

Title: Children's Homes Quality Standards Regulatory Reform IA No: RPC14-DfE-2142 Lead department or agency: Department for Education Other departments or agencies:	Impact Assessment (IA)		
	Date: 17/12/2014		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: 01142 742712 -Claire Owens			
Summary: Intervention and Options			RPC Opinion: RPC Opinion Status

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?
-£8.06m	-£5.82m	£0.53m	Yes IN

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

The current regulatory framework for children's homes is excessively focussed on process and not on whether homes are delivering services which improve children's outcomes. There are currently high levels of poor quality provision, as highlighted by Ofsted inspections and recent reports on the quality of provision in the market. Government intervention is needed to place children's welfare at the centre of the regulatory framework so that inspection and enforcement are tied directly to how effectively providers' actions improve children's outcomes

What are the policy objectives and the intended effects?

The objective is to ensure that children's homes provide high quality care and achieve positive outcomes for the extremely vulnerable group of children that they care for. We wish to revise the framework so that provider incentives are focussed on improving child welfare. We wish to support innovation in the sector by giving providers the freedom to strive for these improvements in a cost effective way. We expect to see higher and better levels of support for these children and corresponding improvements in their outcomes. By focussing on outcomes we expect providers to refocus resources in a more effective way

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

Policy option 1. Do nothing to amend the current regulatory framework, expecting that non-regulatory efforts will drive up quality and improve children's outcomes.

Policy option 2. Revise the regulatory framework to set child-focussed quality standards focussed on children's outcomes which providers should strive toward and to streamline and modernise a number of current regulations.

Policy option 2 is preferred.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 04/2016					
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:	
				Non-traded:	

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

Signed by the responsible Minister: _____ Date: 4th March 2015 Edward Timpson

Summary: Analysis & Evidence

Policy Option 1

Description: Do nothing to amend the current regulatory framework

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
		Low:	High:	Best Estimate: £0	

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1		
High			
Best Estimate		£0	£0

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

The costs of the other option is expressed relative to this do nothing case.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	1		
High			
Best Estimate		£0	£0

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

The benefits of the other option is expressed relative to this do nothing case.

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

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
-------------------------------------	--------------------------	-----

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0	Benefits: £0	Net: £0	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description: Revise the children's homes regulatory framework to set high level quality standards that homes must meet.

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -£11.08m	High: -£5.04m	Best Estimate: -£8.06m
COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)	
Low	£7.3m	1	£0.1m	£7.8m	
High	£11.6m		£0.1m	£12.5m	
Best Estimate	£9.5m		£0.1m	£10.1m	
Description and scale of key monetised costs by 'main affected groups'					
Private, voluntary, and Local Authority providers of children's homes will incur additional staff and managerial training costs, costs associated with reviewing and re-writing home policies, and expenditure on home furnishings. The private and voluntary sector providers will also face costs relating to carrying out basic fitness requirement checks on their directors and trustees. Ofsted will face a transitional cost associated with gaining familiarity with the new framework.					
Other key non-monetised costs by 'main affected groups'					
Private and voluntary sector providers may face costs if they identify that a director or trustee is unfit for their role. Identification and actions associated with this would also generate costs to Ofsted.					
BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)	
Low	£0.0m	1	£0.2m	£1.4m	
High	£0.0m		£0.3m	£2.8m	
Best Estimate	£0.0m		£0.2m	£2.1m	
Description and scale of key monetised benefits by 'main affected groups'					
Private, voluntary, and Local Authority providers of children's homes will derive benefits from more freedom in how and when they carry out reviews of home quality.					
Other key non-monetised benefits by 'main affected groups'					
A more coherent regulatory framework will lead to benefits to providers though, for example, enabling staff training to be more targeted and consistent. Providers will benefit from time savings from being able to keep their policies, records, and reviews in electronic form only. There will be improvements to the quality of care and therefore the outcomes achieved by the vulnerable children looked after in homes.					
Key assumptions/sensitivities/risks			Discount rate (%)	3.5	
We assume that providers of homes bear the full resource implications of the regulatory changes. Based on recent time series evidence we assume that the number of children's home in the future remains at current levels.					

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.7m	Benefits: £0.1m	Net: -£0.5m	Yes	IN

Evidence Base (for summary sheets)

This is a final stage impact assessment. It has been produced with substantial input from the sector over the course of a consultation on the proposed measures.

The consultation ran from 19 September to 14 November 2014. The consultation document and the consultation stage impact assessment can be accessed here:

<https://www.gov.uk/government/consultations/childrens-homes-regulations-high-expectations-and-aspirations>

The assessment has been completed with reference to the Better Regulation Framework Manual.¹ The requirements set out within this manual together make up a framework that puts into practice the Government's Principles of Regulation.

The evidence base of this impact assessment is structured as follows:

Main text

- A. Policy background
- B. Problem under consideration
- C. Rationale for intervention
- D. Policy objective
- E. Description of options considered
- F. Monetised and non-monetised costs and benefits of each option
- G. Evidence that justify the level of analysis used in the IA
- H. Risks and assumptions
- I. Summary of costs and benefits and estimate of the direct costs and benefits to business (following OITO methodology)
- J. Small and Micro Business Assessment (SMBA)
- K. Description of implementation plan

Supplementary information

- L. Impact assessment questionnaire for children's homes regulatory reform
- M. Summary of response to training question in impact assessment questionnaire for children's homes regulatory reform
- N. Derivation of size of children's homes workforce.

A. Policy background

1. There are a total of 68,840 looked after children in England.² Most of these children are cared for by foster parents. A much smaller number are placed in children's homes (6,360).³
2. Children's homes care for children or young people in a single setting with the support of professional staff. There is no such thing as a 'typical' children's home. Some homes provide general support for a range of different needs. Other homes offer a specialised service for children or young people with particularly complex needs. Secure homes provide for young people who have committed offences or who need to be held securely for their own welfare.⁴ Residential special schools and short breaks providers that are registered as children's homes provide care for children and young people with severe disabilities or illnesses.

¹ <https://www.gov.uk/government/publications/better-regulation-framework-manual>

² These figures refer to the 31st March 2014. <https://www.gov.uk/government/statistics/children-looked-after-in-england-including-adoption--2>

³ This figure includes looked after children placed in secure units and children's homes and hostels.

⁴ <http://www.ofsted.gov.uk/resources/outstanding-childrens-homes>

3. There are a total of 2,057 children's homes. 515 of these are owned by local authorities and 1,542 homes are owned by the private or voluntary sector.⁵ Local authorities pay a negotiated fee to cover provision costs when they place a child in private or voluntary sector provision. Fee levels vary substantially. A freedom of information request sent to local authorities in 2013 revealed that the average price paid for independent sector homes was £2,841 per child per week, with the most expensive places in excess of £9,000 per week.⁶
4. Looked-after children are an extremely vulnerable group. 62 per cent of these children enter care due to abuse or neglect.⁷ Those accommodated in children's homes are arguably the most vulnerable. They tend to be older with an average age of 15, they are six times as likely to have mental health problems compared to other looked after children, and three quarters are reported to have been violent or aggressive in the past six months.⁸

Programme of regulatory change

5. There have been a number of regulatory changes within the children's residential care system in recent history. These changes are part of an on-going and substantial programme of reform which was announced on 3 July 2012 by the then Children's Minister Tim Loughton.⁹
6. The programme of reform is designed to address serious failings in the sector, as highlighted by two reports which identified grave weaknesses in the system and evidence of children being exposed to harm and danger.
7. The report by the Deputy Children's Commissioner Sue Berelowitz was ordered after the sentencing in May 2012 of nine men who groomed and abused young girls in Rochdale.¹⁰ Her report found growing evidence that children in care are particularly vulnerable to sexual exploitation. It also found that some residential homes are specifically targeted by abusers.
8. The report by the All Party Parliamentary Inquiry into Children Missing From Care found that there was a "scandal" in the care system and called for urgent action to address key failings, including in children's homes. Ministers accepted recommendations in both reports about how to secure improvements and provide better support and safety in children's homes.¹¹
9. Ministers established expert groups to analyse the issues and to make recommendations.¹² The *Task and Finish Group on Out of Area Placements* focused on issues relating to the placement of children or young people at a distance from their home area. The *Expert Group on Quality* had a broad remit to develop an action plan to drive up the quality of provision being delivered within children's homes.
10. The findings and recommendations of these groups were reported on 23 April 2013.¹³

Initial regulatory changes

11. Following this report, the Department consulted on proposals to amend regulations. The Government's response to these consultations was published on 3 January 2014.¹⁴ The measures came into force on 27 January and 1 April 2014.

⁵ These figures refer to the 31st March 2014.

<http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

⁶ <http://www.pssru.ac.uk/project-pages/unit-costs/2013/index.php?file=stanley-rome>

⁷ <https://www.gov.uk/government/publications/children-looked-after-in-england-including-adoption>

⁸ <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/a00224323/quality-child-homes-report>

⁹ <https://www.gov.uk/government/news/urgent-reforms-to-protect-children-in-residential-care-from-sexual-exploitation>

¹⁰ http://www.childrenscommissioner.gov.uk/content/publications/content_580

¹¹ <http://www.childrenssociety.org.uk/what-we-do/policy-and-lobbying/parliamentary-work/appg-inquiry-children-who-go-missing-or-run-away-c>

¹² <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/a00224323/quality-child-homes-report>

¹³ <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/a00224323/quality-child-homes-report>

¹⁴ <https://www.gov.uk/government/consultations/changes-to-the-childrens-homes-regulations-2001-as-amended-and-the-care-standards-act-2000-registration-england-regulations-2010>; <https://www.gov.uk/government/consultations/improving-safeguarding-for-looked-after-children-changes-to-the-care-planning-placement-and-case-review-england-regulations-2010>

12. This initial programme of regulatory reform has sought to make improvements to the operation of the current system. Among other things, the measures have looked to ensure that:
- **children’s homes are located in safe areas.** Via a requirement that homes conduct an annual risk assessment of the area in which they are located.
 - **children’s homes and local authorities effectively safeguard children at risk of going missing.** Via a requirement that homes have clear policies for preventing children from going missing and protocols regarding how to respond when children do go missing.
13. At the heart of these measures is a desire to ensure the protection and enhancement of the welfare of the vulnerable children accommodated by children’s homes.

On-going action to improve the operation of the children’s residential care system

14. Despite the progress outlined above, the Government has been clear that what has been achieved so far is only the first phase of a larger programme of work to improve the quality of children’s homes. It is our view, shared by Ofsted, that more change is needed.
15. This view was echoed by the Education Select Committee in its report into the recent reforms. Their inquiry reviewed whether the Department’s initial programme of regulatory change was appropriate and sufficient and whether the reforms are likely to prove effective or whether further measures are needed. Their report concluded that the “reforms are a welcome step in the right direction towards improving the safety and welfare of children in residential homes. However, as the Government has acknowledged, further change is needed and we hope that our report has provided a useful indication of some of the issues that still need to be addressed.”
16. The Department’s response to the Education Select Committee agreed that more is needed and the reforms proposed here are a key route through which some of these issues will be addressed.
17. Recent reports including Alexis Jay’s Independent Inquiry into Child Sexual Exploitation in Rotherham and Ann Coffey’s report about Sexual Exploitation in Greater Manchester continue to find problems in safeguarding and supporting vulnerable children, including those who live in children’s homes.¹⁵

B. Problem under consideration

18. During the course of the initial programme of regulatory change it became clear that the **structure and content** of the current regulatory framework **itself** is constraining our ultimate objective of ensuring that children’s homes deliver services that best enhance the welfare of the children they accommodate.
19. There are three related problems. First, the framework is insufficiently focussed on the outcomes that children must be supported to achieve. Second, there is too much prescription. It does not allow providers to best exercise their professional judgement. Third, a number of regulations need modernising to reflect advancements in technology and to take account of the changed models of delivery by provider organisations in the sector.

The current children’s homes regulatory framework

20. The current framework is comprised of three components.¹⁶ These are laid out in table 1 below.

¹⁵ http://www.rotherham.gov.uk/downloads/file/1407/independent_inquiry_cse_in_rotherham
<http://anncoffeymp.com/real-voices-child-sexual-exploitation-in-greater-manchester-report-published-today/>

¹⁶ <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/childrenshomes/a00191997/childrens-homes-regulations-guidance-and-national-minimum-standards>

Table 1: Current children’s homes regulatory framework

Children’s Homes Regulations 2001 (as amended)	These prescriptively detail the way in which children’s homes must be managed. All children’s homes must meet these regulations.
National Minimum Standards (NMS)	These link to the Children’s Homes Regulations 2001 (as amended). They set out 12 child-focussed standards and 13 standards for providers that focus on how the home should be managed.
Statutory guidance	The Children Act 1989 Guidance and Regulations Volume 5 sets the wider context for local authorities as the providers and commissioners of children’s homes and explains the requirements set out in the Children’s Homes Regulations 2001 (as amended). It does not apply to private and voluntary sector providers of children’s homes.

21. Ofsted are the regulatory authority for children’s social care services. They register providers, inspect them, and, where necessary, take action to enforce compliance with the relevant regulations. Their inspection framework and compliance handbook are tied to the regulatory framework set out above.
22. Ofsted give consideration to the entire framework when **inspecting** homes.¹⁷ That is, they consider a provider’s performance against the Children’s Homes Regulations 2001 (as amended), the National Minimum Standards (NMS), and the statutory guidance (where the provider is a local authority).
23. Homes typically have one full inspection and one interim inspection each year. In full inspections, homes are rated as either outstanding, good, adequate, or inadequate against: overall effectiveness, outcomes for children and young people, quality of care, safeguarding children and young people, and leadership and management. In interim inspections, the judgements are made on a three point scale: improved effectiveness, maintained effectiveness, or declined in effectiveness.
24. Ofsted have a range of powers to enforce compliance with the law.¹⁸ Importantly, however, they can only take **enforcement** action against providers who breach the Children’s Homes Regulations 2001 (as amended). They **cannot** take enforcement action against providers who fall short of meeting the NMS.
25. Ofsted can use non-statutory actions such as making requirements or recommendations after an inspection. Potential statutory actions include compliance notices. These set out the things that the provider must do and by when to meet the Regulations. Failure to do this is categorised as an offence. Stronger statutory actions include prosecution, restricting accommodation in the home, or cancellation of the provider’s or the registered manager’s registration. As a policy, Ofsted take action at the lowest possible level to ensure compliance with the legal requirements.

A framework that is insufficiently focussed on child level outcomes

26. Evidence from Ofsted inspection reports highlights high levels of poor quality provision within the sector. For example, there were 2,138 full inspections of children’s homes between 1 April 2013 and 31 March 2014 and 31 per cent of these homes were rated as either adequate or inadequate in overall effectiveness.¹⁹
27. The All Party Parliamentary Inquiry into Children Missing From Care also reported that “Children in residential care homes are mostly older children, often extremely vulnerable and with complex needs. Many have experienced serious abuse or neglect. These children require high quality

¹⁷<http://www.ofsted.gov.uk/resources/inspections-of-childrens-homes-evaluation-schedule-and-grade-descriptors-april-2014>; <http://www.ofsted.gov.uk/resources/inspection-of-childrens-homes-framework-for-inspection-april-2014>

¹⁸ <http://www.ofsted.gov.uk/resources/social-care-compliance-handbook>

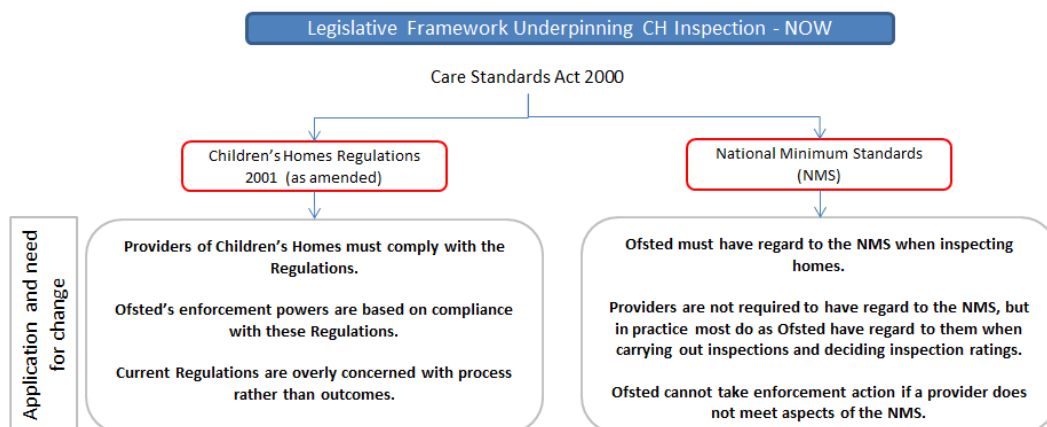
¹⁹ This is the most recent full year of inspection ratings available. <http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-inspections-and-outcomes>

support and therapeutic care. Yet the variable – and often poor – quality of some children’s homes and other care placements was identified as a major issue by many of the submissions to the Inquiry (p.47).”²⁰

28. A central problem contributing to this is the current regulatory framework. It is:

- insufficiently focused on whether homes are delivering services which improve children’s outcomes;
- and overly focused on detailed requirements on how homes must operate.

These problems are summarised in the figure below.



29. The view of Ofsted is that the current NMS are insufficiently child outcomes focussed. When introducing Ofsted’s 2012/13 Social Care Annual Report in October 2013, Sir Michael Wilshaw (Her Majesty’s Chief Inspector) noted:

*We inspect all homes twice a year against the government’s national minimum standards. But the standards themselves are part of the problem. They lead to inspections which are focused too much on compliance rather than the progress and experiences of children.*²¹

30. With only half of the NMS directly focused on children’s outcomes, they do not sufficiently prioritise the key areas that homes need to focus on to support positive outcomes. In addition, as “minimum standards” they encourage a damaging tick-box approach where providers can focus on demonstrating they have done everything on the list rather than improving outcomes of each individual child.

31. Providers themselves have noted that the framework is insufficiently focussed on children’s outcomes. In the field work that fed into the report of the *Expert Group on Quality*, a number reported that “Ofsted assessments are variable across homes and do not spend enough time focusing on how far the child has progressed from when they entered the home (p.27).”²²

32. A related problem is a lack of consistency across the sector in defining the types of outcomes to strive towards for children. Providers have complained that different local authorities adopt different monitoring frameworks when assessing the service being supplied by homes.²³ The shift to an outcomes-based inspection framework will lead to greater consistency in how quality is defined and assessed. This is something that research conducted by OPM on behalf of the Local

²⁰ <http://www.childrenssociety.org.uk/what-we-do/policy-and-lobbying/parliamentary-work/appg-inquiry-children-who-go-missing-or-run-away-c>

²¹ <http://www.ofsted.gov.uk/resources/social-care-annual-report-201213-hmci-speech>

²² This included fieldwork in 20 local authorities completed in late 2012 where workshops were held with approximately 130 providers in total. <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/a00224323/quality-child-homes-report>

²³ <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/a00224323/quality-child-homes-report>

Government Association (LGA) highlighted as an issue earlier this year.²⁴

A framework that is overly prescriptive, limits professional judgement and is in need of modernisation

33. Currently, providers must keep many of their policies, records and review documents in hard copy paper format. In addition, they must send their policies to Ofsted every time they are updated. They are bound by an extensive list of aspects of care quality that they must review and report on at least every three months. They are also required to notify a long list of contacts in the occurrence of specified serious events that may occur at their setting. There is also some duplication in the records that homes are required to keep around medicines and children's money and valuables.
34. These extensive requirements are overly burdensome and reduce the amount of time that managers and staff have to work directly with the children in their care.
35. Further, they do not allow managers to exercise their professional judgement in how they run their homes. The *Expert Group on Quality* found that children's homes staff need to 'be able, and supported, to make professional judgments and decisions' and highlighted the crucial role of managers acting as 'strong, capable leaders.'²⁵
36. The children's homes market has significantly changes in recent years, with an increase in larger private organisations providing children's homes. The four largest children's homes providers in England operated 19.9 per cent of independent sector capacity in 2013. The largest provider at 31 March 2014 owned 140 homes.²⁶ In 2004, in contrast, the then largest owner, the Sedgemoor Group, accounted for 65 homes.²⁷
37. These changes in provider composition have not been reflected in changes to the regulations to date. For example, there are no basic fitness requirements for the directors of private sector organisations of children's homes or for trustees for homes that are charitably run. This is concerning as directors of social care organisations play a crucial role in determining the safety and quality of care provided by the organisation through the decisions that they make and the culture that they set for the organisation as a whole.
38. The entry of larger organisations into the market has also been accompanied with new models of organisational delivery. However, there are currently no specific requirements to ensure that both managers and responsible individuals have the capacity to fulfil their roles if they are made responsible for more than one home.²⁸

C. Rationale for intervention

39. The current Children's Homes Regulations 2001 (as amended) prescribe how a children's home must be managed. Ofsted inspects and enforces against these regulations. These regulations are currently focused on required processes that homes must engage in. They are not directly focused on homes supplying services that best improve children's outcomes. This is the fundamental problem. Intervention is needed so that a consistent set of children's outcomes is placed at the centre of the regulatory framework and so that Ofsted can inspect and enforce against how well homes perform against these. The needs of this group of children are of such complexity that support of the highest quality is needed for them to fulfil their potential.²⁹ The measure seeks to promote activity by providers that will improve child welfare and aims to allow

²⁴ http://www.local.gov.uk/safeguarding-children/-/journal_content/56/10180/4086610/ARTICLE

²⁵ <http://media.education.gov.uk/assets/files/pdf/c/childrens%20homes%20reform%20quality%20group%20%20%20final%20report.pdf>

²⁶ <http://www.ofsted.gov.uk/resources/management-information-social-care-provision-ownership-and-inspection-outcomes>

²⁷ PWC (2006) DfES Children's services: children's homes and fostering.

²⁸ If a provider is an organisation (as opposed to an individual or a partnership) they must appoint a responsible individual (RI). The RI must be a director, manager, secretary or other officer of the organisation. The role of the RI is to supervise the management of the home or home(s) owned by the organisation.

²⁹ <http://www.ofsted.gov.uk/resources/outstanding-childrens-homes>

owners of homes flexibility so that they can strive for these welfare improvements in the most cost effective way. It also modernises the regulations to take account of advancements in technology and changes in provider composition.

D. Policy objective

40. The policy objective is to ensure that children's homes are providing high quality care and setting high aspirations for children which enable them to achieve their full potential. We want to support innovation in the sector by removing overly bureaucratic requirements so that homes have more freedom to decide how they operate in order to achieve positive outcomes for children. The success of the measure will be assessed by reference to changes in Ofsted inspection reports. Over time and through improvements in home quality we expect to see a much higher proportion of good and outstanding Ofsted judgements as a result of this change.

E. Description of options considered

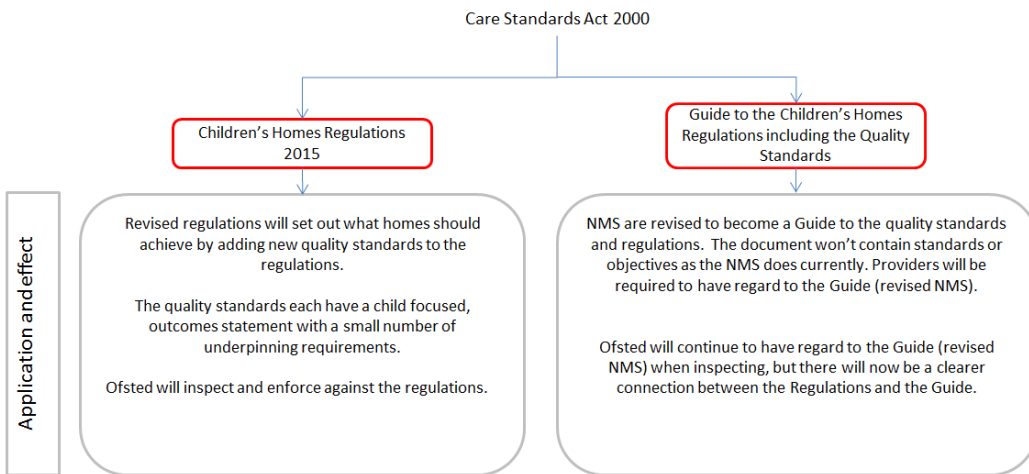
Policy Option 1: Do nothing to amend the current regulatory framework

41. Leaving the current regulatory framework in place would mean that the problems outlined above would persist. For this reason, this policy option is not preferred.

Policy Option 2: Revise the children's homes regulatory framework to set quality standards that homes must meet

42. Under this option, we propose to revise the regulatory framework.
43. These proposed changes have been developed by the Department for Education in collaboration with Ofsted and in consultation with an external advisory group which included representatives from providers, children's charities and academics. We also took account of the views of Ofsted's residential care sub-group comprising representatives from providers across the sector as well as individual providers who have expressed an interest in being involved in the work.
44. We ran a public consultation on the proposed measures from 19 September to 14 November 2014. This included nine face-to-face consultation events. These were attended by around 400 people in total. In addition, we held further discussions with individuals who contributed to the initial development process.
45. 185 responses were received to our online consultation. Views provided through the consultation process were largely positive about the proposals and we have made changes to address many of the points of detail raised. In 8 out of 10 Quality Standard areas there was 98% (or higher) agreement that we should include a regulation on each area.
46. Changes to the statutory guidance (noted in table 1 above) are being considered in a separate piece of work and are not appraised here. The statutory guidance does not apply to private or voluntary sector providers of children's homes.
47. The changes proposed are depicted below.

Legislative Framework Underpinning CH Inspection - future



48. There are three main proposed changes to the current regulatory framework.
49. The **first** is the creation of Quality Standards within the Children's Homes Regulations. Each quality standard will have a child-focused outcomes statement and a small number of underpinning requirements that say what must be done to meet each of the overarching standards. These quality standards will set out in regulations what children's homes should seek to achieve, focusing on positive objectives based on improving children's outcomes.
50. The quality standards have been developed by using and improving material in the existing NMS. However, the quality standards set out higher aspirations and improve their focus on the child's outcomes.
51. The standards cover the following areas: quality and purpose of care, children's wishes and feelings, education, enjoyment and achievement, health and well-being, positive relationships, protection of children, leadership and management, and care planning.
52. An example of how this looks is depicted in box 1 below. This shows the enjoyment and achievement quality standard.
53. Part (1) is the child focussed objective. Namely, that "children living in the home take part in and benefit from a variety of activities that develop and reflect their creative, intellectual, physical and social interests and skills."
54. Part (2) is the underpinning requirements that would be needed to meet the standard. For example, in order to meet the standard, it is a pre-requisite that the children in the home have access to activities that meet their individual interests.

Box 1. The enjoyment and achievement standard

(1) The enjoyment and achievement standard is that children take part in and benefit from a variety of activities that meet their needs and develop and reflect their creative, intellectual, physical and social interests and skills.

(2) The enjoyment and achievement standard is met if the registered person ensures that—

- (a) each child has access to a range of activities that enable the child to pursue his or her individual hobbies and interests;
- (b) staff support each child to—
 - (i) develop his or her interests and skills through activities available inside and outside the home;
 - (ii) participate in activities inside and outside the home that he or she enjoys and which meet and expand his or her interests and preferences;
 - (iii) make a positive contribution to the home and the wider community;
 - (iv) make and sustain friendships with children inside and outside the home.

(3) The registered person must take each child's relevant plans into account when carrying out the obligations in paragraph (2), but those plans are not to limit the steps that the registered person may decide to take in order to meet those obligations.

55. Therefore, while the standards are child-centred and outcomes-focused, they also provide a workable framework for Ofsted to practically inspect and enforce against. The underpinning requirements relate more closely to processes and actions needed to meet each standard and are based on staff actions rather than the behaviour of individual children.

56. The **second** feature is the essential regulations that appear within the current Children's Home Regulations 2001 (as amended) on management and administrative processes. A number of these regulations have been modernised to take account of advancements in technology and the changed models of delivery by provider organisations in the sector. They have also been streamlined to remove unnecessary burdens and prescription, and support greater professional judgement.

57. The changes to the management and administrative process regulations are summarised below:

58. **Fitness of owners.** When a registered provider of a private sector home is an organisation (rather than an individual or a partnership) then the organisation's directors that are directly concerned with the provision of children's homes must meet basic fitness requirements. In the case of voluntary sector homes, the basic fitness requirements would apply to trustees. In the case of local authority run homes, the basic fitness requirements would apply to the Director of Children's Services.³⁰ The requirements are that the directors are of integrity and good character and that full information is available on each in relation to Schedule 2 of the Regulations. Schedule 2 covers relevant criminal record certificates; proof of identify; references; where they have previously worked with children or vulnerable adults, verification of the reason why the employment or position ended (so far as reasonably practicable); evidence of relevant qualifications; and a full employment history, together with a satisfactory written explanation of any gaps in employment.

59. **Capacity of home managers and responsible individuals.** This regulation states that a person who manages more than one home must ensure that each home they manage meets the Quality Standards. Similarly, a responsible individual for more than one home must have the capacity, skills and experience to supervise the management of each home. These changes do not impose

³⁰ A small number of local authorities may have alternative arrangements in place with Ofsted for who is named in the registration of the authority as a children's home provider. In this case, the fitness test will apply to that individual.

a cap on the number of homes a manager can manage or the number of homes a responsible individual can supervise. Rather, they seek to ensure that clear lines of delegation of authority are in place to ensure suitable management and supervision of homes.

60. **Employment of staff.** New staff must have an appropriate induction when commencing their role in a children's home. All staff must receive appropriate continuous professional development, case related supervision, and have their performance and fitness to carry out their roles appraised once a year. This change supports the Quality Standards because the quality of staff is key to enabling each child to have high quality experiences of life in the home and to achieve positive outcomes.
61. **Electronic storage and Ofsted notification.** Homes will now be able to keep all their policies, records, and reviews in electronic form provided that they can be reproduced in a legible form and that the appropriate security is in place.³¹ In addition, homes will no longer be required to send **all** their policies to Ofsted every time they are updated. They will only continue to be required to send Ofsted their Statement of Purpose each time it is updated.³²
62. **Professional judgement around notifications and reviews.** Currently, there is a list of contacts that must be notified in the occurrence of specified events. We propose to change this so that, beyond a very short list of events where Ofsted must always be notified, the registered person can exercise their professional judgment around in what circumstances and who to notify when a specified event occurs. Likewise, there is currently an extensive list of aspects of the home's quality of care that managers must review and report on at least once every three months. We propose to only require a review and report every six months and to remove this list so that the registered person can decide what each review should focus on, based on the specific circumstances of the home at that particular time.
63. **Closures of homes.** When a home closes and is not taken over by a different provider, the registered provider must transfer each child's records to another home owned by that provider. Or, if the registered provider does not continue to be a registered provider for any other children's homes, then they must transfer the records to the child's placing Local Authority. This corrects a loophole in the current regulations and ensures that children who have lived in a home can access their records in later life.
64. The new proposed structure to the children's homes regulations lets us emphasise the quality standards as new and distinct from the regulations on essential management and administrative processes.
65. The **third** change is a redraft of the current National Minimum Standards (NMS). This will become a Guide to the children's homes regulations including the Quality Standards and will complement the new children's homes regulations, explaining and supplementing the requirements stated there. Providers will have to have regard to the Guide and, unlike now, it will not contain separate standards. Because the Guide explains the re-drafted regulations, rather than being a free standing set of different or additional requirements, we do not attach any distinct impact to the Guide in this appraisal.
66. This policy option is preferred.

³¹ There are a large number of relevant items here, including: the home's statement of purpose; the children's guide; placement plans for children who are not looked after; the policy to safeguard children; the policy for preventing bullying; the missing child policy; the behaviour management policy; records of the use of measures of control, discipline or restraint; children's case records; other records pertaining to, for example, children, staff, accidents, fire drills, and visitors; the procedure for considering complaints; records of complaints; the annual review of the appropriateness and suitability of the location of the home's premises; the independent person's report; reviews of the quality of care by the registered person.

³² For all other policies, Ofsted can be updated on any changes as and when necessary as part of the inspection regime.

Why revising the regulatory framework is the only way to achieve the policy objective

67. The problems identified above are due to the structure and content of the current regulatory framework. Therefore this policy option is preferred because changes to the regulatory framework are the only possible way of addressing these problems and achieving our policy objective. Children's homes are **required** to meet the regulations and Ofsted inspect and enforce against this. At present, the regulations themselves are insufficiently focused on children's outcomes. As a result, Ofsted cannot require homes to improve the care they provide to children on the basis that they are not achieving positive outcomes. They can only make recommendations linked to children's outcomes based on the current NMS. The only way to address this problem is by changing the regulations themselves as described in this policy option.
68. Alternative approaches such as, for example, revising the current NMS to make them more focused on outcomes or introducing statutory guidance, would be insufficient because Ofsted can only make requirements and take enforcement action in relation to the regulations. In addition, it's most logical for the regulatory framework to be centred on and around the regulations, supplemented by the NMS. Making changes to the supporting material without changing the regulations themselves would create further incoherence in the framework. For these reasons, such alternative options are not considered in this appraisal as they are not genuine policy options.
69. The changes to the management and administrative regulations primarily aim to modernise and streamline the requirements on providers, reducing burdens and freeing them to innovate and use professional judgement. Those relating to the fitness of directors and the capacity of managers and responsible individuals are essential to ensure that key decision makers in organisations that provide for this highly vulnerable group in society are suitable for their role and that quality of care is not compromised by changing models of organisational delivery.

Non-regulatory actions to drive improvement

70. In addition to this essential regulatory change, the Department is also embarking on a wider programme of non-regulatory action to drive forward improvements in the sector. Some of this work is reviewed in box 2 below. The likely impact of this work is not appraised here, but is presented to show the (complementary) non-regulatory work to further improve outcomes in this and other related markets. This complementary non-regulatory action will improve outcomes in the system, but is not sufficient as an alternative to the proposed regulatory change as there are problems inherent in the current regulatory framework. To secure the level and scale of improvement needed to support the extremely vulnerable children in children's homes it is essential to have an approach that improves the full regulatory framework that homes are subject to.

Box 2. Further non-regulatory actions

The **children's social care innovation programme** was announced in October 2013. The aim of this initiative is to stimulate and support innovation in the delivery and structures of children's social care and to help spread proven innovations more rapidly. It will achieve this through a number of routes, including supporting individual pilots and change programmes. Both financial and non-financial support will be provided, with the budget for the former amounting to £30 million in 2014/15 and £100 million in 2015/16. A focus area of the programme is support for adolescents in or on the edge of care. Adolescents in care are disproportionately represented in children's homes.

A **children's home data pack** was published in September 2013. A further pack is due to be published at the turn of the year. These packs are a collection of evidence about children's homes in England, including information on the outcomes for children who reside in homes, local authority usage, the quality of homes, their locations, ownership and cost. The objective of the packs are to increase transparency and accountability as a tool to drive up quality.

sources:

<https://www.gov.uk/government/publications/childrens-services-innovation-programme>

<https://www.gov.uk/government/publications/childrens-homes-data-pack>

F. Monetised and non-monetised costs and benefits of each option

Policy Option 1: Do nothing to amend the current regulatory framework

71. The costs and benefits of Policy Option 2 are expressed relative to this do nothing case.

Policy Option 2: Revise the children's homes regulatory framework to set high level quality standards that homes must meet

72. The main groups affected by Policy Option 2 are:

- The private/voluntary sector providers of children's homes
- Local authorities (most of whom own children's homes)
- Ofsted
- The children and young people accommodated in children's homes

73. We address the costs and benefits for each group in turn.

74. We focus on the proposed changes to the Children's Homes Regulations 2001 (as amended) to appraise the costs and benefits of this option. As noted above, the Guide (replacing the current National Minimum Standards) will explain and complement the revised regulations rather than set separate standards for homes. Given this, they generate no additional costs or benefits to the actions generated ultimately by the new regulations.

Costs to the private/voluntary sector providers of children's homes

75. 1,542 homes are owned by the private or voluntary sector.³³ We estimate that there are 471 distinct owners of these homes.

76. We used two main methods to gather evidence of the impact of the changes to the providers of homes.

³³ These figures refer to the 31st March 2014.

<http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

Focus group session with private and voluntary sector representatives

77. First, prior to consultation, Department officials held a day long **focus group session** with private and voluntary sector provider representatives to identify and to attempt to quantify the potential resource implications to children's homes. The session focused on the impacts of the new Quality Standards within the Children's Homes Regulations. It did not review the potential implications of the new management and administrative regulations
78. The representatives at this session have substantial experience in the management of residential provision and in training and consultancy across the sector. They also captured the diversity of the market, with a proportion of the attendees having expertise in specialist provision including short breaks and provision for children with special educational needs and disabilities.
79. The session introduced drafts of the new quality standards to the attendees and explained the history of their development. The representatives were also sighted on these drafts prior to the day. This was followed by a detailed discussion on the potential **additional resource impact that would be incurred by homes in order to comply fully with the new standards.**
80. The representatives were able to collectively identify the underpinning requirements with a potential resource impact. They also outlined the nature of that impact. Table 3 in the annex of the consultation stage impact assessment listed each draft underpinning requirement identified as having a potential resource impact. Alongside this, it described the 'type' of impact of each underpinning requirement and any factors identified as influencing its size.³⁴
81. The output of the focus group enabled us to **identify** three main types of impact:
- Additional staff or managerial **training** to raise capability and improve child welfare.
 - Additional staff or managerial **time** either to help support children engage in activities or in seeking out services on behalf of the children.
 - Additional **financial expenditure** on services or activities for children or on the infrastructure of the home.
82. The focus group attendees found it more challenging to quantify or monetise these impacts. There were for two reasons for this.
83. First, detailed provider level activities are not prescribed in the requirements. For example, one drafted requirement stated that "each child is supported by staff to achieve their educational or training goals." The draft regulations do not prescribe the explicit activities which might be involved in that support. The focus group attendees were not sighted on the draft Guide to the children's homes regulations including the Quality Standards as it was still in development at the date of the session. As the Guide explains and supplements the requirements stated in the regulations, giving a better understanding of the range of activities required to meet the requirements, it was argued that sight of this Guide would be necessary in order to robustly quantify cost effects.
84. Second, potential variation in impact across providers was noted. This was expected due to the range in quality of the current provision, as shown by Ofsted inspection reports. It was also expected due to variation in the individual circumstances of homes. For example, the needs of the children accommodated will vary across homes as will the ease of access to public services like education, CAHMS, and sexual health across different local authorities. Similarly, the existing level of partnership working between homes and other relevant agencies or establishments will vary.

³⁴ The consultation stage impact assessment can be accessed here: <https://www.gov.uk/government/consultations/childrens-homes-regulations-high-expectations-and-aspirations>

Impact assessment questionnaires for regulatory reform

85. To address these issues, the second stage of our approach was to utilise a bespoke impact assessment questionnaire.
86. The questionnaire built on the evidence gathered through the focus group. It was sent to a range of different types of providers in order to capture variation across individual circumstances of homes and was also submitted to providers alongside **both** the draft Guide and the draft regulations. The specific underpinning requirements in regulations identified by the focus group as carrying a potential cost impact were highlighted in red. In addition, the questions on the cost impact of the quality standards were grouped in line with the three main types of impact identified by the output of the focus group.
87. The questionnaire submitted to private and voluntary sector providers is shown in section L of this assessment.³⁵ This questionnaire was developed in consultation with social researchers at the Department for Education. It also benefited from detailed comments from Local Authority representatives, private sector providers, and policy colleagues at Ofsted.
88. We received responses from nine providers in total. Four were independent sector providers and were five Local Authority providers. These providers ran a total of 110 homes as at 31 March 2014. This sample size is similar to that used in gathering evidence for previous appraisals of changes to the children's homes regulatory framework.³⁶
89. The number of responses that we received to the questionnaire is, however, lower than the number that we aspired to. We submitted the questionnaire to 29 independent sector providers and 25 Local Authority providers. This means that the response rate was less than 20 percent. At full response, we would have gathered views from the owners of around 320 homes owned by the independent sector and 100 homes owned by Local Authorities.
90. We also took a number of steps to try to increase the response rate to the survey. First, as mentioned above, the questionnaire was developed in consultation with representatives from Local Authorities and the independent sector. These comments were used to improve the ease at which the survey could be completed. Second, for the independent sector questionnaires, we clarified in the introduction to the survey that the evidence provided would help inform the final proposals. We also stated that their individual responses will not be identified in the impact assessment. Rather, the assessment would summarise all the evidence gathered in an anonymised way.
91. To further improve our understanding of the impacts, we posed a number of follow-up questions to the providers that did respond to the survey. This enabled us to gather more information on the detail of the impacts and why they thought they would be incurred. In addition to this, we turned to responses from three questions regarding the expected resource implications of the proposals that were included in the consultation document itself.³⁷ Finally, we also requested and received a separate consideration of the cost impact to providers from the National Centre for Excellence

³⁵ The questionnaire submitted to Local Authority providers varied slightly. The Local Authority questionnaire asked for the cost implication across all the homes that the Local Authority runs as opposed to the average cost implication per home. The local authority representatives preferred this approach. The other approach was more appropriate for private sector providers as many own a large number of homes and derivation of a typical cost impact per home would be computationally more convenient. The questions under proposal 1 in part 3 of the questionnaire were also worded slightly differently. This reflects the requirement of that proposal falling to a director of children's services in the Local Authority context and directors and trustees in the independent sector context. The differences across the questionnaires will make no difference to the derivation of the cost impacts shown in the text.

³⁶ In a previous set of amendments to the Children's Homes Regulations we received questionnaire responses from 11 providers in order to aid the appraisal. One of the providers who responded to that survey was the largest provider in England, with ownership of 133 homes at the time. For this reason, the providers who responded to that questionnaire owned more homes in total.

http://www.legislation.gov.uk/ukia/2013/236/pdfs/ukia_20130236_en.pdf

³⁷ The specific questions fielded there were: Will the proposed changes to regulations incur additional costs for your organisation? What particular elements of the regulations will have the biggest impact on the costs you incur? What would be the estimated resources or costs associated with these elements?

<https://www.gov.uk/government/consultations/childrens-homes-regulations-high-expectations-and-aspirations>

in Residential Child Care (NCERCC) who held a meeting for providers and commissioners to discuss the likely costs of the introduction of the Quality Standards.

92. We also note here that many providers differed in their opinions regarding the size of the resource implication and in the types of impact that their organisation may face. Their responses indicate that, largely, this is an artefact of differences in their current practices and contexts. In the discussion of the impacts below we document this variation for it reflects true variation in the expected impact of the measures on business across different providers.

Cost of additional staff training

93. Both private and voluntary sector providers and Local Authority providers face the same regulatory framework. As such, information gathered from Local Authority providers can be used to gain more information on the cost implications to the private or voluntary sector, and vice versa.

94. Further evidence for the suitability of this approach is that there is no statistically significant link between Local Authority (LA) or private/voluntary sector ownership and Ofsted ratings.³⁸ This implies that there are no systematic differences across the sectors in current levels of home quality. Moreover, there were no systematic differences in anticipated cost impact across the providers from the two sectors who responded to the impact assessment questionnaire.

95. The impact assessment questionnaire posed a number of questions relating to the training impact. As noted above, the full questionnaire is shown in section L of this assessment. In addition, the table in section M summarises the responses from providers to the training impact questions in detail.

96. First, we asked whether the providers thought that staff or managers will have to engage in additional training to fully comply with the requirements set out under the Quality Standards. Second, we asked for detail about the type of additional training that will have to be conducted, why it will have to be conducted, and whether it will have to be conducted by staff and/or managers. Finally, we asked a number of questions more directly aimed at aiding monetisation. For example, we asked about the expected increase in financial spend in training that may be delivered by external organisations. We also asked for the number of hours that staff or managers would have to spend engaging in additional in-house or external training. We asked whether the training impact may vary across homes owned by the provider and whether they thought that the additional training would be mostly one-off or whether there would be an increase in training levels each year in the future.

97. There were two types of training cost impact reported by providers. This first was skill-based training to raise capacity in various specific aspects of professional care expertise.³⁹ The second was training for staff and managers to understand the new regulatory framework and to know what they have to do to comply with it.

98. Four out of nine of the providers who responded to the impact assessment survey reported a need for the first type of training. The others didn't. For example, one provider explained that the learning and development programme and on-going Continuous Professional Development (CPD) offered by their organisation are already fit for purpose in terms of ensuring compliance. These four providers were also the only ones that indicated that additional spend on training provided by external providers would be required. Most of these providers indicated that the skill-based training would be externally delivered. The estimates for external spend reported were £900 to £1,350 per home, £1,000 per home, and £2,000 per home. One provider was not able to forecast a cost. In total, these specific providers owned 56 homes. We therefore assume that 51% of homes in the sector (e.g. 56 homes out of a total of 110 homes owned by providers who responded to the questionnaire) will require additional skill-based training and additional spend

³⁸ <https://www.gov.uk/government/publications/childrens-homes-data-pack>

³⁹ The additional occupation-specific training referred to by providers included things such as training to understand the reasons behind children's behaviour, developing skills in reflective practice, and developing approaches to managing risk taking behaviours.

on training provided by external providers.

99. Training to understand the new framework is a transitional cost relating the implementation of the measure and will be felt by all homes in the sector. For example, one provider noted that 'although the content of the Quality Standards is what I would expect currently in terms of good residential practice, it is important that staff and managers understand how they're going to fit with the new inspection framework and what they will need to do to ensure compliance.'
100. Five providers provided information to enable monetisation of the time impact associated with training activities and there was broad consistency in the responses.
101. Time for preparation for the delivery of in-house training was reported at an organisational level by some providers at a home manger level for others. Figures provided were 16 hours, 24 hours, and 2 to 3 days. This activity was stated as being conducted by either a senior manager within the organisation or by a home manager.
102. We assume 8 hours per staff member and 16 hours per home manager for training relating to understanding the new regulatory framework. This time requirement for managers also incorporates the time that they spend delivering the training to their staff. We assume an additional 7 hours per staff member and manager for homes that require additional skill-based training.
103. All the providers who responded to the questionnaire indicated that the training impact would not vary across the homes that they own. They also all stated that the additional training would be largely one-off.⁴⁰ There were two reasons for this.
104. First, the training required to inform staff of the Quality Standards in order to ensure that they know what they need to do to ensure compliance is a transitional activity. Second, when providers indicated that some additional skill-based training would be required to raise capacity in various aspects of professional care expertise, a number noted that: a) this learning will become embedded in practice so that training levels should be able to return to established levels; or that b) the new training will be incorporated into the inductions for new staff.
105. We turn to a recently conducted Census of children's homes in England to gain information on the wage and employment levels of homes in the sector.⁴¹
106. The average gross wage for staff is £10.12 (2014 prices).⁴² Consistent with HMT Green Book guidance we apply a non-wage labour cost uplift of 1.203 to account for costs such as Employer NICs and Pension contributions not reflected in the pure gross wage rage.⁴³ This gives a unit cost of £12.17 for the value of their labour. The average gross wage of home managers is £16.22 (2014 prices). Uplifting by 1.203 gives a unit cost of £19.51 per hour.
107. The Census also allows us to derive an estimate of the number of managers and staff in independent sector homes. The calculation was quite detailed, so we lay out it's derivation out in

⁴⁰ The exception was one Local Authority provider who noted that there are perceived training opportunities for partner agencies to the authority (such as the Head of the Virtual School and or the Children in Care Nurse) to engage in joint training with the Local Authority run homes in order to ensure that there is a joint understanding of the requirements and roles across agencies. It was suggested that this particular training activity would be required on an annual basis, though would be adapted to be more informal following the initial changes occurring.

⁴¹ TNS BMRB (forthcoming). A Census of the Children's homes workforce. The Department commissioned a census to capture a snapshot of the children's homes sector in 2013. It took place in two waves: the first between October and December 2013, with a supplementary wave in April and May 2014. 841 homes took part in the census.

⁴² This refers to the average wage of all employees in children's homes excluding the home manager. Some of these employees will have supervisory responsibility and some will be deputy home managers.

⁴³ This estimate is derived from the National Labour Cost Survey (LCS) and is based on the human health and social work activities category. The latest survey data for 2012 is published on Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/database

section N of this assessment.⁴⁴ We estimate there are 15,572 staff and 1,542 home managers.⁴⁵

108. Table 2 below lays out the assumptions and calculations we use to derive an estimated cost of additional training.

Table 2: Assumptions and calculations for lower and upper bound estimates of the training impact for private and voluntary sector providers

Category	Lower bound assumptions	Lower bound estimates	Upper bound	Upper bound estimates
Preparation activity for training delivered in-house.	16 hours of time per provider for 471 providers. Conducted by a registered manager, at a unit cost 19.51 per hour.	£147,027	24 hours of time per home for 1,542 homes. Conducted by a senior manager, at a unit cost £26.13 per hour. ¹	£967,019
Familiarisation training	8 hours per staff member for 15,572 staff at a unit cost of £12.17 per hour.	£1,516,090	8 hours per staff member for 15,572 staff at a unit cost of £12.17 per hour.	£1,516,090
	16 hours per home manager for 1,542 home managers at a unit cost of £19.51 per hour.	£481,351	16 hours per home manager for 1,542 home managers at a unit cost of £19.51 per hour.	£481,351
Skill-based training	7 hours per staff member for 7,942 staff at a unit cost of £12.17 per hour. ²	£676,579	7 hours per staff member for 7,942 staff at a unit cost of £12.17 per hour. ²	£676,579
	7 hours per home manager for 786 home managers at a unit cost of £19.51 per hour. ³	£107,344	7 hours per home manager for 786 home managers at a unit cost of £19.51 per hour. ³	£107,344
	£900 per home on externally provided training for 786 homes.	£707,400	£2,000 per home on externally provided training for 786 homes	£1,572,000
TOTALS		£3,635,791		£5,320,383

Notes: ¹ a senior manager of one of the providers who responded to the impact assessment survey submitted the unit cost of his labour and the mean unit cost of the managers in homes owned by his organisation. They also stated that they would be responsible for large elements of the preparation activity.

² We estimate that 51 per cent of homes in the sector require additional skill-based training and additional spend on training provided by external providers. Applying 51 percent to 15,572 staff gives approximately 7,942 staff affected.

³ Applying 51 percent to 1,542 home managers gives approximately 786 managers affected.

⁴⁴ The census excluded secure homes, homes that provide respite care only, and homes that were dually registered as schools. These settings are, however, subject to the regulatory framework. We therefore turned to Ofsted register data on the characteristics of these settings to provide an uplifted estimate of the employment levels reported more directly in the Census.

⁴⁵ 1,542 is an upper bound assumption for the number of home managers. 8 out of 9 of the providers who responded to the impact assessment questionnaire stated that their organisation has one manager per home. One Local Authority provider said that they had one manger per two homes.

109. We estimate a total (one-off) training cost of between £3,635,791 and £5,320,383. The mid-point of this estimate is £4,478,087 (2014 prices).

Cost of additional time of staff supporting children to engage in activities or in staff seeking out services on behalf of the children

110. The second potential cost impact associated with the Quality Standards identified by the focus group attendees was potential additional staff or managerial time either: (a) supporting children to engage in activities to support their education; or (b) staff seeking out services on behalf of the children.

111. For example, with reference to effect (a), one of the underpinning requirements of the education standard is that each child 'has access to appropriate equipment, facilities and resources to support his or her learning.'⁴⁶ Focus group attendees noted that this access may need to be accompanied with staff time in order to support or safeguard children as they use these resources.

112. With reference to effect (b), a number of requirements relate to children being able to access services provided by other agencies. For example, another underpinning requirement of the education standard is that the home should support children excluded from school to 'access educational and training support throughout the time that he or she is so excluded or otherwise not attending school.'

113. After being sighted on the Guide to the Quality Standards, which gives more detail on the range of activity required to meet the requirements, the respondents to the Quality Standards impact assessment questionnaire were better placed to quantify these potential effects.

114. Seven out of eleven providers reported no expected impact. One large private sector provider reported that they expected that staff and/or managers would have to spend additional time. However, they indicated that the effect was marginal and within 'acceptable operating parameters.' A local authority provider who owned only 1 home reported approximately 20 to 30 hours of additional time per year liaising with other services.⁴⁷

115. Given these reports, we attach no monetary value to this effect. The existing regulations already require homes to provide support to children engaging in activities to help their education and state requirements for staff to work with partners.⁴⁸ It is largely the wording of the regulations that have changed and the Guide would have made it clearer to the respondents to the questionnaire that their current activities already satisfy the requirements.

Additional financial expenditure on services or activities for children or on the infrastructure of the home

116. The final potential impact identified by the focus group was potential additional expenditure on services or activities for the children.

⁴⁶ This is one of the underpinning requirements of the overarching education standard that 'children make measurably progress towards achieving their educational potential and are supported to do so by the home.'

⁴⁷ A small local authority provider (owning less than 5 homes) referenced guidance under the enjoyment and standard which says that 'decisions about overnight stays by children with friends should be delegated to children's homes staff by the placing authority for looked-after children' and that 'where children wish to stay overnight with friends, staff should make the same kind of checks that responsible parents might make in similar circumstances to seek reassurance that it is an appropriate place for a child to stay overnight.' They noted that this is an additional task, however that such requests are currently subject to discussion with social work teams and parents as well as the proposed hosts. Therefore, although there is some extra responsibility, the actual time and thought given to the issue and the difference between what happens now is negligible.

⁴⁸ Regulation 18 (Education, employment and leisure activity) states 'The Registered person shall promote the education attainment of children accommodated in the home, in particular by ensuring that –(a) The children make use of educational facilities appropriate to their age, aptitude, needs, interests and potential; (b) The routine of the home is organised in so far as to further children's participation in education, including private study; (c) Effective links are maintained with any schools attended by children accommodated in the homes.'

117. For example, an underpinning requirement of the quality and purpose of care standard is that the 'premises used for the purpose of the home are designed and furnished in such a way that they enable each child to participate in the daily life of the home and they local community.' It was suggested that this may require spend on re-furnishing for some homes.
118. Seven out of eleven providers reported that they did not think that their home(s) will have to spend more money on services or activities for the children or on the furnishings of their home (s) in order to fully comply with the requirements. One small local authority provider who owned one home noted potential spend on communication systems and mobility aids to enable children to access a range of activities. However, they noted that this spend would be minimal.
119. The other provider noted a more significant potential spend, stating that money may need to be spent on changing doors to increase children's access to all parts of the building. In addition, changes may need to be made to kitchens and utility rooms to enable disable children to develop more independence skills (e.g. adaptable work surfaces and cupboards). In follow up dialogue they noted that solutions for worktops and cupboards range from £1,000 to £2,000 for each of their homes. They noted that expenditure per door would likely be around £300 to £500, however door changes may not be required by all of their homes due to different layouts and that some homes may require more than one door changed. They expected this impact to be one-off expenditure.
120. The children's homes census asked home managers the range of children's needs for which their home catered for.⁴⁹ 12 per cent of these managers stated that their homes provide for children with physical disabilities or sensory impairment. As the spend impact above would most likely be required for homes that provide for children with physical disabilities, we assume that 12 per cent of the current homes in the market may need expenditure of this type.
121. 1,542 homes are owned by the independent providers. This would imply an upper-bound of 185 current homes with potential spend. We assume spend per home will be in the range of £1,300 to £2,500. This gives a total one-off cost impact in the range of £240,500 to £462,500. The mid-point of this estimate is £351,500.
122. This impact will also be felt by home settings that open in the future. Based on detailed in-house analysis to be reported in a forthcoming publication, our best estimate for the number of new independent sector home settings each year is 144.⁵⁰ We assume that 12 per cent of these new settings each year may require additional spend on specialist doors and adjustments to worktops and cupboards. This gives 17 new home settings per year and a total on-going expenditure impact in the range of £22,100 to £42,500 per year. The mid-point of this is £32,300.

Costs associated with reviewing and re-writing home policies

123. Another transitional impact which will be associated with the new framework is time for homes to review and revise their policies and procedures to take account of the new regulations. In particular, policies on missing children and safeguarding will need to be amended due to changes to the notification processes and the introduction of the Quality Standards. Policies on bullying and behaviour management will also need to be adapted. There will need to be a new policy and procedures on 'working with others in the system' and a new policy and procedure on how to implement and monitor outcomes against the Quality Standards. We believe that this impact will be felt by all homes in the sector and will be a one off activity.

⁴⁹ TNS BMRB (forthcoming). A Census of the Children's homes workforce.

⁵⁰ The new children's home data pack calculated the number of home settings that were in existence at 31 March 2014, but who did not exist at 31 March 2013. There were 130 new independent sector home settings. Most of these new settings were opened by existing providers in the market rather than new provider entrants. This analysis looked at only a sub-set of all homes that are subject to the children's homes regulations. Namely, secure children's homes, children's homes that provide respite care only, and Residential Special Schools registered as children's homes were excluded. At 31 March 2014, these were 1,542 children's homes owned by independent sector providers and 1,390 of these were included in the data pack analysis. We therefore apply a figure of 1.11 to derive an estimate of approximately 144 new setting openings for all independent sector homes.

124. To value this impact we engaged with a number of providers informally. We outlined the policies and procedures most likely to require revision and then asked how long it would take to conduct this activity and the individual employee most likely to undertake the task.
125. Estimates reported ranged from between 5 to 7 days per home. For larger organisations the activity may be undertaken by a senior quality and compliance manager. For small ones, home managers would be more likely to conduct the activity. We estimate a unit hourly cost in the range of 19.51 to £26.13 per hour for the worker undertaking the activity and a time requirement in the range of 40 to 56 hours. Across 1,542 homes owned by private or voluntary sector firms, the cost impact would be between £1,203,377 and £2,256,378. The mid-point of this is £1,729,877. This is a one-off cost.
126. We believe that that is likely to be an upper bound estimate because the Department intends to produce guidance on exactly which policies and procedures may be impacted by the new regulations and a document showing the changes in the numbering of the regulations. This will aid the task, though would not alter the resource requirement substantially.

Costs associated with the new management and administrative process regulations

127. The changes to the management and administrative process regulations were detailed in section E above. The only change that we attach a cost impact to is the fitness of owner regulation. We outline the valuation of this cost impact below before explaining why we attach no cost impact to the others.
128. The **fitness of owners** regulation is that the directors of private sector organisations that are directly concerned with the provision of children's homes must be of 'integrity and good character' and that 'full and satisfactory information is available' on each on the items listed in Schedule 2 of the redrafted Regulations.⁵¹ In the case of voluntary sector homes, the basic fitness requirements would apply to trustees.⁵²
129. This regulation means that providers are expected to have all the relevant information for their directors and that their directors meet the requirements.
130. We turn to evidence collected by the Department of Health (DH) in their recent appraisal of a fit and proper person's requirement for directors of health and adult social care organisations to estimate the cost implications of this regulation.⁵³ The change applied there was similar to the regulation proposed for the providers of children's homes in terms of the specific fitness checks required.
131. The duty to ensure that directors meet the fitness tests will rest with the provider. We expect that vast the majority of providers already carry out these tests for their directors both on appointment and on an on-going basis based on responses to the impact assessment questionnaire and informal liaison with other private sector providers. A number explicitly highlighted that the information is collected as part of the application process. There may, however, be some providers who do not conduct the checks. We assume that 20 per cent of providers do not carry out these checks based on DH evidence.⁵⁴

⁵¹ Schedule 2 covers relevant criminal record certificates; proof of identify; references; where they have previously worked with children or vulnerable adults, verification of the reason why the employment or position ended (so far as reasonably practicable); evidence of relevant qualifications; and a full employment history, together with a satisfactory written explanation of any gaps in employment

⁵² In this remainder of this appraisal "director" is taken to include equivalent positions in other organisations, including trustees of charitable bodies.

⁵³ Department of Health (2014). Fit and Proper Persons Requirement for Directors. Impact Assessment no. 6111

⁵⁴ DH used this assumption in their consultation stage IA and reviewed it with providers at consultation. They also reviewed published evidence from other sectors, research by the Chartered Institute of Personnel and Development (CIPD), and a poll by the Society of Human Resource Management to check if their assumption was reasonable.

132. DH assumed that there are an average of 3 directors for a health and social care provider. This estimate was based on published evidence from a number of sources, including figures for the total number of directors in the UK from the Institute of Directors, estimates of the number of registered businesses from the Office of National Statistics, and figures from Companies House.
133. Two of the providers who responded to the impact assessment questionnaire reported either 4 or 5 directors within their organisation. The other two reported higher numbers, in the region of 15. However, the private and voluntary sector providers that responded to the questionnaire were larger than the average provider in the market. They owned an average of 23 homes each. This compares to an average of 3.3 for the private/voluntary sector as a whole (e.g. 1,542 homes across 471 providers). Moreover, in section J, we estimate that the vast majority of providers would be classed as small businesses. Given this, we believe that this assumption used by DH is also reasonable to use for children's homes providers.
134. There are around 20 'individual owners' of independent sector children's homes in the Ofsted register. Therefore we assume that this impact applies to 451 owners.⁵⁵ This would equate to an estimated total of 1,353 directors (e.g. 451 owners x 3 directors per owner). Applying 20 percent to this figure gives an estimate of 271 current directors who may not have completed the full set of appropriate checks required to be demonstrated under the new requirements.
135. The costs of fitness checks to providers will be in the region of £200 to £500 per director, based on prices published on the websites of companies specialising in undertaking pre-employment vetting on behalf of organisations⁵⁶. This gives a cost impact in the range of £54,200 and £135,500 for **retrospective checks on directors for existing organisations** in the market (e.g. 271 providers x £200 and 271 providers x £500).
136. Providers will also be expected to carry out on-going checks to ensure that their directors continue to be fit and proper. This on-going checking is not expected to be as intensive as the full suite of pre-employment checks since the provider will already be familiar with the background of their directors. Instead, providers might consider fitness by appraising past performance. In line with DH assumptions, we assume that such appraisals are likely to require up to 2 hours of a director's time to conduct a self-assessment and/or seek feedback on their performance from others, followed by approximately an hour's discussion with the Chair of board. This gives a total of 4 hours of director time.
137. The median gross hourly wage for corporate managers and directors is estimated to be £20.64 (2013 prices).⁵⁷ Applying 1.013 to account for wage inflation gives £20.91 in 2014 prices.⁵⁸ Then, applying a non-wage labour cost uplift of 1.203 gives a unit cost of £25.15 for the value of director time.⁵⁹ This is consistent with the cost estimate used for senior management time when valuing the resource implications of training to providers of children's homes. As derived above, we estimate that there 271 directors per year who may not currently be subject to on-going fitness checks. This suggests a cost impact of £27,263 for **on-going appraisal of existing directors** (e.g. 4 hours for 271 directors at a cost per hour of £25.15).

⁵⁵ Private sector providers owned by individuals or by partnerships must already have these fitness checks. We are unable to identify the number of providers who would be classed as a partnership via the Ofsted register, so this estimate is an upper bound. Based on analysis of a sample of ownership names on the register we believe that the vast majority of owners would be classed as organisations.

⁵⁶ For example, please see <http://www.knowyourcandidate.co.uk/pricing-for-employment-screening-checks.cfm> and <http://www.redsnappergroup.co.uk/vettingservices> and <http://www.advancedvetting.com/rates.php#p9>

⁵⁷ <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-328216>

⁵⁸ <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/november-2014/statistical-bulletin.html>

⁵⁹ This estimate is derived from the National Labour Cost Survey (LCS) and is based on the human health and social work activities category. The latest survey data for 2012 is published on Eurostat.

http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/database

138. Providers will also need to conduct checks when new directors are appointed. We assume a turnover rate of 11 per cent for directors in organisations that provide children’s residential care based on evidence collected by DH.⁶⁰ This estimate is consistent with figures reported by providers who responded to the impact assessment survey. One reported a turnover rate of between 6 and 12 percent. Another gave a rate of between 13 and 19 per cent. The other two private or voluntary sector providers indicated that directors are appointed very rarely. With an estimated 1,353 directors in the market, this implies 149 new directors each year. We assume that 80 percent of these would, under current arrangements, already conduct fitness checks upon appointment. This therefore gives an estimate of 30 new directors requiring pre-appointment checks each year. The costs of fitness checks are estimated to range from £200 to £500. This therefore gives a cost estimate of between £6,000 and £15,000 per year for **checks on new directors**.
139. New providers to the children’s homes market will have to provide fitness of director information to Ofsted as part of the registration. We estimate that approximately 40 new private or voluntary sector organisations enter each year.⁶¹ With an average of 3 directors per organisation, we estimate that new entrants each year have 120 directors in total. There will be two types of additional costs for new entrants. First, the implementation of fitness tests for those providers who wouldn’t have already have conducted this activity. Second, the additional administration costs associated with supplying the information to Ofsted as part of the new registration process.
140. A fitness test is estimated to cost in the range of £200 to £500 per director and 20 percent of providers are estimated to engage in this additional activity due to the regulation. This gives an expected additional cost of between £4,800 (e.g. 24 directors at a cost of £200 per director) and £12,000 (e.g. 24 directors at a cost of £500 per director) for **additional checks upon registration**.
141. Estimation of the administrative cost of supplying the fitness checks to Ofsted at registration is challenging as it is not yet clear in what form the information will have to be supplied. The providers who responded to the impact assessment questionnaire did indicate that there would be time requirements to gather and collate such information in a format suitable for sharing and estimates were in the range of 8 to 24 hours of human resources/administrative time.
142. The unit cost of an administrator is estimated as £8.58.⁶² This additional activity will apply to all 40 organisations that register each year. The cost impact is therefore in the range of £2,746 (e.g. 8 hours x 40 organisations x £8.58) to £8,237 (e.g. 24 hours x 40 organisations x £8.58) per year for **additional administrative activity upon registration**.⁶³
143. When a provider identifies an unfit director they will be expected to remove them from the role under this regulation. In line with DH, we use an indicative estimate of 0.0015 for the probability that a director of a social care organisation is unfit.⁶⁴ We estimated above that there are in the

⁶⁰ This was based on a review of estimates of the median turnover rate in the economy as a whole, the turnover rate of S&P 1500 company boards, and the turnover rate of directors in FTSE 100 companies.

⁶¹ The new children’s home data pack calculated the number of home settings that were in existence at 31 March 2014, but who did not exist at 31 March 2013. There were 130 new independent sector home settings. 36 of these settings were listed as being owned by new organisations (organisations that did not have a home at 31 March 2013). To account for other settings subject to the children’s home regulations we uplifted this estimate by 1.11 to give an estimate of 40 new owners each year.

⁶² The unit cost is derived from informal conversations with a home provider and the reported difference in their unit cost of home managers relative to administrators. They reported that their administrators earn 0.44 times the amount of their home managers. This is applied to the unit cost estimate of £19.51 per hour (2013/14 prices) for home managers.

⁶³ As a part of the application process Ofsted may decide to interview the provider and director at the applicant organisation if there are any concerns about the director’s possible fitness. It is not possible to forecast how often this might occur, though we believe it will be rare. The costs to providers would be the additional time in preparing for and attending this meeting.

⁶⁴ Figures from the Companies House register of directors disqualified under The Company Directors Disqualification Act 1986 suggest that approximately 1,000 to 1,500 directors are disqualified per year. The Institute of Directors estimate that the total number of directors in the UK is approximately 2,235,000. This implies that 0.07% of directors might be considered to be unfit. As there are likely to be additional relevant criteria beyond those considered by the Company Directors Disqualification Act for directors in health social care organisations, DH doubled their estimate to 0.15%.

region of 271 current directors of providers of children’s homes that are not currently adequately checked for fitness. Applying 0.0015 to this gives a figure of around 0.5. This implies that we might expect 1 director to be removed every two years. The costs to the provider of having to remove a director will involve the administrative processes involved in the action. The time for this is highly uncertain and will likely vary according to the reason for the fitness failure. There will also be costs involved in replacing the director. Evidence from the Chartered Institute of Personnel and Development suggests that the median cost of recruitment (advertising, agency or search fees) for senior managers or directors is in the region of £6,000. Due to the uncertainty around the assumptions required to derive an estimate of the costs of removing a director, and the small number of directors that we expected to be removed due to this regulation, we chose not to monetise this cost.

144. We summarise the costs to independent sector providers associated with the fitness checks in the table below.

Table 5: Estimated costs to private and voluntary sector providers associated with the fitness of owner regulation

Category	Appraisal year	Lower bound	Upper bound
Retrospective checks on directors for existing organisations	0	£54,200	£135,500
On-going appraisal of directors	0-9	£27,263	£27,263
Checks on new directors	0-9	£6,000	£15,000
Additional checks upon registration	0-9	£4,800	£12,000
Additional administrative activity upon registration	0-9	£2,746	£8,237
Costs of removing an unfit director	0-9	Not monetised	Not monetised

145. In monetising the costs above we make the assumption that the total number of directors remains stable each year. This is justified by the recent time series of private and voluntary sector home settings. Between March 2011 and March 2014, the number of independent sector homes has ranged from 1,487 to 1,542. This trend has not been continually upwards, with a reduction in the number of settings between March 2012 and March 2013.

146. We do not attach any cost impact to the **capacity of home managers and responsible individual’s** regulation. In terms of home managers, this regulation states that a person who manages more than one home must ensure that each home they manage meets the Quality Standards. Similarly, a responsible individual for more than one home must have the capacity, skills and experience to supervise the management of each home.

147. All of the providers who responded to the impact assessment questionnaire stated that they did not think this proposal would require their organisation to hire more or fewer managers. Eight out of nine of the providers also explicitly stated that they didn’t think that their organisation would have to hire more or fewer responsible individuals. The other provider stated that they were not sure, sighting that the regulator may implicitly impose a quota or cap on the number of sites that may be overseen by a responsible individual.

148. Following the consultation, the wording the Guide was changed to make it clear that the regulations do not impose a cap on the number of homes under the manager’s or responsible individual’s remit. The aim of the regulation is to permit different management structures in line with what is most appropriate for a given organisation, yet to still ensure that both managers and responsible individuals have the capacity to fulfil their roles if they are made responsible for more than one home.

149. We also attach no impact to the **employment of staff** regulation. This regulation requires staff to have an appropriate induction and ongoing support, supervision, and appraisal during their time employed by a home. All the providers who responded to the impact assessment questionnaire reported that they believe that their organisation already meets these requirements.

150. This requirement had been stated in the regulations only to clarify that homes no longer have to have all their staff complete the prescribed induction as set out in the current NMS. The new induction requirement is not a prescribed induction package, but rather we have allowed homes the flexibility to decide for themselves what makes an appropriate induction. Currently managers have to work through a 163 page workbook with their staff and sign off that all 7 standards have been evidenced correctly. It is likely that any induction that a home puts in place to replace the currently prescribed induction standards will take the same or less time to complete.

151. We also attach no resource implication to the **closures of homes** regulation. This largely corrects a loophole in the current regulations. It requires that, when a home closes and is not taken over by a different provider, then the registered provider must transfer each child's records to another home owned by that provider. Or, if the registered provider does not continue to be a registered provider for any other children's homes, then they must transfer the records to the child's placing authority. All the providers who responded to the impact assessment questionnaire stated that they would already conduct these actions when (or if) any of their homes closed.

Changes in inspection and enforcement activity

152. Our methodological approach to costing the impact on providers outlined above is based on the assumption of 100 per cent compliance. This assumption is recommended in the impact assessment toolkit contained within the Better Regulation Framework Manual (p. 70).⁶⁵

153. Any changes in inspection or enforcement activity conducted by Ofsted due to the introduction of this measure will only materialise if there is a change in actual compliance levels against the regulations. Full compliance would imply zero enforcement activity by Ofsted.

154. We outline in detail the route through which non-compliance would generate additional inspection and enforcement activity when discussing the expected costs to Ofsted below.

155. In summary, any additional non-compliance that does occur due to the regulatory change would be accompanied with an increase in inspection activity by Ofsted. Specifically, homes have to accommodate an additional full inspection instead of an interim inspection if they receive an inadequate rating against overall effectiveness due to non-compliance with the regulations. Inspectors spend two days on site in full inspections and one day on site for interim inspections. In addition, if a home receives an inadequate rating they also have to respond to Ofsted (in writing) detailing what they have done to comply with the requirement identified.

156. We do not believe that the regulatory change will lead to additional non-compliance as we intend to procure a contractor to support children's homes to meet the new Quality Standards.⁶⁶ This package follows feedback from Ofsted and sector representatives for the need for a support package. The support will be delivered in two phases. The first will focus on activity to provide awareness and support for the sector to address the immediate challenge of meeting the new regulations. The second will support the longer term objective of raising capacity within the sector to achieve the high aspirations for children set out within the framework.

Benefits to the private/voluntary sector providers of children's homes

157. The impact assessment questionnaire asked providers whether they believed that there would be benefits to their home(s) from having a more coherent regulatory framework and, if so, what will be the source(s) of this benefit might be. As noted above, the new framework will have the children's homes regulations accompanied by a Guide that explains the regulations. Under the current framework, they have regulations and NMS which are not directly related. The new framework will therefore provide greater clarity in the standards homes are required to meet.

158. One provider noted that staff training could be targeted and be made more consistent. Another noted that the regulatory changes in framework will streamline the documents produced by other

⁶⁵ <https://www.gov.uk/government/publications/better-regulation-framework-manual>

⁶⁶ <https://online.contractsfinder.businesslink.gov.uk:443/Common/View%20Notice.aspx?site=1000&lang=en&NoticeId=1640861>

professionals and therefore in the future could reduce the duplication of work and paperwork. Another noted that there is more of a flow to the framework which will be helpful to staff. We recognise these impacts here; however do not attach a monetary value.

159. There are two changes to the management and administrative requirements which will benefit providers.
160. The regulation relating to **electronic storage and Ofsted notification** allows homes to keep all their policies, records, and reviews in electronic form provided that they can be reproduced in a legible form and that the appropriate security is in place.⁶⁷ In addition, homes will no longer be required to send all their policies to Ofsted every time they are updated. The anticipated sources of benefit are reductions in physical storage space, time savings from being able to use IT only (rather than also physically printing), and less time required in notifications to Ofsted.
161. Three out of nine of the providers who responded to the impact assessment questionnaire agreed that there would be time savings to staff and managers. However, they indicated that the time saving would be relatively marginal (reporting 'minimal' time savings or 'a few hours a year'). They said the time saving was exclusively due to no longer having to print documents. The same providers also agreed that there would be a reduction in storage space requirements. Two of these providers noted that that this would be beneficial as it would 'improve the office' or enable the office to be 'more conducive for meetings, supervisions, etc.' We do not attach a monetary value to this impact.
162. The regulations relating to **professional judgement around notification and quality of care reviews** are expected to benefit providers. The changes enable providers to better exercise their professional judgement around who to notify when specific serious events occur in the home. They also allow providers to choose which aspects of home quality they wish to review and report on. Moreover, they allow this reviewing and reporting activity to happen every **six** months, as opposed to the current situation where it is required to happen every **three** months.
163. However, most providers who responded to the impact assessment questionnaire reported no time savings in relation to these changes. This indicates that these providers are not intending to change their current practices. For **notification**, one provider reported a time saving of two to three hours per year per home. Another reported a 'minimal time' saving and another reported a 'couple of hours' saved per year per home. The rest stated no expected time saving. For **reviews**, six providers reported no time savings, two reported minimal time savings, and one reported more substantial time savings. Namely, they reported a time saving of 80 hours per home per year.⁶⁸
164. We assume that between 5 and 10 per cent of the homes in the market will achieve a time saving of 80 hours due to the new review requirements. This is based on the number of homes owned by this provider as a proportion of all the homes owned by the providers who responded to the impact assessment questionnaire. This equates to between 77 and 154 private or voluntary sector homes (e.g. 5 or 10 per cent of 1,542 homes). With review activities being carried out by a home manager at a unit cost of £19.51 per hour (2014 prices), this gives an on-going benefit of between £120,182 and £240,363 per year. The mid-point of this is £180,272.

⁶⁷ There are a large number of relevant items here, including: the home's statement of purpose; the children's guide; placement plans for children who are not looked after; the policy to safeguard children; the policy for preventing bullying; the missing child policy; the behaviour management policy; records of the use of measures of control, discipline or restraint; children's case records; other records pertaining to, for example, children, staff, accidents, fire drills, and visitors; the procedure for considering complaints; records of complaints; the annual review of the appropriateness and suitability of the location of the home's premises; the independent person's report; reviews of the quality of care by the registered person.

⁶⁸ To another question they reported that each home currently spends around 4 weeks (e.g. 160 hours) on review activity. Therefore, their reported time savings of 80 hours is consistent with the move to reviews happening every six months instead of three.

Costs and benefits to Local Authorities

165. There are 152 Local Authorities in England and 122 of them own at least one home.⁶⁹ In total, there are 515 Local Authority owned children's homes.⁷⁰ We expect the cost and benefit implications for these homes to mirror that for private/voluntary sector homes.

166. We lay out the derivation of the size of the Local Authority workforce in section N of this assessment, where we estimate that there are 7,349 staff and 515 home managers in Local Authority run homes.⁷¹ As reported above, we derive a unit cost of £12.17 per hour (2014 prices) for staff and £19.51 per hour (2014 prices) for managers.

167. We derive the costs and benefits to Local Authorities analogously to method used for private/voluntary sector providers. Therefore, we choose not to repeat the discussion and the derivations of the assumptions used. Instead, we depict below the key calculations for the **monetised** costs and benefits.

Cost of additional staff training

168. Table 4 below lays out the assumptions and calculations for the training impact.

⁶⁹ There are a very small number of children's homes in England that are technically classed as being under Health Authority ownership (8 homes). These are owned by NHS Foundation Trusts and there are four distinct owners located in Greenwich, Cornwall, Cumbria, and Northamptonshire. These are classed as Local Authority homes and ownership for the purpose of this appraisal.

⁷⁰ These figures refer to the 31st March 2014.

<http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

⁷¹ We assume one manger per children home based on evidence from the impact assessment questionnaire.

Table 4: Assumptions and calculations for lower and upper bound estimates of the training impact for Local Authority providers

Category	Lower bound assumptions	Lower bound estimates	Upper bound	Upper bound estimates
Preparation activity for training delivered in-house.	16 hours of time per provider for 122 providers. Conducted by a registered manager, at a unit cost 19.51 per hour.	£38,084	24 hours of time per home for 515 homes. Conducted by a senior manager, at a unit cost £26.13 per hour. ¹	£322,967
Familiarisation training	8 hours per staff member for 7,349 staff at a unit cost of £12.17 per hour.	£715,499	8 hours per staff member for 7,349 staff at a unit cost of £12.17 per hour.	£715,499
	16 hours per home manager for 515 home managers at a unit cost of £19.51 per hour.	£160,762	16 hours per home manager for 515 home managers at a unit cost of £19.51 per hour.	£160,762
Skill-based training	7 hours per staff member for 3,748 staff at a unit cost of £12.17 per hour. ²	£319,292	7 hours per staff member for 3,748 staff at a unit cost of £12.17 per hour. ²	£319,292
	7 hours per home manager for 263 home managers at a unit cost of £19.51 per hour. ³	£35,918	7 hours per home manager for 263 home managers at a unit cost of £19.51 per hour. ³	£35,918
	£900 per home on externally provided training for 263 homes.	£236,700	£2,000 per home on externally provided training for 263 homes	£526,000
TOTALS		£1,506,255		£2,080,438

Notes: ¹ a senior manager of one of the providers who responded to the impact assessment survey submitted the unit cost of his labour and the mean unit cost of the managers in homes owned by his organisation. They also stated that they would be responsible for large elements of the preparation activity.

² We estimate that 51 per cent of homes in the sector require additional skill-based training and additional spend on training provided by external providers. Applying 51 percent to 7,349 staff gives approximately 3,748 staff affected.

³ Applying 51 percent to 515 home managers gives approximately 263 managers affected.

169. We estimate a training cost to local authority providers in the range of £1,506,255 to £2,080,438 (2014 prices). This is a one-off cost with a mid-point of £1,793,347.

Additional financial expenditure on the infrastructure of the home

170. We estimate that 12 percent of the 515 current Local Authority owned homes may require expenditure on doors or adaptable work surfaces or cupboards to enable disabled children better mobility in the home and easier use of kitchen or storage facilities. These 62 homes may occur spend in the range of £1,300 to £2,500. Aggregate spend is therefore in the range of £80,600 to £155,000. The mid-point of this is £117,800.

171. As above, we also account for potential required additional expenditure for Local Authority home settings in the future. Our best estimate is that 15 new local authority owned settings open each year.⁷² We assume that 12 per cent of these new settings each year (2 homes) may require additional spend on specialist doors and adjustments to worktops and cupboards. This gives total on-going expenditure in the range of £2,600 to 5,000 per year. The mid-point of which is £3,800.

Costs associated with reviewing and re-writing home policies

172. We assume that it will take in region of 5 to 7 days per home in order to re-write their policies and procedures. Accounting for potential variation in who will conduct the activity, we apply a unit cost in the range of £19.51 to £26.13 per hour to value the time of a home manager or a senior quality and compliance manager respectively. This gives a total one-off cost of between £401,906 and £753,589 across 515 Local Authority owned homes. The mid-point of this is £577,748.

Costs associated with the new management and administrative process regulations

173. We attached a monetary value to the time it will take the private and voluntary sector providers of children's homes to gather, collate, and apply the required basic fitness check information on their directors. We do not believe, however, that Local Authorities will face a cost impact for this regulation.

174. In the case of Local Authorities, the fitness checks would apply to their Director of Children's Services (DCS). All of the Local Authorities who responded to the questionnaire noted that they already have this information available for their DCS and, unlike the private and voluntary sector providers, did not highlight that time would be required to gather and collate this evidence.

Benefits of more flexible review requirements

175. We expect the regulation change relating to review and reporting requirements aspects of a home's quality of care to benefit Local Authorities, both in terms of the flexibility in what they can choose to review and from the move from a three month to six month requirement to conduct the activity.

176. As above, we assume that between 5 and 10 percent of homes will achieve savings of 80 hours of managerial time per year (with unit cost of £19.51 per hour). This equates to between 26 and 52 homes and an aggregate benefit of in the range of £40,581 to £81,162 to the sector. The midpoint of this is £60,871.

Costs to Ofsted

177. Ofsted are the regulatory authority for children's social care services. They produce inspection and compliance frameworks that are tied to the regulatory framework set by the Department for Education.⁷³ In addition, they inspect providers, and, where necessary, take action to enforce compliance with the relevant regulations.

178. Prior to consultation, we identified the time required by Ofsted to update their social care compliance handbook, framework for inspection, and evaluation schedule and grade descriptors for inspections as a potential cost due to the regulatory changes. However, Ofsted noted that they originally intended to update their framework for inspection, evaluation schedule and grade descriptors for inspections in April 2014. They delayed this decision due to the forthcoming

⁷² There were 11 new local authority homes that existed at 31 March 2014 and did not exist at 31 March 2013 in an analysis that excluded secure children's homes, children's homes that provide respite care only, and Residential Special Schools registered as children's homes. At 31 March 2014 there were a total of 515 Local Authority owned children's homes and 370 of these were included in that analysis. Applying 1.39 to 11 gives approximately 15 homes.

⁷³<http://www.ofsted.gov.uk/resources/inspections-of-childrens-homes-evaluation-schedule-and-grade-descriptors-april-2014>;
<http://www.ofsted.gov.uk/resources/inspection-of-childrens-homes-framework-for-inspection-april-2014>;
<http://www.ofsted.gov.uk/resources/social-care-compliance-handbook>

changes proposed here and now intend to produce an update in April 2015 in order to align inspection and regulation effectively. Given this, there are no additional costs associated with this activity.

179. There would be an increase in Ofsted **inspection** activity **if** there was an increase in inadequate ratings in overall effectiveness in full inspections following the introduction of the new regulatory framework. If a children's home is rated as inadequate then Ofsted inspectors return to complete a further full inspection of the home rather than an interim inspection.⁷⁴ Full inspections are more resource intensive to Ofsted (four days full tariff with two days on site as opposed to two days full tariff with one day on site). If Ofsted continue to find inadequacy in a home following the further full inspection then they may continue with additional monitoring visits. This would be associated with additional resource.
180. **Enforcement** activity by Ofsted takes place if there is a significant incident or concern relating to child welfare at a home or where a home continues to fail to comply with a requirement set out by inspectors following an inadequate rating. Additional enforcement action would therefore only occur **if** there is an increase in inadequate ratings in inspections **and if** providers do not comply with requirements attached to these inspections.
181. As noted above, we do not believe that the changes will lead to addition non-compliance. This is due both to the support funded by the Department to facilitate the sectors preparation for the new framework and also due to the additional training and other activity that will be conducted by providers themselves and which has been monetised in this assessment.
182. If there were an increase in inspection activity the impact would be transitional. A primary purpose of the Ofsted inspection regime is to advise providers how to improve their service. For example, following an inadequate rating, Ofsted inspectors detail the requirements in the regulations that the home have not met. Inspectors may also make additional recommendations to help the home improve the quality of their care further. Given this, it is likely that any initial increase in inspection activity will serve the purpose of improving standards. This would reduce the level of resources required for inspection activity further into the future.
183. There will be a cost to Ofsted of social care inspectors, their managers, and others (such as compliance officers and administrators) undertaking familiarisation training relating to the new regulatory framework and their new inspection framework. Ofsted expect a one-off training cost impact of around £350,000 applying to time requirements for approximately 200 staff. This is likely to be an upper bound estimate as Ofsted report that some training would occur regardless of the regulatory change. The lower bound estimate of the training impact due specifically to the regulatory changes is £120,000.
184. There will also be costs to Ofsted associated with the **fitness of owners regulation**. Now when new providers apply to register with Ofsted, they must provide them with information about their directors. This will increase the amount of information that Ofsted have to review for registration applications. In addition, when Ofsted have concerns about the fitness of a director they may choose to interview the director which would incur additional resources.
185. Ofsted inspect providers for compliance against all registration requirements. However, it is not expected that they will carry out further on-going checks on the fitness of Directors regulation as a matter of course. Rather, they may only undertake such checks if there were concerns about governance and its effect on the quality of care. This therefore may lead to additional actions by Ofsted such as investigation activity and the issuing of compliance notices. We do not apply a monetary cost to this due to uncertainty around the frequency around these potential activities.

⁷⁴ <http://www.ofsted.gov.uk/resources/inspection-of-childrens-homes-framework-for-inspection-april-2014>

Benefits to the children and young people accommodated in children's homes

186. The most substantial and important impact of these changes are to the welfare of children and young people accommodated in children's homes. These children are some of the most vulnerable in our society with much poorer outcomes than their peers.
187. 9.7 per cent of children who were continuously looked after for 12 months and whose placement at 31 March 2013 was in a children's home achieved 5+ A* - C GCSEs and equivalents at key stage 4 in 2013. This compares to approximately 80 per cent for non-looked after children and 42.7 per cent for all other children who were looked after for at least 12 months at 31 March 2013.
188. Children in children's home are also more likely to have emotional and behavioural difficulties. In 2003, the average score on the Strengths and Difficulties Questionnaire (SDQ) for children who were continuously looked after for 12 months and whose placement at 31 March 2013 was in a children's home was 18.1. This compares to a score of 13.6 for all other children who were looked after continuously for 12 months as at 31 March 2013.⁷⁵
189. Looking at statistics relating to criminal activity and substance misuse problems tells a similar story, with children residing in homes more likely to have poorer outcomes than other looked after children.
190. A recent report by Roger Morgan, the Children's Rights Director for England, also reveals concerning outcomes based on the opinions of 276 children living in homes.⁷⁶ For example, 25 per cent of them report not 'being well or very well protected from abuse.' Forty two percent reported they were bullied and twenty percent reported they were victims of discrimination.
191. These reforms will require homes to provide higher quality care that is more focused on children's outcomes. Homes will be required to offer care that is tailored to each child's individual needs. They will be required to focus more on supporting children to fulfil their potential and achieve positive outcomes. Outcomes include children's health and well-being, educational achievement and ability to develop positive relationships and behaviours.
192. Some children in excellent homes already benefit from such provision. These changes will ensure that all homes are required to provide high quality care and so more children will benefit.

G. Evidence that justify the level of analysis used in the IA

193. Prior to consultation, we engaged in a day long focus group with sector experts to identify and attempt to quantify and monetise the resource implications of the changes. The output of this session enabled the identification of the draft requirements with resource implication, but did not enable full robust monetisation. To gather information to enable monetisation we built a bespoke impact assessment questionnaire developed in consultation with representatives from Local Authorities, independent sector providers, and Ofsted.
194. The questionnaire highlighted the draft requirements identified by the focus group as carrying a potential cost impact and also was submitted to providers alongside the Guide. This questionnaire was submitted to a large number of providers and internal resource was allocated to review all the potential responses. We submitted to 29 independent sector providers and 25 local authority providers in total. We received from responses from 9 providers in total, which was lower than we anticipated. Nevertheless, the level of response received was in line with that received in previous appraisals and, moreover, we enhanced our understanding further with a follow up questions, informal liaison with other providers, and turning to responses received from questions posed in the consultation document itself.

⁷⁵ A higher score on the SDQ indicates more emotional difficulties. A score of 0-13 is considered normal, a score of 14-16 is considered borderline cause for concern and a score of 17 and over is considered a cause for concern.

⁷⁶ <http://www.ofsted.gov.uk/resources/childrens-care-monitor-201314>

195. In addition to this, monetisation has been aided with assumptions derived from commissioned research and by primary research undertaken by the Department.

H. Risks and Assumptions

196. In monetising future costs and benefits we have assumed that the number of children's homes in the future remain at current levels. This assumption has been informed by evidence of provision levels over the past four years. There were a total of 2,092, 2,090, 2,050, and 2,057 homes at March 2011, March 2012, March 2013, and March 2014, respectively. The number of private and voluntary sector owned homes has also been stable over this period. Namely, there were 1,487, 1,523, 1514, and 1,542 private and voluntary sector homes over those dates. Changes in the number of homes in the market via attrition and new entry will lead to different realised impact values.

197. In monetising costs to private and voluntary sector children's homes, we have assumed that they fully bear the resource implications of the regulation changes. It is likely, however, that a proportion of these costs will be passed back to local authorities through an increase in the fees charged by these homes. We interpret this latter effect as an indirect impact.

198. We assume that familiarisation costs for new providers into the market are the same under the intervention and do nothing option.

I. Summary of costs and benefits and estimate of the direct costs and benefits to business (following OITO methodology)

199. The costs and benefits to the private and voluntary sector providers of children's homes, Local Authority providers, and Ofsted are summarised in tables 5, 6, and 7 below

Table 5: Summary of costs and benefits to business, Local Authorities, and Ofsted (2014 prices)

impact	Private/Voluntary sector providers		Local Authority providers		Ofsted	
	Upper bound	Lower Bound	Upper bound	Lower Bound	Upper bound	Lower Bound
Costs						
Staff training (year 0)	£5,320,383	£3,635,791	£2,080,438	£1,506,255	£350,000	£120,000
Expenditure on the home (year 0)	£462,500	£240,500	£155,000	£80,600	-	-
Expenditure on the home (year 0 to 9)	£42,500	£22,100	£5,000	£2,600	-	-
Review and re-writing of home policies (year 0)	£2,256,378	£1,203,377	£753,598	£401,906	-	-
Fitness of owners (year 0)	£135,000	£54,200	-	-	-	-
Fitness of owners (year 0 to year 9)	£62,499	£40,808	-	-	-	-
Benefits						
Home reviews (year 0 to 9)	£240,363	£120,182	£81,162	£40,581	-	-

Table 6: Costs and Benefits to Business, Local Authorities, and Ofsted, by appraisal year (2014 prices)

Appraisal Year	Costs			Benefits		
	Lower Bound	Upper Bound	Mid-Point	Lower Bound	Upper Bound	Mid-Point
0	£7,308,137	£11,623,296	£9,465,717	£160,763	£321,525	£241,144
1	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
2	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
3	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
4	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
5	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
6	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
7	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
8	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144
9	£65,508	£109,999	£87,754	£160,763	£321,525	£241,144

Table 7: Costs and Benefits to Business, by appraisal year (2014 prices)

Appraisal Year	Costs			Benefits		
	Lower Bound	Upper Bound	Mid-Point	Lower Bound	Upper Bound	Mid-Point
0	£5,196,776	£8,279,260	£6,738,018	£120,182	£240,363	£180,273
1	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
2	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
3	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
4	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
5	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
6	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
7	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
8	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273
9	£62,908	£104,999	£83,954	£120,182	£240,363	£180,273

200. This measure is in scope of OITO and is classified as an IN under the methodology. There will be direct benefits to business via more flexibility around process based regulations in the Children's Homes Regulations 2001 (as amended). However, the direct costs to business in order to comply with the quality standards will be higher.

201. Over a ten year appraisal period, the business net present value is -£5.82m and the net cost to business per year (EANCB on 2009 prices) is £0.53m.

J. Small and Micro Business Assessment (SMBA)

202. A register of the employment level of each children's home provider does not exist. We know that the larger providers of children's homes are typically diversified, providing at least one of a range of other related services to children's homes such as special education or adult social care services.⁷⁷

203. We have, however, been able to estimate the number of small and micro businesses affected via evidence from the forthcoming Census of children's homes and from analysis of provider level data from Ofsted.⁷⁸ This Census estimates the average number of staff and managers working with children and young people in a home, by home size. These figures are reported in section N.

204. We estimate that there are 471 distinct private and voluntary sector owners of homes. 59 of these providers are estimated to employ less than 10 staff and managers working with children and young people. 404 are estimated to employ less than 50 staff and managers working with children and young people. These are our upper bound estimates for the number of micro-

⁷⁷ LaingBuisson (2013) Children's Social Care and Special Education Services: UK Market Report

⁷⁸ TNS BMRB (forthcoming). A Census of the Children's homes workforce.

businesses (employing up to 10 employees) and small businesses (employing up to 49 FTE employees) respectively.

205. Small and micro businesses cannot be exempt from the measure proposed here.
206. First, a large part of the intended benefit of the measure cannot be achieved without including them. Small businesses are estimated to own 44 per cent of all the private and voluntary sector homes in the market
207. Second, this measure looks to revise the children's homes regulatory framework as a whole. Full exemption would imply the existence and operation of two different regulatory frameworks for two different sections of the private and voluntary sector. This is not feasible in practice. It would also arguably be non-equitable and immoral to have a system where only a proportion of providers are required to focus on improving the outcomes of the children they care for.
208. Liaison with the independent sector over the course of the completion of this appraisal has indicated that larger providers will have an advantage at the outset of implementation of this measure. For example, one large provider noted that a compliance manager would be able to break down the relevant changes due to the measure and how they impact on practice, thereby reducing the time and cost for the home managers in understanding the changes and knowing what they must do in order to comply. Smaller providers will not have this infrastructure and therefore cost saving benefit.
209. As noted above, the Department intends to procure a contractor to support children's homes to meet the new Quality Standards.⁷⁹ This is the main route through which we intend to mitigate the burdens on small and micro business.
210. The tender highlights that some providers may require external support to meet the requirements within the timescales. The short term phase of the support will look to provide awareness raising activity and training. This will likely include a package of activity such as: on-line information, face-to-face training, information dissemination activities, the development of networks between homes, facilitating visits for homes to learn from each other, and supplying information on techniques for demonstrating evidence of the impact of residential care.
211. This support package will be targeted at providers who will benefit the most and will substantially aid small and micro business in both meeting the immediate compliance requirements as well as learning to improve their long term capacity in achieving positive outcomes for the children they look after.

K. Description of implementation plan

212. We intend to bring the regulations into force for April 2015 to fit with Ofsted's inspection cycle.

⁷⁹<https://online.contractsfinder.businesslink.gov.uk:443/Common/View%20Notice.aspx?site=1000&lang=en&NoticeId=1640861>



Department
for Education

Impact Assessment Questionnaire for Children's Homes Regulatory Reform

The Department for Education is consulting on proposed changes to the Children's Homes Regulatory Framework from 19 September to 14 November 2014.

The consultation proposes a revised set of regulations made up of Quality Standards regulations and essential administrative and management regulations. It also proposes a new Guide to the revised regulations. This Guide would replace the current National Minimum Standards for children's homes. This questionnaire compliments the consultation document.

For further information on the consultation please see

<https://www.gov.uk/government/consultations/childrens-homes-regulations-high-expectations-and-aspirations>

As a provider of children's homes, we are seeking your views on the potential cost implications to fully comply with the new proposed regulatory framework.

This evidence will be vital in helping to inform our final proposals. It will also feed into our impact assessment appraisal, thereby providing greater transparency to stakeholders around the resource implications associated with the proposed changes.

Your individual response will not be identified in the impact assessment. Rather, the assessment will summarise all the evidence gathered in an anonymised way.

General Guidance

The questions that follow may be best answered by different people in your organisation. For example, your home manager(s) may be best placed to advise on staff training costs whereas someone in central office (where your organisation has one) may be better placed to advise on the impact of fitness and capacity requirements for responsible individuals and managers.

We encourage you to share this questionnaire with those best placed to answer each question. A number of the questions that follow ask about the **average** cost implication **per home** that your organisation owns.

The reason for this is to make your estimate of any cost impact easier. For example, if your organisation owns a large number of homes it may be more difficult to estimate the total cost implication across all of these homes.

If you believe that a cost impact will **vary** substantially across your homes please explain in your response the reasons for this variation.

Part 1. The Details of You and Your Home(s)

1. Please can you provide the name, job title and contact details of the person primarily responsible for completing this questionnaire?

Click here to enter text.

2. Please can you briefly tell us about the number of homes that you / your organisation own(s), whether any are registered as secure homes or residential special schools, whether any offer short-breaks provision only, and the approximate total number of staff and managers in these homes (Max 200 words)?

Click here to enter text.

Part 2. The Quality Standards Regulations

The Quality Standards and their underlying requirements can be found on pages 6 to 13 in the attached draft of The Children's Homes (England) Regulations 2015.

Also see pages 8 to 50 of the Guide which can be downloaded here:

<https://www.gov.uk/government/consultations/childrens-homes-regulations-high-expectations-and-aspirations>

We have highlighted a number of requirements in **red** in the attached draft Regulations to assist you. These highlighted requirements have already been identified by Department officials and/or sector representatives as carrying a potential resource impact. That is, some individuals have suggested that these particular requirements may require some homes to engage in additional activity from what they engage in now to comply with the new regulatory framework.

You may, of course, disagree that these highlighted requirements imply additional resources. You may also identify other requirements which you believe are new and which have resource implications.

We have also identified three 'types' of cost impact which homes may face. These are:

- Additional staff or managerial **training** to raise capability.
- Additional staff or managerial **time** either engaging in activities to support children or in seeking out services on behalf of the children.
- Additional **financial expenditure** on services or activities for children or on the infrastructure of the home.

3. Do you think that staff or managers in your home(s) will have to engage in additional **training** to fully comply with the requirements set out under the Quality Standards?

Choose an item.

If you answer no, skip to 7

4. Can you briefly describe the type of additional training that will have to be conducted, why it will have to be conducted, and whether it will have to be conducted by staff and/or managers? (Max 200 words)

[Click here to enter text.](#)

Please note, your answer should refer to additional training that you think will be necessary to fully comply with the new proposed regulatory framework. That is, any training that would be on top of current levels. Please do not capture training as a result of natural staff-turnover or training that would displace other regular training that is already in place. Reference to the specific regulation(s) generating the additional training would be beneficial to us. Indications as to whether the additional training would be delivered in-house or externally would also be beneficial.

5. Can you please provide approximate figures (£) for the average current annual training budget per home that you own and/or indicative figures for the average current amount of staff and managerial time spent on external or internal training per year (hrs/days) per home on average?

[Click here to enter text.](#)

6. We would be grateful for information that you think will help us to quantify the training impact at your homes.
- If the additional training is delivered by an external party, what might be the increase in spend (£) on training per home on average each year? [Click here to enter text.](#)
 - Approximately how many hours of staff and/or manager time per year per home will be required to engage in any additional in-house or external training? [Click here to enter text.](#)
 - If your organisation owns more than one home, will the training impact vary substantially across the homes that you own? If so, which homes will have the largest and smallest training impact and why? [Click here to enter text.](#)
 - Will the additional training be mostly one-off or will there be an increase in training levels each year in the future?

[Click here to enter text.](#)

7. Do you think that staff and/or managers in your home(s) will have to spend additional **time** supporting children in activities or in seeking out services on behalf of the children to fully comply with the requirements?

Choose an item.

[If you answer no, skip to 10](#)

8. Can you briefly describe the type of additional activities or actions that will have to be conducted, why they will have to be conducted, and whether they will have to be conducted by staff and/or managers? (Max 200 words)

[Click here to enter text.](#)

[Reference to the specific regulation\(s\) generating the additional activities or actions would be beneficial to us.](#)

9. Can you please help us to quantify the size of the employee resource impact?
- Approximately how many hours of staff and/or manager time per year per home, on average, will be required to engage in the additional actions or activities identified above? [Click here to enter text.](#)

- If your organisation owns more than one home, will the employee resource impact vary substantially across the homes that you own? If so, which homes will have the largest and smallest impact and why? [Click here to enter text.](#)
- Will the additional staff and/or manager time be mostly one-off or will there be additional time required each year in the future? [Click here to enter text.](#)

10. Do you think that your home(s) will have to **spend more money** on services or activities for the children or on the infrastructure of the home in order to fully comply with the requirements?

Choose an item.

[If you answer no, skip to 13](#)

11. What additional things will your home(s) spend money on and why? (Max 200 words)

[Click here to enter text.](#)

[Reference to the specific regulation\(s\) generating the additional spending would be beneficial to us.](#)

12. Can you please help put a figure on the approximate level of additional spend?

- What is the total additional amount (£) that you expect to spend each year on average per home? [Click here to enter text.](#)
- If your organisation owns more than one home, will the financial expenditure impact vary substantially across the homes that you own? If so, which homes will have the largest and smallest impact and why? [Click here to enter text.](#)
- Is the expected additional spending mostly one-off or on-going each year? [Click here to enter text.](#)

13. If you have answered NO to questions 3, 7 or 10, please can you describe why you anticipate no impact on your home(s) resulting from the proposed changes in regulations? (Max 200 words)

[Click here to enter text.](#)

Part 3. The Administrative and Management Regulations

There are **seven proposed changes** relating to administration and management processes.

We summarise them here for you and then ask questions which will help us better understand the potential costs and savings associated with each.

Proposal 1. When a registered provider is an organisation (rather than an individual), the organisation's directors must all meet basic fitness requirements. The requirements are that the directors are of integrity and good character and that full information is available on each in relation to Schedule 2 of the Regulations (see p.35 of the attached regulations). The proposal applies to directors or those equivalent to directors within the organisation, and so this would apply to trustees for homes that are charitably run.

14. How many directors/trustees are in your organisation?

[Click here to enter text.](#)

15. How often are new directors/trustees appointed (e.g. approximate number per year)?

[Click here to enter text.](#)

16. Does your organisation already have this information available for each of its directors/trustees?

[Choose an item.](#)

17. If no, how many hours of human resources time and director/trustee time do you think would be required to gather this information?

[Click here to enter text.](#)

Proposal 2. Responsible Individuals (RIs) must have the capacity, skills, and experience to supervise the management of all of the homes that they are appointed for. While there is no specific limit to the number of homes that a person can be appointed as RI for, they must be able to demonstrate that they can effectively supervise the management of each home individually, as well as all of the homes overall.

18. How many homes do individual Responsible Individuals (RIs) in your organisation currently cover?

[Click here to enter text.](#)

19. Do you think this proposal might require your organisation to have more or fewer RIs?

[Choose an item.](#)

[If you answer no, skip to 22](#)

20. Approximately how many more or fewer RIs and why?

[Click here to enter text.](#)

21. It would be helpful if you can provide information about the cost impact on your organisation of having more or fewer RIs. (Max 200 words)

[Click here to enter text.](#)

Proposal 3. The manager of one or more homes must have the capacity to be in day to day charge of each of the homes. If an individual is manager for more than one home, the registered person must ensure that the individual has the skills and experience to manage all of the homes effectively.

22. Do managers in your organisation typically manage one home or more than one?

Choose an item.

23. If more than one home, how many?

Choose an item.

24. Do you think this proposal might require your organisation to hire more or fewer managers?

Choose an item.

[If you answer no, skip to 27](#)

25. Approximately how many?

[Click here to enter text.](#)

26. It would be helpful if you can provide information about the cost impact on your organisation of any changes you would make to the number of managers or the management structure within your homes (Max 200 words).

[Click here to enter text.](#)

Proposal 4. New staff must have an appropriate induction when commencing their role in a children's home, staff must receive appropriate continuous professional development, have regular reviews to ensure they remain fit to perform their role, and be supervised by a person with appropriate and sufficient expertise.

27. Do you think that your homes currently meet all these requirements?

Choose an item.

[If you answer yes, skip to 30](#)

28. Which particular requirements are not always met and why? (Max 200 words)

[Click here to enter text.](#)

29. Can you please help us quantify the cost impact to your home(s).

- Approximately how many additional hours of staff and/or manager time per year per home, on average, will be required to fulfil the requirements? [Click here to enter text.](#)
- If your organisation owns more than one home, will the impact vary substantially across the homes that you own? If so, which homes will have the largest and smallest impact and why? [Click here to enter text.](#)
- Will the additional resource impact mostly be one-off or will there be an increase in required resources each year in the future? [Click here to enter text.](#)

Proposal 5. Homes will now be able to keep all their policies, records, and reviews electronically provided that they can be reproduced in a legible form and that the appropriate security is in place. Relevant items here are listed within regulation 40 on p.26 of the regulations. In addition, homes will no longer be required to send all their policies to Ofsted every time they are updated.

30. Do you think these changes will lead to time savings to staff and/or managers?

Choose an item.

[If you answer no, skip to 33](#)

31. How many hours of staff and/or manager time might be saved each year per home on average?

[Click here to enter text.](#)

32. Do you think it will lead to a reduction in physical storage space in your home(s) and, if so, why would this reduction be beneficial to you and/or your homes? (Max 200 words)

[Click here to enter text.](#)

Proposal 6a. There are currently prescriptive requirements around notifications of serious events and reviews of care quality. For **notifications**, there is a currently a list of contacts that must be notified against the occurrence of specified events. We propose to change this to allow the registered person to exercise their professional judgment around in what circumstances and who to notify when an event occurs*.

* The exception to this is the events and contacts listed under regulation 42 (1) and (2).

33. Do you think that this proposal will save staff or manager time?

Choose an item.

34. If yes, can you please help us quantify the time saving to your home(s)?

- How many hours of staff and/or manager time is spent currently in notification activity each year per home on average? [Click here to enter text.](#)
- How many hours of staff and/or manager time might be saved each year per home on average? [Click here to enter text.](#)

Proposal 6b. For **reviews** of care quality, there is currently an extensive list of what managers must review at least once every three months. We propose to only require these reviews every six months and to remove this list so that the registered person can decide what each review should focus on, based on the specific circumstances of the home at that particular time.

35. Do you think that this proposal will save staff or manager time?

Choose an item.

36. If yes, can you please help us quantify the time saving to your home(s)?

- How many hours of staff and/or manager time is spent currently conducting these reviews each year per home on average? [Click here to enter text.](#)
- How many hours of staff and/or manager time might be saved each year per home on average? [Click here to enter text.](#)

Proposal 7. When a home closes and is not taken over by a different provider, the registered provider must transfer each child's records to another home owned by that provider. Or, if the registered provider does not continue to be a registered provider for any other children's homes, then they must transfer the records to the child's placing authority.

37. Would you already conduct these actions when (or if) any of your homes closes?

Choose an item.

38. If no, can you please help us quantify the resource impact?

- How many hours or minutes of staff or manager time might it take to transfer a child's records in the event of a home closure? [Click here to enter text.](#)
- Will this require an increase in required electronic or physical storage space for you as a registered provider? If yes, how much would this be? [Click here to enter text.](#)

Part 4. Suggestions for Further Streamlining

Question 18h in the consultation document asks respondents if they have any further ideas for streamlining the regulations and removing unnecessary burdens.

If you have any suggestions here we would welcome your views on the cost savings associated with your proposal(s) (Max 400 words).

[Click here to enter text.](#)

Similarly, having reviewed the revised regulations and Guide, is there anything else that you might do less of as an owner of homes as a result of these changes which would result in any savings? (Max 200 words).

[Click here to enter text.](#)

Do you think that there will be benefits to your homes from having a more coherent regulatory framework? If yes, what will be the source(s) of this benefit? (Max 200 words).

[Click here to enter text.](#)

Thank you for your participation in this survey.

M. Summary of responses to training questions in impact assessment questionnaire for children’s homes regulatory reform

Sector and Size	Staff and Manager time	Spending on External Providers	Comments
<p>Provider A. Private/Voluntary Sector. Owns 15+ homes</p>	<p>Preparation time for communicating changes by senior manager not quantified.</p> <p>2 days of time for each home manager and deputy in familiarisation and understanding activities.</p> <p>1 day of time for each team leader and support worker in familiarisation and understanding activities.</p>	<p>None.</p>	<p>A senior manager will break down the relevant changes from the new Framework and will summarise this in a policy briefing. They will also construct an action plan to ensure compliance with the regulations across all the homes.</p> <p>Home managers and deputies will require time to read policy briefings and attend meetings to discuss impact on practice and service delivery.</p> <p>Team leaders and support workers will require time to read policy briefings and attend meetings and workshops on impact on practice.</p>
<p>Provider B. Private/Voluntary Sector. Owns between 5 and 10 homes.</p>	<p>8 hours per staff or management member for training.</p> <p>Training prepared and delivered in-house by a director, an existing manager, or a regional manager.</p> <p>It will take a total of 2 to 3 days of preparation time prior to deliver across all the provider’s homes.</p>	<p>None.</p>	<p>Note that “Although the content of the Quality Standards is what I would expect currently in terms of good residential practice, it is important that staff and managers understand how they’re going to fit with the new inspection framework and what they will need to do to ensure compliance.”</p> <p>Impact will not vary substantially across homes that they own</p> <p>The additional training will be one-off.</p>
<p>Provider C. Private/Voluntary Sector. Owns 15 + homes.</p>	<p>Not quantified</p>	<p>Not quantified</p>	<p>Training to ensure staff understand and can meet expectations regarding deprivation and liberty alongside their existing understanding of restraint. This will need to be delivered externally</p> <p>Training for Directors, Responsible individuals, Registered managers and staff to ensure they understand and can comply with new regulatory framework. This</p>

			<p>may be able to be delivered by internal staff and external consultants.</p> <p>Training does not vary substantially between our homes.</p> <p>Additional training is most likely to be one-off.</p>
<p>Provider D. Private/Voluntary Sector. Owns 15 + homes</p>	<p>7 to 14 hours per staff or management member for training.</p> <p>The in-house training will be cascaded by home managers and will take 7 hours per home.</p> <p>It will take a total of 16 hours development time by a home manager.</p> <p>Notes that this does not factor in time provided by senior managers in support of the project or the time Registered Managers spend in formal supervision with individual staff members addressing professional development issues linked to the training</p>	<p>Estimates a one-off increase of £900 to £1,350 per home in external training spend.</p>	<p>Notes that "All staff will have to be familiar with the new regulations. We would train them via online packages, in-house training, and management cascade to ensure company-wide compliance with the new regulations."</p> <p>Notes that they envisage an 'initial' increase [in training] as we transition from one set of regulations to another. Once this familiarisation has been completed and the new regulations are embedded in practice then training levels should return to established levels.</p>
<p>Provider E. Local Authority provider. Owns 1 home.</p>	<p>Not quantified.</p>	<p>Stated as a total cost of £7,500 per home of funding staff diplomas. Also states that staff will require 150 hours of study time for the diplomas.</p>	<p>Notes that home manager and two deputies will require Level 5 Diplomas in Leadership for Health and Social care and children and young people's services in the children and young people's residential management pathway.</p> <p>One off cost.</p>
<p>Provider F. Local Authority Provider Owns between 5 and 10 homes.</p>	<p>Majority of training will be provided by in-house staff and providers (not quantified).</p> <p>Additional training to that provided within staff meetings and bi-annual reviews (e.g. external training only) is likely to amount to a further 80 hours annually with other agencies providing approximately 10 hours. Therefore a total of 90 hours.</p> <p>Preparation for the in-</p>	<p>In terms of resilience training, training in relation to a child's journey, transitions into adulthood, outcomes for young people, it would be beneficial that this be provided by an external provider which could incur total costs of</p>	<p>The first training requirements will be for all staff within the homes and for regulation 33 visitors in relation to the Quality Standards and new regulatory framework</p> <p>Further training in order to ensure staff members understand and meet the required standards and outcomes relating to attachment and resilience, recording outcomes, reasons behind behaviour and understanding the child's journey, transitions and adulthood and also training</p>

	house staff and providers conducting training would be approximately 24 hours.	approximately £1,000 per home.	<p>around contact and the observations.</p> <p>There are also perceived training opportunities for partner agencies to understand Children homes regulations and for them to reciprocate in providing training, for example the Head of the Virtual School and or the Children in Care Nurse. These training sessions will ensure there is a joint understanding of the requirements and roles which ensure all of the young people's needs are met.</p> <p>The induction programme for new staff members will ensure that new training is encompassed and thus time can be reduced after the first year following regulatory changes.</p> <p>Partner agency training will be required on an annual basis and evolve the staff team.</p>
Provider G. Local Authority Provider Owns between 5 and 10 homes.	<p>An additional 16 hours per staff or management member engaging in in-house or external training.</p> <p>13 hours in training to raise capability in particular aspects of practice.</p> <p>It would take managers 3 hours per home to deliver the introduction to the new Guide and regulations.</p>	Additional external spend is £2k per home.	<p>The introduction to the new Guide and regulations will be delivered in service by management.</p> <p>New training required for things like developing skills in reflective practice, increasing understanding of outcome focused work, how staff manage challenging behaviour, enhancing understanding of past experiences linked to current presenting behaviour, developing approach to managing risk taking behaviours.</p> <p>Additional training will "mostly be one off as there would be ongoing discussions in existing forums-staff meetings/managers meetings"</p>
Provider H. Local Authority Provider. Owns less than 5 homes.	Not quantified	None.	Notes that attachment training is planned to be undertaken with all staff which will offer them a greater understanding in managing challenging behaviour and ensure they are able to comply with the quality standard of forming positive relationships

			Further noted that this training would have occurred regardless of the changes to the regulations.
--	--	--	--

N. Derivation of size of children's homes workforce.

213. In this section we lay out our derivation of the number of staff and managers working with children and young people in children's homes in England.

214. The key source for the information is a recently commissioned Census of the sector.⁸⁰ This census took place in two waves: the first between October and December 2013, with a supplementary wave in April and May 2014. The sample was taken from a sub-population of all settings that are registered as children's homes. Namely, the Census excluded secure homes, homes that provide respite care only, and homes that were dually registered as schools.

215. This sub-population makes up the vast majority of all settings that are subject to the children's homes census. At 31 March 2013, they accounted for 1,718 homes out of a total of 2,050.

216. In this section, we use estimates and assumptions derived from the Census and figures from the Ofsted register of children's homes to provide an estimate of the total number of staff and managers in all settings registered as children's homes and subject to the new regulatory framework.

217. The Census reports the average number of staff and managers in a children's home by the number of places in the home. This is shown below

Table: Average number of staff and managers in children's homes, by sector and size of home

Number of places	Local Authority-run homes	Private/voluntary-run homes
1 or 2 places	8.9	6.7
3 places	9.9	8.7
4 places	12.5	11.4
5 places	13.9	12.4
6 or more beds	17.6	15.9

Source: TNS BMRB (forthcoming). A Census of the Children's homes workforce.

218. We can turn to provider level data supplied by Ofsted to estimate the number of homes by the size of the home. We then apply this number to the figures above to derive the total number of staff and managers.

Table: Total number of staff and managers in children's homes, by sector and size of home

Number of places	Number of Local Authority-run homes	Total number of staff and managers in Local Authority-run homes	Number of Privately or Voluntary-run homes	Total number of staff and managers in Privately or Voluntary run homes
1 or 2 places	32	285	315	2,110
3 places	26	257	339	2,949
4 places	82	1,025	328	3,739
5 places	82	1,140	168	2,083
6 or more beds	293	5,157	392	6,233
total	515	7,864	1542	17,114

Sources: TNS BMRB (forthcoming). A Census of the Children's homes workforce; <http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

Note: the figures for the number of homes refer to 31st March 2014

⁸⁰ TNS BMRB (forthcoming). A Census of the Children's homes workforce.

219. Almost all settings in the market have one home manager. We can therefore separate the number of staff from the number of managers by setting.
220. There were 1,542 homes owned by the private and voluntary sector at 31 March 2014. Therefore, we estimate there to be 1,542 managers and 15,572 staff. There were 515 Local Authority owned children's homes at 31 March 2014. Therefore, we estimate there are 515 managers and 7,349 staff.