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|---|---|---|
| Title: Fees and framework for the inspection of children's social care settings, residential special schools, boarding schools and residential further education colleges etc IA No: Lead department or agency: Department of Education Other departments or agencies: | Impact Assessment (IA) | |
| | Date: 29/06/2012 | |
| | Stage: Consultation | |
| | Source of intervention: Domestic | |
| | Type of measure: Secondary legislation | |
| | | Contact for enquiries: Shelley Stewart-Murray 020 783 8089 |
| 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? |
| £0m | N/A | N/A | No |
| | | | NA |

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

How to set the annual fees which are payable to the Chief Inspector (Ofsted) for the inspection (and where appropriate, regulation) of all children's social care settings. Inspections underpin the quality of services and improve the information commissioners and service users have about quality. Organisations should therefore contribute equitably to the cost of inspections. However, the current fees do not, in general, cover the costs of inspection. Intervention is necessary to ensure organisations contribute equitably to the cost of their own regulation.

What are the policy objectives and the intended effects?

To set fees and an inspection framework for children's social care settings whereby the actual costs borne by Ofsted in inspection (and where appropriate, regulation) are closer to the fees that children's social care settings pay, thereby putting in place a fairer and more transparent approach to the cost of inspection.

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

1. Do nothing - continue with: the current inspection framework for LA fostering and adoption functions; the current frequency of inspections of LA fostering and adoption functions; and the current level of fees paid by all children's social care settings.
2. To increase the fees currently paid by children's social care settings by 10% from April 2013.
3. To increase the fees currently paid by children's social care settings by 10% from April 2013 and to introduce an integrated inspection framework from April 2013 for LA fostering and adoption functions with a move from individually inspecting LA fostering and adoption functions once every three years to a single once every four years integrated inspection of these services.

Option 3 is the preferred option. It moves organisations closer towards equitably contributing to the cost of their own regulation.

| | | | | | |
|--|--|------------------------|--------------------------|------------------------|-------------------------|
| Will the policy be reviewed? It will be reviewed. If applicable, set review date: Month/Year | | | | | |
| Does implementation go beyond minimum EU requirements? | | | | Yes / No / N/A | |
| Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base. | | Micro Yes/No | < 20 Yes/No | Small Yes/No | Medium Yes/No |
| | | | | Large Yes/No | |
| 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, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Do nothing.

FULL ECONOMIC ASSESSMENT

| | | | | | |
|-------------------------|----------------------|-------------------------|---------------------------------------|--------------------|--|
| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
| | | Low: | High: | Best Estimate: £0m | |

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

Description and scale of key monetised costs by 'main affected groups'
The costs of the other options are 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 | | | |
| High | | | |
| Best Estimate | £0m | £0m | £0m |

Description and scale of key monetised benefits by 'main affected groups'
The benefits of the other options are 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: To increase fees by 10%.

FULL ECONOMIC ASSESSMENT

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|----------------------|-------------------|----------------------|---------------------------------------|-------|--------------------|
| | | | Low: | High: | Best Estimate: £0m |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|---|--|----------------------------|
| Low | | | |
| High | | | |
| Best Estimate | £0 | £0.44m | £3.75m |

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

The monetised cost is the total increase in fees paid by children social care providers that are inspected by Ofsted. These include children's homes, voluntary adoption agencies, adoption support agencies, fostering agencies and residential family centres, residential special schools, boarding schools and residential colleges, and local authorities for inspection of their adoption and fostering functions.

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 | | | |
| High | | | |
| Best Estimate | £0 | £0.44m | £3.75m |

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

The monetised benefit is the total increase in fees received by Ofsted that are paid by children social care providers that are inspected by Ofsted. These include children's homes, voluntary adoption agencies, adoption support agencies, fostering agencies and residential family centres, residential special schools, boarding schools and residential colleges, and local authorities for inspection of their adoption and fostering functions.

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

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

The key assumption is that providers pay the fees that are set under the regulations. There is a risk that some might be unwilling or unable to afford to pay. However, we consider this to be unlikely as the fee increases will be included in a September 2012 consultation and they will be made aware in advance of the increase to their inspection costs.

BUSINESS ASSESSMENT (Option 2)

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

Summary: Analysis & Evidence

Policy Option 3

Description: To increase fees by 10% and to introduce and integrated inspection framework for LA adoption and fostering functions which is inspected once every four years.

FULL ECONOMIC ASSESSMENT

| Price Base Year 2012 | PV Base Year 2012 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|----------------------|-------------------|----------------------|---------------------------------------|-------|--------------------|
| | | | Low: | High: | Best Estimate: £0m |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|---|--|----------------------------|
| Low | | | |
| High | | | |
| Best Estimate | | £0.51m | £4.37m |

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

Social care providers: The total increase in fees paid by providers that are inspected by Ofsted (excluding LA adoption and fostering functions). [an increase of £0.48m from 2012/13 to 2013/14].

Ofsted: The new framework for LA adoption and fostering functions leads to lower annual fees received by Ofsted from these functions. [a reduction of £0.15m from 2012/13 to 2013/14].

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 | | | |
| High | | | |
| Best Estimate | | £0.51m | £4.37m |

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

Ofsted: The total increase in fees paid by providers that are inspected by Ofsted (excluding LA adoption and fostering functions). [an increase of £0.48m from 2012/13 to 2013/14].

Local Authorities: The reduced frequency of inspections by Ofsted to LA adoption and fostering services means a lower annual fee will be paid by these services to Ofsted. [a reduction of £0.15m from 2012/13 to 2013/14].

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

Ofsted: The integrated inspection framework and the reduced frequency of inspections by Ofsted to LA adoption and fostering services leads to benefits to Ofsted through cost savings from less inspections. This cost saving is not valued.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

The key assumption is that providers pay the fees that are payable under the regulations. There is a risk that some might be unwilling or unable to afford to pay. However, we consider this to be unlikely as the fee increases will be included in a September 2012 consultation and they will be made aware in advance of the increase to their inspection costs.

BUSINESS ASSESSMENT (Option 3)

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

Evidence Base

1. Problem under consideration / background

Fees are payable to Her Majesty's Chief Inspector of Education, Children's Services and Skills ("the Chief Inspector") for applications for registration, or variation of registration, in respect of children's homes, voluntary adoption agencies, adoption support agencies, fostering agencies and residential family centres, and as annual fees for regulation and inspection by these establishments and agencies and for inspection by residential special schools, boarding schools and residential colleges, and by local authorities for inspection of their adoption and fostering functions.

Ofsted has developed a Pricing Model (OPM) that calculates the full economic cost of all of Ofsted's outputs. This model was designed to comply with HM Treasury (HMT) guidance on calculating fees.¹ Data is now available for the cost of inspection/regulation for 2010-11 and 2011-12, this is based on a clear model of inspection/regulatory activities and has been thoroughly reviewed and recently audited. We propose that Ofsted's cost data from 2011-12 will form the basis for setting the annual fees for inspection from April 2013, for three years.

The evidence shows that current fees do not, in general, accurately reflect the costs of inspection. Providers pay less than full cost, in some cases considerably less. The current situation where providers do not pay the full cost of inspection, effectively means Ofsted is subsidising these inspections and therefore the market as a whole. Both providers and users of services benefit from a transparent inspection regime. Providers benefit from the fact that the quality of the service they offer is recognised, which they can reflect in their fees. Purchasers of the services benefit as they can factor service quality into their decisions about which providers to use and helping them make optimal choices.

The Fees and Frequency for Inspections are updated on an annual basis and were consulted on last in 2010 when providers agreed a 10% increase for the next three year period. That agreement came to an end this year and we intend therefore to consult from September 2012 on proposed fee increases for 2013.

As part of the consultation to consider annual fee increases the consultation will take account of two additional issues that will impact on the Fee and Frequency regulations from 2013:

- The introduction of an integrated inspection framework for Local Authority fostering and adoption services. These services are currently inspected separately. The new framework is proposed to come into effect from April 2013.
- A proposed change in the frequency of inspection for all adoption and fostering inspections. To achieve additional cost savings in relation to the introduction of an integrated framework, Ofsted propose to reduce the current frequency of inspections of these services. These two services are currently inspected separately at least once in a three year cycle. It is proposed that the Fees and Frequency regulations will be amended to allow Ofsted to inspect the local authority fostering and adoption services, combined, once in every four year period.

2. Rationale for intervention

¹ http://www.hm-treasury.gov.uk/d/mpm_ch6.pdf

For Ofsted to continue to collect revenue from carrying out its duty to inspect children's homes and other social care settings, regulations need to be laid annually. For 2013, to allow for the proposed changes to the inspection framework, the Fees and Frequency for Inspection regulations will need to further be amended to take account of the additional changes. The fee increase and the cost savings associated with the integrated inspection framework will move the fees paid by children's social care settings closer to Ofsted's actual cost of inspection. Given that providers benefit from these inspections, it is argued to be fair that they bear a higher share of the cost of them.

3. Policy objective

The objective is to set fees and an inspection framework for children's social care settings whereby the actual costs borne by Ofsted in inspection are closer to the fees that children's social care settings pay, thereby putting in place a fairer and more transparent approach to the cost of inspection.

4. Description of options considered and costs and benefits of each option

Option 1 - Do nothing

This would mean that we:

- maintain single inspections for LA fostering and adoption services;
- maintain the current frequency of inspections of these LA fostering and adoption services; and
- maintain the fees currently paid by all children's social care providers in 2012 at the same level in 2013.

This option fails to address the policy objective set out above and so is not preferred. The costs and benefits of the other options are expressed relative to this do nothing case.

Option 2 – Increase the fees currently paid by children's social care settings by 10% from April 2013.

This option proposes a:

- 10% increase in fees paid by children's social care settings to Ofsted. This fee increase has been Government policy for a number of years. An across the board increase of 10% makes progress towards full cost recovery, whilst avoiding faster increases in fees which may be difficult for some providers to meet.

Table 3 below sets out the level of fees paid by providers for the current inspection year – April 2012/2013 and the proposed fees for 2013-2014. Different fees are payable by different types of provider. In 2012/13, a total of £5.41m in annual fees is forecast to be received by Ofsted from children's social care settings. This estimate was provided by Ofsted and is the current best estimate that they hold. The forecast may change during the course of this year.

A 10 percent increase in fees paid by Children's social care settings from April 2013 implies that that the total amount paid in fees from these settings in 2013/14 will be £5.95m (i.e. £5.41 x 1.1). That is, in 2013/14 they will pay an additional £0.54m in fees. Table 1 below sets out the

estimates. To express all values in 2012/13 terms, forecasts from the Office for Budget Responsibility are used.² The derived CPI series is depicted in table 2.

Table 1: Effect of a 10% increase in the fees currently paid by children's social care settings from April 2013

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Increase in fees received by Ofsted / increase in fees paid by children's social care settings (nominal terms) | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m | £0.54m |
| Increase in fees received by Ofsted / increase in fees paid by children's social care settings (real terms – 2012 price year) | £0.53m | £0.52m | £0.51m | £0.50m | £0.49m | £0.48m | £0.47m | £0.46m | £0.45m | £0.44m |

Table 2: Derived CPI series

| Year | percentage change on a year earlier | 2012 = 100 |
|------|-------------------------------------|------------|
| 2012 | 2.8 | 100.00 |
| 2013 | 1.9 | 101.90 |
| 2014 | 1.9 | 103.84 |
| 2015 | 2.0 | 105.91 |
| 2016 | 2.0 | 108.03 |
| 2017 | 2.0 | 110.19 |
| 2018 | 2.0 | 112.40 |
| 2019 | 2.0 | 114.64 |
| 2020 | 2.0 | 116.94 |
| 2021 | 2.0 | 119.28 |
| 2022 | 2.0 | 121.66 |
| 2023 | 2.0 | 124.09 |

Note: CPI forecasts from Office for Budget Responsibility (2012) used. This publication reported forecasts up to 2016. We assume here that 2.0 forecast persists further into the future.

This increase in fees paid by providers equates to an equal increase in revenue received by Ofsted. Therefore the costs and benefits of this option are equal.

It is possible that, faced with this fee increase that voluntary sector or private sector providers can decide to 1) absorb the increased cost, 2) pass on the cost to the Local Authority through renegotiated prices, or 3) reduce provision of childcare. The 2009/10 consultation, as well as the relatively low-level of fees compared with total costs, strongly suggests that there will not be a decrease in provision. This will also be tested during the September 2012 consultation process.

Table 3: Current fees paid by children's social care settings and proposed fee changes

| Annual Fees 2012-2013 | Annual Fees 2013-14 – planned to be set in future regulations |
|--|---|
| <u>Voluntary adoption agencies</u> £918.39; or £459.20 in respect of each small branch. | <u>Voluntary adoption agencies</u> £1,010.23 ; or £505.12 in respect of each small branch. |
| <u>Adoption support agencies</u> £918.39, or small adoption support agency £459.20. | <u>Adoption support agencies</u> £1,010.23 , or small adoption support agency £505.12 . |
| <u>Fostering agencies</u> £1597. | <u>Fostering agencies</u> £1,756.70 |
| <u>Children's homes</u> • 3 or fewer approved places, | <u>Children's homes</u> • 3 or fewer approved places, |

² Office for Budget Responsibility. (2012). Economic and Fiscal Outlook, March 2012. See page 11 <http://budgetresponsibility.independent.gov.uk/wordpress/docs/March-2012-EFO1.pdf>

| | |
|--|---|
| <p>£1323.01;</p> <ul style="list-style-type: none"> • 4 - 62 approved places £1323.01 plus £131.77 for each approved place from the 4th to the 62nd place inclusive; • more than 62 approved places, £9120. <p><u>Residential family centre</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £881.12; • 4 - 5 approved places £881.12, plus £110.47 for each approved place from the 4th to the 5th place inclusive; • more than 5 approved places, £1138. <p><u>Boarding school</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £574.99; • 4 - 15 approved places £574.99, plus £34.61 for each approved place from the 4th to the 15th place inclusive; • 16 - 50 approved places, £994; • 51 - 500 approved places, £1391; • 501 - 800 approved places, £1789; • more than 800 approved places, £2186. <p><u>Residential college</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £574.99; • 4 - 14 approved places £574.99, plus £34.61 for each approved place from the 4th to the 14th place inclusive; • more than 14 approved places, £969. <p><u>Residential special school</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £1058.15; • 4 - 20 approved places £1058.15, plus £105.15 for each approved place from the 4th to the 20th place inclusive; • more than 20 approved places, £2899. <p><u>Local authority adoption and fostering functions</u></p> <ul style="list-style-type: none"> • relevant adoption functions £1549 • relevant fostering functions £2421. | <p>£1455.31;</p> <ul style="list-style-type: none"> • 4 - 62 approved places £1455.31 plus £144.95 for each approved place from the 4th to the 62nd place inclusive; • more than 62 approved places, £10,032. <p><u>Residential family centre</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £969.23; • 4 - 5 approved places £969.23, plus £121.52 for each approved place from the 4th to the 5th place inclusive; • more than 5 approved places, £1,251.80. <p><u>Boarding school</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £632.49; • 4 - 15 approved places £632.49, plus £34.61 for each approved place from the 4th to the 15th place inclusive; • 16 - 50 approved places, £1093.40; • 51 - 500 approved places, £1,530.10; • 501 - 800 approved places, £1,967.90; • more than 800 approved places, £2,404.60 <p><u>Residential college</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £632.49; • 4 - 14 approved places £632.49, plus £38.07 for each approved place from the 4th to the 14th place inclusive; • more than 14 approved places, £1,065.90. <p><u>Residential special school</u></p> <ul style="list-style-type: none"> • 3 or fewer approved places, £1,163.97 • 4 - 20 approved places £1,163.97, plus £115.67 for each approved place from the 4th to the 20th place inclusive; • more than 20 approved places, £3,188.90. <p><u>Local authority adoption and fostering functions</u></p> <ul style="list-style-type: none"> • relevant adoption fostering functions £2977.50 |
|--|---|

Option 3 – Increase the fees currently paid by children's social care settings by 10% and introduce an integrated inspection framework for LA fostering and adoption functions with a move from individually inspecting LA fostering and adoption functions once every three years to a single once every four years integrated inspection of these services from April 2013

This option proposes a:

- revised integrated inspection framework for LA fostering and adoption functions. This will enable Ofsted to inspect LA fostering and adoption services together, maintaining a consistency of approach and delivering a quality service with regards to its inspections;

- reduction in the number of inspections applied to the LA fostering and adoption functions. This will enable Ofsted to deliver cost savings, whilst also maintaining a quality service for the sector. These two services are currently inspected separately at least once in a three year cycle. It is proposed to inspect the local authority fostering and adoption services, combined, once in every four year period. Ofsted propose to consult the sector on this option from June 2012 with the expectation that these will take effect from April 2013. A more substantial reduction in the inspection frequency is not proposed here. Ofsted previously consulted on options to significantly reduce the frequency of LAC inspections by introducing a random sampling approach to its inspection of LAC services. The suggestion was that 20-25 authorities would be inspected each year on an average of a six to eight year cycle. This received considerable opposition by the sector and Ofsted therefore significantly revised its plans;
- 10% increase in fees paid by children's social care settings to Ofsted. This fee increase has been Government policy for a number of years. An increase of 10% makes progress towards full cost recovery, whilst avoiding faster increases in fees that may be difficult for some providers to meet. Table 3 above sets out the level of fees paid by providers for the current inspection year – April 2012-2013 - and the proposed fees for 2013-2014.

Under this option, there will be benefits to Ofsted and Local Authorities attached to the integrated inspection framework for LA fostering and adoption functions and the lower frequency of inspections that apply to these functions.

Under current arrangements, Ofsted inspect 150 Local Authority Adoption and Fostering Agencies once every three years. The total amount paid annually by LAs for the inspection of these services in 2012/13 is given by (£1,549 + £2,421) x 150 (see table 3). This is equal to £595,500). Under this policy proposal, it is proposed that local authority adoption and fostering functions will pay £2,977.50, combined, in 2013/14. This lower fee is felt more appropriate due to the proposed move from a three to a four year cycle of inspection from April 2013 for these two LA remits. This means that the total amount paid annually by LAs in 2013/14 will be given by £2,977.50 x 150. This is equal to £446,625. Therefore, under this policy option, LA adoption and fostering functions save £148,875 in 2013/14. Analogously, Ofsted receive a reduction in fees of £148,875. Table 4 sets out the estimates.

Table 4: Effect of Lower Annual fees paid by LA fostering and Adoption functions

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| reduction in fees received by Ofsted / reduction in fees paid by LA fostering and adoption functions (nominal terms) | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m | £0.15m |
| reduction in fees received by Ofsted / reduction in fees paid by LA fostering and adoption functions (real terms – 2012 price year) | £0.15m | £0.14m | £0.14m | £0.14m | £0.14m | £0.13m | £0.13m | £0.13m | £0.12m | £0.12m |

Note: real term estimates derived using table 2.

Due to the new integrated inspection framework for LA fostering and adoption functions with a four year inspection cycle instead of a three year cycle, Ofsted will make cost savings through a lower level of resources dedicated to inspection activity. At this stage, we are unable to place a value on this cost saving as the tariff of inspection (e.g. the number of days required in preparation, on-site, and post inspection report writing per inspection) for the new inspections of LA adoption and fostering has yet to be agreed.

Under this option, the fees paid by all other children's social care settings will rise by 10%. As noted above, in 2012/13, a total of £5.41m in annual fees is forecast to be received by all Ofsted from children's social care settings. The total amount paid annually by LAs for the inspection of their adoption and fostering functions in 2012/13 was also derived above at £595,500. This

implies that in 2012/13 a total of £4.81m is expected to be received by Ofsted in fees from all other settings (e.g. £5.41m - £0.60m). A 10 percent increase in fees paid by these settings equates to an increase of £0.48m (e.g. 4.81m x 0.1). Table 5 below sets out the estimates.

Table 5: Effect of a 10% increase in the fees currently paid by children's social care settings (excluding LA adoption and fostering functions) from April 2013

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Increase in fees received by Ofsted/ Increase in fees paid by other children's social care settings (nominal terms) | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m | £0.48m |
| Increase in fees received by Ofsted / Increase in fees paid by other children's social care settings (real terms – 2012 price year) | £0.47m | £0.46m | £0.45m | £0.44m | £0.44m | £0.43m | £0.42m | £0.41m | £0.40m | £0.39m |

Note: real term estimates derived using table 2.

5. Risks and assumptions

The key assumption is that providers pay the increased fees set under the regulations and that there is general support for an integrated framework for local authority, fostering and adoption services following the Ofsted consultation including the change of frequency for these services. There is a risk that some providers might find the increase in fees difficult to afford. We will test this in the September consultation. Providers will have been made aware of the changes to fees in good time to plan for the increase which is considered on an annual basis. There another risk that the new framework and revised frequency of inspections set out in the Ofsted consultation is resisted by the sector. In the event of a negative outcome to the consultation we would be guided by Ofsted on next steps.

6. Direct costs and benefits to business calculations

By increasing the fees paid by business and civil society organisations that run Children's social care settings, the preferred option is a net cost to these business and civil society organisations. While data exists on the current voluntary/private/local authority breakdown of all the children's social care settings in the UK, Ofsted have not produced estimates or forecasts of the breakdown of total fees received across the voluntary/private/local authority providers. Fees paid by each setting vary according to the number of places offered (see table 3), therefore the estimated cost to business can not be derived at this stage with the data to hand. This costing will be calculated and added in for the next stage of the impact assessment.

7. One- In, One-Out (OIOI)

Fees and Charges (except where they result from an expansion or reduction in the level of regulatory activity) are out of scope of the OIOI rule.

8. Summary

The option to do nothing was rejected in order to move towards a system where the fees for children's social care inspection cover the costs of the inspection. The preferred option proposed is that the 2013-14 Fees and Frequency for Inspections regulations introduce three key changes to the provisions:

- Annual Fees to Ofsted to be increased by 10% for children's social care settings (with the exception of LA fostering and adoption services).
- A single integrated inspection for LA fostering and adoption services. Ofsted currently

undertake separate inspections of each setting.

- A reduction of frequency of inspections once the inspections have been integrated. LA fostering and adoption services are required to be inspected at least once in every three year period. From April 2013 the requirement will shift to a requirement to be inspected once in every four year period.

The above changes will be consulted on from September 2012 when the DfE public consultation is launched.

This option is preferred because it moves organisations closer towards equitably contributing to the cost of their own regulation.