

<b>Title:</b> The Education (Independent School Standards) (England) Regulations 2012 <b>IA No:</b> DfE00011  <b>Lead department or agency:</b> Department for Education <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 01/09/2012		
	<b>Stage:</b> Consultation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
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<b>Summary: Intervention and Options</b>			
<b>RPC Opinion:</b> Amended following amber opinion			

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCb on 2012 prices)	In scope of One-In, Measure qualifies as One-Out?
£2,231,000	£2,231,000	£237,400	Yes   OUT

**What is the problem under consideration? Why is government intervention necessary?**

Changes to The Education (Independent School Standards) (England) Regulations 2010 (ISS) are required on equity and efficiency grounds. In equity terms, additional standards are needed to ensure Independent Schools reflect the Government's strategy for preventing extremism. The standards need changing on efficiency grounds: 1) the ISS contain out of date and incorrect references and there have been requests from stakeholders to amend these; 2) to allow electronic transmission of data by schools (rather than postal communication); and 3) there is a need to include new standards to reflect changes to the early years regime for schools and to premises regulations. The regime for the regulation of independent schools is made under the Education Act 2002; the new standards will be redrafted and continue to be made under the 2002 Act.

**What are the policy objectives and the intended effects?**

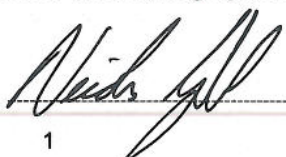
The main objective is to make changes to Part 2 of the standards (spiritual, moral, social and cultural development of pupils), which is likely to require all schools to review their curriculum, and oblige a small number of faith-based independent schools to adjust their curriculum in order to comply with the proposed changes and to do more to prevent extremism. The regulations also require revision to change out of date and incorrect references and to include two new standards relating to early years and premises provision. Redrafting parts 1, 3, 4, 6 and 7 of the regulations in order to clarify these expectations on schools is not anticipated to lead schools subject to the ISS to alter their practices. Only one Impact Assessment has been undertaken to cover all changes as they affect only one set of Regulations.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

- Do nothing.
- Make the necessary changes to the standards (preferred). This option is preferred for several reasons. Schools will be legally required to comply with changes to Part 2 that address extremism issues. Schools will be directed to up to date guidance and have a better understanding of these requirements. The new welfare provision linking into the new simplified premises standards for independent schools, will enable inspectors to continue to be able to find provision unsatisfactory where a hazard is observed which is not clearly defined within the new School Premises Standards (SPRs). The new early years curriculum standard will enable inspectors to continue to monitor provision where Early Years Framework for Schools (EYFS) exemptions apply.
- Leave regulations unaltered (except for inserting preventing extremism requirements) but provide additional supporting guidance about the regulations.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 09/2016					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			Traded: N/A	Non-traded: N/A	

**I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.**

Signed by the responsible Minister:  Date: 29 March 2012

1



## Summary: Analysis & Evidence

## Policy Option 2

**Description:** Make the necessary changes to the standards

### FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £2.219m	High: £2.242m	Best Estimate: £2.231m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£57,800	1	£0	£57,800
High	£81,100		£0	£81,100
Best Estimate	£69,400		£0	£69,400

#### Description and scale of key monetised costs by 'main affected groups'

The main monetised cost is associated with those schools to which the ISS apply familiarising themselves with the new standards, which we assume will affect around 3,950 schools. As this administrative cost is expected to be one-off, it is estimated to be around £46,100 in aggregate. The changes to Part 2 are likely to require a small number of religious independent schools (around 100) to change their curriculum. This is estimated to involve one-off administrative costs of around £23,300. The total one-off monetised costs are therefore £69,400.

#### Other key non-monetised costs by 'main affected groups'

There are no non-monetised costs associated with this option.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£ N/A	0	£267,000	£2.3m
High	£ N/A		£267,000	£2.3m
Best Estimate	£ N/A		£267,000	£2.3m

#### Description and scale of key monetised benefits by 'main affected groups'

Refining the definition of 'provided' within the standards to include the electronic transmission of information should benefit schools by cutting administrative costs of issuing hard copies of reports/information by post. Based on the assumption that all independent schools send one letter a year to each of their pupils, and one letter a year to their Local Authority (LA) for each child with a statement of special educational needs (SEN), the measure produces an annual saving of £267,000. Over 10 years, the best estimate of this aggregate discounted benefit to schools is £2.3million.

#### Other key non-monetised benefits by 'main affected groups'

Pupils in the schools that adapt their curriculum to comply with the additional standards relating to extremism are expected to experience some intangible social benefits, as will the wider community. Schools will benefit from no longer being directed to out of date guidance. Inspectors will continue to be able to fail schools using the new welfare standard where a hazard is observed that is not clearly defined within the revised SPRs. The new early years curriculum standard will enable inspectors to continue to monitor provision where EYFS exemptions apply.

Key assumptions/sensitivities/risks	Discount rate (%)
<p>We assume that the majority of schools do not need to change their curriculum to conform to the revised standards.</p> <p>Detailed assumptions for the main impacts are outlined in tables, whereas costs and benefits are quantified in the evidence section of the IA.</p>	3.5

### BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £7,400	Benefits: £244,800	Net: -£237,400	Yes	OUT



## Summary: Analysis & Evidence

## Policy Option 3

**Description:** Leave regulations unaltered (except for inserting preventing extremism requirements) but provide additional supporting guidance

### FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £0.018m	High: £0.234m	Best Estimate: £0.126m

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£57,800	1	£0	£57,800
High	£127,200		£0	£127,200
Best Estimate	£92,400		£0	£92,400

#### Description and scale of key monetised costs by 'main affected groups'

The main monetised cost is associated with those schools to which the ISS apply familiarising themselves with the new standards and guidance, which we assume will affect around 3,950 schools. The best estimate of this one-off administrative cost is around £69,100. The changes to Part 2 are likely to require a small number of religious independent schools (around 100) to change their curriculum. The best estimate is this change involves one-off administrative costs of around £23,300. Total estimated one-off administrative costs of this option are £92,400 in aggregate.

#### Other key non-monetised costs by 'main affected groups'

There are no non-monetised costs associated with this option.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£4,700	1	£18,500	£145,400
High	£9,300		£37,000	£291,800
Best Estimate	£7,000		£27,800	£218,100

#### Description and scale of key monetised benefits by 'main affected groups'

The 'Plain English' guidance is likely to save schools some time in understanding and meeting the requirements of the standards compared to the 'Do Nothing' option. There will be a one-off benefit to new independent schools in the first year, and benefits to any school past its first year which has potential failings, by lessening the likelihood of such failings occurring. The best estimate of the one-off transition benefit is £7,000 and £27,800 for the discounted average annual benefit. The best estimate of the total discounted benefit is £218,100 over ten years.

#### Other key non-monetised benefits by 'main affected groups'

The improved clarity resulting from the 'Plain English' supporting guidance may also result in a small reduction in the number of queries directed towards inspectorates and independent school associations to seek clarity about the standards. It is not possible to estimate the likely size of the reduction in queries at this stage, or whether any measurable administrative or time savings would result from the change, due to lack of central data.

#### Key assumptions/sensitivities/risks

Discount rate (%)

3.5

We assume that the majority of schools do not need to change their practices to conform to the revised standards. Detailed assumptions for the main impacts are outlined in tables, where costs and benefits are quantified in the evidence section of the IA.

### BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £9,800	Benefits: £23,300	Net: -£13,500	Yes	OUT



# Evidence Base

## Problem under consideration

There are three problems to address:

**1) The regulations need updating to reflect the government's *Prevent* strategy (link provided below\*), which aims to prevent people from engaging in or supporting terrorism.** Part 2 relates to the spiritual, moral, social and cultural development of pupils. The standard will be revised both to clarify existing requirements and place some additional requirements on independent schools. These include promoting fundamental British values, respecting the civil and criminal law and presenting political issues in a balanced way. As the *Prevent* strategy notes, concerns have been raised about the clarity and robustness of the current standards. It is believed that as a result of these shortcomings there are cases where inspectorates have been unable to highlight failings in schools where there was evidence to suggest that the curriculum and teaching might be extremist in intent. This is of particular concern because reporting from a range of sources has suggested that extremism may be more of a problem within some independent schools than in publicly-funded schools. Micro businesses are not exempt from this planned change as it is believed that many of the schools most likely to need to change are small. The revised standard will help ensure that independent schools better understand their obligations and support inspectorates to identify and report on extremism. (\* <http://www.homeoffice.gov.uk/publications/counter-terrorism/prevent/prevent-strategy/prevent-strategy-review?view=Binary> )

**2) To update out of date references and technical errors.** Part 3, which relates to the welfare, health and safety of pupils at the school, currently requires independent schools to have regard to out of date guidance, which has now been replaced with non-statutory advice. These references should be updated, as should two references in Part 4. Part 6, relating to provision of information, requires updating to clarify the standard which requires the school to provide an annual financial account for LA funded pupils so as to exclude early years funding. A further standard relating to pupils with a statement of SEN requires clarification that an annual review need only be provided to the LA if the statement is funded by the LA. Finally, Part 7, relating to the handling of complaints, needs amending to remove a provision referring to the national minimum standards which simply refers back to Part 7 of the standards so is redundant.

**3) The regulations need updating to reflect new school premises regulations and EYFS block exemptions.** The premises standards in Part 5 of the Independent School Standards 2010 Regulations, and the Education (School Premises) Regulations 1999 (which apply to maintained schools) are being replaced by a new set of simplified standards for school premises which will apply to both independent and maintained schools. A separate Impact Assessment has already been carried out on the new premises requirements and a consultation on the proposed new premises regulations has now closed. As these new premises regulations remove some requirements for independent schools that ensure that premises are safe for pupils, the proposed new Independent Schools Standards include an overarching welfare, health and safety standard which will enable the Department to take action where school premises place the welfare, health or safety of pupils at risk.

Independent Schools are subject to the Early Years Framework for Schools (EYFS) introduced by the Childcare Act 2006. For this reason, the 'quality of education' provisions contained in the Independent School Standards do not apply to children under compulsory school age in independent schools. Dame Claire Tickell's review of EYFS recommended in 2011 that independent schools should be able to seek exemption from the learning and development requirements of EYFS. In anticipation of possible implementation of her recommendations (which are still under consideration), the provisions in the Independent School Standards relating to the quality of education need to be extended to cover preschool children, as there would otherwise be no regulations in place to cover preschool education in independent schools.

In addition to the three areas set out above, the 'definition' section of the regulations is being amended to clarify that electronic communication is acceptable in specific circumstances and that provision of hard copy documents, which in many cases would need to be sent by post, is not a requirement. This will enable schools to use electronic transmission of information in many circumstances, saving the cost of postage and printing



## Rationale for intervention

The economic rationale for intervention is based on both efficiency and equity arguments:

- **To improve economic efficiency by addressing known information problems** affecting the ability of independent schools to understand and comply with the regulations. In particular, to: (a) improve information about legal requirements by correcting technical errors in current guidance and updating references that are out of date; (b) allow schools to provide information to parents and LAs more efficiently by using electronic methods (rather than requiring postal communication); and (c) update the regulations to reflect new regulations on school premises and changes in the regulation of early years provision, so that schools are clear about what is required.
- **To improve equity by ensuring that all children are exposed to a balanced education that does not promote extremism** and to ensure that the ISS reflect the government's *Prevent* strategy.

## Policy objective

The main policy objective is to make specific revisions to Part 2 of the standards to reflect better the Government's strategy in relation to preventing extremism in schools. The ISS also require revision in order to amend obsolete references, amend technical errors and insert two new standards to bring them up to date with current legislation and departmental advice (Parts 1, 3, 4, 6 and 7).

## Options considered

- 1) Do nothing.
- 2) Amend the ISS to require schools to do more to prevent extremism, to update out of date and incorrect references and include a new welfare provision linking into the new simplified premises standards for independent schools, and a new early years' curriculum provision to link into EYFS exemptions.
- 3) Leave regulations unaltered (except for adding the preventing extremism requirements) but provide additional supporting Plain English guidance.

The costs and benefits of Options 2 and 3 are assessed against Option 1, the 'Do nothing' option.

**A potential fourth option, making all the proposed changes in regulations and also providing Plain English guidance, was not considered as it was inconsistent with the Government's intention to reduce the volume of guidance issued to schools.**

## Description of options considered

### Option 1 – Do Nothing

#### This option was considered but discarded for the following reasons:

- a) The expectations placed on independent schools for preventing extremism would not be aligned with the Government's *Prevent* strategy.
- b) This option would leave in place several references to out of date statutory guidance in Part 3 and 4, and technical errors in Part 6 and a redundant provision in Part 7.
- c) Without the additional welfare, health and safety standard in Part 3 which will link into the new premises standards for independent schools, inspectors will be unable to assign an unsatisfactory rating to schools where a hazard is observed which is not clearly defined within the new simplified premises standards. Similarly, without the new early years curriculum standard linked to the possible introduction of EYFS exemptions, inspectors will be unable to fail schools where curriculum provision falls below what should be expected for that age group.

There is a separate review under way relating to the legislative implications following changes to maintained school vetting and barring requirements. However, these changes are very unlikely to be



implemented in time to incorporate into Part 4 of the ISS at the same time as the other changes proposed here.

### **Costs**

There will be no additional financial costs associated with this option. The opportunity costs are, however, the foregone benefits of the preferred option (described below).

### **Option 2 - Make the necessary changes to the regulations (preferred option)**

This option is preferred as the changes will result in schools being encouraged to do more to prevent extremism. Schools will be directed to up to date guidance and have a better understanding of the requirements. The new welfare provision linking into the new simplified premises standards for independent schools will enable inspectors to continue to fail schools where a hazard is observed which is not clearly defined within the new SPRs. The new early years curriculum provision, linked to the possible introduction of EYFS exemptions, will enable inspectors to identify schools where curriculum provision falls below the expected standard for the early years.

The planned revisions to Part 3 and 4 will reflect changes to Departmental guidance affecting maintained schools. The ISS need to reflect these changes so that requirements are the same as those expected of maintained schools.

There is a separate review under way relating to the legislative implications following changes to maintained school vetting and barring requirements. However, these changes are very unlikely to be implemented in time to incorporate into Part 4 of the ISS at the same time as the other changes proposed here.

### **Costs**

The following impacts are considered:

- Familiarisation costs of schools with the new standards (monetised)
- Costs of some religious independent schools to change their curriculum (monetised)

The regulations currently apply to around 2,430 independent schools so the proposed changes will affect all of these schools. Parts of the ISS also apply to Free Schools and academies. In January 2012 DfE statistics show that 24 Free Schools and approximately 1,500 academies are open. There may be an additional administrative cost to all these schools of familiarising themselves with the new standards but this is expected to be minimal. We do not have any evidence on when, how long or how often individual schools need or want to consult these regulations, so estimating any re-familiarisation costs is difficult and speculative. It is likely that most schools only consult the regulations infrequently, when a specific need to do so arises. We can, crudely, estimate the order of magnitude of the potential administrative burdens on schools of having to review the regulations.

We use the standard methodology for estimating the cost of employing teachers and, subsequently, the administrative burdens imposed on them and schools. Average annual teacher salaries (including heads, deputy heads and classroom teachers) are taken from the School Workforce Census, which shows this was £37,600 in November 2010. We increase this by 21% to reflect non-wage labour costs, such as National Insurance and pension contributions, as the national Labour Cost Survey shows that non-wage labour costs constitute around 21% of total employer labour costs. This yields estimated average annual employee costs of £45,500 per person. Teachers have 39 working weeks each year. Dividing £45,500 by 39 gives us an average weekly employee cost of £1166.67. Dividing this by 5 working days gives us a daily employee cost of £233.33. The Teacher Workloads Diary Survey 2010 indicates that teachers work ten hours a day. Therefore dividing the daily employee cost by 10 gives us an hourly employee cost of £23.33.

We assume that each of the 3,950 schools spends half an hour re-reading and considering whether or not they are in compliance with the revised regulations (this includes independent schools, academies and Free Schools). The total administrative cost for all schools identified would be around £46,100 in



aggregate. Given the size of the changes, a half hour reading time seems a reasonable assumption, and therefore we have not estimated low or high estimates of this cost. This is a negligible total cost and reflects that we do not expect most schools to be affected to any significant degree. The table below sets out the steps and assumptions used to derive the estimated cost of familiarising with the revised regulations.

Estimated Cost of Re-familiarising with the Revised Regulations

		Method/Source
<b>One-off costs (current prices)</b>		
A Number of independent schools	2,430	Internal Data
B Number of Free Schools	24	Internal Data
C Number of academies	1,500	Internal Data
D Schools – Best estimate Time Reconsidering the Revised Regulations by	Half an hour	Internal Assumption
E Average Annual Employee Cost	£45,500	Internal Estimate
F Average Hourly Employee Cost	£23.33	Internal Estimate
G Total Annual Cost for Schools	£46,100	(A+B+C)*D*F

The changes to Part 2 (requirements related to the *Prevent* strategy)

These may require a small subset of religious independent schools to adapt their curriculum where it does not meet the revised standards. A few schools are believed to have a curriculum which encourages an extremist and non-democratic ethos. Although we do not know the actual size of this group, we anticipate that only a small number will need to adapt their curriculum in response to the changes. Moreover, we have no evidence on which to base any estimate of the potential resource costs for schools in making these adaptations, but any costs are expected to be one-off. Nonetheless, we can again crudely estimate the order of magnitude of the potential administrative burdens on these schools of having to adapt their curriculum. In reality, these changes could be carried out during the sort of curriculum review that schools are likely to carry out anyway, in which case this would limit any additional burdens on these schools.

We use the same teacher workforce costs as used above. The estimated average annual employee costs are £45,500, per person, including non-wage labour costs. From this we can work out a crude daily rate of £233.33. Of the 2,430 independent schools, data suggests that 1,030 have a religious character. See table on page 8. We expect that only a small number of these will be affected by the revised regulations. For this assessment, we think a reasonable assumption is that 100 schools (approximately 10 per cent of religious independent schools) will need to adapt their curriculum. We further assume that the time associated with adapting their curriculum amounts to around one day of staff time, which is quite speculative.

Denomination	Number of schools
Buddhist	1
Christian	320
Church of England	273
Church of England /Christian	4
Congregational Church	1
Hindu	2
Inter-denominational	94
Jewish	49
Methodist	13
Moravian	1
Multi-faith	3
Muslim	131
Quaker	9
Roman Catholic	119
Seventh Day Adventist	5

Sikh	2
Unitarian	1
United Reformed Church	2
<b>TOTAL</b>	<b>1030</b>

On the basis of these assumptions, the best estimate of the administrative costs would be around £23,300 in aggregate, which is negligible and reflects the view that only a small number of schools will be affected. A low estimate, where curriculum revision takes only half a day's staff time to complete involves a one-off cost to the religious schools of £11,700. A high estimate (a day and a half to revise the curriculum) produces an administrative cost that has been estimated at £35,000. Overall, the figures show that changing the curriculum to meet the additional requirements is not expected to have a large impact on these schools. The table below sets out the steps and assumptions used to derive the estimated cost of familiarisation with the revised regulations.

Part 2 of the ISS will also apply to academies and Free Schools. However, we assume that new Free Schools (of which 24 opened in September 2011) will not need to adjust their curriculum as their curriculum plans have been vetted before they open to ensure they do not promote extremism. Seven of the 24 open Free Schools have a faith designation (3 Christian, 2 Jewish, 1 Hindu and 1 Sikh). There are currently (as of January 2011) around 1,500 academies open in England. Approximately 240 academies (160 converters academies, 80 sponsored academies) have faith designations. Although the new regulations apply to these schools we have no evidence or data to suggest any of these schools are teaching an inappropriate curriculum, and therefore we assume that they will not need to adjust their curriculum in light of the proposed revisions to the ISS.

#### Estimated Cost of Adapting Curriculum in line with the Revised Part 2 Regulations

		Method/Source
<b><u>One-off costs (current prices)*</u></b>		
A	Number of independent schools	2,430 Internal Data
B	Number of schools with religious character	1,030 Internal Data
C	Number of religious schools needing to adapt	100 (10%) Internal Assumption
D	Time needed for staff to adapt curriculum – Best estimate	1 day Internal Assumption
E	Time needed for staff to adapt curriculum – Low estimate	Half a day Internal Assumption
F	Time needed for staff to adapt curriculum – High estimate	1 and a half days Internal Assumption
G	Average Annual Employee Cost	£45,500 Internal Estimate
H	Average Daily Employee Cost	£233.33 Internal Estimate
I	Total One-Off Cost – Low estimate	£11,700 $C \times E \times H$
J	Total One-Off Cost – Best estimate	£23,300 $C \times D \times H$
K	Total One-Off Cost – High estimate	£35,000 $C \times F \times H$

#### **Benefits**

The following impacts are considered:

- Refining the definition of 'provided' within the standards to include the electronic transmission of information (monetised).
- Schools altering their curriculum in order to meet standards related to the *Prevent* strategy (non-monetised).
- Schools and inspectorates will be directed to correct guidance and legislation (non-monetised).
- The welfare, health and safety standard will allow inspectors to continue to fail schools where a hazard is observed (non-monetised).



- The additional early years curriculum standard will enable inspectors to continue to fail schools where curriculum provision falls below what should be expected for that age group (non-monetised).

### *Monetised benefits*

Refining the definition of 'provided' within the standards to include the electronic transmission of information should benefit schools, as they will be able to avoid the administrative costs of issuing hard copies of reports/information by post.

We do not have central data on how often schools send letters to parents or others bodies, in compliance with the current standards, or any data on the costs of issuing hard copies / sending this information by post. Therefore, illustrative assumptions have been made about the frequency and cost of postal communication by schools to calculate the potential size of the administrative savings produced by changing the standards. We estimate the potential total discounted administrative savings over ten years. As we use conservative estimates of these assumptions, it is likely that the savings figure represents a lower bound estimate of the total administrative benefits for schools.

We assume that each school sends one letter a year to the parents of each pupil. Internal data shows there are 570,405 independent school pupils. We also assume, in line with statutory guidelines, that independent schools send one letter each year per pupil with a statement for SEN to an LA conducting its annual review of statements. Internal data shows that there are 9,668 such pupils in independent schools. We further assume that as a result of the regulatory changes all of this written communication will be sent electronically. To the extent that not all of the households involved may have access to electronic communication in their homes (we have no direct information on this for pupils in independent schools), there may be a slight over-estimate.

We assume the price of postal communication is £0.46 (the price of sending a letter by first class post with the Royal Mail).

		Method/Source
<b>Annual benefit (current prices)</b>		
A Number of independent school pupils	570,405	Internal Data
B Statements of SEN	9,668	Internal Data
C Number of letters sent to parents of each pupil annually	1	Internal Assumption
D Number of letters sent to LA as part of SEN statement annual review process	1	Internal Assumption
E Total number of letters sent out each year by Independent schools	580,073	(A*C)+(B*D)
F Cost of posting a letter first class	£0.46	External Data
G Total Annual Saving to Schools	£267,000	E*F

Our best estimate of the annual benefit is £267,000. Given the assumptions for this best estimate around numbers of letters sent (1 letter per pupil, and 1 per SEN pupil), it is not possible to estimate a lower bound estimate (as this would involve the unrealistic assumption that a school does not communicate with parents of pupils). Therefore for this monetised benefit we present only a central estimate and not a low and high estimate, as elsewhere in this IA. In the consultation paper schools will be asked not only whether the facility to communicate electronically would be helpful but also to substantiate this by quantifying postal savings they expect the regulatory change to produce.

The annual benefit estimated in the table above of £267,000 will occur in every year of the appraisal period. Therefore, in the table below we discount this amount over ten years to get a total discounted benefit of £2,300,000. It should be noted that this estimate only reflects the direct cash savings associated with the cost of using the postal service. It does not include the resource costs associated



with the additional staff time likely to be involved in having to print off the letters and put them into envelopes. We also assume that schools already have the technology and staff expertise to communicate electronically, and that no new expenditure on computers and staff training are required.

<b>Annual Benefit Discounted Over 10 Years</b>		
<b>Year</b>	<b>Discount Rate</b>	<b>Discounted Annual Benefit</b>
1	1.00	£267,000
2	0.97	£258,000
3	0.93	£249,200
4	0.90	£240,800
5	0.87	£232,700
6	0.84	£224,800
7	0.81	£217,200
8	0.79	£209,900
9	0.76	£202,800
10	0.73	£195,900
<b>Total Benefit Over 10 Year</b>		<b>£2,300,000</b>

#### *Non-monetised benefits*

Since a small number of schools may need to adapt their curriculum to eliminate an extremist and anti-democratic ethos, there may be intangible benefits for pupils attending these schools and the wider community if those pupils are not being exposed to extremism and are less vulnerable to radicalisation. The nature of these civic benefits is hard to define and quantify, but they are likely to include lower policing costs following a reduction in the number and severity of terrorist incidents, a small reduction in the prison population and lower social benefits costs as those people who might otherwise have been radicalised take up work and contribute to society. The changes will benefit independent schools, by increasing public confidence so more members of the public use independent schools. We have not attempted to monetise these benefits because they are long term and also because we do not have a reliable basis to estimate the number of schools and pupils who would be affected.

Schools will benefit from being directed by the standards to up-to-date guidance or advice, rather than out-of-date guidance, or guidance that no longer exists. This will avoid confusion and should mean that the schools are aware of all the latest requirements in a range of areas. It is hard to quantify this general benefit, as we have no data on which to do so.

The additional welfare, health and safety standard (Part 3) is needed because of the revision of the School Premises Regulations (SPRs). This change will allow inspectors to continue to fail schools where a hazard is observed which is not clearly defined within the new streamlined SPRs. This is currently possible, but would not continue to be possible without this additional standard once the revised SPRs are commenced.

Finally, the additional early years curriculum standard will enable inspectors to continue to fail schools where curriculum provision falls below what should be expected for that age group. We do not have the data to estimate the impact of this change.

#### **Net Present Value of Option 2**

The discounted present value of the potential administrative costs and benefits that have been estimated is £2.230million in 2012 prices. This is our best estimate of the NPV of option 2. We have also calculated a low estimate of the NPV (subtracting the high estimate of the total costs from the low estimate of the total benefits) of £2.219million. The high estimate of the NPV for this option is £2.242 million (calculated by subtracting the low estimate of the total costs from the high estimate of the total benefits).

Since this does not reflect all of the possible benefits, it may well be an underestimate. The net present value is positive, driven by the administrative savings that accrue annually as a result of allowing schools to provide



information electronically. Changing the assumptions used to estimate this annual benefit will alter the magnitude of the net present value of this option – and therefore this estimate should be treated with caution. However, the estimates used are conservative, and therefore we believe that this NPV is likely to represent a lower bound. The findings suggest that the proposed regulatory changes are likely to have an aggregate net benefit in respect of the monetisable costs and benefits.

	<b>Costs</b>	<b>Benefits</b>	<b>Net Present Value</b>
Low NPV Estimate	£81,800	£2,300,000	£2,219,000
High NPV Estimate	£57,800	£2,300,000	£2,242,000
<b>Central NPV Estimate</b>	<b>£69,400</b>	<b>£2,300,000</b>	<b>£2,230,000</b>

Note: the NPV figures in the table are rounded to 4 significant figures.

### **Option 3 – Leave regulations unaltered (except for inserting preventing extremism requirements) but provide new supporting guidance**

This option was considered as an alternative to amending the regulations. Full supplementary guidance would be produced to sit alongside the current regulations, offering the sector a Plain English explanation of the regulations. The guidance would also give updated references to the current departmental advice and the new streamlined premises standards. This option was not preferred as it would result in a greater volume of documentation that schools would need to digest and refer to. This is contrary to the government's drive to reduce unnecessary bureaucracy for schools. A commitment to this undertaking was given in the *'The Schools White Paper: The Importance of Teaching'* published in November 2010. Officials across the Department are currently carrying out a thorough review of all statutory obligations, expectations and guidance with a view to further reducing bureaucracy for schools. The production of further guidance would be contrary to this commitment.

This option would also leave in place a legal requirement for schools to refer to statutory guidance that has been withdrawn and replaced with non-statutory simplified advice. This is an issue that has already been raised by the member associations of the Independent Schools Council as an issue with their schools who want to be referred to the most recent guidance.

It is necessary, in any event, that additional requirements be added into Standard 2 to address extremism concerns. It would therefore make little sense to change this standard in isolation whilst leaving others out-of-date or not easily understood.

### **Costs**

The following impact is considered:

- Familiarisation costs of schools with the new Plain English guidance about the regulations (monetised).
- Costs of some religious independent schools to change their curriculum (monetised).

#### *Monetised Costs*

#### *Familiarisation costs of schools with the new Plain English guidance*

The regulations currently apply to around 2,430 independent schools, 24 Free Schools and 1,500 academies and the Plain English guidance will be relevant to all of these schools. There may be an additional one-off administrative cost to all these schools of familiarising themselves with the new Plain English guidance but this is expected to be small. Beyond this, we do not have any evidence on when, how long or how often individual schools need to consult these regulations on an ongoing basis, so estimating any longer term costs relating to the additional guidance is difficult and speculative. It is likely



that most schools only consult the regulations infrequently (and will therefore only consult the new guidance infrequently), when a specific need to do so arises. We can, crudely, estimate the order of magnitude of the potential one-off administrative burdens on schools of having to read the new Plain English guidance note. This is intended to demonstrate the indicative order of magnitude.

We use the standard methodology for estimating the cost of employing teachers and, subsequently, the administrative burdens imposed on them and schools, that was used to calculate the familiarisation costs involved in Option 2. The methodology yields an estimated hourly employee cost of £23.33.

We do not have precise data on how long it would take schools to read the new guidance. However, we believe that it is reasonable to assume that it takes a little longer than the half an hour it is estimated to consult the streamlined standards themselves (under Option 2). This is because schools may need to refer not only to the guidance but, at the same time, cross-reference the standards as well. A high estimate of the average time needed to read this new guidance, in conjunction with the standards, is one hour. Our low estimate is half an hour. We believe that these are reasonable averages that will capture the net effect of the variations, whereby some schools take more or less time, depending on their circumstances.

Our assumption is that each of the 3,950 schools (independent schools, Free Schools and academies) spends half an hour re-reading the regulations in consultation with the new Plain English guidance to consider whether or not they are in compliance with the regulations, resulting in an administrative cost of around £46,100 in aggregate. Assuming all 3,950 schools spend one hour re-reading the regulations in consultation with the new Plain English guidance to consider whether or not they are in compliance with the regulations, the administrative cost would be around £92,200 in aggregate. Our central estimate of this administrative cost, is the mid-point of these two estimates, is therefore around £69,100.

The total cost is minimal and reflects that we do not expect most schools to be affected to any significant degree, although there will clearly be a need to know what the new guidance says. The table below sets out the steps and assumptions used to derive the low and high estimated costs of familiarising with the new guidance.

#### Estimated cost of reading the new guidance

		Method/Source
<b><u>One-off costs (current prices)</u></b>		
A Number of independent schools	2,430	Internal Data
B Number of Free Schools	24	Internal Data
C Number of academies	1,400	Internal Data
D Total Number of Schools	3,950	A + B + C
E Time Re-considering the Regulations and Plain English Guidance (low estimate)	Half an hour	Internal Assumption
F Time Re-considering the Regulations and Plain English Guidance (high estimate)	1 hour	Internal Assumption
G Average Annual Employee Cost	£45,500	Internal Estimate
H Average Hourly Employee Cost	£23.33	Internal Estimate
I Total Annual Cost (low estimate)	£46,100	D x E x H
J Total Annual Cost (high estimate)	£92,200	D x F x H

#### *Costs of some religious independent schools to change their curriculum*

The best estimate of these costs is the same as in the case of option 2, £23,300. The low estimate is £11,700 and the high estimate £35,000. How these costs are calculated is outlined under the evidence base for option 2 so this is not repeated here.

#### *Total Monetised Costs*



The total costs are calculated by adding the costs of familiarisation with the Plain English guidance with the costs of the religious schools adjusting their curriculum to take into account the preventing extremism requirements. Both of these are one-off transition costs. There are no annual costs in subsequent years. The best estimate of the total cost of Option 3 is £92,400 (the sum of the £23,300 best estimate of the costs of changing curriculum and the best estimate of £69,100 for the cost of familiarisation with the Plain English guidance). The low cost scenario is taken as the low estimate for changing curriculum and low estimate for the familiarisation costs. Similarly, the high cost scenario represents the high estimates of both of these costs.

	Transition Costs	Annual Costs	Total Cost
Low estimate	£57,800	N/A	£57,800
<b>Best estimate</b>	<b>£92,400</b>	<b>N/A</b>	<b>£92,400</b>
High estimate	£127,200	N/A	£127,200

### *Non-Monetised Costs*

There are no non-monetised costs to this option.

### **Benefits**

The following impacts are considered:

- The production of Plain English guidance to accompany the unaltered regulations is likely to result in improved clarity for schools compared to the 'Do Nothing' option. This could save time and confusion, for schools in the future, in consulting guidance or complying with inspectors (monetised).

### *Monetised benefits*

There will be some improved clarity for schools from having a Plain English guide to the regulations compared to the 'Do Nothing' option. The improved clarity will benefit existing and new schools by making the process of complying with inspections more straightforward. As a result, we expect that schools will save some time when preparing for and being inspected. We expect two main time savings to occur. Savings may occur when new independent schools consult the Plain English guidance and standards at the time they are first established. Time savings may also occur for some existing schools. There are some schools which we know face particular regulatory issues that come up during the inspection process. As a result of greater clarity because of the new guidance, we would expect the number of these inspection issues to fall, thereby reducing administrative burdens for these schools, in later years, as they are inspected.

Internal statistics show that, on average, 80 new independent schools are set up each year. We assume the same number set up each year, over the next ten years. There are 2,430 existing independent schools. We assume this number remains constant over the next ten years; i.e. school closures and openings balance. In January 2011 DfE statistics show that 24 Free Schools are open and approximately 1,500 academies are open. Again we assume that no new academies or Free Schools open in the next ten years, as there is no reliable methodology for calculating their future numbers. This produces a conservative estimate.

The regularity of independent school inspections differs between schools rated good or outstanding and those that are not. Good or outstanding schools are inspected every six years and the others are inspected every three years. Internal statistics show that there are 250 good or outstanding schools and 2,180 other schools. We assume the number in each category remains constant over the next ten years. We also assume that an equal number of schools in each category are inspected each year; a sixth of good or outstanding schools (42 schools) and a third of other schools (727). The Department estimates that 20% of existing independent schools (both 'good or outstanding' and others) have regulatory issues that come up in the inspection process and therefore will need to consult the standards before their regular inspections (approximately 154 schools a year).



We assume that outstanding academy converters are inspected every six years (currently five years but a range of further options is currently under consideration), and that non-outstanding academy converters are inspected every 3 years. We assume all sponsored academies and Free Schools will be inspected 3 times during the next 10 years. Internal data shows that approximately 570 converter academies are outstanding, and 610 are non-outstanding. There are 335 sponsored academies and 24 Free Schools. Similar to independent schools, we assume that 20 per cent of academies and Free Schools have regulatory issues that arise in the inspection process and therefore need to consult the standards before their regular inspections (approximately 84 schools a year).

In the first year of the new guidance, we estimate that only the 80 new schools benefit from the time saving from having clarity about the regulations. This is because, for all existing schools, initial familiarisation with the new guidance is considered an administrative cost (see cost section for monetary quantification of this cost). In each successive year, the numbers of schools which benefit are the 80 new schools that open in that year and the 237 existing schools that are inspected and need to consider the implications of the regulations in more detail. The 237 schools are those most likely to have problems complying with the standards (and are calculated by taking 20% of the sum of rows P to T in the table below). The table below sets out the full list of data and assumptions used to estimate these administrative savings.

School staff time is valued in the same way, and using the same data, as it was in the cost section of Option 2. Given the uncertainties in our assumptions, we present two estimates of the value of the potential time saving, based on different assumptions of the time saved by schools (everything else being constant). We believe it is reasonable to assume that consulting the new guidance, at the same time as still having to consult the unrevised standards, will save less time than consulting only the revised standards (Option 2). Therefore we believe it is reasonable to assume that the potential administrative savings will be somewhere between a quarter of a day and half a day of school staff time. For this analysis, we have cautiously assumed that only one member of staff in the school will be affected. The value of half a day of their time is £116.67 and the value of a quarter of a day is £58.33.

#### *Estimated benefits for schools of increased clarity in Independent School Standards*

List of assumptions and calculations		Method/Source
<b>Number of schools</b>		
A	Number of independent schools	2,430 Internal Data
B	Number of new independent schools pa	80 Internal Data
C	Number of Free Schools	24 Internal Data
D	Number of academies	1,500 Internal Data
E	Number of sponsored academies	335 Internal Data
<b>Schools by Ofsted category</b>		
F	Number of outstanding converter academies	570 Internal Data
G	Number of non-outstanding converter academies	610 Internal Data
H	Number of good or outstanding independent schools	250 Internal Data
I	Number of other independent schools	2180 Internal Data
J	Percentage of schools facing inspections where issues with regulations occur	20% Internal Estimate
<b>Frequency of inspections</b>		
K	How often other independent schools are inspected	Every 3 years Internal Data
L	How often good or outstanding independent schools are inspected	Every 6 years Internal Data
M	How often Free Schools/sponsored academies are inspected	Every 3 years Internal Estimate
N	How often outstanding academy converters are inspected	Every 6 years Internal Estimate
O	How often non-outstanding academy converters are inspected	Every 3 years Internal Data
<b>Number of schools inspected each year</b>		
P	Number of other independent schools inspected	727 I / 3
Q	Number of good or outstanding independent schools inspected	42 H / 6
R	Number of Free Schools and sponsored academies inspected	120 (C + E) / 3



S	Number of outstanding academy converters inspected	95	F / 6
T	Number of non-outstanding academy converters inspected	203	G / 3
U	Number of new schools who review regulations in first year	80	Internal Data
V	Subsequent number of schools who review regulations annually	317	B + ((P+Q+R+S+T)*20 %)
<b>Other assumptions</b>			
W	Time saved through Plain English guidance	Quarter day	Assumption (low)
X	Time saved through Plain English guidance	Half a day	Assumption (high)
Y	Average Annual Employee Cost	£45,500	Internal Estimate
Z	Average Daily Employee Cost	£233.33	Internal Estimate
AA	Average Half-Day Employee Cost	£116.67	Internal Estimate
BB	Average Quarter-Day Employee Cost	£58.33	Internal Estimate
<b>Estimated annual benefits</b>			
CC	Benefit to Schools in first year (low estimate)	£4,700	U * BB
DD	Annual Benefit to Schools in subsequent years (low estimate)	£18,500	V * BB
EE	Benefit to Schools in first year (high estimate)	£9,300	U * AA
FF	Annual Benefit to Schools in subsequent years (high estimate)	£37,000	V * AA

The annual benefit figures above are discounted over ten years (using a 3.5% discount rate) to give low and high estimates of the present value of the total benefit. These are shown in the table below. We believe that a reasonable central estimate of the potential benefits is the mid-point between these two scenarios, which will reflect that some schools will be affected more or less than others. Our central estimates of the transitional benefits occurring in year 1 are £7,000 and the recurring annual benefits are £15,300. Our central estimate of the present value of the benefits is £218,100, which can be interpolated from the present values of the high and low estimates.

#### *Present value of benefits under the assumptions of time saving for schools*

Year	Discount Rate	Low benefit estimate		High benefit estimate	
		Benefit	Discounted	Benefit	Discounted
1	1.00	£4,700	£4,700	£9,300	£9,300
2	0.97	£18,500	£17,874	£37,000	£35,749
3	0.93	£18,500	£17,270	£37,000	£34,540
4	0.90	£18,500	£16,686	£37,000	£33,372
5	0.87	£18,500	£16,122	£37,000	£32,243
6	0.84	£18,500	£15,577	£37,000	£31,153
7	0.81	£18,500	£15,050	£37,000	£30,100
8	0.79	£18,500	£14,541	£37,000	£29,082
9	0.76	£18,500	£14,049	£37,000	£28,098
10	0.73	£18,500	£13,574	£37,000	£27,148
<b>Present Value</b>			<b>£145,400</b>		<b>£290,800</b>

#### *Non-Monetised benefits*

The improved clarity resulting from the Plain English supporting guidance may also result in a small reduction in the number of queries directed towards inspectorates and associations in membership of the Independent Schools Council that seek clarity about the standards. It is not possible to estimate the likely size of the reduction in queries at this stage, or whether any measurable administrative or time savings would result from the change, due to lack of central data.



### Net Present Value of Option 3

The discounted present value of the potential one-off additional administrative costs (central estimate) is estimated at £92,400 in 2012 prices. This is the average of the high estimate (£127,200) and the low estimate (£57,800). The discounted present value of the potential benefits (central estimate) is estimated at £218,100 in 2012 prices. This is the average of the high estimate (£291,800) and the low estimate (£145,400).

The table below shows the low, high and central estimate of the net present values of Option 3. The best estimate of the NPV (£125,700) is calculated by taking the best estimate of the total costs away from the best estimate of the total benefits. The low estimate of the NPV is negative at £18,200. This estimate involves taking the high estimate of the costs are taken from the low estimate of the benefits. The high estimate of the NPV is £234,000. This is estimated by subtracting the low cost estimate from the high benefit estimate.

In all NPV estimates the discounted net present value is marginally positive as the discounted benefits of this option outweigh its discounted costs – in respect of the monetisable costs and benefits. These figures are indicative and reflect the fact that we believe that option 3 would only slightly reduce regulatory burdens associated with having to read and consult more guidance on top of the existing regulations.

	Costs	Benefits	Net Present Value
Low NPV Estimate	£127,200	£145,400	£18,200
High NPV Estimate	£57,800	£291,800	£234,000
<b>Central NPV Estimate</b>	<b>£92,400</b>	<b>£218,100</b>	<b>£125,700</b>

Note: the NPV figures in the table are rounded to 4 significant figures.

### Relative Value for Money of the Options

The monetisable costs and benefits of Options 2 and 3 were assessed against Option 1 (the 'Do Nothing' Option). The components of the net present value of each option are described below, and the net present values are presented in the table below for comparison.

Option 2: The best estimate of the net present value of this option is £2,231,000, compared to doing nothing. The findings suggest that the proposed regulatory changes are likely to have an aggregate net benefit.

Option 3: The net present value of this option is estimated to fall within a range of £18,200 to £234,000 in 2012 prices, with a central NPV of £125,700 compared to doing nothing. The findings suggest that the proposed regulatory changes are likely to have an aggregate net benefit.

**This comparative analysis should be treated with a high degree of caution due to the number of uncertain assumptions** that are needed to estimate the net present values. The analysis shows option 3 is not expected to have sizeable monetisable impacts on independent schools. Option 2 has a larger aggregate positive impact on schools, largely because of the additional benefits from allowing the electronic communication of information. However, this figure is dependent on an estimate of the annual benefit derived from allowing schools to provide information electronically rather than physically. In the consultation paper schools will be asked not only whether the facility to communicate electronically would be helpful but also to substantiate this by quantifying postal savings. Due to uncertainty over the assumptions caution is needed with this NPV estimate. The figures do tentatively suggest - in terms of monetisable costs and benefits – that option 2 is likely to reduce some of the administrative burdens on independent schools, and will do so to a greater extent than option 3. Therefore, on this analysis, option 2 is the preferred option.

	Option 2 Net Present Value	Option 3 Net Present Value
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Low Estimate		£2,219,000	£18,300
High Estimate		£2,243,000	£234,000
<b>Central Estimate</b>		<b>£2,230,000</b>	<b>£125,700</b>

## Summary and Preferred Option

**Option 2 is preferred as it has a positive central net present value estimate of £2,23,000 (its discounted costs outweigh its discounted benefits), whilst Option 3 has a smaller positive central net present value estimate.**

The ISS aim to ensure that all registered independent schools in England offer their pupils a safe and secure environment and suitable educational opportunities, which match pupils' age, aptitude and special needs. The standards are used as the basis of an inspection framework and schools which fail to meet the standards risk being removed from the register of independent schools, which would mean closure or prosecution if the school continued to operate without registration.

Our preferred option is Option 2, since it delivers a number of important improvements over the current arrangements, without complicating matters by producing additional guidance that schools would need to consult in order to understand existing regulations. Schools and inspectors will benefit from an improved understanding of their requirements to meet and assess compliance with the standards. Schools will be directed to up to date guidance and will be encouraged to do more to prevent extremism.

The proposed revised standards will be put out for consultation in March 2012, with the aim of laying regulations to come into force for September 2012.

## Post-Implementation Review

The policy will be reviewed in September 2016. The basis of the review will be to ensure that changes to Part 2 have achieved their purpose in addressing extremism where found in the curriculum and/or teaching and also to review the operation of the new welfare premises standard. Consideration will also be given to the effectiveness of the provisions allowing electronic transmission of information to parents.



## **Annex – Description of the standards**

There are seven Parts covering different areas within Schedule 1 of the ISS regulations. The standards are contained within the seven Parts.

Part 1 covers the quality of education provided.

Part 2 relates to the spiritual, moral, social and cultural development of pupils.

Part 3 relates to the welfare, health and safety of pupils at the school.

Part 4 relates to suitability of staff, supply staff and proprietors.

Part 5 relates to the suitability of premises and accommodation at schools and this links into the School Premises Regulations 1999.

Part 6 covers provision of information and specify what policies and information should be made available to pupils, parents, the secretary of the state and inspectorates.

Part 7 covers handling of complaints.