

Title: The Education (Independent School Standards) (England) (Amendment) Regulations 2012 IA No: DfE00011 Lead department or agency: Department for Education Other departments or agencies:	Impact Assessment (IA)		
	Date: 01/01/2013		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
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Summary: Intervention and Options		RPC Opinion: Awaiting scrutiny	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£2,633,587	£2,562,337	-£27,292	Yes OUT

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

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 The standards need changing on efficiency grounds: 1) the ISS contain out of date and incorrect references and there have been requests from stakeholders to amend these; 2) to allow electronic transmission of data by schools (rather than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

The regulations are made under the Education Act 2002.

What are the policy objectives and the intended effects?

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 The regulations also require revision to change out of date and incorrect references and to include two new standards relating to early years and premises provision.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

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

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

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

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

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 2

Description: Make the necessary changes to the standards

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £1.958m	High: £3.309m	Best Estimate: £2.634m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low	£77,800	1	£0	£77,800
High	£102,200	1	£0	£102,200
Best Estimate	£89,000	1	£0	£89,000

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

The main monetised cost is associated with all schools to which the ISS applies familiarising themselves with the new standards. The changes to Part 2 are likely to require a small number of religious independent schools (around 100) to redesign their curricula and lesson plans. This is estimated to involve one-off costs. The cost estimates reflect the broad order of magnitude of the expected costs rather than precise figures.

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

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low	£4,900	0	£232,100	£2.060m
High	£9,800	0	£378,800	£3.387m
Best Estimate	£7,400	0	£305,400	£2.724m

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

Refining the definition of 'provided' within the standards to include the electronic transmission of information should benefit schools by cutting administrative costs of issuing hard copies of reports/information by post. Conservative assumptions (based on minimum statutory requirements, and intelligence about the sector) are that all Independent Schools send on average just over one letter a year to the parents of each of their pupils, and one letter a year to their Local Authority for each child with an SEN statement. Additionally, having clearer regulations is likely to save schools some time in understanding them and meeting the requirements of the standards.

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

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

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

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.007m	Benefits: £0.280m	Net: £0.273m	Yes	OUT

Summary: Analysis & Evidence

Policy Option 3

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

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £0.008m	High: £0.250m	Best Estimate: £0.128m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low	£77,800	1	£0	£77,800
High	£155,500	1	£0	£155,500
Best Estimate	£116,600	1	£0	£116,600

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

The main monetised cost is associated with all schools to which the ISS applies familiarising themselves with the new guidance, alongside the standards themselves. The changes to Part 2 are likely to require a small number of religious independent schools (around 100) to redesign their curricula and lesson plans. These estimates reflect the broad order of magnitude of the expected costs rather than precise figures.

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

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low	£4,900	1	£20,800	£163,300
High	£9,800	1	£41,600	£326,600
Best Estimate	£7,400	1	£31,200	£245,000

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

The 'Plain English' guidance is likely to save schools some time in understanding and meeting the requirements of the standards compared to the 'Do Nothing' option. There will be a one-off benefit to new independent schools establishing themselves in the first year the changes are introduced, and benefits to all schools with issues prior to inspection in other years.

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

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

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

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.009m	Benefits: £0.015m	Net: £0.006m	Yes	OUT

Evidence Base

Problem under consideration

There are three problems to address:

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

(* <http://www.homeoffice.gov.uk/publications/counter-terrorism/prevent/prevent-strategy/prevent-strategy-review?view=Binary>)

2) To update out of date references and technical errors. Part 3, which relates to the welfare, health and safety of pupils at the school, currently requires independent schools to have regard to out of date guidance, which has now been replaced with non-statutory advice. These references should be updated, as should two references in Part 4. Part 6, relating to provision of information, requires updating to clarify the standard which requires the school to provide an annual financial account for LA funded pupils so as to exclude early years funding. A further standard relating to pupils with a statement of SEN requires clarification that an annual review need only be provided to the LA if the statement is funded by the LA. Part 7, relating to the handling of complaints, needs amending to remove a provision referring to the national minimum standards which simply refers back to Part 7 of the standards so is redundant. Finally, a technical correction, highlighted by a respondent during consultation, is required in Part 4 (Suitability of staff, supply staff and proprietors) to clarify that certain checks do not need to be completed for a new member of staff who has previously worked in a maintained school with children. It is not possible to monetise these costs as we have no central data on the number of teachers affected by this anomaly. However, it is likely that the current impact is negligible.

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

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

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

Rationale for intervention

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

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

Policy objective

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

Options considered

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

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

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

Whilst we have some information to inform estimates of the costs and benefits of these options, centrally held evidence is not available for some of the assumptions needed. So the analysis in this impact assessment uses available information and informed assumptions to estimate their potential magnitudes.

Option 1 – Do Nothing

This option was considered but discarded for the following reasons:

- a) The expectations placed on independent schools for preventing extremism would not be aligned with commitments in the government's *Prevent* strategy.

b) This option would leave in place several references to out of date statutory guidance in Parts 3 and 4, technical errors in Part 6 and a redundant provision in Part 7.

c) Without the additional welfare, health and safety standard, which will link into the new premises standards for independent schools, inspectors will be unable to assign an unsatisfactory rating to schools where a hazard is observed which is not clearly defined within the new simplified premises standards (as noted above this provision, although welfare-related, may be finally placed in Part 5 rather than Part 3). Similarly, without the new early years curriculum standard linked to the possible introduction of EYFS exemptions, inspectors will be unable to fail schools where curriculum provision is unsatisfactory.

There is a separate review under way relating to the legislative implications following changes to maintained school vetting and barring requirements. However, these changes will not be implemented in time to incorporate into Part 4 of the ISS at the same time as the other changes proposed here.

Costs

There will be no additional financial costs associated with this option.

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

This option is preferred for several reasons:

- The changes will result in schools being encouraged to do more to prevent extremism;
- Schools will be directed to up to date guidance and have a better understanding of the requirements;
- Inspectors will be able to continue to fail schools where a hazard is observed that is not clearly defined within the new SPRs; and
- Inspectors will be able to identify schools where curriculum provision falls below the expected standard for the early years.

Costs

The following costs are expected:

- Costs for schools of familiarising with the new standards (monetised)
- Costs of some independent schools changing their curricula and lesson plans (monetised)

Familiarisation costs

Number of schools affected - The regulations currently apply to around 2,430 independent schools and the proposed changes will affect all of them. Parts of the ISS also apply to Free Schools and Academies, of which in June 2012 there were 24 Free Schools and around 1,900 Academies.

How schools will be affected - There may be an administrative cost to schools from familiarising themselves with the new standards. We do not have any evidence on when, how long or how often individual schools consult these regulations, so estimating these costs cannot be precise. Most schools will consult the regulations infrequently, when a specific need arises, so we expect the aggregate impact to be minimal. No schools or representative bodies that responded to the consultation indicated that familiarisation would be a burden, especially as many independent schools belong to an organisation or umbrella body which provides information about regulatory changes and some schools will rely on their advice. Schools regularly put aside time to keep up to date with changing regulatory requirements.

Indicative magnitude of costs - We have estimated the potential magnitude of these costs, using standard methodology for estimating the cost of employing teachers and the administrative burdens imposed on them.

The average annual teacher salary (including heads, deputy heads and classroom teachers) from the School Workforce Census was £37,600 in November 2010. This rises to £47,750 after allowing for non-wage labour costs (such as National Insurance and pension contributions), estimated at 27% from the national Labour Cost Survey. Since teachers work for 39 weeks each year, the average weekly employee cost per teacher is £1224.41; or £244.88 per day. The Teacher Workloads Diary Survey 2010

indicates that teachers work ten hours a day, so their average hourly employee cost is £24.49.

We assume that the administrative cost per school equates on average to half an hour of teacher time, which represents the time taken to read a report or bulletin from a commercial source or a representative or umbrella body. On this basis, the total administrative cost would be around £53,300 in aggregate. While we think half an hour reading time is a reasonable assumption, costs would be £106,600 if the average time were a whole hour and the figure would scale proportionately if more time were needed. This is a small one-off total cost and reflects that we do not expect most schools to be affected to any significant degree.

Estimated Cost of Re-familiarising with the Revised Regulations

	Private sector schools	Academies & Free Schools	Method/Source
One-off costs (current prices)			
A Number of Independent Schools	2430	1924	Internal Data
Time Re-considering the Revised Regulations by	Half an hour	Half an hour	Internal Assumption
B Schools – Best estimate			
C Average Annual Employee Cost	£47,752	£47,752	Internal Estimate
D Average Hourly Employee Cost	£24.49	£24.49	Internal Estimate
E Total Annual Cost for Schools	£29,750	£23,560	A*B*D

We attempted to obtain evidence to substantiate these familiarisation costs during the consultation. Of the 40 respondents, 24 responded to this request, of which 14 agreed there would be small administrative costs of the magnitude proposed in the initial impact assessment; 7 were not sure and 3 indicated that there would be no cost. There were a small number of comments implying that the costs indicated in the IA may be an underestimate. However, these predicted costs involved reviewing areas that will actually require no change as a result of the proposed revisions so we concluded that these respondents had misunderstood the areas of the regulations that would be subject to change. We believe, therefore, that using the same assumptions as in the consultation stage Impact Assessment is likely to provide a reasonable estimate of the potential magnitude of the aggregate costs across all schools.

Changes to Part 2 (requirements related to the Prevent strategy)

How schools will be affected – A small group of religious independent schools may need to adapt their curricula where it does not meet the revised standards. A few schools are believed to have a curriculum which encourages an extremist, separatist or non-democratic ethos. The implications for individual schools will depend on how far their curricula are from meeting the proposed changes. For most schools, these changes could be carried out during the regular curriculum review that schools are likely to carry out, which would limit any additional burdens.

Number of schools affected – There are currently 1,036 independent schools that have a religious character, shown in the table below. However, we do not have central data on how many have a curriculum that is not in line with the proposed regulatory changes. Consultation with the sector undertaken from 25 April to 5 June, did attempt to draw out some corroboration of the assumptions made here. Out of 40 respondents, only 4 indicated agreement that a small number of schools are likely to need to review their curricula and no estimate of the potential costs were provided. The respondents did provide some insight into the schools that would be affected.

Ofsted agreed that some faith schools would need to review their curriculum and said that ‘some of the more specialist non-association faith schools may need to demonstrate how these objectives are achieved through their religious curriculum, and making a positive contribution to the local and wider communities (i.e. outside the faith community) may be a challenge for the more insular faith schools’. Non-association schools are not affiliated to the Independent Schools Council. There are 385 non-association faith schools in this group and our knowledge of the operations of faith schools suggest that ultra-Orthodox Jewish and some Muslim schools are likely to be most affected. Quaker schools indicated that the new requirements in relation to democracy would require some work because of the Quaker approach to pacifism. There are 51 ultra Orthodox Jewish schools and 9 Quaker schools that are likely to be most affected, and 135 Muslim schools, some of whom will be affected. We believe that the

evidence from the consultation document supports our initial estimate of 100 schools being affected by the proposed changes to Part 2 of the standards.

Denomination	Number of schools
Buddhist	1
Christian	320
Church of England	273
Church of England /Christian	4
Congregational Church	1
Hindu	2
Inter-denominational	94
Jewish	51
Methodist	13
Moravian	1
Multi-faith	3
Muslim	135
Quaker	9
Roman Catholic	119
Seventh Day Adventist	5
Sikh	2
Unitarian	1
United Reformed Church	2
TOTAL	1036

Indicative magnitude of costs – We have no firm basis for estimating this cost in terms of the teacher days spent in adapting the curriculum and lesson plans. We sought this evidence through the written consultation and through the consultation meetings, but neither schools nor representative bodies were able to produce estimates that differed from the proposals in the initial consultation. If the costs were substantially greater it is certain that schools would have asked us to reconsider the new requirements as it would be costly to comply. We expect any costs to be one-off implementation costs.

Using the same teacher workforce costs as above, the table below shows the potential cost estimates. Our best assumptions are that it takes one day to change the curriculum and half a day to reflect those changes in lesson plans.

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

	Private sector schools	Method/Source
One-off costs (current prices)*		
A Number of independent schools	2,430	Internal Data
B Number of schools with religious character	1,030	Internal Data
C Number of religious schools needing to adapt	100 (10%)	Internal Assumption
D Time needed for staff to adapt curriculum – Best estimate	1.5 days	Internal Assumption
E Time needed for staff to adapt curriculum – Low estimate	1 day	Internal Assumption
F Time needed for staff to adapt curriculum – High estimate	2 days	Internal Assumption
G Average Annual Employee Cost	£47,752	Internal Estimate
H Average Daily Employee Cost	£244.88	Internal Estimate
I Total One-Off Cost – Low estimate	£24,500	C x E x H
J Total One-Off Cost – Best estimate	£36,700	C x D x H
K Total One-Off Cost – High estimate	£49,000	C x F x H

Our best, although still indicative, estimate of the administrative costs are around £36,700 in aggregate, which is very small and reflects the view that only a small number of schools nationally will be affected.

Costs would fall to £24,500 if only one day of staff time was involved and would rise to £49,000 on the basis of 2 days of time. Overall, the figures show that changing the curriculum to meet the additional requirements is not expected to have a large national impact or a large impact on individual schools.

Part 2 of the ISS will also apply to Academies and Free Schools. Seven of the 24 open Free Schools have a faith designation (3 Christian, 2 Jewish, 1 Hindu and 1 Sikh). However, we assume that new Free Schools will not be affected as their curriculum plans have been vetted before they open to ensure they do not promote extremism. Of the 1,900 Academies, approximately 240 have faith designations. Although the new regulations apply to these schools we have no evidence to suggest that any of these schools are teaching an inappropriate curriculum, and therefore we assume that these schools will not be affected.

Total Monetised Costs

The total costs of Option 2 are summarised in the table below.

	Transition Costs	Annual Costs	Total Cost
Low estimate	£77,750	N/A	£77,750
Best estimate	£89,994	N/A	£89,994
High estimate	£102,238	N/A	£102,238

For the purposes of estimating the net costs to business we need to exclude Academies and Free Schools, which are classed as being in the public sector. The above costs incurred by the private sector independent schools are: £54,300, £66,600 and £78,800.

Benefits

The following benefits are expected:

- Improved clarity about the regulations, for schools. This could save time and confusion when consulting the regulations and complying with inspectors (monetised).
- Schools will be allowed to use electronic transmission of information (monetised).
- Pupils in religious schools altering their curriculum will benefit from a more balanced curriculum (non-monetised).
- Schools and inspectorates will be directed to correct guidance and legislation (non-monetised).
- The welfare, health and safety standard for premises will allow inspectors to continue to fail schools where a hazard is observed (non-monetised).
- The additional early years' curriculum standard will enable inspectors to continue to fail schools where provision falls below what should be expected for that age group (non-monetised).

Improved clarity in the regulations

Number of schools affected – All 4,350 existing independent schools will be affected, as well as new schools opening. Internal data show that, on average, 80 new independent schools are set up each year (future academy conversion rates are unknown so new converters are not included).

How schools will be affected - Improved clarity in the regulations will benefit schools by making the process of complying with inspections more straightforward. As a result, schools will save some time when preparing for and being inspected. We expect two main time savings to occur:

- Savings for new independent schools when consult the regulations on establishment;
- Savings for existing schools facing particular regulatory issues during the inspection process. We would expect the number of such issues to fall, thus reducing administrative burdens when they are inspected. The extent of these ongoing savings will depend on the frequency of inspections.

Outstanding schools are inspected every six years and non-outstanding schools every three years. Data show that there are 250 outstanding independent schools and 2,180 non-outstanding schools. We do not know how many schools are inspected each year but a reasonable assumption is an even distribution in each Ofsted category are inspected each year; a sixth of outstanding schools (42) and a third of non-outstanding schools (727). The Department estimates that 20% (260) of existing schools

inspected each year (both outstanding and non-outstanding) have regulatory issues that come up in the inspection process and therefore will need to consult the standards before their regular inspections.

Indicative magnitude of benefits – Estimating the benefits is difficult due to evidence gaps for some of the assumptions. On the basis of the available information and reasonable assumptions, estimates of the broad order of magnitude of the savings for new schools (when established) and existing schools (in terms of ongoing impacts) have been made. The following assumptions are made:

- Outstanding Academy converters (of which there are 655) are inspected every six years and non-outstanding converters every 3 years (880 schools);
- All sponsored Academies (365 schools) and Free Schools (24) will be inspected 3 times during the next 10 years; and
- 20% of Academies and Free Schools have regulatory issues during the inspection process.

When the new guidance is available, we assume that only the 80 new schools established in that year will benefit, because all other schools will be facing the administrative cost from having to familiarise with the revised regulations. Each year after that, the benefits will accrue to all new schools that year plus those existing schools being inspected where regulatory issues arise.

There is no centrally held data on how much time is taken up by schools in dealing with the regulatory issues coming up in the context of their inspections. We believe the administrative savings will be very similar (in terms of time spent) to the expected savings from having to read the existing regulations in conjunction with extra guidance (as in Option 3). Our assumptions of time saved, therefore, are between a quarter and half a day of staff time.

Estimated benefits for schools of increased clarity in Independent School Standards

List of assumptions and calculations	All independent schools	Method/Source
Number of schools		
A Independent schools	2,430	Internal Data
B New independent schools per year	80	Internal Data
C Free Schools	24	Internal Data
D Academies	1,900	Internal Data
E Sponsored Academies	365	Internal Data
Number of schools by Ofsted category		
F Outstanding Converter Academies	655	Internal Data
G Non-Outstanding Converter Academies	880	Internal Data
H Outstanding independent schools	250	Internal Data
I Non-outstanding independent schools	2180	Internal Data
J Percentage of schools facing inspections where issues with regulations occur	20%	Internal Estimate
Frequency of inspections		
K Non-outstanding Independent Schools	Every 3 years	Internal Data
L Outstanding Independent Schools	Every 6 years	Internal Data
M Free Schools/Sponsored Academies	Every 3 years	Internal Estimate
N Outstanding Academy converters	Every 6 years	Internal Estimate
O Non-outstanding Academy converters	Every 3 years	Internal Data
Number of schools inspected each year		
P Non-outstanding Independent Schools	727	I / 3
Q Outstanding Independent Schools	42	H / 6
R Free Schools and Sponsored Academies	130	(C + E) / 3
S Outstanding Academy Converters	109	F / 6
T Non-Outstanding Academy Converters	293	G / 3
U New schools who review regulations in first year	80	Internal Data
V Subsequent number of schools who review regulations annually	340	B + ((P+Q+R+S+T)*20%)
Other assumptions		
W Time saved through Plain English guidance	Quarter day	Assumption (low)

X	Time saved through Plain English guidance	Half a day	Assumption (high)
Y	Average Annual Employee Cost	£47,752	Internal Estimate
Z	Average Daily Employee Cost	£244.88	Internal Estimate
AA	Average Half-Day Employee Cost	£122.44	Internal Estimate
BB	Average Quarter-Day Employee Cost	£61.22	Internal Estimate
Estimated annual benefits			
CC	Benefit to Schools in first year (low estimate)	£4,900	U * BB
DD	Annual Benefit to Schools in subsequent years (low estimate)	£20,800	V * BB
EE	Benefit to Schools in first year (high estimate)	£9,800	U * AA
FF	Annual Benefit to Schools in subsequent years (high estimate)	£41,600	V * AA

The annual benefits are summed and discounted over ten years (using a 3.5% discount rate) and are shown in the table below.

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

Year	Discount Rate	Low benefit estimate		Best estimate		High benefit estimate	
		Benefit	Discounted	Benefit			Discounted
1	1.00	£4,898	£4,898	£9,795	£7,346	£7,346	£9,795
2	0.97	£20,821	£20,117	£41,642	£31,232	£30,176	£40,234
3	0.93	£20,821	£19,437	£41,642	£31,232	£29,155	£38,873
4	0.90	£20,821	£18,779	£41,642	£31,232	£28,169	£37,559
5	0.87	£20,821	£18,144	£41,642	£31,232	£27,217	£36,289
6	0.84	£20,821	£17,531	£41,642	£31,232	£26,296	£35,062
7	0.81	£20,821	£16,938	£41,642	£31,232	£25,407	£33,876
8	0.79	£20,821	£16,365	£41,642	£31,232	£24,548	£32,730
9	0.76	£20,821	£15,812	£41,642	£31,232	£23,718	£31,624
10	0.73	£20,821	£15,277	£41,642	£31,232	£22,916	£30,554
Present Value			£163,298		£244,947		£326,596

The *annual* benefits for the private sector independent schools are: £11,700, £17,500 and £23,300.

Electronic transmission of information

Number of schools affected – We expect the proposed change to affect all 2,430 independent schools. Academies and Free Schools already use a variety of mechanisms including email and website portal access, so are not included in the following calculation of benefits.

How schools will be affected – Overall we expect independent schools will be able to avoid the administrative costs of issuing many documents by post. We do not have central data on total numbers of letters schools send to parents and other bodies but there are certain statutory requirements for the provision of information by schools, which to comply with schools are likely to use postal communication to provide the information to pupils, their parents and other bodies:

- Schools with SEN pupils need to send a letter to the LA when it is conducting its annual review of their SEN statements. There are currently 9,668 such pupils in independent schools.
- All parents of pupils should receive a school report each year. There are currently 569,116 independent school pupils;
- All parents should receive a copy of an education inspection report, when this is carried out;
- All parents should receive a copy of a boarding welfare inspection report when this is carried out;

Based on internal data on the number of pupils that are affected by each of the other requirements above (e.g. total number of pupils school reports are sent to, how many pupils require the different types of inspection reports over the appraisal period) we calculate that on average independent schools send 1.22 letters to each pupil a year. It is possible that not 100% of schools are communicating by post (e.g. schools expect pupils to take reports home), but we have no data to indicate how many schools could be doing this. It is also possible that 1.22 letters per pupil is an under-estimate, as intelligence about the sector suggests some schools are likely to post other important documents such as pupils' academic progress reports, or termly school fee invoices to parents. Therefore in the absence of accurate central

data, we believe that an average figure of 1.22 letters a year per pupil (694,322 letters in total) represents a reasonable and conservative estimate of postal communications taking place each year. Where parents do not live together, or there are more than two people with parental responsibility for the child, each parent will be entitled to receive information from the school. Analysis of ONS data¹ suggests that this increases the number of letters sent to pupils by approximately 11%. This increases the number of letters sent to parents to 770,697. Our analysis assumes that all schools that need to send information to both parents do so by post – as we have no evidence or data to suggest schools are doing otherwise.

Taking postal communication by schools to pupils and their parents, and LAs, we calculate that the total number of letters sent each year by independent schools is 780,365 (9,668 + 770,697). The table describes how this figure was arrived at.

Schools are obliged to provide other information to parents either through their website or by mail. The requirement covers: safeguarding policy; admissions, discipline and exclusions policies; education and welfare provision for pupils with statements and pupils for whom English is an additional language; curriculum policy; bullying policy; policy for health and safety relating to activities outside schools; the policy for promoting good behaviour and sanctions for misbehaviour; complaints procedure and complaints considered during the past year; and the number of staff and their qualifications. This information would be provided to pupils entering the school but only where it was not available on the website. Schools almost all now have websites with protected areas that parents can access where this information is kept, so we think the number of schools that post this information to parents is minimal – and this is therefore not included in the analysis

Schools can provide information to parents or other bodies outside these statutory requirements. However, the above is the minimum level of information provision that schools are required to provide.

Indicative magnitude of benefits – We have used the above statutory minimum requirements to provide indicative estimates of the magnitude of potential benefits arising from the proposed change.

In order to work out the net annual benefit of this change, we first estimate the total postal costs schools currently incur. We then work out what postal costs will remain after the regulations are altered. We subtract this from the former to obtain the net annual average saving, and total estimated benefit over the appraisal period, from the change in the definition of ‘provided’.

Firstly, we estimate the cost of existing postal communication. Our high estimate of the cost to schools assumes that all postal communication costs £0.50 (the price of sending a letter by second class post with the Royal Mail). It is also possible that schools save money on postage by using franking machines. Therefore, our low estimate of this benefit assumes that all schools pay for postage using franking machines, at the cost of £0.31 per second class letter². In reality schools could be using a mix of franking and different classes of postage – rather than all schools using the same postal method. However, we lack data on the exact mix of postal methods schools employ, and thus for simplicity we have assumed in our analysis that the central estimate of the current postal cost is the mid-point of the high estimate (all schools send all letter second class) and low estimate of cost saving (all schools send all letters using franking machines). It is likely a more precise estimate of the actual current cost would fall somewhere within these lower and upper bounds.

It is also possible that schools could post letters using first class stamps – but as this is the most expensive form of postal communication it may not be the most prevalent amongst schools – and therefore it is not included in the analysis. If some schools do currently use first class mail for postal communication, then the estimates in the table below could understate the potential savings arising from this regulatory change.

We also assume that schools already have the technology and staff expertise to communicate electronically, and that no new expenditure on computers and staff training are required. Independent schools have completed an annual schools census electronically since January 2011 so we believe this is a reasonable assumption.

¹ <http://www.ons.gov.uk/ons/rel/family-demography/families-and-households/2011/sum-lone-parents.html>

² This figure is taken from <http://www.franking-machines.co.uk/> on 13 September 2012.

The table below provides the underlying assumptions behind the estimated postal costs schools face – which is a key component of the overall savings to schools from the switch to allow electronic communication under this option.

	Private sector schools	Method/Source
<u>Annual benefit (current prices)</u>		
A Number of pupils	569,116	Internal Data
B Number of pupils with Statements of SEN	9,668	Internal Data
C Number of letters sent per pupil annually to meet statutory requirements	1.22	Internal Estimate
D Number of letters sent to LA	1	Internal Assumption
E Scalar to reflect number of letters to both parents	1.11	External data
F Total number of letters sent out each year by schools	780,365	(A*C*E)+(B*D)
G Cost of posting a letter second class	£0.50	External Data
H Cost of posting a letter using a franking machine	£0.31	External Data
I Total postal costs to schools (Low)	£241,913	F*H
J Total postal costs to schools (Central)	£316,048	I+K/2
K Total postal costs to schools (High)	£390,183	F*G

There may also be a small administrative saving from no longer needing to manually print hard copy documents and put them into envelopes. However, we have assumed that these cost savings will be offset by the costs instead of having to attach documents to emails.

However, the amounts in the table above do not represent the net savings from the change, as it is likely that not all schools will cease all postal communication. We expect that the majority of communication will switch to electronic communication, given that it is likely to result in significant cost savings to schools. This view is supported by a majority of the consultation respondents agreeing that the change would result in cost savings, and many respondents explicitly welcoming the opportunity to provide information electronically rather than physically.

We adjust the figures in the table above to take into account that it is likely that a small number of letters will continue to be sent to pupils without internet access. Given the socio-economic background of pupils who attend independent schools (which charge fees) this number is unlikely to be large. Evidence from Ofcom shows that households with children have high levels of access to the internet - in 2009 82% of households with children aged 5 to 15 years old had internet access³. Internet access varies by socio-economic group – and is much higher for higher socio-economic groups. 94% of AB households with children have internet access, compared to 92% for C1 households; 86% for C2 households; and 69% for DE households. Given that independent school pupils are likely to be from higher socio-economic households, we calculate internet access among their pupils as the average of the AB, C1 and C2 socio-economic groups– 91%. We therefore derive that 9% of independent school pupils do not have internet access, and that letters will still have to be sent to these households. The estimated benefits are adjusted accordingly in the table below⁴. This adjustment could possibly understate the savings if internet access has increased further since the survey was conducted by Ofcom in 2009.

Consultation responses also indicated that schools may choose, in some circumstances, to continue to communicate by post rather than electronic means (e.g. confidential information, or where parents explicitly request it). However, we do not have data to quantify this. There is a risk that this could lead to an over-estimate of the savings from the change in the regulations. However, this is balanced against the fact that the numbers of letters sent could be an underestimate of the actual level of postal communication currently sent.

³ Ofcom (2010) 'UK children's media literacy', research document published 26 March 2010

⁴ No adjustment is made to the number of letters sent to LAs, as we assume they have internet access and that schools will prefer to save money in these communications by using electronic communication.

The table below shows how these two adjustments affect the number of letters sent, and then show how they affect the estimated benefits.

	Private sector schools	Method/Source
Annual benefit (current prices)		
A Number of pupils	569,116	Internal Data
B Number of letters sent per pupil annually to meet statutory requirements	1.22	Internal Estimate
C Scalar to reflect number of letters to both parents	1.11	External Data
D Total number of letters sent to parents	770,697	A*B*C
E Number of pupils with internet access	91%	Internal Assumption
F Number of pupils without internet access	9%	Internal Assumption
G Total number of letters that still need to be sent to these pupils each year	69,363	D*F
H Cost of posting a letter second class	£0.50	External Data
I Cost of posting a letter using a franking machine	£0.31	External Data
J Total cost of sending letters after change (Low)	£21,503	G*I
K Total cost of sending letters after change (Central)	£28,092	J+L/2
L Total cost of sending letters after change (High)	£34,681	G*H

By subtracting these postal costs estimates from the previous table's estimates it is possible to obtain the low, central and high estimates of the net annual benefit from allowing independent schools to provide information electronically. These are outlined in the table below.

	Annual benefit (current prices)
Low estimate	£220,411
Central estimate	£287,956
High estimate	£355,501

On the basis of reasonable assumptions of the minimum statutory requirements for the provision of information, and assumptions around remaining postal communication, the central estimate of the annual benefit is around £287,956 in cash terms. The total discounted benefit over ten years is around £2,478,634 (see table below). The central estimate is the mid-point of the low and high estimates. Since Academies and Free Schools are already excluded from the above estimated benefits, we do not need to make any further adjustments for the net costs to business analysis.

Annual Benefit Discounted Over 10 Years				
Year	Discount Rate	Discounted Annual Benefit (Low)	Discounted Annual Benefit (Central)	Discounted Annual Benefit (High)
1	1.00	£220,411	£287,956	£355,501
2	0.97	£212,957	£278,218	£343,479
3	0.93	£205,756	£268,810	£331,864
4	0.90	£198,798	£259,720	£320,642
5	0.87	£192,075	£250,937	£309,799
6	0.84	£185,580	£242,451	£299,322
7	0.81	£179,304	£234,252	£289,200
8	0.79	£173,241	£226,331	£279,421

9	0.76	£167,382	£218,677	£269,972
10	0.73	£161,722	£211,282	£260,842
	Total	£1,897,226	£2,478,634	£3,060,042

On balance, we believe that these provide a reasonable estimate of the potential benefits. Consultation with the sector attempted to substantiate the potential savings resulting from this provision and the majority of respondents agreed that it would result in administrative savings for schools. However, the respondents' estimated savings varied widely; one respondent indicated that as the school sends out at least two letters a week, savings would be significant. In another response, a school indicated that this would only result in a small amount of savings which is in line with our analysis above. The responses received do not lead us to believe that our key assumptions are substantially inaccurate

Non-monetised benefits

Improved clarity about the standards – Improved clarity about the standards may result in a small reduction in the number of queries from schools seeking clarity, directed towards inspectorates and associations in membership of the Independent Schools Council. Since there is no central data on the extent of current queries we have no evidence on which to base any reasonable assumptions of the reduction in queries or measurable administrative savings.

Changes to the curriculum - Since a small number of schools may need to adapt their curriculum to eliminate an extremist and anti-democratic ethos, there may be intangible benefits for pupils attending these schools; and the wider community, if those pupils are not being exposed to extremism and are less vulnerable to radicalisation. The nature of these civic benefits is hard to define and quantify, but they are likely to include lower policing costs following a reduction in the number and severity of terrorist incidents, a small reduction in the prison population and lower social security benefits as those people who might otherwise have been radicalised take up work and contribute to society. The changes will benefit independent schools, by increasing public confidence so there is less public concern about the risk of schools radicalising their pupils or failing to prepare them to take their place in society. We have not attempted to monetise these benefits because they are long term and also because we do not have a reliable basis to estimate the number of schools and pupils who would be affected. However, the Consultation undertaken in April to June has resulted in obtaining some support for this assumption with half of the respondents (13 out of 27) agreeing that there will be intangible benefits for pupils and the wider community, ten were unsure and four indicated that it would be difficult to envisage the benefits.

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

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

Early years curriculum standard - The additional early years curriculum standard will enable inspectors to continue to fail schools where curriculum provision falls below what should be expected for that age group in schools exempted from EYFS learning and development requirements.

Net Present Value of Option 2

a) Overall impact of all changes under Option 2

Our best estimate of the discounted net present value of the administrative costs and benefits that have been estimated is £2.634 million, in 2012 prices. The low estimate of the NPV (lowest benefits minus highest costs) is £1.958million and the high estimate is £3.309million (highest benefits minus lowest costs). Since this does

not reflect all possible benefits it may well be an underestimate. The positive NPV is driven by the administrative savings that accrue from allowing schools to provide information electronically. Changing the assumptions will alter the NPV so the estimates should be treated with caution. However, they are conservative and we believe that this NPV is likely to represent a lower bound. The findings suggest that the proposed changes are likely to have an aggregate net benefit – in respect of the *monetisable* costs and benefits.

	Costs	Benefits	Net Present Value
Low Estimate	£102,238	£2,060,524	£1,958,286
Best Estimate	£89,994	£2,723,581	£2,633,587
High Estimate	£77,750	£3,386,638	£3,308,888

b) Impact of the adapting Curriculum in line with the Revised Part 2 Regulations

	Costs	Benefits	Net Present Value
Low Estimate	£48,976	£0	-£48,976
Best Estimate	£36,732	£0	-£36,732
High Estimate	£24,488	£0	-£24,488

The table above isolates the specific effect of revising Part 2 of the regulations, excluding all other changes, so that it can be more easily considered. It will have a small cost in staff time, of £36,700. There are no non-monetised costs.

c) Impact of all changes excluding revised part 2 regulations

The table below isolates the impact of all proposed changes *excluding* the revisions to Part 2. Removing these revisions has a negligible effect on the overall NPV, which is still all positive and around the same magnitude.

	Costs	Benefits	Net Present Value
Low Estimate	£53,262	£2,060,524	£2,007,262
Best Estimate	£53,262	£2,723,581	£2,670,319
High Estimate	£53,262	£3,386,638	£3,333,376

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

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

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

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

Costs

The following costs are expected:

- Costs of schools familiarising with the new Plain English guidance (monetised).
- Costs for some religious independent schools changing their curriculum (monetised).

Familiarisation costs

Number of schools affected – The regulations currently apply to around 2,430 independent schools, 24 Free Schools and 1,900 academies. The Plain English guidance will be relevant to all of these schools.

How schools will be affected - There may be a one-off administrative cost for schools in familiarising themselves with the guidance. However, we do not have any evidence on when, how long or how often individual schools consult these regulations. Most schools will consult the regulations infrequently (and will therefore only consult the new guidance infrequently), when a specific need to do so arises. So we therefore expect the longer term aggregate impact of the proposed changes to be minimal.

Indicative magnitude of benefits - We use the standard methodology for estimating these costs as in Option 2. We have estimated high and low estimates to assess how far the costs change when the assumptions change. The high estimate is based on the average time needed to read the guidance, in conjunction with the standards, of one hour. The low estimate is based on half an hour. Schools may take longer than is needed to consult the streamlined standards themselves (under Option 2) as they may need to cross-reference the standards as well. But we do not think this will have any significant impact on schools. .

In line with Option 2, if schools spend half an hour reading the new guidance, the administrative cost would be around £53,300 in aggregate. Costs rise to around £106,500 if the time taken is doubled. We think these are reasonable upper and lower boundaries and our central estimate is the mid-point at £79,900. The table below sets out the steps and assumptions used to derive these estimates.

Estimated cost of reading the new guidance

	All independent schools	Method/Source
<u>One-off costs (current prices)</u>		
A Number of independent schools	2,430	Internal Data
B Number of Free Schools	24	Internal Data
C Number of Academies	1,900	Internal Data
D Total Number of Schools	4,350	A + B + C
E Time considering the Regulations and Guidance (low)	Half an hour	Internal Assumption
F Time considering the Regulations and Guidance (high)	1 hour	Internal Assumption
G Average Annual Employee Cost	£47,752	Internal Estimate
H Average Hourly Employee Cost	£24.50	Internal Estimate
I Total Annual Cost (low estimate)	£53,300	D x E x H
J Total Annual Cost (high estimate)	£106,500	D x F x H

Costs of changing the curriculum for some religious independent schools

These costs are the same as those estimated for Option 2. The low estimate is £24,500 and the high estimate £36,700, with a best central estimate being £49,000. We do not repeat these calculations here.

Total Monetised Costs

The total costs of Option 3 are summarised in the table below. All costs are expected to be one-off transitional costs. The best estimate of the total cost of Option 3 is around £116,600 (i.e. best estimates of changing schools' curricula and familiarisation costs). The low estimate is simply the lowest costs for these two impacts, and similarly for the high cost scenario. The costs incurred by the private sector independent schools are: £54,300, £81,500 and £108,600.

	Transition Costs	Annual Costs	Total Cost
Low estimate	£77,750	N/A	£77,750
Best estimate	£116,625	N/A	£116,625
High estimate	£155,500	N/A	£155,500

Non-Monetised Costs

There are no non-monetised costs to this option.

Benefits

The following benefits are expected:

- Improved clarity could save time and confusion in consulting guidance or complying with inspectors (monetised);
- Reduced number of queries from schools about the regulations (non-monetised);
- Schools and inspectorates will be directed to correct guidance and legislation (non-monetised);
- Pupils in religious schools altering their curriculum will benefit from a more balanced curriculum (non-monetised).

Improved clarity in the new guidance

Number of schools affected – The guidance will benefit the 4,350 existing independent schools and the 80 new schools setting up each year (future academy conversion rates are unknown so new converters are not included).

How schools will be affected - Improved clarity from having a Plain English guide will benefit schools by making the process of complying with inspections more straightforward. As a result, schools may save some time when preparing for and being inspected. We expect two main time savings to occur:

- Savings for new schools when they first consult the guidance and the standards;
- Savings for existing schools facing particular regulatory issues during the inspection process. Greater clarity should reduce the number of these issues and reduce administrative burdens, when they are inspected. These ongoing savings will depend on the frequency of inspections.

Outstanding schools are inspected every six years and non-outstanding schools every three years. There are currently 250 outstanding schools and 2,180 non-outstanding schools. We do not know how many schools are inspected each year but a reasonable assumption is an even distribution of schools in each Ofsted category are inspected each year; a sixth of outstanding schools (42 schools) and a third of non-outstanding schools (727). The Department estimates that 20% (260) of existing schools inspected each year (both outstanding and non-outstanding) have regulatory issues the come up in the inspection process and therefore will need to consult the standards before their regular inspections.

Indicative magnitude of benefits – Estimating the benefits is difficult because there are some evidence gaps. We have used available information and reasonable assumptions to estimate broad orders of magnitude of savings for new schools and existing schools. We make the following assumptions:

- Outstanding Academy converters (655 schools) are inspected every six years and non-outstanding Academy converters (880 schools) are inspected every 3 years;
- All 365 current sponsored Academies and 24 Free Schools will be inspected 3 times during the next 10 years;
- 20 per cent of Academies and Free Schools have regulatory issues in their inspections.

When the new guidance is available, we assume that only the 80 new schools establishing in that year will benefit because all other schools will be facing the administrative cost from having to familiarise with the new guidance. Each year after that, the benefits will accrue to all new schools that year plus those existing schools being inspected where compliance would have been an issue.

School staff time is valued in the same way as it was in Option 2. There is no data on how much time is taken up by schools in dealing with regulatory issues in the context of their inspections. To put these into

perspective, we believe that consulting the new guidance, whilst still having to consult the unrevised standards, will save less time than only needing to consult the revised standards (Option 2). So we assume that the potential savings will be between a quarter of a day and half a day of school staff time. We conservatively assume that only one staff member per school will be affected. The table below sets out the full data and assumptions used to estimate these savings.

Estimated benefits for schools of increased clarity in Independent School Standards

List of assumptions and calculations	All independent schools	Method/Source
Number of schools		
A Independent Schools	2,430	Internal Data
B New Independent Schools	80	Internal Data
C Free Schools	24	Internal Data
D Academies	1,900	Internal Data
E Sponsored Academies	365	Internal Data
Number of schools by Ofsted category		
F Outstanding Converter Academies	655	Internal Data
G Non-Outstanding Converter Academies	880	Internal Data
H Outstanding independent schools	250	Internal Data
I Non-outstanding independent schools	2180	Internal Data
J Percentage of schools facing inspection issues	20%	Internal Estimate
Frequency of inspections		
K Non-outstanding Independent Schools	Every 3 years	Internal Data
L Outstanding Independent Schools	Every 6 years	Internal Data
M Free Schools/Sponsored Academies	Every 3 years	Internal Estimate
N Outstanding Academy converters	Every 6 years	Internal Estimate
O Non-outstanding Academy converters	Every 3 years	Internal Data
Number of schools inspected each year		
P Non-outstanding Independent Schools	727	I / 3
Q Outstanding Independent Schools	42	H / 6
R Free Schools and Sponsored Academies	130	(C + E) / 3
S Outstanding Academy Converters	109	F / 6
T Non-Outstanding Academy Converters	293	G / 3
U New schools who review regulations in first year	80	Internal Data
V Subsequent number of schools who review regulations annually	340	B + ((P+Q+R+S+T)*20%)
Other assumptions		
W Time saved through Plain English guidance	Quarter day	Assumption (low)
X Time saved through Plain English guidance	Half a day	Assumption (high)
Y Average Annual Employee Cost	£47,752	Internal Estimate
Z Average Daily Employee Cost	£245	Internal Estimate
AA Average Half-Day Employee Cost	£122.44	Internal Estimate
BB Average Quarter-Day Employee Cost	£61.22	Internal Estimate
Estimated annual benefits		
CC Benefit to Schools in first year (low estimate)	£4,900	U * BB
DD Annual Benefit to Schools in subsequent years (low estimate)	£20,800	V * BB
EE Benefit to Schools in first year (high estimate)	£9,800	U * AA
FF Annual Benefit to Schools in subsequent years (high estimate)	£41,600	V * AA

The annual benefits are summed and discounted over ten years (using a 3.5% discount rate) and reflect what we believe to be the boundaries of the expected benefits. Our central estimate of the potential benefits is around £245,000. Although we think Option 3 is preferable to the do nothing option, the expected impacts are not likely to be large in total. The annual benefits for the private sector independent schools are: £11,700, £17,500 and £23,300.

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

Year	Discount Rate	Low benefit estimate		Best estimate		High benefit estimate	
		Benefit	Discounted	Benefit			Discounted
1	1.00	£4,898	£4,898	£9,795	£7,346	£7,346	£9,795
2	0.97	£20,821	£20,117	£41,642	£31,232	£30,176	£40,234
3	0.93	£20,821	£19,437	£41,642	£31,232	£29,155	£38,873
4	0.90	£20,821	£18,779	£41,642	£31,232	£28,169	£37,559
5	0.87	£20,821	£18,144	£41,642	£31,232	£27,217	£36,289
6	0.84	£20,821	£17,531	£41,642	£31,232	£26,296	£35,062
7	0.81	£20,821	£16,938	£41,642	£31,232	£25,407	£33,876
8	0.79	£20,821	£16,365	£41,642	£31,232	£24,548	£32,730
9	0.76	£20,821	£15,812	£41,642	£31,232	£23,718	£31,624
10	0.73	£20,821	£15,277	£41,642	£31,232	£22,916	£30,554
Present Value			£163,298		£244,947		£326,596

Non-Monetised benefits

Changes to the curriculum - Since a small number of schools may need to adapt their curricula to eliminate an extremist and anti-democratic ethos, there may be intangible benefits for pupils attending these schools and the wider community if those pupils are not being exposed to extremism and are less vulnerable to radicalisation. The nature of these civic benefits is hard to define and quantify, but they are likely to include lower policing costs following a reduction in the number and severity of terrorist incidents, a small reduction in the prison population and lower social benefits costs as those people who might otherwise have been radicalised take up work and contribute to society. The changes will benefit independent schools, by increasing public confidence so there is less public concern about the risk of schools radicalising their pupils or failing to prepare them to take their place in society. We have not attempted to monetise these benefits because they are long term and also because we do not have a reliable basis to estimate the number of schools and pupils who would be affected. However, the consultation undertaken in April to June has resulted in obtaining some support for this assumption with half of the respondents (13 out of 27) agreeing that there will be intangible benefits for pupils and the wider community; ten were unsure and four indicated that it would be difficult to envisage the benefits.

Improved clarity from the guidance - The improved clarity resulting from the Plain English supporting guidance may also result in a small reduction in the number of queries that seek clarity about the standards, directed towards inspectorates and associations in membership of the Independent Schools Council. We have not attempted to estimate the likely size of the reduction in queries, or whether any measurable administrative or time savings would result from the change, because there is no central data on the extent of current queries and there is no evidence on which to base any reasonable assumptions.

Net Present Value of Option 3

a) Overall impact of all changes under Option 3

The table below shows the low, high and central estimate of the net present values of Option 3.

	Costs	Benefits	Net Present Value
Low estimate	£77,750	£163,298	£7,798
Best estimate	£116,625	£244,947	£128,322
High estimate	£155,500	£326,596	£248,846

The best estimate of the NPV is around £128,300 (best estimate benefits minus best estimate costs). The low NPV estimate is £7,800 (lowest benefits minus highest costs) suggesting that under these assumptions the impact is likely to be neutral. The high NPV estimate is

£2,482,900 (highest benefits minus lowest costs). In all scenarios the NPV is marginally positive in respect of the *monetisable* costs and benefits. These figures are indicative and reflect the fact that we believe option 3 would only slightly reduce regulatory burdens associated with having to read and consult more guidance on top of the existing regulations.

b) Impact of the Revised Part 2 Regulations

	Costs	Benefits	Net Present Value
Low estimate	£48,976	£0	-£48,976
Best estimate	£36,732	£0	-£36,732
High estimate	£24,488	£0	-£24,488

The central estimate is that this specific change will have a small net cost of £36,700, which is the value of staff time taken to revise the schools' curricula. There are no non-monetised costs expected. We expect some non-monetisable social benefits – as the pupils in the affected schools should become more aware of English society and its traditions and ultimately there should be more social cohesion in some communities. These benefits are difficult to quantify. Overall we believe that ensuring all curricula promote integration into English society and its democratic traditions, will outweigh the negligible costs arising to a subset of schools.

c) Impact of all changes excluding revised part 2 regulations

Again the NPVs have been estimated excluding the preventing extremism changes. Removing these changes makes the NPVs of Option 3 marginally higher, by a few tens of thousands of pounds.

	Costs	Benefits	Net Present Value
Low estimate	£106,524	£163,298	£56,774
Best estimate	£79,893	£244,947	£165,054
High estimate	£53,262	£326,596	£273,334

Relative Value for Money of the Options

The costs and benefits of Options 2 and 3 were assessed against Option 1 (the 'Do Nothing' Option). The net present values over ten years are presented in the table below for comparison.

	Option 2 Net Present Value	Option 3 Net Present Value
Low estimate	£1,958,286	£7,798
Best estimate	£2,633,587	£128,322
High estimate	£3,308,888	£248,846

Option 2: The net present value is in the region of £2.634 million and there is a difference between the high and low estimates of scenarios of about £1.35million (reflecting the uncertainty over the exact size of the benefits of the proposed option). The analysis suggests that this option is likely to have an aggregate net benefit.

Option 3: The net present value of this option varies between a few thousand pounds to a few hundred thousand pounds. Again, these are quite small and suggest that this option is likely to be fairly neutral at worst and have a very small aggregate net benefit at best, but we expect it to be smaller than for option 2.

We do not have full information to estimate all of the expected costs and benefits arising from the options considered but we have estimated the magnitude of those we can more easily quantify. Despite their apparent precision, these NPVs should be seen as broad orders of magnitude and should be treated with caution as they do not represent the full impact of the options. The analysis shows Option 3 is not expected to have sizeable monetisable impacts on independent schools. Option 2 has a larger aggregate positive impact, largely due to the benefits from allowing the electronic communication of information. The figures tentatively suggest, in terms of monetisable costs and benefits, that option 2 is likely to reduce some of the administrative burdens on independent schools, and will do so to a greater extent than option 3.

Summary and Preferred Option

Option 2 is preferred as it has a positive net present value that is higher, under different scenarios, than for Option 3. Option 2 delivers a number of important improvements over the current arrangements, without complicating matters by producing additional guidance that schools would need to consult in order to understand existing regulations. Schools and inspectors will benefit from an improved understanding of their requirements to meet and assess compliance with the standards. Schools will be directed to up to date guidance and will be encouraged to do more to prevent extremism.

The proposed revisions to the regulations were put out for consultation between 25 April and 5 June. The aim is to lay the regulations to come into force for January 2013.

Post-Implementation Review

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

Annex – Description of the standards

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

Part 1 covers the quality of education provided.

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

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

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

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

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

Part 7 covers handling of complaints.