

Summary: Intervention & Options

Department /Agency: Department for Children, Schools and Families	Title: Fees for inspection of children's social care settings, residential special schools, boarding schools and residential further education colleges etc	
Stage: Final	Version: #0.4a	Date: 4/03/10
Related Publications: Her Majesty's Chief Inspector of Education, Children's Services and Skills (Fees and Frequency of Inspections)(Children's Homes etc)(Amendment) Regulations 2010		

Available to view or download at:

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

How to set the annual fees which are payable to the Chief Inspector (Ofsted) for the inspection (and where appropriate, regulation) of children's social care settings, residential special schools, boarding schools and residential further education colleges etc. Intervention is necessary to ensure organisations contribute equitably to the cost of their own regulation.

What are the policy objectives and the intended effects?

To set fees which are closer to Ofsted's actual costs of inspection (and where appropriate, regulation), thereby putting in place a fairer and more transparent approach to the cost of inspection for all children's social care, boarding schools, residential colleges and further education colleges.

What policy options have been considered? Please justify any preferred option.

- 0) To leave the fees unchanged.
- 1) To increase fees by 10% per year from 2010.
- 2) We also considered, as a subset of 1) – either adjusting the fees annually, using the finalised cost data from the financial year finishing 12 months earlier, or using a three-yearly cycle for setting fees.

The results of the consultation support our preferred option of introducing a fee increase of 10% per year from 2010, until providers have reached full cost recovery, and using a three-year cycle to set fees.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? After three years.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



5th March Date: 2010

Summary: Analysis & Evidence

**Policy Option:
Implementation of the
CYP Bill**

Description: As outlined in the evidence base.

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The total increase in fees payable to Ofsted by the providers covered in the 2010 regulations is approximately £0.5m in 2010, and is proposed to be £1m in 2011 and £1.5m in 2012 onwards.
	One-off (Transition)	Yrs	
	£ 0		
	Average Annual Cost (excluding one-off)		
	£ £1/2m		Total Cost (PV) £ 11.4m
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The total increase in fee income to Ofsted under the 2010 Regulations from the providers covered in the regs is approximately £0.5 m, and is proposed to be £1m in 2011 and £1.5m in 2012 onwards. This is intended to compensate Ofsted for reduction in fees charged to other providers.
	One-off	Yrs	
	£ 0		
	Average Annual Benefit (excluding one-off)		
	£ £1/2m		Total Benefit (PV) £ 11.4m
Other key non-monetised benefits by 'main affected groups'. The fee increases form part of a change in the fee charging model for the cost of inspections that, over time, will bring the fees for providers into line with the cost of inspection to Ofsted, and thus result in a more equitable fee charging system for providers.			

Key Assumptions/Sensitivities/Risks

That the increases are affordable to the 3,800 providers covered by the regulations. Providers have been consulted on the increases.

Price Base Year 2010	Time Period Years 10	Net Benefit Range (NPV) £ N/A	NET BENEFIT (NPV Best estimate) £ 0
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What is the geographic coverage of the policy/option?		England		
On what date will the policy be implemented?		April 2010		
Which organisation(s) will enforce the policy?		Ofsted		
What is the total annual cost of enforcement for these organisations?		£ N/A		
Does enforcement comply with Hampton principles?		Yes		
Will implementation go beyond minimum EU requirements?		No		
What is the value of the proposed offsetting measure per year?		£ N/A		
What is the value of changes in greenhouse gas emissions?		£ N/A		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)	Micro N/A	Small N/A	Medium N/A	Large N/A
Are any of these organisations exempt?	Yes/No	Yes/No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)		
Increase of	£ N/A	Decrease of	£ N/A	Net Impact £ N/A

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Background and Summary

1. Fees are payable to Her Majesty's Chief Inspector of Education, Children's Services and Skills ("the Chief Inspector") for applications for registration, or variation of registration, in respect of children's homes, voluntary adoption agencies, adoption support agencies, fostering agencies and residential family centres, and as annual fees for regulation and inspection by these establishments and agencies and for inspection by residential special schools, boarding schools and residential colleges, and by local authorities for inspection of their adoption and fostering functions. This covers approximately 3,800 providers.
2. The fees are set by Regulation. The principal regulations are *Her Majesty's Chief Inspector of Education, Children's Services and Skills (Fees and Frequency of Inspections) (Children's Homes etc.) Regulations 2007 No.694* ("the 2007 Regulations"). These Regulations were amended, in respect of annual fees for some of the providers, by *Her Majesty's Chief Inspector of Education, Children's Services and Skills (Fees and Frequency of Inspections)(Children's Homes etc) (Amendment) Regulations 2009 No.2724* ("the 2009 Regulations"). The 2009 Regulations came into force from 2 November 2009.
3. We have consulted on the level of fees that will be payable from April 2010, in order to set these into Regulations.

Options

Mismatch between fees and costs

4. The fees do not, in general, accurately reflect the costs of inspection. The majority of providers pay less than full cost, in some cases considerably less.
5. We therefore dismissed option (0) – to leave the fees unchanged.
6. In 2001, the Department of Health (DH) consultation paper *Frequencies of Inspection and Regulatory Fees* proposed a fee structure for regulatory work undertaken under the Care Standards Act (CSA) 2000 and a move towards full cost recovery within 5 years. DH Ministers later decided that the timetable for reaching full cost recovery should be slowed to allow more affordable increases. Fees increased by 20% in 2003-04, 20% in 2004-05, 20% in 2005-06 and 15% in 2006-07.
7. The Government's policy is to continue to move towards full cost recovery, but no changes to the fee levels were made in 2007/08 or 2008/09, mainly because it has been necessary to review the fee structure in the context of the transfer of regulation and inspection functions from the Commission for Social Care Inspection to the Chief Inspector.
8. Ofsted carried out an organisation-wide efficiency review, including a review of its modelling of compliance and inspection costs. As a result, data is now available for the costs of inspection and regulation for 2007-8 and 2008-9, which is based on a clear

model of the actual cost of inspection and other regulatory functions and which has been thoroughly reviewed and audited.

9. This detailed analysis of the costs of inspection etc provides a much more precise analysis of the actual costs of inspection than has previously been available. It has also shown that the actual costs of inspection are less than previous modelling suggested. In addition to this, Ofsted's recent efficiency savings have reduced the costs of inspection across all sectors.
10. The impact of these changes has been that a number of social care providers and residential special schools, residential colleges and boarding schools have been identified as paying more than the actual costs.
11. **Phase One** of our approach to this was for the fees as set out in the 2007 Regulations to be amended from 2 November 2009 to reduce the fees payable by those providers who were identified as paying more than the full cost of inspection and regulation, so as to reflect the average actual cost.
12. In addition, for those providers whose liability to pay an annual fee arose before the 2 November 2009 and who had not yet paid, we made provision for the date on which the annual fees are to be paid to be 2 November 2009, so that providers were invoiced for these new (lower) amounts.
13. For those providers who had already paid the annual fee set under the 2007 Regulations for this financial year which is greater than the fee set out in the 2009 Regulations, we proposed to refund this amount by a corresponding reduction in their fees in 2010-11.

Fees for 2010

14. For those providers whose fees have reached full cost, we proposed and have decided, following consultation, that Ofsted's cost data from 2008-9 will also form the basis for setting the annual fees for inspection from April 2010, for three years.
15. There still remains a large proportion of providers, largely of children's homes, who currently pay significantly less than the actual cost of inspection. We therefore consulted on how to move to a more robust and transparent approach to setting annual fees, which will aim to achieve full cost recovery over time.
16. The consultation proposed a two tiered model to changes in annual fees for children's social care settings and residential special schools, residential colleges and boarding schools as follows:
17. **Phase Two** of our approach is that those providers who are currently paying less than the average cost of inspection will have an annual 10% increase to their annual fee from 1 April 2010, for three years, until they have reached full cost recovery (or less than a 10% increase where providers are less than 10% from full cost recovery). Those providers whose fees reach full cost will remain at this level until the next review.
18. We considered an alternative option to have a higher rate of annual increase - above 10% - to reach full cost recovery quicker. However, given the current economic climate and the fact that many of the providers - particularly children's homes - are small, we have set the increase at 10% in order to set a balance between full cost recovery and affordability.
19. We also consulted on whether to set in place a three-yearly cycle for the setting of fees for those providers at full cost recovery, or whether to set the fees on an annual basis

each April to reflect finalised cost data from the financial year finishing 12 months earlier. The majority of consultation responses preferred the three-year option, so we plan to reflect this in the fee regulations. The fee levels for 2010-11, and also for 2011-12 and for 2012-2013 are set out in the Annex.

Costs and Benefits

Costs

20. The fees from April 2010 are set out in the table at Annex A. The increase in total fees raised as a result of the changes from 2009 levels is estimated to be roughly £ ½ m per annum, for 2010-11 to 2012-13 under the first three-year cycle.

Benefits

21. The benefit of the increase in fees is a corresponding increase in revenue to Ofsted.
22. The general benefits of moving towards full cost recovery are that it ensures that costs are transparent and are borne more equitably by the providers of services, as providers will no longer be significantly under or over charged in relation to the cost of inspection.
- **Implementation**
23. Ofsted will invoice providers according to the times set in the regulations, similarly to previous years.

Consultation

24. We carried out a 12 week consultation:
- 86% of respondents agreed that our approach towards full cost recovery over an extended time period strikes the right balance between full cost recovery and affordability
 - 75% of respondents supported 10% increases per annum for those providers whose fees are less than the actual cost of inspection.
 - 86% agreed with our proposals to move over time towards more a transparent structure for the setting of fees; where fees are based on the actual cost to Ofsted of inspection (rather than the number of places), with fees for those which have reached this level already being capped so that they do not exceed it.
 - 88% of respondents preferred to have a three yearly review of fees.

A report of the consultation outcome is available at <http://www.dcsf.gov.uk/consultations>

1. Devolved administrations

25. The Fees Regulations apply to England only.

Specific Impact Tests

Equalities impact

26. The proposals apply equally to all settings, regardless of the race, gender, or disability of the service providers or the children and young people.

Environmental and greenhouse gases impact

27. The Regulations will have no significant environmental impact including on emissions of greenhouse gases and no significant impact on sustainable development. Neither will they have a differential impact in rural areas or an adverse impact on rural circumstances and needs.

Small Firms Impact Test

28. The proposals have been made so that the impact on all settings, including small firms, will be manageable. The consultation found that, while providers did not welcome fee increases, the majority agreed with the 10% increases proposed (see para 24). A separate small firms impact test is not being completed.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Annual Fees 2010-2011 in the 2010 Regulations

[Note: this excludes some reductions for providers who overpaid in 2009-2010]

Voluntary adoption agencies

£759; or £379.50 in respect of each small branch.

Adoption support agencies

£759, or small adoption support agency £379.50.

Fostering agencies

£1597.

Children's homes

- 3 or fewer approved places, £1093.40;
- 4 - 76 approved places £1093.40 plus £108.90 for each approved place from the 4th to the 76th place inclusive;
- more than 76 approved places, £9120.

Residential family centre

- 3 or fewer approved places, £728.20;
- 4 - 7 approved places £728.20, plus £91.30 for each approved place from the 4th to the 7th place inclusive;
- more than 7 approved places, £1138.

Boarding school

- 3 or fewer approved places, £475.20;
- 4 - 21 approved places £475.20, plus £28.60 for each approved place from the 4th to the 21st place inclusive;
- 22 - 50 approved places, £994;
- 51 - 500 approved places, £1391;
- 501 - 800 approved places, £1789;
- more than 800 approved places, £2186.

Residential college

- 3 or fewer approved places, £475.20;
- 4 - 20 approved places £475.20, plus £28.60 for each approved place from the 4th to the 20th place inclusive;
- more than 20 approved places, £969.

Residential special school

- 3 or fewer approved places, £874.50;
- 4 - 26 approved places £874.50, plus £86.90 for each approved place from the 4th to the 26th place inclusive;
- more than 26 approved places, £2899.

Local authority adoption and fostering functions

- relevant adoption functions £1549
- relevant fostering functions £2185.70.

Annual Fees 2011-12 – planned to be set in future regulations

Voluntary adoption agencies

£834.90; or £417.45 in respect of each small branch.

Adoption support agencies

£834.90, or small adoption support agency £417.45.

Fostering agencies

£1597.

Children's homes

- 3 or fewer approved places, £1202.74;
- 4 - 69 approved places £1202.74 plus £119.79 for each approved place from the 4th to the 69th place inclusive;
- more than 69 approved places, £9120.

Residential family centre

- 3 or fewer approved places, £801.02;
- 4 - 6 approved places £801.02, plus £100.43 for each approved place from the 4th to the 6th place inclusive;
- more than 6 approved places, £1138.

Boarding school

- 3 or fewer approved places, £522.72;
- 4 - 17 approved places £522.72, plus £31.46 for each approved place from the 4th to the 17th place inclusive;
- 18 - 50 approved places, £994;
- 51 - 500 approved places, £1391;
- 501 - 800 approved places, £1789;
- more than 800 approved places, £2186.

Residential college

- 3 or fewer approved places, £522.72;
- 4 - 17 approved places £522.72, plus £31.46 for each approved place from the 4th to the 17th place inclusive;
- more than 17 approved places, £969.

Residential special school

- 3 or fewer approved places, £961.95;
- 4 - 23 approved places £961.95, plus £95.59 for each approved place from the 4th to the 23rd place inclusive;
- more than 23 approved places, £2899.

Local authority adoption and fostering functions

- relevant adoption functions £1549
- relevant fostering functions £2404.27.

Annual Fees 2012-13 – planned to be set in future regulations

Voluntary adoption agencies

£918.39; or £459.20 in respect of each small branch.

Adoption support agencies

£918.39, or small adoption support agency £459.20.

Fostering agencies

£1597.

Children's homes

- 3 or fewer approved places, £1323.01;
- 4 - 62 approved places £1323.01 plus £131.77 for each approved place from the 4th to the 62nd place inclusive;
- more than 62 approved places, £9120.

Residential family centre

- 3 or fewer approved places, £881.12;
- 4 - 5 approved places £881.12, plus £110.47 for each approved place from the 4th to the 5th place inclusive;
- more than 5 approved places, £1138.

Boarding school

- 3 or fewer approved places, £574.99;
- 4 - 15 approved places £574.99, plus £34.61 for each approved place from the 4th to the 15th place inclusive;
- 16 - 50 approved places, £994;
- 51 - 500 approved places, £1391;
- 501 - 800 approved places, £1789;
- more than 800 approved places, £2186.

Residential college

- 3 or fewer approved places, £574.99;
- 4 - 14 approved places £574.99, plus £34.61 for each approved place from the 4th to the 14th place inclusive;
- more than 14 approved places, £969.

Residential special school

- 3 or fewer approved places, £1058.15;
- 4 - 20 approved places £1058.15, plus £105.15 for each approved place from the 4th to the 20th place inclusive;
- more than 20 approved places, £2899.

Local authority adoption and fostering functions

- relevant adoption functions £1549
- relevant fostering functions £2421. [Note: this represents full cost (figures from 2008/09) thus does not have 10% increase in this year.]