

Summary: Intervention & Options

Department /Agency:
DCSF

Title:
Impact Assessment of regulations to introduce an independent review mechanism for fostering

Stage: Consultation

Version: 1

Date: 20 November 2008

Related Publications: White Paper - Care Matters: Time for Change

Available to view or download at:

<http://www>.

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

The lack of an independent mechanism for reviewing a fostering provider's decision not to approve a person as a foster carer is a concern to existing and prospective foster carers. When approval has been turned down, an individual is entitled to ask for review, but this is currently undertaken by the provider panel which made a recommendation regarding the original decision. This is in contrast to adopters who can choose review either by the agency's panel or by the independent review mechanism.

What are the policy objectives and the intended effects?

By allowing the review process to be independent of the original provider panel, it is expected to contribute to improving the recruitment, retention and supply of foster carers. Whilst the current supply of foster carers have the capacity to deal with current cases, the objective is for placements to better match the individual needs of looked after children, providing them with added stability. We expect that as a result, children in foster care will have better levels of wellbeing, are more likely be engaged with education and also avoid poor outcomes, such as teenage pregnancy and crime.

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

Two options have been considered:

- 1) Making no policy change; and
- 2) implementing an optional Independent Review Mechanism (IRM) through regulations under the Children and Young Persons Act (C&YPA).

It was decided that the change is necessary in order to improve the transparency of the approval process for foster carers and bring it in line with other parts of the children's social care workforce.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? IRM relates to a set of foster care commitments from Care Matters, which will be monitored via a published annual stock-take. IRM's operation will be reviewed when contract is renewed.

Ministerial Sign-off For SELECT 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:



24/11/08 Date:

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The costs include £250k p.a. to be paid to the contractor running the independent review mechanism on behalf of the Secretary of State, and £183,727 which is the estimated cost to the sector of the standard charge per review to be made of a provider whose decision is considered by the independent review mechanism.
	One-off (Transition)	Yrs	
	£	10	
	Average Annual Cost (excluding one-off)		
	£ 433,727	Total Cost (PV)	£ 3,733,349
Other key non-monetised costs by 'main affected groups' None			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
	£	Total Benefit (PV)	£ not estimated
Other key non-monetised benefits by 'main affected groups' By improving the approvals process for foster carers, The IRM will help attract people into fostering, thus widening the pool of foster carers and enabling better placement matches which will contribute to better outcomes for looked after children. A range of benefits can result but cannot be estimated accurately.			

Key Assumptions/Sensitivities/Risks Difficult to estimate likely take-up of IRM reviews by potential/existing foster carers. In addition, difficult to quantify the impact that the IRM will have on foster carer recruitment. Estimates on potential benefits to educational attainment provided in evidence base, but lack of clear evidence to establish causality

Price Base Year 2008	Time Period Years 10	Net Benefit Range (NPV) £ N/A	NET BENEFIT (NPV Best estimate) £ N/A
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What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?	April 2009				
Which organisation(s) will enforce the policy?	N/A				
What is the total annual cost of enforcement for these organisations?	£ N/A				
Does enforcement comply with Hampton principles?	Yes/No				
Will implementation go beyond minimum EU requirements?	Yes/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)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Yes/No</td> <td style="width: 25%; text-align: center;">Yes/No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	Yes/No	Yes/No	N/A	N/A
Yes/No	Yes/No	N/A	N/A		

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

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 Rationale

To become a foster carer, a person must be approved by their fostering provider. Where a prospective foster carer has their approval turned down, or an existing foster carer has their approval revoked or its terms amended, the individual can seek a review of that decision made by the fostering provider, which was informed by recommendations from the fostering provider's panel.

Fostering providers make the final decision about approval, it must take into account the recommendation of the fostering panel, which carers and stakeholders are concerned is insufficiently independent of the original panel. There is a potential market failure (moral hazard), because the foster provider panel has control over recommendations relating to approvals and appeals it provides no opportunity for an independent judgement.

The proposal here is to implement an independent review mechanism which will give foster carers the option of either having the decision reviewed by the original panel or having it independently reviewed by the independent review mechanism.

The independent review mechanism addresses this and brings foster carers in line with other members of the children's workforce who have access to an independent review of decisions. The independent review mechanism for foster carers is based closely on the independent review mechanism for adopters that has been in place for three years.

The independent review mechanism for fostering is part of a wider package of measures to improve the approvals process for foster carers, as stated in the Care Matters White Paper.

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Options considered

Two options have been considered:

- 1) Making no policy change; and
- 2) implementing an optional Independent Review Mechanism (IRM) through regulations under the Children and Young Persons Act (C&YPA).

It was decided that the change is necessary in order to improve the transparency of the approval process for foster carers and bring it in line with other parts of the children's social care workforce.

Costs

We do not expect the introduction of the independent review mechanism to introduce significant additional administrative burdens because foster carers can already apply for a review from the provider's panel. This means that (1) fostering providers are already used to preparing copies of documentation and making staff available to attend panel meetings for the purposes of reviews; and (2) the papers would still have to be provided by the fostering providers if the applicant had decided to apply to the provider's panel rather than to the independent review mechanism.

Costings for the Independent Review Mechanism (IRM)

An estimate of the number of applications that are likely to be made to the IRM has been based on the number of applications currently made to the adoption IRM, and a telephone survey of fostering providers.

Background – Adoption IRM

The fostering IRM is very similar to the adoption IRM. The adoption IRM received 68 applications for review between 30 April 2004 and 29 April 2008.

Currently an adoption agency is required to pay a standard unit cost of **£2,227** each time a qualifying determination which they have made is reviewed by the IRM. The standard unit cost that will be charged to fostering providers has not yet been set because it will be determined in discussion with the contractor who will manage the IRM on behalf of the Secretary of State. We are currently in the process of procuring the contract.

Fostering IRM costs

A telephone survey was conducted with fostering providers to gain a better understanding of the number of likely applications to the IRM. On the basis of this survey, we have made the following assumptions:

Prospective foster carers

- Approximately **2** foster carers who reach panel, are turned down per local authority (150 local authorities). Therefore it is estimated that approximately **300** prospective foster carers will be turned down per year.

(Evidence and research suggests that that the majority of applicants who are likely to prove unsuitable would be highlighted in the assessment stage and therefore would not reach the panel stage.)

- The applicant has the opportunity to either submit written representations within 28 days (as stated in the Fostering Services Regulations) or to request the Independent Review Mechanism (IRM) to review the case.
- It is estimated that **1** carer per authority will ask for their case to be reviewed either by the procedure stated in the fostering services regulations or via the IRM. Therefore it is estimated that 150 prospective carers will review the decision of the panel.

- It is estimated that of the 150 prospective foster carers, 70% will ask for their case to be reviewed via the IRM. It is therefore concluded that **105** prospective foster carers will use the IRM per year

Existing foster carers

- Foster carers whose approval has been terminated will also have the opportunity for their case to be reviewed via the IRM.
- It is estimated that approximately 1 foster carer will have their approval terminated per authority per year. Therefore it is estimated that approximately **150** foster carers approval will be terminated per year.

(Although many authorities may have more than 1 termination, research suggests that often a foster carers approval could be terminated for a number of reasons, including moving house, becoming successful adopters, health problems etc, these carers are unlikely to have a problem with their termination)

- It is estimated that **75** of these foster carers will ask for their case to be reviewed either by the procedure stated in the fostering services regulations or via the IRM. It is estimated that **60** foster carers will ask for the IRM to review their case.
- It is concluded that the Independent Review Mechanism will receive **165** applications per year. There are 429 fostering providers (150 local authorities and 279 active independent fostering providers), so it is estimated that there will be, on average, **0.38** applications per provider per year. Thus (if the unit cost were to be £2,227 in line with the current position for the adoption IRM) the average cost per provider per year would be **£857**, and the annual cost across the sector would be **£367,455**. This does not take account of the fact that this cost replaces the cost to the provider were the applicant to choose a review by the provider's panel. It is difficult to estimate the cost of a review by the provider's panel, but if it is assumed that it costs the provider half as much as a review by the IRM (i.e. **£429**), then the final cost per year across the sector would be **£183,727**.
- In light of the figures for adoption, these figures could be seen as generous. They will be reviewed in the first year.
- The present value of costs for the IRM is estimated to be **£3,733,849**. The main assumptions behind the costing are that the IRM will cost £433,727 per annum and will cover a ten year period discounted as per HMT's rate of 3.5% per annum.

recurring	
Annual cost	£433,727.00
Discount rate	3.50%

		Present Value Cost
Year 1 (2008)	£433,727.00	£433,727.00
Year 2	£433,727.00	£419,067.03
Year 3	£433,727.00	£404,884.15
Year 4	£433,727.00	£391,178.38
Year 5	£433,727.00	£377,949.71
Year 6	£433,727.00	£365,198.13

Year 7	£433,727.00	£352,836.91
Year 8	£433,727.00	£340,909.42
Year 9	£433,727.00	£329,372.28
Year 10	£433,727.00	£318,225.50

Total PV
costs 3,733,349

Benefits

It is hoped that improving the transparency of the approvals process will help attract more people to become foster carers. Current estimates show a national shortage of 5,000 foster carers. By allowing prospective and current foster carers the choice of having decisions about their approval reviewed by a panel independent of the original provider panel, it is expected to **contribute to improving** the recruitment, retention and supply of foster carers. Whilst the current supply of foster carers have the capacity to deal with current cases, the policy objective is for placements to better match the individual needs of looked after children.

We expect that as a result of better matching, children in foster care benefit from having higher levels of wellbeing, are more likely be engaged with education and also avoid poor outcomes, such as teenage pregnancy and crime.

Educational outcomes are predictors of outcomes in later life. Attaining five or more GCSEs at grades A*C was identified in the National Child Development Study as the threshold between those whose adult lifestyle was similar to that of their original families and those who had 'escaped from disadvantage' (Pilling 1990).

Jackson and Martin (1998, 1998b, 2002) found that the factors most strongly associated with later educational success for children in care were:

- **Stability and continuity** of home and school placements – where possible remaining in the same school when a placement change is unavoidable
- Educationally successful care leavers viewed positive encouragement from carers or parents as the most important contributory factor in their achievement
- The educational background and expectations of carers is highly significant
- Peer support of friends who do well at school
- A significant adult – a role model or mentor (not necessarily a parent or carer) who offered consistent support, encouragement and advocacy was identified as an important factor by high achieving care leavers
- Early reading
- Regular school attendance
- Developing out of school interests

Assuming that by introducing the IRM will improve the stability and continuity of home and school placements of children being placed in foster care, we expect that better educational attainment will improve for foster children. In 2007, there were 5,100 looked after children in year 11, of which 12.6% achieved 5 or more GCSEs at A* to C.

In 2008, 71% of all Looked after Children were in foster homes - 3,621 of them will be in year 11.

Internal analyses based on estimates from the Labour Force Survey shows, on average, a young person obtaining 5 or more 'good' GCSEs, compared to having no qualifications, earns £29,921 (females) or £60,160 (males) more over the course of their lifetime.

The break even point of the IRM is when the additional Government expenditure is offset by the additional monetised benefit of children looked after improving their educational attainment outcome as a result of IRM.

If the educational attainment of ten year 11 pupils in foster care per year improves as a result of IRM, going from no qualifications to 5 or more GCSEs at A* to C, then it will create a small present value of policy of £16,676 – see table 1. This represents 0.32% of all the children looked after in year 11 who did not obtain good GCSEs.

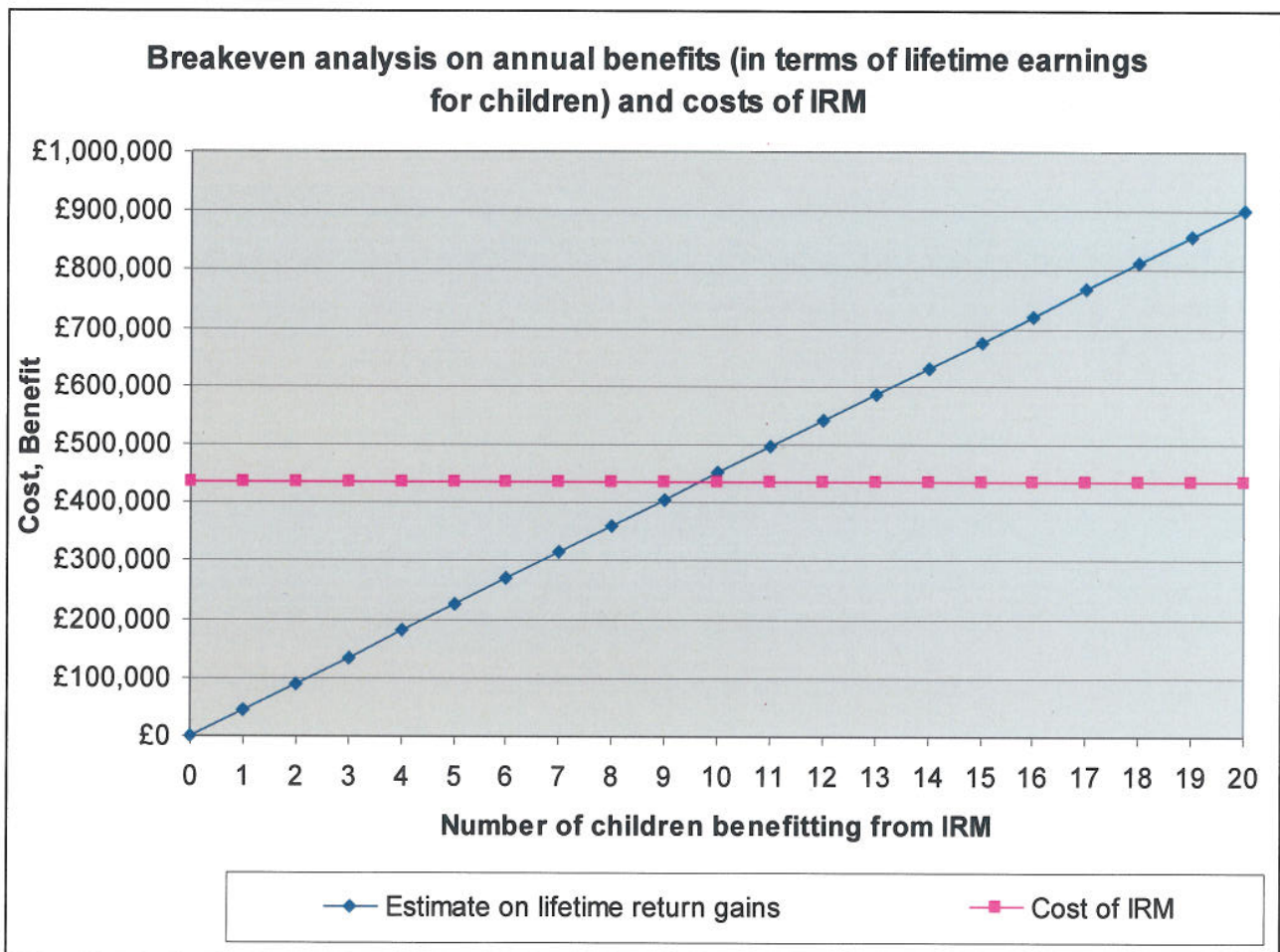


Table 1: breakeven analysis of IRM based on improving the educational outcomes for children at Key Stage 4

The increase in lifetime productivity of someone who, as a result of a policy intervention, gains 5+ GCSEs A* to C instead of 0 to 4 GCSEs A* to C is estimated using the method below:

Weekly earnings and employment rates for those who have 0 to 4 GCSEs A* to C are taken from the LFS for every age between 16 and 65. From this their lifetime productivity is calculated with the following factored into the calculation:

- 2% Real Earnings growth. Page 25, Paragraph 5.44, Bullet 3, Footnote 7 of *The Green Book (2003)*.
- 25% Non-wage labour costs, the additional cost employment.
- 3.5% Discount Rate for the first 30 years, 3.0% thereafter as per HMT's *The Green Book (2003)*. The discount rate has been included in the calculation so that lifetime earnings are given in NPV terms.

The weekly earnings and employment probabilities of individuals who gain 5+ GCSEs A* to C as a result of a policy intervention have been calculated as follows:

- An increase in employment probability resulting from gaining 5+ GCSEs A* to C as opposed to 0 to 4 GCSEs A* to C has been added to the employment rates of those with 0 to 4 GCSEs A* to C. The increase in employment probability was calculated by LFS data. This is for males only due to the higher number of controls that would be required for women due to childbirth.
- The wage return and employment probability calculations each control for age, age-squared, ethnicity, region and other qualifications held. The wage return calculation also controls for whether someone works in private or public sector.

This is consistent with McIntosh (2002) and Dearden (2000).

- Lifetime productivity was then calculated from the average weekly earnings and employment rates using the same technique as for those with 0 to 4 GCSEs A* to C.

Estimates are made for the increase in lifetime productivity of those who gain 5+ GCSEs A* to C as a result of a policy intervention. This is done by subtracting the average lifetime productivity of an individual with 0 to 4 GCSEs A* to C from the lifetime productivity of an individual who gained 5+ GCSEs A* to C as a result of the intervention.

Additional references

Jackson, S. and Martin, P.Y. (1998) 'Surviving the care system: Education and resilience', *Journal of Adolescence*, vol 21, pp 569-583.

Pilling, D. *Escape from Disadvantage*. London: Falmer Press, 1990.

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	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	No	No

Annexes

Equality Impact Assessment

Title

Independent Review Mechanism (Fostering)

Description of the policy

The independent review mechanism for foster carers (IRM) will give prospective and existing foster carers the option of an independent review of a fostering provider's decision to turn down, revoke or amend the terms of their approval as a foster carer.

Currently, an existing / prospective foster carer may have such a decision reviewed by the fostering provider's panel that recommended the original decision. With the introduction of the IRM they will have the option of either having the decision reviewed by the provider's panel or by the IRM. This brings foster carers in line with adopters who already have access to an IRM.

It is intended that the IRM will be in place by April 2009.

The evidence base

Disability

We have acknowledged that the present information base relating to disabled children needs to be improved. The Department published the results of a survey of Directors of Children's Services on the numbers and characteristics of disabled children and the services provided to them in June 2008

(http://www.dcsf.gov.uk/research/programmeofresearch/projectinformation.cfm?projectid=15219&results_page=1). It showed that local authorities experience many difficulties in identifying and counting disabled children and use different definitions of disability. This research is informing a joint DCSF/DH programme of work emanating from "Aiming High for Disabled Children" to improve local and national data on, and therefore services to, disabled children. DCSF and DH are also carrying out further research into the reasons behind different prevalences of SEN and disability across local authorities.

Ethnicity

The principle source of data regarding the ethnicity of looked after children is the SSDA903 statistical return, which uses ethnicity categories used by the Office for National Statistics.

What the evidence shows – key facts

Disability

- 28% of children in care have a statement of special educational needs, compared to 3% in the general population¹

- The Children in Need census 2005 recorded for a week services provided to all children in need and the characteristics of the group that received them. Of the 65,900 children in care who received a service in that week, 18% were disabled².

¹ Statistical first release, 24 April 2008, DCSF, Outcome Indicators for Looked After Children: Twelve Months to 30 September 2007, (England)

- 45% of 5 to 17 year old children in care have mental health disorders, 4 times higher than for other children³.

Ethnicity⁴

- At 31 March 2008, a quarter of all children in care were from minority ethnic backgrounds⁴.

- Children of African, African-Caribbean and mixed background with an African or African-Caribbean parent are more than twice as likely to be looked after than would be expected by numbers in the general population⁴.

Gender

- 56% of looked after children are male⁴. This proportion has stayed broadly consistent since 1996.

Challenges and opportunities

It is currently estimated that there is a national shortage of around 5,000 foster carers. The IRM is part of a package of measures within the Care Matters White Paper aimed at improving recruitment to the foster care role. It is hoped that by improving the approvals process, the independent review mechanism will attract more applicants, so increasing the pool of foster carers and enabling better matches of carer to child, contributing to better outcomes for looked after children. Because there are more boys, children from minority ethnic, religious and cultural backgrounds and children with special education needs or a mental problem within the looked after population, these groups of children should particularly benefit from these improved outcomes.

Equality impact assessment

An adverse impact is unlikely. On the contrary there is potential to reduce barriers and inequalities that currently exist. There is insufficient evidence, however, for this assessment to be made with as much confidence as is desirable.

Next steps

The IRM is part of a package of measures arising from the *Care Matters White Paper* to improve the recruitment, training and support of foster carers. As the White Paper is implemented, we will monitor looked after children including those in foster care according to ethnicity, gender and disability.

² Children in Need in England: Results of a survey of activity and expenditure as reported by local authority social services children and families teams for a survey week in February 2005, DfES. The notes on interpretation show that indications of prevalence should be made with caution and are only indications of prevalence of children in need of whom the local authority is aware. In the case of the looked after children subset of children in need there is perhaps greater reliability of extrapolation because by definition looked after children have to be known to the local authority.

³ *The mental health of young people looked after by local authorities in England* by Howard Meltzer et al, Office for National Statistics 2003.

⁴ Statistical First Release: Children Looked After in England (including adoption and care leavers) year ending 31 March 2008