

Withdrawing the Regulatory Arrangements for the Qualifications and Credit Framework

Regulatory Impact Assessment



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Introduction

This document considers the likely impacts of withdrawing the regulatory arrangements for the Qualifications and Credit Framework (QCF).

In general, the impacts of withdrawing the rules amount to changes in our regulatory system, directly affecting awarding organisations, but not necessarily fundamentally changing the existing qualifications available to students. The proposed changes will enable awarding organisations to be more responsive to design qualifications in a way that supports good training and educational outcomes and innovation in the sector.

We expect that the closure of the unit bank will improve the quality of new units by providing more incentives for awarding organisations to invest in their new units. Additionally, this reinforces the accountability of all awarding organisations for their qualifications. However, depending on the actions of awarding organisations, there may be some transition costs for others. Third party unit and rule of combination submitters will also find their role changed, although in many cases they will still be able to achieve similar outcomes. There is no hypothesis or evidence to suggest there will be a significant change in the number of qualifications achieved, as suggested in the cost benefit analysis carried out for the introduction of the QCF.¹

About the QCF

There are currently 157 awarding organisations recognised to offer QCF qualifications. There are 16,770 qualifications available, although just over half of these (8,989) awarded one or more certificates in 2012/13. In total there were 6,236,000 certificates awarded over the same period, making up 68 per cent of certificates awarded in regulated qualifications, excluding GCSE and A level.

¹ Qualifications and credit framework, Cost Benefit analysis, PWC and others, March 2008

1. Recognition arrangements

Withdrawal of the QCF rules will require us to address the way we define awarding organisations' recognition.

There are 118 awarding organisations recognised to award QCF and other types of qualification, of which 38 are recognised to award QCF qualifications only. The QCF description of an awarding organisation's recognition will be meaningless when the QCF rules are withdrawn.

The legislation requires us to recognise a body as an awarding organisation if it applies for recognition that meets our relevant recognition criteria. We must recognise an awarding organisation in respect of a specified qualification or a description of qualifications. We can withdraw recognition in certain circumstances. An awarding organisation cannot award a regulated qualification unless it is recognised to award that qualification.

We propose to ask each awarding organisation to describe the scope of the recognition it is seeking using three dimensions:

- Level (using current levels)
- Sector/subject area (from a given list)
- Qualification purpose (from a given list).

In the first instance we will write to awarding organisations setting out their current recognition and current offer. We will also set out how their current offer would be described using the new approach. This will impose little cost on the awarding organisations. They will not be required to change their current business activities, but will need to read and understand our communications, and update any publications in which they describe their recognition within an appropriate time frame. In the longer term it will be clearer to all interested parties which qualifications an awarding organisation is recognised to award by Ofqual.

2. Units and the structure of qualifications

Under the current QCF rules, qualifications must be made up of one or more units. The intention behind the unitisation of qualifications was to enable students to undertake bite-sized pieces of learning to build up to a qualification. Withdrawing the QCF rules will mean awarding organisations can choose whether to unitise their qualifications. We anticipate that where awarding organisations see that providing qualifications in units is beneficial to students they will continue to do so, but where it

is complex or reduces the validity of the assessment structure of the qualification they will not. For this reason we expect a rise in the quality of qualifications available, not a fall in the number of certifications.

3. Credit size and accumulation

The QCF rules require all units and qualifications to have a level and a credit value. One credit equates to those learning outcomes achievable in ten hours of learning time. The new arrangements will leave awarding organisations free to choose whether they assign credit. Where awarding organisations do assign a credit value, they will have to follow new regulations drafted to reflect these proposals and also the outcome of a separate consultation on Guided Learning Hours. The changes to credit will mean that awarding organisations are free to respond to students and end users, creating a more appropriate qualification.

4. Credit transfer and recognition of prior learning

The QCF rules require awarding organisations to support credit transfer and recognition of prior learning. This will allow students to carry over credit from units achieved with one awarding organisation to another.

The data shows that only a small amount of credit is transferred by students wishing to gain a qualification with a different awarding organisation each year. In the two most recent academic years where data is available (2011/12 and 2012/13) figures showed that there were 6,600 and 3,500 credit transfers processed, respectively, representing 1.9 per cent and 0.7 per cent of all units achieved on the QCF, respectively. One reason why the opportunity to transfer credit has not been used is that training providers (and to some extent students) are more likely to choose a complete qualification rather than choosing a wide variety of units from different awarding organisations if they think there is a higher risk to achieving the required performance standard by studying the qualification in this way. It is also possible that students are unaware that they can transfer credit and prior learning in this way.

If the QCF rules are withdrawn, awarding organisations will be free to decide their own approach to credit transfer and recognition of prior learning. Discussions with awarding organisations' representatives at consultation events suggested that they will continue to allow credit transfer and recognise prior learning if there is a demand for it.

We said in the consultation document that awarding organisations must publish their approach. We have not provided details on what this might involve and will consider the potential burdens as part of the (later) technical consultation.

5. Assessment requirements

The QCF rules require assessment on completion of each unit to ensure the student has met the unit learning outcomes. In some cases this approach leads to over-assessment, which increases the cost of delivering qualifications.

Removing the rules will allow awarding organisations to develop their own approach to assessment, provided this meets the General Conditions and is appropriate, valid and reliable.

Some types of qualification – for example, knowledge-based qualifications – would particularly benefit from the removal of the QCF rules, as using a ‘mastery’ approach to assess knowledge is not the most appropriate strategy. We have not assessed how many qualifications this would benefit. It is not clear how large the saving could be for each qualification where assessment is reduced. Awarding organisations would incur some transition costs through redesigning the assessment, updating marketing and sample assessment materials.

6. Shared units: design, development and ownership

Ending the unit bank

Currently, awarding organisations and other organisations can choose to share units with other awarding organisations through the unit bank. We previously produced guidance which stated that all units on the QCF should be shared in this way unless there was a strong reason not to. We later withdrew this guidance, but there has been a strong perception amongst awarding organisations that they should continue to share new units. Additionally, funding rules incentivised awarding organisations to share their units.

We have had feedback from several awarding organisations that they consider sharing units to have a negative impact. In particular they have suggested that awarding organisations are less willing to invest in the development of each unit. This is because, once submitted to the bank, competitors would immediately be able to use the unit, making the return on investment smaller. Stakeholders said that because the QCF rules do not require shared units to be assessed in the same way, there were consistency and comparability issues.

Ending the unit bank will mean that awarding organisations will be more incentivised to innovate to ensure that qualifications meet end users requirements. Additionally, it will mean that awarding organisations will develop their own units, so will be more likely to have the skills and the incentives to take full accountability for the validity

and quality of their own qualifications². Further changes we have made to the way we regulate have reduced the opportunity for the development of low quality units and qualifications, but this is not considered here. Awarding organisations will still be able to work with each other where they consider it appropriate.

One of the drivers behind the introduction of the QCF, and in particular the unit bank, was the need to reduce the number of similar qualifications and units. The intention behind this was that awarding organisations would use shared units, rather than developing new, similar, units. For the awarding organisations this would result in an efficiency saving as they would not need to duplicate units. There would also be benefits to the system as a whole, as students would be more likely to have studied the same unit so would have the same knowledge and skills when they were applying for jobs. Additionally, those choosing qualifications would know that many providers' qualifications included key units.

Stakeholders suggested that the QCF rules drove the increase in qualifications because it was difficult to withdraw a unit and amend units once submitted. It is difficult to say whether the removal of the unit bank and the QCF rules will lead to a fall in the number of qualifications, or units available to students. Given the increased costs in developing units and qualifications, combined with the data which shows that nearly half of QCF qualifications on the register did not issue a certificate in the last academic year, this seems likely.

The role of third parties involved in the QCF

Ending the unit bank means that it will no longer be possible for third parties to submit their own units for awarding organisations to use in their qualifications, or to define the rules of combination.

By no longer allowing third parties to submit units we can have greater assurance that awarding organisations take sole accountability/responsibility for the validity of the unit and qualifications they develop. Practically, this reduces the risk of students being taught a poor quality unit.

Organisations that had previously submitted units will still be able to influence the awarding organisations when developing units and qualifications. Many of those who submitted units (such as the sector skills councils) had a relationship with the users of qualifications. Because qualifications are provided in a market, awarding organisations have a strong incentive to involve those organisations who represent

² Awarding organisations already have responsibility to ensure that their qualifications and the units within them are valid and reliable. However, it is expected that this responsibility will be taken more seriously.

potential end users and our overall regulatory approach will encourage this where these third parties are well placed to represent employers and other end users of qualifications.

In the longer term we may need to consider whether any arrangements between awarding organisations and end users' representatives change the nature of competition in the qualifications market and if this creates any risks to the valid and efficient design and delivery of qualifications in the sectors affected.

Transition arrangements for ending the unit bank

In our consultation we set out our transition arrangements for the end of the unit bank. No new units will be able to be added to the bank from mid-2015. Given the expectation which was set out in the consultation (launched in July 2014) we do not anticipate that there are units under development with the aim of being made available via the unit bank after this date. Furthermore, it will still be possible to collaborate with others and use the same unit through mutual arrangements, although every awarding organisation that uses the unit must be wholly accountable.

Some awarding organisations will still be using shared units when the unit bank is closed. We have stated that unless the unit developer informs us and those using the units otherwise, a copy of every unit currently in shared use will be treated as having been given in perpetuity by the developing organisation to each awarding organisation which developed a version of that unit. Where the developing organisation notifies us that they do not wish to donate their unit(s), those currently using the unit will be given two years to remove that unit from their qualification.

For organisations that developed shared units and no longer wish them to be shared, the cost of identifying and notifying Ofqual and the users of those units could be small. The lowest cost option for the awarding organisations which developed units could be to take a blanket approach to units and email all awarding organisations setting out that all of their units will no longer be shared. This could take an awarding organisation very little time, and have little burden on their business.

The transition costs are subject to a high level of uncertainty and will depend on several factors including:

- the cost of redevelopment (and skills of the awarding organisations who need to redevelop units);
- the eventual number of units that are withdrawn;
- the proportion of units which will no longer be shared that are currently in use, and awarding organisations seek to redevelop.

However, we have used plausible assumptions to build high- and low-cost scenarios which suggest that costs could be in the range of £50,000 to £600,000 in total to the system. We have set out the assumptions and evidence we have used to develop these scenarios in Appendix A.

7. Qualification titles

When we initially consulted on removing the QCF rules we said we will also be asking awarding organisations to remove the initials “QCF” from the qualification title at the next review date. Having consulted on this proposal we established that in some sectors there is value in the QCF brand which would be lost when awarding organisations removed the initials QCF from their qualifications’ titles. We have, therefore, decided to allow the use of QCF in titles in certain circumstances and as long as it is not misleading.

Another implication of removing the QCF regulation is that qualifications will no longer be required to carry a measure of size in the title; however we have proposed that we will produce guidance on using the terms “award”, “certification” and “diploma”. The title will still need to describe the level, type and content of the qualification. The impact of this should be small if the content of the qualification encapsulates the size. It should allow awarding organisations more freedom to have qualifications of varying size, responding to the needs of qualification users.

8. A single descriptive qualification framework

The QCF has provided a structure within which the relative size and level of qualifications can be expressed using a consistent terminology. This has proved helpful to all stakeholders. In particular, users can easily compare qualifications to make the most appropriate choice. Withdrawing the regulations that underpin the QCF will remove the framework. Because of this we will introduce a new, single descriptive framework to cover all regulated qualifications. The intention is that the new framework will be superimposed over existing qualifications. This will not burden awarding organisations, and will make it clear to qualifications users how different qualifications compare. We will ensure this through our validity audits.

Appendix A – Transition costs of ending the unit bank

Awarding organisations that use others' units will have two years to develop their own unit to replace the withdrawn unit. The cost of this is likely to depend on whether the awarding organisation has the right in-house skills, or whether consultants need to be brought in. It is also possible that another unit owner will let them use their unit at a cost. A low estimate of the cost may be that it takes one person an hour and a half to consider users' needs, competitors' products, write a new similar unit, and complete associated paperwork. One similar member of staff may spend half an hour sense-checking the new unit. The annual survey of hours and earnings reported that education advisers [and schools inspectors] received, on average, £17.11 per hour.³ Including other costs (employers' NI contributions, holiday pay. etc.) takes the hourly rate to £30.26.⁴ If a unit takes two man hours to produce, the cost per unit could be in the region of £60.

A high estimate of the cost would be taking a consultant a day to develop it. Educational consultants' day rates generally range from £400 to £600. Discussions with awarding organisations suggest that they often employ a contractor to complete a number of tasks for them, related to a given qualification, such as developing resources. This is likely to make it cheaper for the awarding organisation as they are likely to already have someone on contract. For this reason it is assumed that the awarding organisation would incur a charge of £400 for the contractor to develop a similar unit.

In the third option, the awarding organisations will not redevelop the unit, and will either offer the qualification without the unit or no longer offer the qualification. Given that the number of units is adjusted to include just those that are in current use we have assumed that all units would be replaced with a new unit.

To assess the likely transition costs we need to consider how likely it is that those organisations which developed units will give the unit to other awarding organisations in perpetuity. The following table lists the incentives and the disincentives to do this.

³ Average hourly pay for educational advisors and schools inspectors taken from the 2013 annual survey of hours and earnings, table 14

⁴ On costs taken from www.accountingservicesforbusiness.co.uk/calculators1/true-cost-of-an-employee

| Incentives to donate units | Disincentives to donate units |
|---|--|
| Other awarding organisations would be able to reproduce the units quickly and cheaply | Awarding organisations are in direct competition with those who use their units in their own qualifications. By refusing to donate units it adds additional costs to competitors |
| Old units may be out of date, and awarding organisations may want to take the opportunity to refresh them | It is possible that awarding organisations may wish to charge other awarding organisations for using the new units |
| Because of the 2-year delay in the withdrawal in the units, awarding organisations will see the units as likely to be worthless in two years' time, even if they do not plan to refresh their own units at the same time. | Awarding organisations and unit submitters can be sure that others are not misusing their units (potentially damaging their brand) |

Our discussions with some awarding organisations suggest that they are willing to allow their units to be used in perpetuity by those who are currently using them.

Based on this, we have considered a low- and a high-cost scenario, making the following assumptions.

| Low | | High | |
|---|---|--|--|
| 2 per cent of shared units will need to be redeveloped or withdrawn | | 20 per cent of shared units will need to be redeveloped or withdrawn | |
| Of the 2 per cent which need to be redeveloped or withdrawn | The proportion of units which will be redeveloped using consultants, at a cost of £400 per unit, is equivalent to the proportion of qualifications where all units are shared units. This equates to 6 per cent. | Of the 20 per cent which need to be redeveloped or withdrawn | The proportion of units which will be redeveloped using consultants, at a cost of £400 per unit, is equivalent to double the proportion of qualifications where all units are shared units. This equates to 12 per cent. |
| | The remaining units will be developed in-house at a cost of £60 per unit. This equates to 94 per cent. | | The remaining units will be developed in-house at a cost of £60 per unit. This equates to 88 per cent. |

Of the 53,000 units in the unit bank, 22,500 are not currently used in qualifications. In the following analysis we show two scenarios which consider the 30,500 units in use, how much it would cost to redevelop 2 per cent or 20 per cent of them. Taking our low assumption it would mean that 2 per cent of the units, around 610 units, would not be shared. Under the high-cost scenario, where 20 per cent are not shared, this equates to 6,100 units. The table below sets out the likely cost to awarding organisations using the assumptions above.

| | Low-cost scenario : 610 units are not shared in perpetuity | | | | High-cost scenario : 6,100 units are not shared in perpetuity | | | |
|---|---|---------------------|----------------------|-------------------|--|---------------------|----------------------|-------------------|
| | per cent | No. of units | Cost per unit | Total cost | per cent | No. of units | Cost per unit | Total cost |
| Units redeveloped by contractors | 6 | 36.6 | 400 | 14,640 | 0.12 | 732 | 400 | 292,800 |
| Units redeveloped in house | 94 | 573.4 | 60 | 34,404 | 0.88 | 5,368 | 60 | 322,080 |
| Total cost (£s) | | | | 49,044 | | | | 614,880 |

The table above shows the potential indicative costs if awarding organisations do not share their unit in perpetuity. The total cost across all awarding organisations ranges from £50,000 to over £600,000, and is largely driven by the uncertainty of how many awarding organisations will not share some or all of their units, and the proportion of the units which will need to be redeveloped externally, incurring a significantly higher charge.

A significant problem with the estimate is caused by the underlying assumption that each unit which is not shared in perpetuity will only be redeveloped once. A number of awarding organisations may be using the same unit, so once withdrawn each may choose to redevelop a similar unit, with each incurring costs. However, it is possible that all (or a number of) the awarding organisations will look to work together to redevelop a new unit, which they will all share.

Additionally, there will be costs of training examiners and moderators. Awarding organisations are usually able to spread the cost of retraining over a number of units, as the sessions are able to accommodate more than one unit. Depending on how the distribution of the units which the awarding organisations need to develop, the costs of retraining could vary significantly. We are considering these costs in more detail.

The distribution of this cost will vary hugely between different awarding organisations. Some base their qualifications entirely on shared units and may not have the in-house skills to develop new ones and for them the cost could be very high. Others

may need to develop only a small number of new units, which they may have planned to develop in any case.

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