicial to the effective conduct of public affairs.*

IT

33. Discussions towards a new contract with Lockheed Martin to support the current RITS system are well advanced and we aim to switch to this new contract on 1st August. This contract ensures continuity of support for our existing RITS system while we seek to procure a replacement better suited to our future requirements.
34. The new contract reduces service levels in the current contract (24/7365 cover and 4-hour disaster recovery) to a more proportionate support model including cover during working hours and disaster recovery in 24 hours. We expect to see savings of c£17,000 per month as a result.
35. We are now managing the current platform as one which is scheduled to be replaced; as a result we have minimised the number of change requests that are outstanding by cancelling non-essential changes. A separate paper is submitted to the Board for approval of the RITS support arrangements from 2015-2017 which we anticipate will be the final 2 years of its life.
36. Methods (Core Azure) are continuing their work on developing the high level architecture for the proposed new regulatory platform. This is scheduled to complete by end July. Our intention is to issue a tender for implementation of this architecture by the end of autumn, but only once we have confirmed funding from BIS. The outcome of this contract will be to provide us with the infrastructure upon which we need to develop the platform.
37. We aim to issue an additional contract early in 2015 to commission a provider to configure the new regulatory platform to support our proposed processes and ways of working. This will be a 12-18 month piece of work which will build the replacement functionality currently provided in the Regulatory Platform in line with revised business processes. We aim to build our own configuration capability during this period so that future business needs can be met more efficiently and at a lower cost.

Strategic Communications and Engagement

38. We have launched, or are about to launch, consultations on *Completing GCSE, AS and A level reform, Lifting the accreditation requirement, Developing new GCSE, A Level and AS qualifications for first teaching in September 2016, Conduct, marking and grading of spoken language skills in GCSE English language, as well as on the future of QCF and on Guided Learning Hours.*
39. Ahead of results being published in August, we have been implementing our summer communications plan. As part of this we

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have published information on GCSE and IGCSE entry patterns and an open letter to schools on our website and issued these to the media. We are now planning stakeholder and media briefings for the end of July / beginning of August.

40. On reform, we have completed a programme of engagement events to support our 'Setting Grade Standards' and 'Completing GCSE, AS and A level reform' consultations. We are currently preparing for the next round of consultations that need to be launched. These cover assessment arrangements for a number of subjects for first teaching in September 2015 and the non-exam assessment arrangements for GCSE English.

Delivery

41. We have made good progress against the majority of our commitments in the Corporate Plan 2013/14. A report on this progress against these commitments can be found in Annex 2. We will update this report in the light of the commitments we articulate in the Draft Corporate Plan 2014/15.
42. We are also trialling a balanced scorecard for summary corporate reporting. It is attached, together with a dashboard in the more usual format for comparison.

Regulatory delivery

Recognition

43. We managed 23 applications for recognition in Q1. At just under eight a month, this is more than twice the monthly volume last year. There appears to be no pattern to the applications in terms of type of body or type of qualification – the only observation appears to be that the standard of application is going up. We accepted one application for recognition.

Accreditation

44. We are trialling our proposed risk-based regulation model with tech levels. We are not accrediting such qualifications from recognised bodies and instead are regulating these through a risk-based audit model. Routine accreditation of other qualifications continues as usual at levels comparable to last year.

New GCSE and A Level Accreditation Panels

45. We have just completed the first round of Accreditation panels for the reformed GCSE and A Levels. This has been a substantial piece of work to ensure that all proposals from Boards for these exams are addressed consistently, rigorously and to the high standards that these qualifications require.
46. While this project is reported on within the reform programme, a more detailed account of where we are in this programme and the next steps can be found in Annex 4. .

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Evaluation / audit / investigation

47. Annex 5 is an event notification report for this year's examinations season. We have seen an increase in events this year, motivated, we believe, by a briefing we did with AOs in May on notification.
48. When we receive a notification, we risk assess it and require that the relevant AO manage it appropriately, investigating where necessary.
49. *Paragraph redacted as publication would be prejudicial to the effective conduct of public affairs.*
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Enforcement

52. We issued three undertakings to address non-compliance (ABA, Institute of Hospitality, ABMA Education Ltd and OCR), and withdrew recognition (AABPS) in one instance.

Legal

53. At the time of writing we are still awaiting the decision of the Employment Tribunal in relation to the claim brought by a previous employee. We hope that we will have been informed of the outcome by the date of the Board meeting and can provide the Board with a verbal update.
54. As the Board will be aware, we took the decision to withdraw recognition from AABPS in March 2014. AABPS subsequently sought an independent review of this decision. That review is now complete and the independent reviewer has upheld our decision. AABPS have been informed of this outcome. As AAPBS made allegations of racial discrimination as part of their request for review, the independent reviewer did recommend that we review the information we hold in relation to regulatory action to assure ourselves that we are free from taint of unlawful discrimination. Although we are confident that these allegations are unfounded, as recommended a review has been commissioned and is being led from our customer services team. AABPS has subsequently written to us to indicate that they are likely to seek permission for a judicial review of our decision. This may include an application for an injunction to prevent us giving effect to our decision. AABPS has previously brought judicial review proceedings against Ofqual on two occasions but failed to obtain permission in both cases. The Board will be updated should proceedings be commenced.
55. **Finance and Resource**
56. Finance implications are discussed at relevant paragraphs

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Impact Assessments

Equality Analysis

57. Equality Analysis will be completed as relevant work progresses

Risk Assessment

58. Risk implications are discussed at relevant paragraphs

Regulatory Impact Assessment

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

Timescale

60. Timescales are discussed at relevant paragraphs

Paper to be published	YES (apart from paragraphs indicated)
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	Publication of the sections redacted would be prejudicial to the effective conduct of public affairs.