Regulatory Policy Committee	**Opinion**	
Impact Assessment (IA)	Children's Homes Quality Standards Regulatory Reform	
Lead Department/Agency	Department for Education	
Stage	Final	
IA number	-	
Origin	Domestic	
Expected date of implementation	April 2015 (SNR 9)	
Date submitted to RPC	17 December 2014	
RPC Opinion date and reference	5 February 2015	RPC14-DfE-2142(2)
Departmental Assessment		
One-in, Two-out status	IN	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£0.53 million	
RPC Overall Assessment	**GREEN**	

RPC comments

The IA is fit for purpose. The IA says that this is a regulatory proposal that would impose a net cost on business (an 'IN') with an estimated equivalent annual net cost to business of £0.53 million. This appears to provide a reasonable assessment of the likely impacts.

The policy is estimated to provide ongoing annual benefits to business, caused mainly by increased flexibility in the reviewing and reporting process, that outweigh ongoing costs, which are mainly due to stricter fitness of owners tests. The reported EANCB is mainly caused by large transition costs associated with businesses having to adopt the new quality standards and to train staff accordingly.

Background (extracts from IA)

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

"The current regulatory framework for children's homes is excessively focussed on process and not on whether homes are delivering services which improve children's outcomes. There are currently high levels of poor quality provision, as highlighted by Ofsted inspections and recent reports on the quality of provision in the market. Government intervention is needed to place children's welfare at the centre of the regulatory framework so that inspection and enforcement are tied directly to how effectively providers' actions improve children's outcomes".

What are the policy objectives and the intended effects?

"The objective is to ensure that children's homes provide high quality care and

achieve positive outcomes for the extremely vulnerable group of children that they care for. We wish to revise the framework so that provider incentives are focussed on improving child welfare. We wish to support innovation in the sector by giving providers the freedom to strive for these improvements in a cost effective way. We expect to see higher and better levels of support for these children and corresponding improvements in their outcomes. By focussing on outcomes we expect providers to refocus resources in a more effective way".

Comments on the robustness of the OITO assessment

The IA says that this is a regulatory proposal that would impose a net cost on business (an 'IN') with an estimated equivalent annual net cost to business of £0.53 million. This is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10) and, based on the evidence presented, appears to provide a reasonable assessment of the likely impacts.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

The proposals increase the scope of regulation on business. A SaMBA is, therefore, required.

The SaMBA is sufficient. The Department estimates that there are 471 distinct private and voluntary sector owners of homes, owning 1,542 children's homes in total. 59 of these providers employ fewer than 10 staff and 404 employ fewer than 50 staff. Based on this, it appears that the large majority of providers (463 out of 471) in this sector are small and micro businesses. The Department states that these small and micro businesses own 44% of all children's homes.

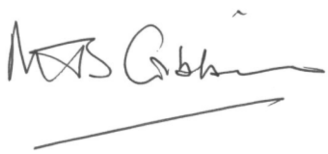
The IA explains that these businesses cannot be exempt from the proposal as to do so would not achieve the policy's objectives and instead would create a two-tier framework within the sector. However, the Department intends to procure a contractor to support the smaller providers in meeting the new quality standards (paragraphs 208 to 209). The IA would benefit from further detail on what support will be provided.

Quality of the analysis and evidence presented in the IA

The Department proposes to amend the regulatory framework so that it is focussed on improving outcomes for children rather than on the process involved. The proposal makes three amendments:

- creating quality standards within the Children's Home Regulations 2001 (as amended);
- streamlining existing regulations to minimise burden;
- redrafting existing National Minimum Standards to become a supplementary guide to the regulations.

The IA describes the effect of the proposals on the costs of operating children's homes. The Department estimates that these changes will impose one-off

transition costs of £6.7 million. These costs mainly consist of staff training to deliver a new programme of care and reviewing and re-writing home policies in response to the new quality standards. The policy is estimated to create ongoing costs of £84,000 per year for businesses, caused mainly by stricter fitness of owners tests. On this latter point, the Committee notes that the Department liaised with the Department of Health on their fit and proper persons' requirements (paragraphs 130 to 143). The Committee welcomes this approach of cross referencing associated policies. The IA also explains the benefits to business are from a streamlining and modernisation of the regulations.This will give greater clarity to the regulatory framework, enabling staff training to be more targeted and consistent, and provide time savings from holding electronic records instead of paper records and allowing for more flexible reviewing arrangements. Benefits to business are estimated to be £180,000 per year. These quantified benefits to business are driven by time savings due to providers having more choice about which aspect of home quality they want to review, and, more specifically, by providers only having to undergo this reviewing and reporting process every six months rather than every three months. The Department has provided detail from the consultation to strengthen the costs and benefits (paragraphs 93 to 192) for final stage. We note that the Department has chosen not to monetise costs relating to when a director or trustee is identified as unfit. However the IA explains why any potential cost is likely to be very low (paragraph 143). This appears to be reasonable assessment.
Signed  **Michael Gibbons,** Chairman