

Paper 93/16

Date:

6th February 2017

Title:

Chief Operating Officer's Report

Responsible Director:

Marc Baker, Chief Operating Officer

Paper for Information

Open paper with Closed sections



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 agree :
 - a. the proposed internal audit plan for 2017/2018
 - b. submission of the business case for an extension to the Spring Place lease to DfE and GPU.

Spending Review and Programme Budget 2016-17

3. Table 1 below shows February 2017 Year to Date (YTD) results, expected spending for the remainder of the financial year (YTG) and the expected outturn for the full year to March 2017.

Table 1: Financial Summary

£'000s	Actual / Expected	Budget	Variance	Variance %	Monthly Run Rate
YTD – Feb-17	15,977	16,932	954	6%	1,452
YTG - NRT & Pay Reserve	712	878	166	19%	712

YTG - Underlying	2,741	1,886	-855	-45%	2,741
Expected March 2017 Position	19,431	19,696	265	1%	

4. This section has been redacted, as its publication would be prejudicial to the effective conduct of public affairs.
5. There is a £954K (5.6%) YTD underspend versus Budget due to changes in the phasing of spend, and while there is a large amount of activity to complete in March, Directorates remain confident that the key projects will be delivered by the end of the financial year. As a result, the latest forecast is for a £265K underspend at the year-end.
6. Annex A shows summary results by Directorate for the period April 2016 to February 2017 and their expected year-end position.

Project Fund

7. During January and February, £536K was allocated from the Project Fund to support strategic priorities, including additional funding for 9-1 Communications, and Awarding Organisation Readiness Review. Underspends from Directorates were transferred into the Project Fund to provide the additional funds for these priorities.

Procurement

8. Finance continue to work on the procurement improvement plan, with the aim to complete the key activities by the end of March 2017. This is expected to drive improved compliance with the procurement policies by Directorates in the financial year as the processes and procedures are implemented.

Main Estimate 2017-18 (Budget)

9. The Finance Committee reviewed the 2017-18 Budget on 2nd March 2017, and approved the Main Estimate for submission to HM Treasury.
10. The budget is based on consolidated Directorate business plans for the agreed top 30 regulatory priorities and the regulatory and corporate enablers. This aligns with Ofqual's strategy and operational planning, and will enable the board to oversee progress against operational plans and associated budgets throughout the year.
11. Overall funding reduces by £1.875m to £17.677m in 2017/18. This comprises the core baseline budget of £15.267m, (a £275K cut from the current year), and £2.4m of specific programme funding, (compared to £4m this year), as the GQ Accreditation reform programme approaches its end. Table 2 compares Ofqual's

2017/18 Funding with 2016/17 Funding. To present a like for like comparison, the table does not include the £144K of BIS funding received in 2016/17 for Functional Skills. Ofqual is currently bidding for additional funding for potential Functional Skills reform and Technical Education (Apprenticeships) reform in addition to its existing budget.

Table 2: 2017/18 Funding Comparison to Prior Year Funding

£'000s	2017/18 Funding	2016/17 Funding	Variance	Variance %
Core Funding	15,267	15,542	-275	-2%
NRT	2,000	2,250	-250	-11%
GQ Accreditation	400	1,500	-1,100	-73%
IT Reform	0	250	-250	-100%
Total Programme Funding	2,400	4,000	-1,600	-40%
Depreciation	10	10	0	0%
Total Budget	17,677	19,552	-1,875	-10%

12. Ofqual faces the challenge of providing quality regulation with reducing funds. The value of Directorate bids from the project fund is currently £1.1m higher than is available. The Finance Committee has agreed that this is acceptable at this stage and that management will evaluate the relative value (cost-benefit assessment, results and risks to delivery) of individual projects and programmes in the context of the full portfolio of spending through the year.
13. Executive Directors have accountability for delegated budgets, and budget management will form part of their performance management objectives. We maintain financial controls that allow quick identification of cost pressures and investigation of material variances against budget, enabling Directorates to instigate swift corrective action and apply mitigating measures as appropriate.

Internal Audit Plan 2017/18

14. The audit plan for 2017/18 has been developed and agreed with SMG (Annex B). This was endorsed by the ARAC at its March meeting and is recommended to the Board for approval.

Corporate Plan tracker

15. This section has been redacted, as its publication would be prejudicial to the effective conduct of public affairs.

16. Four areas of work have been completed. We have seen significant progress with our Corporate goal of regulating vocational and other qualifications. All activities have been assessed as being Green with the exception of the work we are undertaking to align with those regulators who operate within the devolved administrations. Our goal of developing our people, resources and systems has seen some of our activity connected to our digital transformation projects move from green to amber. Progress has been made on areas such as securing subject experts.

People

17. Permanent headcount has increased slightly since the last Board report and now stands at 183. The total number of employees filling established posts including agency and fixed term workers is now at 195. We also have a further 13 individuals doing roles not covered by established posts which gives an overall level of staffing permanent and temporary of 209 an overall increase of 4 since the last Board meeting. The number of temporary staff is expected to reduce by 4 at the end of March.
18. We currently have 19 vacancies, of which 13 are permanent, 2 of these are currently being actively recruited. A further 2 will go live in March.
19. Sick absence has decreased from 5.01% in January to 3.66% in February, this is lower than this time last year when it stood at 4.27%. 20 employees were absent in the month compared to 29 last month. Over the last 12 months the average working days lost per person at 10 days is significantly higher than the last available Civil Service figure of 7.4 for the 12 months to March 2015. For comparison, the rate for the year to March 2015 for Ofqual was 5.1 days and 6.6 days in the year to March 2016.

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23. Over the last couple of months HR have been working with SMG to review all our people policies, and these will be published to staff on 1st April. We have reviewed the changes in IR35 legislation which come into place on 6th April 2017 and have established that we have 1 of our contractors out of the existing 7 deemed as 'in scope'. This means that we are obliged to inform the agency that placed the contractor, and in turn they will inform the individual that they are subject to additional tax and national insurance contributions.

Health and Safety

24. No issues of note to report.

Accommodation

25. This section has been redacted, as its publication would be prejudicial to the effective conduct of public affairs.

26.

National Reference Test

27. We held this year's test in schools between 20 February and 3 March. Tests were completed in all 341 schools that had agreed with NFER to take part. Ofqual staff and Board members observed a number of the tests in schools, as well as NFER's marker training day. SRR staff visited CITO in Arnhem to discuss in detail the psychometric framework being used to analyse the data.

28. We await data on the turn-out of students but initial indications are that a significantly higher proportion of the students that were selected took the test than did so last year. The combination of a good school sample and higher turn-out should enable us to improve on last year's level of test precision.

Marking is now underway and NFER will provide draft test results to Ofqual in early May.

29. There has been very little discussion on social media about the NRT, none of which has been critical. We have not seen any evidence of possible security breaches of test materials.
30. This section has been redacted, as its publication would be prejudicial to the effective conduct of public affairs.

IT and Information Management

31. Cloud IT and the Ofqual infrastructure have been available more than 99% of the time with no significant outages. During the last quarter, we have consolidated the provision of our external data and voice lines on BT and Virgin and this is expected to reduce operating costs by up to £15k in the next financial year.
32. The application submitted for PSN accreditation is still under consideration and we have no further information on its progress. As part of the evidence pack we have commissioned two health checks on our IT infrastructure over the last 6 months and we are undertaking a third one day review this month to validate that the work on closing the outstanding actions has addressed the risks identified. The findings of the health check will be considered by the ARAC at its March meeting as part of a wider review of our approach to candidate level data. As part of this review we have commissioned Grant Thornton to undertake a review of our internal approach and this will be presented to the May ARAC.

IM transformation project

33. Data collection with the Awarding Organisation's has been simplified by relocating the functionality within the AO portal. This has the advantage of simplifying user access with one single password used to access the portal which gives access to the data portal if the user has the correct permissions.

Allied to this we have introduced additional security to monitor and track data collections

34. We are also undertaking additional work on the implementation of Microsoft Active Resource Manager which we use to manage our cloud infrastructure. This work has highlighted the potential to reduce the costs of infrastructure management by up to 30% and we will be implementing these recommendations shortly.
35. This section has been redacted, as its publication would be prejudicial to the effective conduct of public affairs.

Communications

36. Our communication campaign regarding GCSE, AS and A level reforms developed during the period. Publication of some of our market research findings in our second edition of '9 to 1 news', including that levels of understanding of the new GCSE grading scale appear low among some stakeholder groups, generated trade and mainstream media interest. We asked the BBC to refer its readers to one of our webinars for further information; this has now been viewed nearly 3,000 times. During January and February, we also attended 3 conferences held by the Exams Office and had pieces published in 3 specialist magazines. We also conducted interviews with a student association and BBC Guernsey, completed production of our films, and received Professional Assurance for our planned digital advertising from the Cabinet Office. The new grading scale was also mentioned on the BBC's One Show in early January as a key event for 2017.
37. Our new films went live on 6 March, along with Video on Demand and Facebook advertising. The films benefitted from revisions following significant user testing. Other social media advertising began later in the same week. This initial phase of advertising will cease at the end of the financial year, at which point will we conduct more market research to evaluate progression
38. We held our second Ofqual conference at the Vox conference centre in Birmingham on 28 February as detailed in the EDVTQ report. We received 89 responses to our feedback survey in the seven days immediately following the event. Of those, 83% were either satisfied or very satisfied with the overall content of the conference.
39. Much of the social media commentary associated with the conference reflected the publication of our response to the Institute for Apprenticeships' Operational Plan that same day. The presence of FEWeek's editor helped to socialise its content and promote its discussion online. Much of the commentary suggested Ofqual should be given a more significant role in maintaining standards across all end-point assessments. There was no other media coverage of the consultation submission.

40. In February, we began publishing a series of blogs with information related to this summer's exams. These appeared to be welcomed by our audience. Our blog on grade boundaries generated an unprecedented number of comments (around 50), including several multi-response conversations between contributors. The main topics under discussion were the implications for performance tables and maths tier choices. Our tweets were accompanied by onward distribution by key commentators, which we estimate increased our potential reach to more than 250k people. Ofsted re-emphasised our key message in a subsequent blog of its own, and has more generally been providing supportive commentary about the reforms.
41. We had anticipated interest in schools' maths tiering decisions, and a second blog during the period summarised a research report undertaken on this topic (also published). Social media activity around this piece was also elevated compared to previous experience, but about half that of the grade boundaries blog. Given the response to these blogs, we are planning a series of posts on a range of topics through until GCSE/GCE exams begin this spring.
42. A key element of our further decisions on marking review arrangements was initially incorrectly reported by some of the trade press on publication. We asked for two corrections to be made, which were completed promptly. The initial headlines had been widely circulated on social media before the revisions were made. However, we do not believe these errors had any negative impact, as they simply reiterated the essence of a decision taken and published around 15 months previously.
43. Interest in our report into license-linked qualifications in the security industry was limited to the trade press, and did not generate much social media interest. The Federation of Awarding Bodies referenced the themes in its weekly update to members. The subsequent notice of our intention to fine an awarding organisation in this space also received limited coverage.
44. The volume of Helpdesk correspondence returned to its pre-December level in January and February. This was driven in part by a spike in enquiries about Pearson (Jan, 34 & Feb, 37) and qualification equivalence (36 & 30). The driver for this appears to have been a change in Transport for London's job application requirements, leading us to be asked about the relationship between Pearson's level 2 NVQ in road passenger transport and GCSEs. This also accounts, in part, for a more even split between general and vocational qualification enquiries this period, along with an increase in enquiries from prospective awarding organisations in the VTQ space. The other broad categorisations were like previous months, including sign-posting to existing materials and questions about past certificates.
45. In contrast to written correspondence, we received about 20% fewer public enquiries by phone in January (414) and February (395) compared with the autumn. This is consistent with previous years.

Regulatory Activity

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Recognition

52. The total number of recognised Awarding Organisations stands at 155, having fallen by three over the last 12 months. We last recognised a new organisation 16 months ago.

53. Over the first two months of 2017 we received 24 applications for recognition compared to 7 in the same period in 2015/16 none of which appear to be related to Functional skills and EPAs. In the previous quarter we received a number of applications related to cosmetic surgery qualifications, however, we highlighted the issue with the Joint Council for Cosmetic Practitioners and as a consequence only one application in January was related to these qualifications.
54. There are no themes or trends as to the sector or area applying, they are a mix of previous unsuccessful applicants and first time applicants all applying to deliver vocational qualifications in areas as diverse as music qualifications to level 7 Business Management qualifications. In the first two weeks of March the trend has continued with a further 5 applications being received.
55. In February, we rejected seven applications at the preliminary stage, for not meeting our criteria. One application has moved to stage 2. Four of these applications were from organisations outside the UK – two of which have applied to offer ESOL. We are also working on two prospective surrenders.

Casework

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Legal

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Impact Assessments

Equality Analysis

60. There are no impacts arising from the report.

Regulatory Impact Assessment

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

Timescale

62. No impact on any timescales.

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

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Annex A: Year to date and expected financial performance

YTD Financial Performance - April 2016 to February 2017, and Expected Full Year Position

£'000s	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
VTQ	1,628	1,761	133	2,014	2,031	17
GQ	2,991	3,047	56	3,314	3,258	(55)
SRR	2,778	3,370	592	3,524	3,897	373
RCS	6,732	6,981	249	7,971	7,812	(159)
NRT Programme	1,396	1,486	90	1,801	1,888	88
Project Fund / Pay Reserve	445	277	(169)	754	753	(0)
Central Charges	7	9	2	54	56	2
Ofqual Total	15,977	16,932	954	19,431	19,696	265

Note:

Full year forecast incorporates the latest expectations from Directorates.

