

Audit Office report highlights the recent growth in demand and spending on children’s services, and the lack of

# Solving social care funding crisis:

**SOCIAL CARE**



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A National Audit Office (NAO) review of children’s social care spending has concluded that ministers do not know why demand for children in care services has grown by 15 per cent since 2010.

The NAO’s report cites latest funding figures that show that in 2018/19, councils expect to spend £4.2bn on children in care – £350m more than they budgeted for the previous year.

It also found the Department for Education lacks an understanding of why there is a wide variation in local spending, which ranges from £566 to £5,166 per child a year.

Behind the headline figures, there is criticism of commissioning practice by local authorities. The report recognises that most councils have insufficient residential care placements. However, it cites Sir Martin Narey’s 2016 review of residential care that found “an absence of successful commissioning” was to blame for councils spending “widely different prices for the same standard of care”.

It calls for the DfE to work with councils to ensure there are enough residential places, which like many of the recommendations in the report I find a little weak (see box) and brushes over the significant supply and demand challenges in the care sector today. What is needed is a set of solutions that deal with the commercial realities of the situation now.

It is important to start by stating that the commitment to children and young people exhibited by people engaged in this work – whether working for private providers, local authorities or central government – is easily found and often humbling.

However, some quite basic commercial misunderstandings are also readily detectable. The deficits in understanding about how markets operate and how they might be more positively influenced, combined with the lack of funding, now present a risk of failing children and young people.

I therefore offer the sector my top 10 “commercial common sense” ideas for solving the crisis in rising demand and spending.

**1. End command and control**

There is increasing recognition of the potential of “second-tier” human and organisational approaches. These prioritise trust and empowerment, and move away from command-and-control and fear-based outlooks. A small example of this theme was identified in the Fostering Stocktake which highlighted the need to trust and empower foster carers to make delegated authority decisions such as whether a fostered child should be allowed to sleep over at a friend’s house.

In a much wider sense, our commissioning and procurement systems for children’s services have become dominated by command-and-control approaches that are increasingly acting as a disincentive to providers and do little to influence or promote stability. A new maturity is needed in public sector approaches to these markets.

**2. Aggregate purchasing power**

To take more than £2bn of annual funding on children’s residential care and fostering and divide it among 152 councils immediately disempowers the spending power of that funding. As a national strategy, it is commercial suicide. The increasing emergence of large national providers is a further sign of imbalance between purchaser power and supplier.

Regional collaborations over the past decade have made some inroads into re-aggregating the spending power, but recently the trend has been for councils to break away from larger regional commissioning groups (for example, Cambridgeshire, Essex and Cornwall). This heads towards a disempowerment of spending, but also disenfranchises providers who have to be careful in choosing where to exert their tender-responding resources and efforts.

Whether through sub-regional, regional or even national aggregation, the public purse has potentially much greater commercial power than is being wielded.

**3. Commission based on expected demand**

If a local authority, or a group of neighbouring authorities, were to look at their actual spending with each specific provider over the past five years, they would identify a number of providers with which

they have consistently spent substantial sums of money. It is likely that the actual purchasing of placements was either on an open-market “spot” basis or a pseudo-spot basis through a framework.

The question for councils is: if you had known this was going to be your spending level, couldn’t you have gone to those providers five years ago and negotiated a better deal on the basis of both parties knowing that?

Operating instead in a volatile spot-purchase system means the provider has to price higher to sustain themselves and to invest.

Guaranteed demand changes the ball game. Block contracts have not yet been allowed to show their full potential. Risk on both sides can be managed.

**4. Agree a common commissioning language**

The saying goes that no two tenders are the same. Why not? Why would one authority or region define need types, outcome measures and service types differently from others? The lack of national or consistently applied definitions, categories and evidence base means we talk in commissioning terms about value for money, but have no hope of agreeing what it is or how it is measured. This frustrates and disempowers purchasers and providers alike.

**5. Create a national provider database**

It is inefficient to have providers spending expensive resources, having to maintain details of their services, vacancies, insurances, financial reports, regulatory reports, policies and cost structures on multiple databases, frameworks, spreadsheets, lists and dynamic purchasing platforms held by commissioners.

In a sector with only 70,000 children and young people in care at any point, there is an overwhelming argument for one national system.

**NAO RECOMMENDATIONS FOR THE DEPARTMENT FOR EDUCATION**

- Commission research into the factors that drive demand for children’s social care, using the individual child-level data it holds
- Commission research into the factors explaining variations between councils’ activity levels
- Set out how it will work with the sector to reduce unnecessary variation between authorities in levels of looked-after children
- Assess how best it can work with authorities to match residential children’s home capacity with need
- Assess whether its reliance on Ofsted’s assessments of the quality of children’s social care give it the information it needs to secure more cost-effective children’s social care.

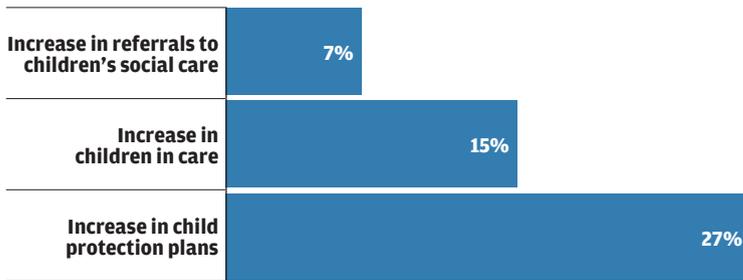
*Source: Pressures on Children’s Social Care, NAO, January 2019*

understanding on what is driving this. *Andrew Rome* says councils and providers can work together to solve it

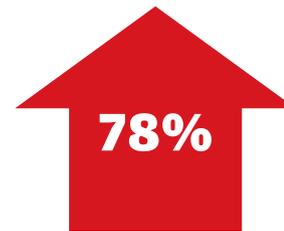
# top 10 common-sense solutions

## TRENDS IN CHILDREN'S SOCIAL CARE DEMAND, SERVICES AND SPENDING 2010-18

### Increases in children's social care activity

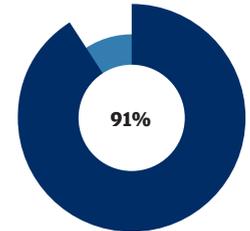


### More older children in care



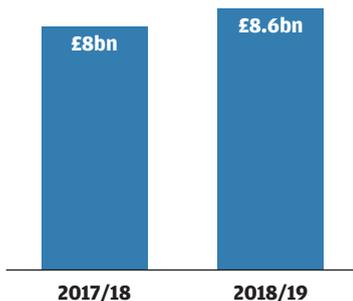
rise in the over-16 child-in-care population

### Children's social care spending

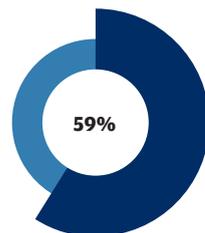


of councils overspent on children's social care in 17/18

### Budgeted spend on children's services

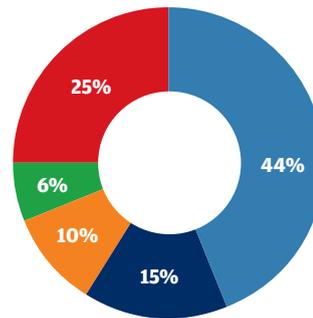


### Shortage of children's home places



of councils have insufficient places for 16- to 17-year-olds

### Factors affecting variation in social care demand and activity



- Differences between local authorities and areas
- Difference in deprivation between local authorities
- National policy changes
- Levels of spending on children's social care and staff vacancies
- Not explained by the NAO model

Source: *Pressures on children's social care*, NAO, January 2019. Figures for 10/11 to 17/18

### 6. Remove conflicts of interest

It cannot be justifiable that a local authority prefers its own in-house services to an external provider's. That preference creates an unfair market with less choice at key decision points for the young person, thereby incentivising external providers to charge more when they are approached with a placement, and also results in councils effectively hiding capacity and vacancies from one another.

### 7. Share risk and rewards

When demand is higher than supply, and the local authority carries the ultimate statutory duty to have to find a placement, then attempting to dictate terms, conditions and pre-conditions to providers is doomed to fail. Approaches that look to risk share with valuable resources focused on specific identified needs will be much more successful.

### 8. Be honest about impact

If a procurement team is asked to evaluate the impact of their own work, do not be surprised if they claim it to be a success.

Evaluation from the Children's Social Care Innovation Programme highlights that projects are often not set up to provide robust evidence of impact.

Yet we can see through rising volumes, spending and prices that most procurement efforts are unlikely to stand up to independent scrutiny when asked the question: have you saved money and improved outcomes?

### 9. Encourage provider innovation

Independent sector providers make their own decisions on prices, innovation and investment levels, based on their perceptions of the sector. Strategic procurement does, however, have the ability to

encourage competition and investment into sectors where they may be lacking. Creativity beyond "more-of-the-same" procurement is needed, as is some risk taking by the commissioner.

Clearer projections of demand are recommended as a bedrock to such dynamic market influencing. Fragmented local purchasing systems that do not guarantee a certain level of business is simply anathema to providers.

### 10. Take a whole-system view

Although there are clear signs that the commissioning, procurement and purchasing of children's services must improve, all corporate parenting activity needs to continue to improve as part of a whole-system effort.

A poor decision by a teacher or social worker about a child, allied to insufficient advocacy for the child or to an inexperienced

inspector, can undo all of the positives of good commissioning and purchasing.

We need a system where all parties can challenge one another appropriately without fear of commercial retribution or subjectively-based downgrading.

Central government leadership and support for improvement is essential. The challenge is to transform the sector into a competitive, sustainable, innovative state where commercial arrangements are robust but removed to the background behind professional decision making and choices for children in care.

Investment in a focused national strategy of improvement is where additional funding must be targeted, and not simply spending ever-increasing sums on doing more of the same things that have brought us to the current situation.