

# THE COSTS OF REGULATING RESIDENTIAL CARE SERVICES FOR CHILDREN

PSSRU

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## INTRODUCTION

A number of important changes are planned in the way that the regulatory function is to be conducted in England and Wales in the future (see the 1998 White Paper *Modernising Social Services*, Cm 4169). From April 2002 the National Care Standards Commission will be established as a non-departmental public body to take on the regulation of Social Care and private and voluntary health care in England. The Commission will be responsible for services not currently covered by regulatory legislation and the setting of standards at a national level. An important issue to consider in this context is the setting of fees to those who are being regulated. A key recommendation of the Burgner report on regulation and inspection of social services was that the cost of regulation should be independently reviewed with a view to relating fee levels more closely to the actual costs of regulation.

This paper describes the results of an extension to a study, funded by the Department of Health and the Wales Office, of health and local authority inspection units in England which had investigated the costs of regulating care homes for adults (the previous study was reported in *The Costs of Regulating Care Homes for Adults*, by Ann Netten, Julien Forder and Jane Knight, PSSRU, Canterbury, 1999). The principal aim of the new study was to establish the costs of regulating residential care services for children, in a way that could be used to identify cost-based fees to establishments at a national level. Residential care services for children were taken to include residential homes, family centres, boarding schools, foster care agencies, and adoption agencies.

Of these services, Inspection Units currently have statutory responsibility for inspecting homes registered under the Children's Act 1989 and independent boarding schools. The Social Services Inspectorate of the Department of Health and Wales Office inspects voluntary homes and voluntary adoption agencies. There are no statutory requirements to regulate the other services. Under the Children Act 1989 local authorities have the power to charge a 'reasonable' fee for registration and inspection of private children's homes, but voluntary homes, local authority homes and boarding schools do not pay fees.

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## METHOD

The main data collection was a survey of local authority and joint inspection units undertaken during the autumn of 1999. The data collection built on data collected in the previous study. For this study supplementary data were collected about unit policies and practice with respect to services for which they had no statutory responsibilities, children's services' inspector characteristics and a sample week's time use; and a sample of recently undertaken inspections and registrations. Information was also collected about enforcement actions undertaken during the previous year. SSI inspectors involved also provided equivalent information on the amount of time spent on inspecting and registering voluntary homes.

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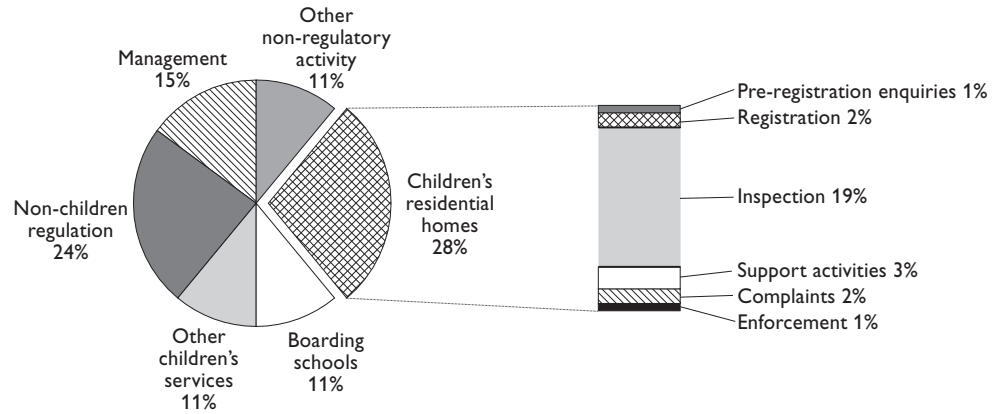
## RESULTS

The response rate was very similar to that for the previous study. Of the 131 local authority and joint units approached, at least some information was returned from 93 units (71 per cent) including six of the 11 Welsh units. Questionnaires sent to individual inspectors and managers were returned by 260 of them, a response rate of 65 per cent, very similar to the 67 per cent estimated return from local authority inspectors for the study of regulating adult residential care. The five SSI inspectors were each sent a registration questionnaire and four inspection questionnaires for voluntary children's homes. Two registration and 12 inspection questionnaires were returned.

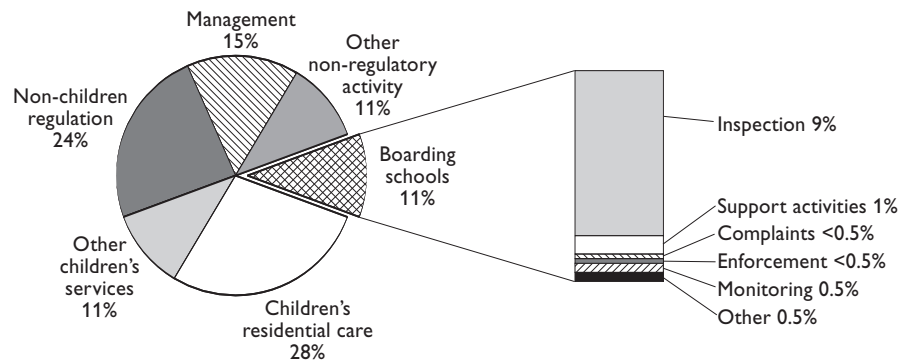
The smaller numbers of children's homes and boarding schools compared with residential care for adults means that in units overall and for individual inspectors a much smaller proportion of time is spent on their regulation. Figure 1 shows the distribution of time of staff involved in regulation of residential services for children with a detailed breakdown of time spent on children's homes and boarding schools. Compared with inspectors of adult services a higher proportion of time is spent on direct inspection activities. Units do inspect non-maintained special boarding schools and for the most part tend to inspect these and local authority boarding schools once a year: more often than the four yearly statutory minimum

**Figure 1 Time use — all professional staff (children)**

**Residential care**



**Boarding schools**



for independent boarding schools. There is little evidence of units inspecting foster care agencies but 12 units identified that they inspected family centres.

**Costs of regulatory activities**

Separate unit costs were estimated for time spent on children's home regulation and boarding school inspection, to reflect the different regulatory requirements of these services. In practice the resulting, most inclusive unit costs per hour (which allow for time spent on all unmeasured activity including enforcement and complaints) were very similar (£50 per hour for children's homes and £49 per hour for boarding schools). These costs were lower than the unit cost for inspectors of homes for adults (£53 per hour), however, reflecting the different pattern of general development, support, complaints and enforcement activities.

Table 1 shows the average hours spent and costs of inspecting and registering children's homes and inspecting boarding schools. Information about the use of resource inputs was collected for 252 children's homes' inspections and 45 registrations. This sample information was combined with estimates of input cost to calculate the total costs of these activities. Using the most inclusive measure of unit costs inspections of children's homes cost £1,400 on average. This was 59 per cent more costly than homes for adults, which averaged £880 using the equivalent measure of unit costs of staff time. Registration costs were over twice as high: £4,700 compared with £1,960 for homes for adults.

Information about resource use was returned about 182 inspections of boarding schools. These inspections were even more costly: £3,300 on average. Including the cost of all informal contact between inspections the total cost of regulation rose to £3,900. Although the statutory requirement is to inspect independent boarding schools once every four years, in practice more than half the schools were inspected more frequently than this. However, the requirement to maintain informal contact between inspections appeared to be less of a priority: only 60 per cent of the sample schools were identified as having a routine level of contact per term.

**Factors associated with cost variation**

The reasons why costs of inspection and registration vary were investigated using information provided by units about the home characteristics, unit characteristics including location, and outcome of the activity.

**Table 1 Level of staff input and average costs of regulatory activities**

Activity	Average no. of hours	Average cost	No. in sample
<b>Children's homes</b>			
Announced inspections	32	£1866	130
Unannounced inspections	15	£897	122
All inspections	24	£1397	252
New registrations	64	£4689	45
<b>Boarding schools</b>			
Inspection	65	£3302	182

**Table 2 Factors associated with costs of inspection of children's homes**

Higher costs	Lower costs
Announced inspection	Satisfactory outcome of inspection
Number of beds	Long stay home
Short stay crisis intervention home	Cares for 16+ age remaining in care
Cares for 12-13 age range	Cares for children with physical impairments
	Size of inspecting unit

**Table 3 Factors associated with costs of inspection of boarding schools**

Higher costs	Lower costs
Pupil feedback questionnaire used	Satisfactory outcome of inspection
Staff feedback and records inspection	Annual inspection
Number of boarders	
Older leavers	Older starters
Pupils with emotional/behavioural difficulties	
Non-English speaking pupils without behavioural difficulties	Size of inspecting unit

Tables 2 and 3 show the factors associated with variation in costs of inspecting children's homes and boarding schools. Four sets of factors were investigated: the outcome and process of the inspection; the characteristics of the inspected or registered home or school (e.g. size of home or school and ages of children); and characteristics of the unit (e.g. unit size). Overall larger units were associated with lower costs of regulating both children's homes and boarding schools.

In children's homes satisfactory inspections cost £470 less than those with other outcomes and announced inspections cost in the order of £1,070 more than unannounced inspections.

Relatively larger homes cost more to inspect. The marginal effect of one extra bed was £17. However there was a large fixed cost. As with inspecting homes for adults, size of home only accounted for between 10 and 20 per cent of the average cost.

Homes dealing with short-stay crisis intervention cost more to inspect (£310 more than the average). Homes for long-stay residents were less costly (£230 less than the average). Resident age had some impact on cost but the effects were non-linear. Homes catering for middle age bands exclusively — i.e. 12 to 13 years — were more costly than average. Homes with long-stay older children (over 16) were less costly to inspect. Homes for children with physical impairments were also less costly, perhaps reflecting the different needs of these children and the greater stability of their needs.

Three factors associated with the cost of inspections were also related to the cost of new registrations of children's homes. The proposed size of the home (the anticipated number of places) was positively associated with cost (+£230 per additional place). There was also a similar pattern regarding the age groups the home intended to serve. Homes dealing only with middle age range children (in this case, 12 to 16), compared with younger children (under 12) and those

older than 16, were more expensive to register. Third, larger units were associated with lower costs.

Boarding schools included independent schools, maintained schools and special non-maintained schools. Again, satisfactory inspections cost less than unsatisfactory inspections, by £650. Process indicators that identified that the inspection elicited the views of pupils and also of staff on a systematic basis, were both associated with higher costs. Inspections of boarding schools on an annual cycle were £760 less costly than those undertaken on other cycles (the average time between inspections for these 'others' was 2.5 years).

Many of the factors investigated appeared to have no bearing on the cost of the inspection. Although size of school was significant, the impact on costs of inspection was small. Only 14 per cent of average cost was accounted for by size, the marginal effect being £4 per place. Schools with children with emotional or behavioural difficulties were more expensive to inspect, as were schools with non-English speaking children. The age of pupils and the number of boarders were significant. Schools with comparatively older finishing ages and earlier starting ages were more expensive to inspect. Respectively, with the other held the same for the comparison, the cost differences were £160 and £90.

### Enforcement

Enforcement actions are less frequent for children's homes than for homes for adults as much enforcement takes place by contacting the authorities and social workers that have placed children in the home and alerting them to the situation so they can withdraw children from the home. However, some information was received about twenty cases of enforcement action taken against homes, with detailed information available about six of the cases. Of these cases costs ranged between £470 and £102,840 (for an action where an appeal to the High Court was pending).

### **Non-regulated services**

For services not currently routinely regulated by units, or where there is no statutory requirement:

- The sample included just two homes with less than four places that cost about £1,200 to inspect.
- The SSI approach to inspection and registration suggested much higher costs of regulating voluntary children's homes than would be predicted from inspection unit practice.
- There was no significant difference in the cost of inspecting special boarding schools or local authority boarding schools that could not be accounted for by characteristics of the children cared for.
- Family centre inspection costs appeared to lie somewhere between the costs of inspecting homes for adults and children's homes (£1,000).
- Only one unit estimated time spent on inspecting a foster care agency. The cost based on this estimate was £1,400 per inspection assuming that agencies do not require the same level of support activities as children's homes.

This contrasted with a cost of £5,700 based on SSI practice when inspecting adoption agencies, again assuming minimal indirect support activities.

### **Charges**

The majority of units currently charge children's homes the same annual and registration fees as homes for adults. Among the ten units that charge different fee levels the highest rate for registrations was £2,500 and for annual fees a flat rate of £600 plus £180 per bed. The evidence here suggests that even at these rates regulation of children's homes is being subsidised by local authorities.

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## **DISCUSSION**

The findings about the costs of regulating children's homes and boarding schools confirmed the picture found in the study of homes for adults. First, comparatively large establishments are associated with higher costs of regulation. However, there is a large 'fixed' cost of inspection and registration unrelated to establishment size and other characteristics about the home and those cared for are associated with costs. Second, overall, although the precise relationship is complex, larger inspection units tended to be associated with lower costs. These findings have important implications for the structure of any national fee system that recoups the cost of regulation, and for the organisation of the new National Care Standards Commission. The study also provided some (necessarily limited) information about the costs of regulated services that are not currently routinely regulated by units. This provides a starting point for discussion about appropriate fees for regulating such services, but clearly there is a need to monitor the costs of such activities very closely in the future.

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## **FURTHER INFORMATION**

For further details, please contact the project secretary, Lesley Banks, at the PSSRU in Canterbury: telephone 01227 823963, email [L.A.Banks@ukc.ac.uk](mailto:L.A.Banks@ukc.ac.uk).

A full report of the study is available: *The Costs of Regulating Care Homes for Children*, by Ann Netten, Julien Forder and Tihana Matosevic, Discussion Paper 1643/2, PSSRU, Canterbury, 2000 (approximately 110 pages). This is available to view or download free of charge from the PSSRU website at [www.ukc.ac.uk/PSSRU/downloads/ddp1643-2.html](http://www.ukc.ac.uk/PSSRU/downloads/ddp1643-2.html), or on paper, price £10 including post & packing (cheques payable to 'UniKent'), from the Librarian at the PSSRU in Canterbury: telephone 01227 827773, email [pssru\\_library@ukc.ac.uk](mailto:pssru_library@ukc.ac.uk).

The report of the previous study, *The Costs of Regulating Care Homes for Adults*, by Ann Netten, Julien Forder and Jane Knight, Discussion Paper 1496, PSSRU, Canterbury, 1999, is available at [www.ukc.ac.uk/PSSRU/downloads/ddp1496.html](http://www.ukc.ac.uk/PSSRU/downloads/ddp1496.html), or on paper at £10 from the contacts above. A brief summary leaflet in this series (P43) describing the results of the study is available from the Librarian or at [www.ukc.ac.uk/PSSRU/PDFfiles/P43.pdf](http://www.ukc.ac.uk/PSSRU/PDFfiles/P43.pdf).

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