

# Standards and Testing Agency: Full business case summary

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## 1. Introduction

1. The Government has announced that the functions currently carried out by the Qualifications and Curriculum Development Agency (QCDA) should be discharged differently. On 27 May 2010, the Secretary of State wrote to the Chair of QCDA to confirm the intention to introduce legislation (the Education Bill 2011) to abolish the QCDA, subject to the will of Parliament, by March 2012. The Education Bill was introduced in to the House of Commons on 26 January 2011, and is expected to receive Royal Assent in Autumn 2011.
2. Ministers made it clear that not all functions currently carried out by QCDA will cease. They indicated that statutory assessment and National Curriculum Tests (NCTs) would continue to be developed and delivered. There was, therefore, a need for the orderly transfer of functions and people supporting NCTs and statutory assessment to new delivery arrangements.
3. In order to deliver statutory assessment and testing in future, the Secretary of State signalled his intention to establish a new Executive Agency, the Standards and Testing Agency (STA), within the Department for Education (DfE) – with the expected benefits of:
  - A smaller, *more focused and more efficient* body responsible for developing statutory assessment and testing, that is more directly accountable to Ministers; and
  - Ministers having a closer *line of sight* on test delivery issues, as well as a greater synergy between policy development and delivery.
4. The remit and purpose of the new Agency will be to develop and deliver statutory assessment and testing for children up to age 14 (the end of Key Stage 3). This will include the Early Years Foundation Stage Profile (EYSFP), statutory teacher assessments at Key Stages 1, 2 and 3, as well as the Year 1 phonics check and NCTs at Key Stage 2. A full list of the STA's remit and functions is set out in **Annex 1**. The recommendations from Lord Bew's external review of Key Stage 2 testing, assessment and accountability (published in June 2011 and accepted in full by Ministers in July 2011) will be implemented by the Agency.

## 2. Strategic Case

5. The Department considered several options for the delivery of statutory assessment and testing, including maintaining the 'status quo' and transferring these functions to a directorate within the Department. The preferred option was to establish **a new Executive Agency** within the Department that would take on responsibility for statutory assessment and testing from QCDA. Its main objective is to provide an effective and robust testing and assessment system that objectively measures and monitors pupil progress from the early years up to the end of Key Stage 3.

6. The Executive Agency model fulfils the requirements of the Government in that statutory assessment and testing functions need to be conducted at a national level with proper accountability through Ministers. Given the critical part that NCTs play in the accountability system, both at school level and at national level, with the Department's own performance in relation to primary education measured through test outcomes, it is essential that the Agency is able to demonstrate independence in key areas, specifically signing off the content of NCTs and the level-setting process (that is, the process through which pass marks are set). This can be achieved through:
  - Executive Agency status;
  - defining these responsibilities within the Agency framework document;
  - ensuring that the CEO as Accounting Officer has more autonomy than would be the case if he were operating within a Departmental Directorate.
7. The fact that these functions will continue to be regulated by Ofqual, the independent regulator, provides further assurance of independence in these areas.

### *The Bew Review*

8. In 2010, the Secretary of State commissioned Lord Bew to lead an external Review of the testing and accountability system for primary schools in England. The Review, which reported its findings in June 2011, recommended substantial improvements to the current system. The Government accepted its recommendations in full in July 2011, with a commitment to implement the recommendations as quickly as is practicable. Changes to the system as a result are summarised at **Annex 2**. In addition, the EYFSP has been reviewed and the National Curriculum is currently under review. Some changes in the way children are assessed are therefore likely.
9. The remit of the Agency reflects the current priorities of the Government as set out in these reviews. Further work is under way to consider how detailed changes will be delivered and future implications for the Agency.

### **3. Economic Case**

10. Delivering the current programme of statutory assessment and testing through an arm's length delivery model is considered inefficient and less effective. In particular, as a Non Departmental Public Body (NDPB) QCDA delivered its own corporate services. There are economies of scale to be gained from merging those functions (such as HR, Communications, Finance and IT) with those in the Department to create a single shared services approach for all proposed DfE Executive Agencies, including the STA.
11. This business case considers **three** options:
  - *'Do Nothing' – leave QCDA in its current form;*
  - *Abolish QCDA and set-up a new Executive Agency – the STA;*

- *Move all statutory assessment and testing functions of QCDA into a Directorate of the DfE.*

12. In order to carry out the analysis of the costs and benefits of the different options it is necessary to identify what would have been spent on STA functions in 2011-12 and later years if they had continued to be delivered through QCDA:

- For policy delivery functions this is done by identifying which functions would be part of STA. The budgets for these functions are then summed to give what would have been spent on policy delivery of STA functions had those functions remained within QCDA.
- For corporate services costs this is not possible because these services cover the whole of the QCDA function. Instead these were apportioned out using the ratio of staff delivering STA policy functions to total QCDA policy delivery staff.
- Adding policy delivery function and corporate services costs together gives an STA baseline from 1 October 2011 to 31 March 2012 of £7.5m. For the full year of 2012-13 and following years the baseline will be larger to reflect a full year's costs.

#### *Detailed options analysis:*

13. This baseline for STA functions delivered within QCDA is used to compare the three different options presented here. Costs and benefits for each option are calculated over a 10 year period, beginning in 2011-12. This is the period used for analysis of one-off policy changes in Regulatory Impact Assessments. Although the detailed remit is subject to change in the light of the reviews referred to earlier, all of the options assume that the broad functions will remain the same.

#### ***Option 1: 'Do Nothing'***

14. Under this option QCDA would remain in its current form and continue to deliver statutory assessment and testing functions. As the status quo is maintained there are no additional costs and benefits associated with this option. As there are no changes to costs and benefits the net present value (NPV) of this option is zero.

#### ***Net Present Value = 0***

15. As will be made clear under option two, choosing this option would mean a number of large benefits are not achieved such as the reductions in corporate costs from moving to shared services with DfE. The Government has been clear that the planned abolition of QCDA is part of its ALB reform programme, with more transparent Ministerial accountability for key national polices such as statutory assessment and testing.

#### ***Option 2: Establish a new Executive Agency***

16. Option two involves setting up a new Executive Agency, which will deliver statutory assessment and testing in England. The Agency will be headed by a CEO, who will be a senior civil servant, and will be directly accountable to the Secretary of State for the successful delivery of the Agency's functions. All statutory assessment and testing delivery work will be taken on by the STA, and QCDA's involvement will

cease. There are currently 88 posts in the STA at a cost of approximately £5 million per annum.

17. The vast majority of staff coming into the STA will carry out the same functions as they currently do in QCDA so there are no measurable costs or benefits associated with change of function in this option.

18. **Table 1** shows the monetised costs and benefits from moving to an Executive Agency model – the STA. These are measured over 10 years. Costs and benefits are measured in real terms and discounted by the standard HMT discount rate of 3.5% to reflect the premium society puts on having money to spend now rather than later. These figures therefore differ in magnitude from the figures in the Finance section – which are in nominal terms and not adjusted for the HMT discount rate.

### Benefits

19. The benefits in **Table 1** are the cost savings from not continuing with providing services through the QCDA. Paragraph 12 shows how the baseline costs from continuing to provide STA services through the QCDA were calculated. Benefits are calculated on a full-year basis for 2012-13 onwards.

### Costs

20. The costs in **Table 1** are administrative costs associated with setting up and running the STA. For 2011-12 the costs cover the last six months and are made up predominantly of costs for statutory assessment and testing staff, shared services corporate staff, redundancy costs<sup>1</sup> associated with the closure of QCDA and apportioned nominally to Agency set-up, estates and IT costs<sup>2</sup> associated with new systems. Costs rise in later years because they cover the full financial year. However, the rise is not large because many of the costs incurred in 2011-12 are one off redundancy and set-up costs.

	2011-12	2012-13	2013-14	2014-15	2015-15 to 2020-21	Total
Benefits (£m)	7.5	13.2	12.4	11.7	56.8	101.5
Costs (£m)	6.5	7.0	6.4	6.0	29.3	55.2
Net Benefits (£m)	1.1	6.2	6.0	5.6	27.4	46.3

<sup>1</sup> We have assumed that workers made redundant are entitled to 12 months' pay based on average annual service for simplicity.

<sup>2</sup> For example the STA will adopt DfE's Resource Management (RM) system.

21. Overall the quantifiable benefits outweigh the quantifiable costs by £46.3m over the 10 year period because of the significant savings from the move to shared services. So this option has a very high NPV.

### *Non-Monetised Benefits*

22. There are additional benefits associated with moving to an Executive Agency model where it is not possible to quantify the economic benefits.

23. Ministers are clear that they are accountable to Parliament for delivery of this important part of the Government’s education agenda. Bringing the work into an Agency within DfE provides for that clear line of accountability. QCDA’s remit covers a number of functions and consequently delivery of an effective testing and assessment regime has to compete with other priorities. These competing priorities could create a risk of insufficient oversight at key points in the development and delivery of a robust testing and assessment regime because of its wider remit and priorities. Given the importance of – and risks associated with – statutory assessment and testing, providing more focused attention and resource is important. The Agency reporting directly to the relevant Director General within the DfE is expected to increase the transparency and accountability around these areas of work.

24. We think that overall the size of these non-monetised benefits is likely to be large. When taken together with the significant positive quantifiable benefits this is the preferred option.

### *Option 3: Transfer responsibility for statutory assessment and testing into an existing Directorate of the DfE*

25. Option three involves moving all the statutory assessment and testing functions out of QCDA into a Directorate within the DfE, rather than into a separate Agency. We have assumed that the staff numbers and costs associated with people moving into the Department are exactly the same as setting up a new Executive Agency. Consequently the measured costs, benefits and NPV are the same as those for the creation of a new Agency. These are outlined in **Table 2** below.

<b>Table 2</b>						
<b>Option 3: Costs and Benefits from Moving STA Functions From QCDA into the Department for Education (£m)</b>						
	2011-12	2012-13	2013-14	2014-15	2015-15 to 2020-21	Total
Benefits	7.5	13.2	12.4	11.7	56.8	101.5
Costs	6.5	7.0	6.4	6.0	29.3	55.2
Net Benefits	1.1	6.2	6.0	5.6	27.4	46.3

### *Non-Monetised Costs:*

26. There are a number of additional costs to option three over option two. The development and delivery of tests by which schools are held to account, and through which trends in national educational standards are measured, require high levels of public confidence. Giving direct responsibility for the current testing functions of QCDA to a Directorate in the Department – as opposed to an Executive Agency – would create reputational risks. The Government could be open to

accusations of political interference in test results, which would reduce confidence in their use in the accountability system. This would have an impact on the Government's ability to improve standards and identify underperformance in primary schools, significantly affecting the efficiency of the education system.

**Preferred Option:**

27. Looking at both the monetised and non-monetised costs and the benefits of option two, the creation of a new Executive Agency, this option clearly provides more value for money, and fewer reputational and delivery risks than the other two options. Although option three – bringing the function in-house – has the same NPV as option two, the risks to the statutory assessment and testing system are too significant to make option three the preferred option.

4. Commercial Case

28. The key driver and priority for the Government is to provide a robust and reliable testing system that is fit for purpose. Lord Bew's Review, which reported in June 2011, confirmed the important role of Key Stage 2 assessment and tests. In the light of this, although the DfE is not planning any changes to the current delivery model in the short term, the STA will continue to keep under review its current testing arrangements, procuring services as appropriate.

5. Financial case

29. The section sets out the financial costs associated with setting up the STA over the Spending Review (SR) period and compares them with the costs of carrying out STA's remit within the existing QCDA model.

30. Administrative costs for the STA are presented in **Table 3** below. Programme costs are not published here because of their commercial sensitivity. For 2011-12, costs have been calculated from 1 October 2011 (the Agency's go-live date) to 31 March 2012, consequently figures are lower than for later years.

	Oct 2011-12	2012-13	2013-14	2014-15	Total SR
<b>Total Admin Costs</b>	<b>6.5</b>	<b>7.4</b>	<b>7.2</b>	<b>7.2</b>	<b>28.2</b>
of which					
Admin Revenue Costs	6.2	7.4	7.2	7.2	27.9
Admin Capital Costs	0.3	0.0	0.0	0.0	0.3

31. Programme costs – not set out here to protect commercial interest – include the delivery of assessment and test development, test delivery and development of services in response to the Bew Review. Administrative costs total £28.2m over the SR period. One-off costs associated with wider redundancy within QCDA, and nominally apportioned to Agency set-up, and the implementation of new IT systems,

nominally apportioned to Agency set-up, and the implementation of new IT systems, inflate costs in the first year. The vast majority of these costs are scored as revenue.

32. **Table 4** shows the administrative costs of providing services if QCDA were to continue to deliver statutory assessment and testing from 1 October 2011 to 31 March 2015. Programme costs remain the same.

<b>Table 4</b>					
<b>Financial Costs for statutory assessment and testing if functions had remained in QCDA (£ms)</b>					
	<b>Oct 2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Total SR</b>
<b>Admin Revenue Costs</b>	<b>7.5</b>	<b>13.9</b>	<b>13.9</b>	<b>13.9</b>	<b>49.3</b>
of which Admin Revenue Costs	7.5	13.9	13.9	13.9	49.3
Admin Capital Costs	0.0	0.0	0.0	0.0	0.0

33. Administrative costs total £49.3m across the SR period.<sup>3</sup> Comparing administrative costs across the SR period shows that moving to the STA reduces administrative costs by £21.1m over the SR period. Consequently, there is a strong financial case for moving to an Executive Agency model. The setting up of a new Executive Agency also represents an efficiency saving of 42% on budgets that would have been allocated to statutory assessment and testing activities if QCDA had continued to exist so therefore meets the Department's efficiency targets.

## **6. Management Case**

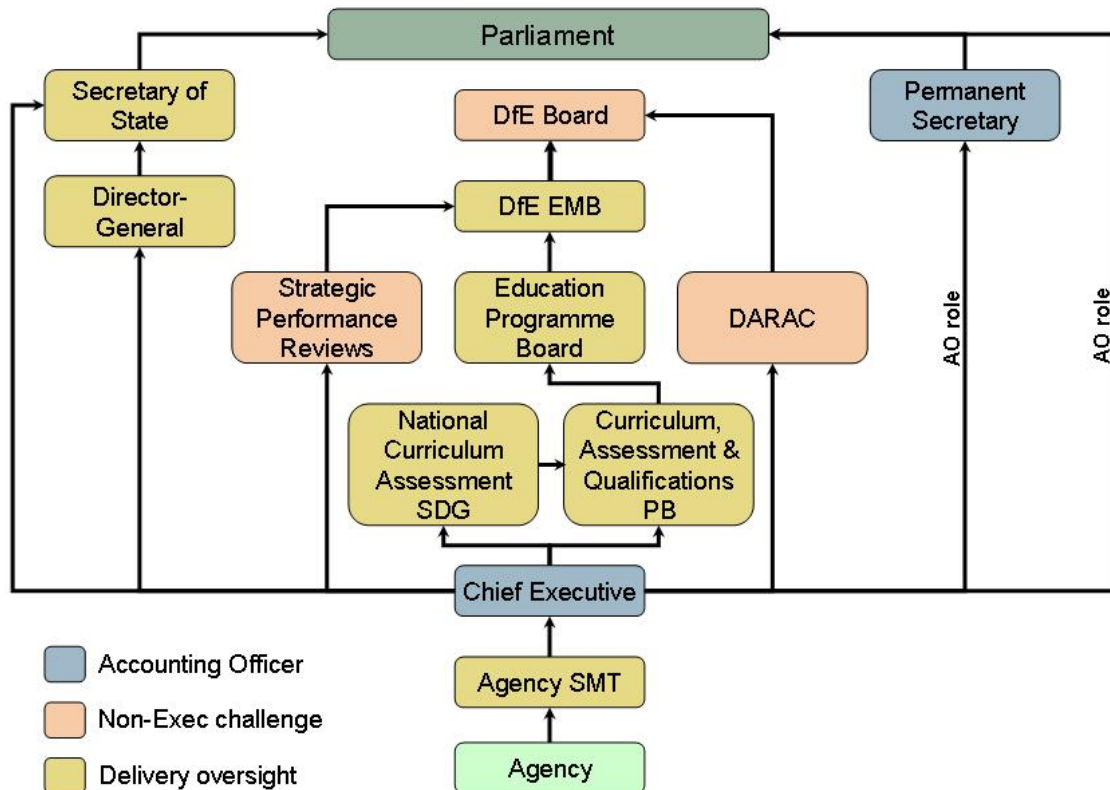
34. This section sets out the high level governance relationship between the DfE and the STA. The STA will form an integral part of the Department and will work within the policy framework set by Ministers and within the overarching strategy and frameworks set by the Department. The relationship between the Department, Ministers and the STA is set out in the Agency's Framework document, available at: [www.education.gov.uk](http://www.education.gov.uk)

35. The STA's high level governance structure is set out below:

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<sup>3</sup> The methodology used to derive a baseline for STA and split corporate and non-staff costs was outlined in the economic section.





## STA independence

36. The STA will maintain independence from Ministers and the Department in relation to test standards, and level-setting. The Agency Framework document sets out protocols around this part of the STA's work and the CEO's responsibilities, specifying that the CEO will:

- sign off the content of NCTs, acting independently of the DfE and Ministers;
- sign off the level-setting process, acting independently of the DfE and Ministers. This will be regulated by Ofqual, in line with that organisation's regulatory framework. Ofqual will notify the DfE of any emerging concerns at an early stage and report to Parliament as appropriate; and
- consider personally advising Ministers in the event of any Parliamentary Questions or other issues arising in relation to test standards and level-setting.

## Annex 1 STA's current remit

	Description	Current remit and policy position
<b>Early Years Foundation Stage Profile (EYFSP)</b>	An assessment by a teacher or Early Years (EY) practitioner for each child at the end of the Early Years Foundation Stage against the early learning goals.	<p>STA will review local authorities' (LAs) plans for moderation of EYs settings' EYFSP assessment results and reports on compliance with the LA duty to ensure that the data is accurate and consistent. STA provides a helpdesk to assist EYs settings and LAs in using a tool to submit statutory data, and runs training and accreditation programmes for EYFSP moderators. STA will also publish an annual report with recommendations on EYFSP data.</p> <p>The Government is currently consulting on proposals for a new EYFSP, based on Dame Clare Tickell's recommended changes, to be implemented from September 2012 (alongside the new EYFS).</p>
<b>Year 1 phonics screening check</b>	An assessment of each child at the end of year 1 to determine whether they have reached an appropriate level of phonic decoding. Pupils who have not reached the appropriate standard will be targeted by schools for further support and will be expected to retake the screening check during Year 2.	The screening check was piloted in June 2011 and is currently being independently evaluated. Subject to this evaluation, it is expected to be rolled out in the academic year 2011-12. STA will deliver this assessment to maintained schools with Year 1 Pupils.
<b>Key stage 1 assessment</b>	An assessment by a teacher for each pupil at the end of Key Stage 1 (usually year 2) informed by a nationally produced test/task.	<p>STA will manage contracts for development and delivery of Key Stage 1 tests and tasks as well as review LAs' plans for moderation of schools' Key Stage 1 teacher assessment results.</p> <p>The current tests/tasks in circulation were released in 2007 and 2009 (and produced in 2004). No new tests/tasks are available for release. A decision on producing new tests/tasks will be taken following the National Curriculum Review.</p>

	Description	Current remit and policy position
<b>Key stage 2 tests</b>	Tests in English and mathematics that are taken by pupils at the end of Key Stage 2 (usually in Year 6) that are reported in school level tables.	<p>STA will be responsible for delivery of Key Stage 2 tests and for providing pupils' results to schools and for accountability purposes. The components of this work include:</p> <ol style="list-style-type: none"> <li>a. test development;</li> <li>b. school test orders;</li> <li>c. marker training material development;</li> <li>d. marker recruitment, training, payment and management;</li> <li>e. delivery and collection of tests materials to schools and to markers;</li> <li>f. electronic and hard copy return of results to schools by 14th July;</li> <li>g. management of school review applications with outcomes returned to schools in September;</li> <li>h. processing maladministration cases;</li> <li>i. electronic collection of teacher assessment data and chase activity to schools.</li> </ol> <p>STA will carry out work on level setting (the process by which standards are set for the tests) through analysis of results of pre-tests and live tests.</p> <p>STA will also support LAs in their statutory requirement to monitor schools' arrangements for administering the tests and will collate these reports following the tests.</p> <p>The Bew Review considered the testing and accountability system for primary schools in England. The Review's recommendations have been</p>

	Description	Current remit and policy position
		accepted by the Government and will be implemented as soon as is practicable.
<b>Key stage 2 science sample test</b>	A test of science administered to a representative sample of schools for Key Stage 2 in order to generate national attainment data.	<p>STA will administer this sample test to a designated sample of schools in May with results returned to schools in July.</p> <p>The Bew Review has recommended that the current sampling tests in Key Stage 2 science continue until the National Curriculum Review has reported. At that point, new sample tests might need to be produced.</p>
<b>Key Stage 3 teacher assessment</b>	Collection of teacher assessment data for each pupils' attainment in core subjects at the end of Key Stage 3 (age 14).	STA will manage contracts for the electronic collection of teacher assessment data and chase activity for schools which have not submitted data.
<b>Optional tests</b>	A suite of test materials that are available for schools to buy and use as they wish for Years 3, 4, 5, 7, 8 and 9.	The current suite of optional tests will continue to be made available for schools to purchase. Following the outcomes of the National Curriculum Review, new optional tests may need to be developed.
<b>National sampling at Key Stage 3</b>	Following the end of whole cohort testing in Key Stage 3 in 2008, the only measure of national attainment at Key Stage 3 has been through teacher assessment.	Ministers have indicated that they wish to review whether new sample tests for subjects at the end of Key Stage 3 are required following the National Curriculum Review. It is expected that if sample tests are required, this would become part of the STA remit.

## Annex 2. Changes to the Current System following recommendations from Lord Bew's Review

### Key changes to the current system will include:

- Replacing the current Writing test with teacher assessment of writing composition from 2013. This will ensure pupils can be more creative and will reduce the dangers of teaching to the test. This teacher assessment will make up the larger part of the overall writing judgment;
- Introducing moderation of writing teacher assessment, modeled on the system used at Key Stage 1. This will be introduced in summer 2012;
- Introducing a test of some of the essential skills needed to become fluent confident writers – spelling, grammar, punctuation and vocabulary. This will be subject to technical pre-test in 2012 so that it can be introduced in 2013;
- Publishing more data in performance tables, including new three-year rolling averages from 2012, to give a more rounded picture of a school's performance;
- Placing a greater emphasis on progress made by pupils in published data;
- Passing primary schools' teacher assessment judgments to secondary schools ahead of test results, from 2012. This will mean there is more weight attached to them and allow longer for them to inform Year 7 teaching and learning. Schools will need to submit teacher assessment data earlier than at present, before NCT results are returned. This will start in summer 2013;
- For level 6 tests to be available for schools to use optionally, with the results contributing to published school accountability measures;
- Trialing in 2012 an extension to the testing period, so that pupils who are absent (e.g. due to illness) on the day of a test will have a week in which to sit it, rather than two days;
- Looking to introduce on-screen marking as soon as is feasible.

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