Title: Overarching Impact Assessment for the Education Bill 2011

Lead department or agency: Department for Education

Other departments or agencies: Department for Business, Innovation and Skills

Impact Assessment (IA)

IA No: 
Date: 10/01/2011
Stage: Provisional
Source of intervention: Domestic
Type of measure: Primary legislation
Contact for enquiries: Ollie Clarke education.bill@education.gsi.gov.uk 0870 000 2288

Summary: Intervention and Options

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

The Government’s aim is to reform the school system in order to raise standards in every school, close the educational attainment gap between rich and poor, and ensure our education system can match the best in the world.

The Schools White Paper¹ set out how we are falling behind in the international league table of educational performance compared to competitor countries. The most recent PISA survey – the international league tables of school performance – reported that since 2000 we have fallen from fourth to sixteenth in science, seventh to twenty-fifth in literacy, eighth to twenty-eighth in maths.

OECD and Unicef studies underline that we have one of the most unequal educational systems in the world, coming near bottom out of 57 for educational equity with one of the biggest gulfs between independent and state schools of any developed nation. Given that the UK spends above the OECD average on school education,² this is economically wasteful and socially unacceptable.

The drive to extend opportunity and raise standards for the most disadvantaged is motivated by a sense of social justice, but also by the economic need to ensure that our school leavers are equipped to compete with their peers across the world.

The majority of the provisions in the Bill are deregulatory in character, precisely because government intervention at the current level is not necessary or desirable. The best-performing and fastest-improving education systems around the world combine high levels of autonomy for teachers and schools with high levels of accountability for pupil attainment.³

² OECD Education at a Glance 2010
What are the policy objectives and the intended effects?

The Education Bill has four key themes:

- Good behaviour and discipline: we will ensure that professionals in schools and colleges have the authority and powers to tackle poor behaviour, so that all children can learn;
- Accountability: we will sharpen accountability for raising educational standards, giving parents a greater role in the system and ensure that those education functions carried out nationally are accountable through Ministers to Parliament;
- Freedom: trusting professionals to innovate and improve in order to meet the needs of individual pupils, by removing bureaucracy and detailed government prescription; and making it easier for new providers to establish schools; and
- Using Resources fairly: narrowing the gap between the attainment of children from rich and poor backgrounds, for example by ensuring disadvantaged two year-olds can get the benefits of early years provision.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

- For each of the measures in the Bill, we have considered options. Where it is proportionate to do so, we have summarised our considerations in the evidence section below.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed 01/2016

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

Ministerial Sign-off

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: [Signature] Date: 28 January 2011
## Summary: Analysis and Evidence

**Policy Option 1**

### Description:

<table>
<thead>
<tr>
<th>Price Base Year</th>
<th>PV Base Year</th>
<th>Time Period Years</th>
<th>Net Benefit (Present Value (PV)) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>Low: n/a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High: n/a</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Best Estimate: n/a</td>
</tr>
</tbody>
</table>

#### Costs (£m)

<table>
<thead>
<tr>
<th></th>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant Price)</th>
<th>Total Cost (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td><strong>Best Estimate</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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

Given the scope and content of the Education Bill, it is not possible to summarise the monetised costs by main affected groups. The single largest cost is the £2.36bn investment in the free childcare entitlement for disadvantaged two year olds.

### Other key non-monetised costs by ‘main affected groups’

Given the scope and content of the Education Bill, it is not possible to summarise the non-monetised costs by main affected groups. The costs of individual policies are fully described in the evidence section. Please refer to it for further details.

#### Benefits (£m)

<table>
<thead>
<tr>
<th></th>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant Price)</th>
<th>Total Benefit (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low</strong></td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
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<tr>
<td><strong>High</strong></td>
<td>Optional</td>
<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td><strong>Best Estimate</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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

Given the scope and content of the Education Bill, it is not possible to summarise all of the monetised benefits by main affected groups. Where possible, these have been estimated for individual policies and are summarised in the evidence section.

Monetised benefits accrue primarily due to increased attainment with a positive impact on lifetime earnings. However, because the impact of the policies on lifetime earnings is often indirect, many of the expected benefits, such as those relating to reforms to behaviour policies, cannot reliably be monetised. Similarly many of the policies are designed to devolve decisions to a more local level, and the benefits are dependent on those decisions. The three most significant benefits that we have been able to monetise are given below.

We estimate that the time-savings associated with a number of the measures to reduce bureaucracy will amount to around £36m discounted over ten years, we estimate that the abolition of the QCDA saves £555m discounted over ten years, abolition of the GTCE saves £74m discounted over ten years, and we estimate that the changes to Ofsted’s role will save £40m discounted over ten years.

### Other key non-monetised benefits by ‘main affected groups’

Given the scope and content of the Education Bill, it is not possible to summarise the non-monetised benefits by main affected groups, but the benefits of individual policies are fully described in the evidence section. Please refer to it for further details.

### Key assumptions/sensitivities/risks

<table>
<thead>
<tr>
<th>Discount rate (%)</th>
<th>3.5%</th>
</tr>
</thead>
</table>

A number of risks have been noted for particular policies and these are summarised in the evidence section below. A number of key assumptions used in monetising costs and benefits such as the value of time and the financial returns to high attainment due to increased lifetime earnings are outlined in more detail in Annex 2.
<table>
<thead>
<tr>
<th>Impact on admin burden (AB) (£m): n/a - the Bill is primarily deregulatory and affecting the public sector</th>
<th>Impact on policy cost savings (£m): n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>New AB: n/a</td>
<td>AB savings: n/a</td>
</tr>
</tbody>
</table>

**Enforcement, Implementation and Wider Impacts**

<table>
<thead>
<tr>
<th>What is the geographic coverage of the policy/option?</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>From what date will the policy be implemented?</td>
<td>After Royal Assent of the Bill</td>
</tr>
<tr>
<td>Which organisation(s) will enforce the policy?</td>
<td>In the very few cases where the Bill’s provisions require enforcement, it will be minimal, and will be done by the Department or the Courts.</td>
</tr>
<tr>
<td>What is the annual change in enforcement cost (£m)?</td>
<td>Net reduction. Most of the Bill’s provisions are deregulatory. We are reducing by £5m pa the costs associated with Ofsted inspections (see p.25).</td>
</tr>
<tr>
<td>Does enforcement comply with Hampton principles?</td>
<td>Yes. We are making inspection by Ofsted more proportionate to risk and more targeted at schools’ core role (see p.25).</td>
</tr>
<tr>
<td>Does implementation go beyond minimum EU requirements?</td>
<td>n/a</td>
</tr>
<tr>
<td>What is the CO₂ equivalent change in greenhouse gas emissions? (Million tonnes CO₂ equivalent)</td>
<td>Traded: Nil</td>
</tr>
<tr>
<td>Does the proposal have an impact on competition?</td>
<td>Yes – Several provisions aim to increase competition</td>
</tr>
<tr>
<td>What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?</td>
<td>Costs:</td>
</tr>
<tr>
<td>Annual cost (£m) per organisation (excl. Transition) (Constant Price)</td>
<td>Micro</td>
</tr>
<tr>
<td>Are any of these organisations exempt?</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>

**Specific Impact Tests: Checklist**

<table>
<thead>
<tr>
<th>Does your policy option/proposal have an impact on…?</th>
<th>Impact</th>
<th>Page ref within IA</th>
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</thead>
<tbody>
<tr>
<td><strong>Statutory equality duties</strong>⁴</td>
<td>No</td>
<td>See Equia</td>
</tr>
</tbody>
</table>

⁴ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Act comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.
### Economic impacts

<table>
<thead>
<tr>
<th>Competition</th>
<th>Competition Assessment Impact Test guidance</th>
<th>Yes</th>
<th>See sections on charging for early years education (8), Ofqual (17), 16-19 Academies (32) and alternative provision Academies (33).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small firms</td>
<td>Small Firms Impact Test guidance</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

### Environmental impacts

| Greenhouse gas assessment | Greenhouse Gas Assessment Impact Test guidance | No  |                                                                                                                                 |
| Wider environmental issues | Wider Environmental Issues Impact Test guidance | No  |                                                                                                                                 |

### Social impacts

| Health and well-being | Health and Well-being Impact Test guidance | No  |                                                                                                                                 |
| Human rights          | Human Rights Impact Test guidance          | No  | See ECHR memo                                                                                                                     |
| Justice system        | Justice Impact Test guidance               | Yes | See Justice Impact Tests                                                                                                          |
| Rural proofing        | Rural Proofing Impact Test guidance        | No  |                                                                                                                                 |

### Sustainable development

| Sustainable Development | Sustainable Development Impact Test guidance | No  |                                                                                                                                 |

* For non-monetised benefits please see summary pages and main evidence base section
## Evidence Base

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<td>Replace Independent Appeal Panels with Independent Review Panels</td>
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<td>Repeal of requirement to give notice of detention to parent</td>
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<td>Repeal of duty to enter into a behaviour and attendance partnership</td>
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<td>Abolition of the Training and Development Agency for Schools</td>
<td>14</td>
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<tr>
<td>Abolition of the School Support Staff Negotiating Body</td>
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<td>Staffing of maintained schools: suspension of delegated budget</td>
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<td>Reforms to Ofqual</td>
<td>17</td>
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<tr>
<td>Abolition of the Qualifications and Curriculum Development Agency</td>
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<td>Careers education and guidance</td>
<td>18</td>
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<td>Repeal of the diploma entitlement</td>
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<th>Part 5: Educational Institutions: Other Provisions</th>
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<td>Permit charging for additional nursery education</td>
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<td>Repeal of duties on further education college governing bodies</td>
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</tr>
<tr>
<td>Repeal change of name for pupil referral units</td>
<td>32</td>
</tr>
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<th>Part 6: Academies</th>
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<tr>
<td>Academies provisions</td>
<td>32</td>
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<tr>
<td>Allow 16-19 academies</td>
<td>32</td>
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<td>Alternative Provision academies</td>
<td>33</td>
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<td>Part 7: Post-16 education and training</td>
<td></td>
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<td>--------------------------------------</td>
<td></td>
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<tr>
<td>Abolition of the YPLA</td>
<td>34</td>
</tr>
<tr>
<td>Changes to the apprenticeship offer</td>
<td>35</td>
</tr>
<tr>
<td>Consultation in relation to skills funding</td>
<td>36</td>
</tr>
<tr>
<td>Changes to the skills entitlement</td>
<td>36</td>
</tr>
<tr>
<td>Prevent automatic commencement of enforcement of rise in the participation age</td>
<td>36</td>
</tr>
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<table>
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<tr>
<th>Part 8: Student Finance</th>
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</thead>
<tbody>
<tr>
<td>Interest rates on student loans</td>
</tr>
<tr>
<td>Cap on fees for part-time courses</td>
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<tr>
<th>Part 9: Wales</th>
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<tbody>
<tr>
<td>Powers of National Assembly for Wales</td>
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<table>
<thead>
<tr>
<th>Part 10: General</th>
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<tbody>
<tr>
<td>No Impact Assessment required.</td>
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**Introduction**

The Schools White Paper *The Importance of Teaching* and the Department for Business, Innovation and Skills’ strategy document, *Skills for Sustainable Growth* set out the Government’s vision for schools and colleges. We have published economic impact assessments to accompany those documents. The Education Bill will take forward the legislative commitments in the Schools White Paper and the proposals in the Skills White Paper relating to colleges and the Skills Funding Agency. Two elements of the reforms to higher education funding will also feature in the Bill.

This economic impact assessment draws together in one place the reasons for legislative change and the impact of the measures in the Bill, focusing on those with the greatest costs and/or benefits. The implementation of these measures is, of course, subject to parliamentary approval, but we expect to receive Royal Assent to the Bill in Autumn 2011.

**Introduce a two year old entitlement to free childcare**

**Rationale for Intervention**

There is an achievement gap between the most disadvantaged children and their peers. For example, in 2009 only 35% of children eligible for free school meals achieved a good level of development at age 5, compared to 52% nationally.\(^5\) This achievement gap persists as children move through the education system.

One way of improving disadvantaged children’s educational development would be to increase their access to high quality childcare, particularly since they are currently much less likely to attend childcare than their peers\(^6\). The evaluation of the Early Education for two year old children pilot\(^7\) aimed at disadvantaged children found that for children who attended high quality childcare\(^8\) settings at age two years old, there was a positive impact on language ability and on parent-child relationships. The Effective Pre-School Education Study (2004)\(^9\) provides further evidence of the benefits of early entry into childcare, including greater cognitive gains and peer sociability, particularly where the childcare quality is high. Using data from the 1970 Birth Cohort Study, Feinstein (2003)\(^10\) found that intellectual and personal development of children at 22 months is a good predictor of educational qualifications at age 26. Taken together, the evidence suggests early education could help increase educational attainment in later life. Higher attainment is associated with increased lifetime earnings and employment prospects.

Government intervention is necessary to fund childcare for disadvantaged two year olds, and to put a legal duty on LAs to ensure the childcare provision is available.

**Options**

Three options were considered:

1. Do nothing and retain the 20,000 free childcare places currently available.

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5 Department for Children, Schools and Families (DCSF) 2010a. Early Years Foundation Stage Profile Achievement by Pupil Characteristics, England 2008/09. Statistical First Release 03/10
8 No impact was detected for childcare as a whole.
2. Enable LAs able to offer places to the neediest two year olds in their area, but without there being any legal entitlement or duty.
3. Legally require LAs to ensure the 20% most disadvantaged two year olds are able to access 15 hours of early education per week, and fund them accordingly. This is the preferred option.

Costs

To government

The estimate of the cost to government of this policy is produced on the basis that:
1. These children are offered 15 hours a week free childcare for 38 weeks of the year.
2. The estimated cost per hour of childcare for two year olds is £6.00 in London and £4.85 outside London. This is based on funding rates in the Early Education for 2 year old children pilot.
3. It is assumed in the central cost estimate that parents of 80% of two year olds who meet the entitlement criteria will choose to take up the offer. Lower and upper cost estimates have been produced under assumptions of 70% and 90% respectively.
4. In 2014/15, when the free entitlement is fully rolled out, it is estimated that there will be approximately 657,000 two year olds, 131,000 of which can be considered the 20% most disadvantaged. Based on the IDACI deprivation measure, we estimate that 34,000 of these two year olds will be living in London, and 97,000 living outside London.

Costs in 2014/15 are estimated to be as follows:

<table>
<thead>
<tr>
<th></th>
<th>Lower</th>
<th>Mid</th>
<th>Upper</th>
</tr>
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<tbody>
<tr>
<td>London</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of 2 years olds entitled to free childcare</td>
<td>34,000</td>
<td>34,000</td>
<td>34,000</td>
</tr>
<tr>
<td>Number of 2 years taking up the free childcare</td>
<td>24,000</td>
<td>27,000</td>
<td>31,000</td>
</tr>
<tr>
<td>Annual cost of childcare per 2 year old</td>
<td>£3,400</td>
<td>£3,400</td>
<td>£3,400</td>
</tr>
<tr>
<td>Total cost of entitlement in London</td>
<td>£82m</td>
<td>£94m</td>
<td>£105m</td>
</tr>
<tr>
<td>Outside London</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of 2 years olds entitled to free childcare</td>
<td>97,000</td>
<td>97,000</td>
<td>97,000</td>
</tr>
<tr>
<td>Number of 2 years taking up the free childcare</td>
<td>68,000</td>
<td>78,000</td>
<td>87,000</td>
</tr>
<tr>
<td>Annual cost of childcare per 2 year old</td>
<td>£2,800</td>
<td>£2,800</td>
<td>£2,800</td>
</tr>
<tr>
<td>Total cost of entitlement outside London</td>
<td>£188m</td>
<td>£215m</td>
<td>£242m</td>
</tr>
<tr>
<td><strong>Total cost of entitlement in England as a whole</strong></td>
<td><strong>£270m</strong></td>
<td><strong>£308m</strong></td>
<td><strong>£347m</strong></td>
</tr>
</tbody>
</table>

Costs in 2010 prices. Figures might not sum due to rounding

The same methodology has been used to estimate the costs of providing childcare for the free entitlement for the 10 year period covering 2014/15 to 2023/24

<table>
<thead>
<tr>
<th></th>
<th>Lower</th>
<th>Mid</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual cost</td>
<td>£276m</td>
<td>£315m</td>
<td>£354m</td>
</tr>
<tr>
<td>Total cost 2014/15 to 2023/24</td>
<td>£2.76bn</td>
<td>£3.15bn</td>
<td>£3.54bn</td>
</tr>
<tr>
<td><strong>Total present value cost 2014/15 to 2023/24</strong></td>
<td><strong>£2.06bn</strong></td>
<td><strong>£2.36bn</strong></td>
<td><strong>£2.65bn</strong></td>
</tr>
</tbody>
</table>

Costs in 2010 prices. Figures might not sum due to rounding

Benefits

To children who meet the criteria for the free entitlement:

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Two year olds who attend childcare due to the entitlement are expected on average to reach a higher level of educational development as a result, since high quality early years education is linked to higher cognitive and non-cognitive development at age 10. This in turn will increase educational attainment in later life and lead to higher lifetime income and improved employment prospects.

The majority of children receiving the entitlement would not otherwise have received any formal early education. Survey evidence suggests that only 43% of two year olds in the most deprived quintile receive formal childcare provision, compared to 72% of children in the least deprived quintile.

To Parents who meet the criteria for the free entitlement

Parents who would not previously have accessed early education will have the benefit of additional free time and may find it easier to seek employment. Parents who previously would have paid for their children to attend early education will save up to £3,420 per year.

To Early years providers

The free entitlement will mean an increase in the number of two year olds in childcare. This will mean increased business for providers who choose to participate. There will also be increased certainty of continued business for childcare providers participating in the pilot.

Risks and Assumptions

Only the highest quality early education has a positive impact on disadvantaged children’s outcomes. There is a risk that there will be insufficient availability of high quality childcare, especially since provision is generally poorer in deprived areas. Funding is, however, available to enable LAs to support providers to improve their quality.

The hourly rates above include training costs. However, it is not yet clear how much training and how many qualifications staff providing the two year old entitlement will be required to have. Before secondary legislation is introduced, these cost estimates may need refining.

Negative economic growth would increase the number of low-income families, making more children eligible and leading to a rise in costs.

Monitoring and evaluation

Provision of free nursery places for disadvantaged two year olds was piloted from 2006 – 2008 and a full evaluation was published in 2009. The roll out of the entitlement will take into account the findings of this evaluation as well as insights from LAs who will be trialling new approaches to delivery of the entitlement from April 2011. It is likely that LAs will be required to publish some information to enable parents and providers to hold them to account. We envisage that this data will be published in a form that will enable us to create a national picture of delivery. We may for example ask LAs to publish the following:-

- the number of free childcare places for disadvantaged 2 year olds that the LA is providing;
- the percentage of places provided (and filled) as a proportion of the target 2 year old place provision.

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14 2009 Childcare and Early Years Survey of Parents.
population locally;

- how many of the places that that have been taken up are in good or outstanding settings.

**Broaden teachers’ powers to search pupils for items that are banned by the school rules**

These provisions do not require an impact assessment as the costs and benefits involved are below £5m and affect the public sector.

**Replace Independent Appeal Panels with Independent Review Panels**

These provisions do not require an impact assessment as the costs and benefits involved are below £5m and affect the public sector.

**Remove the requirement to give 24 hours notice of a detention**

**Rationale for Intervention**

Ensuring that teaching is an attractive career that attracts and retains graduates of the highest calibre is crucial to raising standards in education. Poor pupil behaviour and ill-discipline is one of the main reasons teachers cite for leaving the profession. The current requirement to give parents 24 hours notice of detention can encourage pupils and parents to challenge teachers over discipline, diminishing their authority.

We therefore want to remove the legal duty that requires teachers to give 24 hours notice before detention and help prevent teachers’ authority to deal with persistently disruptive pupils from being undermined. This change will allow them, where appropriate, to issue detentions for the end of the same school day as the misbehaviour occurred.

The removal of this requirement will also free schools of the bureaucratic burden of giving written notice for detention.

**Costs**

There may be additional costs in terms of teacher or administration staff time where schools decide to enforce same-day detentions and contact parents by telephone to inform them of the punishment and/or to discuss with them why a same-day detention is appropriate; however these are thought to be minimal.

**Benefits**

Enabling teachers to use detentions to deal with misbehaviour more swiftly and effectively will improve standards of behaviour. There is evidence from surveys of pupils that detention is an effective deterrent, and can be successful in reducing persistently disruptive behaviour.

The consequences of this will be:

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17 Infantino and Little (2005),

• Improvements in the motivation, recruitment and retention of teachers;\(^{19}\)
• Lower rates of exclusion: more credible and punishing penalties for bad behaviour are likely to decrease the rate of exclusions, which have significant costs for the individual pupil and for society (in terms of crime etc);\(^{20}\)
• Reductions in the need for and therefore cost of alternative provision;
• A decrease in the amount of teacher time lost due to dealing with poor behaviour;\(^{21}\) and
• Improved attainment for pupils whose education may otherwise have been disrupted.

Where schools decide it is not necessary to give notice or can do so in a less costly manner they may benefit from reduced administrative costs associated with producing written notice. It could also lead to a reduction in the amount of time spent by school staff preparing written notice for parents.

Risks

Teachers will of course need to use judgement in issuing same-day detentions, to safeguard the welfare of pupils and their families, including where pupils have caring responsibilities. Where same-day detentions are issued there may be additional costs to parents in making alternative travel arrangements (though these may be the same irrespective of the amount of notice).

Abolish the General Teaching Council for England (GTCE) and enable the Secretary of State to carry out its functions relating to serious professional misconduct and barring in a more efficient and effective way

Rationale for Intervention

The GTCE is the body responsible for regulating the teaching profession in England. As an arm’s-length body, the GTCE is not directly accountable to ministers, so there is less effective scrutiny of the efficiency and effectiveness with which it performs its functions than there would otherwise be.

In addition, the current arrangements for registering and regulating teachers, and barring them where necessary, are too complex and bureaucratic, and they make it difficult for head teachers to deal swiftly and effectively with teacher misconduct and incompetence.

We want to make the regulation of teachers directly accountable to Ministers and Parliament by abolishing the GTCE, and we want to scale back the current level of government intervention. As we implement new arrangements for teacher regulation, we will streamline the current performance management and disciplinary systems, remove unnecessary bureaucracy in the system and make it less burdensome for heads to deal effectively with teacher misconduct or incompetence. In particular, instead of requiring every teacher to register, we will maintain a list only of those teachers who have been barred from the profession.

Costs

The GTCE will continue until 31st March 2012. The direct costs associated with closure are

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\(^{19}\) Ashby et al. (2008), NFER (2008), MORI (2003) and Teachers TV (2007).


\(^{21}\) The 2009 Teaching and Learning International Survey (TALIS) of 23 countries, estimated that around 30% of teaching time is lost due to poor pupil behaviour (OECD, 2009)
estimated by the GTCE to be £15m in 2012-2013, of which the Department will cover £8m and the GTCE £7m.

There may be some additional, albeit minimal costs, to maintained and independent schools and sixth forms in complying with the new arrangements. Schools will need to (i) understand the new arrangements, (ii) check the barred list and (iii) consider whether to refer a case to the Secretary of State. The time taken for (i) and (ii) is expected to be negligible. Some Independent Schools and sixth forms may need to spend additional time considering whether to refer cases to the Secretary of State, if previously they did not operate under GTCE arrangements, but now they will be required to do so.

If we assume referral rates are similar in the maintained and independent sectors, we can expect the maintained sector to make approximately 84 referrals per year. If we assume that half of independent schools participate in the existing arrangements, there will be an additional cost associated with approximately 42 referrals. Using salary costs from the maintained sector, and assuming consideration of a referral take half a day of senior staff time, total discounted costs between 2012 and 2021 for the independent sector are £85k.

Similarly, some sixth form colleges will be affected by the new arrangements, if they were not previously operating under GTCE arrangements. Equivalent assumptions suggest the number of additional referrals would be ten at a discounted cost between 2012 and 2021 of £13k.

The total discounted costs associated with the abolition of the GTCE are therefore £15m.

Benefits

The GTCE is currently funded indirectly by the Department, in that it refunds the approximately 500,000 teachers who register with the GTCE each year. These refunds were projected to amount to £19m per year after 2011-2012. Taking over residual GTCE functions, primarily teacher regulation, will require approximately £8m per year. The Department will therefore make annual savings of £11m from 2012-2013, and between 2012-2013 and 2019-2020, we estimate the total discounted benefits to be £74m. The additional cost to the Department of producing a list of those barred from the profession is expected to be negligible.

As far as it can be monetised, the net present value is therefore estimated to be £59m.

Further benefits derive from the associated changes to the arrangements for the regulation of teachers. For example, head teachers will save some of the time taken up by the current systems for performance management and capability procedures; and there will no longer be a need for every teacher to be registered with the GTCE and for that information to be regularly updated.

Risks

There is a risk that schools may initially find it more difficult to access information about teachers once the current GTCE ‘catch-all’ registration system has gone. Careful management and effective communication of changes to the functions performed by the GTCE will mitigate this risk.

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22 Estimated figure based on DfE internal analysis of GTCE paybill data
**Introduce restrictions on reporting on allegations against teachers before they are charged**

**Rationale for Intervention**

Attracting and retaining excellent teachers, and giving them the authority they need to do their job are crucial parts of the Government’s efforts to raise standards. Teachers are currently at risk of being named publicly when allegations which are later found to be malicious or unfounded are made against them by pupils. At present there is no provision in legislation preventing the media from publishing information identifying teachers against whom allegations have been made. Government intervention is required to give teachers a legal right to anonymity from allegations made by pupils until the point they are charged with a criminal offence.

**Costs**

There will be small costs to editors and journalists in relation to the time it takes for them to understand the new provisions.

**Benefits**

Benefits will include a reduction in the number of teachers suffering the consequences of unfounded allegations on their personal and professional lives. Evidence indicates that only a very small number of teachers have been identified in the local press when false allegations have been made against them but, for the individual teachers affected, the benefits would be substantial. There will also be an impact arising from the increased sense of security this measure will deliver for all teachers.

This policy should make teaching a more attractive profession and reinforce teachers’ authority to ensure discipline in the classroom and give them the powers they need to deal with misbehaviour by pupils. This should benefit pupils, the school system and teachers. There may also be a reduction in the costs associated with having to replace teachers who leave the profession.

**Abolish the Training and Development Agency (TDA) for schools and transfer its functions to the Secretary of State**

**Rationale for Intervention**

The TDA is responsible for the training and development of the school workforce, one of the most important functions within the education system. As an arm’s-length body, the TDA is not directly accountable to ministers, so there is less effective scrutiny of the efficiency and effectiveness with which it performs its functions than there would otherwise be.

Government intervention is therefore necessary to abolish the TDA and make its functions directly accountable to Ministers and Parliament. This change will enable more effective scrutiny of the TDA’s functions, which carry significant costs and are of vital importance to education standards, and should allow Ministers to identify areas where they can be delivered more efficiently and effectively.

This impact assessment deals primarily with the abolition of the TDA. We will consider further the impact of any changes to the way its functions are carried out in due course, for example, when we publish for consultation our detailed proposals for initial teacher training.

**Costs**
The main cost is from redundancy payments for staff in TDA corporate functions such as HR, finance, communication and facilities management. Our best estimate of the total discounted cost is £2.2m.

**Benefits**

Transferring functions back to the Department will lead to significant savings in areas such as finance, HR, communications and facilities management. In total we estimate that these functions cost £6m p.a., so modelling a 40 per cent reduction gives us a best estimate cost saving of £2.4m p.a. There will also be annual cost savings from abolishing the TDA board and bringing senior staff salaries in line with the Department’s pay scales. We estimate these to be £200,000 p.a. The total annual monetised benefits therefore amount to £2.6m and the total benefit discounted over ten years is £20.9m.

Bringing the TDA’s functions back under direct ministerial scrutiny also provides the potential to make efficiencies, prioritise the functions that need to continue and streamline services so that the most cost-effective delivery of the key priorities is secured in the longer term.

**Risks and Assumptions**

Robust programme management, human resources and governance arrangements have been established to oversee arm’s-length body transition and associated risks, including managing transfer of functions from TDA to the Department.

**Abolish the School Support Staff Negotiating Body (SSSNB)**

Since its establishment, the SSSNB has not implemented any initiatives to change the way that the pay of support staff is decided. The costs and benefits of its abolition therefore relate only to its running costs, which are very small. It is of course possible that the SSSNB might have agreed a national pay agreement with the government that would have implied costs or benefits for support staff, schools, LAs and the Department. However, any analysis of these costs and benefits would have to make assumptions, without evidence, about what the impact on pay may have been. This was not deemed appropriate so a full impact assessment has not been conducted.

**Staffing of maintained schools: suspension of delegated budget**

These provisions do not require an impact assessment as the costs and benefits involved are minimal and affect the public sector.

**Require schools to take part in international comparison tests, when they are selected**

**Rationale for intervention**

International comparisons enable judgements to be made about the relative progress of the UK schools system in raising standards, and indicate where there may be scope for improving faster.23 The main method of collecting such data is via sample-based international comparisons studies using specially developed tests and questionnaires; England tends to experience problems reaching the required participation rates, despite offering a package of attractive incentives. Failure to meet response rates invalidates results and wastes money. The

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23 The Case for Change (Department for Education, November 2010 (Ref: DFE-00564-2010))
Government is therefore intervening to require that all sampled schools participate in the relevant study. This would ensure access to a regular and consistent supply of valid and reliable international comparisons data, to measure the progress of our system against the best in the world.

**Costs**

We propose to retain the current incentive payments in recognition of the fact that selected schools are being asked to undertake extra work and of the difficulty of enforcing participation. These payments are currently £1000 per secondary and £500 per primary school. There will therefore be an additional cost to the Department associated with an increase in the number of schools participating in the studies.

There will be a cost for those additional schools who participate in the studies. They will need to spend time, organising the test and its invigilation, completing a background questionnaire and, for some studies, a teacher questionnaire. The payments should help compensate these costs.

Over the next decade, there will be three PISA studies (2012, 2015 and 2018), three TIMMS studies (2011, 2015 and 2019), two PIRLS studies (2011 and 2016), and two TALIS studies (2013 and 2017). Considering the amount of teacher time needed to administer these tests, and allowing for expected sample sizes and rates of completion, we have estimated the average annual cost over the next decade in constant prices of making the studies compulsory as around £50,000 p.a. and the present value of the total cost over ten years as around £350,000.

**Benefits**

The approximate cost of conducting each study plus international participation fees are set out in the table below.

<table>
<thead>
<tr>
<th>Study</th>
<th>Cost of conducting</th>
<th>Participation fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>PISA</td>
<td>£1.5m</td>
<td>£800,000</td>
</tr>
<tr>
<td>TIMMS</td>
<td>£1m</td>
<td>£200,000</td>
</tr>
<tr>
<td>PIRLS</td>
<td>£500,000</td>
<td>£120,000</td>
</tr>
<tr>
<td>TALIS</td>
<td>£500,000 (estimated)</td>
<td>£120,000</td>
</tr>
</tbody>
</table>

Based on previous surveys and existing participation rates we assume that, without compulsion, a conservative estimate of the probability of UK data for a future study being invalidated is around 20 per cent for secondary schools, and 10 per cent for primaries. On this basis, we have estimated the average annual benefit over the next decade of making the studies compulsory as £250,000 and the total present value benefits over the next 10 years as £2.1m. Therefore, overall it can be estimated the net benefit of the policy over the next 10 years is around £1.8m.

**Risks and Assumptions**

We have had to base our estimate of the monetised benefits of these changes on the costs associated with the studies. This approach is likely to underestimate the benefits, as it cannot take account of the non-monetised benefits associated with having access to reliable data about the performance of the education system, which are set out in our rationale for intervention.
Reforms to Ofqual: strengthen governance and increase focus on international standards

These provisions do not require an impact assessment as the costs and benefits involved are minimal and affect the public sector.

Abolish the Qualification and Curriculum Development Agency (QCDA), with some functions falling to the Secretary of State

Rationale for Intervention

The QCDA is the arm’s-length body responsible for developing the curriculum, improving and delivering assessments, reviewing and reforming qualifications, and supporting their delivery in schools and colleges. As an arm’s-length body, the QCDA is not directly accountable to ministers, so there is less effective scrutiny of the efficiency and effectiveness with which it performs its functions than there would otherwise be.

It is inefficient and bureaucratic for central government to perform all of the QCDA’s current functions. The private sector, in the form of Awarding Organisations, is better placed to perform functions such as qualification development, and can be more responsive to demand. We therefore intend to abolish the QCDA and scale back government intervention in this area. Central government will in future only carry out those of the QCDA’s functions where national consistency is essential, such as statutory assessments, and will do so with minimum bureaucracy and direct accountability to ministers.

All of the QCDA’s functions apart from delivery and development of statutory assessment and some support to Exam delivery (including the Diploma) are being wound up by spring 2011. Its function of developing and delivering statutory assessment will be transferred to an executive agency within the Department. This transfer should be completed by Autumn 2011.

Costs

Direct costs will include approximately £7m relating to the cost of redundancy settlements for expected job losses, and approximately £5m relating to the cost of setting up the executive agency.

Wider costs will be associated with the economic consequences for the local area in which the QCDA is based.

Benefits

Based on our plans for the structure and remit of the new executive agency, we expect the savings against the original 2010-11 QCDA operating cost budget of £128 million to be £20 million in 2010-11, £52 million in 2011-12, and £73 million per year thereafter. Discounted over ten years, this is a benefit of £555 million.

Making the functions of the QCDA directly accountable to Ministers and therefore to Parliament will lead to more effective scrutiny of those functions, and therefore to more effective and efficient delivery of government priorities.

Withdrawing state intervention from qualification development, and support should mean that Awarding Organisations deliver packages of qualifications which better match the needs of schools and colleges. Removing unnecessary centralisation and bureaucracy around delivering the curriculum will help to free up schools and teachers to use their own expertise in delivering
core requirements in a way that they feel best suits their pupils. Over time, this increased flexibility should be reflected in improvements in standards for pupils.

Replace the duty on schools to provide careers education with a duty to secure access to independent and impartial careers guidance; remove duties on schools regarding how careers education and guidance is delivered

Remove the Secretary of State’s direction making powers in relation to local authority services to promote participation

Rationale for intervention

Young people need up-to-date, relevant and helpful careers advice, information and guidance as they navigate each stage of their education and working lives. Poor careers decisions made early on are difficult to reverse. Only 43% of young people say they have enough information to plan their future. Just over half (52%) of young people in years 6, 8 and 10 say they get enough help making choices and decisions; this drops to 44% for young people in year 10. In other research, only 42% of young people claimed to know at least a ‘fair amount’ about educational options for 14-19 year olds. The choices that young people make at this period of their life can determine their health, wealth and well-being for many years. Poor decisions can carry a significant social cost. The transition from education to employment is one of the most important determinants of social mobility.

Evidence shows inconsistent quality and access to careers education and IAG. It also suggests that the Connexions Service is not consistently providing high quality careers guidance to all young people or value for money. Alan Milburn’s Panel on Fair Access to the Professions identified careers guidance as failing to overcome the effects of social and economic disadvantage on young people. Users of the careers service have also reported that it is not meeting their needs. The preferred option will allow schools, who are most keenly aware of a young person’s needs and circumstances, to secure appropriate careers guidance and give LAs greater flexibility to provide targeted support in a way that meets the needs of local young people.

It will do this by:
- removing the Secretary of State’s direction making powers in relation to local authority services to promote participation and revising guidance on the targeted services we expect local authorities to deliver. These new arrangements will see LAs no longer providing a universal careers guidance offer;
- placing a single, simplified duty on schools requiring them to secure access to independent and impartial careers guidance for all pupils in the third and fourth key stages of their education;
- bringing together guidance resources for young people and adults in an all-age careers service, as a source of expert advice and guidance on careers; and
- reducing bureaucratic provisions to achieve a more efficient, cost-effective service.

Not all of this reform will require changes to primary legislation, but the net effect is a reduction in central government intervention.

Costs

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25 see, for example, Bimrose, 2007; Ofsted, 2010
26 Edge Learners’ Survey 2010
We estimate that there would be some small additional costs in the first two years (£12.5m and £7.5m) associated with workforce development, TUPE transfer and enabling schools to choose from the best providers of guidance.

There will also be a cost to private providers, in that some LAs currently contract out their provision of Connexions services, and these contracts will come to an end.

**Benefits**

The greatest benefit will be to young people through improvements to support which align it more to their needs. All young people should benefit from access to better and more consistent careers guidance which will help them to make the right decisions at key transition points and set them on the road to success in life and work. Refocusing targeted support will benefit the most vulnerable in particular, as they are more likely to struggle with decisions and transitions. It is notoriously hard to determine the impact of improving careers guidance on outcomes. The costs of not helping young people improve their outcomes can potentially be very significant. For example, differences in outcomes for a young person who was not in education, employment or training (NEET), compared to a young person who was, have been valued at an average of £56,000 in public finance costs before retirement age (e.g. welfare payments, cost to health, criminal justice services, loss of tax and national insurance revenue) and the opportunity costs to the economy are even higher. Better careers guidance and targeted support would be expected to help reduce these social costs and enable pupils to make better education and careers choices.

There will also be benefits to providers of careers services. We have not yet decided the procurement model for the all-age careers service but there should be opportunities for existing and new providers, including those from private and voluntary sectors, to tender for the new service in due course. Under the proposed changes many schools are likely to secure access to independent and impartial careers guidance by buying this service from the all-age service or other providers of high quality guidance. This will create choice for schools, although we may impose some quality threshold or kitemarking to guide schools in selecting good providers. The proposed changes to the Secretary of State’s direction making powers are also likely to create opportunities for private and third sector bodies. LAs’ attention will be targeted on the most vulnerable young people, offering opportunities to those organisations - often from the private and voluntary sectors – that work most effectively with such young people.

**Risks**

We are establishing common professional standards and a code of ethics (using recommendations from the Careers Profession Task Force) to mitigate against the risk that the level of service is inconsistent. A modified legal duty on schools and work to re-professionalise the careers profession will help ensure the advice pupils receive is impartial.

**Rationale for Intervention**

Under the previous Government, legislation was introduced giving all young people in England aged 14 - 19 an ‘additional entitlement’. The Government intended that this entitlement would be to any one of the new Diplomas, at whichever level was appropriate for the student, and that the entitlement would take effect from 2013. This placed a duty on every LA (for 14-19 year olds) and all maintained schools (for 14 - 16 year olds) to make every Diploma accessible, regardless of other local priorities or practical constraints. We want to remove this government intervention in local delivery of provision. It would otherwise cause inefficiency in the education
system, by preventing local areas from responding flexibly to local demand and need, in
deciding what provision to make available to young people.

Costs

There are unlikely to be any monetary costs associated with removing the Diploma entitlement.

Benefits

We would expect that LAs would make some cost-savings as a result of no longer having to
ensure that all Diploma lines are available at every level for all 14-19 year olds, regardless of
levels of demand for them. The level of these would depend on local decisions. Schools and
other providers will benefit as they will be able to use their resources more flexibly and
effectively to serve the needs of young people in their area, funding appropriate Diploma
provision only where it is needed. Pupils in turn are expected to benefit from resources being
better targeted on providing courses which best meet their needs.

Risks and Assumptions

The main potential risk of removing the entitlement is that some young people may not be able
to access the particular Diploma provision that they want, if it is not available locally. If the right
provision is not available this could potentially reduce levels of engagement in education, both
for pre-16 pupils and 16-17 year olds once the participation age has been raised to 18 in
2015/16. However, schools and colleges should be taking students’ needs and aspirations into
account in deciding which courses to offer so this should mitigate against this risk.

Monitoring and evaluation

We are monitoring Diploma take-up in 2010-11, but the Government does not want to put
Diplomas in a privileged position, and wants them to sit alongside other qualifications. Diploma
take-up may not be monitored in future years any more than other qualifications. We will of
course, look at how attainment is being raised in schools and what impact giving schools
greater freedom around offering Diplomas has had.

Repeal of duties imposed on governing bodies

Rationale for intervention

Evidence suggests that school and college leaders, teachers and governors feel the cumulative
burden of having to comply with prescriptive statutory requirements, which restrict their freedom
to teach in a way that is best for their pupils and results in excessive workloads for
practitioners27. We want to reduce government intervention and give schools greater autonomy
and reduce the burden. We propose to repeal five duties and regulatory requirements, and
prevent the commencement of a duty that was due to come into force in September 2010. This
is in addition to other deregulatory measures dealt with elsewhere in this Impact Assessment.

The objective of this policy is to remove unnecessary bureaucratic burdens, reduce central
prescription and give schools and colleges greater freedom to decide for themselves what is
best for their pupils and students. We aim to reduce the amount of time schools and colleges

49 Evidence base: NASUWT Workload Audit (2008 and 2009); Merits Committee Report (2009); IRU Review of Obstacles
(2009); Better Regulations Executive: ‘Regulation – Less is More. Reducing Burdens, Improving outcomes’ (2010);
Operational Efficiency Programme (Treasury, 2009), New Relationship with School: Next Steps (2005); ‘Understanding the
reasons why schools do or do not engage with the ECM/ES programme’(2009); ‘Better Regulation: Simplification Plans’; The
Capability Review Programme, IRU annual reports (2003-2008), House of Commons Children, Schools and Families Select
Committee report on accountability 07/01/2010.
spend on bureaucratic activities and support them to deliver high quality education by giving head teachers and governors more time to focus on raising standards and teachers more time to focus on teaching.\textsuperscript{28}

The legislative requirements we will remove are as follows:

- The duty on schools and colleges to co-operate through Children’s Trusts. At the moment the duty to co-operate through Children’s Trusts means that schools and colleges are required by law to work in partnership with the LA and other Children’s Trust partners. Removing this requirement will mean schools and colleges will be able come up with the most efficient and effective mechanisms for cooperation with their local partners given their local priorities and circumstances, rather than having to follow a centrally imposed model.

- The duty on schools to publish a school profile. Creating an online school profile every year can be resource intensive and costly. It is important that schools communicate information to parents; however, the School Profile has not proved to be the best way of capturing the information parents want to know. Removing the requirement to produce a School Profile means that governing bodies and schools will be freed from the administrative burdens associated with the requirement and will have the autonomy and discretion to be able to choose the most effective and fitting way of publicising their school to parents.

- The duty on colleges to consult students and employers. Taking away this duty will free sixth-form and further education colleges from the administrative burden of having to comply with specific legislation and enable them to develop student participation in a way that addresses their unique needs, rather than following a prescribed path. We expect that colleges will continue to consult young people and employers as a matter of course where the governing body considers this to be appropriate or necessary, whether or not they are subject to a particular duty.

- The duty on colleges to promote the economic and social well being of the local area. Colleges already play an important role in promoting the economic and social well-being of their local areas by virtue of the education they provide to students so this is an unnecessary statutory duty.

- The requirement on colleges to secure the consent of the LA before borrowing money. Colleges are independent institutions and are capable of taking their own financial decisions. Without this requirement, colleges will have more autonomy and take responsibility for obtaining loans. This is unlikely to be a frequent requirement but its removal will avoid bureaucracy and delay in colleges.

The legislative requirement we will no longer commence is:

- The requirement for secondary schools to be in behaviour and attendance partnerships (BAPs). Had this requirement come into force, schools in the partnership would have had to report to the Children’s Trust annually. By preventing its commencement we are allowing schools to decide whether, when, and how best, to work in partnership.

\textbf{Costs}

Removing or halting these requirements will require changes to primary legislation for which the administration costs will be negligible. The costs of communicating the changes will also be negligible.

\textsuperscript{28} The Case for Change (Department for Education), November 2010, ref: DFE-00564-2010.
Benefits

It is anticipated that cost savings will result from the time that removing or halting these requirements will save principals, head teachers, senior leaders and governors. Estimated time and cost savings for those which are significant are shown in the table below.

<table>
<thead>
<tr>
<th>Statutory Duty</th>
<th>Assumption about current practice</th>
<th>Time Saving</th>
<th>Annual Saving Across All Schools (£m)</th>
<th>Saving Over 10yrs (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty to publish a school profile</td>
<td>All schools publish an updated profile each year</td>
<td>9 hours of teachers’ time</td>
<td>2.0</td>
<td>18</td>
</tr>
<tr>
<td>Requirement for secondary schools to be in Behaviour and Attendance Partnerships</td>
<td>All schools follow the prescribed approach to partnership working</td>
<td>1 day for a head teacher</td>
<td>2.0</td>
<td>18</td>
</tr>
<tr>
<td>Total Savings</td>
<td></td>
<td></td>
<td>£4m (approx)</td>
<td>£36m (approx)</td>
</tr>
</tbody>
</table>

N.B. Figures in the table may not sum due to rounding.

The costs and savings of repealing the following will be far less significant than for those duties set out in the table above. These are:
- the duty on colleges to consult students and employers,
- the duty on colleges to promote the economic and social well-being of the local area,
- the requirement on colleges to secure the consent of the LA before borrowing, and
- the duty on schools and colleges to co-operate through Children’s Trusts.

Risks and Assumptions

There is a risk that removing only these Department for Education and Department for Business, Innovation and Skills requirements is not enough to ease the regulatory burden on schools and colleges. Schools and colleges experience bureaucracy from a number of other sources, including government, ALBs and LAs. We are working closely with LAs and other intermediary bodies to identify and reduce all bureaucratic burdens on schools and colleges.

We do not agree central prescription is the way to influence schools. We will hold schools robustly to account for their core educational purpose, which will mitigate the risk that schools do not pursue activity that is in the best interests of pupils because it is no longer required by law.

Remove duty on LAs to provide school improvement partners

Rationale for intervention

Under current legislation, each LA is required to appoint a school improvement partner (SIP) to each of its maintained schools to advise the head teacher and governing body on improving standards at the school. All schools have the same entitlement, despite differences in their circumstances. The Government wishes to remove central prescription and leave it to schools to decide how best to drive their own improvement. This will enable and increase choice for school leaders.

Costs
Schools will need to make alternative arrangements for receiving advice on the performance management of head teachers. Some schools may wish to arrange their own external audit/review to replace the current mandatory SIP role and this would represent a cost to them. However, whether or not to incur this cost, and its scale, would be for schools to decide. The data to quantify it are therefore not available.

Benefits

Removal of the SIP requirement, based on current figures, will save the Department £30m for SIP time, training, brokering and development – a total of £258m discounted over 10 years. Removing the requirement may generate further cost-savings for LAs who have supplemented central funding for SIPs with their own resources. Removing the legislative requirement will also reduce the associated bureaucratic burden placed upon LAs and schools by central government in managing the distribution of SIPs and the associated time-costs. Schools will enjoy greater autonomy (and its associated benefits) and will be able to seek out the support they need, rather than have a person in a specified role imposed on them.

Risks

As LAs will no longer be required to appoint SIPs to maintained schools, this will reduce employment opportunities for people performing the SIP role. However, for the significant majority, it is not their primary source of employment and they are well qualified for alternative jobs. Bespoke intervention in the lowest performing schools will ensure critical challenge to raise standards remains where it is needed most.

Make LA admissions forums voluntary, require LAs to report locally rather than to the Office of the Schools Adjudicator (OSA), limit the OSA’s remit to direct complaints about an admission policy and transfer responsibility for complaints about Academy admissions policies to the OSA.

These provisions will produce small cost-savings for schools and for the Office of the Schools Adjudicator. It would be disproportionate to make a full impact assessment.

Remove restriction on charging every pupil the same for the same school meal and prevent charges being more than the cost of providing the meal

Intelligence from schools and LAs tells us that the requirement to charge the same price for the same meal to every school child is inhibiting schools and LAs from giving discounts to certain pupils (such as siblings) to encourage families to use school meals services. We expect the level of price changes, and therefore the costs and benefits, to be small so a full impact assessment is not required. There is a theoretical risk that some schools may charge too much but there will be a safeguard in the form of a simple capping scheme that will ensure charges are no more than the cost of providing the meal.

29 P.22 The Case for Change (Department for Education), November 2010, ref: DFE-00564-2010.
School organisation reforms to give precedence to proposals for Free Schools and Academies where a LA has identified the need for a new school, and to make the process for establishing a new school more streamlined.

Rationale for intervention

Government intervention is required for two reasons: first, because LAs need further encouragement to act as commissioners, rather than direct providers, so as to free up schools provision and enhance competition in the schools system; second, because the current competitions and exemptions regime for establishing a new school is unwieldy and lengthy, and as a result LAs often seek to avoid competitions.  

These changes address the first issue by ensuring that where LAs identify the need for a new school, they look primarily to fill that need through a Free School or. If an LA is unable to identify a suitable Academy or Free School provider it may, with the consent of the Secretary of State, invite bids for other types of school. Where all other options have been exhausted, LAs may still need to provide a school in certain cases. These changes address the second issue by streamlining the process by which bids from potential providers of schools are invited, considered and decided, and by exempting schools from the process altogether in certain circumstances, such as where schools close and reopen solely in order to change religious designation.

Costs

The costs of setting up a new school are incurred regardless of the process by which the provider of the school is selected, and the proposed changes to it.

Benefits

These changes will encourage competition in the schools system and enable new providers to enter the system to increase parental choice, improve efficiency and drive up standards for pupils. They will also promote the establishment of more self-governing Academy and Free Schools. Aspects of increased autonomy have been shown to have a positive impact on pupils’ attainment.

The changes to the exemption from the competition process will result in administrative savings for both LAs and the Department, though it is not possible to quantify these at this stage.

Risks and Assumptions

Some LAs may feel their role is constrained by only being able to provide schools directly in exceptional circumstances. The Government sees LAs as having a central role in our education system, but as a commissioner, rather than a direct provider, of new schools.

30 In practice, the existing competition process has been used only 44 times since its introduction in 2005. These competitions have resulted in 7 Academies, 4 foundation schools, 19 Trust schools, 3 VA schools, and 10 community schools, while in one competition, the LA rejected both bids. There are currently 10 ongoing competitions.

31 For a more detailed discussion of the benefits of opening up the school system to new providers, please see the Economic Impact Assessment for the White Paper The Importance of Teaching, DFE (2010) p22-23

32 As above
Changes to School Governance

Rationale for intervention

At the present time maintained school governing bodies are constituted under the prescriptive and complex stakeholder model, which requires governing body representation by parents, LAs, teachers and the head teacher. There is a widespread perception that school governance could be significantly improved.\(^\text{33}\) Many governors are content to support, but fewer have the skills and knowledge that allow them to provide effective challenge to the head and senior leaders.

We want to reduce the level of central prescription so that schools are able to establish smaller governing bodies based on skills rather than representation from stakeholder groups. The proposed school governance model will require governing bodies to have two elected parent governors and the head teacher, but will allow other categories of governor to be appointed at the governing body’s discretion.

Costs

There are negligible costs to changing primary legislation.

Benefits

Enabling schools to focus on skills rather than representation in establishing their governing bodies, should lead to an improvement in the skills and knowledge of school governors. This would eventually lead to improved school attainment and outcomes, which cannot currently be quantified.

Risks and Assumptions

A robust accountability system, where the effectiveness of governance will be considered as part of Ofsted’s assessment of leadership and management and governing bodies are held to account by parents for standards in their schools, mitigates the risk that self-perpetuating governing bodies become ineffective.

Allow for the discontinuation of federated governing bodies

This is a technical provision and does not require an impact assessment as the costs and benefits involved are minimal and affect the public sector.

Streamline Ofsted inspection

Rationale for Intervention

School inspection currently covers areas which go beyond schools’ core responsibilities – its scope is wide and the number of areas assessed large, meaning that less time is available for inspectors to consider the quality of core areas. In future, school inspection will focus on four core areas: achievement; teaching; leadership and management; and behaviour and safety. The college framework for inspection is also being reviewed.

The current arrangements, whereby all schools and colleges are regularly inspected by Ofsted

\(^{33}\) The 21st Century School: Implications and Challenges for Governing Bodies. A report from the Ministerial Working Group on School Governance; Governing our Schools. A report by Business in the Community; The School Governance Study. University of Bath
regardless of their performance, is not as proportionate to risk as it should be and does not give successful schools and colleges the autonomy they deserve. The system creates unnecessary burdens on schools, colleges and on Ofsted. To address this, we intend to free ‘outstanding’ schools from routine inspection, as long as they maintain their performance and retain the confidence of parents and governors.

Costs

Ofsted will face a cost of £60,000 for redevelopment of their risk assessment procedures.

Schools will need to inform themselves about the changes to Ofsted inspections, but this will bear relatively little additional cost.

Benefits

By slimming down and refocusing the areas that are evaluated as part of inspections, we will give inspectors more time to devote to the most important factors in pupil achievement. We expect this to lead to higher quality inspections that make a greater contribution to school and college improvement. We also expect these changes to influence schools’ and colleges’ behaviour, leading them to refocus their efforts around their core business, resulting in higher levels of achievement for pupils and students. Inspection offers greatest value for money when time is spent addressing, in some depth, a core range of aspects related to pupil achievement, rather than covering a wide range and number of aspects with less depth.

Exempting ‘outstanding’ mainstream primary and secondary schools, sixth form colleges and general FE colleges from routine inspection will benefit schools and pupils by freeing up staff time. Over ten years, the present value of this benefit (as set out below) is estimated at £8m, subject to the assumptions set out in annex 2 (p. 49). Other categories of outstanding schools i.e. special schools, pupil referral units and nurseries may be exempted in future, leading to greater projected savings.

<table>
<thead>
<tr>
<th></th>
<th>Current number of inspections of outstanding schools and colleges per year</th>
<th>Estimated number of re-inspections of exempted schools and colleges per year</th>
<th>Reduction in outstanding schools and colleges inspected</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>520</td>
<td>110</td>
<td>410</td>
<td>£740,000</td>
</tr>
<tr>
<td>Secondary</td>
<td>130</td>
<td>40</td>
<td>90</td>
<td>£250,000</td>
</tr>
<tr>
<td>SFCs</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>£10,000</td>
</tr>
<tr>
<td>GFECs</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>£10,000</td>
</tr>
<tr>
<td>Total</td>
<td>663</td>
<td>155</td>
<td>508</td>
<td>£1,010,000</td>
</tr>
</tbody>
</table>

NB. For consistency within the table, all figures have been rounded to the nearest £10,000, as per the convention for the smallest figure included

The exemption of outstanding schools and colleges from routine inspection will also benefit the public purse by reducing the number of inspections Ofsted is required to conduct. The cost saving to Ofsted is estimated at £4m per year.34

This means the combined present value of the monetised benefits over ten years is estimated at £40m.

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34 Provided by OFSTED
Risks and Assumptions

The cost savings estimated are conditional on the assumption that 155 exempted outstanding schools and colleges are identified as in need of re-inspection each year, due to a drop in performance. This is an indicative figure - if more are identified as needing re-inspection, then the savings would be reduced, and if fewer are identified, the savings would be increased.

We will work to ensure the risk assessment process is sufficiently thorough and broad in its coverage so that falling standards do not go unnoticed in exempt schools and colleges. Incorporating parental feedback into the overall process (by making it possible for parents to trigger an inspection) will also help in managing these risks.

Give Ofsted a backstop role in independent welfare inspections at independent schools

This is merely an activation of an existing power, and so does not constitute a new intervention. Most of the impact will be on Ofsted and this impact is not expected to be significant. The Independent Schools Inspectorate will not have to carry out any additional work, other than allowing Ofsted inspectors to accompany its inspectors on selected inspections. An impact assessment is therefore not needed.

Intervention in under-performing schools: extend the Secretary of State’s powers to direct the closure of a school or the issuing of a warning notice

These provisions do not require an impact assessment as they will not impose any significant costs on the public sector, or any costs or cost-savings on the private or voluntary sectors. The changes do not affect the number of underperforming schools that will be converted into Academies, but ensure that the Department is able to target the most appropriate schools.

Remove the LGO complaints service

Rationale for intervention

Under the Apprenticeships, Skills, Children and Learning Act 2009 (ASCL), the Local Commissioner (Local Government Ombudsman or LGO) has a power to investigate complaints about schools where they have not been resolved at school level in 14 of the 152 LAs. The Secretary of State for Education has a power to consider complaints relating to the remainder of the LAs and issue directions to these schools under ss 496/497 of the Education Act 1996.

The reason for transferring complaints to the LGO in 14 LAs was to test a system to improve parents’ experience of complaints procedure. However take up has been very low and the system has proved to be very costly. Government intervention is now required to achieve a cost effective and consistent complaints framework.

Options

A: Do nothing – leave the LGO complaints in place for only 14 LAs.
B: Roll the LGO complaint service out nationally to maintained schools in all 152 LAs.
C: Remove the LGO complaint service completely.

Option C is the preferred option as it achieves an estimated cost saving of £6-7m over 10 years, in present value. It is not cost effective to roll the Complaints Service out nationally in the longer term. Under option C parents will have a route to approach the Secretary of State at the Department under sections 496/497 of the Education Act 1996 and ask him to consider their
complaint.

Costs and Benefits

Option A: There are no additional costs or benefits to this option.

Option B:

Costs

This could cost up to £6m a year. The national roll out was estimated to cost £6m per year from 2011 or a present value of £50m over ten years. The LGO has previously offered to run a national service at a cost of £2.071m which would amount to £15m over ten years in present value. This lower cost approach would require the LGO to take a proportional approach to complaint handling. This might mean that not all complaints are investigated, even out of those complaints that qualify, and could lead some complainants to feel that the issues raised had not been fully considered and addressed.

Benefits

The department would no longer have to consider complaints from schools in any LA. The average cost per complaint is around £130–£200 and, on the assumption, that the number of complaints remains at around 2,200 per year, the estimated total cost saving ranges from £300,000 to £400,000 per year or a present value of £2.5m - £3.8m over 10 years.

Option C:

Costs

The Department would have to consider complaints from the 14 LAs that were covered by the LGO. Under the same estimated time requirements as above we can estimate the cost of dealing with these complaints in the Department as follows:

The 138 LAs the department currently deals with generate around 2,200 complaints per year (around 16 per LA, on average). If we assume that the 14 other LAs generate as many complaints as the average LA currently dealt with by the Department, this amounts to roughly 225 additional complaints costing an estimated £35,000 to £50,000 per year, or a present value of £300,000 to £400,000 over 10 years.

Parents in the areas previously covered by the LGO would need to return to using a complaints procedure through which they complain to the Secretary of State, though the limited take up so far suggests the effect on parents will be small.

Benefits

The £0.9m in running costs required to maintain the LGO addressing complaints in the current 14 LAs would bring cost savings worth a present value of £7m over 10 years.

Risks and assumptions

Usage of the LGO complaints service has been very low– just 10 complaints in the first six months – so there is very little risk that parents ability to resolve their complaints is affected. Parents in the 14 local authorities that are currently using the LGO system will have the right to

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35 Under the assumption that the average complaint takes up between 2 and 3 hours of HEO time plus 2-3 hours of grade 7 time, and that he hourly cost of HEO and grade 7 time (assuming 220 working days per year, 36 hour weeks and 25% for non-wage labour costs) are £25.04 and £41.78 respectively.
complain to the Secretary of State, in the same way as parents in the other 138 authorities.

**Reinstate the Secretary of State’s power to direct revisions to local authority (LA) schemes for financing schools**

**Rationale for Intervention**

Financing maintained schools is primarily a matter for local government. However, in some cases, greater cost-efficiency can be achieved by central government intervention.

Each LA must set out its financial relationship with schools in a scheme. At present, it is difficult for schemes to be amended in a consistent and timely way in response to changes to national policy on school financial management. The new powers would enable the Secretary of State to revise the content of LA schemes. He would therefore be able to implement national policies on school financial management in order to save money. Examples where he may choose to do so include replacing the Financial Management Standard in Schools (FMSiS) or ensuring schools use national framework contracts for procurement where appropriate.

**Options**

1. Do nothing: this would mean that it would be difficult to bring about rapid changes to school financial management.
2. Change regulations within existing legislation to specify fewer things that have to be included in LA funding schemes. This would give LAs and schools more freedom but it would not necessarily result in a new policy being implemented, as changes to schemes would still be down to local determination. The regulations would also not provide the level of detail required to enable a particular policy direction to be pursued.
3. Change legislation to allow the Secretary of State to revise the content of LA schemes. This is the preferred option as it will enable the government to implement rapid changes in policies on school financial management.

It has not been possible to provide monetised costs and benefits at this stage. One key reason for this is that they will depend on how the Secretary of State uses his powers. We have summarised below the costs and benefits for two possible uses of the powers: replacing the Financial Management Standard in Schools with a simpler standard and requiring schools to use aggregated procurement contracts in order to save money.

**Costs**

There may be small costs to LAs of re-publishing their schemes for financing schools if they are directed to amend them by the Secretary of State.

There may be costs to LAs of transferring their maintained schools to national contracts, if they have previously benefited from economies of scale as a result of their maintained schools participating in cross-Council contracts.

**Benefits**

Greater use of national procurement contracts should lead to economies of scale and thus reduced costs for schools. As an example, initial consideration is being given to national procurement of energy contracts, where an indicative saving of 10% for schools would amount to about £50m per year nationally.

Replacing the Financial Management Standard in Schools with a simpler standard would save schools and LAs some of the time they have spent demonstrating their compliance with the current standard, while still providing assurance on the proper use of public money.
There may also be small benefits to LAs in that they would no longer have to undertake a lengthy consultation process with LAs and schools forums when they wished to revise their schemes in response to changes in national policy.

**Risks and Assumptions**

The costs and benefits depend on how the Secretary of State uses his powers, however we have illustrated the intended uses above.

*Make changes relating to payments in respect of dismissal*

These provisions do not require an impact assessment as the costs and benefits involved are minimal and affect the public sector.

*Permit nursery schools and schools with nursery classes to charge for additional nursery education beyond the free entitlement*

**Rationale for intervention**

We want every three and four year old to have access to free nursery education, and we want every parent to be able to find the childcare they need to enable them to work if they want to. This requires a sustainable and diverse childcare sector which provides choice for parents and a secure supply of free nursery education.

There is currently uncertainty about whether maintained nursery schools and primary schools with nursery provision are able to charge for nursery education beyond the 15 hours provided under the free entitlement. This uncertainty, combined with changes to the way that nursery education is funded and other financial pressures, is making it difficult for some schools to sustain high quality provision. Government intervention is therefore needed to make clear that such schools are permitted to charge for these additional hours.

In order to achieve this policy objective, legislation will be amended so that:

- schools are able to charge for nursery education beyond provision funded by LAs;
- schools will not be able to charge for the current 15 hours delivered free, and nor will they be able to charge for reception;
- whether schools charge is entirely voluntary, so that they do not have to charge unless they want to;
- schools will only be able to charge at up to full cost recovery, and will not be allowed to make a profit from provision that they charge for; and
- the existing prohibition on schools charging for other services and activities will remain in legislation.

It will be for schools, in consultation with others such as parents, to decide how to respond to these changes, so it is difficult to predict with certainty what the impact of the changes will be. Schools may decide to begin providing and charging for additional hours of nursery education, they may choose to start to charge for additional hours currently offered free, or they may take no action.

**Costs**

If a school does choose to begin charging for additional nursery education they will incur administrative costs associated with developing a charging policy and rate, and managing the
financial transactions with parents. Many schools are familiar with these activities and the costs will be small. If a school considers the costs to be too high, they can choose not to charge for additional nursery education.

Providing more nursery education is likely to involve increased costs to schools, for example paying staff for additional working hours. However schools will be free to charge up to full cost recovery, so they need not incur any net costs.

**Benefits**

Parents are likely to benefit from access to a more diverse range of nursery education providers and will be more likely to find provision that best meets their and their child’s needs.

Where schools increase the number of hours of nursery education they offer, parents who need more than fifteen hours may no longer have to use two or more providers. This may offer benefits to children, such as greater continuity of care and better preparation for school (since maintained sector provision is typically good quality).

By providing a more sustainable basis for the funding of maintained nursery education, these changes may help support access to high quality provision. This will bring benefits to children, since high quality early years education is linked to higher cognitive and non-cognitive development at age 10 36, which in turn is linked to higher lifetime income 37.

**Risks and Assumptions**

Giving schools the ability to charge for additional nursery education may lead to changes in the amount of nursery education received by some children. This could lead to fears that these children will be disadvantaged. However, this is unlikely to be the case. Higher income families are already able to pay for additional nursery education if they wish, and lower income families will be able to access financial support through the childcare element of working tax credits. Moreover, the evidence for the positive impact of high quality early years education on child outcomes does not indicate increased benefits from a full time place (25 hours) over a regular part time place (15 hours) which will continue to be freely available to all pupils.

There may be an impact on private, voluntary and independent (PVI) providers where local schools choose to offer additional hours of nursery education. Assessing the potential impact is difficult as parents’ decisions will be influenced by a range of factors (e.g. parents tend to value convenience over other factors) 38 and schools’ decisions will be affected by constraints (e.g. limitations on contact hours of nursery teachers). PVI providers may be adversely affected by an increase in the supply of childcare provision, where schools begin to offer and charge for additional nursery provision. However, if schools begin to charge for additional nursery education (beyond fifteen hours) that was previously free, PVI providers may be positively affected by the removal of the distortion to the market, with parents choosing to move their children to PVI providers.

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Repeal change of name from PRUs to short-stay schools

This provision does not require an impact assessment as it is not expected to impose any significant costs on the public sector, or any costs or cost-savings on the private or voluntary sectors.

Academies provisions

Apart from those dealt with separately below, the provisions relating to Academies are needed solely to facilitate the existing Academies programme. Individually they do not have a significant impact; collectively they allow the Academies programme to operate more effectively. The impacts of the Academies programme were considered in the Academies Bill impact assessment.39

Allow 16-19 Academies

The Academies and Free Schools programme currently only enables the establishment of institutions with the characteristics of schools. Government intervention is necessary to make it legally possible for the Academies and Free Schools programme to be extended to 16-19 provision.

Creating this legislation removes an unnecessary restriction and will enable more diverse provision in sections of the 16-19 sector in response to parental demand. Where this increases competition, overall standards may increase as incumbent providers compete for students. The likely costs and benefits are very similar to those for 11-16 Free Schools.

Costs:

There will be costs in terms of capital and revenue funding to establish these institutions and fund them on an ongoing basis. These costs need to be offset against those that would have been incurred providing education for these children in other institutions. The scale of costs will depend on the numbers of 16-19 institutions to be established within the overall Academies and Free Schools programme, and on what timescale. There may also be costs to other providers of education and training for 16-19 year olds, in both the school and college sectors, through the creation of surplus places, though it is thought these will be minimal.

Benefits:

These changes would enable new providers, including those from the private and voluntary sector such as parent and teacher groups to set up 16-19 provision and will therefore increase choice and competition and promote higher standards and greater efficiency.40

The impact would be particularly significant where a new 16-19 institution filled a gap in provision – that is, where it has been established in response to local concerns that existing provision is not enabling some young people to fulfil their potential. This would increase the opportunities for young people in the area to obtain qualifications and thus increase their earning potential.

Risks

The four proposals already received to establish 16-19 Free Schools indicate that there is

39 Available at: http://www.education.gov.uk/~/media/Files/lacuna/academiesbillimpactassessment.ashx
40 For a more detailed discussion of the benefits of opening up the school system to new providers, please see the Economic Impact Assessment for the White Paper The Importance of Teaching, DFE (2010) p22-23
demand for this type of provision.

We will set criteria for assessing proposals for new 16-19 provision which include a consideration of the impact on other providers, and we will only make public funding available for provision which is needed and which offers value for money to the taxpayer.

Allow alternative provision Academies

Rationale for Intervention

Our objective is to ensure that sufficient, high quality alternative provision (AP) is available to meet the needs of vulnerable children and it is delivered in a way that achieves value for money. At the moment it is too difficult for good quality providers to enter the sector and existing providers can be constrained in making improvements by lack of control over their own staffing and finance.

We are proposing to address these issues by allowing alternative provision Academies and so making it easier for good quality providers from the voluntary and private sectors to open institutions offering alternative provision.

We are also pursuing a number of non-legislative options, including introducing quality measures and developing a sector-driven membership body. Taken together these proposals will address the problems in the system and result in higher pupil achievement.

Costs

There are likely to be set-up costs for new providers, such as Free Schools, and some small initial costs associated with PRUs converting to Academy status. We are developing a funding model that will deliver improvements efficiently.

Benefits

The key benefit to PRUs is less prescription, less bureaucracy and greater freedom to work in ways that most benefit individual pupils and pupil groups.

The key benefits to the education system and to pupils stem from the fact that increased choice and competition will promote higher standards and greater efficiency. Indications from the system show that voluntary and private sector providers deliver a lower unit cost than PRUs. Greater competition will deliver lower unit costs for all alternative provision places.

Improving the quality of AP will make it more likely that pupils are ready to return to mainstream education more quickly and have a lower chance of being excluded again. According to the latest figures (2010-11), LAs are budgeted to spend approximately £18,400 per pupil in PRUs. A report by PwC (2009) estimates the average (median) annual cost of educating a ‘high cost pupil’ is £15,500, where a ‘high cost pupil’ is defined as one whose needs are ‘high-cost and low incidence.’ We estimate the cost of educating a high-cost pupil in a PRU is approximately £3,000 per year more than in a standard school. Therefore, returning pupils to mainstream education more quickly and preventing further exclusions would result in savings to the education system.

For a more detailed discussion of the benefits of opening up the school system to new providers, please see the Economic Impact Assessment for the White Paper The Importance of Teaching, DFE (2010) p22-23

2010-11 benchmarking tables based on section 251 statements

It will also contribute to improving outcomes for pupils who attend alternative provision. Overall, New Philanthropy Capital (2007) estimates that the average cost associated with an excluded pupil during his or her lifetime due to costs to the education system, reduced lifetime earnings and costs to society in terms of crime, health and social services is £64,000 in 2005 prices. Early intervention of a higher quality will reduce these costs.

**Risks**

A more market-based approach could lead to an increased number of surplus places (which could increase costs) although the overall impact of this could be minimised by ensuring that any ‘spare’ capacity was used for early intervention work, resulting in longer-term savings.

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### Dissolve the Young People’s Learning Agency

#### Rationale for Intervention

Responsibility for the funding of education up to the age of nineteen is currently split between different organisations using different approaches and methodologies. We want to move towards a single, transparent and efficient approach including the introduction of a national funding formula to fund all provision up to age sixteen. The body which will deliver this, the Young People’s Learning Agency (YPLA), is currently established as a non-departmental public body (NDPB), so there is less effective scrutiny of the efficiency and effectiveness with which it performs its functions than there should be.

We therefore intend to integrate children and young people’s funding functions into a single executive agency of the Department, directly accountable to Ministers, to ensure the maximum amount of money goes to schools, colleges and independent providers in a fair, transparent and equitable way with the minimum of bureaucratic burden.

#### Benefits

The creation of a non-statutory executive agency will improve the transparency, accountability and efficiency of the funding of education up to age 19. The Agency will be independently accountable within the Department, capable of producing agency annual reports and accounts. At the same time, its status allows for a degree of separation between ministers and the Agency’s responsibilities for the provision and auditing of funding in which ministerial involvement is unacceptable.

We would expect providers of education and training to benefit from a more streamlined system, and the reductions in bureaucracy associated with a more streamlined approach to the management of funding. We would expect efficiencies and savings to be delivered in the following ways:

- Increased transparency and accountability will provide ministers with a stronger direction over functions and a better understanding of how the money is spent, with the potential for better targeting of resources.
- There will be efficiencies from the consolidation of grant calculation activities as a result of the national funding formula.
- Greater efficiencies will be achieved through shared services, including staffing, audit and IT, on Academy and Free School grant calculations and payments.
- There will be potential to rationalise administrative costs of carrying out similar functions across capital and revenue.

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There will also be scope to merge and rationalise corporate functions between ALBs which are currently distinct.

Our intention is that new arrangements will take effect in April 2012. Delivery costs will be benchmarked in 2010-11. While some efficiency savings may be realised pre-transfer, the majority of benefits and efficiencies will be realised from April 2012 onwards.

Costs

The Education Funding Agency will build on the efficient delivery model developed by the YPLA, whose 2010-11 budget is approximately £9.5 billion, of which £48m is YPLA administration. Stripping out duplicated functions across organisations may create surplus posts which in turn may result in redundancy costs. In determining the structure of the Agency, including its roles and responsibilities, the Department will look for further scope for reduction and rationalisation while minimising these costs.

In most cases, YPLA offices are in premises managed by the Skills Funding Agency on a shared service basis. We have already asked the YPLA to develop a strategy for reducing its premises costs, and this expectation will remain in place through the period of transition. Our expectation is that the costs of this accommodation will not rise as a result of establishing the EFA.

We do not expect there to be any negative impact on educational establishments or other providers of 3-19 provision from the creation of a new funding agency. Nor do we expect there to be a significant impact on LAs as a direct result of the dissolution of the YPLA and the creation of the EFA. The introduction of the national funding formula for pre-16 education and increases in the number of Academies, amongst other influences, will have a far greater impact.

Changes to the Apprenticeships offer

In terms of costs and benefits there is no difference between the re-defined Apprenticeship offer and the offer introduced in the ASCL Act. The offer imposed a duty on the Chief Executive to find Apprenticeship places with employers for all the eligible groups. This duty has not yet been commenced. Since Apprenticeships are jobs, this would have required the Chief Executive to find jobs with employers for all young people who wanted to take up a place under the offer. This may not have been possible in practice since the Chief Executive cannot dictate to employers whom to choose as their staff. The Bill proposes to re-define the Apprenticeship offer as a duty on the Chief Executive to prioritise funding for Apprenticeship training for young people in those same groups who have already secured an Apprenticeship place. The duty to prioritise funding for these groups is new, and is in essence a more robust offer than before.

Our assessment that the benefits remain the same as under ASCL is based on an assumption that there will be sufficient Apprenticeship places for every young person in the eligible groups. We recognise that there is a risk associated with this assumption, and to mitigate this risk we are working with the National Apprenticeship Service (NAS), the delivery agency for Apprenticeships, to drive up the number of Apprenticeship places with employers. We are reshaping the Apprenticeship programme to ensure that it reflects even more closely the needs of employers, and to reduce bureaucracy and other barriers that could deter their involvement. The core role of the NAS is to promote the Apprenticeship programme and to generate places with employers, and it has a regional field force dedicated to this. It also works with organisations providing careers advice to make sure young people have an accurate understanding of the Apprenticeships programme, including what employers look for in recruiting, so that they have plenty of notice to develop the skills and attributes necessary. NAS also provides a dedicated on-line vacancy-matching and CV registration service for employers and prospective apprentices. We are exploring further ways to widen access for young people.
who have the potential to benefit and to increase the supply of candidates with the skills
employers look for. We intend to update the underlying IA in due course with further modelling
of the risks associated.

**Give a power to the Secretary of State to direct the Chief Executive of Skills Funding to
consult certain specified groups or individuals, and the manner in which they should be consulted**

**Rationale for Intervention**

This formal consultation mechanism will provide the Chief Executive (CE) of Skills Funding with
a more effective process to engage with the sector, employers and students. Through this
process we expect stakeholders to advise on simplification measures, including more cost
effective ways of administering programmes, which will lead to reduced bureaucracy and
improved FE provision.

This proposed legislative provision seeks to ensure that the CE:

(a) consults specified persons in relation to specified matters and in such a manner as may
be specified by the Secretary of State in guidance; and

(b) takes their responses and advice in relation to any such consultation on specified matters
into account.

It is envisaged that this consultation would be delivered through an advisory board consisting of
members specified by the Secretary of State in a direction to the CE, and the CE would have
flexibility to include others with whom they may wish to consult. The direction could also set out
the operational parameters, including the frequency of meetings.

The board would provide general advice to the CE on issues connected with the delivery of
priorities set by government, including advice on the impact of the CE’s operational systems
and actions on providers, employers and students. It would not have a role in overseeing the
management of the Agency or its operations, which would remain the responsibility of the CE.

**Costs**

The cost of setting up and running the advisory board will be small. It is envisaged that it will
meet approx once a quarter, and could incur administrative support costs of around £800pa (1
FTE @ 8 days). This statutory requirement will not be an additional cost as the Agency is
already expected to have an advisory board in place.

The time commitment to the organisations involved is estimated at £8000 pa (based on a
membership of around 20 organisations attending up to 4 half-day meetings a year at a staff
cost of around £200 per day per organisation).

There will be no venue costs, as meetings are expected to take place on the premises of the
SFA or one of the member premises. Travel costs are estimated at £4000 per year (£50 travel
costs per organisation per meeting).

This statutory requirement will not be an additional cost as the Agency is already expected to
have an advisory board in place.

**Benefits**

The CE is responsible for allocating the government’s post-19 education and training budget,
and this measure is expected to help secure maximum use and benefits from this budget.

It is difficult to monetise the benefits of this measure, but it is envisaged that cost savings will be achieved through the advice of key interest groups and stakeholders, i.e. through advice on simplification measures and on measures to reduce unnecessary bureaucracy. This could in turn increase the economic value of the sector, as more resources are diverted towards delivering better outcomes for students. There is economic modelling of the value of FE qualifications both to the individual and the economy.

We also expect that more effective consultation will lead to better policy implementation. By maximising the input of sector expertise, we could achieve a better understanding of how best to implement programmes in a way that delivers sustainable growth through skills and maximises the investment plans set out in the Skills Strategy and the Skills Investment Strategy.

Risks and assumptions

When creating the office of the CE of SFA, students, providers and employers argued for the inclusion of a mechanism by which their views would be taken into account by the CE when carrying out his/her functions. We therefore do not envisage any significant sensitivities or risks arising from this change.

_Remove the Skills Entitlement at Level 3 and Level 2 for individuals over the age of 23_

**Rationale for Intervention**

In the context of the cuts to public spending in the Spending Review 2010, it is necessary to reassess the balance of who contributes to the costs of further education. Given that individuals or their employers benefit (e.g. in the form of higher wages or increased profits) then we should look to reassess the contribution which they make, compared to the level of subsidy. The proposed changes therefore look to maximise the impact of a reduced level of government funding, by targeting funding where it can have the greatest impact and support those who need it most. Further detail on the costs and benefits is available in the Impact Assessment which was published alongside the _Skills for Sustainable Growth Strategy_ (2010).

_Prevent the automatic commencement of enforcement provisions associated with raising the participation age in 2013_

There are concerns that powers given to LAs to enforce raising the participation age (RPA) may be used inappropriately, at least initially. For example, a vulnerable young person could enter the enforcement system when, in fact, they have a barrier to learning. Inappropriate use of enforcement is costly and has implications (including legal and financial) for young people and their parents. We propose to make it possible to delay the commencement of enforcement powers until we are sure that the system has the capacity to use the powers appropriately and minimise the costs they will entail. We will review the need for enforcement provisions in relation to the duty on young people, and the timing of their commencement, in consultation with the sector on an annual basis from 2013.

**Costs**

In the short term, we expect that a small number of individuals won't participate without enforcement. In our assessment, up to 5,000 individuals will fall into this group (less than 0.5 per cent of a cohort of 16 and 17 year olds). Their non-participation could result in fewer qualifications being achieved, which would impact on the long term economic benefits of RPA. However, it is hard to determine what this group would have achieved if they had participated so
any estimate of the lost economic benefits is highly speculative. On the basis of reasonable assumptions, the economic cost of delaying enforcement could be around £60m, in present value terms, per cohort affected. There may be additional long-term costs for those who continue to be classified as not in employment, education or training (NEET), from the risk of a range of other poor outcomes, including social and health-related outcomes (such as depression, obesity, take-up of preventative healthcare).

**Benefits**

We are unable to monetise the key benefits from making it possible to delay the use of enforcement. If the Government does choose to delay it, it will be because there is a significant risk of inappropriate use of enforcement powers. Inappropriate use would affect young people and their parents in ways which would be very damaging but which we do not have sufficient evidence to quantify. It might for example unnecessarily bring young people into the youth justice system.

There would also be more immediate cost-savings associated with delaying the use of enforcement, should the Government decide to do so. It would result in short term administrative cost savings, especially since implementing enforcement processes prematurely could bring individuals into enforcement inappropriately and therefore increase administration costs above previously estimated levels. Lower levels of participation would also mean fewer student or training places will need to be funded. Again, these benefits are highly uncertain but we estimate that they could be in the region of £43m per cohort.

Given the uncertainties associated with assessing the costs and benefits for such a specific group of individuals, the estimated net cost of delaying the use of enforcement powers – at £17m per cohort – is only a partial picture, as it does not take into account the costs and benefits which we are unable to monetise. To put this into perspective, the net benefit of the RPA policy (set out in the 2008 impact assessment) is estimated at £1.6 billion per cohort.

**Risks and Assumptions**

Our assessment of delaying enforcement is highly sensitive to assumptions regarding the number of young people who would have been subject to enforcement measures and the number who do not participate without the threat of enforcement. It also depends on assumptions regarding what these individuals would have studied and achieved and what we think their marginal returns to learning are.

When the Government reviews the timing of commencement of enforcement provision, it will consider the latest estimates of costs and benefits.

**Higher Education: Interest Rates on student loans**

There are proposals in the Bill to give the Secretary of State the power to set interest rates on student loans through secondary legislation. We expect to use these powers to set real interest rates as part of a wider range of proposals, which include increasing the earnings threshold for loan repayments from £15,000 to £21,000 and increasing the new threshold annually in line with earnings instead of inflation. The measure proposed for inclusion in this Bill does not in isolation bear any significant costs and benefits. A full analysis of the whole package is set out in the Higher Education Impact Assessment published separately. The net marginal benefits are negative for all options considered, but notably smaller with the proposed option.

In summary, the benefit to Government of the chosen option (in net present value terms) is a saving of between £800m and £900m in 2012/13, rising to between £2590m and £3070m in 2014/15; to graduates of a cost of between £430m – 570m in 2012/13 rising to between
£1930m - £2390m in 2014/15 incurred through tuition fee and maintenance loan repayments; and to business of approximately £4m in 2014/15 through additional administrative costs.

The financial effect on graduates depends on their future earnings, as well as the level of contribution the HEIs will charge graduates. Analysis indicates that taking all the proposed changes into account, up to around 25% of graduates (the lowest earners) will be repaying less in NPV terms (assuming debts of £30,000) than under the current repayment system (which assumes debt of £21k).

Higher Education: Cap on fees for part-time students

The Bill also proposes to give the Secretary of State the power to specify in regulations the maximum tuition fee that higher education institutions (HEIs) may charge part-time undergraduate students in a given year. The level of the cap will be set through regulations, and the Impact Assessment will be published at that stage.

The current proposals for the cap, taken in isolation, will have no significant costs and benefits that can be monetised. This is because our analysis suggests that part-time course tuition charges do not currently exceed the maximum amounts proposed for the cap. The upper fee amount will be £6,750. The lower fee amount will be £4,500. From the latest analytical information we hold on part-time tuition fees, the Student Income and Expenditure Survey-published in 2009 – the average cost of tuition at that time was £1,006. The purpose of the measures is not to reduce the amount that HEIs currently charge part-time students, but to mitigate the risk that HEIs sharply increase their charges, following the proposed changes to the loan arrangements for part-time students.
Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

**Basis of the review:** The Education Bill is the legislative vehicle for a broader set of reforms set out in the Schools White Paper. The basis of the review will therefore be the evaluation we will be undertaking to assess the impact of the reforms set out in the Schools White Paper.

**Review objective:** We intend to evaluate the key strands of our reform strategy and then assess their combined impact on the attainment of pupils. The key complementary strands are: reducing bureaucracy and providing greater freedom for professionals to act in the best interests of pupils; improving the recruitment and retention, professional development and overall quality of the teacher workforce; creating a more dynamic schools sector; and encouraging professionals from different institutions to work together to innovate and improve.

**Review approach and rationale:** Our approach will vary according to the strand in question. In each case we will be looking at whether the policy changes we have introduced have had the intended impact. In relation to reductions in bureaucracy for example we would want to assess the extent to which teachers and headteachers have experienced reduced burdens. We will then pull together this work into an overall evaluation which looks at the combined impact of the reforms.

**Baseline:** The baselines vary for each key strand and the evidence section sets out the current picture.

**Success criteria:** We would ultimately judge the reform programme in terms of attainment, as measured against our international peers through comparison surveys; and in terms of the extent to which the schools system had become able to improve itself without direct intervention from central government.

**Monitoring information arrangements:** We will consider proposals from experts as regards the best mean of measuring progress. However the following are examples of monitoring information that will be available:

- International Comparison studies - (to improve the reliability of which this bill is introducing a duty on schools to participate when selected);
- Consultation with the Bureaucracy Reduction Group made up of teachers and head teachers;
- Numbers of applications for Teacher Training places;
- Evidence from Ofsted on the quality of Teaching Staff;
- Numbers of new providers entering the schools system.
Annex 2: Data used in estimating costs and benefits

Returns to education:

For earnings: 'The productivity differential of achieving 5+ GCSEs at A*-C is around £100,000 for men and £85,000 for women (discounted over their lifetime), compared to those with anything less'.


Number of schools, pupils, governors and teachers

For number of schools, pupils and teachers in different types of school and by characteristic see: http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000925/index.shtml

The number of school governors has been estimated at 300,000 (around 15 per school) based on an estimate of around 350,000 in 2003 ['Do the Right Thing', DfES and Education Network, 2003] and the reduction in the number of schools since 2003 of around 4,000. ['Do the Right Thing', DfES and Education Network, 2003]

Average wage data

The cost of teacher time is estimated as:

- **Primary Head** £32.49ph
- **Secondary Head** £42.83 ph
- **Primary Assistant/Deputy Head** £28.23ph
- **Secondary Assistant/Deputy Head** £32.07ph
- **Primary Classroom Teacher** £20.63ph
- **Secondary Classroom Teacher** £23.73ph


In the absence of data on the occupations of school governors, their time has been valued at the median hourly wage of £11.03 from the 2009 Annual Survey of Hours and Earnings http://www.statistics.gov.uk/statbase/product.asp?vlnk=13101
**Time taken to read guidance**

Unless otherwise stated, we have assumed that it takes around 1 minute to read a page of guidance, rounded to the nearest half an hour.

Unless otherwise stated, the impact of policies on the time of school staff, governors and LA officials has been estimated from informal discussions with stakeholders.

**Rounding**

All estimates have been rounded to reflect their uncertainty. The following rules have been applied:

- To the nearest £5k for values up to £10k
- To the nearest £10k for values up to £100k
- To the nearest £100k for values up to £5m
- To the nearest £1m for values up to £20m
- To the nearest £10m for values up to £100m
- To the nearest £50m or £100m for values up to £1bn

**Details for specific provisions:**

**Reducing bureaucracy (see page 20)**

For policies affecting Sixth Form Colleges the following costs of employee time were estimated:

- **Sixth Form College Principal** £54 per hour (ph) (double the average cost of secondary education and teaching professionals).

- **Finance director of a sixth form college** £35ph (the average cost for financial managers and chartered secretaries).

- **LA official** £28ph (the average cost for senior officials in local government).

- **Sixth Form College Clerk** £13ph (the average cost for administrative officers in non-government organisations)

Source: 2009 Annual Survey of Hours and Earnings
Cost of education provision (see page 33)

According to latest figures (2010-11), LAs budgeted to spend approximately £18,400 per pupil in PRUs; the average cost of educating a pupil in a maintained school was £5,200.

Source: Internal DfE estimate, 2010-11

Power to require schools to participate in international comparisons studies (see page 15)

Time taken:

- In each study headteachers (or a nominated deputy) are required to complete a half hour background questionnaire about the school, and we have assumed half of these are completed by heads and half by deputies.
- The TIMMS study requires a teacher questionnaire to be completed by the teachers of the sampled class of pupils, which takes about half an hour, with 2 class teachers required to complete a questionnaire in secondary schools.
- The PIRLS study requires the completion of one half hour questionnaire by the teacher of the class of sampled pupils.
- The TALIS study requires 20 classroom teachers per school to complete a half hour questionnaire. A sample of 190 secondary schools is selected to participate in the PISA study.

Response rates and number of participants:

- The average response rate for the four PISA studies since 2000 was 83.5%, or 159 schools. Compulsory participation has therefore been estimated to result in around 31 additional schools participating.
- A sample of 150 primary and 150 secondary schools is selected to participate in the TIMSS study. The average response rate for the primary cohort of the two TIMSS studies since 2000 was 86%, or 129 schools, and for the secondary cohort was 70%, or 105 schools. We have therefore estimated around 21 additional primary schools participating and 45 additional secondary schools participating.
- A sample of 150 primary schools is selected to participate in the PIRLS study. The average response rate for the 2 PIRLS studies since 2000 was 93% or 139-140 schools. We have therefore estimated around 10-11 additional schools participating.
- A sample of 200 secondary schools will be selected to participate in the TALIS study. We have not previously participated in this study so there is no past data on response rates. However, on the basis of the average response rates for the PISA and the TIMSS secondary cohort, we can estimate a response rate of around 77% if the study is not compulsory. Assuming that 200 schools are selected to participate, this is equivalent to 153-4 schools. Making participation compulsory can therefore be estimated to result in an additional 46-7 schools participating.
Exempting outstanding schools from inspection & streamlining inspection criteria (see page 25)

Assumptions:
1. Preparation for Ofsted inspections takes 1.2 days of head teacher time and 1.2 days of senior leader (assumed to be the deputy head) time.\(^{45}\)

2. The actual inspections take up 2 days of head teacher\(^{46}\) and deputy head teacher time in secondary schools. In primary schools the head spends 2 days and deputy 1 day.

Using the set of labour costs (including on-costs) as used in the other IAs, an estimation of the average cost of an inspection to schools, is shown in Table 1.

Table 1: Average cost in senior leadership time per inspection

<table>
<thead>
<tr>
<th></th>
<th>Preparation</th>
<th>Inspection Days</th>
<th>Average cost (£)</th>
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<tbody>
<tr>
<td></td>
<td>Head teacher</td>
<td>Senior Management</td>
<td>Head teacher</td>
</tr>
<tr>
<td>Primary</td>
<td>1.2</td>
<td>1.2</td>
<td>2</td>
</tr>
<tr>
<td>Secondary</td>
<td>1.2</td>
<td>1.2</td>
<td>2</td>
</tr>
</tbody>
</table>

3. The number of schools, and the distribution of these schools across effectiveness grade, is assumed to remain constant.
4. Ofsted’s initial modelling suggests that an average of 150 exempted schools per year are expected to be identified as in need of inspection.

\(^{45}\) The 2007 NFER impact study found 62% of schools reported a significant cost in terms of preparation time for an inspection. In general schools receive two days notice of an inspection. It has therefore been assumed that 62% of schools use 2 head teacher days and 2 senior management team days in preparing. This equates to an average of 1.2 head teacher days and 1.2 senior leader days per school.

\(^{46}\) It is assumed that every head teacher spends all their time during the two on-site days fully involved in the inspection, including participating in joint lesson observations and team meetings.