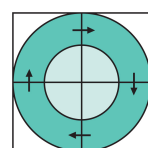


Price trends and costs of children's homes.

Final Report: February 2020

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February 2020



**Revolution
Consulting**

Introduction and methodology

This is the third triennial report of pricing of children's homes services in England.

The National Centre for Excellence in Residential Child Care (NCERCC) and Revolution Consulting carry out this extensive survey of the sector to report on the profile of prices charged by independent sector children's homes services to local authority purchasers, and of the costs of local authority children's homes.

The work is motivated by the need to provide a statistically representative reference of pricing across the whole sector, without which there is a tendency for commentators to use anecdotal examples that may be inaccurately extrapolated to the whole sector.

Incremental value from the surveys carried out over a six-year period is gained through comparison of each survey to the preceding versions and in turn this provides informative indications of trends.

The core of the work is a Freedom of Information Act survey of all 152 English local authorities. Appendix 1 contains the actual request used for the 2019 survey. The format of the request is kept as simple as possible to lower the burden on local authorities in responding to it, and to maintain validity of comparisons between successive surveys.

We are grateful to the substantial majority of local authorities who responded in a timely and thorough fashion ensuring an authoritative result from the research.

Core data – Independent sector: Comparison across the three studies

	YE 31 March 2013	YE 31 March 2016	YE 31 March 2019
Number of LAs providing data (% of 152)	110 72%	131 86%	126 83%
<i>95% confidence interval</i>	+/- 4.9%	+/- 3.2%	+/- 3.6%
Number of data points plotted	4,752	7,941	9,535
<i>Average per responding LA</i>	43	61	76
Average weekly cost	£2,841	£3,273	£3,970
<i>Increase over 3 years</i>		15%	21%
<i>(Equivalent annual compound growth rate)</i>		(5% p.a.)	(7% p.a.)
<i>Increase over 6 years</i>			40%
<i>(Equivalent annual compound growth rate)</i>			(6% p.a.)

Points to note:

All three surveys achieved an accuracy interval below +/- 5% at a 95% confidence due to the high response rates.

The number of prices reported for a year per authority has increased across the period. This may indicate heightened volatility of placement patterns as well as higher levels of absolute placement numbers into children's residential care.

Average weekly costs are increasing at a rate ahead of underlying inflation, and there is some indication that the rate of increase has been accelerating. There may be several drivers for this including increased complexity of needs, increased spot placement activity outside of price-controlling commissioned frameworks and reported imbalances in demand and supply with places for the more complex children and young people being in severely short supply.

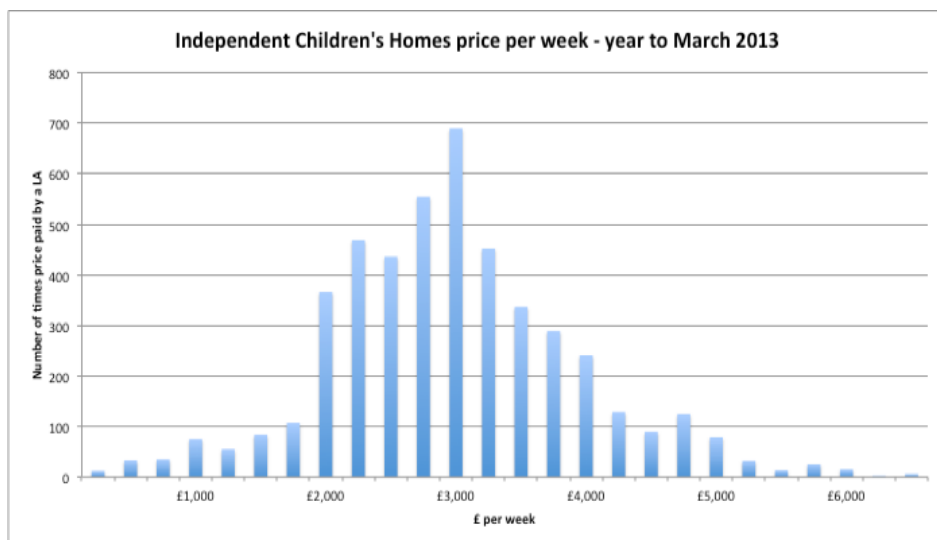
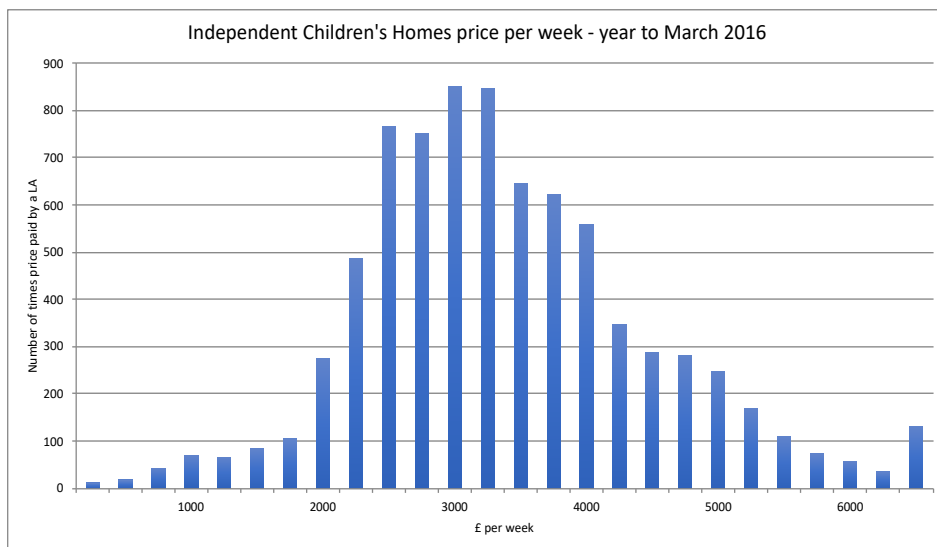
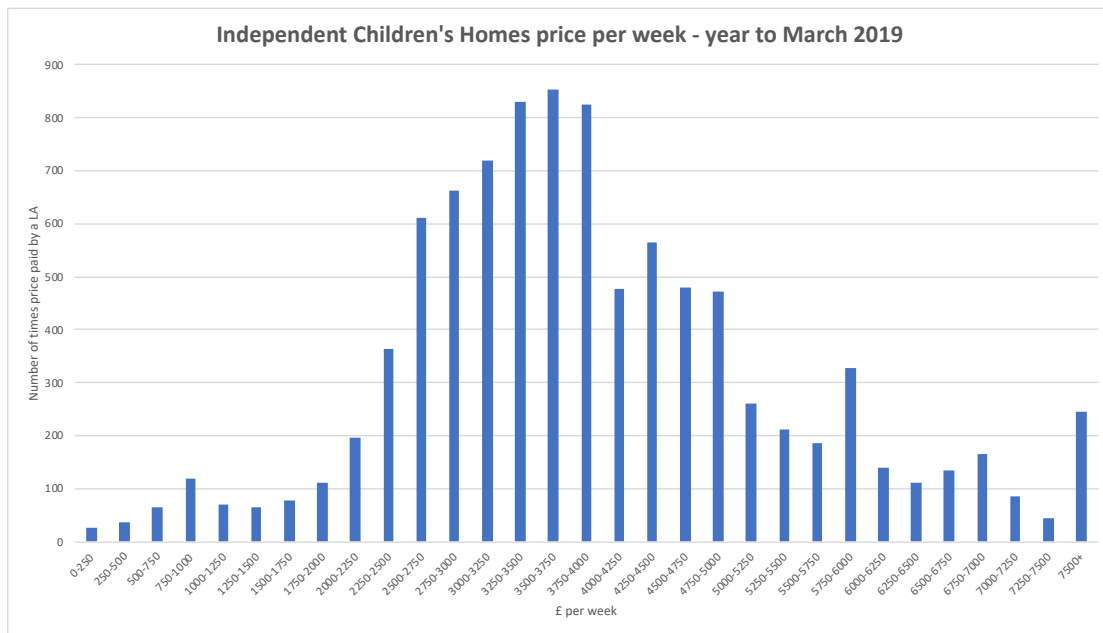
The result can be benchmarked against the results of the Personal Social Services Research Unit, 2019 at the University of Kent (PSSRU). The PSSRU use national returns from local authorities to the Department for Education to calculate average unit costs of children's homes services.

In December 2019 PSSRU reported unit costs of independent sector homes as £3,596 per week before education costs are added.

Our 2019 survey included one new development whereby we asked respondents to identify which prices applied to placements that included both care and education from the provider. As shown later in this report, the average incremental fee paid for education (compared to the overall average) is calculated as £476 per week.

Not all respondents were able to identify which placements included education and which did not, but the impact of additional education costs helps to provide a key reconciling factor to the lower PSSRU care-only figure.

Comparison of survey results



Points to note:

All three surveys show a normal distribution of prices. Consistent with the increases in average prices from 2013 to 2016 and from 2016 to 2019 the distribution curves are also clearly moving to the right on the increasing price scale.

Indeed, the scale used for the 2019 survey has been extended to show more detail of the breakdown of prices above £6,000 per week.

All three surveys include data showing outlier low costs, but these do not significantly skew the results.

The 2019 survey has some indication of possible “price point” activity, with more prices reaching up to just below round thousand levels (£4,000, £5,000, £6,000) than being just above those price points.

There are 1712 privately funded homes in England and 163 funded by voluntary organisations.

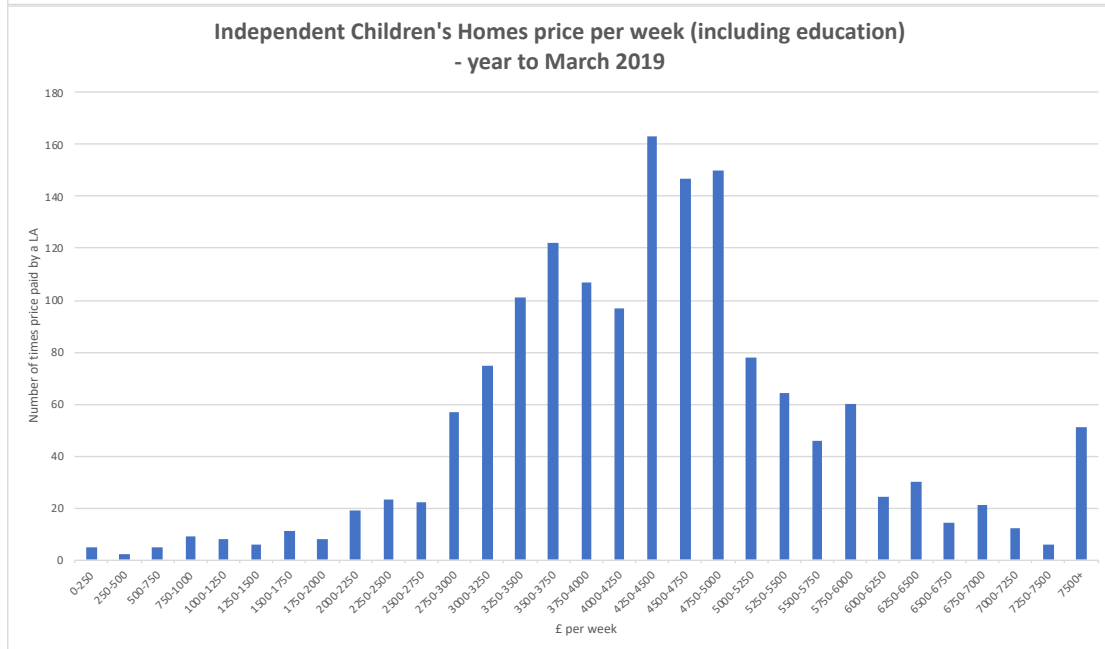
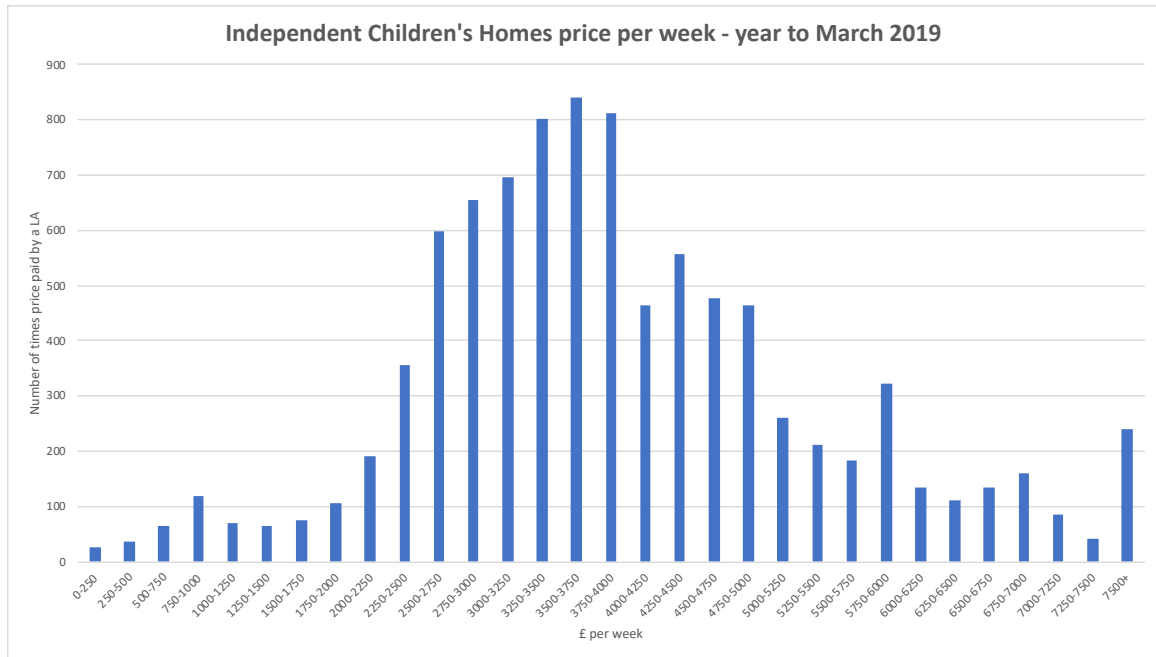
First look at education inclusive placements

The 2019 survey is the first to attempt to identify where the fee charged by providers includes a specific education element.

Not all respondents could give this indication, but where they could there is sufficient data to be able to see that the additional costs of education averages £476 per week (12% premium vs the overall average).

The table below summarises the results and the graphs on the following page illustrates the shift along the price scale of the education-inclusive sample.

	YE 31 March 2019 Education included	YE 31 March 2019 All data
Number of data points plotted	1,543	9,535
<i>Percentage</i>	<i>16%</i>	<i>100%</i>
Average weekly cost. Vs. All	£4,446 (+£476)	£3,970
<i>Percentage</i>	<i>112%</i>	<i>100%</i>



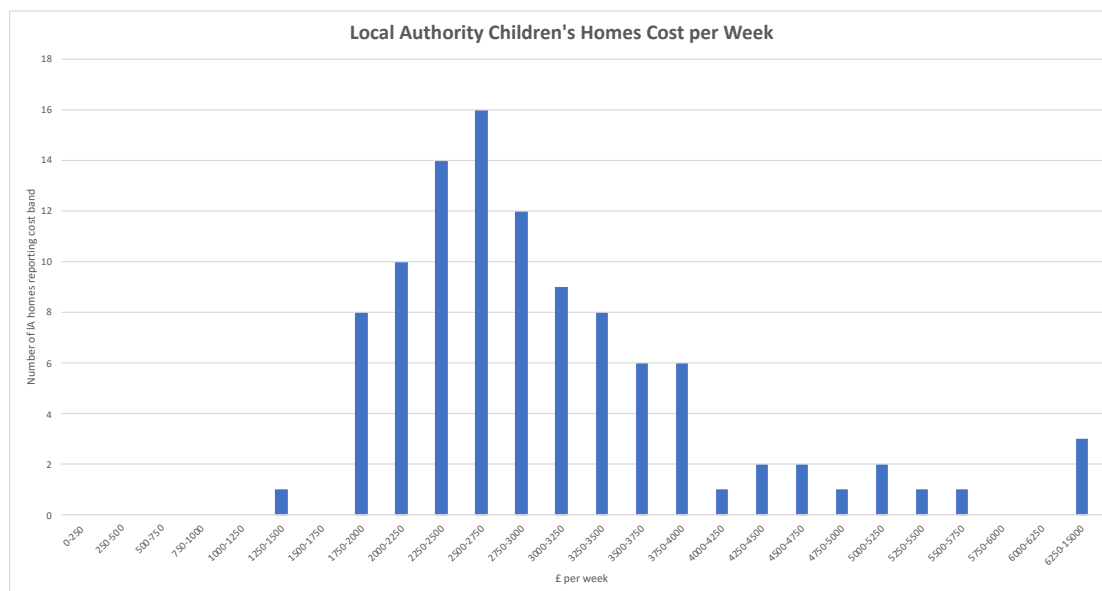
Local Authority reporting

The second question in the FoI request asks local authorities to provide the costing of any in-house children's homes.

LAs identified that the basis for these costings was typically not on a comparable basis to the full pricing of independent sector homes. Respondents highlighted that the costs for in-house services do not include overheads or capital costs, and the per-bed calculation usually assumes 100% occupancy.

In 2019 56 LAs indicated that they owned a children's home, and in-house costs for 103 homes were provided.

National statistics (children's social care in England 2019) reports the number of local authorities with a children's home is 105 out of 152 councils, and 418 homes.



A comparable average cost of LA homes, adjusted for the factors described above is £4,761 per week.¹

This can be benchmarked to the PSSRU 2019 report which indicates a LA home place costing at £4,750, i.e. within 1%.

¹ Average LA direct/full occupancy cost = £3,110

Add in overheads and notional capital costs at 30% = £937

Gross up factor for less than full occupancy (85%) = £4,761
(£3,110 + £937)/0.85

Appendix 1: The Freedom of Information Request

1. For **each** placement made to a private or voluntary provider's children's home in the year 1st April 2018 to 1st April 2019, please provide the actual price per week (excluding VAT) paid for the placement to the provider by your local authority.

Please note:

1a. If the price **per week** changed during the year, please provide all weekly prices that applied during the year.

1b. This is a request for the **weekly price only**, and NOT for the total placement cost.

1c. Please do NOT identify the child or young person or the name of the provider.

1d. Please provide the weekly price EXCLUDING any VAT.

1e. Please do not include short break placements.

1f. We would greatly appreciate if the information could be provided in the format of the table below, ideally in an Excel spreadsheet.

Weekly price paid to provider net of VAT £ per week	Includes education Y/N	Number of weeks paid for (optional)
<i>Example:</i>		
2995	N	
3500	Y	
2783	N	

2. If your authority operates its own children's homes, please provide the actual weekly cost of a place in your own homes for the same year (2018/19).

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