

PSSRU

Personal Social Services
Research Unit

www.ukc.ac.uk/PSSRU/

Downloaded publication in Acrobat format

The PSSRU retains the copyright in this publication.

It may be freely distributed as an Acrobat file and on paper, but all quotations must be acknowledged and permission for use of longer excerpts must be obtained in advance.

We welcome comments about PSSRU publications. We would particularly appreciate being told of any problems experienced with electronic versions as otherwise we may remain unaware of them.

Email: pssru_library@ukc.ac.uk

Costs of Regulating Residential Care Services for Children

**Ann Netten, Julien Forder and
Tihana Matosevic**

Discussion Paper 1643/2
September 2000

The **PERSONAL SOCIAL SERVICES RESEARCH UNIT** undertakes social and health care research, supported mainly by the United Kingdom Department of Health, and focusing particularly on policy research and analysis of equity and efficiency in community care, long-term care and related areas — including services for elderly people, people with mental health problems and children in care. The PSSRU was established at the University of Kent at Canterbury in 1974, and from 1996 it has operated from three sites:

Cornwallis Building, University of Kent at Canterbury, Canterbury, Kent, CT2 7NF, UK

London School of Economics, Houghton Street, London, WC2A 2AE, UK

University of Manchester, Dover Street Building, Oxford Road, Manchester, M13 9PL, UK

The PSSRU Bulletin and publication lists can be viewed and downloaded from the Unit's website and are available free from the unit librarian in Canterbury (+44 (0)1227 837773; email pssru_library@ukc.ac.uk).

Email: PSSRU@ukc.ac.uk

Website: <http://www.ukc.ac.uk/PSSRU/>

Contents

Acknowledgements	iv
Summary	v
Chapter 1 Background and methodology	1-1
Chapter 2 Units and inspectors.....	2-1
Chapter 3 The costs of inspection and registration	3-1
Chapter 4 Enforcement.....	4-1
Chapter 5 Costs of other residential care services and costs and fee income	5-1
Appendix A Checklist of inspection methods for children’s homes	
Appendix B Checklist of inspection methods for boarding schools	
Appendix C Technical appendix to analyses in Chapter 3	
References	R-1

Tables, Figures and Boxes

Index of Tables

No.	Title	Page No.
2.1	Number of units participating by LA type	2-11
2.2	Inspection of services not currently regulated	2-11
2.3	Frequency of inspection of boarding schools	2-11
2.4	Inspectors of children's residential care services	2-12
2.5	Qualifications of inspectors	2-12
2.6	Time use of all professional staff	2-13
2.7	Hourly costs (£s) –residential care	2-13
2.8	Hourly costs (£s) –boarding schools	2-13
3.1	Characteristics of homes inspected	3-17
3.2	Functions of homes inspected	3-17
3.3	Size of homes inspected	3-17
3.4	Characteristics of children cared for in homes inspected	3-18
3.5	Characteristics of home being registered	3-18
3.6	Functions of homes registered	3-19
3.7	Size of home registered	3-19
3.8	Characteristics of children to be cared for in newly registered homes	3-19
3.9	Characteristics of boarding schools inspected	3-20
3.10	Size of schools	3-20
3.11	Characteristics of children cared for	3-20
3.12	Local authority inspections –residential care homes	3-21
3.13	Voluntary children's homes inspection	3-21
3.14	Registration –children's residential care homes	3-22
3.15	Inspection –boarding schools	3-22
3.16	Frequency of boarding school inspections	3-22
3.17	Costs of inspection –children's residential care homes	3-23
3.18	Costs of inspection –boarding schools	3-24
3.19	Costs of registration –children's residential care homes	3-25
4.1	Proportion of homes providing different types of care	4-8
4.2	Age distribution of residents	4-8
4.3	Size of home (total places)	4-8
4.4	Time related costs of enforcement by staff type	4-9

4.5	Legal costs of enforcement	4-9
4.6	Total costs of enforcement activities	4-9
C1	Missing value counts	Appendix
C2	Diagnostics	Appendix

Index of Figures

2.1	Time use – all professional staff (children), residential care	2-14
2.2	Time use – all professional staff (children), boarding schools	2-15
2.3	Time use – Unit Heads	2-16
3.1	Boarding school inspection: age ranges	3-26
3.2	Inspections – residential homes, average time inputs by staff type	3-27
3.3	Registrations – residential homes, average time inputs by staff type	3-28
3.4	Inspections – boarding schools, average time inputs by staff type	3-25
3.5	Non-linear relationship between unit size and inspection costs	3-25

Index of Boxes

3.1	Regression proxy variables	3-9
-----	----------------------------	-----

Acknowledgements

We have received a great deal of support, help and advice from a large number of individuals during the course of the research. We would like to thank those who sat on the Advisory Group: Jane Allberry, Liz Woodeson, Gerry Evans, Geoff Barratt, Alyson Johnson, Julia Ridgeway, Helen Jones, Fred Pink, Becky Sandhu and Chris Hume. As in the previous study we also received very helpful information and advice from heads of units, in particular Roger Morgan. Vasta Novak, Alan Jones, Mike Barker, Mike Patrick and Anne Bentham also provided very useful advice and information. As in the previous study we also received valuable support from some professional groups, including the National Heads of Inspection and Registration, and the regional heads; The National Association of Inspection and Registration Officers, (NAIRO), and the Association of the Directors of Social Services for which we are grateful

We would particularly like to thank Jane Knight, Kathryn Mummery and Lesley Banks for their very valuable work on the early stages and during the fieldwork of the project.

We are above all very grateful to the inspection and administrative staff in local authority and joint inspection units for completing the many questionnaires. Overall the study constituted a considerable amount of work for inspection unit staff and we greatly appreciate the time and effort that they gave to the task to ensure our data were as accurate as possible. Without this high level of participation the study may not have been possible.

Summary

1. There are a number of important planned changes in the way that the regulatory function is to be conducted in England and Wales in the future (Department of Health, 1998). These include the setting up of independent regional authorities responsible for regulating care services, the extension of regulatory requirements to 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 (Burgner, 1996; p8).
2. This report describes the results of an extension to a Department of Health and Wales Office funded study of health and local authority inspection units in England which had investigated the costs of regulating care homes for adults (Netten, Forder and Knight, 1999a). The principal aim of this 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. Residential care services for children were taken to include residential homes, family centres, boarding schools, foster care agencies, and adoption agencies.
3. Of these services Units currently have statutory responsibility for inspecting homes registered under the Children's Act 1989 and independent boarding schools. The Social Services Inspectorates of the Department of Health and Wales Office inspect 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.
4. 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 survey (Netten, Forder and Knight, 1999a). 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.

5. The response rate was very similar to that for the previous study. A total of 131 sets of questionnaires were sent out to local authority and joint registration and inspection units in England and Wales. We had questionnaires returned from 93 units (71 per cent) including six of the 11 Welsh units. Two-hundred-and-sixty inspectors and managers returned individual questionnaires, 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.
6. 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. Units do inspect non-maintained special boarding schools and tend to inspect these and local authority boarding schools more often than the statutory minimum for independent boarding schools. There is little evidence of units inspecting foster care agencies but 12 units identified that they inspected family centres.
7. Hourly unit costs were estimated for inspector time based on information from the previous study and information about salaries and time use of inspectors responsible for children's services. Basic hourly cost just reflects the expected number of hours worked, allowing for leave, sickness rates and length of the working week. In order to allow for activities that have not been specifically measured and so could not be allocated to homes, multipliers of this hourly cost were used. These allocate the time spent on other activities to the directly measured activities of inspection and registration.
8. 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 cost per hour was 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.
9. 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 costly: £4,700 compared with £1,960 for homes for adults.

10. 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.
11. Four sets of factors were found to be associated with inspection and registration cost variation: the outcome 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). However, the low number of observations from London units meant that no specific London cost effect was identified. There was no evidence of any significantly different cost in Wales.
12. The findings confirmed the picture found in the study of homes for adults. First, comparatively large establishments are associated with higher costs of regulation. However, on average only between 10 and 20 per cent of the mean cost is accounted for by variation in home size. In other words there is a large 'fixed' cost of inspection and registration unrelated to establishment size. Second, although the precise relationship is complex, overall larger units tended to be associated with lower costs.
13. 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.

14. 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.

15. 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.

Chapter 1

Background and methodology

1.1 Introduction

The White Paper *Modernising Social Services* (Department of Health, 1998) contains a number of important planned changes in the way that the regulatory function is to be conducted in the future. These include the setting up of independent regional authorities responsible for regulating care services, the extension of regulatory requirements to services not currently covered by regulatory legislation and the setting of standards at a national level.

If regulation is to be effective it must be properly funded. In order to achieve this we need an understanding of the costs of the regulatory process. A previous study of health and local authority (LA) inspection units examined the costs of regulating care homes for adults (Netten et al., 1999a; Netten et al. 1999b). This report describes the results of an extension study to establish the costs of regulating residential care services for children, boarding schools and fostering and adoption agencies. As in the previous study the objective was to identify costs in a way that could be used for cost-based fees to providers. This chapter describes the context of the study, its aims and objectives, costing principles used and the method used to establish the data required.

1.2 Context

The overall objective of regulation in the field of residential childcare is to promote and safeguard the welfare of children. Local authorities bear the responsibility for this, although there are gaps and anomalies. For example, one important omission from the current regulatory requirements is small private children's homes (less than four children). Burgner (1996) recommended that these should be included in statutory regulation. Their omission was regarded "... by virtually all respondents as a particularly glaring anomaly".

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 (Burgner, 1996; p8). 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 (inspected by the Department of

Health) and local authority homes (inspected by the authority in which they are located) do not pay fees. Currently legislation does not allow for foster care agencies to be registered or inspected, and fees can not be charged for inspection duties associated with independent boarding schools. The inspection of non-maintained special schools and maintained boarding schools is not required by current legislation, although the local authority social services department (SSD) must satisfy itself on the safeguarding and promoting of welfare. If nationally applicable fees are to be introduced to cover these forms of provision there is a need for cost information on which to base these fees.

All the evidence suggests that current fees are heavily subsidised by inspecting authorities. For example, a recent survey conducted by the Department of Health estimated that nationally just 29 per cent of expenditure was covered by income from one source or another. Fees covered a quarter of expenditure (Department of Health, 2000). The majority of the workload of inspection units is concerned with regulating care homes for adults so it is not possible to identify separately from national data the relationship between fees charged for regulating children's services and the costs of regulating these services. Moreover, there is concern about the accuracy of this data as there is a lack of information about exactly what is covered by reported income and expenditure. Variations in accounting practices may result in the inclusion of different overhead cost recharges from other departments. In the case of local authorities it is clear that at least some of the expenditure is the result of regulatory activity which would not be covered by income from fees.

As with the inspection of homes for adults there is an issue about the relationship between the quality and costs of the inspection process. Some aspects of quality, such as variations in the quality of individual inspections, would not be expected to impact directly on costs. Gibbs and Sinclair (1992) found that inspectors differ quite considerably in the way they assess the quality of a home, even when using the same schedule. But some variation in quality would be expected to have cost consequences. For example, some units will be providing a minimum statutory service in terms of the inspections undertaken, whereas others will include support and advice to local home owners as part of the regulatory function. Such effects may be felt through such factors as variations in grading and pay of staff; numbers of inspections and other visits per home; time spent on individual inspections; extent of advisory activities and scope of reports. Moreover, if advisory and support activities have a preventative function it would be expected that there might be a lower number of complaints and enforcement activities in areas where more support and advice is undertaken.

Previous work estimating the costs of inspection for the purposes of advising about fee levels and structures (Social Services Inspectorate, 1985; Social Services Inspectorate, 1988)

emphasised the importance of ensuring the appropriateness of present levels of activity. This again is linked to the issue of quality of the inspection process. Current costs may in some instances be higher than necessary. Some providers made representations to the Burgner Review suggesting that there was inefficiency in the organisation of inspection and regulation. In other instances it may be lower: inadequate fee income and pressure on local government spending may result in some units not adequately fulfilling their statutory duties. When considering different options for cost-based fee setting it is necessary to ensure that the costs identified are sufficient to cover statutory requirements and to consider evidence of varying levels of efficiency in delivering the regulatory function.

Unlike adults there are a variety of services concerned with the residential care of children: children's homes, boarding schools and other services such as fostering and adoption agencies. Each of these has different regulatory arrangements.

Children homes

Private children's homes can be registered under the Children's Act 1989 (221 in England in March 1997) or the Registered Homes Act 1984 (98 in England in March 1997). Under the latter they have to identify the category of client. The categories relevant to children and young people are mental handicap and physical disablement. Homes for people with learning disabilities registered under the 1984 Act sometimes care for both children and adults. Local authority maintained, controlled and assisted homes (838 in England and 34 in Wales in March 1997) are not required to register but are inspected under the Inspection Unit Directions 1994.

Authorities are required to inspect children's homes twice a year. For private homes, these inspections take place once within a month following the anniversary of the initial registration and at least once a year unannounced (Children's Homes Regulations 1991). The formal inspection, if satisfactory, results in the renewal of the registration of the home. Appendix A lists the types of activity that are associated with inspection of children's homes. Lay assessors and public reports are required.

Social Services Inspectorate (SSI) inspectors deal with registration and inspection of voluntary children's homes (62 in March 1997). Under section 60 of the Children Act, local authorities should also satisfy themselves that a voluntary home is safeguarding and promoting welfare, and should arrange visits to the children from time to time. In practice many units do not carry out these functions for voluntary homes. Burgner (1996) recommended that the responsibility for voluntary homes' inspection and registration should be transferred to inspection units.

The responsibility for regulation of secure accommodation for children is shared between central government and local government. Local government is responsible for them because they are children's homes so all the relevant legislation applies. The SSI is responsible for issuing a licence to restrict liberty. All these homes are local authority managed so there is no registration process. Burgner (1996) recommended that this division of responsibilities would remain unaltered.

The regulatory input required for children's homes is likely to be related to the type of children cared for and the characteristics of home. Homes vary considerably in these respects. The type of child cared for includes:

- Older children ending their time in care;
- Those with behavioural problems;
- Sexually abused/abusing children;
- Young children (in some places categorised as under 8, elsewhere under 10); and
- Children with disabilities.

In terms of the characteristics of home we need to consider the managing organisation, the size, and the functions of the homes. The type of managing organisation is likely to affect the regulatory function. Large well-founded organisations, like Barnardos and local authorities, are not seen as needing as much input as private homes.

Children's homes are much smaller than homes for adults. Homes with six places were the most common in March 1997. Only 46 homes had more than 20 places. The average size was about eight places with those with educational facilities averaging 16.4 (Department of Health, 1998).

The functions of homes include:

- Preparing for rehabilitation with family;
- Planned short-term care;
- With education on the premises;
- Dual registered homes/schools;
- Short stay crisis intervention/assessment;
- Long-stay with therapeutic interventions, care, control and treatment;
- Preparation for permanent placement;
- Preparation for independence; and
- Secure accommodation.

There are also a number of establishments that are very rare (such as residential nurseries) or may or may not be registered as children's homes (such as family centres and a hostel used to facilitate children living in a rural area to attend a state school).

For registered homes, if a local authority is not satisfied that a home meets the regulations and the authority's registration requirements there is provision for cancellation of registration. However there are no emergency cancellation procedures or equivalent to Regulation 20 in the 1984 Act. 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. Nevertheless, direct enforcement activities do take place (see chapter 4).

Boarding schools

Inspection units do not have, and are not expected to have in the future, any responsibility for registering schools or any enforcement responsibilities unless the school is registered as a children's home. This is the case if the school provides or organises accommodation for more than three children for more than 295 days of the year (in March 1997, 13 homes were dually registered in England). If any enforcement is required for an independent school a notice is sent to the Secretary of State for Education (Social Services Inspectorate, 1991). Although no longer directly involved, the unit may undertake activities required to support any enforcement undertaken.

Currently the only schools where there is an inspection requirement are independent schools with any boarding facilities (under section 87 of the Children Act 1989). This includes situations where schools act as agents for placing pupils in private homes or lodgings. Independent schools have to be inspected every four years (LAC95/1). During the intervening period they have a responsibility to "maintain informal contact" with the school and to visit and talk to pupils. There is much more flexibility about how to monitor boarding schools than children's homes so practice varies. Questionnaires can be used in addition to informal visits and overnight stays (see appendix B for a list of welfare inspection methods).

Boarding facilities can vary from 10 or 20 places for a few particular children to full-scale boarding schools that are very large with a number of boarding houses. The number and size of the boarding houses varies considerably (individual boarding houses can have as many as 40 children).

One important area is non-maintained special schools. These are most often for children with emotional and behavioural difficulties where abuse is a very important issue. The law

requires that these are visited and monitored, but not that they are formally inspected or registered. Some authorities treat them in the same way as other boarding schools. Similarly, there is no requirement to inspect LEA and grant maintained schools but in practice some units do cover such schools.

Other residential care services

A number of changes will be taking place for other related services. Legislation is to be put in place to regulate a number of other services concerned with the residential care of children, which are not currently covered by statutory regulation. For example, foster care agencies which are not currently covered other than by the Foster Placement (Children) Regulations 1991. Under these the local authority has to satisfy itself about the fostering organisation in respect of each placement. This leads to duplication by different local authorities "...without necessarily providing adequate safeguards in all cases" (p60, Burgner). Units do not have any statutory responsibilities for registration or inspection at present. Similarly family centres and local authority adoption services are not currently covered by any specific regulations. The SSI currently carries out inspection of voluntary adoption agencies. Clearly it is not going to be possible to identify the costs associated with an activity that is not currently undertaken by inspection units, but there is a need for information about likely costs based on current behaviour.

1.3 Aims and objectives

The primary aim of the study was to identify the costs to local authorities in England of regulation and inspection residential care and boarding schools for children at a national level for England and Wales. This needed to be achieved in a way that provides a basis for setting cost related fees at a national level. The objectives were to:

- Identify relevant activities of inspection units and identify the cost of these activities;
- Investigate causes of variation in these costs;
- Identify a methodological approach that can be used to predict expected costs of regulation;
- Identify useful indicators which, if supplied by inspection units, would allow government departments to update expected costs;
- Investigate current practice for inspecting services where there are no statutory duties or such duties are currently carried out by the SSI; and
- Discuss the implications of the findings for policy and for fee setting options under the new arrangements.

1.4 Design issues

The overarching objective of all those concerned with residential care of children is the welfare of residents who are being cared for. The contribution of the regulatory function to this objective is ensuring that the homes, schools, agencies and proprietors within the purview of the unit are fit for the purpose when they initially register, and continue to be so. In order to identify the costs of the achievement of this output we need to identify measurable activities, resources required to deliver these activities and (ideally) outputs of the activities.

The activities associated with the regulation of residential care services for children can be classified as:

- inspection;
- monitoring;
- registration (new and re-registrations);
- dealing with complaints;
- enforcement; and
- policy and practice development.

The first five of these are associated with individual events or establishments. Policy and practice development feed into the regulation process through, for example, drawing up agreed procedures with other agencies such as the police.

It could be argued that the costs of dealing with complaints and providing general support and development should be allocated to the beneficiaries of these activities: the homes. However, particular care needs to be taken in this process as the “other” activities associated with regulation are much more varied around children than adults. For example, if a child has been cared for away from parents for more than three months then the health or education authority responsible have to notify the local authority SSD. In some places the hospital social worker will check up but in others the inspection units will get involved. The costs of such activities clearly should not be allocated to the costs of regulating homes or schools. Moreover, a considerable amount of activity can be associated with dissuading unsuitable people from attempting to register children’s homes.

The previous project investigating the costs of regulating residential and nursing homes for adults conducted a survey of inspection units in England and Wales (Netten et al., 1999a, 1999b). Information was collected about:

- Overall expenditure;
- Overall activity;
- Time use of inspectors who bear responsibilities for residential care for adults;
- Inputs required for recent registrations and inspections of a variety of establishments; and
- Characteristics of these establishments and outcomes of the registration/inspection process.

In addition a sample of units were visited to discuss in some detail costly, but relatively infrequent, enforcement actions. A variety of analyses were undertaken to identify the costs associated with inspections, registrations, enforcement, complaints and developmental activities.

There were specific issues that needed to be addressed when extending this study to children's services. Compared with adult care the facilities are more diverse, the activities associated with regulation are more varied, the number of facilities are much smaller and the geographical spread of facilities is very uneven¹. Moreover, in some instances there is no statutory requirement for inspection (for example, foster care agencies) so any inspection activity is likely to be very low. Another issue was identifying the costs of activities currently being undertaken in a way that is likely to change by the time any cost-based nationally introduced fees are to be introduced (for example, registration and inspection of voluntary homes).

As our aim was to estimate the resources required in a way that could be used to estimate appropriate fee levels, it is important that we clarified both the extent and the limitations of relevant costs. Certain costs were taken to be beyond the concern of this study. These were costs that were borne by other agencies as part of their separate regulatory or other functions. These include costs of the police, fire officers and environmental health officers. They also included, in some instances, the costs of social workers where these are associated with the support of specific clients rather than providing evidence or advice to inspection officers.

When estimating and using cost information for any purpose four basic principles apply:

- costs should be comprehensively measured;
- they should reflect variations in resource use, and these variations should be explored;
- like should always be compared with like; and
- they should be linked with outcomes. (Knapp, 1993).

¹ In March 1997, 41 local authorities had fewer than five homes of any type. Thirty five had no registered home in the private or voluntary sectors. One authority had 69 homes and a further eight authorities had more than 25 homes (Department of Health, 1998).

In the context of this particular study we also need to ensure that the information is collected and analysed in such a way that it can be used to consider cost-based fee options. It has been identified above that there are many potential changes in the organisation of the regulatory process under discussion. While information can be used to hypothesise the cost consequences of such changes the first task is to identify costs that reflect current practice. Moreover, we need cost estimates that can:

- reflect all the relevant resources associated with the responsibilities of inspection units for residential care services for children;
- can be related to variations in the characteristics of establishments where appropriate; and
- can be used in a variety of ways when considering fee setting options.

1.6 Method

The main data collection was a survey of local authority and joint inspection units undertaken during the autumn of 1999. The objectives were to collect information that was relatively straightforward for units to supply, would provide consistent and reliable data that could be used to generate appropriate analyses, and minimised the workload for units by building on information already collected.

By the time of the study units had already completed a questionnaire for a Department of Health survey which identified activity, workload and resources for 1998-99 (Department of Health, 2000). In order to minimise workload units were asked to return copies of this questionnaire. The unit questionnaire for this study identified supplementary information about activities (such as length of time taken to investigate a substantial complaint) and whether they were undertaking any inspection activities with children's residential services for which they had no statutory responsibilities (for example, family centres and fostering agencies). Information was also collected about numbers and salary scales of staff employed to regulate children's homes and boarding schools. A follow-up questionnaire identified information about the resources required for rare but costly enforcement actions for children's homes.

Individual inspectors who were involved in regulating children's residential services were asked to provide information about their experience, qualifications, salary levels, range of activities and responsibilities. They were all also asked about the length of time they spent on a variety of activities during a sample week. In the study of the costs of regulating adult's services a sample day had been taken as there were a sufficiently large number of inspectors

for us to be confident that this would reflect national time distributions. As the number of inspectors involved with children's services was rather smaller a longer period was required.

To identify the costs of each activity, each unit was asked to supply information about the last two formal inspections and two unannounced inspections of children's homes that had been completed. Homes were taken to include schools that were also registered with DfEE which accommodated four or more children for more than 295 days of the year. The information collected included:

1. The process:

- time spent by type of activity (preparation, visiting, report writing, etc.);
- inputs by others (outside experts);
- direct expenditure;
- activities undertaken as part of the inspection; and
- involvement of lay assessors.

2. The characteristics of the establishment:

- characteristics of children cared for (age, gender, types of need);
- functions of the home (eg short-term care, secure accommodation, preparing for independence);
- number of places; and
- sector and nature of provider.

3. The outcome of the inspection:

- whether the establishment was satisfactory;
- if recommendations for improvement were made; and
- if so, type of action (major or minor).

Similar information was collected at the unit level about the two most recent registrations of a children's home.

For boarding schools information was collected about inspections and associated monitoring activities. Units were sent six questionnaires and asked to provide information about all boarding school inspections carried out during the past year. All inspections were requested in order to compensate for the very uneven geographical distribution of schools. Sufficient numbers overall were required to identify nationally representative data and to allow multivariate analysis. Boarding schools included local authority maintained and non-maintained special schools. As with residential homes information was collected about the process, the characteristics of the establishment and the outcome. Information was also

collected about the frequency with which the establishment was inspected and informal contact time between inspections.

In addition to the main survey, similar questionnaires were sent to SSI inspectors requesting information about registration and inspection of voluntary children's homes. Headquarters staff also supplied information about their input to the process of registration.

1.7 Conclusion

The estimation of costs in order to facilitate cost based fee setting is far from a straightforward task. A number of key factors need to be taken into consideration in appropriately estimating the resource consequences of regulating residential care services for children. These include reflecting all relevant costs, incorporating those aspects of regulation that are very variable and hard to identify, while ensuring that resource use which is not related to the inspection units' responsibilities for residential care for children is excluded. The method has been designed to allow a bottom-up costing of key activities which will tie resource use in as closely as possible to the characteristics of the establishments.

The following chapter describes the units and inspectors responding to the survey and the estimation of unit costs of inspector time. Chapter 3 analyses variations in the costs of the key regulatory activities of inspection and registration. Chapter 4 describes the results of the study of enforcement actions. Chapter 5 draws on the information of previous chapters to consider the what evidence there is about the costs of regulating services not normally inspected by units and puts the findings about the costs of regulating children's homes in the context of evidence about fees currently charged.

Chapter 2

Units and inspectors

2.1 Introduction

This chapter describes the responsibilities and activities of units and inspectors in the field of residential care services for children. Information was collected both at the level of the unit and individual inspectors. We start by describing the response rates to the survey before describing the level of regulatory activities undertaken for children's residential care services and experience and qualifications of those undertaking these activities. The distribution of time across these regulatory activities by inspectors and managers is described and this information fed into the estimation of the unit cost of the time of inspector and managers.

2.2 Response rates

A total of 120 sets of questionnaires¹ were sent out to local authority and joint registration and inspection units in England. We had questionnaires returned from 87 units (73%). Three authorities of those who did not respond identified that they had no suitable establishments and six could not take part due to time pressure, long-term sickness etc. Eleven sets of questionnaires were sent to registration and inspection units in Wales and six were returned (55 per cent). One Welsh authority that did not respond identified that they did not have any suitable establishments and one could not take part due to staff shortages.

Not all units returned all the questionnaires. The effective sample size is that for which we have sufficient data to enable us to estimate the unit cost of staff time. On this basis a total of 90 units participated (69% of those approached). Table 2.1 below shows the distribution by type of authority. Overall the local authority and joint unit sample size was slightly greater than for the study of the costs of regulating adult residential care (83 units). As with that study a lower proportion of London units responded (55 per cent) than counties and metropolitan districts².

¹ Some problems were encountered in establishing a full list of units. As a result about 20 new unitary units were not approached.

² Of the unitary units approached a high proportion responded (17 out of 19) but, as identified above, not all the new unitary units were identified.

Our original discussions had led us to believe that enforcement activities were relatively rare so the original questionnaire set did not include anything over and above that collected by the DH survey. However, several units contacted us about this, concerned that they were spending a lot of time on an unmeasured activity. A supplementary questionnaire was designed and sent to all units. Of the 105 units who responded to this questionnaire, only 20 had carried out any enforcement activity.

We also asked authorities to send us a copy the DH Registration & Inspection Survey 1998-99, which units would have completed in May 1999. Fifty-two authorities sent us a copy of this return.

It is much less straightforward to identify the response rate among inspectors of children's residential care services. Based on the survey returns the estimated number of inspectors dealing with children's services among responding units was 399. Two-hundred-and-sixty inspectors and managers returned questionnaires, 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.

2.3 Responsibilities of units and inspectors

As part of the study of regulating adult residential care, units were asked about their overall distribution of time and all services that they were currently involved in regulating. In terms of overall distribution of time, local authority units estimated that on average 15 per cent of time was spent on residential care for children, and 62 per cent on regulating care homes for adults. The remaining 22 per cent was spent on non-residential care services. Joint units estimated that seven per cent of time was spent on children's homes, 78 per cent on care homes for adults, and 15 per cent on other types of establishments and services.

Children's homes

The previous study found that 80 per cent of units were regulating residential care for children. However the number of homes for which units were responsible for was relatively few. Nationally units were responsible for 700 local authority and 200 private homes in England (Department of Health, 2000). In the previous study the average per unit was six

local authority children's homes in England (five in Wales) and two private homes per unit in both England and Wales. This compares with an average of over 100 large independent homes (more than four places) for adults and 19 local authority homes for adults per unit in England (Netten, Forder and Knight, 1999a). The numbers of homes for adults per unit are slightly fewer in Wales (70 and 14 respectively) (Netten, Forder and Knight, 1999b).

The average number of inspections conducted during 1998/99 was 2.1 per local authority children's home and 1.9 for private children's homes in England. This was slightly higher than homes for adults (1.9 inspections per LA home and 1.8 per independent home) (Department of Health, 2000).³

Units received applications for 55 new registrations and 30 variations in registration for children's homes in England during 1998/99. Of these 30 new registrations and 25 variations were approved. This compares with 38 new registrations and 14 variations in registrations 1996/97 (Carrington, 1998). At an individual unit level the rate of formal registration activity is very low: less than one formal new application per unit per year. Applications for formal registrations for homes for adults are much higher: over 21 per unit (Netten, Forder and Knight, 1999).

During 1998/99 30 local authority and 10 private homes were closed for reasons other than cancellation proceedings. When linked to the number of homes the rate of closure (four per 100 local authority and five per 100 privately managed) was higher than for adult care homes (between two and three per 100 homes).

Dealing with complaints about homes is an important aspect of the regulatory role. Nationally, in England there were 245 complaints against 200 independent homes during 1998/99, 90 of which resulted in a substantial investigation (Department of Health, 2000). The rate of complaints reported against local authority homes was much lower. There were only 180 complaints and 95 substantial investigations against 700 homes. However, in our survey only 31 per cent of units identified that they investigated complaints against local authority homes, so there may be some under-reporting at a national level.

Units were asked to estimate how long on average a substantial complaint (defined as taking more than half a day) took in inspector time. Estimates ranged between 4.5 and 50 hours, but on average were very similar to the number of hours estimated for investigating complaints for adults: 20 hours. The number of hours of inspector time spent on complaints based on

³ National information about rate of regulatory activity was not available for Wales.

this average length of time per complaint and national information about levels of activity was nine hours per private home. This compares with four hours per independent residential home for adults and 7.5 hours per nursing home (Netten et al., 1999).

As with homes for adults the number of enforcement actions undertaken is very low when put in the context of the number of homes and schools being regulated. In England no children's homes were prosecuted or closed as a result of cancellation proceedings during 1998/99. Just 15 of the 700 local authority homes and 10 of the independent homes were subject to compliance notices as an outcome of inspections during 1998/99. Similarly just 10 of the 500 boarding schools received compliance notices (Department of Health, 2000).

Boarding schools

In England units were responsible for inspecting 500 boarding schools under section 87 (operating as just an independent boarding school) and 200 schools under section 63 (dual registered as a home) (Department of Health, 1999). In the previous study responding units were responsible for seven boarding schools and less than one dual registered school per unit in England, two of each type of school per unit in Wales. Local authorities are statutorily required to inspect boarding schools once every four years (or 0.25 inspections per year). In practice, however, they appear to inspect more often: an average of 0.6 inspections per year for section 87 schools. As would be expected dual registered schools are inspected at the same rate as private homes: 1.8 inspections per year.

Of the services not currently covered by formal regulatory requirements, table 2.2 shows that units most frequently inspected non-maintained special boarding schools. Over a third of the units regularly inspected these schools and, as table 2.3 shows, for the most part inspections were carried out more frequently than is currently required for independent boarding schools. Fewer units (just 12) inspected LEA schools, but again for the most part they inspected these more than once every four years.

Other services

The regional Commissions for Care Standards will have new areas of responsibility for regulation of services for children including and residential family centres, independent fostering agencies, and adoption agencies. Local authority fostering services are to be expected to reach the same standard as independent agencies, implying that they too may need to be inspected under the new arrangements.

Some inspection units do in practice undertake inspections of services for which they currently have no formal responsibilities (for example, home care providers) so as part of the

survey units were asked whether they undertook any formal inspection activities for the services identified above or local authority adoption units. Table 2.2 shows the number of units that inspected each of these services.

Of the 87 units just 12 English units identified that they regularly inspected family centres. Only one English unit (covering a unitary and shire authority) regularly inspected both LA and independent fostering services, although another unit inspected “LA fostering practice”. Twenty-nine units responded that the inspection of fostering agencies was carried out elsewhere within the LA. Eleven of these provided some information about a potential contact point for information about what activities were undertaken. No units were involved in inspecting LA adoption services.

2.4 Responsibilities, qualifications and experience of inspectors

Inspectors were asked about their background, qualifications and activities that they undertook. There is considerable overlap in responsibilities between inspectors who regulate children’s and adult services: only 10 per cent of the sample of 260 inspectors⁴ had no responsibilities for adult services. Table 2.4 shows the areas of responsibility that inspectors carried in addition to regulating children’s residential care services. None of the Welsh inspectors specialised entirely in children’s services: they all had responsibilities for inspecting residential homes for adults, but none inspected other adult services. Only one of the Welsh inspectors had responsibilities for day nurseries or child minders.

Sixty-four per cent took lead responsibility for specific children’s homes and 43 per cent for specific boarding schools. Among the inspectors that took a lead the average caseload was 4.5 children’s homes and 5.0 boarding schools. In Wales the caseload of homes and schools was 2.6 and 1.8 respectively. Among the 18 inspectors that took the lead for specific children’s homes and had no responsibilities for adult services, average caseload was 7.2 homes. Among the 17 inspectors that took the lead for specific boarding schools and had no responsibilities for adult services, average caseload was 9.9 schools. This compares with caseloads of 33 adult residential care homes per inspector in England and 37 homes per inspector in Wales.

Inspectors responsible for children’s residential care services had been in post for similar lengths of time to those inspecting adults services: 4.8 years among children’s homes inspectors (4.6 years in Wales) and 4.2 years among adult homes’ inspectors. On average

⁴ Thirteen of the inspectors were from Welsh units.

they had been in the field of regulation for a little over one year more than they had been in post.

Table 2.5 shows the proportions of inspectors with different types of qualifications and experience. A similar proportion of children's and adult service inspectors had social work qualifications (77 per cent compared with 74 per cent). As would be expected a higher proportion had teaching qualifications (15 per cent compared with 12 per cent), and childcare qualification of some type (13 per cent compared with nine per cent). A lower proportion had a nursing qualification (12 per cent compared with 20 per cent of inspectors of adult services). In terms of experience, inspectors of residential homes for children were less likely to have managed or work in the type of establishment they were inspecting than inspectors of residential care for adults. Thirty-one per cent of inspectors had managed and 39 per cent had worked in children's homes, compared with 62 per cent who had managed and 52 per cent who had worked in homes for adults among inspectors of adult residential care. A small proportion of inspectors had direct experience of managing (four per cent) and working in (eight per cent) boarding schools. In Wales the picture was very similar, although only one of the 13 inspectors had any childcare qualifications.

Other qualifications and experience identified by inspectors, included field social work, management of other services, including family centres and homes for adults, and certificates in inspection, registration and quality assurance.

2.5 Time spent on regulatory activities

Inspectors were also asked about their time use. In chapter 1 it was identified that there was potential concern about the variety of support activities undertaken for children's services. If we are to use the information about time use as a basis for setting fee levels, it is important that we should distinguish those activities relevant to the service that is being charged the fee for being regulated. The two principal services of concern were children's homes and boarding schools. As the regulatory requirements for these two services are very different it was important to be able to distinguish activities associated directly and indirectly with regulating homes and schools separately. The questions about time use during the sample week divided activities into five overall areas:

- activities associated with children's homes (distinguishing within this registration, pre-registration enquiries, inspection, support activities, complaints and enforcement);

- activities associated with boarding schools (distinguishing within this inspection, support activities, complaints, enforcement, monitoring and other);
- activities associated with other children's services;
- non-children's services regulatory activities; and
- management and general administration.

In this study a sample week was chosen as the time period. Professional staff were asked to keep a record of time use in the above categories. Altogether 233 sample weeks or 1165 sample days of activity was collected. Unit heads provided 105 days of time use, managers without caseloads provided 55 days, managers with caseloads provided 95 days, and inspectors provided 910 days. Table 2.6 shows the overall distribution of time spent by inspectors. Since we are primarily interested in *relative* time-use, figures 1 to 3 provide the average percentage of a working day spent on the listed activities. Figures 1 and 2 provide further break-downs of the direct regulatory activity, for residential care homes and boarding schools respectively. Figure 3 shows Unit Head time-use in order to highlight the time spent on managerial activity. Overall, 28 per cent of each day is spent on children's homes by all staff types, and 11 per cent on boarding schools. Extracting unit head time-use, the data indicate that just under a half of their time is spent on management. Pre-registration activity accounts for only one per cent of total time.

In the previous survey of inspectors spent a much higher proportion of total time (69 per cent) on regulatory activities directly or indirectly concerned with residential care of adults. Within time spent on regulation, inspectors of children's homes spent a higher proportion of time on inspection than did inspectors of homes for adults (68 per cent compared with 57 per cent). The difference was primarily made up of time spent on support and development (11 per cent of the time of children's homes inspectors compared with 16 per cent of inspectors of homes for adults) and complaints (seven per cent of the time of children's homes' inspectors compared with 12 per cent of the time of inspectors of homes for adults). This may be associated with the fact that the majority of children's homes are local authority run and only 30 per cent of the units were responsible for investigating complaints into local authority children's homes.

Boarding school activities, as would be expected, were dominated by inspection: 75 per cent of regulatory time was spent on direct inspections. Informal monitoring activities, required between inspections, only took up four per cent of boarding school regulatory time. However, a further eight per cent of this time was classified as support activities for schools.

2.6 Unit costs

A basic building block in this study is the cost of inspector time. This requires information about resources required to deliver inspector time and information about how inspectors spend their time.

Information was collected about the salary costs of inspectors and managers with responsibilities for children's residential care. There was no attempt in this study to re-estimate support and overhead costs, which had already been estimated as part of the study of regulating adult residential care (see Netten, Forder and Knight, 1999a). Information about travel costs was also based on the previous study, unless the unit provided updated information. Data based on the previous study was inflated by three per cent to 1998/99 levels. Where no data was available average values were used based on the type of authority (County, London Borough, Metropolitan district, Unitary or Welsh authority). As in the previous study hourly costs were based on a 42 week year (allowing for annual, statutory and sick leave) and 37.5 hour week.

Given this type of approach the only real difference that would be expected between the basic unit cost of inspector time relates to salary costs of inspectors. The overlap in responsibilities described above means that it is scarcely surprising that the average basic unit cost per hour of inspectors of children's services (£27) was found to be the same as for inspectors of adult residential care.

A comprehensive definition of inspection and registration processes includes not only the time directly engaged in those activities but also complementary activity, such as development, dealing with complaints about the home and possibly any enforcement activity that might be required. Since we do not have information about how these other activities apply to particular inspections/registrations, we use inspector time-use information provide an estimate of this complementary activities as it averages across all inspections/registrations. The division of activities described above allows us to ensure that time is allocated appropriately to the service under consideration. This allows us to identify how much time was spent on these complementary activities per hour of inspection or registration time. The ratio of the hours spent directly on the inspection/registration and the time spent in each category of complementary activity in a given time period is the activity *multiplier*.

Supervision is allocated on a roll-down basis from unit head, through intermediate managers, to inspectors estimated separately for each unit. Thus an hour of inspector time also includes some inputs for supervision/management, whilst an hour of a unit head's time spent directly

on regulation must have the time spent on the management of other removed. These adjustments are made directly to the basic hourly cost as indicated in tables 2.7 and 2.8. The tables also show the adjusted hourly cost multiplied to account for complementary activity. As in the previous study, three levels of multiplier are included: inclusive which has all associated activities including development, complaints and enforcement, intermediate which only includes development out of complementary regulatory activities, and exclusive which has no complementary activity but allows for management and administrative activity. In what follows we will mainly be using the inclusive definition. There was no evidence to suggest that the multipliers for Wales should be any different than for England.

The lower proportion of time spent on the complementary activities means that the average inclusive unit cost of inspector time for children's residential homes is lower than for adult residential homes (£50 per hour compared with £53 per hour). The inclusive figure for boarding schools excludes monitoring activities as these are measured separately (see chapter 3), and is very similar to the cost for children's homes (£49 per hour).

2.7 Conclusion

A satisfactory response rate to the survey suggests that we can have some confidence in the national representativeness of the information provided. Small new units in unitary authorities are somewhat under-represented. This not a major cause of concern as they account for a relatively small proportion of regulatory activity. To a large extent it would be expected that they would reflect the patterns of activity in their previous units. As they tend to be in more restricted geographical areas any bias would primarily be reflected in time spent travelling.

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. Units do inspect non-maintained special boarding schools and tend to inspect these and local authority boarding schools more often than the statutory minimum for independent boarding schools. There is little evidence of units inspecting foster care agencies but they do appear to inspect family centres.

Unit costs were estimated based for inspector time based on information from the previous study (Netten, Forder and Knight, 1999a) and information about salaries and time use of inspectors responsible for children's services. 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 cost per hour was very similar. It was lower than the unit cost for inspectors of homes for adults, however, reflecting the lower level of general development, support, complaints and enforcement activities.

Table 2.1 Number of units participating by LA type

<i>LA Type</i>	<i>Children Survey Number of units</i>	<i>Adult survey Number of units</i>
County	26	23
London	18	17
Met	24	20
Unitary	17	14
Wales	5	6
Total	90	80

Table 2.2 Inspection of services not currently regulated

	<i>Number of units (n = 87)</i>
Independent fostering agencies	1
Local authority fostering services	2
Local authority adoption services	0
Family centres	12
Non-maintained special boarding schools	30
Local education authority boarding schools	12

Table 2.3 Frequency of inspection of boarding schools

	<i>Non-maintained Special schools</i>	<i>Local education authority boarding schools</i>
Whenever resources are available	0	1
Once every four years	8	1
>Annually and < 4 years	5	4
Annually	16	6
Twice a year	0	0
More often	1	0

Table 2.4 Inspectors of children’s residential care services

<i>Type of care</i>	<i>Inspectors</i> <i>(n = 260)</i> <i>%</i>
Day nurseries	35
Registered child minders	25
Independent fostering agencies	1
Local authority fostering services	>0
Local authority adoption services	>0
Residential homes for adults	72
Domiciliary care for adults	20
Day care for adults	2
Other	46

Table 2.5: Qualifications of inspectors

	<i>Local authority unit inspectors</i> <i>(n=260)</i> <i>%</i>
Qualification in residential or field social work	77
Nursing qualification	12
Teaching qualification	15
Nursery nurse qualification	5
Other childcare qualification	9
Experience of managing children’s home	31
Experience of working in children’s home	39
Experience of managing boarding schools	4
Experience of working in boarding schools	8
Other relevant qualification or experience	42

Table 2.6 Time use of all professional staff

<i>Activity</i>	<i>Time Use (average day) (n=1165 days)</i>
Children's homes residential regulation	1 hr 45 min
Boarding schools regulation	0 hr 43 min
Other children's services regulation	0 hr 43 min
Non-children's regulation	1 hr 32 min
Management	0 hr 57 min
Other non-regulatory activity	0 hr 42 min

Table 2.7 Hourly costs (£s) – residential care

	<i>Unit head</i>	<i>Manager without caseload</i>	<i>Manager with caseload</i>	<i>Inspector</i>
Basic (salary and overheads)	35	32	30	27
Basic and supervision	24	19	21	31
... plus other inputs (exclusive)	66	49	41	42
... plus other inputs (intermediate)	70	67	50	47
... plus other inputs (inclusive)	216	112	63	50

Table 2.8 Hourly costs (£s) – boarding schools

	<i>Unit head</i>	<i>Manager without caseload</i>	<i>Manager with caseload</i>	<i>Inspector</i>
Basic (salary and overheads)	35	32	30	27
Basic and supervision	30	18	26	30
... plus other inputs (exclusive)	82	48	49	42
... plus other inputs (intermediate)	86	51	50	46
... plus other inputs (inclusive)	89	70	50	49

Figure 2.1 Time use –All professional staff (children), residential care

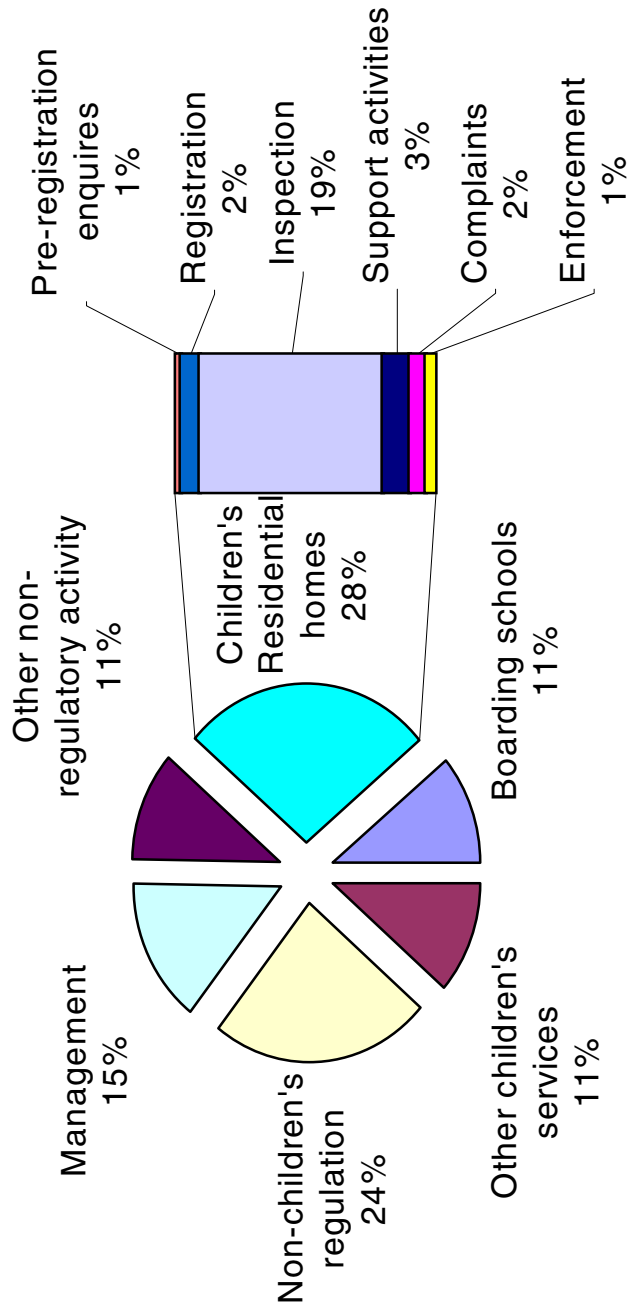


Figure 2.2. Time use – All professional staff (children), boarding schools

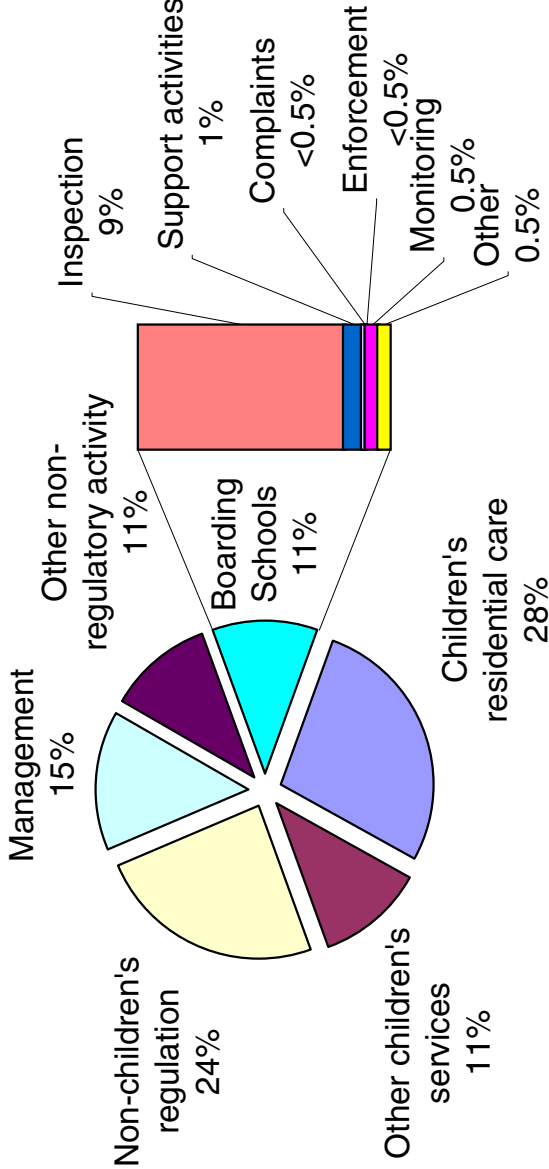
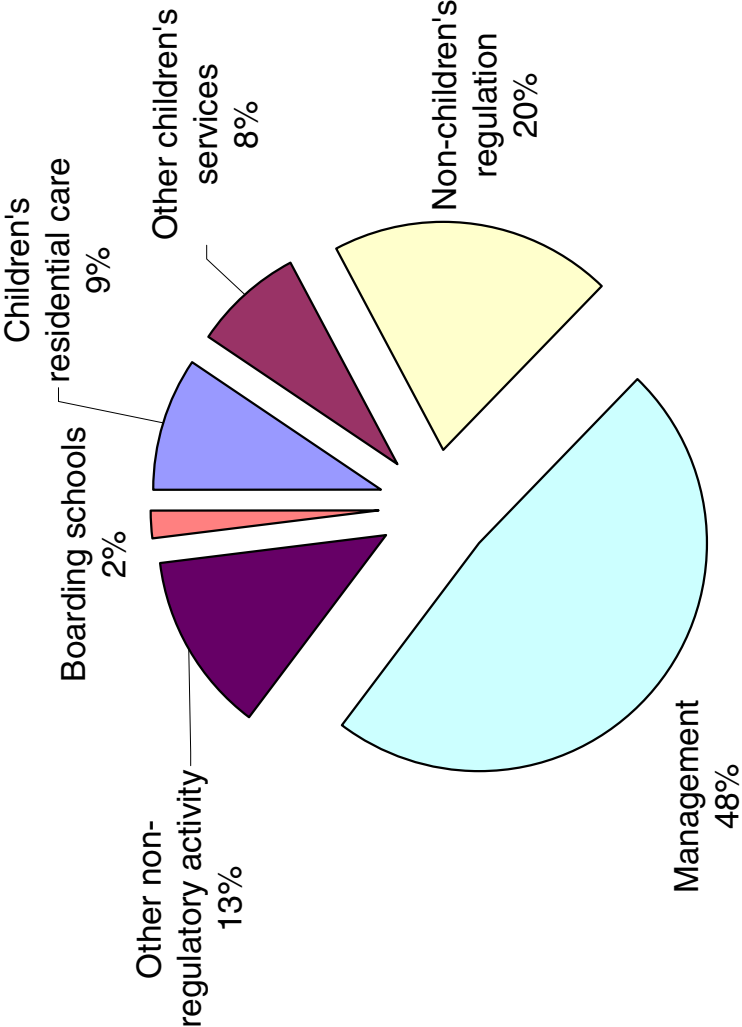


Figure 2.3 Time use - Unit Heads



Chapter 3

The costs of inspection and registration

3.1 Introduction

Residential care facilities for children seeking to acquire and maintain registered status must meet a range of criteria relating to the physical fabric of the premises, the fitness for purpose, quality and intensity of staffing, health and safety regulations and, increasingly, the quality and social aspects of care provided to residents. Independent organisations wishing to set-up care homes need to undergo a new registration process. This is a detailed process that seeks to ensure that new premises can satisfy conditions for registration. The process is usually initiated at the planning and even pre-planning stage and can be ongoing until the home actually opens. Homes are then subject to two inspections a year by the local authority. Boarding schools must be inspected at least every four years. Usually, one inspection is announced in advance and the other is unannounced and can theoretically occur at any time.

This chapter reports estimates of the total cost of these regulatory activities and analyses factors associated with variation in these costs. In particular we investigate the costs of:

- inspection of children's residential care homes;
- registration of children's residential care homes; and
- inspection of boarding schools.

We start by describing how costs were calculated for specific surveyed inspections and registrations and then consider the theoretical reasons why costs might vary. A description then follows of the characteristics of the sampled facilities, resource inputs that were used in the regulatory activities and estimates of the total costs. The final section reports on the statistical analysis of cost variation.

3.2 Methodology

Units were asked to supply detailed information about specific instances of inspections and registrations. A sample of announced and unannounced inspections of children's homes, of new registrations of homes and inspections of boarding schools was collected. Data were collected about the characteristics of the facility that was the subject of the selected

inspection or registration. Characteristics of the facility included: a range of information about its clients, details such as its size, composition, organisation, ownership and so forth. Some details of the type of inspection or registration were also sought, as were the reasons that prompted it and its outcome.

A substantive part of the inspection/registration questionnaires concerned the resources consumed by the inspection and registration process. We asked about the time spent on the inspection/registration by professional staff in the following categories: unit heads, managers (with and without caseloads) and inspectors. We asked in addition about how their time was used as between on-site time, report writing and travelling. Information was also collected about external inputs, such as the time of non-unit professionals such as Health and Safety staff, public health personnel, pharmacists, social workers, legal advice and so forth.

Overall, units returned 270 questionnaires with details of inspections of children's residential care homes. Although 98 forms about new registrations were returned, many units had not had any requests for new registrations within our time period (since October 1997). Hence, details of only 46 registrations were available. Exactly 200 returns were made concerning boarding school inspections, but 16 of these were to report no boarding schools within the unit's jurisdiction. Thus information was available about 184 school inspections.

The costs of registration and inspection activities

The total costs of registration and inspection activities comprise internal cost elements, that is inputs under the direct purview of the unit, and external costs. Examples of the latter are lawyers, architects, and social workers. As with the adults study a bottom-up costing methodology was employed. This approach involves collecting information on all the resource inputs employed in undertaking an inspection or registration. Resource inputs include direct labour inputs by staff immediately engaged in the inspection/registration. We distinguish between four types: inspectors, unit heads, managers with caseloads and managers without caseloads. Other labour inputs include support staff, management and supervision. It also includes work by the above four types of staff on associated activities such as dealing with complaints, development, enforcement etc – these are indirect labour inputs. Capital is the other main resource input and covers the usual elements, building, offices and so forth. In principle, we can multiply the level of each particular input by its corresponding unit opportunity cost to calculate each input cost. Then summing over all inputs costs gives the total cost of the inspection/registration.

In practice, we do not have information about the level of all inputs required to regulate homes and schools. But from the time-use of staff we know how much time was spent on

average across the sample for each type of activity for a given time period (in this case a week). Thus, on average we can say what the level of indirect activity (for example time spent on support activities and complaints) was per unit of direct activity (time spent on inspection and registration). By assuming that this ratio (or multiplier) remains constant across all inspections or registrations we can calculate the indirect costs associated with a specific inspection or registration. In fact, we distinguished between the above four staff types to calculate four such multipliers. Thus the total input cost for each staff type is:

Staff input cost = multiplier × basic unit cost of time × time spent on activity

For the most part, the reported results have used the most inclusive estimate of unit costs, which allows for time spent on other regulatory activities such as dealing with complaints, development and enforcement activities.

To calculate the cost of other inputs (such as clerical support) we used information on their total cost in a given time period (in this case a financial year) and average them over total labour inputs (in hours) undertaken in that period. This average amount can be added onto the cost of labour inputs (hourly wages) to calculate the basic unit cost, which is used in the above equation. As far as possible these unit costs reflected local circumstances in terms of salary, travel and support costs. Overall, we can estimate the total unit input costs of a particular inspection or registration by knowing the direct time spent by the four staff types. Summing across the four types gives the final total cost.

Chapter 2 describes the time use of inspectors and process used to estimate the unit costs of staff time. Tables 2.7 and 2.8 in chapter 2 show the average estimated unit costs of time for each type of inspector.

Registrations in particular, but also inspections can involve inputs from professionals external to the unit. Regulatory activity questionnaires invited respondents to detail such external inputs, both in terms of the level of the input and also its total cost. Where total costs were provided, these were added directly to the running total of external costs. When the level (such as number of hours) but not input cost was indicated, a unit cost estimate from external sources was used and multiplied by the level of input. If only the use of a type of external input was noted then a cost was imputed on the basis of sample use of the type of resource for the type of regulatory activity.

A special type of external input is the use of lay assessors. In addition to time spent on inspections, costs of lay assessment include their recruitment, training and expenses. A

standard estimate of £47 per inspection was used based on those units that were able to supply information about these costs and number of inspections involving a lay assessor.

Total activity costs are the sum of internal costs and external costs.

Analysis of costs

The analysis of costs has two parts. First is to determine the average costs of inspections and registrations. The statistical arithmetic mean was calculated for the sample to provide an estimate of average costs. Summary statistics for the distribution of cost per registration or inspection were also generated.

The second part of the analysis is to investigate the distribution of costs in more detail by constructing a statistical model showing the relationships between total costs and a range of determining factors. The factors included, and form of the model, will depend on the theoretical model described below. Using a process of inference, the statistical model will allow us to predict when regulation activity costs will differ from the average value in particular situations. For example, what will be the expected costs of inspecting particular types of homes, by certain types of inspection units in defined areas?

Regression analysis is used to generate the statistical relationships. This technique calculates the correlation between total costs and the range of factors. Non-zero correlation is the basis for inferring that that factor and total cost are actually related. Regression analysis calculates each cost correlation for all factors simultaneously. Each correlation is therefore affected by the cost correlation of all the other variables and so it is the net contribution of each factor that is measured. Each individual relationship is identified by calculating its correlation with total costs when all other factors are treated as constant. To give an example, suppose that in simple bivariate comparisons we find that total costs in London are higher than elsewhere. The bivariate correlation does not tell us whether this effect is due to London having higher input prices or London units being smaller on average or some combination of both. Multiple regression can find the London-cost correlation when unit size is treated as constant across the sample and therefore removes any confounding effects of unit size.

3.3 A theoretical model

In order to build up a statistical model to analyse cost variations, a theoretical model was developed. The theoretical model provided a framework to construct the statistical model. It also provided an indication of what data were expected to correlate with total cost and so

needed to be collected in our survey. Finally, a theoretical model was needed to guide us as to the form or specification of the relationship between total cost and its explanatory factors.

From economics we would expect that the total costs of a regulatory activity would depend on four sets of factors:

- input prices;
- level of output;
- input-output production relationship (home characteristics, client characteristics, outcome of inspection); and
- input mix efficiency (unit characteristics).

We assume that units are trying to minimise total costs for a given level of output, but input mix inefficiency indicates that costs may not be completely minimised. We then have the following relationship:

$$\text{Total cost} = f(\text{input prices, output, production function parameters, input mix efficiency})$$

Further details of these expected relationships are given in chapter 4 of Netten, Forder and Knight (1999a).

3.4 Characteristics of inspections and registrations

In this section we describe the characteristics of the homes and schools that were the subject of the regulatory activity and the resources used in the process.

Children's residential care homes –inspections

Table 3.1 describes the characteristics of the sample of inspected homes. Local authorities ran the majority of homes inspected. It is worth noting that respondents identified two of the homes inspected as run by voluntary organisations, although the SSI have formal responsibility for these homes. The homes tended to be single home operations; nearly two-thirds were converted rather than purpose built. All but five (less than 2 per cent of the sample) had single registration status and only five had any particular religious affiliation.

Table 3.2 shows that the homes had a range of functions, but the primary one was in preparing children for rehabilitation with a family. Less than five per cent offered secure accommodation. Table 3.3 provides an indication of the scale of homes. The average size

was eight places but varied between two and 45. Only two homes had less than four places. Occupancy at the time of inspection averaged 73 per cent.

Table 3.4 describes the characteristics of children living in the home. Most children were between 12 and 16, and the great majority were living in homes caring for both girls and boys. Behavioural difficulties and sexual abuse were the main problems of residents.

Children's residential care homes – registrations

The characteristics of the sample homes undergoing registration procedures are reported in tables 3.5 and 3.6. Their characteristics are similar to the inspection sample: most are single homes, being converted and all but six (11 per cent) applying for single registration status. None had particular religious affiliations. Preparation for rehabilitation with a family and independence were important functions, although the largest single group were being designed for long-stay therapeutic interventions. Table 3.7 shows the intended size of homes (7.5 places); almost all places were in single rooms. Planned resident composition was very similar to resident characteristics of those in the inspection sample (see table 3.8).

Boarding schools – inspections

Table 3.9 describes the boarding schools in our sample. The majority were Section 87 independent schools (75 per cent); 16 per cent special boarding schools. A governing body ran most of the schools and a large proportion were in converted buildings. Table 3.10 shows the scale of the school's activities. Boarding places averaged 115 in number, and most of these (nearly three quarters) were for full-time boarders. School size varied tremendously, from five to 780 places.

Table 3.11 shows the types of pupils attending the school. Mostly schools catered for both sexes. A significant minority of pupils had special needs, such as emotional and behavioural problems, autism, communication problems and learning difficulties. The age range of pupils is an important element of the analysis. The average starting age was eight years and the average finishing age of pupils 16.6 years. Underlying these figures is a spread of age-ranges catered for by the school. Figure 3.1 shows these age-ranges. Most schools have pupils in the range 4 to 18 (20 per cent of schools), 11 to 18 (20 per cent), 11 to 16 (14 per cent) and 4 to 11 (9 per cent). Some 26 different age ranges were reported in the sample.

Activity and costs

For each inspection and registration information was collected on the hours of time input by four categories of staff: inspectors, managers with caseloads, managers without caseloads and unit heads. As described above, this information is a primary factor in the calculation of total

costs. Tables 3.12 to 3.15 list the total hours of input and the total cost of the various regulatory activities under consideration. The tables report central tendency statistics (mean and median) and figures describing the distribution of the sample (standard deviation, minimum, maximum, skewness and kurtosis). Skewness and kurtosis values indicate how the distribution varies in shape from a normal distribution.¹

The distribution of hours of inspection/registration time between the four staff categories can be seen in figure 3.2 (inspection of children's homes), figure 3.3 (registration of children's homes) and figure 3.4 (inspection of boarding schools).

Just over half (53 per cent) of the inspections of children's homes were announced. Announced inspections of children's homes averaged 32 hours compared with 15 hours for unannounced inspections. Mean total costs (using the most inclusive multipliers) were about twice as much for the former. Unannounced inspections varied relatively more in the number of hours, in particular, being more upwardly skewed. Both the costs and total hours of announced inspections did not demonstrate a significant level of skew. Overall, inspections averaged £1,397 using the inclusive measure of unit costs, £1,182 using the intermediate measure of unit costs and £1,066 using the most exclusive version (see chapter 2). The cost of inspecting the two small homes (less than four places) was £1,240. Whatever their size, inspections of children's homes were much more costly than homes for adults: inspections of homes for adults averaged £881 using the equivalent, most inclusive measure of unit costs of staff time.

The sample of voluntary children's homes included 12 cases only. Moreover, these were inspection undertaken by the SSI from regional bases and therefore no measure of unit-level additional input costs was available. We can impute costs to these inspections on the basis of the total time spent on the inspection by inspectors and managers. Some 96 per cent of the total hours employed were attributed to inspectors rather than managers (at the mean – see table 3.13). Assuming net unit costs equivalent to the private homes inspection sample, costs estimates could be made for announced and unannounced inspections and are reported in table 3.13. Total time spent on voluntary homes inspections averages out to be about twice as much as for the private homes, and this is reflected in the much higher costs. However, it is not clear that these voluntary homes inspections would also include all the additional inputs of the private home inspections. Thus the tables also list the intermediate and exclusive cost definitions for comparison.

¹ The normal distribution has Skewness and Kurtosis values of zero so higher values imply greater non-normality of the distribution.

Table 3.13 also reports a predicted cost, which is the estimated cost that would be incurred if an average inspection unit inspected a home with the characteristics of the sample mean voluntary home. The estimate is derived using the results of the statistical model of (private) children's homes inspections described below. Not only is the predicted figure considerably less than the direct estimates for voluntary sector homes, but it is also less than the mean for the private homes inspection sample. This finding suggests that the mean voluntary home has characteristics that, in relation to the private home inspection sample, are less cost generating.

Table 3.14 reports the sample total hours and costs for the registration of children's homes. Mean costs (£4,700) and hours (64) are much higher than inspection costs as expected. However, the sample distributions are also more upwardly skewed; indeed the median cost is £1,866 less than the mean. Total hours vary between 12 and 430 hours, which underpins the observed wide spread of costs. The table also lists total costs based on the exclusive and intermediate multipliers, and these are substantially lower. The cost of new registrations of homes for adults was £1,958, considerably less than the case for children's homes.

Information was available for only two new registrations of voluntary homes, one for eight places and one for four. The smaller home was intended for the most age range found to be most costly to inspect and register, 12 to 16 (see below). Including both SSI inspector time and headquarters staff, the registration process took 171 and 107 hours. The only external costs identified were for translation expertise. Total costs using the most inclusive measure were £8,800 and £5,400. Using the exclusive measure, total costs were closer to the costs of registering private children's homes: £7,300 and £4,500.

Table 3.15 lists the hours and cost estimates for boarding schools inspections. The requirement is for independent boarding schools to be inspected every four years (LAC95/1). Table 3.16 shows the frequency of inspections for schools in the sample. More than half the schools were inspected more frequently than every four years. There is also a requirement to maintain informal contact with schools between inspections, which can be seen as contributing to the overall inspection process. In that we are costing 'inspections' defined in a comprehensive way, the costs of this informal monitoring have been added to total costs as indicated in table 3.15. Some 61 per cent of sample inspections did involve some informal monitoring, which took on average 4.4 hours per term. For comparison, where inspections were undertaken annually, this monitoring time was 3.9 hours per term. It was 6.15 hours per term for schools that received four-yearly inspections. However, the high proportion of schools that did not receive informal monitoring contact meant that between inspections schools received just 12 hours contact between inspections on average.

3.5 Analysis of cost variations

The theoretical model presented above has four groups of factors that determine the costs of inspection and registration. The model defines these cost factors conceptually. By finding practical measures of these factors that can be repeated for a sufficiently large number of cases, the model can be analysed statistically. These actual measures fall into a number of categories, which are listed in Box 3.1 along with their corresponding (theoretical) cost factor. Although the theoretical model is only indicative, we still wish to find proxies that accurately quantify the conceptual variables of the theoretical model. Indeed, any interpretation of the statistical model analysis rests on the validity of the relationship between proxy and cost factor.

Box 3.1. Regression proxy variables

<i>Cost factor</i>	<i>Elements</i>
Input prices	Regional characteristics (e.g. local authority type)
Output	Outcome characteristics – judged and actual fitness for purpose (e.g. whether the inspection was satisfactory) Processes (e.g. whether residents or pupils were able to express their perceptions/experiences)
Production function parameters	Home characteristics (e.g. ownership, size) Client characteristics (e.g. children with special needs, age profile) Activity characteristics (e.g. whether inspection was announced or unannounced; frequency of inspections)
Input mix efficiency	Unit characteristics (e.g. size of unit)

Three data samples are analysed using multiple regression: inspection of children’s residential care homes, registration of children’s residential care homes and inspection of boarding schools. Sample sizes are good for the first and last, but rather small for the registration sample (see below). This analysis should be considered as secondary to the other

two. Technical issues (including regression diagnosis and missing value counts) are described in Appendix C.

3.6 Results

The results of the multivariate analyses are reported in table 3.17, table 3.18 and table 3.19. The tables show the extent to which a change in the listed factor is associated with a change in regulation cost. The estimate can be thought of as the difference in (predicted) costs of otherwise identical homes except that they differ by the listed factor. For example, in the children's inspection analysis (table 3.17), the £314 estimate associated with the factor: short-stay crisis intervention would be the predicted difference in inspection costs between otherwise identical homes, but one that carries out this function and the other that does not. Another example is the estimate on '+1 places in the home'. This means that for nearly identical homes, differing only in size by one place, the difference in cost would be £17. If the relationship is 'linear' the baseline from which the difference is taken has no bearing. However, for non-linear relationships it does matter. A difference of one place, for example, between two large homes can mean a cost difference that could be higher or lower than the equivalent difference in size comparing two small homes.

For the main two analysis a majority of the variation in costs was 'explained'. Regarding the remaining 'unexplained' variation, the diagnostic statistics suggest that no important influence on the costs has been omitted.

Children's home inspections

Table 3.17 shows the results of the multivariate analysis of the children's home inspections, which can be assessed in terms of cost associations with outcome, home characteristics, and characteristics of the unit. The sample excludes inspections of voluntary children's homes, which are undertaken on a different basis.

Outcome

It was argued in the study of homes for adults that an inspection resulting in a satisfactory outcome (judged fit for purpose) would be expected to incur lower costs than an inspection that found problems requiring further action. The variable identifying a satisfactory outcome was found to be statistically significantly associated with lower costs. Satisfactory inspections cost £467 less than those with other outcomes. In addition to the theoretical argument that more inputs would be more likely to identify homes that were not fit for purpose, this variable would also reflect that unsatisfactory inspections are more costly to

undertake. This would result from discussions with the home about the problems that have been identified and follow-up visits, to check whether recommendations have been followed through.

Home characteristics

Home size and client characteristics were found to be statistically significantly associated with total activity cost. Home size, as measured by the total number of places of homes showed a significant positive relationship with cost. Relatively larger homes appear to require greater resources during inspection; the marginal effect of one extra bed is £17. However, this marginal effect is not constant. The gradient of the relationship between total places and cost is increasing (slightly) at the margin. For large homes relative to the sample average, having to inspect one more bed costs less than £17. The reverse is the case for small homes.

Due to the relatively small relationship between size and cost, a large fixed value is needed so that average total costs of an inspection are covered. Extrapolating on the basis of the cost gradient for the average sized home, a 'fixed value' of £1,198 would be required. Put another way, for the average size home, the effects of its size on costs is only 10 per cent of the total mean cost; the non-size related elements account for the remaining 90 per cent of costs.

The relationship between size (places) and costs differs by type of inspection. In fact for unannounced inspections there is no significant relationship; it does not matter what the size of the home is for such inspections. For the announced inspection, the effect is consequently stronger than the average at £42 per place (as identified above the sample had slightly more than one half announced inspections).

A number of client-related and home function variables were included in the analysis. Homes dealing with short-stay crisis intervention cost more to inspect (£314 more than the average). Homes for long-stay residents were less costly (£232 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 disabilities were also less costly, perhaps reflecting the different needs of these children and the greater stability of their needs.

The home type, specifically whether it was local authority run, did not affect the costs of inspection, implying little or no difference in inspection practice between these and other types of home.

Activity characteristics

Announced inspections cost in the order of £1,065 more than unannounced inspections. There was an insufficient number of cases to test any impact of an inspection being initiated for non-routine reasons, such as a complaint or other concern.

Unit characteristics

The price of labour and capital varies across England, with London in particular having comparatively high prices. Units operating in rural compared to urban areas might also have different procedures and characteristics that result in different cost structures. For example, rural authorities would be expected to incur higher costs associated with travel. However, in as far as it could be addressed, the location of the Unit did not have a bearing on inspection costs. It should be noted that an insufficient number of homes inspected by both London and Welsh units were available in the sample to make reliable comparisons. Also, the size of the unit, which did have an impact as described below, may account for the small associations with local authority type in that size is generally correlated with unit type: county authorities tend to have larger units than those in metropolitan areas.

It was argued above that a unit's scale of operation could account for some of the observed differences in the cost of inspections. Scale of operation was measured as the number of (professional) staff in the unit. A negative relationship was found: bigger units have lower costs, everything else being equal. This finding has implications for the efficient size of units. Also of relevance is the ratio of managers (unit heads) to inspectors. Units with more managers per staff member than average were associated with lower inspection costs. This effect was non-linear and it tailed off when comparing units with relatively high management levels.

Inspections of boarding schools

The sample demonstrated a complex, subtle but extensive set of cost relationships, which are reported in table 3.18.

Activity characteristics

The varying time cycle of inspections was expected to have an effect on the total costs of this activity. A number of different forms of this relationship were investigated, but the most simple proved to be the most appropriate. Inspections on an annual cycle were £763 less costly than those undertaken on other cycles (the average time between inspections for these 'others' was 2.5 years).

School characteristics

Table 3.18 lists school characteristics found to influence costs, including a number relating to the characteristics of pupils. Generally, these were of secondary order in explaining differences in costs. Schools with children with emotional or behavioural difficulties were more expensive to inspect, as were schools with non-English speaking children. However, many of the factors listed in table 3.11 appeared to have no bearing on the inspection. The type of school (see table 3.9) also had little impact. 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 £161 and £91.

The scale of the facility – measured here by the number of full-time boarders – had the usual positive cost relationship but was very small. To re-cast the relationship in terms of total numbers of places, only 14 per cent of average cost was accounted for by a change in the number of places from zero to the mean size (113 places), that is £4 per place.

Unit characteristics

A significant negative relationship between the number of professional staff and cost was found (other things being equal, including the number of managers). The size of the cost difference was -£80 for one more member of staff compared with the average (of 16 staff). But this cost difference varies according to whether we are comparing schools that differ by one staff member in shire counties or other local authorities, and by baseline unit size. A difference of one additional member of staff makes no significant difference to costs when comparing unit inspections within shires. For non-county inspections the cost-difference changes from -£80 to -£248. A staff difference of one (more) has more impact on costs for small units (a staff change from a baseline of half the mean of eight staff). A lesser impact on costs holds for a one-staff reduction in larger units. But even these changes are not straightforward: a one-staff increase for very small non-county units (4.4. staff) actually implies a positive cost difference, as does a one-staff increase for very large county units (37.8 staff). Figure 3.5 shows this stylised relationship. The x-axis shows the baseline size and the y-axis shows the difference in costs that a one-staff change would make. The sample average difference is marked explicitly on the chart for illustration.

An increase in managers is associated with a comparative increase in costs of inspection, which is contrary to results for children's homes. This result may reflect specialisation in some units when inspecting boarding schools.

Output indicators

As with children's homes an inspection with a satisfactory outcome is less costly comparatively. Two further output, or rather 'process', indicators of good outcomes were included in the model. Both, indicating respectively that the inspection elicited the views of pupils and also of staff, were associated with higher costs. In other words, 'good' outcomes have higher costs. This result is consistent with the finding regarding satisfactory inspections because an important output of inspection is finding unfit schools, which would otherwise been deemed satisfactory. Hence, finding fewer satisfactory inspections in the sample can indicate that the inspection process detected more unfit schools. This would be a 'better' outcome from a wider perspective, and one that involves more inputs and so is more costly. Moreover, the planning and monitoring of remedial actions for failing schools, which would improve outcomes, involve further costs. Overall then greater resource inputs can underlie the observation of an unsatisfactory school.

New registrations

Table 3.19 shows the results of the analysis of the costs of new registrations. The small sample size available places some restrictions on the scope and stability of the regression analysis. Whilst the diagnostic statistics indicated no problems, the number of variables was limited. Nonetheless, the three significant relationships that emerged are all consistent with the other analyses. In particular, the proposed size of the home (the anticipated number of places) was positively associated with cost (+ £234 per additional place). The relationship was non-linear, showing a lower additional cost per place for large homes. So, for example, homes that are to be half a standard deviation larger than average (10 compared to 7.7 places) are associated with an extra £93 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.

Finally, the number of staff in the unit was negatively related to cost, as was the case for inspections. A reduction in cost of £132 is associated with each extra staff member in the unit. This per staff figure is equivalent to about 3 per cent of the mean cost of registration (compared with the corresponding figure for inspections of 2 per cent).

3.7 Summary

This chapter describes the analysis of the costs of registration and inspection. A bottom-up approach was used to estimate total costs, which were described by the arithmetic mean of our sample. This descriptive information allows a comparison of the resources used in these regulatory activities.

There was significant variation in the costs of inspection and registration. A statistical model, based on a theoretical approach to factors expected to affect the costs of regulation, was used to investigate this variation. Using a process of inference we then predicted when regulation activity costs were likely to differ from the average value.

Four sets of factors were found to be associated with inspection and/or registration cost variation:

- the outcome of the inspection;
- the characteristics of the inspected or registered home;
- locality characteristics; and
- characteristics of the unit (including unit size).

A number of findings are of particular interest. First, comparatively large facilities were associated with higher costs. However on average only between 10 and 20 per cent of the average costs was accounted for by variation in facility size. In other words there was a large 'fixed' cost of inspection and registration unrelated to facility size.

Second, in the main, resident characteristics were not the key cost factors. By contrast, the characteristics of the unit were central in accounting for the difference in inspection costs. Generally, larger units were associated with lower costs for most of the activities analysed, but the relationship was non-linear and often complex.

Third, this analysis of cost variations provides an indication of which inspection and registration costs differ from the average and by how much. The estimates allow for other regulatory activities by allocating the time spent to the unit cost of inspector time. The amount of additional activity that is 'loaded-on' to an inspection and registration had a significant bearing on cost. For example, the least inclusive definition would costs of children's home inspection that are 24 per cent less than the costs calculated under the most inclusive definition.

Finally, the estimated costs of inspections and particularly registrations of children's homes were substantially more than for adults. Inspections of children's homes cost 59 per cent more than residential homes for adults. New registrations of children's homes cost nearly twice as much as registering a home for adults.

Table 3.1 Characteristics of homes inspected

	<i>Number</i>	<i>%</i>
<i>Sector (n = 266)</i>		
Private	65	24
Local authority	195	73
Assisted	4	2
Voluntary	2	1
<i>Organisational structure (n = 248)</i>		
Single home	127	51
Small chain	45	18
Large chain	76	31
<i>Building (n = 264)</i>		
Purpose built	90	34
Converted	168	64
Both	6	2

Table 3.2 Functions of homes inspected

	<i>Number</i>	<i>%</i>
Preparing for rehabilitation with family	163	60
Planned short term care	129	48
Short stay crisis intervention/assessment	123	46
Long stay with therapeutic interventions	123	46
Preparation for permanent placement	129	48
Preparation for independence	153	57
Secure accommodation	11	4
Education on the premises	47	17
Respite care for children with disabilities	49	18

(n = 270)

Table 3.3 Size of homes inspected

	<i>Mean</i>	<i>Std dev</i>
Number of places	8.06	5.13
Number of rooms	7.13	4.97
Number of children in home at time of inspection	5.87	3.85
Number of secure accommodation places	0.69	3.75
Number of children in secure accommodation	0.40	2.32
Number of sites	1.09	1.11

(n = 265)

Table 3.4 Characteristics of children cared for in homes inspected

	<i>Number</i>	<i>%</i>
<i>Age range (n = 270)</i>		
Under 8	31	11
8 –11	106	39
12 –13	212	79
14 –16	234	87
Over 16	145	54
All ages	21	8
<i>Gender (n = 267)</i>		
All male	28	10
All female	17	6
Both sexes	222	83
<i>Specific needs/problems (n = 270)</i>		
Older children ending their time in care	135	50
Children with behavioural problem	209	78
Sexually abused/abusing	169	63
Children with learning disability	80	30
Children with physical disability	49	18

Table 3.5 Characteristics of home being registered

	<i>Number</i>	<i>%</i>
<i>Organisational structure (n = 51)</i>		
Single home	27	53
Small chain	13	26
Large chain	11	22
<i>Building (n = 52)</i>		
Purpose built	2	4
Converted	50	96

Table 3.6 Functions of homes registered

	<i>Number</i>	<i>%</i>
Preparing for rehabilitation with family	27	52
Planned short term care	26	50
Short stay crisis intervention/assessment	20	38
Long stay with therapeutic interventions	33	63
Preparation for permanent placement	17	33
Preparation for independence	31	60
Secure accommodation	0	0
Education on the premises	27	52
Respite care for children with disabilities	3	6

(n = 52)

Table 3.7 Size of homes registered

	<i>Mean</i>	<i>Std dev</i>
Number of places	7.50	4.50
Number of single rooms	7.00	4.70
Number of sites	1.20	1.30

(n = 52)

Table 3.8 Characteristics of children to be cared for in newly registered homes

	<i>Number</i>	<i>%</i>
<i>Age range (n = 52)</i>		
Under 8	4	8
8 – 11	20	38
12 – 13	44	85
14 – 16	44	85
Over 16	31	60
All ages	0	0
<i>Gender (n = 52)</i>		
All male	9	17
All female	3	6
Both sexes	40	77
<i>Specific needs/problems (n = 52)</i>		
Older children ending their time in care	19	37
Children with behavioural problem	44	85
Sexually abused/abusing	32	62
Children with learning disability	9	17
Children with physical disability	4	8

Table 3.9 Characteristics of boarding schools inspected

	<i>Number</i>	<i>%</i>
<i>School type (n = 182)</i>		
Independent school section 87	136	75
Non-maintained special boarding school	30	16
Local authority boarding school	14	8
Other	2	1
<i>Ownership (n = 182)</i>		
Privately owned by head	18	10
Run by a governing body or equivalent	163	90
Voluntary	1	1
<i>Building (n = 178)</i>		
Purpose built	48	27
Converted	99	56
Both	31	17

Table 3.10 Size of schools

	<i>Mean</i>	<i>Std dev</i>
Number of boarding places (n = 160)	116	143
Number of children in boarding places – weekly (n = 118)	21	29
Number of children in boarding places – full-time (n = 149)	85	121
Number of boarding houses (n = 180)	3.7	3.1

Table 3.11 Characteristics of children cared for

	<i>Number</i>	<i>%</i>
<i>Gender (n = 183)</i>		
All male	28	15
All female	22	12
Both sexes	133	73
<i>Pupil characteristics (n = 184)</i>		
Visual impairment	8	4
Hearing impairment	10	5
Communication problems	32	17
Autism	23	13
Emotional and behavioural difficulties	41	22
Epilepsy	17	9
Physical difficulties	15	8
Moderate learning difficulties	34	18
Severe learning difficulties	11	6
Moderate and severe learning difficulties	12	7
Specific learning difficulties e.g. dyslexia	29	16
Non-English speaking	32	17

Table 3.12 Local authority inspections –residential care homes

	<i>Mean</i>	<i>Median</i>	<i>Std dev</i>	<i>Min</i>	<i>Max</i>	<i>Skewness</i>	<i>Kurtosis</i>
<i>Announced inspections (n = 130)</i>							
Total cost inclusive	1866	1565	1040	476	5932	1.40	2.22
Total hours	32	27	17	8	96	1.14	1.59
<i>Unannounced inspections (n = 122)</i>							
Total cost inclusive	897	710	762	145	4703	2.48	7.83
Total hours	15	12	13	2	89	2.92	11.95
<i>All inspections (n = 252)</i>							
Total cost inclusive	1397	1163	1035	145	5932	1.52	2.67
Total hours	24	20	17	2	96	1.39	2.22
Total cost exclusive	1066	895	774	102	4680	1.53	3.00
Total cost intermediate	1182	999	856	113	5231	1.52	2.98

Table 3.13 Voluntary children’s homes inspection

	<i>Mean</i>	<i>Std dev</i>	<i>Min</i>	<i>Max</i>
<i>All aspects (n = 12)</i>				
Total cost exclusive	1986	1494	300	5300
Total cost intermediate	2208	1665	329	5896
Total costs inclusive	2606	1925	355	6812
Total staff time	45	35	6	123
<i>Announced inspection (n = 6)</i>				
Total costs exclusive	3220	1076	2553	5300
Total costs intermediate	3580	1197	2842	5896
Total costs inclusive	4198	1360	3354	6812
<i>Unannounced inspection (n = 6)</i>				
Total costs exclusive	752	322	300	1034
Total costs intermediate	835	361	329	1150
Total costs inclusive	1015	474	355	1381
Predicted cost of inspection	1071			

Note:

Inclusive – including cost of support, complaints and enforcement

Exclusive – excluding cost of other regulatory activities

Intermediate – including costs of support activities

Table 3.14 Registration – children’s residential care homes

	<i>Mean</i>	<i>Median</i>	<i>Std dev</i>	<i>Min</i>	<i>Max</i>	<i>Skewness</i>	<i>Kurtosis</i>
Total cost	4689	2823	4726	1341	24164	2.60	7.36
Total hours	64	36	75	12	430	3.22	12.74
Total cost exclusive	3251	2086	3114	975	17097	2.79	8.91
Total cost estimated intermediate	3584	2280	3535	1093	19777	2.92	9.96

(n = 45)

Table 3.15 Inspection – boarding schools

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>Std dev</i>	<i>Min</i>	<i>Max</i>	<i>Skewness</i>	<i>Kurtosis</i>
Total cost	3302	2480	2446	147	13369	1.68	5.90
External costs	27	2616	2609	256	14948	1.69	6.07
Hours per inspection	65	0	119	0	1211	7.51	66.74
Total cost exclusive	2193	52	48	3	271	1.73	6.38
Total cost estimated intermediate	2369	1632	1622	94	8690	1.66	5.86
		1771	1748	102	9431	1.66	5.85

(n = 182)

Note:

Exclusive – excluding cost of other regulatory activities

Intermediate – including costs of support activities

Table 3.16 Frequency of boarding school inspections

	<i>Number</i>	<i>%</i>
Less than every four years	1	1
Every four years	74	41
Every 2 – 3 years	29	16
Annually	70	39
More than once a year	6	3

(n = 180)

Table 3.17 Costs of inspection – children’s residential care homes

<i>Factor</i>		<i>Change in cost</i>	<i>+ statistic</i>
<i>Inspection characteristics</i>			
Unannounced inspection		-1065.15	-10.81*
Satisfactory outcome		-466.49	-4.17*
LA home		50.18	0.45
<i>Home characteristics</i>			
+ 1 places in home	Any type	17.28	3.26*
+ 1 places in home	Unannounced inspection	-9.53	-0.72
+ 1 places in home	Announced inspection	41.82	7.65*
Home function	short stay crisis intervention	313.95	3.03*
	Long-stay	-222.13	-1.90*
	Prep. for perm. placement	-105.42	-0.87
Age range	12 - 13	255.94	2.14*
	16+	-101.90	-1.02
	16+, remaining in care	-337.50	-1.99*
	16+, leaving care	129.59	1.01
Client groups	Behavioural problems	-108.26	-0.73
	Learning disability	-249.85	-1.50
	Physical disability	-393.53	-1.72*
	Older children finishing with care	-130.90	-1.04
<i>Unit characteristics</i>			
Unit staff level	Any type	-26.97	-4.49*
	Unannounced inspection	-22.82	-2.87*
	Announced inspection	-30.76	-4.81*
+10% to WTE ratio of Unit head to inspectors		-2.69	-1.72*

N = 226; F (19, 206) = 10.70; R² = 0.50

* p<.1

Table 3.18 Costs of inspection – boarding schools

	<i>Cost change</i>	<i>+ statistic</i>	
<i>Inspection characteristics</i>			
Inspection annually	-763.30	-2.25*	
<i>School characteristics</i>			
Significant number of children with emotional/behaviour difficulties	522.03	1.73*	
Significant number of children with communication difficulties...			
Average	-413.31	-1.11	
Non-English speaking only	-650.64	-1.43	
English speaking only	-178.00	-0.43	
Non-English speaking			
Average	703.89	1.46	
No communication difficulties	956.00	1.73*	
Communication difficulties	-650.64	-1.43	
School caters for pupils finishing + 1 year older than the average	160.62	2.43*	
School caters for pupils starting + 1 year older than the average	-91.06	-1.75*	
Independent school	-403.43	-1.02	
LA school	-686.26	-1.58	
School has + 1 full-time boarders than average	1.82	1.94*	
School has + 1 residential blocks than average	76.59	1.38	
<i>Unit characteristics</i>			
Unit has +1 staff	Average size (16 staff)	-80.32	-1.73*
(with average number	County LA	-12.54	-0.37
of managers)	Non-county LA	-247.67	-1.97*
	Half average size (8 staff)	-135.18	-1.78*
	Twice average size (32 staff)	-52.88	-1.00
	County LA: Half avg. size (9.5 staff)	-114.37	-1.62
	County LA: Twice avg. size (37.8 staff)	72.28	1.51
	Non-county LA: Half avg. size (4.4 staff)	206.45	1.96*
	Non-county LA: Twice avg. size (17.6 staff)	-263.69	-2.02*
Unit has + 1 managers (with average number of staff)		561.71	2.33*
Unit has + 1 managers		481.40	
Unit located in a 'County' local authority		-711.84	-1.10
Unit located in a 'Met' local authority		-569.93	-1.06
<i>Output indicators</i>			
Satisfactory inspection		-987.67	-2.11*
Pupil feedback: questionnaire survey of pupils		1435.79	2.10*
Staff feedback & records inspection		577.48	1.68*

N = 170; F(27, 142) = 8.53; R² = 0.62

* p<.1

Table 3.19 Costs of registration – children’s residential care homes

	<i>Cost change</i>	<i>+ statistic</i>
<i>Home characteristics</i>		
Proposed size (places)	234.11	1.77*
<i>Proposed client characteristics</i>		
Aged 12 to 16 only	3305.57	2.08*
Under 16 only	-1228.25	-0.69
Over 11 only	-1592.06	-1.15
Behavioural problems	-3723.88	--
<i>Unit characteristics</i>		
Number of staff in Unit	-132.02	-2.81*

N = 42; F(9, 32) = 1.86; R² = 0.33

* p<.1

Figure 3.1 Boarding school inspection: age ranges

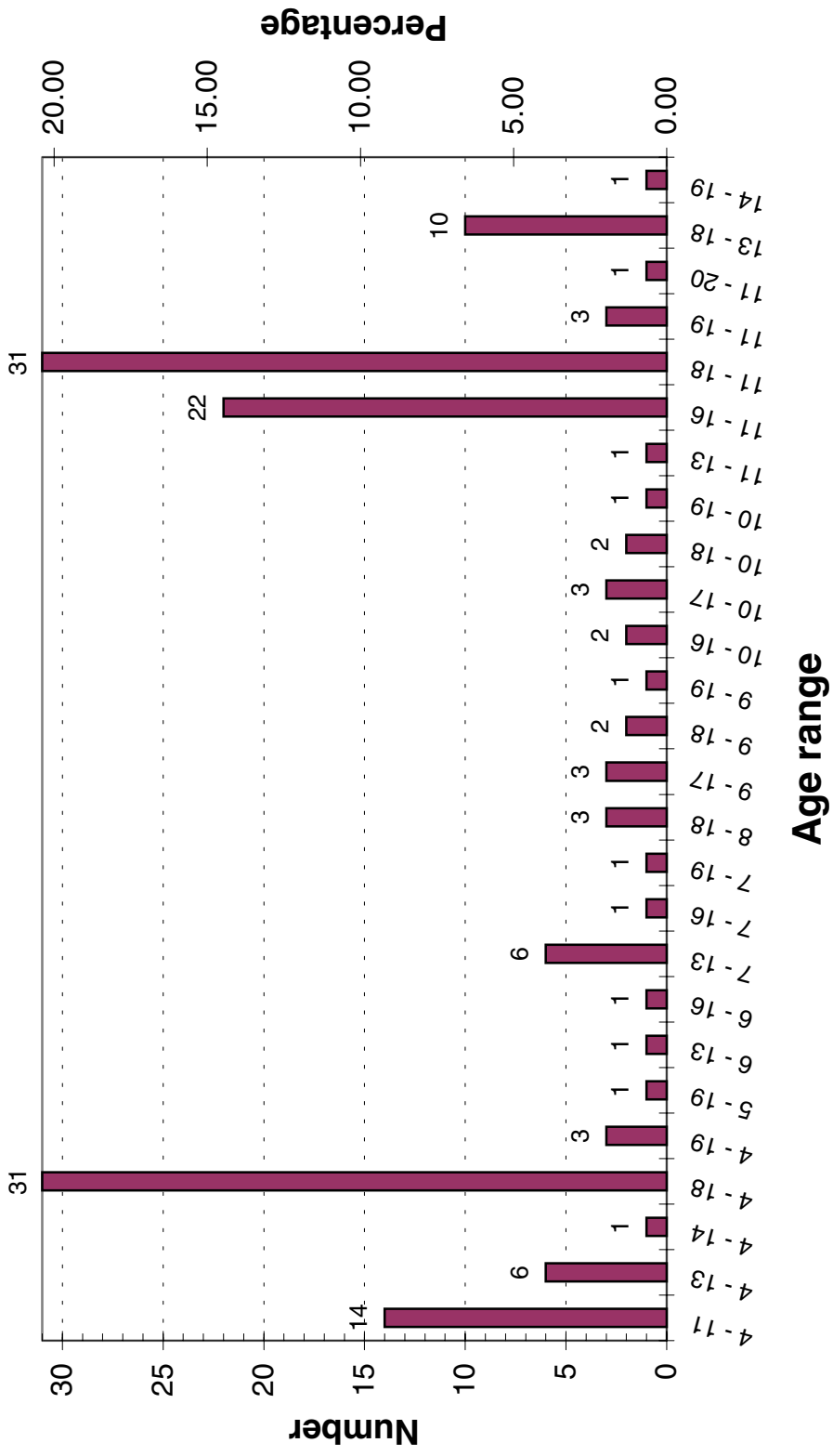


Figure 3.2 Inspections - residential homes, average time inputs by staff type

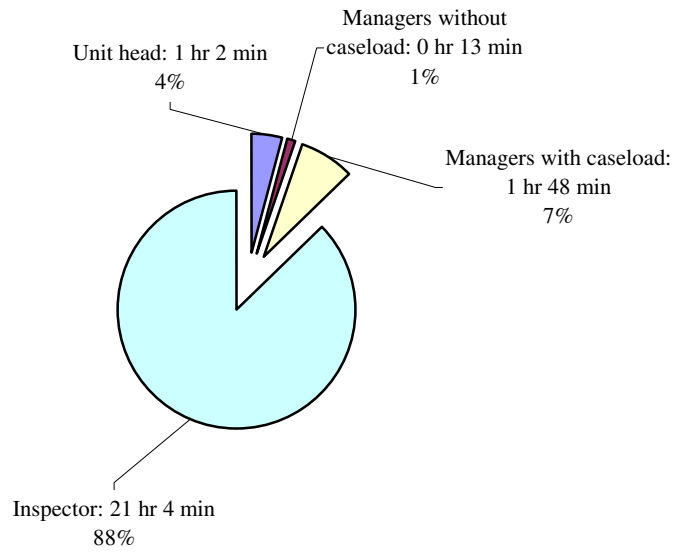


Figure 3.3 Registrations - residential homes, average time inputs by staff type

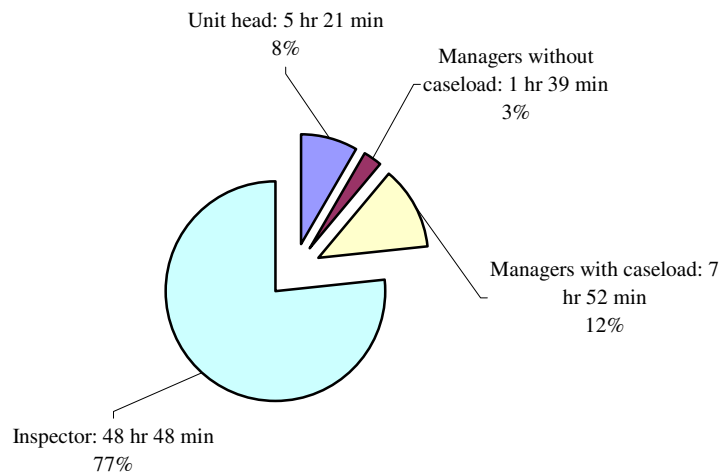


Figure 3.4 Inspections - boarding schools, average time inputs by staff type

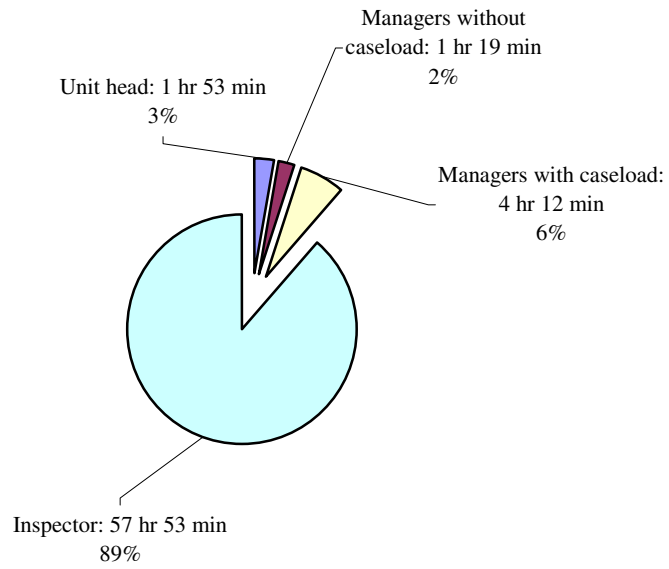
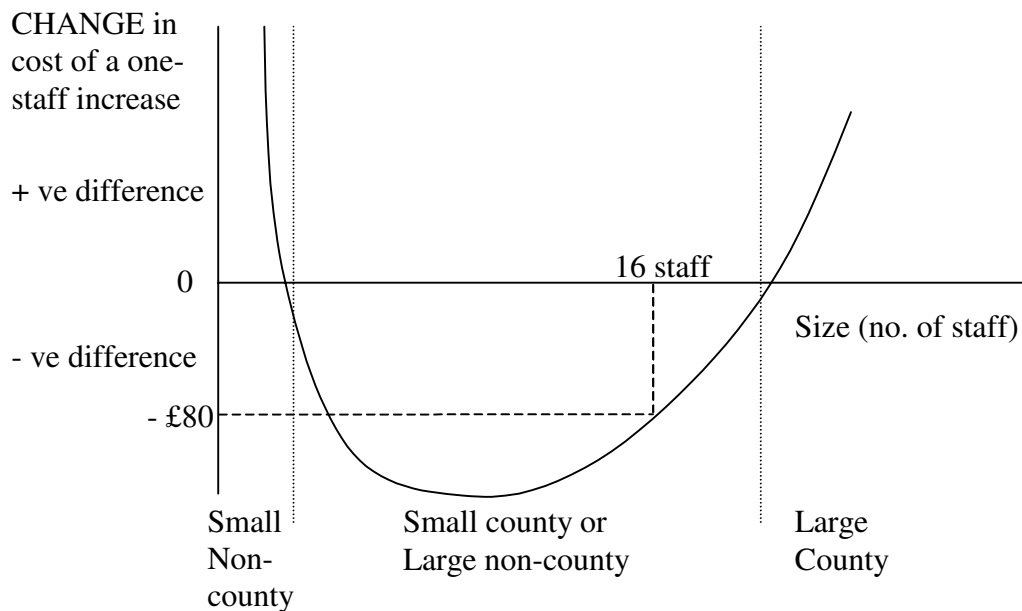


Figure 3.5 Non-linear relationship between unit size and inspection costs



Chapter 4

Enforcement

4.1 Introduction

One of the government's main objectives is to ensure openness in the management of regulatory functions, including published standards, written policies on follow-up and enforcement procedures, and arrangements for public access to inspection reports. A central concern is about consistency of enforcement practice and the speed of the Tribunal processes. In promoting new policy to achieve a greater degree of consistency in enforcement practice the government aims to reassure service users that action will be taken to improve services or close down homes if necessary. Service providers will be entitled to appeal against de-registration decisions to the Registered Care Tribunal, formerly the Registered Homes Tribunal.

The data on enforcement actions was collected through a postal questionnaire. The units were asked to provide information about any enforcement action undertaken between November 1998 and November 1999. The questionnaire was addressed to the inspectors who had lead responsibility for the enforcement activities. A total of 131 questionnaires on enforcement were sent out to units. Postal questionnaires were received from 105 units of which 20 (19 per cent) reported enforcement actions.

This chapter describes the characteristics of the homes and reasons for enforcement action before identifying the activities undertaken and the costs of these activities. The final section focuses on the six cases for which the full costs of enforcement were available.

4.2 Types of case

Twenty units provided detailed information about 24 enforcement actions. The majority of the units reported a single case of enforcement action. Only one unit reported three instances of enforcement processes whereas three units offered information where two homes were involved.

In our sample, 23 homes were in the private sector and only one was a local authority home. There was one children's home with a dual registration registered with their local authority and also with the Department for Education and Employment.

Table 4.1 presents the data regarding the types of care provided by the homes which were the subject of the enforcement activities. The majority of children's homes (65per cent) provided long-stay residence with therapeutic intervention, treatment and care control. Other common types of care included preparation for independence, short-stay crisis intervention/assessment homes and planned short-term care. Of the cases reported only one home offered secure accommodation whereas two homes provided education on the premises.

In terms of the client groups served¹, 12 (60per cent) of the children's homes provided care for the following groups:

- older children ending their time in care;
- children with behavioural problems;
- sexually abused/abusing children.

Three homes catered for children with learning and physical disabilities and one specialised in providing care for siblings groups. There was also one children's home which offered care for young children (under eight years of age) with learning and behavioural problems and one home providing services for children ending their time in care.

Of the cases reported, one home was for girls and two homes cared just for boys. The rest of the homes provided care for both sexes. The majority of the residents were between 12-16 years of age (see table 4.2) and two homes reported providing care for children of all ages.

The size of homes ranged from small children's homes for three children to those with 48 places. The majority of the homes had between three to 10 places (see table 4.3).

¹ Information missing for two registration and inspection units.

4.3 Reasons for enforcement

On the basis of the information regarding the reasons for enforcement activities, it was possible to identify the main areas of concern. The main difficulties were in the area of management, staff and care practices.

One of the most frequently cited reasons for enforcement was inadequate staffing and management in terms of their skills and experience. In total eight children's homes were primarily subjected to enforcement due to staffing problems. A number of other reasons for enforcement were given, such as:

- failure to maintain regulatory requirements and to ensure the well being of the young people;
- unfit owners/proprietors;
- poor quality of care.

Other reasons for enforcement included failure to inform the inspection units about the incidents which resulted in complaints and formal investigations (under the provision of 1984 Act, Regulation 14, which requires that homes notify the registration and inspection unit within 24 hours of any serious accidents/incidents affecting the well being of the children).

In addition, some children's homes were identified as having difficulties in managing challenging behaviour, emotional abuse of their residents and failure of the premises to meet the required standards.

4.4 Enforcement activities carried out

Direct enforcement activities included:

- issuing notice to cancel registration ;
- refusal to grant registration;
- regular monitoring in terms of unannounced inspections;
- consultation with legal services;
- appeal to the Registered Homes Tribunal;
- appeal to the High Court.

In terms of the outcomes of the enforcement activities undertaken, the units provided information about the seven cases where the process of enforcement resulted in the refusal of registration. In some instances the homes ceased operating when informed about the possibility of enforcement activities. This was the case for three homes in our sample.

In one case there was appeal to the Registered Homes Tribunal and in one instance the unit is expecting an appeal to the High Court.

Enforcement actions are frequently delayed, which further increases the costs. For instance, in one case the process of enforcement took more than 18 months and the unit is now awaiting appeal to the High Court.²

4.5 Time spent on enforcement

Chapter 2 reports that, in terms of overall distribution of time, inspectors spent just one per cent of their time on enforcement activities. However, this time will be very unevenly spread, from units where no time is spent on enforcement to those where one or two difficult cases will dominate activity.

Of the costs in the sample, total staff time involved in enforcement activities ranged from only one hour to 200 days when all inspection staff inputs were considered together. The data regarding the total staff labour input was attained for inspectors, managers and unit heads. On average, the majority of the inspection staff spent around seven days on each case. In one particular case the inspector spent 200 days while the unit head spent 190 days carrying out one enforcement action. In another instance the inspector spent 90 days on a single enforcement action. The time related costs of enforcement actions across different inspection staff are presented in table 4.4.

The results in table 4.4 show that on average inspectors spent the greatest time on enforcement in comparison to managers and unit heads. Our findings indicate that managers spent on average 16 days on an enforcement case. On average unit heads were involved for around 19 days. In order to estimate the costs of this time we used the unit costs for inspection staff reported in chapter 2. The results indicate that the average inspection staff cost of these cases was about £10,800.

² This particular case had the highest legal costs (£102,840).

4.6 Legal costs of enforcement

Information about the legal costs of enforcement processes was provided for the six children's homes. The rest of the units either did not supply the information regarding the legal costs or they used the legal services of local authority and were unable to estimate the costs. One registration and inspection unit, which reported relatively low legal costs, pointed out that in the cases resulting in tribunal, the legal fees usually exceed £8,000. The total legal costs for the six cases are presented in table 4.5.

It is difficult to draw any conclusions about the legal costs given the small number of cases. However, the distribution is very wide, suggesting costs can easily exceed £26,000, the average here.

In cases where there was a breach of several regulations the registration and inspection unit often called on the advice of external experts including joint monitoring visits to the home. This in turn increases the costs of enforcement. In one case an independent consultant participated in the announced inspection of the home at a cost of £580 (Case D).

4.7 Other costs

Some of the other costs reported by units in our sample include travel expenses, subsistence, telephone, mileage costs, clerical, costs of photocopying and printing.

One unit provided a detailed account regarding the other costs of an enforcement process. Those costs included printing (£100); photocopying (£105); travel (£2,310); administration (£1,200). For this case the total amount of other costs was £3,715.

4.8 Total costs of enforcement

Detailed information about the total costs of enforcement was available for six cases. In order to estimate the total cost of enforcement activities, we used the information on the inspection staff inputs, legal advice costs and any additional administrative and expert costs. Table 4.6 summarises the total cost of these six cases. Total costs presented in this table exclude other costs reported in section 4.7 in order to avoid double counting.

The results in table 4.6 indicate that the cost of the inspection staff inputs was a significant cost factor, accounting for between 28 per cent (Case E) to 95 per cent (Case B) of total costs. These findings are similar to our previous study (Netten et. al., 1999), which showed that the costs of inspection staff inputs accounted for between 66 per cent and 92 per cent of the total cost of enforcement activities. The costs of legal advice ranged from only 4.9 per cent (Case B) to 72 per cent (Case E) of total costs.

The least expensive case was estimated at £469. This enforcement action was carried out by one inspector and one manager who each spent one day on the case. In addition, the unit head spent half a day. No other costs were reported in relation to this enforcement action. In this particular case notice was issued because after the inspection of the home the inspection team felt necessary to impose conditions of registration. The main requirements included an appointment of suitably qualified and experienced manager and care staff, introducing procedures for disciplining staff and following of the care plans. As for enforcement actions undertaken, the unit reported outlining conditions of registration, consultation with legal services and issuing notices. In this case the registration of the home was renewed.

The most expensive case was estimated at £173,785. This children's home was found to be in a breach of several regulations including a failure to use qualified and experienced staff and providing a poor quality of care. Since the unit quoted the costs for some of the additional services used it was difficult to estimate the total of other costs associated with this enforcement action. Those other charges included the travel costs to meetings with barrister (£150-£200) and the costs of venue for the tribunal (£3,000). They also indicated other expenditures such as the costs of photocopying papers/evidence and the time spent by the local authority solicitor (£42,840). In terms of staff labour input, inspectors spent 200 days whereas the unit head worked 190 days on this enforcement action. This case has not been finalised and the unit was expecting an appeal to the High Court.

The cost of perhaps a more 'typical' enforcement action was £59,985. With regard to this case one manager and one inspector carried out the enforcement action. A manager spent 90 days and inspector 10 days of labour input. The unit head spent a total of 10 days. The outcome of this case was that the home had been refused registration because the proprietors and the property were found to be unfit to provide care. The owners failed to disclose information regarding their previous employment and involvement in a number of other children's homes. The registration was also refused on the grounds that the owners were incompetent to provide pertinent care to children in their homes. Some £250 was spent on registration and inspection unit travel and subsistence.

4.9 Conclusion

The rare occurrence of enforcement activity and the considerable variation in the costs of this activity make it very difficult to generalise about the expected costs to a unit. Enforcement for residential care of children is rather different to that of adults. As chapter 1 identified, there are no emergency cancellation procedures or equivalent to Regulation 20 in the 1984 Act. 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, the evidence presented here demonstrates that the enforcement activities that do take place can be very costly in terms of staff time and external legal expertise. It is important that we take such costs into consideration when considering the full costs of regulating residential care of children.

Table 4.1. Proportion of homes providing different types of care

<i>Type of care</i>	<i>No of homes</i>
Preparing for rehabilitation with family	7
Planned short-term care	8
Short-stay crisis intervention/assessment	9
Long-stay with therapeutic interventions, care control and treatment	13
Preparation for permanent placement	7
Preparation for independence	10
Secure accommodation	1
Education on the premises	6
Respite care for children with disabilities	2
Other	2

Table 4.2. Age distribution of residents¹

<i>Age range</i>	<i>Number of homes</i>
under 8	1
8-11	8
12-13	15
14-16	15
over 16	10
all ages	2

Table 4.3. Size of home (total places)²

<i>Size of home</i>	<i>Number of homes</i>
3-6	6
7-10	7
11-14	2
16	1
48	1

¹ Two cases missing.

² The information for three cases was missing.

Table 4.4. Time related costs of enforcement by staff type

<i>Staff type</i>	<i>Mean</i>	<i>Median</i>	<i>Minimum</i>	<i>Maximum</i>
Number of days				
Unit Heads	19	11	0.10	190
Managers	16	16	0.00	90
Inspectors	29	22	0.42	200
Total	64	49	0.52	480
Total Costs	£10,794	£8,247	£96	£81,038

Table 4.5. Legal costs of enforcement

	<i>Legal costs</i>
Case A	£200
Case B	£832
Case C	£1,200
Case D	£7,720 ³
Case E	£43,000
Case F	£102,840

Table 4.6. Total costs of enforcement activities

	<i>Case A</i>	<i>Case B</i>	<i>Case C</i>	<i>Case D</i>	<i>Case E</i>	<i>Case F</i>
Time (costs)	£269	£16,321	£3,944	£11,405	£16,735	£67,770
Legal costs	£200	£832	£1200	£7,140	£43,000	£102,840
Other costs	Not known	£3,715	Not known	Not known	£250	£3,175
Expert costs	Not known	Not known	Not known	£580	Not known	Not known
Total costs	£469	£17,153	£5,144	£19,125	£59,735	£170,610

Note: Total costs exclude other costs.

³ In this case the legal costs only include the solicitor's fees. The Unit was unable to estimate the total legal costs because they used the legal services of their local authority.

Chapter 5

Costs of other residential care services and costs and fee income

5.1 Introduction

The study has built on the findings of a previous survey that focused on the dominant activity of inspection units: regulating care homes for adults. Here we have focused on the more limited, but no less important area, of residential care services for children. As with the previous study the objective was to identify costs in a way that could be used to specify cost based fees to homes. There was also interest in what information could be established about the likely costs of regulating those services not currently in the statutory regulatory framework and those for which responsibility is to be transferred from SSI to the new regional authorities.

Previous chapters have described the levels of activity and costs of key aspects of regulating children's residential care services under the current arrangements. This chapter starts by drawing together information about services not currently routinely inspected by units and provides a range of estimates of costs based on what information is available about current activity. Limitations of the study are then identified before the results of this study are set in the context of fees currently charged for regulating children's homes.

5.2 The cost of inspecting other residential care services for children

Chapter 1 identified that there are plans to increase the scope and to make the regulatory function more consistent across services. The area where there is most inspection activity beyond strict statutory requirements is the inspection of non-maintained special schools and LEA boarding schools. For these services information about current practice was collected on the same basis as the information collected about other boarding schools. The costs of these are reported in chapter 3. Information about the costs of regulating voluntary children's homes (currently undertaken by the SSI) is also reported in chapter 3. Units were not asked about small homes (less than four places) specifically, but as chapter 3 reports, two units did include inspections of these homes in the sample of inspection activity. Here we discuss three other services to be brought within the ambit of inspection units: family centres, foster care agencies and adoption agencies.

Family centres

Of the 12 units which identified that they regularly inspected family centres, 11 estimated the length of time taken. The estimates ranged between seven and 30 hours per inspection with an average of 19 hours. This estimate is less than the average length of time taken to inspect children's homes (24 hours), and more than the average length of time taken to inspect a residential home for adults (14 hours). If we assume that a lay inspector is usually involved and the same level of support activities (including complaints and enforcement) that are required for children's homes, the estimated cost of an inspection would be £1,000. No distinction was made between an announced and unannounced inspection. If the relationship between announced and unannounced was the same as for residential homes, an announced inspection would cost about £1,300 and an unannounced about £700.

Foster care agencies

The one unit that regularly inspected independent fostering services estimated that it took 45 inspector hours to inspect an independent agency and 40 hours to inspect the local authority service. This is much less time than is currently taken by SSI to inspect adoption agencies. The unit was provided with a list of aspects of the service and activities undertaken during the inspection process in order to provide an indication of whether the work undertaken was the equivalent of that undertaken by SSI. Most aspects of the service were covered (including organisation, financial probity, work with fostered children and with prospective parents and families, the foster panel, records and access to specialist advice). The only items excluded were the contribution to fostering services in the local area and work with birth families or other children). The only activities excluded were checks of the premises and links with other organisations. The unit did conduct interviews with agency staff, proprietors, foster parents, fostered children and checked internal quality assurance systems and documentation.

Assuming that a lay inspector was involved, the estimated cost of the inspection, based on a need for all support activities (such as complaints and enforcement activities at the same rate as children's homes), was £2,300. If a less inclusive unit cost was used (on the basis that as day to day care is not being provided the support activities are rather less) the cost is £1,440.

Adoption agencies

Currently the SSI inspect all voluntary adoption agencies (VAAs). All local VAAs are allocated the same number of half-day "sessions" (50), regardless of number of offices, apart from one very large agency which covers a wide area and has four offices. This is allocated 100 sessions. It is possible to keep the number of sessions the same regardless of size through sampling. The four national agencies are allocated 50 sessions per "project" plus 15 sessions for the headquarters function. National agencies have between three and six or

seven projects. In total this implies 175 hours per adoption agency or “project” and a further 52.5 hours per headquarters of national agencies.

VAA inspections rarely need any additional time although the allocation is regarded as very tight and requires that the inspectors have a good understanding of the process and requirements. Additional costs can arise, however, if there are any particular concerns about an agency. A recent example required 80 inspector sessions, plus another 20 hours from headquarters, together with legal advice. In addition every three years a lead inspector writes a national report on a sample of VAAs. Headquarters’ staff deal with enquiries and read all of the reports in addition to dealing with overall policy issues.

Until recently lay assessors were not involved in adoption agencies. Now whenever there is one available they do participate. They would normally be involved for about five or six working days. They are not paid but get expenses, including overnight stays in hotels. Lay assessors will often stay two or three nights, as they are deliberately selected as not local to the agency.

This approach to using lay assessors implies a higher cost than has been used for other services. On the basis that an inspection requires on average two days worth of expenses and overnight accommodation for the lay assessors, we estimate that average expenses would be in the region of £300. It is assumed that there would be less need for lay assessor involvement at headquarters of adoption agencies so expenses of £50 were assumed. The unit cost of inspector time includes expenses so no further allowance is made.

On the basis of the most inclusive unit cost of inspector time the total cost of an inspection of an adoption agency or project would be £9,050 and headquarters function would be £1,430. This approach to estimating the cost allows for Department of Health headquarters involvement in specific cases where there are concerns, by assuming the same level of additional activities as are needed for children’s homes. However, it could be argued, as with foster agencies above, that the need for these additional support activities is not so high for agencies as it is for direct providers. With the less inclusive unit cost estimate the cost of inspecting an agency or “project” is £5,730 and for the headquarters function £1,680.

5.3 Limitations of the study

Every attempt has been made to identify the full economic costs of regulating residential care services for children. As identified in chapter 1, this is a far from straightforward task, and

inevitably compromises and assumptions have been made in the estimates. These have been identified throughout. Here we clarify the implications of some of these assumptions for interpretation of the results.

Allocation of the costs of regulatory activities

Although the great majority of time is spent on inspection and registration, the other key tasks of enforcement, dealing with complaints, and general support, represent a substantial workload for units. In order to allocate the costs of these across homes we have allocated the costs on to the cost of inspector time. This inflates the inspection and registration costs in a way that spreads the costs of these regulatory activities according to the intensity of input to the registration and inspection process. It was noted in chapter 2 that the lower proportion of time of children's home regulation was spent dealing with complaints than for adult residential care may be attributable to the fact that the majority of units were not responsible for investigating complaints in local authority homes. This would suggest that if all units were responsible for investigating complaints for all homes the most inclusive estimate of unit cost would be slightly higher. Using the current information the total costs of inspections and registrations, when these additional activities are excluded, are 24 per cent and 30 per cent lower respectively (see chapter 3).

Other approaches could be used to allocate the costs. However, if the full costs of regulation are to be included in the estimates it is important that whatever approach is used there is some mechanism for identifying the costs of enforcement, complaints, and development. The approach used needs to reflect the homes that benefit directly or indirectly from these activities. It could be argued that these activities should be allocated entirely to homes that are already registered, so only regarded as an overhead to the inspection process. However, heads and managers of units are far less likely to get involved in such processes. This may mean that the costs of their inputs are inadequately reflected in the total cost estimate of regulation.

Costs of external advice

The cost of external advice required to deliver inspections and registrations has been included in the estimated costs per inspection and registration. The way we have estimated the costs of inspector time allows for the time spent on the other regulatory activities of enforcement, complaints and development activities. However, the approach does not allow for the costs of external advice associated with these other regulatory activities.

In order to have an alternative estimate of external advice costs associated with enforcement and some estimate of costs associated with complaints, units in the previous study were also

asked if they could estimate the proportion of total expenditure on external advice that was associated with residential care for adults. Within this they were asked to distinguish between expenditure on complaints, enforcement and registration or inspection. Unfortunately, very few units had any information about expenditure on external advice and, of those that did, even fewer felt able to allocate this expenditure across different types of activity.

The information collected about the small sample of cases reported in chapter 4 at least provides some data on which to base an estimate of the external advice costs of enforcement actions. It is probable that the external advice costs associated with complaints are not substantial but we have insufficient evidence to make any estimates of what these costs might be. However, it is important that if decisions are being made on assumptions about these costs, they should be monitored in future to check.

Representativeness of the data

The analysis has identified the costs of the specific examples of inspection and registration. For the purposes here it was most important that we had sufficient examples of factors (such as client group) that were hypothesised to affect the costs of these activities. Necessarily, however, the sample was not nationally representative of all inspections and registrations, or of homes regulated. In order to identify national average costs the predicted costs need to be weighted to reflect the national distribution of those factors found to be associated with the costs. A particular problem in this study was the low number of London based inspections and registrations, which resulted in no separate London effect being identified. This, together with the fact that detailed national information is not available about the distribution of characteristics of homes and schools associated with costs, means that it has not been possible here to weight the results to provide national average costs. However, the sample included in the order of 25 per cent of all homes in England and the homes were close to the average size of homes nationally (8.1 compared with 8.8). Moreover, the equations allow the prediction of the cost of a “typical” home once more information is available or assumptions have been made about national level characteristics. The previous study (Netten, Forder, and Knight, 1999) provided evidence about the higher costs associated with regulation in London.

Quality of the inspection process

It was not possible in this type of study to include any indicators of the quality of the inspections carried out. Measures of outcome have been limited to the outcome of the inspection or registration. At best, the costs we present here reflect the current average quality of inspections and registrations that are being carried out with the current resource constraints on units. However, for the purpose of identifying the current costs of regulation

this is an adequate measure. Moreover, the data presented provide us with a starting point for any discussions about the resource implications of any policies with the aim of enhancing the quality of the regulatory process

5.4 Current fees charged

The vast majority of the units responding to the request for fee information (46 out of 56) charged children's homes the same as residential care homes for adults:

- £952 for new or variations of registration of the home;
- £261 for registration of a home manager; and
- £46 per bed per year.

However, ten units did charge different levels of fees. For initial registration two London units were charging £2,000 and one other London borough was charging £2,500. Outside London two other units approached this level of fees. One charged £1,800 for registration and another charged £1,680 if there was a single owner and £2,140 if the home was owned by a partnership or company. Three units charged about £1,000 per registration. One unit responded that it only charged £840 per application for a registration (the national rate for care homes for adults prior to the most recent increase). Only one unit identified a different charge to the standard for adult homes for a change of manager (£300).

With three exceptions homes were charged annual fees on a per bed basis. The exceptions were:

- a shire unit that charged an annual flat rate fee of £1,800 (the same as a new registration in that unit)
- a metropolitan unit that charged an annual fee of £600; and
- a London unit that charged a flat annual fee of £650 in addition to a per place fee of £180.

Of the remaining units two London boroughs charged £100 per bed annual fees and three authorities outside London charged £82, £60 and £50 per bed. One unit charged the pre-1998 rate of just £41 per bed. None of the units distinguished type of home or owner in their annual fees.

The two Welsh units that responded both charged the same fees as for homes for adults.

5.5 Costs and fees

For the majority of the services covered in this study no fees are currently charged so the costs have no baseline against which to be judged. As described above, the majority of units charge children's homes the same level of 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 is being subsidised by local authorities. For most units the disparity between costs and fee income is even more extreme for children's homes than homes for adults. Not only are children's homes considerably more costly to inspect and register, they are also much smaller. As a result the fee income based on a £46 per bed basis will be much lower than from homes for adults.

An important finding for the purposes of meeting the costs of regulation from fee income that was identified in the study of homes for adults is also evident in this study. In all cases a very high proportion of costs of inspection and registration are fixed. Although there is some variation with size, as in homes for adults, this only accounts for between 10 and 20 per cent of the costs. Other characteristics of homes have a relatively limited effect on the costs of regulating them.

Another important issue is the influence of unit size on the costs of regulation. Overall, evidence from both the adult and the children studies suggests that larger units appear to be most efficient, although the relationship is not entirely straightforward. These efficiencies are evident when hourly input is used as well as when total costs are used, so the effect is directly related to the use of time in the inspection process. It is likely that these cost effects are linked to organisational structure and the accumulation of specific areas of expertise in larger units. The cost effects of such factors is likely to change under the new arrangements, a factor that will be important to bear in mind in any arrangement to make the new bodies self-funding on the basis of fee income.

5.6 Conclusion

The study has identified the comprehensive costs of inspection of residential homes for children and boarding schools and the costs of registering children's homes. Information has also been collected to provide indicative information for the costs of enforcement. We have identified where caution needs to be taken in interpreting the results, and provided alternative estimates where possible. There was no evidence to suggest that Wales costs differ

significantly from those in England, although the number of observations from Wales was low.

Analysis of the variations in the costs of inspection and registration suggested that, apart from size, characteristics of homes and schools have a limited impact on the cost of regulation. As with homes for adults, however, a very high proportion of the costs of inspection and registration are incurred whatever the size of the establishment. While regulating children's residential care services accounts for a minority of unit activity, the costs of regulating children's homes are substantially higher than regulating homes for adults and current fee income much lower.

One objective of the study was to identify as far as possible costs of regulating services which are not currently routinely inspected by units. Where possible, information about these was gathered on a similar basis to the inspection and registration of homes and schools. Some evidence was available about most of these services, although inevitably it was limited and should be treated with caution. To summarise:

- 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.

Appendix A

CHECKLIST OF INSPECTION METHODS FOR CHILDREN'S HOMES

Informal discussions with children
Inspection of children's personal files
Individual interview with Person in Charge
Observation of practice during visits
Inspection of Statement of Purpose and Function of Home
Inspection of accident records
Inspection of records of medicines administered
Inspection of records of fire drills
Inspection of records of disciplinary measures imposed
Inspection of the home's Daily Log
Inspection of staff duty rosters
Inspection of past menus
Inspection of reports of Regulation 22 visits
Early morning or late evening visiting
Completion of a pre-inspection schedule by the home
Individual interview with staff other than person in charge
Inspection of staff personnel files
Staff-guided tour of premises
Check with fire service
Individual interviews with children
Check with Environmental Health Service
Request for information from placing social workers
Child-guided tour of premises
Request for information from parents or resident children
Weekend visiting
Arranged discussion with groups of staff
Arranged discussion with children's group
Formal questionnaire completed by children
Request for information from GP
Formal questionnaire completed by staff
Request for information from local teachers
Formal questionnaire completed by placing social workers
Formal questionnaire completed by parents of residents
Overnight stay by inspectors
Telephone interviews with parents
Request for comment from neighbours

Note: The above information was provided by Roger Morgan, Chief Inspector, Oxfordshire.

Appendix B

CHECKLIST OF INSPECTION METHODS FOR BOARDING SCHOOLS

Completion of an information schedule by the school
Observation visiting
Unannounced visiting
Pupil-guided tour of premises
Staff-guided tour of premises
Discussion with pupil groups
Discussion with staff groups
Inspection of staff personnel files
Inspection of pupil's personal files
Inspection of other school records/logbooks
Individual interviewing of staff members
Interviewing of individual pupils, alone
Questionnaire survey of pupils
Contact with parents
Overnight stays
Early morning or late evening visiting
Weekend visiting
Checking on accommodation away from the school site

Appendix C

Technical appendix to analyses in Chapter 3

Table C1 Missing value counts

	<i>Homes inspection</i>	<i>Boarding schools inspection</i>	<i>Homes registration</i>
Returns	270	200	98
Returns with a valid regulation activity	270	184	52
Returns with non-missing direct inputs (hours)	252	182	45
Returns which allow cost estimates	252	182	45
Returns with full (listwise) set of non-missing independent variables (for regression analysis)	226	170	42

Table C2 Diagnostics

	<i>Homes inspection</i>		<i>Boarding schools inspection</i>		<i>Homes registration</i>	
	<i>Deg. free</i>	<i>Stat</i>	<i>Deg. free</i>	<i>Stat</i>	<i>Deg. free</i>	<i>Stat</i>
F- test	F(19, 206)	10.70	F(27, 142)	8.53	F(9,32)	1.86
<i>Specification:</i> Ramsey Reset test	F(2, 204)	0.95 (NS)	F(3, 139)	1.73 (NS)	F(3, 29)	2.88 (NS)
<i>Heteroscedasticity:</i> Cook-Weisberg	-	-	chi ² (1)	50.87	chi ² (1)	10.13
Breusch-Pagan-Godfrey	chi ² (19)	99.49	-	-	-	-
<i>Multi-level, Random effects:</i> Breusch and Pagan Lagrange multiplier test	-	-	chi ² (1)	2.10	-	-

The null hypothesis of correct specification was not rejected for any of the models. However, all three have heteroscedastic error terms and therefore robust t-stats were estimated. Random effects were tested for (but rejected) in the boarding school model at the *Unit* level because many Units returned more than one inspection (up to 23 observations for one Unit) in this sample.

References

Burgner, T (1996) *The Regulation and Inspection of Social Services*. Department of Health and Welsh Office.

Carrington, D. (1998) *Local Authority Social Services Registration and Inspection Units Key Data 1996/97*. Social Services Inspectorate, Department of Health.

Department of Health (1998) *Children's Homes at 31 March 1997 England A/F 97/22*.

Department of Health (1998) *Modernising Social Services. Promoting independence. Improving protection. Raising standards*. Cm4169. The Stationery Office. London.

Department of Health (1999) *The Children Act 1989 Guidance and Regulations. Volume 4, Residential Care*. The Stationery Office, London.

Department of Health (2000) *Activity, workload and resources of Local Authority and Health Authority Inspection units: summary results of a survey in England 1998-99. Information for England. For the period 1 April 1998 to 31 March 1999*.

Gibbs, I. and Sinclair, I. (1992) Consistency: a pre-requisite for inspecting old people's homes? *British Journal of Social Work*, Vol. 22, pp. 535-550.

Knapp, M. (1993) Principles of Applied Cost Research in A. Netten and J. Beecham (eds) *Costing Community Care Theory and Practice*. Ashgate, Aldershot.

LAC95/1 *Inspection of Boarding Schools (Section 87 Children Act 1989): further guidance*. Department of Health January 1995.

Netten, A., Forder, J. and Knight, J. (1999a) *Costs of Regulating Care Homes for Adults*, PSSRU Discussion Paper No. 1496/2, Personal Social Services Research Unit, University of Kent at Canterbury.

Netten, A., Forder, J. and Knight, J. (1999b) *Costs of Regulating Care Homes for Adults in Wales*, PSSRU Discussion Paper No. 1534/2, Personal Social Services Research Unit, University of Kent at Canterbury.

Social Services Inspectorate (1985) *Inspection of local authority care for elderly mentally disordered people*. Department of Health and Social Security.

Social Services Inspectorate 1988 *Inspection of services for elderly people with mental disorder in the community* Department of Health and Social Security.

Social Services Inspectorate 1991 *The Children's Act 1989. The Welfare of Children in Boarding Schools Practice Guide* HMSO.