

Template for costing the policies of opposition parties

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Description of policy
<p>To establish Directors of School Standards (DSS):</p> <p>Article by Tristram Hunt, 30 April, Labour List: “we will introduce Directors of School Standards in every local area...The Directors of School Standards will be appointed by local authorities (LA) from a list of approved candidates held by the Office of the Schools Commissioner. Their role and independence will be set out and guaranteed by statute. Meanwhile, where they see fit, we would encourage local authorities to collaborate to appoint a shared Director of School Standards to work across a wider local area”.</p> <p>Link: http://labourlist.org/2014/04/england-expects-a-strategy-for-improving-all-its-schools/</p> <p>David Blunkett’s review of education structures, functions and the raising of standards for all: http://www.yourbritain.org.uk/uploads/editor/files/130514_Report_FINAL.pdf</p>
Additional policy assumptions
<p>Policy assumptions from HM Treasury’s special advisers:</p> <ul style="list-style-type: none">• Every LA will have a DSS. You might note that LAs might be able to collaborate but it would be hard to quantify how many did this. Source: Article by Tristram Hunt, 30 April, Labour List.• The DSSs will sit within existing LA structures, with overheads (i.e. buildings, IT costs etc) covered by LAs.• The DSS will replace the Regional Schools Commissioner (RSC) on the basis that their roles are similar and not replacing them would be unnecessary replication. However it should be assumed that the DSS secretariat would not be provided by the Department for Education (DfE) (as is the case with RSC) on the basis that they would be much more numerous and localised.• The commissioning and approving of all new schools, including free schools, and the expansion of existing schools, will take place at local level with the DSSs acting as the decision makers (and education panels having oversight of this process):<ul style="list-style-type: none">○ The Office of the Schools Commissioner, which currently sits centrally and oversees the RSCs, will be retained at the centre and will set out a standardised application process for new schools (as suggested in the Labour proposals). If there are additional costs associated with the Office of the Schools Commissioner overseeing 150 DSSs instead of 8 RSCs, these will be included in the costing;○ The support for the free schools application process, which is currently provided centrally by DfE, will be provided at local level instead.• Intervention in failing maintained schools to help them become sponsored academies, and intervention in open academies and free schools, will take place at local level instead of being carried out centrally.• Inspections and data:<ul style="list-style-type: none">○ there will be annual reporting requirements for LAs and schools. On the inspection regime, they would like to assume a system where, in addition to Ofsted inspections, the DSSs can and would choose to inspect schools - but not introducing a new system where Ofsted/DSSs inspect them every year;○ schools will be required to submit additional data to DSSs, and continue to submit data to DfE as now.

- The costing will factor in savings from central reductions (i.e. savings that would occur at the centre when functions moved from DfE to local level).

Additional technical modelling assumptions or judgements required

The DfE holds full information concerning the cost of RSCs and activity within their remit, but the DfE does not have corresponding evidence about LAs' expenditure on activity within the proposed scope of DSSs. Although LAs do return information to the DfE about how they spend their Education Services Grant, the reporting criteria are broad and high level because the funding is not ring-fenced. Due to the lack of suitable LA evidence across all the functions, the DfE has not been able to produce a full gross costing of the DSS policy. Instead the DfE has assumed that the proposed role for DSSs regarding maintained schools is similar and would be sufficiently funded at existing levels, so it has provided a net additional cost of conducting RSC-related work across 150 locations.

The DfE has been asked to assume that every LA would have a DSS. There are 152 LAs, however the DfE has assumed that 150 offices would be established because two of the LAs (City of London and Isles of Scilly) are extremely small and education management is usually co-located with larger neighbouring LAs.

It has been assumed for the purpose of this exercise that overheads would be absorbed by each LA (i.e. buildings, IT costs, recruitment, etc), therefore for comparative purposes the DfE has not included these costs in its analysis.

The DfE has compared the proposed functions for the DSS with those currently within the remit of the RSCs. Their main functions are to take decisions, in the Secretary of State's name, on commissioning and intervention, specifically:

- tackling educational underperformance and inadequate governance in open academies;
- approving new academy provision;
- managing the regional sponsor market;
- approving changes and talking issues with open academies; and
- providing advice and taking decisions in relation to free schools, university technical colleges and studio schools.

On this basis we have assumed that the DSS role will be similar to the existing RSC role but expanded to cover both maintained schools and academies, and operating at LA level rather than regional level. We assume that the casework support that DfE currently offers RSCs would in future be based in LAs.

The additional burdens of data and inspection would be dependent on change to the rest of the accountability system but seem unlikely to add significant additional costs. The DfE has assumed that the following functions (currently carried out at the centre and not by RSCs) are not in the scope of the proposed DSS model and they are not included in this analysis: central finance and data support (note that RSC offices already include resource for some local finance and data work); EFA core work including funding and financial oversight of open academies; site acquisition and capital budget management; financial / external assurance; and communications and department of state functions.

The DfE has calculated how many of its staff (and their average cost) are working across the functions set out above. As indicated by HMT's special advisers, the DfE then calculated how many of these staff it would need to retain centrally (within DfE or the Office of the Schools Commissioner) to provide national oversight of 150 DSSs, conduct policy work, and set operational frameworks (such as setting out a standardised application process for new schools). The DfE also calculated how many of its staff currently conduct casework relating to RSC functions to support the RSCs. These casework staff are separate to those working in RSC offices and it has been assumed that these casework staff will be transferred out of the DfE to local DSS offices, so this does not constitute an additional cost and therefore casework staff have not been included in this costing.

The net additional cost is based on a replication of existing RSC offices across 150 local areas, plus the application of an inefficiency factor to the casework staff resource to account for the decrease in efficiency due to decentralisation (i.e. transferring casework staff to local offices). The size of existing RSC offices is on average: 1 x RSC (Senior Civil Servant), plus 6.2 support staff (graded EA-G6). The DfE has assumed that this would be a sufficient number of staff to carry out the proposed RSC-based duties. There are already 8 RSC offices operating, so the additional cost would be to establish a further 142 DSS offices.

The DfE has assumed that casework support (those staff that e.g. process applications, provide pre-opening support to academies, prepare documentation to support decision making, etc) would be transferred from central to local level, but that there would be no overall increase in casework resulting from localisation. The DfE does expect the increase in the number of offices to result in efficiency being reduced because:

- the smaller scale of offices means that more staff will be working in more isolated circumstances therefore there may be some duplication of effort; and
- currently there is an efficiency created by centrally-based staff functioning in joint policy and operational roles; this efficiency would be lost.

Therefore the DfE has applied an inefficiency factor, ranged from 10% to 25%, to the staff resource for casework support and this is added to the cost of establishing additional local DSS offices. This factor is a broad assumption, it is not based on specific evidence and the DfE has offered it as an indicative range. The inefficiency factor has only been applied to DfE's casework support because this function would be transferred to local areas; other types of staff resource are either new or would be retained in situ.

The costing is based on additional staff costs only. The DfE has reviewed programme costs as part of its analysis for this costing; programme costs are separate (they are not used to fund civil servant staff costs) but they are not included in this costing. The DfE currently utilises various programme funds to develop the part of the school system that falls within the proposed remit of DSSs. These fund activity such as use of education advisers to diagnose issues in schools, school intervention, development of sponsor capacity, etc. LAs also undertake similar activity for maintained schools and this is funded through the Education Services Grant (although the DfE does not know how much is spent, as the funding is not ringfenced). The DfE has assumed that the quantum of programme funding would remain as present because there would be the same volume of schools and commissioning/intervention casework in the system overall. Therefore programme funding is not reported in this analysis of additional costs and an inefficiency factor is not applied.

The costs are based on current 2014-15 resource used by the DfE to deliver the RSC model.

If needed, information required on distributional effects of the policy

n/a

Cost to the Exchequer

The cost of replicating RSCs is £113,741.00 per DSS per year, based on the 2014-15 DfE average senior civil servant salary (including on-costs for employer pension contribution and national insurance). The cost of replicating local RSC support (including replication of the current average mix of staff grades) is £336,290.95 per office per year, based on 6.2 staff per office using the 2014-15 DfE average civil servant salaries (including on-costs for employer pension contribution and national insurance). An additional 142 offices would be required under the DSS model. The DfE has also included an inefficiency cost to account for transferring casework support from the centre to local areas.

Net additional RDEL cost to the exchequer (based on 2014-15 financial year expenditure)

(based on the cost of replicating a further 142 RSC offices, keeping present grade mix and staff head-count costed using average DfE-wide salaries by grade used in DfE business planning, including on-costs for employer pension contribution and national insurance; plus the application of an inefficiency factor)

Additional staff cost including a 10% inefficiency factor	Additional staff cost including a 25% inefficiency factor
£65.5m	£68.0m

Calculation of above estimates:

<i>Additional cost of 142 DSS posts</i>	<i>£16.15m</i>
<i>Additional cost of 142 DSS support office posts</i>	<i>£47.75m</i>
<i>Total additional cost of 142 DSS and support office posts</i>	<i>£63.90m</i>

<i>Current cost of casework staff*</i>	<i>£16.45m</i>
<i>10% inefficiency factor</i>	<i>£1.64m</i>
<i>25% inefficiency factor</i>	<i>£4.11m</i>

**This amount is not included in the total additional costs, but is included here to demonstrate how the inefficiency calculation has been applied*

<i>Cost of 142 DSS and support office posts plus 10% inefficiency factor of casework staff</i>	<i>£65.55m</i>
<i>Cost of 142 DSS and support office posts plus 25% inefficiency factor of casework staff</i>	<i>£68.02m</i>

There are no implications for CDEL as capital is out of scope for the proposed DSS role.

Distributional effects:

n/a

Comparison with current system:

Based on resource currently used in 2014-15 by the DfE to deliver the RSC model and its current commissioning and intervention functions, this analysis projects a net additional cost of between £65.5m and £68m to establish 150 DSS offices.

Other comments (including other Departments consulted):

To be completed by Permanent Secretary's Office
Date costing signed off:

29/10/14

[If applicable]
Date revised costing signed off: