

Ofqual Board Paper 40/16

Date:
13th Sept 2016

Title:
Chief Operating Officer's Report

Responsible Director:
Marc Baker, Chief Operating Officer

Paper for Information

Open paper



Issue

1. This paper updates the Board on developments since the last Board meeting in the Chief Operating Officer's area of responsibility.

Recommendation

2. Board members are asked to:
 - a. Note the progress being made.

CSR and Programme Budget 2016-17

3. The table shows August 2016 year to date results, along with planned expenditure for the rest of the year and the expected outturn for the full year to March 2017.

| £'000s | Actual / Expected | Budget | Under/(Over) Spend | Variance % |
|--|-------------------|--------|--------------------|------------|
| YTD – Aug-16 | 6,874 | 7,608 | 734 | 10% |
| September to March planned expenditure | 12,750 | 12,089 | -661 | -5% |
| Expected March 2017 Position | 19,624 | 19,697 | 73 | 0% |

4. Year to date, there has been a 10% underspend versus Budget, this is largely due to changes in phasing of spend. The latest forecast is for a £73K underspend at the year-end, this is based on a significant increase in spending for the remainder of

the year, and Finance will continue to scrutinise this with Directorates to quickly identify if this increase is not being achieved. Summary results by Directorate for the period April to August 2016 are attached at Annex A.

5. Key variances are an underspend in Strategy Risk & Research Directorates pay costs, and the surplus Pay reserve ¹ This is offset by Regulatory and Corporate Services overspend on Interim Staff, due to a large number of maternity cover appointments, extended cover for the Associate Director Finance pending Paul Bird's arrival, and higher IT system spend. This includes £40k on the RITS archive which will be adjusted in the next quarter and an additional £50k of costs on Azure usage due to us using more cloud based data services than originally budgeted. The remaining overspend is due to additional in-year hardware costs including the purchase of non-reflective monitors for some staff.
6. The latest expectation is that we will end the year within the HMT Control Totals for Administration and Programme spend.
7. During the Q1 Star Chamber reviews a total of £390K was returned to the Project Fund from Directorate budgets. This has been reallocated to alternative strategic projects including GCSE 9-1 Communications, Marking Reliability, and a potential new ERP implementation.
8. In mid-October HM Treasury will issue the submission dates for the Supplementary Estimate for 2016-17. The Overview (High Level) submission is expected around the last week of November, with the detailed submission to follow. Once the dates are received from HMRC, I will circulate to the SMG. The Q2 Star Chambers in late October / early November will make a significant contribution to the 2016-17 Supplementary Estimate Overview update.
9. While the current forecast outturn for 2016-17 is close to the budget in aggregate, there are some significant variances in the Directorates offsetting each other. Finance is working to help Directorates increase the accuracy of their forecasts through training, resource planning, and project costing assistance.
10. The Chancellors Autumn statement will be laid before Parliament on the 23rd November. We will brief the Board on any implications for the 2017/2021 budgets at its next meeting.

Interim & Contract Staff

11. Ofqual continues to use interim and contract staff mainly to cover maternity leave and roles that are being recruited permanently. At the end of August there were 8

¹ The pay reserve is currently £270K, and made up of three components, unused Performance Related Pay budget, a reserve for potential NRT (programme) related staff spend, and unused pay award budget.

Effectively we did not pay out all of the money we had budgeted for the Performance related pay and the surplus budget was moved to what we are calling Pay Reserve. We had allocated a budget for potential programme related staff, largely NRT, but this was not required, and similarly moved to pay reserve.

Interim / Contract Staff, with one further reduction on 1st September. The level is likely to stabilise at around this figure for the remainder of the year.

12. Interim staff / Contractor costs in the current year to August have been £330K, which is offset by savings made in payroll costs for unfilled established permanent roles. The number and cost of Interims and Contractors is summarised in Annex B.

Procurement

13. Finance have conducted a review of the procurement policy, processes, contracts and controls, and a plan to roll out improvements will be reviewed by the senior management group (SMG) once proposals are finalised. Since the last Board report, all procurement activity over £10K has been against centralised government call-off contracts, and so is not listed in this report.

Finance Team

14. The permanent Associate Director – Finance, Paul Bird joined on 15th August 2016 as planned, and the interim post holder Donna Lewis has left the organisation. One Finance post is currently covered by an interim, with the permanent individual to be in place before the end of 2016.

Corporate Plan tracker

15. Activity mapped to our Corporate goal of regulating and reforming general qualifications is in its strongest position since the Corporate Plan came into effect. Good progress with accreditation along with a successful summer awarding session have meant the majority of the projects managed within GQ and SRR have been RAG rated as green. We continue to receive notifications of, track and where necessary investigate events arising from the summer series. Our eighteen month audit plan, shared with the Exam Boards at the start of the year is progressing. We have recently had the outcomes of two audits and four more have started.
16. Progress with our Corporate goal of regulating vocational and other qualifications is steady, activities previously rated as amber have remained in this position and some projects previously rated as green have moved to Amber-Green. Our work to regulate functional skills reform has moved from Green to Amber and this is reflected in the new Strategic Risk Register.
17. Our goal of developing our people, resources and systems has also seen a change in RAG ratings, with three projects rated for the first time as amber, including those related to location independent working, long term space requirements and streamlining and reducing the costs of our IT provision.

People

18. There has been a significant amount of recruitment activity over the last three months which combined with a slowdown in the rate of leavers has resulted in a permanent headcount of 175. This will increase to 185 over the next quarter as a result of job offers that have already been made. There are 13 live vacancies being recruited which will push the permanent establishment to the maximum funded level of 198 if all vacancies are filled.

19. Work is currently underway to support the VQ Directorate with the changes necessary to deliver its strategy, the impacts of these changes on headcount will be clearer over the next few weeks.
20. The number of staff registering as long term sick remains at 4. Two of these cases are for non-work related stress and two are for long term illnesses that are expected to continue.
21. *This paragraph has been redacted as its publication would be prejudicial to the effective conduct of public affairs.*
22. Performance Management has been reviewed by SMG and a proposal agreed to simplify the annual appraisal process by replacing the existing three-part rating of objectives, competences and values with a single rating covering both achievement of the objective and the way in which it was delivered. This will be implemented in time for the mid-year reviews which are to be completed by the end of October.

Health and Safety

23. We are continuing to improve our response to Health and Safety issues and will be training an additional 8 First Aiders shortly in order to increase our cover during holiday times and to allow for increased adoption of flexible working.
24. We have recently had two defibrillators delivered and will be siting one on each floor. They will be bought into service as soon as all of our first aiders have received the appropriate training.

Accommodation

25. No further progress to report over the summer on our accommodation strategy. We met with the Institute for Apprenticeships during September to discuss the possibility of them basing some staff at our Spring Place offices.

IT and Information Management

26. IT systems remained stable with the exception of two minor outages in August. The first impacted on the phone system and resulted in a short period where outgoing telephone calls could not be placed. The second concerned the AO portal where Ofqual staff and AO users could not access one of the regulatory processes over a weekend; this outage was fixed on the Monday morning. Neither outage had any major impact on Ofqual or AOs. All other IT systems remained fully available.

IM transformation project

27. Good progress continues to be made on incremental improvements to Ofqual's infrastructure and applications, data services, AO portal and Register. An updated technology roadmap, has been endorsed by SMG. An updated business engagement process will ensure continued and focused involvement of Ofqual users to capture and deliver the needs of regulation and business support. The

project continues to use a flexible and iterative approach to deliver a little often in line with Ofqual's needs.

28. Improved load management has been introduced to automate and manage cloud capacity to ensure availability of processors and space better matches demand, this will help reduce operating costs. New automated processes for subject expert commissioning and business cases have been developed and are being tested. Both processes use Ofqual's platform to reduce staff involvement in paper based activities and will be used as a template for how other key Ofqual activities may be streamlined and made digital.
29. Data collections have been improved to validate data as it is loaded into the data warehouse. This reduces manual input and improves data quality. Improvements to the AO portal to introduce self-service AO user management, digital processes for Awarding Organisations to contact Ofqual are being implemented over the next few weeks.
30. Public sector network (PSN) accreditation for Ofqual to join the government-wide secure network is on track with an IT health check and penetration testing of the network due late September; the application for Ofqual to join the PSN will be submitted to the government digital service (GDS) in November.
31. Ofqual has secured £25k of funding plus access to technical expertise from the communications-electronics security group (CESG), the information security arm of GCHQ. This grant will fund a trial to enhance and, where possible, simplify password and user access management to IT systems from taking-up new features in the MS Azure cloud, Windows 10 and Office365. This work will progress until March 2017 to be followed by an Ofqual case study for CESG to use with other government departments to encourage take-up of Windows 10 and IT cloud services. Once completed, Ofqual will have a PSN accredited secure cloud network with leading edge IT security and more straight forward user access management.

Communications

32. The publication of GCSE, AS and A level results was our main focus over the summer. Our detailed analysis of GCSE results, along with our center-level variability work, appeared to help steer the accuracy and extent of national and social media coverage. Awarding of new AS levels went smoothly. Among other outputs, we produced an infographic to help those looking to compare performance in the reformed qualifications with last year's outcomes. The main press focus was on the drop in A*/A grades and shifting entry patterns at A level.
33. Helpdesk became part of the Communications team immediately ahead of A level results. The transition has already proved beneficial, with clearer coherency between external communications and greater opportunity for joined-up intelligence gathering.
34. We received more public enquiries to the Helpdesk in the period immediately following results this year than last. In August this year we exchanged written

correspondence on 397 occasions, compared to 169 occasions in 2015. Telephone call volumes are also up, though this may, in part, reflect IT system and process changes over the past 12 months. Correspondence related to marking reviews and appeals continued to represent the largest share of written correspondence, but there was an increase in most categories. That pattern may reflect greater awareness about the reforms being made to GCSEs, AS and A levels, and associated system changes, as a result of our heightened communications over the past 12 months. A small number of allegations of malpractice, similar to previous years, were received and appropriately channeled internally.

35. In early July we published a number of decisions related to the way marking reviews and appeals will be conducted from this year, and subsequently issued a guide for schools and parents. There was little commentary on publication, in contrast to previous associated announcements, with social media tending only to cite the coverage of the key education press. This was broadly neutral, although some key stakeholders continued to express their concerns. The muted coverage was not unexpected given that the core decision, in relation to when the first mark should stand, was in line with what we had previously communicated.
36. We separately issued updated postcards and published a new presentation, developed in conjunction with the Department for Education, for schools to explain key aspects of GCSE, AS and A level reform to parents and students. The postcards had been downloaded more than 5,000 times, and the presentation 3,000 times, by early September. Both sets of information referred to new grade descriptors that we produced in response to requests from teachers.
37. We achieved good social media reach ahead of awarding this summer as we sought to manage expectations about potential additional variability in AS results. There was more limited interest in our analysis of 2015 A level modern foreign language results.
38. We began work in early September on a major communications and engagement programme to raise awareness and understanding of the new GCSE grading structure and other reforms to general qualifications being introduced over the next few years. A management and governance approach has been agreed with the SMG and a Stakeholder Advisory Group is being established to help provide insight and challenge. The programme will initially run through to awarding in 2017.

Regulatory Activity

39. The audit team are currently working at full capacity as outlined in Figure one below. Recruitment activity to fill vacancies in the team is on hold until we determine the resources required to support end point assessments, technical education and the VQ audit plan. This is also dependent on continued progress in GQ accreditation, current planning assumes staff will start to be released from this activity in November but this is dependent on the successful outcome of 2nd and 3rd stage submissions.

Figure One – *redacted*

This chart has been redacted as its publication would be prejudicial to the effective

conduct of public affairs

40. *This paragraph has been redacted as its publication would be prejudicial to the effective conduct of public affairs*
41. *This paragraph has been redacted as its publication would be prejudicial to the effective conduct of public affairs*
42. The total number of regulated organisations as at 31 August 2016 is 156. In the last two months we received 14 applications for recognition to offer vocational qualifications, all of which were unsuccessful. Analysis of the reasons for the failures show that the majority of rejections were due to lack of a business plan to explain how the applicant would fund at least one lifecycle of a qualification. In addition, there was a lack of information on how the organisations would develop, deliver and award and manage conflicts of interest.
43. We have invited all applicants who have applied for recognition in the last 12 months, to complete a questionnaire on their experience to establish whether we should change elements of the recognition process.
44. Regulatory Compliance have taken over responsibility for the management of casework. A work plan has been developed to ensure we comply with the necessary legislative requirement regarding 'Whistleblowing' as well as internal governance.

Case Working

45. We have no areas of concern to highlight from the casework team, with volumes of new casework being too low to identify any trends.
46. The types of issues dealt with by the team include:
 - a. General Qualifications
 - Appeals process and a concern that private schools may have an advantage.
 - Concern that not enough students are awarded grades at the top end of the grading scale for RS Short Course qualifications.
 - Concerns that AQA's Core 3 maths paper was too demanding this year and has disadvantaged students.
 - b. Vocational Qualifications
 - Concerns from a whistleblower and their MP about how malpractice investigations were carried out by three awarding organisations into an individual center. An update has been provided to the relevant portfolio managers in the VQ.
 - Complaint raised about a decision made by an awarding organisation not

to accredit a qualification – it appears to be a business decision but will need some further investigation.

47. There was one complaint raised about Ofqual in August. This was from someone unhappy with how the helpdesk have handled the concerns raised about one of the awarding organisations. Casework will consider if the concerns about the handling of her complaint are valid.

National Reference Test

48. We announced on 2nd September that the National Reference Test (NRT) will go ahead in 2017. Communication materials relating to the announcement are available at <https://www.gov.uk/government/collections/national-reference-test-information>. Prior to the announcement, there had been some speculation in the press that the test would not go ahead in its current form but this has not continued after we made the announcement. Stakeholders including ASCL and HMC issued press releases supporting the introduction of the test.
49. We linked our announcement to the research on the saw-tooth effect that we have also published. We have stated that the information from the National Reference Test will not be used by exam boards during awarding until at least 2019. From 2020, we expect to be able to use NRT results each year when GCSEs are awarded.
50. The secondary legislation, making it mandatory for most state schools to take part if selected, came into force on 1st September. NFER has selected the schools to take part in the test in 2017. Letters from the Chief Regulator and NFER have been sent to these schools. It is too soon to judge whether the legislation will have the desired effect.
51. We are finalising the development phase of the project and are moving into the annual delivery cycle of the service. The project remains within budget.

Legal

52. We have reached agreement in principle to settle one outstanding claim from a former member of staff. Once the level of costs are agreed, the claim will be resolved. Ofqual is not a party to any other legal proceedings and no legal proceedings have been threatened.

Impact Assessments

Equality Analysis

53. There are no impacts arising from the report. We will conduct an equality impact analysis on the impact of the changes to the performance management process after the mid-year review has been completed.

Regulatory Impact Assessment

54. There is no requirement for an impact assessment on the activities included in this paper.

Timescale

55. No impact on any timescales.

| | |
|--------------------------------|-------------------|
| Paper to be published | YES |
| Publication date (if relevant) | After the meeting |

Annex List: -

Annex A Year to date and expected financial performance

Annex B Interim/Contractor Summary

Annex C Corporate Plan Tracker

Annex A: Year to date and expected financial performance

YTD Financial Performance - April 2016 to August 2016

| £'000s | YTD Actual | YTD Budget | Under/(Over) Spend | Variance % |
|----------------------------|--------------|--------------|--------------------|------------|
| VQ | 1,062 | 1,263 | 201 | 16% |
| GQ | 1,550 | 1,689 | 139 | 8% |
| SRR | 778 | 1,065 | 287 | 27% |
| RCS | 2,967 | 2,740 | (227) | -8% |
| NRT Programme | 578 | 590 | 11 | 2% |
| Project Fund / Pay Reserve | (66) | 256 | 321 | 126% |
| Central Charges | 3 | 4 | 1 | 20% |
| Ofqual Total | 6,874 | 7,608 | 734 | 10% |

Expected 2016/17 Year-end Financial Performance

Based on latest forecasts from the Directorates

| £'000s | Forecast Full Year | Budget Full Year | Under/(Over) Spend | Variance % |
|----------------------------|--------------------|------------------|--------------------|------------|
| VQ | 3,164 | 3,247 | 82 | 3% |
| GQ | 3,552 | 3,499 | (53) | -2% |
| SRR | 2,403 | 2,626 | 222 | 8% |
| RCS | 7,079 | 6,624 | (456) | -7% |
| NRT Programme | 2,222 | 2,227 | 5 | 0% |
| Project Fund / Pay Reserve | 1,148 | 1,419 | 270 | 19% |
| Central Charges | 54 | 56 | 2 | 4% |
| Ofqual Total | 19,624 | 19,697 | 73 | 0% |

Annex B: Interim / Contractor Summary

Excluding a spike in costs in August 2016, the monthly cost, and number of interim and contract staff stabilised in early 2016, and from June 2016 onwards is starting to reduce, with this trend expected to continue until the end of the year.

