

Title: Amendments to regulations to enable the single registration of multiple childcare premises, including childminders on non-domestic premises. IA No: RPC13-FT-DfE-1904 Lead department or agency: Department for Education (DfE) Other departments or agencies: N/A	Impact Assessment (IA)		
	Date: 20/03/2015		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
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Summary: Intervention and Options		RPC Opinion: Awaiting Scrutiny	

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
£0.378m	£0.378m	-£0.033m	Yes OUT

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

Currently, childcare providers are required to make a separate registration with Ofsted for each set of premises from which they intend to operate. This may be discouraging providers from setting up new (or expanding existing) provision. Through the Small Business, Enterprise and Employment (SBEE) Bill, the government is putting in place deregulatory measures to enable childcare providers to make a single registration application in respect of suitable multiple premises and/or to add additional settings to an existing registration. This includes childminders who will be able to use their existing childminder registration to operate from one or more non-domestic premises for up to half their time.

What are the policy objectives and the intended effects?

The policy objectives and intended effects are to: simplify and create a more consistent and coherent childcare registration system by removing unnecessary red tape; encourage the expansion of high quality registered childcare provision; and promote a prosperous and growing childcare market that meets the rising and varying needs of working families.

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

The government committed to go ahead with these measures as part of its response to the Regulation of Childcare consultation, which was published in February 2014. These regulatory changes are necessary in order to commence the measures in the SBEE Bill. Nearly half of the respondents (48%) to the consultation were in favour of simplifying the registration process, whereas a quarter (22%) were not sure and wanted assurance that a robust system would be in place to ensure safety and/or quality. The government was clear that Ofsted should satisfy itself that each of the premises approved is suitable.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded:	Non-traded:

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

Signed by the responsible Minister: _____ Date: Sam Gyimah
e: 20/03/2015

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

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

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

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

There are no expected monetisable costs to providers as a result of these deregulatory measures, which simplify the process for childcare providers and childminders.

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

There may be some one-off familiarisation costs to existing providers arising from an amended online registration form. However, we judge these to be negligible because the online form will simply remove duplicatory fields i.e. there will be no additional data fields for providers to complete. It would be disproportionate to attempt to monetise these costs. See paras 21-22 for other non-monetised potential costs to criminal justice system agencies.

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

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

As we are making the registration process easier for providers, we expect there to be a reduction in the time and consequent administration cost it takes to complete a single application with multiple premises. For childminders, there is an additional monetised benefit as in future they will no longer need to hold two separate registrations (one for domestic premises and another separate registration if they also wish to work from non-domestic premises).

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

N/a

Key assumptions/sensitivities/risks

N/a

Discount rate (%)

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs:	Benefits:	Net:	Yes	OUT

Evidence Base (for summary sheets):

Background:

- 1) We previously submitted a Regulatory Triage Assessment (RPC13-FT-DfE-1904) for the proposed changes on 18 September 2013. The Regulatory Policy Committee (RPC) confirmed on 3 October 2013 that this is a deregulatory proposal.
- 2) There is a deliberate omission in this final stage validation IA that relates to one of the proposals in the original RTA. The original RTA set out the government's intention to replace the (still) existing General Childcare Register (GCR) with a new Child Safety Register (CSR). However, as time passed, it became apparent that changing the name of the register, which could only be achieved through amending primary legislation, was unnecessary given that the substantive changes had already been made to the underpinning regulations. DfE has worked with its contracted early years strategic partner and other key stakeholder communication channels to inform the sector that the GCR will retain its current name (with no plans to change it to the CSR).
- 3) We are planning to introduce the Childcare Act 2006 (Commencement and Transitional Provisions) Regulations 2015 and amend the following existing regulations via the Childcare (Miscellaneous Amendments) Regulations 2015:
 - Childcare (Supply and Disclosure of Information) (England) Regulations 2007;
 - Childcare (Early Years Register) Regulations 2008;
 - Childcare (General Childcare Register) Regulations 2008;
 - Childcare (Early Years and General Childcare Registers) (Common Provisions) Regulations 2008;
 - Childcare (Fees) Regulations 2008; and
 - Childcare (Childminder Agencies) (Registration, Inspection and Supply and Disclosure of Information) Regulations 2014.

Problem under consideration:

- 4) We are proposing to enable childcare providers to register more than one set of suitable premises in a single process and to notify Ofsted of any new premises without completing a further registration process, which includes childminders wishing to use their existing registration to operate from suitable non-domestic premises. Currently, childcare providers are required to make a separate registration with Ofsted for each set of premises from which they intend to operate, which may be discouraging providers from setting up new (or expanding existing) provision. These proposals will simplify the registration process for childcare providers by reducing unnecessary red tape and bureaucratic form filling, while maintaining the existing safeguards and welfare requirements for children.

Rationale for intervention:

- 5) In order to remove the requirement for childcare providers to register separately in respect of each of the premises from which they operate, the SBEE Bill makes a number of amendments to Part 3 of the Childcare Act 2006. The regulatory changes set out in this IA are consequential on this primary legislation and will enable the measures in the SBEE Bill to be commenced. To ensure the safety of children, childcare providers will still be required to obtain approval from Ofsted before they can operate from new or additional settings. Ofsted will also continue to inspect all Ofsted-registered early years settings and carry out

sample inspections of later years settings (as it does now), and will still be able to investigate and inspect all Ofsted registered settings about which it receives a complaint.

Policy options considered:

- 6) The *Regulation of Childcare* consultation (2013) sought views on proposals to simplify the system by allowing providers to register multiple settings in a single registration process, including childminders using their existing registration to operate on suitable non-domestic premises for part of the working week. The final measures aim to create a more consistent and coherent childcare registration system, remove unnecessary red tape and encourage the expansion of high quality registered childcare provision.

OITO classification:

- 7) This proposal is in scope of One-in, Two-out (OITO), and it is deregulatory.

Analysis of business costs and benefits:

- 8) **Costs to business / childcare providers** – These measures will help reduce bureaucratic form filling to reduce administrative costs and time to businesses. Ofsted will automatically migrate all providers' current (separate) registrations to a single registration at no cost to these providers when the measures are commenced.
- 9) **Fees for registering** as a childcare provider / childminder with Ofsted and for the required annual renewal fees for registration thereafter, are out of scope of this IA. The level of fees payable to Ofsted is already set in secondary legislation and once the SBEE Bill measures are commenced, the fees will remain on a 'like for like' basis. For example where a childcare provider might previously have registered ten premises, they would have paid ten separate registration fees. Under the new system, there will only be one registration application but the childcare provider will continue to pay a fee for each of the ten separate premises. The SBEE measures will reduce bureaucratic form-filling and duplication but the fee structure will remain on a like-for-like basis.
- 10) The DfE's "**Childcare and Early Years Providers Survey 2013**" (which provides the latest data of such providers) shows that there are 59,000 providers (excluding schools) offering a variety of provision including full day-care, sessional care and before/after school provision. There are a further 56,000 registered childminders. Supporting the childcare business sector is vital to the continuous expansion of high quality registered childcare to respond to families' evolving childcare needs. Enabling multiple and new settings to come under one registration will help encourage (often smaller) childcare businesses to expand by removing unnecessary "red tape". For example, at the moment a large nursery chain has to register separately for each of its settings. Once the legislation is in place, childcare providers, including childminders, will be able to register just once or add a setting(s) to their existing registration.
- 11) **For the purposes of this IA, however, we are more interested in the turnover in the childcare market rather than the existing stock of providers.** During the six month period from 30/09/13 to 31/03/14 there were 1,647 new registrations¹ with Ofsted for childcare on non-domestic premises. We do not have data about how many of these new 1,647 settings were attributable to existing providers as opposed to entirely new providers. However, Ofsted have estimated that of the 27,900 registered providers of childcare on non-domestic premises, there are 3,700 who have more than one setting registered to their

¹ Source: Registered childcare providers and places in England August 2014, Ofsted (published November 2014)

organisation, and together they account for approximately 11,900 registrations (so 42% of the total registrations). For the purposes of monetising likely savings to business, we have therefore assumed that these measures will save 700 (42% of 1,647) registrations in every six month period.

12) The savings to childcare providers wishing to register multiple premises are likely to be modest. The table (below) lays this out but we have assumed, taking account of views from Ofsted, that the amount of time saved in completing an online application form to register childcare provision in a setting will be approximately one hour on average (although this will vary according to the individual provider's circumstances). The savings per organisation will depend on its size e.g. there are a few very large nursery chains with 100+ settings and also some much smaller providers with only 2 or 3 settings.

13) The value of this saved time to the provider is uncertain. However, the mean hourly pay of a senior manager in a group setting (likely to undertake the application) is £11.20^[1]. We include an uplift to account for non-wage labour costs (NWLC), to estimate the value of one hour's managerial time to the provider. Alternative data sources can be used to calculate a percentage uplift to salary to account for NWLC across the economy. We have used the quadrennial Labour Cost Survey, the most recent version of which was undertaken in 2012 and available through the Eurostats website^[2] **[footnote:** <http://ec.europa.eu/eurostat/web/labour-market/labour-costs/database>]. We have used the general 'industry, construction and services' uplift (21%) in the absence of an estimate specifically for the childcare workforce. Note that the 'education' uplift (25%) presents an alternative, but we consider that this is likely to be too high. The average private and voluntary group-based childcare provider is likely to have a lower proportion of pension enrolments than the education sector as a whole. This brings the estimated time saving to £13.55 (=£11.20 x 1.21). Applying this to the 700 new registrations that will not be required under these measures equates to a modest average overall saving (in terms of staff time saved) of £9,485 in every six month period.

14) We will now consider the savings for childminders to operate for up to half of their time on Ofsted approved non-domestic premises without registering separately. Ofsted records show that in March 2013 there were 55,900 registered childminders². There were 2,967 new childminder registrations in the six month period from 30/09/13 to 31/03/14³. It is difficult to estimate accurately how many childminders currently operating solely from domestic premises might choose to also operate from non-domestic premises based on the advent of this new registration flexibility. Responses to the *Regulation of Childcare* consultation from childminders showed that around 40% welcomed the proposed new flexibility (of the childminders who responded, 25 supported the proposal, 26 did not and 10 said they were not sure). However this is a small sample and it would be unrealistic to assume that 40% of all childminders will actually take up the new flexibility (as opposed to welcoming it in principle). In order to monetise the potential savings we have therefore assumed that up to 10% of new childminders might take up this new flexibility.

15) The Childcare and Early Years Provider Survey does not collect the mean hourly pay for childminders. Their average hourly fee is £4.10 per child but this is likely to be an underestimate of their hourly pay as childminders can care for up to six children at a time. This is further complicated by the fact that childminders are self-employed and have different working patterns e.g. some only care for children from 3-6pm during school term time whilst others may care for pre-school children from 8am-6pm all year round. Given these

[1] Figure is taken from DfE's 'Childcare and Early Years Providers Survey 2013' -(published September 2014);

[2] <http://ec.europa.eu/eurostat/web/labour-market/labour-costs/database>

² Source: Childcare and Early Years Providers Survey 2013, DfE (published September 2014)

³ Source: Registered childcare providers and places in England August 2014, Ofsted (published November 2014)

complexities, we have used the minimum wage of £6.50 (at the present time) per hour as a conservative proxy in our calculations for the opportunity cost of an hour of their time. This is consistent with the median annual income of a childminder of £11,500⁴ (i.e. £11,500 divided by £6.50 and 48 wks = 37hrs per wk). Whereas we applied non-wage labour costs (NWLC) to value the time saving to group based providers, we do not consider it appropriate to include these for childminders. Given that childminders are self-employed, they will contribute to any private pensions from their gross earnings, and do not incur pay employer-based national insurance contributions. Hence the National Minimum Wage, excluding NWLCs is a more suitable (and conservative) approximation for the value of work time to the childminder.

- 16)** Applying the minimum wage to the 300 (10% of 2,967) registrations that will not be required under this measure, equates to a modest average overall saving (in terms of childminder time saved of one hour for each online registration) of £1,950 in every six month period.
- 17)** Furthermore, if a childminder wishes to operate from one or more non-domestic premises, currently they would have to register - separately - as a childcare provider (in addition to being registered as a childminder). The flexibility in the new system will allow childminders to operate from non-domestic premises for up to half their time using their current childminder registration (without needing to register separately as a childcare provider and incur a separate registration fee). Therefore, there is also a further potential saving of the one-off registration fee of £35.00 a childminder would otherwise have been required to pay to register one non-domestic setting. Applying this to the 300 registrations is an additional potential saving of £10,500.
- 18)** The attached table summarises the monetised benefits. Although we have drawn on the consultation to inform our assumptions, the estimates are inherently uncertain because of the nature of the measures i.e. we cannot be absolutely certain how many providers, including childminders will choose to take advantage of these deregulatory measures. However, our assessment is that the changes will represent a saving to providers and it would be disproportionate to gather better data/evidence.
- 19)** The total childminder benefit of £12,450 (= (£6.5 x 300) + £10,500) is added to the total group provider benefit (=£9,485) to estimate the total saving over a 6 month period, £21,935. Over a full year the annual benefit is estimated at £43,870, equivalent to two six month periods. Using the latest BRE IA calculator, we estimate the EANCB to be -£32,867.41 per year.
- 20)** We assume the Net Present Value base year is 2015. The appropriate price base year is also 2015, given that we have applied the latest National Minimum Wage estimate to childminders. The wages for senior managers in group settings are based on 2013 survey data – given that this is the latest data available and we are uncertain to what extent wages have risen since, we consider setting the base year to 2015 prices to be appropriate to that component of our estimates, also.

Potential impact on the criminal justice system

- 21)** The proposed changes also include a new offence for providers who operate out of premises which have not been approved by Ofsted. This closes a potential loophole that would otherwise have arisen and ensures that individuals who would have been guilty of the current offence of providing childcare without registration (i.e. section 34 and 53 of the Childcare Act 2006) are caught under the new system where they are not registered in

⁴ Source: Childcare and Early Years Providers Survey 2013, DfE (published September 2014)

respect of individual premises.

22) There may be associated costs to criminal justice system agencies (Crown Prosecution Service, Her Majesty's Courts and Tribunals Service, Legal Aid Agency) for any prosecutions of the new offence of providing provision (i.e. childcare and/or childminding) other than on approved premises. However, as volumes of prosecutions are expected to be very low and the offence is envisaged to be summary only with a maximum sentence of a fine, we do not anticipate any substantial downstream costs. This is also because the new offence closes a potential loophole and there have been very low levels of prosecutions for similar summary offences in the Childcare Act 2006 (only seven prosecutions in the last five years – 2009 to 2013)⁵.

⁵ Source: Justice Statistical Analytical Services – Ministry of Justice. The data covers the period of 2009 to 2013, and includes all summary offences under the Act, but excludes S.85. The figures given relate to persons for whom these offences were the principal offences for which they were dealt with. When a defendant has been found guilty of two or more offences it is the offence for which the heaviest penalty is imposed.. Every effort is made to ensure that the figures presented are accurate and complete. However, it is important to note that this data have been extracted from large administrative data systems generated by the courts and police forces. As a consequence, care should be taken to ensure data collection processes and their inevitable limitations are taken into account when those data are used.

Business affected	Description of economic impact of current Ofsted registration regulations	Data and assumptions underpinning analysis	Potential monetary saving
<p>1) Group-based childcare providers with more than one setting registered to their organisation</p>	<p>Administrative/staff time in-kind costs – Each childcare provider, regardless of sessional and/or full day-care, must register each of its new settings (including if it takes over a chain of settings), under separate registrations per setting. There is no cap on the number of settings a provider can register (although they must seek and obtain approval from Ofsted on the suitability of the provision) and each such transaction results in administrative time/related in-kind staffing costs.</p>	<ul style="list-style-type: none"> • During the six month period from 30/09/13 to 31/03/14 there were 1,647 new registrations⁶ with Ofsted for childcare on non-domestic premises. • We do not have data about how many of these new 1,647 settings were attributable to existing providers as opposed to entirely new providers. However, Ofsted have estimated that of the 27,900 registered providers of childcare on non-domestic premises, there are 3,700 who have more than one setting registered to their organisation, and together they account for approximately 11,900 registrations (so 42% of the total registrations). • For the purposes of monetising likely savings to business, we have therefore assumed that these measures will save 700 (42% of 1,647) registrations in every six month period. 	<ul style="list-style-type: none"> • Average of one hour of time saved for an early years professional to register their childcare provision in a setting. • Mean hourly pay of a senior manager in a group setting is £11.20⁷ which has been uplifted to £13.55 as explained above. • Applying this to the 700 new registrations that will not be required under these measures equates to a modest average overall saving (in terms of staff time saved) of £9,485 in every six month period.
<p>2) Childminders choosing to operate for up to half of their time on non-domestic premises under their existing domestic registration</p>	<p>Administrative/staff time in-kind costs – Each childminder must apply online to seek and obtain approval from Ofsted to have their request for registration approved – including to add new non-domestic premises, such as providing out-of-hours care on a site (e.g. a school). This incurs significant use of staff time/ associated in-kind costs that might be discouraging childminders from doing this and therefore, limiting childcare choice and coverage for parents – especially those of older children who are more likely to make use of this provision.</p>	<ul style="list-style-type: none"> • There were 2,967 new childminder registrations⁸ in the six month period from 30/09/13 to 31/03/14. • In order to monetise the potential savings we have assumed that 10% of new childminders might take up this new flexibility – so saving up to 300 new registrations. • There is also a further potential saving of the one-off registration fee of £35.00 a childminder would otherwise have been required to pay to register one non-domestic setting (because in future this non-domestic setting can be included in their single childminder registration fee). 	<ul style="list-style-type: none"> • Average of one hour of time saved for a childminder to register an additional setting. • Average of £6.50 per hour and applying this to the 300 registrations that will not be required under this measure, equates to a modest average overall saving (in terms of childminder time saved) of £1,950 in every six month period. • Further potential

⁶ Source: Registered childcare providers and places in England August 2014, Ofsted (published November 2014)

⁷ Source: Childcare and Early Years Providers Survey 2013, DfE (published September 2014)

⁸ Source: Registered childcare providers and places in England August 2014, Ofsted (published November 2014)

Business affected	Description of economic impact of current Ofsted registration regulations	Data and assumptions underpinning analysis	Potential monetary saving
			<p>savings in fees of £35 per new registration is an additional potential saving of £10,500 in every six month period.</p> <ul style="list-style-type: none"> • So a total of £11,730 in every six month period.