

Ofqual Board

Paper 24/15

Date:

29 July 2015

Title:

Chief Operating Officer's Report

Report by:

Marc Baker, Chief Operating Officer

Responsible Director:

Marc Baker, Chief Operating Officer

Paper for Information

Open



Issue

1. This paper updates the Board on progress made and any issues identified since the last Board meeting in the Chief Operating Officer area of responsibility.

Recommendation

2. Board members are asked to note :
 - a. The finance outturn for the first quarter
 - b. Confirmation that the 2014/15 annual report and accounts has been signed off and laid before parliament.
 - c. Significant recent communications activity.
 - d. Give retrospective approval to the payment of £269k for contractor support.

Finance and business planning: 2014/15 Outturn

3. Since the last Board meeting we have received confirmation from the NAO that they have authorised our accounts with no qualifications. We previously reported that the main risk was NAO acceptance of the accounting treatment

of our redundancy provision, however, the NAO confirmed they were satisfied that this had been accounted for appropriately.

4. We will be meeting with the lead auditor to identify learning opportunities from the recent audit. In the interim, we have put in place improvements to monitor the split between programme and admin spend on a monthly basis rather than at the end of the financial year.

CSR Budget 2015/16

5. In the last COO report we informed the Board that DfE had established an internal Finance Commission to identify potential in-year 2015/16 budget savings and had requested our submissions to achieve a proposed 15% and 50% reduction in the Reform programme and 8% savings across CSR. This would have had a significant impact on our programme of delivery for this financial year. DfE have since confirmed that they will not be looking for Ofqual to make any in-year reductions to its 2015/16 budget for either reform or CSR.
6. The accounts for the end of quarter one are included as Annex A. The resource allocation for 2015-16 is £16.503m (CSR) with additional income of £5.960m assigned by DfE for the National Reference Test, Accreditation, IT strategy and GQ Reform giving a total budget for 2015-16 of £22.463m.
7. We are showing a £167k underspend in the year to date CSR staff costs and a £63k underspend in Reform staff costs explained by the revised timescales for recruitment. CSR non pay costs are showing a £214k overspend and Reform a £58k overspend in the 3 months to end of June, however, this is largely due to IT prepayments in the Corporate Services area which were not calendarised in the initial budget.
8. Within the Finance cost centre there is a £522k reserve for items that are not funded in the Directorates budget. Currently £21k has been used from this budget to fund a VQD Commercial Services contract.
9. CSR full year forecast as at the end of June is for £16.430m spend against the budget of £16.503m. This does not take into account potential changes to the amount set aside for the possible decommissioning of RITS earlier than currently provided for in the accounts. This is forecast to increase depreciation charges by £195k, the exact charge will depend on when we decommission and we will change the forecast to include this when we have more certainty on the timeframe.
10. The baseline headcount is 190.6 FTE for the 3 months to June. The outturn was 179.5 FTE resulting in a £167k year to date underspend. The underspend reflects the timetable for proposed recruitment activity and the substitution of interim with permanent staff.
11. The Finance Committee have requested regular updates on the position re the average cost of contractors and interim staff compared to the average cost of permanent staff. The current plan, assuming no issues with external recruitment, is to significantly reduce the costs spent on interim/contractor

resource from 12% in 2014/15 to 4% in 2015/16 and reduce the average cost per head from £92.2k in 2014/15 to £76.6k in 2015/16.

Staff Category	Forecast Outturn 2015/16		Plan 2015-16		Actual Outturn 2014-15	
	Average cost of 1 FTE	Annual FTE	Average cost of 1 FTE	Annual FTE	Average cost of 1 FTE	Annual FTE
Salary Staff	£57.1k	188.9	£56.7k	191.5	£54.9k	172.7
Interim/ Contractors	£79.3k	7.5	£76.6k	7.5	£92.2k	22.7
All Staff	£58.0k	196.4	£57.4k	199.0	£59.2k	195.4

Reform Programme budget 2015/16

12. The baseline headcount assumption is 16.1 FTE for the 3 months to June. The actual outturn was 13.8 FTE resulting in a £63k underspend. This is due to a change in timing of recruitment to the accreditation team.
13. There is a potential risk that the budget for accreditation activity will be adversely affected by the high incidence of resubmissions from tranche one and tranche two submissions. This risk is being scoped and the impact on costs identified.
14. The board is asked to note that we spent a total of £269k on an individual contractor paid through an agency over the last 3 years without previously obtaining Board approval. We have not breached Cabinet Controls as a result of this oversight, but have breached our internal delegation rules.
15. We have terminated the contract with the individual and have put in place monthly monitoring of the spend on individual contractors to tighten up our control process. The Board is ask to retrospectively approve this total payment.

Comprehensive Spending Review 2016-21

16. We continue to work on our proposed submission for the 2016-21 budget as part of the CSR process. We await confirmation from DfE on details of the process to be followed and the potential target reductions to be considered.
17. A paper on the work to date has been submitted to the Finance Committee.

Implementing the new Organisation Structure

18. Over the last month we have filled 23 roles, of which 18 are internal appointments and 5 external. This includes 3 for SRR, 7 for VQ, 7 for GQ, 4 for Regulatory Compliance and 2 for Corporate Services. We have now completed the majority of phase 2 internal recruitment and are focussing on external recruitment.
19. The Board should note that as at 10th July we have the following outstanding vacancies :

- a. SRR 18 vacancies
 - b. VQ and Legal 7 vacancies
 - c. GQ – 1 vacancy
 - d. Regulatory Compliance and Corporate Services 35 vacancies
20. The forward plan for July has 12 roles scheduled for external candidate interview with a further 16 roles to be advertised externally. In addition, we are continuing with business as usual recruitment for which we have 7 roles being advertised internally and across the civil service. The plan is to complete recruitment for the majority of these roles by the end of October.

People

21. The draft people strategy has been considered by SMG and shared with the leadership team. This includes identification of the guiding principles that will provide a framework for strategic action. This is included as Annex B.
22. Average monthly staff turnover has reduced in the last quarter to 2 people. This will increase in July as a result of 11 people leaving on redundancy. In August we have 2 further resignations due to take effect and exit interviews will be conducted. Recent leavers quote opportunities for advancement externally, as the main reason for leaving.
23. Grant Thornton conducted an external audit of our Health and Safety management system. They highlighted the areas of concern that we have with our facilities management organisation and the need to raise the profile of Health and Safety within the business and at Board level. The report and action plan will be reviewed by the Audit and Risk Committee at its next meeting in October. In the meantime we have issued a notice of non-compliance to the FMO and escalated our issues to the contract management team in DfE.
24. Relations with the PCS union are good and we have successfully closed down collective consultation. Ten staff left at the end of June on redundancy with one member of staff with outstanding queries with MYCSP; as soon as these are resolved we expect them to also leave.

IT and information Management

25. Service availability following launch of the unified technology platform, move to MS Windows 8.1 and Office 2013/365 remains high at over 98%. There were two outages in June resulting in loss of access to a number of systems for a few hours each time, caused by software used by the on-site data storage device. A solution has been identified and will be applied over the coming weeks once an approved software update has been released by Microsoft. Until then a work around has been put in place to limit the impact on users and service levels.
26. The move to hosting our applications and data in the cloud, hosted in Microsoft Azure has already realised benefits for Ofqual. The use of any

device, anytime, anywhere access to technology is built into cloud based software which is generally straight forward to support to users. The retirement of Windows phones and standardisation on the iPad and iPhone has also reduced the amount of support users need while enhancing the scope to work much more flexibly.

27. The RITS platform is a complex bespoke application which is costly to change and support. We are taking the opportunity arising from the removal of the QCF to redevelop the application using largely 'out of the box' applications, with relatively little bespoke coding. This will allow us to move infrastructure and application support in-house next year, with external resources only being used for specific configuration projects that require specialist knowledge. This strategy will reduce annual IT operational costs by circa £300k from FY 2016/17 and, as the cost of cloud services reduces over time, the aim is to secure year-on-year savings of circa 3% from FY 2017/18 onwards.

IM transformation project

28. Since the last update good progress has been made on the optimisation of the unified technology platform with this work on track to deliver by the target date of end August 2015. Approval has been secured to upgrade access to the internet from a single 100Mb connection to two 300Mb lines, aggregated to make available up to 600Mb of capacity, in addition to providing us with resilience if either of the 300Mb connections fail. This enhancement is in preparation for taking the data warehouse fully into use and as preparation to operate the replacement regulatory IT system from the MS Azure cloud.
29. A good pace has been secured to replace RITS, with the Agile approach proving to be a sound way to identify requirements, secure engagement and to prioritise how these may be delivered. Product owners set the delivery agenda and lead the engagement with external stakeholders. Over the last 2 months the project team has delivered a working prototype of a new Register which has been well received, replaced MS SharePoint 2007 with SharePoint 2013 and is currently working on a replacement intranet, to go-live by the end of August.
30. Moving forward, SharePoint 2013 will replace the regulatory IT system, providing an Ofqual/AO portal to progress key aspects of regulation, data/information requests with AOs and external stakeholders and to maintain AO and qualification master data. We expect this to be ready by early 2016.

Communications

31. Our external communications were limited by pre-election purdah in April and early May. We then staggered publication of a backlog of documents.
32. Our GCSE maths announcements were key outputs in May and June. We held stakeholder and media events in May to explain the findings of our research programme. Alongside our technical report, we distributed a news release, regulatory summary, blog, letter to c10,000 school teachers (head teachers and heads of maths at secondary schools, sixth form centres and FE colleges in England) and a video. The resultant newspaper and broadcast

coverage was consistent, with all focussing on the need for exam boards to 'rewrite' their papers; there were few criticisms of Ofqual. There continued to be much commentary on social media, but many recognised the thorough and transparent nature of our report.

33. The publication of new sample exam papers, alongside the release of our final regulatory summary, technical review and consultation documents, on 30th June was in line with the advertised timetable. We again sent a letter to c10,000 school teachers and blogged. However, these final outputs proved of little immediate interest to traditional and social media commentators.
34. The approach we adopted to communicate GCSE maths back in January, involving greater direct engagement with teachers, appears to have worked well. Anecdotal feedback from some of those who received CEO letters has been positive. Evaluative data suggests the letters were read by more teachers than similar communications from other organisations, and interest rose as our work progressed. The typical read rate for a letter sent by our third-party distributor to the education sector is 17%. In contrast, just under half of recipients opened our first letter in January, while 95% opened our final letter in June. A separate letter summarising the limited changes to awarding this summer was opened by just under 80% of the c4,000 head teachers to which it was sent in late June. Therefore it would appear that this is a very effective means of reaching one of our primary audiences and we will continue to use this approach. We did ask recipients of our two most recent letters to subscribe to our regular teacher newsletters, but take-up was low. We will give more thought to how we can boost such subscription.
35. The conclusions of our perceptions survey provided an opportunity to release our first 'postcard', for which we received much positive feedback on social media. The card reached 62k people through Twitter on the first day of issue. We subsequently re-issued the postcard to include the Department for Education's announcement regarding the level of a 'good pass'. Given the apparent demand, and evidence provided above, we are planning to produce a series of eight cards on a range of GCSE and A level reform topics to be circulated in hard-copy format to schools and colleges at the start of September.
36. These 'entry-level' cards will in most cases be complemented by 'intermediate' products for those seeking additional information, avoiding the need for interested parties to study our more technical documents. The first of these intermediate products, a factsheet on the National Reference Test, was sent to schools on our behalf by NFER in May; it has also been placed on our website. A second product, a look-up summary table of GCSE and A level reforms, will be made public on our website later in July.
37. Our other main announcements in May included finalising the list of 2017 subjects for which content could be developed, and the release of preliminary entry data for the summer exam series. Both of these received scant media coverage. An episode of Channel 4 Dispatches on assessment 'tricks' used by teachers, schools and students in schools and universities - on which we

corresponded and contributed information - aired in June, but did not generate further pick-up.

38. Our internal communications focus has continued to be set on organisational design and Information Management transition. Our internal magazine continues to receive positive feedback following transition to a cheaper delivery platform in July.

Regulatory Activity

39. Updates from the Regulatory Compliance team on audit, accreditation and recognition activity are included in the GQ and VQ Board reports.

Customer Services and Complaints

40. Recent performance reviews shows general adherence to published service level agreements across the Helpdesk and Casework functions. The helpdesk area has seen a small drop in performance due to an increase in volumes (because of summer exams) and staffing levels. Preparations are now being made so that the helpdesk is prepared for the expected increased volumes from mid-August onwards (and release of summer exam results).

Legal

41. All legal proceedings where Ofqual is a party have now been resolved in Ofqual's favour. Ofqual is not currently a party to any legal proceedings.

Finance and Resource

42. There is a potential impact on the outturn for 15/16 arising from an acceleration in the depreciation charge for RITS. In addition, the impact of the failure of all tranche one and two qualifications to be accredited first time round is currently being costed.

Impact Assessments

Equality Analysis

43. There are no impacts on the equality impact analysis.

New operating model risks

44. We continue to monitor the potential effects of recruitment delays on our ability to deliver the 2015/16 Corporate plan.

Regulatory Impact Assessment

45. The agile development approach we are adopting for the replacement for RITS means that it is more relevant to undertake a Regulatory Impact Assessment as the development work progresses and the impacts become more certain rather than up-front.

Timescale

46. Timescales are discussed at relevant paragraphs

Paper to be published	YES
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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:-

ANNEX A Quarter 1 Accounts

ANNEX B People Strategy

Table 2									
CSR Summary	Jun Actual	Jun Resource	Variance	YTD Actual	YTD Resource	Variance	Full Yr Forecast	Full Yr Resource	Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Vocational Qualifications	(32)	(69)	37	(83)	(69)	(14)	(291)	(277)	(14)
Corporate Services							(57)	(40)	(17)
Total Other Income	(32)	(69)	37	(83)	(69)	(14)	(348)	(317)	(30)
Executive	25	25	(0)	74	75	(0)	298	299	(1)
Vocational Qualifications	247	187	60	652	560	92	2,818	2,731	88
Strategy Risk and Research	205	218	(13)	557	655	(99)	2,374	2,606	(232)
General Qualifications	101	94	7	287	278	9	1,437	1,339	98
Regulatory Compliance & Customer Services	177	183	(6)	524	549	(25)	2,004	2,126	(123)
Corporate Services	225	225	1	631	671	(40)	2,599	2,596	3
Total Pay Costs	981	931	50	2,725	2,787	(62)	11,529	11,697	(167)
Executive	1	2	(1)	3	5	(2)	15	18	(3)
Vocational Qualifications	7	8	(1)	13	17	(3)	126	130	(3)
Strategy Risk and Research	1	4	(3)	3	7	(4)	41	45	(4)
General Qualifications	2	1	1	3	4	(0)	15	15	(0)
Regulatory Compliance & Customer Services	1	3	(2)	7	8	(2)	34	36	(2)
Corporate Services	28	2	26	144	111	33	474	442	32
Non Pay - Staff Costs	40	20	20	172	151	21	705	686	20
Executive	1		1	1		1	1		1
Vocational Qualifications	65	27	38	108	97	11	472	457	15
Strategy Risk and Research	88	40	48	167	156	11	515	479	35
General Qualifications	1	3	(1)	2	8	(6)	24	30	(6)
Regulatory Compliance & Customer Services	(1)		(1)	0		0	0		0
Corporate Services	205	233	(28)	812	637	175	2,844	2,740	104
Reserve									
Non Pay - Non Staff Costs	359	302	57	1,090	897	193	3,856	3,706	150
Total Non Pay costs	400	323	77	1,262	1,048	214	4,561	4,392	170
Notional Charges							46	46	
Depreciation	75	57	17	224	172	52	641	686	(45)
Outturn	1,423	1,242	181	4,128	3,938	190	16,430	16,503	(73)

									Table 3
Reform Summary	Jun Actual	Jun Resource	Variance	YTD Actual	YTD Resource	Variance	Full Yr Forecast	Full Yr Resource	Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Qualifications	(269)	(269)		(593)	(593)		(4,660)	(4,660)	
Corporate Services	(144)	(144)		(433)	(433)		(1,330)	(1,300)	(30)
Total Other Income	(414)	(414)		(1,026)	(1,026)		(5,990)	(5,960)	(30)
General Qualifications	63	87	(24)	158	228	(70)	605	678	(74)
Corporate Services	10	11	(1)	34	34	0	44	34	10
Total Pay Costs	73	98	(25)	192	262	(70)	649	712	(63)
General Qualifications	1	2	(1)	2	4	(3)	8	11	(3)
Corporate Services				0		0	0		0
Non Pay - Staff Costs	1	2	(1)	2	4	(2)	8	11	(2)
General Qualifications	167	180	(13)	329	361	(32)	3,966	3,971	(6)
Corporate Services	195	133	62	492	399	93	1,272	1,266	6
Reserve									
Non Pay - Non Staff Costs	362	313	49	821	760	61	5,238	5,237	0
Total Non Pay costs	363	315	48	823	765	59	5,246	5,248	(2)
Notional Charges									
Depreciation									
Outturn	23		23	(11)		(11)	(95)		(95)

	Salaried Staff														Table A
CSR Monthly Profile	Budget	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Forecast	Variance
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
CEO Office	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Executive	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Research & Analysis	17.3	12.9	13.3	13.3	14.7	14.4	19.8	20.8	20.8	20.8	20.8	20.8	20.8	17.8	0.5
Standards	17.9	6.0	9.7	6.7	6.7	6.7	12.7	12.7	13.7	13.7	13.7	13.7	13.7	10.8	(7.0)
Strategic Policy & Risk	9.7	10.0	9.0	8.0	9.0	9.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	10.2	0.5
Total SRR	44.8	28.9	32.0	28.0	30.4	30.1	43.6	44.6	45.6	45.6	45.6	45.6	45.6	38.8	(6.0)
VQs	27.4	30.6	29.4	29.1	27.3	31.4	32.6	32.6	33.6	33.1	33.1	33.1	32.6	31.5	4.2
Northern Ireland	3.3	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.3	(0.1)
Legal Services	7.7	3.6	3.6	3.6	3.6	3.6	9.6	9.6	10.6	10.6	10.6	10.6	10.6	7.5	(0.2)
Total VQs	38.4	38.2	37.0	36.7	33.9	38.0	45.2	45.2	47.2	46.7	46.7	46.7	46.2	42.3	3.9
GQs	21.5	20.5	20.5	21.5	22.5	24.3	25.3	25.6	24.8	24.6	24.6	24.6	25.1	23.6	2.2
Total GQs	21.5	20.5	20.5	21.5	22.5	24.3	25.3	25.6	24.8	24.6	24.6	24.6	25.1	23.6	2.2
Regulatory Compliance	31.0	29.0	29.0	27.5	27.0	27.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	28.5	(2.5)
Customer Services & Admin	14.1	14.2	13.2	13.0	11.9	11.4	15.4	15.0	15.5	15.5	15.5	15.0	15.0	14.2	0.2
Total Reg Comp & Customer Serv	45.1	43.2	42.2	40.5	38.9	38.4	44.4	44.0	44.5	44.5	44.5	44.0	44.0	42.8	(2.3)
Communications	7.2	5.0	5.0	5.0	4.0	5.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0	7.3	0.1
Finance & Audit	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.3	(0.8)
HR & Facilities	9.3	10.0	10.0	10.0	10.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.3	1.0
IM Operations - IT	10.8	6.8	6.8	6.8	6.8	9.3	12.3	14.8	14.8	14.8	14.8	14.8	14.8	11.5	0.7
IM Operations - PPM	3.6	3.0	3.0	3.0	2.0	1.5	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	(1.5)
Pay reserve															
Total Corporate Services	38.8	32.8	32.8	32.8	29.8	34.3	40.3	43.8	42.8	42.8	42.8	42.8	42.8	38.4	(0.4)
Total	191.5	166.6	167.4	162.5	158.5	168.0	201.7	206.1	207.9	207.1	207.1	206.6	206.6	188.9	(2.6)