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| Title: Amendments to Children's Homes Regulations 2001 (as Amended) IA No: Lead department or agency: Department for Education Other departments or agencies: | Impact Assessment (IA) |
| | Date: 23/10/2013 |
| | Stage: Final |
| | Source of intervention: Domestic |
| | Type of measure: Secondary legislation |
| Contact for enquiries: Claire Owens 01142 742712 | |
| 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, Two-Out? Measure qualifies as |
| £-30.85m | £-27.12m | £2.59m | Yes IN |

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

There are concerns about the safety of looked after children living in children's homes. Children placed in homes outside their home communities are especially vulnerable, being more likely to run away and placed at risk of sexual exploitation. Information on home quality and safety is often difficult to observe by placing authorities, the responsibilities of providers and hosting and placing authorities is not clear, and relationships between actors in the system are not as close as they could be. Intervention is necessary to protect and improve the welfare of this vulnerable group of society.

What are the policy objectives and the intended effects?

For an improved system which provides high quality professional care providing a proportionate response to the severe needs of children relying on children's homes' support so that they are effectively safeguarded and have access to the full range of services they will need to enable them to reach their potential.

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

Option 1. – Do nothing to amend the current regulatory framework, expecting self-funded sector led improvement and external inspection to drive up quality.

Option 2.(Preferred Option) - Amend the Children's Homes Regulations 2001. These changes will require better practice in the sector so that the most vulnerable children are effectively safeguarded; communication between placing and host authorities and homes will be improved; better documentation about the quality and services offered by homes will be in place; and homes will be equipped with staff with the qualifications and skills to respond to vulnerable children.

Will the policy be reviewed? It will/will not 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 (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 SELECT SIGNATORY: _____ Date: 18 Dec 2013

Summary: Analysis & Evidence

Policy Option 1

Description: Do nothing

FULL ECONOMIC ASSESSMENT

| Price Base Year | PV Base Year 2012 | 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 | | | | | |
| High | | | | | |
| Best Estimate | £0 | | £0 | | £0 |
| Description and scale of key monetised costs by 'main affected groups' The costs of other the option 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 | £0 | | £0 | | £0 |
| Description and scale of key monetised benefits by 'main affected groups' The benefits of other the option 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 OITO? | Measure qualifies as |
| Costs: £0.0 | Benefits: £0.0 | Net: £0.0 | No | NA |

Summary: Analysis & Evidence

Policy Option 2

Description: Amend the Children's Home Regulations.

FULL ECONOMIC ASSESSMENT

| Price Base Year 2013 | PV Base Year 2013 | Time Period Years 10 | Net Benefit (Present Value (PV)) (£m) | | |
|-------------------------|----------------------|-------------------------|---------------------------------------|-------|------------------------|
| | | | Low: | High: | Best Estimate: £-30.9m |

| COSTS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Cost (Present Value) |
|---------------|--------------------------------------------|-------------------------------------------------------|-------------------------------|
| Low | | | |
| High | | | |
| Best Estimate | £0.0m | £3.6 | £30.9m |

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

Resources required from all children's home providers (private, voluntary, and local authority) to: prepare missing person policies; notify their area authority of out of area arrivals and departures; prepare assessments of the risks in the home's local area; and produce a coherent and specific Statement of Purpose. Costs to private and voluntary sector providers to pay for independent quality assurance visits where they do not already deliver these.

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

Resources required from local authority and the police service through being consulted on homes' missing person policies and in giving views on the area risk assessments. Local authority resource also required to receive and manage notifications of arrival and departures of out of area placements.

| BENEFITS (£m) | Total Transition (Constant Price) Years | Average Annual (excl. Transition) (Constant Price) | Total Benefit (Present Value) |
|---------------|--------------------------------------------|-------------------------------------------------------|----------------------------------|
| Low | | | |
| High | | | |
| Best Estimate | £0.0m | £0.0m | £0.0m |

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

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

A system with a more robust assessment and review of placing children in homes at significant distance from their communities, and of the quality and appropriateness of that provision will result in better placement decisions and outcomes for these children. A reduction in the number of children going missing from homes will reduce the risk of child sexual exploitation and will lower the resources required from criminal justice services, health and social services to resolve such incidents.

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----|
| Key assumptions/sensitivities/risks | Discount rate (%) | 3.5 |
| We assume that the home providers bear the full resource implications of the requirements. These requirements will improve service quality, and will result in better collaborative working with other agencies such as the police -which will result in cost savings for the homes (e.g less time spent in respect of children missing), which implies that the actions will translate into higher inspection ratings for homes, and LAs more likely to place with them reducing the risk of under occupancy | | |

BUSINESS ASSESSMENT (Option 2)

| | | | | |
|----------------------------------------------------------|-----------------|-------------|--------------------------|-----------------------------|
| Direct impact on business (Equivalent Annual) £m: | | | In scope of OIOO? | Measure qualifies as |
| Costs: £2.6m | Benefits: £0.0m | Net: £-2.6m | Yes | IN |

Evidence Base (for summary sheets)

Background

1. On 3 July 2012, ministers announced urgent action to reform children's residential care in response to recommendations made by the Deputy Children's Commissioner and the All Party Parliamentary Group (APPG) Joint Inquiry into Children who Go Missing from Care.¹ These reports highlighted concerns about the risks of sexual exploitation for children living in children's homes and the quality of care received, especially where they are placed a long way from the authority responsible for their care. Ministers established three expert groups to analyse the issues and make recommendations. The *Report of the Expert Group on the quality of children's homes*, which also includes the recommendations of the Task and Finish Group's work on out of area placements, was published on 23 April 2013.²
2. This final stage impact assessment follows a consultation on the proposed regulatory changes.³

Problem under consideration

3. The reports referred to above raise a number of inter-related concerns about current practice in the children's home system and the corresponding effects on the welfare of the children who are placed in homes.
4. **A large number of out of area placements.** At 31 March 2012, 44% of children and young people in residential care were placed in a home outside of the local authority which is responsible for them.⁴ Some children in care may need to be placed 'out of area' to protect them from abuse in their home area. However, evidence shows that out of area home placements can at times be problematic:
 - An estimated 10,000 children go missing from care each year (e.g. including foster care and other placement options).⁵ As many of these children are extremely vulnerable, when they run away they are in great danger of being physically or sexually abused or exploited.⁶ Being placed a long way from family and friends is often a factor in causing children to run away (APPG Report, p. 20).⁷ This is associated with significant individual costs to the child, including placing them at risk of sexual exploitation, as well as costs to the police, other public services, and wider society (APPG Report, p. 14).
 - These placements put a physical distance between the social worker responsible for a child and the child themselves, in many cases resulting in reduced involvement in a young person's life and creating general uncertainty to the child about who is now responsible for them (APPG Report, p. 21).
 - When local authorities place children in residential care in another authority, it is challenging for them to assess the safety of the local area around the home in the way that the 'host' local authority would (APPG Report, p. 21). This is concerning given evidence that some residential children's homes have been targeted by those who want to sexually exploit children (OCC

¹ See <http://www.education.gov.uk/a00224323/quality-child-homes-report>
<http://www.education.gov.uk/childrenandyoungpeople/safeguardingchildren/a00200288/tackling-child-sexual-exploitation>

² Report of the Expert Group on Quality (2012).
<http://media.education.gov.uk/assets/files/pdf/c/childrens%20homes%20reform%20quality%20group%20%20%20final%20report.pdf>

³ <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>

⁴ This estimate does not include children placed in either residential special schools that are 'dual registered' as children's homes, or secure children's home. Report of the Expert Group on Quality (2012).

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

⁵ The APPG for Runaway and Missing Children and Adults and the APPG for Looked After Children and Care Leavers (2012). Report from the Joint Inquiry into children who go missing from care.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175563/Report_-_children_who_go_missing_from_care.pdf

⁶ A study by the University of Bedfordshire into child sexual exploitation showed that over half of all young people using child sexual exploitation services on one day in 2011 were known to have gone missing (a quarter over 10 times), and 22% were in care (see, Jago, S et al (2011) *What's going on to safeguard children and young people from sexual exploitation? How local partnerships respond to child sexual exploitation*, University of Bedfordshire, Bedford)

⁷ The APPG for Runaway and Missing Children and Adults and the APPG for Looked After Children and Care Leavers (2012). Report from the Joint Inquiry into children who go missing from care.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175563/Report_-_children_who_go_missing_from_care.pdf

5. **Lack of clarity around responsibility for ensuring homes are located safely.** There is a lack of clarity about who must take responsibility and be accountable for ensuring children's homes are located safely – including the roles of placing LAs, host LAs, and the providers themselves. The Children's Home Regulations 2001 (as amended) do not currently place explicit duties on providers to ensure that the location of a children's home is appropriate and safe for highly vulnerable children (Report of the expert group on quality, p.77, 78). This has resulted in their being concentrations of homes in areas of deprivation, which may put the vulnerable children accommodated in homes at risk. **22 per cent of homes are in the top 25% most deprived areas of England.**⁹ There is currently no requirement on those setting up homes to work with the areas in which the home will be located or, with the police, to review the suitability of the area for a children's home. Ofsted does not currently have any powers to intervene in decisions about where homes are located, nor to refuse or restrict the registration of such homes.

6. **Notification between placing and host authority is ineffective.** The placing authority currently has a duty under the Care Planning, Placement and Case Review Regulations (the 'Care Planning Regulations') (regulation 11) to notify the area authority before a child is placed in that area. However, there is general agreement, confirmed by the Quality Expert Group and the **APPG inquiry**, that current notification arrangements are ineffective and inconsistent. Local authorities in areas where homes are located ('area authorities') often do not know when highly vulnerable, troubled and troublesome, young people have been placed in their area (Report of the expert group on quality, p.79). Moreover they are often not informed about the particular needs of these children (i.e. whether they may have special educational needs or whether they are involved in youth justice services etc.), thereby making it difficult for them to plan for the educational, health or other needs of these children. **The Association of Chief Police Officers (ACPO) evidence to the APPG inquiry states that "compliance with the regulations varies across England and Wales" and that "examples exist within forces that children from outside their local authority area are being placed within their area although no consultation with the host local authority has taken place."**¹⁰ They further note that this is problematic as **"with no knowledge of a child's existence in their area and with no sharing of relevant information, the host local authority's ability to safeguard the child is reduced. Decision making in relation to the child's welfare would be uninformed and there is a risk that appropriate decisions about the child would not be made and risks of harm may go unrecognised, as particular needs/issues are unknown."**¹¹ This is a particularly pressing issue for those authorities where there are high concentrations of children's homes in their areas. There is no duty on the owners of homes to notify the area in which their home is located of when children have moved into their home, and when children have left the home. The area authority, whilst not responsible for on-going social work support for these children (this is the responsibility of the placing authority) do have on-going safeguarding responsibilities for this group.

7. **Lack on information and independent scrutiny on the quality of homes and how individual homes care for and safeguard the very vulnerable children living in the home.** There is limited information readily available to Local authorities on the quality of individual homes and on their service provision in order for them to make informed choices about placement (Report of the expert group on quality, p.27; OCC Report, p.9). This can result in poor quality matches that do not fully meet the needs of the child. It can also result in the home not having the skills and resources to fully meet the needs of the child, thereby leading to placement breakdown. According to some providers, Ofsted inspection judgments, in isolation from other information, do not provide sufficient information to commissioners about whether placement in a home will be suitable. In addition, Ofsted inspection reports do not offer the detail necessary to monitor homes' quality as they do not include information about the progress of individual children from the time when they entered the home (Report of the expert group on quality, p.27). We are aware from a number of studies that there is variable practice across homes in how they safeguarding and promote positive outcomes for the very vulnerable

⁸ Office of the Children's Commissioner. (2012). Briefing for the Rt Hon Michael Gove MP, Secretary of State for Education, on the emerging findings of the Office of the Children's Commissioner's Inquiry into Child Sexual Exploitation in Gangs and Groups, with a special focus on children in care

⁹ Based on the IDACI score of the Lower layer Super Output areas (LSOA).

<http://media.education.gov.uk/assets/files/pdf/c/childrens%20homes%20data%20pack%202013.PDF>

¹⁰ ACPO, *Written evidence submission* p.3

¹¹ ACPO, *Written evidence submission* p.4

children and young people that they accommodate. We are also aware from working with our expert groups and previous work with partners that the quality of children's homes can shift radically over a very short period of time, moving from excellent to in-adequate over a period of months. Such changes can have profound effects for the young people living in the home. Currently, homes have to carry out monthly regulation 33 visits.¹² However, currently these are not sufficiently focused on how far homes are safeguarding individual children living in the homes. Many of these also currently lack a sufficient 'independence' from the running of the home, to provide a sufficient robust assessment of children's experience of the home and on how well the home is safeguarding individual children within the home.

8. **Workforce qualifications.** The children's home workforce has highly demanding roles and responsibilities. Staff in these homes are often caring for some of the most vulnerable and challenging young people in society with high levels of mental health difficulties. The National Minimum Standards (NMS) for Children's Homes set out the minimum qualifications required by homes' staff. However, existing qualification requirements in the NMS require staff only to be 'working towards' these. There is a pressing need to drive up the quality, skills and training of the children's homes workforce. The Department has begun a major programme of work to review the levels of qualification and training required by those working in and managing children's homes. This will take a number of years to implement. In the meantime, there is a need, in the immediate term, to ensure that minimum requirements are being met for there is indicative evidence that they are not. There are concerns that without strengthening the current requirement in this area (currently set out in the NMS) that those working in homes could continue to be employed without ever completing the current minimal qualifications. This may be particularly true in homes where turnover is high (Report of the expert group on quality, p. 63).

Rationale for intervention

9. The evidence presented above shows that there is currently a lack of focus and independent oversight on what individual homes are delivering for the very vulnerable children in their care. There is a pressing need to improve a number of elements in the system in respect of the delivery of quality children's homes provision. The changes that we are proposing are the first, but necessary step in a more radical programme of change. This will involve: a whole-scale review of the training and qualifications for those working in and managing children's homes; driving improvements in how homes are commissioning and how individual local authorities, working in consortia, can more effectively shape and manage the market; improvements in how Ofsted inspects homes and drives improvements across homes and placing Authorities so that there is a greater shared focus and responsibility on these very vulnerable children; and the development of 'new models' of care for very vulnerable and troubled adolescents. The sector is clear that whilst such an ambitious programme is required, immediate changes to the regulatory framework are required to underpin some of the more far reaching 'behavioural change' work that we will be taking forward.
10. We have undergone extensive discussion and work with key partners in the sector to review whether each of the regulatory changes that we are proposing is required or whether there may be a 'better way' of delivering the required changes outside of regulation. These consultations and discussions, which have included a number of providers, have assured us that we are not suggesting unnecessary regulatory change but are putting forward the minimal changes that are necessary to safeguard and protect some of our most vulnerable and challenging young people.
11. In discussion with the sector, it is clear that many of the changes we are proposing will also have real benefits for individual homes. They will result in better and more collaborative working between homes, placing authorities, the area authorities in which homes are located and the police. They will require homes to work more pro-actively with other local services and to take a more proactive role with other services on managing the external environment of the home. Providers have been clear that whilst a number of these changes will have initial up-front costs to them, over time, these will result in homes having to spend less money on reactive work with young people (in respect of children and young people going missing etc) and will result in an improved service.

¹² Currently, under regulation 33, a monthly visit must be completed to all children's homes and units run by a local authority by a person not employed at the home nor directly responsible for it. This person must compile a written report of their findings, which is then submitted to Ofsted within 4 weeks of completion of the visit.

12. There are problems inherent in the current regulatory environment in terms of a lack of clarity regarding the responsibilities of actors in the system and a lack of notification and information-sharing across parties. These issues manifest in potentially adverse effects for the well-being and safety of looked after children, generating private costs to them as well as costs felt by others in society. The proposed regulatory changes are made under an economic efficiency rationale. The required resource implications of the changes are expected to be outweighed by the benefits that accrue from improved practice.

Policy objective

13. For an improved system which meets the social, educational, emotional and behavioural needs of the children looked after in homes. We want to ensure that children are reliably and effectively safeguarded wherever they are placed by better qualified and confident staff. This will involve much stronger partnership and collaboration between children's homes and local services. This will put an end to a culture where children placed in children's homes are "out of sight out of mind". Placements should be better planned, managed and monitored, to match and meet children's needs better, and should be close to home unless it is in the best interests of the child to be placed outside of their local community. We want commissioning local authorities to maintain effective relationships with authorities and homes in which they place children and remain genuinely accountable for care.

14. Children's homes should have close constructive relationships with the communities where they are located, as it is 'area authorities' that have the statutory responsibility for safeguarding all children in their boundary, whether or not these children are looked after and the local authority responsible for their care is a distant one. Children homes should not be located in areas where the location presents a risk to children. Children homes providers should thoroughly understand any risks arising from where the home is located and how to mitigate these.

Description of options considered

Policy Option 1: Do nothing to amend the current regulatory framework, expecting self-funded sector led improvement and external inspection to drive up quality.

15. From 2010- 2012, we initiated a sector led approach to encourage improvement activity across the children's homes sector. This demonstrated that the approx. 2,000 children's homes making up the sector are diverse and fragmented with a reluctance to work together for commercial and historical reasons. The sector- led approach enabled already good providers to improve their practice, but had less impact on weaker providers and was unable to drive national change across the sector – especially in very challenging areas such as safeguarding sexually exploited young people and reacting effectively when young people go missing. Improved practice in these very sensitive areas requires **uniform** approaches to collaboration with the police and children's services responsible for safeguarding children at local level.

16. We have been engaging closely with Her Majesty's Chief Inspector (HMCI) as we have developed thinking on our reform programme for children's homes. Ofsted share our belief that many of the current 'weaknesses' in the system (e.g. children being placed at distance from their home community in homes that do not fully meet their needs and where they may be at risk) cannot be addressed solely by improving the Inspection system. Ofsted inspectors are fully supportive of the proposed regulatory changes.

17. For these reasons, this do nothing policy option is not preferred.

Policy Option 2: Amend the Children's Home Regulations.

18. These policy measures have been developed following extensive inquiries by the Deputy Children's Commissioner and the All Party Parliamentary Group Joint Inquiry into Children who Go Missing from Care and subsequent work undertaken by three expert groups. We have also held a number of in-depth meetings with key partners to review the detail of our proposed changes, including a pre-consultation event, four face-to-face consultation events (involving over 100 people at each event),

two working groups, and a further post-consultation meeting with a wide range of providers, local authorities and voluntary sector partners. Following our consultation, we have established wide spread support for the majority of our proposals, and, where support was lower, we have discussed and agreed easement in relation to the following worked up regulatory proposals.¹³

19. The changes being proposed under this policy option are as follows:¹⁴

Homes policies for managing missing persons incidents. Amend Regulation 16 (4) to require that each home prepares and implements a written policy setting out the measures in place and staff training to *prevent* children from going missing from the home. To also require, that the home seeks the views of appropriate local services in the development of this written policy. Finally, in circumstances where a child placed in a children's home persistently goes missing, to place an obligation on the home's registered person to make contact with the placing local authority to request that a review of the child's care plan is convened.

Notification of looked after children placed in or leaving an authority's area. Introduce a new Regulation (as part of existing Regulation 11(a)) to require that children's homes must notify their area local authority when a child from another local authority arrives at or leaves their home.

Annual assessment of risks in the area of the home. Insert an addition to Regulation 31 requiring that homes conduct an annual assessment of the risks prevalent in the area in which the home is located. This assessment should be made after seeking the views of appropriate local services. Where the assessment identifies risks, homes will be required to have in place a strategy for responding to these.

Independent Monitoring Visits of Children's Homes. Children's Homes are already required to have arrangements in place for a person outside of the home to visit each home on a monthly basis to speak to children and staff and report to the homes provider on the quality of a home's care. We now intend to amend children's home regulation 33 so that the visits focus much more clearly on children's experiences of living in the home and how far the home is effectively safeguarding them and to specify that the monthly quality assurance visits should be carried out by someone *independent* of the home.¹⁵ In addition to this, we will require that authorities placing children in the home receive a copy of the visitor's report. Local authorities where homes are located will be able to request copies of these reports.

Qualification levels of staff. Amend regulations 25 and 26 to specify that the staff at the home should be employed on the basis that they will complete the minimum required qualification levels, which must be achieved within a specified time period (two years of commencement in role for children's homes staff and three years for registered managers).

A more detailed statement of purpose. Amend schedule 1 of the children's homes regulations to ensure that the home's required statement of purpose is a more specific and accurate description of the home's approach to care. Where homes claim to provide clinical therapeutic services, the statement should include information about the evidence base for the clinical intervention and how the effectiveness of it is measured is included in the statement of purpose.

Costs and benefits

20. In this section we lay out the costs and benefits associated with the changes included under policy option 2. These impacts are expressed relative to the do-nothing case (policy option 1). The main groups in society affected by the measure are looked after children, children's homes providers (including units run by local authorities and homes under private or voluntary sector ownership), and local authorities and the police service (via their interactions with the providers of homes).

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

¹⁴ The Children's Homes Regulations 2001 and Children's Homes (Amendment) Regulations 2011 can be found here: <http://www.legislation.gov.uk/ukxi/2001/3967/contents/made>

<http://www.legislation.gov.uk/ukxi/2011/583/made>

¹⁵ Currently, under regulation 33, a monthly visit must be completed to all children's homes and units run by a local authority by a person not employed at the home nor directly responsible for it. This person must compile a written report of their findings, which is then submitted to Ofsted within 4 weeks of completion of the visit. The purpose of the visits are to ensure that the children are being appropriately cared for and their individual needs are being met and to assist in service development by providing a regular independent perspective on the functioning of the children's home.

21. Prior to consultation we submitted and received questionnaire responses from five providers regarding their expectations of the resource burden associated with each of the regulation changes. Over the course of the consultation we submitted and received responses from a further six providers in order to better strengthen our understanding and estimates. These eleven providers, in total, vary in terms of their size (e.g. in terms of the number of homes that each owns). Using unpublished Ofsted home registration and inspection data, we estimate that these providers represent the views of over 200 homes in England. The total number of homes in the England is approximately 2,000. In addition to these questionnaires, we also included questions regarding the expected resource implications of the proposals in the consultation document itself.¹⁶ The responses received from both these sources form the key evidence base that we use below to monetise the costs of the set of proposals. For many of the individual regulation changes outlined above, providers differed in their opinions regarding the size of the resource implication. Their text responses indicate that, largely, this is an artefact of differences in their current practices (and therefore the size of the additional effects to each of them). 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.
22. Key statistics on the number of homes and the number of children affected by the policy measures are as follows:
- **The number of homes.** Data collected by Ofsted shows that, at 30 September 2012, there were 549 local authority provided children's homes and 1,533 homes run by private or voluntary sector providers.¹⁷ These 2,082 homes were made up of the following types: children's homes (1,976), secure children's homes (16) and residential special schools registered as children's homes (90). Homes today typically have 4-6 places. Over 100 are single-placement with accommodation for just one child.
 - **The number of children in homes.** National statistics show that there were 5,070 children in homes subject to children's homes regulations as at 31 March 2012.¹⁸ Of these, 2,650 children were looked after within their council boundary. The remainder, 2,420, were in settings outside of their council boundary.
23. *The social benefits of a reduction in the number of runaways.* All of the measures under consideration here are expected to lead to a reduction in the number of runaway incidents. Evidence shows that children in care are three times more likely to run away. Such incidents generate costs to the children themselves, including putting them at risk of being physically or sexually abused or exploited. They also generate costs to the police, the wider criminal justice system, social services, as well as victims of potential criminal activities, and the birth families of these children.¹⁹
24. *Effect on Ofsted.* We do not consider there to be any resource implications to Ofsted or homes due to changes in how homes may be inspected following these regulation changes. Officials will remain in discussion with Ofsted about how these changes affect how children's homes should be inspected in the future.

Homes policies for managing missing persons incidents

25. *Looked after children.* This measure requires that homes have policies in place to prevent children going missing. It also requires that homes make best efforts to seek the views of the appropriate local services (e.g. host local authority and local police service) in the development of this policy. It also requires, for children that persistently go missing, that the home makes contact with the placing authority to request a review of the child's care plan. The measure intends to reduce the number of missing person incidents and to mitigate the issues that lead to these incidents. Running away has adverse implications for the safety of looked children and also necessitates the use of the public

¹⁶ <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>

¹⁷ <http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

¹⁸ <https://www.gov.uk/government/publications/children-looked-after-by-local-authorities-in-england-including-adoption>

¹⁹ The Children's Society (2011) *Make Runaways Safe Launch Report* London: The Children's Society
http://makerunawayssafe.org.uk/sites/default/files/Make%20Runaways%20Safe%20-%20full%20report_0.pdf

services to remedy.²⁰

26. *Private and voluntary sector home providers.* As noted in paragraph 21 above, to monetise the impact on business, we used responses from detailed questionnaires received from eleven providers. On requiring the home to make contact with the placing Authority if a given child persistently goes missing, all providers that responded reported they already do this as matter of course. We therefore place no additional cost estimate on this element. All the providers reported that they already have policies in place for their homes around what to do if a child goes missing. However, most indicated at least some additional resource requirements if regulations required them to have policies in place specifically around preventing children going missing that are developed after seeking and including the views of the host local authority, local police and other relevant local services. The responses reveal considerable variation in opinion around the expected level of resource required for these activities. The table below summarises. We categorise providers according to whether they report a ‘small’, ‘medium’ or ‘high’ expected cost associated with the measure.

| Category | Number of providers in Category | Detail on Individual Provider Responses |
|-------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Small cost | 5 | <ul style="list-style-type: none"> • Zero additional time as already in place (provider owns 11 homes) • Zero additional time on prevention policy, small un-quantified time for consulting (providers owns 1 home) • Small additional time per home as builds only slightly on current practice (provider owns 45 homes) • 3.5 hours in total to comply per home (provider owns 3 homes) • 6 hours per home (provider owns 5 homes) |
| Medium cost | 3 | <ul style="list-style-type: none"> • 16 hours per home (provider owns 133 homes) • Two days (provider owns 1 home) • A qualitative response noting staff training and time to liaise with police and LA (provider owns 6 homes) |
| High cost | 3 | <ul style="list-style-type: none"> • Around 33 hours on prevention per home, time noted to agree but unable to monetise (provider owns 3 homes) • 35 to 38 hours per home (provider owns 9 homes) • 20 hours of a staff training managers time, five hours training time for each staff member in a home (provider owns 8 homes) |

Note: We derived estimates of the number of homes owned by each provider through cross-reference of the providers name with Ofsted data.

27. There appears to be no correlation between the number of homes owned by a provider (e.g. the provider size) and the expected level of resources required from a home. For example, there is a single home owner business in the ‘small cost’ category and a single home owner in the ‘high cost category’.

28. To derive a best estimate we assume that each home in England requires 16 hours of additional time to comply with the regulation. This is approximately the mid-point of the time estimates reported by each provider in the table above. We utilise an estimated unit cost of £24.31 (2011/12 prices) for the hourly value of the resource based on figures in PSSRU (2012, p.195). Most providers reported that the home manager will be main staff member engaging in the activity. In line with HM Treasury guidance, this unit cost estimate incorporates salary and non-wage labour costs.²¹ Calculations are laid out below. We estimate a total expected cost of £617,860 (2013/14 prices) to private and voluntary sector home providers. We assume that this is a one-off cost rather than a recurring one as most providers explicitly indicated that the additional cost would largely be one off.

²⁰ The Children’s Society (2011) *Make Runaways Safe Launch Report* London: The Children’s Society

²¹ HM Treasury. (2011, p.20). *The Green Book: Appraisal and Evaluation in Central Government.*

PSSRU (2012, p.195) report cost estimates for a home care manger. The annual total of salary and salary on-costs is £36,666. Based on an estimated 1,508 working hours per annum this equates to £24.31 per hour. This estimate is consistent with hourly unit cost estimates for registered manger time given through informal conversations with children’s homes providers (stated estimates ranged from £20 to £30 per hour).

PSSRU (2012). *Unit Costs of Health and Social Care 2012.*

<http://www.pssru.ac.uk/project-pages/unit-costs/2012/>

| | Number of staff hours per year per home | Unit cost of staff time (per hour) 2013/14 prices ¹ | Total cost per private/voluntary sector home | Total cost across all private/voluntary sector homes ² |
|-------------------------|-----------------------------------------|----------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------|
| Best Estimate (one off) | 16 | £25.19 | £403.04 | £617,860 |

notes: ¹ values expressed in 2013/14 prices using the GDP Deflator Series

<https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013>

² Ofsted data shows that there are 1,533 homes run by private or voluntary sector providers

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

29. *Local authority home providers.* The costs of compliance for a local authority provided home is likely to mirror that for private or voluntary sector providers. We assume that the cost per home for local authority owned units is the same as that for private or voluntary sector homes. Calculations are below. Our best estimate of the total cost to local authority providers is £221,269 (2013/14 prices)

| | Number of staff hours per year per home | Unit cost of staff time (per hour) 2013/14 prices ¹ | Total cost per local authority sector home | Total cost across all local authority sector homes ² |
|-------------------------|-----------------------------------------|----------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------|
| Best Estimate (one off) | 16 | £25.19 | £403.04 | £221,269 |

notes: ¹ values expressed in 2013/14 prices using the GDP Deflator Series

<https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013>

² Ofsted data shows that there are 549 homes run by local authority providers

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

30. *Local authority safeguarding decision makers.* Home providers will be required to ‘seek the views’ of the host Local authority in the development of their run-away prevention policies. Local Authority resource will therefore be required to both accommodate these queries and to respond to them. In addition, the regulation also requires, for children that persistently go missing, that the home makes contact with the placing authority to request a review of the child’s care plan. This will have resource implications for local authorities if it leads to more care plan reviews. However, it should be noted that this cost is not directly imposed by the regulation amendment. In the consultation document we asked whether any of the proposed amendments to Regulation 16 (4) would incur any resource requirements and, if so, whether these can be described. Two Local authorities explicitly noted costs with a potential increase in Care Plan reviews. We do not attach a monetary value to this impact. Children’s homes are dis-proportionally located in some areas, so the impact will vary across Authorities.²²

31. *Police service.* Likewise, home providers will be required to ‘seek the views’ of the local police service in the development of their run-away prevention policies. Again, police resources will be required to accommodate and respond to these requests. Proactive work by the police in response to these requests will also lead have resource implications, however again this is not directly imposed by the regulation amendment. A police service responded to the consultation document, noting that “any proactive work to prevent a child going missing will have an impact on the coordinators who service this process, but if missing incidents can be reduced there will be a massive reduction in the use of police resources used to locate missing children.”

Notification of looked after children placed in or leaving an authority’s area

32. *Looked after children.* By requiring children’s homes to notify their area authority when a child from another local authority arrives at or leaves their home, host authorities will maintain better knowledge of all the vulnerable looked after children resident within their area. These will include children who require substantial additional support to keep them safe – e.g. children who have been trafficked or sexually exploited. The measure will ensure that these authorities can better monitor whether the children are accessing suitable services. It will also ensure that they have the capacity to make contact with the children’s responsible authorities whenever there are concerns about their care (e.g. if children are victims of offences in the host area or if they are charged with offences).

²² Over 50 per cent of Children’s homes in England are located in the North West, West Midlands, or South East. This estimate excludes secure children’s homes, children’s homes that provide respite care or short breaks only, and Residential Special Schools registered as children’s homes. <http://www.education.gov.uk/childrenandyoungpeople/families/childrenincare/childrenshomes/a00192000/childrens-homes-data-pack>

33. *Estimation of the expected number of notifications.* Direct estimates of the number of times children enter and leave homes based outside of their own local authority over a year are not available. We can, however, derive an indicative estimate based on some assumptions. There were 2,420 children in home settings outside of their council boundary and subject to children's homes regulations as at 31 March 2012.²³ Approximately 91 per cent of these children are in private or voluntary provision.²⁴ This equates to 2,202 being based in out-of-area private or voluntary sector homes and 218 in out-of-area local authority provision. The average length of stay in a children's home is around six months (Report of the Expert Group on Quality, p.14).²⁵ This implies approximately 8,808 notifications from private or voluntary sector providers over a year and 872 annual notifications from local authority providers.

34. *Private and voluntary sector home providers.* Providers report that they expect to have to engage in either zero or only marginal additional actions in order to comply with this requirement. The table below lays out a summary of the responses received from our provider survey. We asked providers if additional time would be needed and, if so, how many hours would be needed.

| Summarised provider response on the additional time required per notification | Number of homes owned by provider |
|---------------------------------------------------------------------------------------------------|-----------------------------------|
| No additional hours required | 1 |
| Zero - already do it. | 1 |
| No further staff hours (could be incorporated into existing procedures) | 45 |
| No additional staff would be necessary | 5 |
| Minimum | 8 |
| Minimum (any additional time needed would be of little effort) | 6 |
| Minimal (could be incorporated into existing procedures) | 11 |
| 10 minutes per child | 3 |
| 30 minutes per child | 133 |
| One hour per child | 9 |
| Entirely depends on nature of notification system imposed. Could range from 5 minutes to 4 hours. | 3 |

35. Choosing a single best time estimate for a per-child notification is challenging as it involves placing a numerical value on some qualitative responses (e.g. 'minimum'). We assume, as a best single estimate, that a notification takes on average 20 minutes of time. Most providers indicated that the notification will be under taken by a registered manager, so, as derived above, we use an hourly unit cost of £24.31 (2011/12 prices) for the basis of estimates. Calculations are shown below. We estimate a total cost of £73,958 per year for private and voluntary sector providers.

| | Number of notifications per year from voluntary/private sector provider homes | Total time required for notification (hrs) ² | Unit cost of staff time (per hr) 2013/14 prices | Total cost across all private/voluntary sector homes per year |
|--------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------|
| Best Estimate (per year) | 8,808 | 2,936 | £25.19 | £73,958 |

notes: ¹ given by 20 minutes of staff time per notification x number of notification per year.

² values expressed in 2013/14 prices using the GDP Deflator Series

<https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013>

36. *Local authority home providers.* Intuitively, it may require relatively less resource from local authority sector homes to notify the relevant team within the authority of out-of-area arrivals and departures. We chose, however, to adopt the same assumptions as for voluntary and private sector providers regarding the resource required as the exact same administrative tasks must be carried out. Calculations are below. We estimate a total annual cost of £7,322.

²³ see National statistics on Children looked after by local authorities in England, including adoption, table A3

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

²⁴ Department for Education (2012, p.14). Children's homes in England data pack

<http://media.education.gov.uk/assets/files/pdf/c/childrens%20homes%20data%20pack%20march%202012.pdf>

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

| | Number of notifications per year from local authority homes | Total time required for notification (hrs) ¹ | Unit cost of staff time (per hr) 2013/14 prices ² | Total cost across all local authority homes per year |
|--------------------------|-------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------|
| Best Estimate (per year) | 872 | 291 | £25.19 | £7,322 |

notes: ¹ given by 20 minutes of staff time per notification x number of notifications per year.

² values expressed in 2013/14 prices using the GDP Deflator Series

<https://www.gov.uk/government/publications/gdp-deflators-at-market-prices-and-money-gdp-march-2013>

37. *Local authority safeguarding staff.* Other local authority resources will be required to receive notifications from the homes in the area and to manage the collation of these notifications. A number of Local Authorities that responded to the consultation noted resource implications from having to collate extra notifications. In particular, areas with a relatively large number of homes will feel larger effects. We have not placed a monetary value on this impact.

Annual assessment of risks in the area of the home

38. *Looked after children.* The requirement for an annual assessment of the risks in a home's local area is expected to lead to more effective safeguarding strategies for homes. This will mitigate the dangers in the area, reducing the risk of children being victims of serious crimes.

39. *Private and voluntary sector home providers.* Providers who responded to our survey provided mixed opinions regarding the expected level of resource implication. The table below attempts to summarise the responses from the eleven providers and also indicates the size of each provider. Two providers reported zero additional cost. Two reported a relatively low cost of 10 or less hours per year per home. One provider reported 16 hours per home. Another reported a minimum of 16 hours, but more likely 3 to 4 working days. Two reported they expected 'large costs' but did not return a numerical response. The remainder submitted responses that we could not translate into a numerical estimate and/or interpret the size of cost they expect. Consultation responses concurred with these findings with most providers that responded reporting that they expected additional resource requirements.

| Summarised provider response on additional time required each year per home in order to produce an annual risk assessment | Number of homes owned by provider |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| None at all. We risk assess every aspect of the home and the environment, regularly, and are in close connection with Police and LAs. | 5 |
| This is something that we currently undertake on a continual basis in liaison with the police. | 11 |
| Initially four hours to research and write risk assessment. Then an hour and a half to arrange, meet, and agree changes. Then annually two hours to review and meet again. | 3 |
| 10 hours | 1 |
| 16 hours | 133 |
| Minimum of 16 hours, but more likely 3 to 4 working days | 9 |
| This would have a significant impact upon time and workload to arrive at an agreed risk assessment | 45 |
| Costs unknown but could include half a management post | 8 |
| Yes, and it would clearly depend on the nature and scale of the risk assessment involved | 1 |
| Not able to return a numerical response - notes that will be undertaken by house manager | 6 |
| no numerical response | 3 |

40. Given the range of opinions, it is challenging to cost the resource implications to all providers. We chose the approximate mid-point estimate of 16 hours per-year per-home as our best estimate. Eight providers explicitly stated that the registered manager of the home would carry out the activity. The estimate derivation is outlined below. We estimate an annual cost of £617,860 to private and voluntary sector home providers.

| | Number of staff hours per year | Unit cost of staff time (per hr) 2013/14 prices | Total cost per voluntary/private sector provider home per year | Total cost across all private/voluntary sector homes per year ¹ |
|--------------------------|--------------------------------|-------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------|
| Best Estimate (per year) | 16 | £25.19 | £403.04 | £617,860 |

¹ Ofsted data shows that there are 1,533 homes run by private or voluntary sector providers
<http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

41. *Local authority home providers.* The costs of compliance for local authority provided homes are likely to mirror that for private or voluntary sector providers. We therefore use the same assumptions as utilised for the private/voluntary sector providers to derive estimates. These estimates are detailed below. We estimate a total annual cost of £221,269 to these providers.

| | Number of staff hours per year | Unit cost of staff time (per hr) 2013/14 prices | Total cost per local authority home per year | Total cost across all local authority homes per year ¹ |
|--------------------------|--------------------------------|-------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------|
| Best Estimate (per year) | 16 | £25.19 | £403.04 | £221,269 |

¹ Ofsted data shows that there are 549 homes run by local authority providers
<http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places>

42. *Local services such as local authority safeguarding workers and police service.* In producing the risk assessment, homes must ascertain the views of the local services and where reasonable take them into account. We are unable to quantify or monetise the cost of this to local services.

Independent Monitoring Visits of Children's Homes

43. *Looked after children.* This measure requires that: monthly quality assurance visits are to be carried out by someone *independent* of the home; the written report includes an assessment as to how well children in the home are safeguarded and their welfare is promoted; and authorities placing children in the home receive a copies of the visitor's report. This is expected to lead to welfare benefits to children as an independent review is more likely to raise quality and safety issues immediately, without fear of repercussions within the organisation. The independent reviewer will seek to ensure any quality or safety issues are addressed at subsequent reviews.

44. *Private and voluntary sector home providers.* From the eleven providers that returned questionnaires, five reported zero additional costs as they already employ independent people to quality assure their homes. One reported that they use independent people for around 50 per cent of visits to their homes. The remaining five revealed that they do not currently use people independent from their home to conduct visits and write the reports. The table below summarises the responses as concisely as possible. The table also shows that there is wide variation across providers in the reported price currently paid (or expected to be paid) for an individual quality assurance visit. Of those who report prices, it ranges from £67 a visit to £350 (+expenses) per visit.

| Summarised provider response on additional cost for requirement that Regulation 33 visits should be carried out by someone independent of home | Number of homes owned by provider |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| No additional costs. Currently pay an independent visitor (retired senior Ofsted inspector) £200 per month for three homes (= approx. £67 per visit) | 3 |
| No additional costs. Already employ an individual who is separate from the management structure. | 11 |
| No additional costs. Already commission the services of independent regulation 33 consultants for visits. Cost is £100 per visit | 3 |
| No additional costs. Already commission a former registered manager to conduct and report Regulation 33 visits. Cost is £350 per visit | 5 |
| Currently use managers from other parts of organisation. Think these would be classed as independent, so no additional cost | 1 |
| Currently use independent people for 50 per cent of visits. The average cost is £150 per visit and they are qualified social workers | 8 |
| Yes. Does not quantify cost | 6 |
| There would be significant costs to the company. Currently visits are undertaken by a range of senior managers in homes which are not their direct responsibility. | 45 |
| The additional cost would be up to £200 per visit | 133 |
| Additional cost from between £30 per hour to £220 per visit to an individual consultant. | 1 |
| Additional cost would be around £350 plus expenses per visit to training providers or consultants | 9 |

45. On the basis of this evidence, we assume that half of homes will face no additional costs due to the measure and the remainder will. We assume that the price of a visit is £205. This is approximately the average of the set of reported prices (£67, £100, £350, £150, £200, £220, £350). The cost calculations are laid out below. We estimate an additional financial cost of £1,886,820 per year to the private and voluntary sector home providers.

| | Number of private/voluntary sector homes who will now need to pay for independent visits | Expected annual cost of payments per year per home | Total additional cost faced by private/voluntary sector homes |
|-------------|------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------|
| Upper bound | 767 ^a | £2,460 ^b | £1,886,820 |

^a There are currently 1,533 homes run by private or voluntary sector homes. Half of these are estimated to already pay for an independent regulation 33 visitor.

^b Given by £205 per month x 12 months

46. *Local authority home providers.* For homes run by local authorities, these visits will already be conducted by individuals independent of the home. Often these visits are conducted by local councillors or by Independent Reviewing Officers for looked after children. Therefore, local authorities are meeting this standard already and will face no additional costs.

47. *Local authority safeguarding teams.* Under this regulation change, the placing authority will receive a copy of the visitor report each month. Local authorities where homes are located will be able to request copies of these reports. There will therefore be local authority resource required to receive and process the receipt of the reports.

Qualification levels of staff

48. *Looked after children.* Ensuring that children's home staff complete the minimum required qualification levels within a specified period aims to ensure that the workforce is equipped with the proper skill levels to serve their highly demanding roles. This would be expected to generate benefits to the children in the homes through a service that better meets their needs.

49. *Private and voluntary sector home providers.* The qualification requirement has been part of National Minimum Standards for Children's Homes since 2001 and so does not represent a new burden. What is new is the requirement to gain the qualification within a specified time period. We asked eleven home providers the additional cost they expect if regulations were amended to specify that home care workers and registered managers have to complete the required qualification in a set time period. All the providers that responded to our survey reported zero or minimal cost implications for this measure either because it is already home policy and/or all their existing staff members already have the required qualifications. The only hint of resource implication was one single home

provider who noted that that one of their current care workers will be affected (out of a total of 12 staff). Another provider also noted that although they expect zero additional cost, that some staff members can struggle to achieve the qualifications in a two year time frame. Given this evidence, we are unable to attach a reliable total cost estimate to providers associated with this measure. The evidence gathered over the course of the consultation suggests that only a small number of providers will be affected by measure. The costs to providers will relate to their contribution to course fees and costs related to staff turnover. As noted in paragraph 9 above, future policy intentions (not considered explicitly here) include a whole-scale review of the training and qualifications for those working in and managing children’s homes. Evidence gathered suggests that increasing the minimum qualification levels would have more notable cost implications for providers.

50. *Local authority home providers.* As above, we attach no cost implication to providers from this measure.

A more detailed statement of purpose

51. *Looked after children.* Improving the freely available information on the service provision of homes in the sector will aid commissioning local authorities in their decision as to home choice for their looked after children. This will result in placements that better match the needs of the children.

52. *Private and voluntary sector home providers.* Seven out of eleven providers of the providers that responded to our questionnaire reported that they expected no or minimal cost associated with this requirement. They highlighted that their current statements already include the additional information to be required. One suggested a small additional, but one-off, cost of around two and a half hours shared between the home manager and an administrative assistant. The remaining three providers did, however, argue that there would be more notable resource implications from the measure. One could not quantify, noting that it depends on the level of evidence required and therefore may be high. One suggested an additional 60 hours of home manager time a year. The other suggested an additional 30 to 40 hours annually, with perhaps a slightly higher resource burden in year one. Most providers reported that their statements are reviewed and updated frequently.

| Summarised provider response on additional cost for requirement that a more detailed statement of purpose is produced for each home. | Number of homes owned by provider |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| No | 45 |
| No | 133 |
| No | 1 |
| No – information already included in home’s statement of purpose which is updated annually. | 6 |
| No – information already included in home’s statement of purpose | 3 |
| No – we include this already | 1 |
| Updating with any additional information would require the allocation of a minimal resource | 11 |
| Two hours for home manager to update and 30 minutes of administrative time to print and distribute, per home. A one-off cost. | 3 |
| The costs would depend on the level of evidence required. Could be high. | 5 |
| Five hours per home, per month | 8 |
| Approximately 8 hours for registered manager and on-going revision and update of all procedures approximately 30 to 40 hours annually | 9 |

53. On the basis of this information we assume that 3 out of 11 homes will face an additional cost. We assume that this will be 47.5 hours of managerial time per year (e.g. (60 + 35) / 2). The cost calculations are laid out below.

| | |
|----------------------------------------------------------------------------------------------|-------------------------|
| Number of private/ voluntary sector homes who will need to update their statement of purpose | 418 ^a |
| Total amount of private/ voluntary sector home time per year (hrs) | 19,855 hrs ^b |
| Cost of one hour of registered manager time (2013/14 prices) | £25.19 ^b |
| Total on-going cost to private and voluntary sector homes | £500,147 |

^a There are currently 1,533 homes run by private or voluntary sector homes. 3 out of 11 of these are estimated to be required to up-date their statement of purpose.

^b Given by 47.5 hours per home multiplied by 418 homes.

54. *Local authority home providers.* We adopt analogous assumptions to derive the cost implications to local authority providers. The details are laid out below.

| | |
|------------------------------------------------------------------------------------|---------------------|
| Number of local authority homes who will need to update their statement of purpose | 150 ^a |
| Total amount of local authority home time per year (hrs) | 7,125 hrs |
| Cost of one hour of registered manager time (2013/14 prices) | £25.19 ^b |
| Total one-going cost to local authority homes | £179,479 |

^a There are currently 549 homes run by private or voluntary sector homes. 3 out of 11 of these are estimated to be required to up-date their statement of purpose.

^b Given by 47.5 hours per home multiplied by 150 homes.

55. *Local authority commissioning staff.* A residual benefit may be felt by local authorities via the reduction in search costs when looking for a home for a child with a plan for a placement at a children's home.

Summary of assessment and monetised costs and benefits

56. *Summary of the magnitude of the problem under consideration.* Above we laid out a detailed assessment of the problem under consideration (see paragraphs 4 to 8). Children's homes accommodate one of the vulnerable groups in society. A high proportion of children in these homes (44 per cent) are placed in settings outside of the local authority that are responsible for them. This is concerning as evidence shows that being placed far from friends and families is often a factor in causing children to run away. Estimates of the number of children who go missing from care (10,000 per year) and the number of looked after children using child sexual exploitation services (see footnote 6) are alarming. The system, as a whole, is characterised by information asymmetries, a lack of clarity around responsibilities, and a lack of information sharing. In part, this helps explain why 22 per cent of homes are located in the top 25% most deprived areas of England (see paragraph 5). Placing authorities are required to notify host authorities before a child is placed in their area, though evidence suggests that this notification does not always happen (see paragraph 6). Although this is a 'minimal' required action by the placing authority, the consequences of non-notification can be substantial due the high vulnerability of the group under consideration. It can severely limit the host Authorities ability to take actions to safeguard the children (see paragraph 6). Reports from a number of in-depth studies reveal that Local authorities, as a whole, lack good information on the quality of individual homes. In particular, on how homes are able to safeguard the children they accommodate (see paragraph 7). Finally, there are concerns about the qualification levels of the workforce in the sector; the National Minimum Standards (NMS) only require that staff be 'working towards' the minimum required levels. This is felt to be an inadequate requirement for workers that care for some of the most vulnerable and challenging young people in society.

57. *Summary of response to the problem and expected impact.* We know that the quality of practice by

actors in the system varies. Some providers and local authorities deliver an outstanding service to the vulnerable children that they serve. This explains why some providers and local authorities reported that they expect no, or only modest, additional resource implications associated with the regulation amendments (see paragraph 21). However, the evidence we have gathered suggests that the amendments will have a notable effect on the practice of a large number of providers in the market. On 'policies for managing missing persons incidents', eight out of eleven of the providers we surveyed indicate additional resources being required to having policies in place around preventing children going missing. Seven reported additional resource being required to notify the area authority of out-of-area arrivals and departures. Most reported additional costs for annual risk assessments. Around half reported costs for monitoring visits being undertaken by people independent from the home. No providers that responded to the survey reported costs associated with the qualification requirements, however evidence gathered (see paragraph 8) suggests that some providers in the market will be affected. Finally, around half of the providers reported resources being required for a more detailed statement of purpose.

58. In the section immediately above we described in detail the costs and benefits to all the main groups associated with all the proposed amendments to the Children's Homes Regulations. Here we lay out a summary of the monetised costs and benefits to private/voluntary and local authority providers.

Table: Summary of monetised costs, by measure

| | Cost to private and voluntary sector home providers (best estimate) | Cost to local authority home providers (best estimate) |
|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------|
| Homes policies for managing missing persons incidents (one-off) | £617,860 | £221,269 |
| Notification of looked after children placed in or leaving an authority's area (each year) | £73,958 | £7,322 |
| Annual assessment of risks in the area of the home (each year) | £617,860 | £221,269 |
| Independent Monitoring Visits of Children's Homes (each year) | £1,886,820 | £0 |
| A more detailed statement of purpose (each year) | £500,147 | £179,479 |

Table: Series of annual monetised costs to private, voluntary, and local authority providers

| Appraisal Year | mid bound (undiscounted) monetised costs (2013) prices |
|----------------|--------------------------------------------------------|
| 0 | £4,325,984 |
| 1 | £3,486,855 |
| 2 | £3,486,855 |
| 3 | £3,486,855 |
| 4 | £3,486,855 |
| 5 | £3,486,855 |
| 6 | £3,486,855 |
| 7 | £3,486,855 |
| 8 | £3,486,855 |
| 9 | £3,486,855 |

Risks and Assumptions

59. In monetising future costs we have assumed that the number of children's homes in the future remain at current levels. Changes in the number of homes in the market via attrition and new entry will lead to different realised impact values.

60. 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 imposed on them. 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 to local authorities. A number of providers reported the possibility of

this in their responses to the consultation.

61. All of these amendments explicitly attempt to improve the quality of the service offered by homes (which may manifest in better Ofsted ratings). Given this, it is likely that these changes will impart a higher willingness to pay by local authorities for the services offered by these homes.

Costs and Benefits to Business and OITO Status

62. We have documented the monetised costs to private and voluntary sector providers for each measure above. Over a ten year appraisal period, the business net present value is £-27.12m and the net cost to business per year (EANCB on 2009 prices) is £2.59m. These measures are in scope of OITO and are classified as an IN under the methodology.²⁶

Table: Series of annual monetised costs to private and voluntary providers

| Appraisal Year | mid bound (undiscounted) monetised costs (2013) prices |
|----------------|--------------------------------------------------------|
| 0 | £3,696,646 |
| 1 | £3,078,786 |
| 2 | £3,078,786 |
| 3 | £3,078,786 |
| 4 | £3,078,786 |
| 5 | £3,078,786 |
| 6 | £3,078,786 |
| 7 | £3,078,786 |
| 8 | £3,078,786 |
| 9 | £3,078,786 |

Micro Business Assessment

63. We are aiming for the regulation amendments to come into force in January 2014. Here, we outline how the measures affect micro-businesses.²⁷

64. A national register counting the number of employees of each children's home provider does not exist. We can, however, estimate the number of providers that employ fewer than 10 employees by combining unpublished Ofsted data showing the owner of each home and the number of children each home can accommodate and sector feedback on the typical number of employees in a single home.

65. Feedback gathered from the sector reveals that the standard 'model' for an average sized children's home (between 4 and 6 places) is around 10 employees (a manager, a deputy manager, three team leaders, three resident workers, a handful of casual workers for when needed, and a proportion of an education officers time). This implies that an average sized single children home is potentially classed as a micro-business.

66. There are approximately 450 distinct owners of the 1,533 private and voluntary sector firms in the market. 231 of these own only one home. 179 of these single-owner homes can occupy seven or less children. Potentially, of course, a business that owns two homes may employ less than 10 employees if the homes occupy only a small number of children. There are 29 businesses that own two homes with a combined total capacity of seven or less children.

67. We therefore estimate that there are 208 micro-businesses affected by these regulations. In total, these businesses are estimated to own 237 homes (e.g. 179 + (29x2)).

68. The analysis and findings reported above revealed that the expected cost of each regulation

²⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31616/11-671-one-in-one-out-methodology.pdf

²⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/211981/bis-13-1038-better-regulation-framework-manual-guidance-for-officials.pdf

amendment to private and voluntary sector homes was unrelated to provider size. This is, there was no noticeable correlation between the reported expected cost faced by a given home and the size of the provider that owned that home. For this reason we can derive the expected total costs to micro-businesses by applying (237/1533) to each line in the series of costs to business as a whole reported in the table under paragraph 62. The present value of the costs to micro business over a ten year appraisal period is £-4.19m.

69. We do not believe that small providers can be exempt from these regulatory proposals in any way consistent with the policy objectives. The measures seek to ensure that the regulation framework serves to adequately protect the welfare of a highly vulnerable group in society. It would not be possible to meet the stated policy objectives if there were any exemptions for smaller providers to engage in the required activities brought about by the amendments.