ICHA “State of the Market” survey 6 January 2020.

Revolution Consulting

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Overview.

Children's homes providers have again given a candid perspective on the challenges faced in the sector in a comprehensive response to this sixth Independent Children's Homes Association (ICHA) survey.

Although there are signs of improved financial performance overall amongst respondents, levels of uncertainty about the future of the children's homes sector remain high. Confidence amongst provider organisations has reached a plateau in a sector that still appears to operate in a perpetual "near-crisis" mode.

Demand for children's homes places it at the highest level reported in the five years covered by this series of surveys.

Providers are in the vanguard when matching the needs of children and young people being referred to them and have a statutory responsibility to assess and match the appropriateness of placement alongside the often-complex needs of existing residents. The very fact that occupancy rates do not respond in line with increasing demand levels gives evidence that children's homes providers are not willing to fill every vacancy unless there is appropriate matching, a position that is also a key focus of Ofsted in the inspectorate role. Overall improvements in quality are again reported in this survey and inspection ratings are consistent with Ofsted's recent annual report (83% of homes are rated outstanding or good).

The excess demand is only slowly beginning to influence investment and expansion in capacity by providers. The mismatch of supply and demand has seen providers on average being able to increase prices, partly to compensate for the impact of cost pressures driven by statutory increases in the underlying National Living Wage and pension entitlement and increasing costs in recruiting and retaining staff. Over half of all placements happen outside of frameworks commissioned by local authorities indicating that procurement approaches with price controls are proving to be ill-fitted to the sector conditions.

Providers need the confidence of sustainable profit levels in order to invest in more capacity, and this is the first survey in five years where reserves levels on average have not declined. Visibility of forecasts of future demand from commissioners remains very limited and this too increases the risk for providers in further investment in expansion.

The profile of unregulated supported accommodation provision has been raised in the last year. Children's homes providers give a strong indication in this survey that they would consider investment into this type of service only if it becomes more regulated.

Increased messages from local authorities that children's services budget overspends are unsustainable does not provide an ideal background against which to take investment risk. Children's homes providers report that press and social media reporting are also often antipathetic toward independent sector children's homes.

Providers will look to the forthcoming care review by Government to set out longer term strategies for the children's homes sector and for more intelligent and informed commissioning. There are signs in this research that smaller providers are increasingly at risk of disadvantage in the sector. Policy makers and commissioners will need to consider the risks and benefits of a sector that may be moving towards increasing concentration.

Andrew Rome, Revolution Consulting February 2020

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Data analysis

How responsive was the audience for the survey?

The January 2020 survey maintained the statistically representative levels of response. Given that the survey gathers a broad range of information, some of which is commercially sensitive, this is again an encouraging response.

	Number of survey views	**Number of providers substantially completing all questions**
June 2015	121	79
February 2016	100	84
November 2016	130	83 - 100
February 2018	143	91 – 111
February 2019	129	76 – 90
January 2020	**134**	**74 - 96**

Not all respondents answered all questions, but a large majority completed at least 80%.

In the following report and analysis of data the total number of responses for any given question will vary.

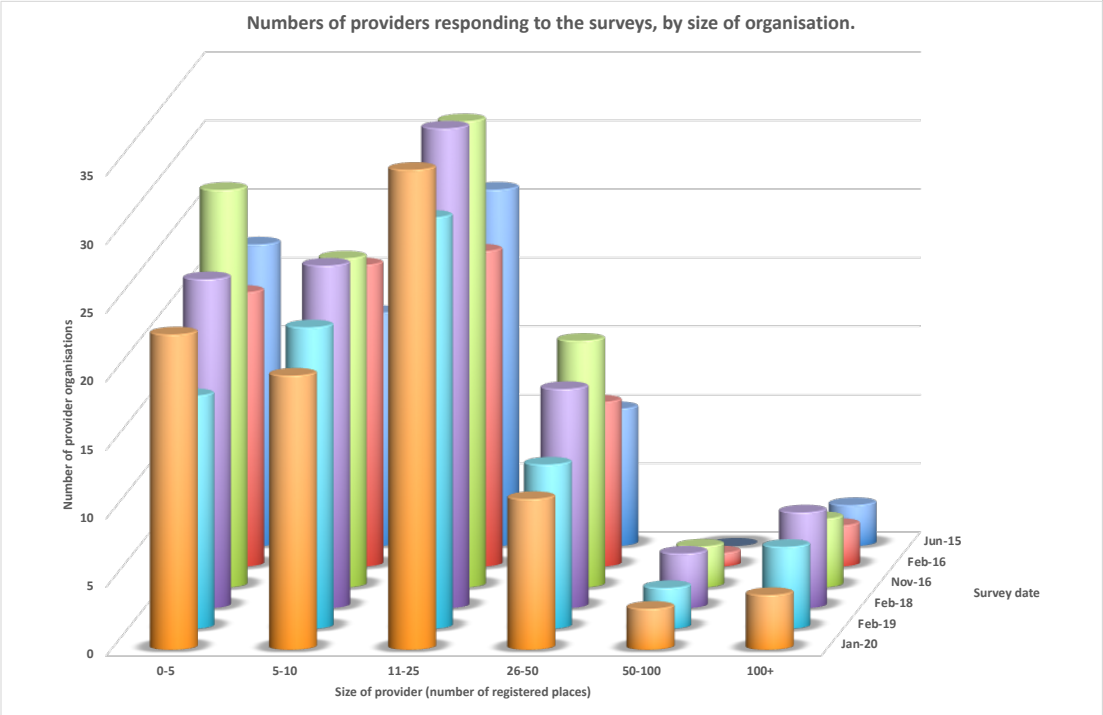
Percentages are used as the normalisation factor wherever possible and are calculated based on the actual response data for each question (i.e. non-responses are disregarded).

Who responded?

Only ICHA member organisations were invited to respond to the survey.

Disclosure of the name of the organisation providing a response is voluntary, but 72 (2019 – 77) respondents did identify (confidentially to the researchers only) the organisation they represent.

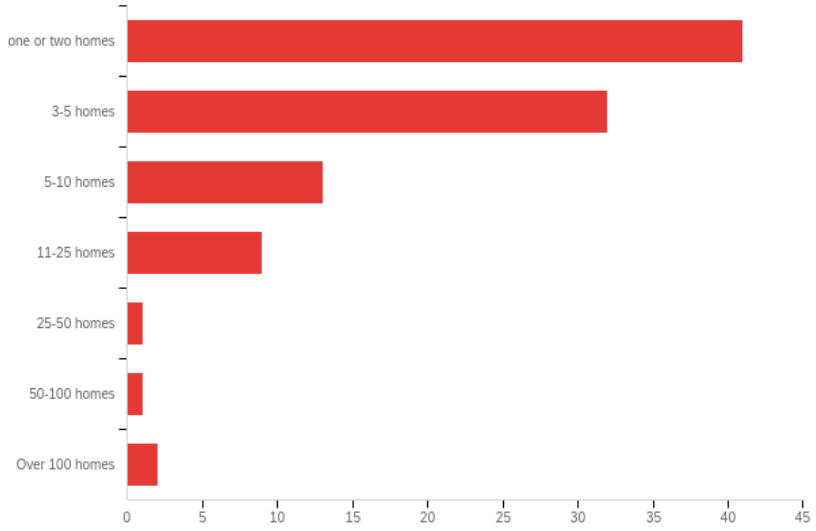
Responses came from the full spectrum of providers (based on size) as illustrated below. The smallest providers (10 or fewer places) are 60% of ICHA membership but provided only 44% of responses. This accentuates the need to separately analyse the small provider responses to detect those areas where small provider's feedback differs from the overall membership.



There is reasonable consistency of the size profile of respondents across all surveys, and this helps to enhance their comparative value.

For the first time this year the survey also asked respondents about the number of homes they operate in addition to the number of places they have available, and the following chart also illustrates that the ICHA membership has a large proportion (42% in this response) with just one or two homes.

Number of respondents by size of provider (measure: number of homes)

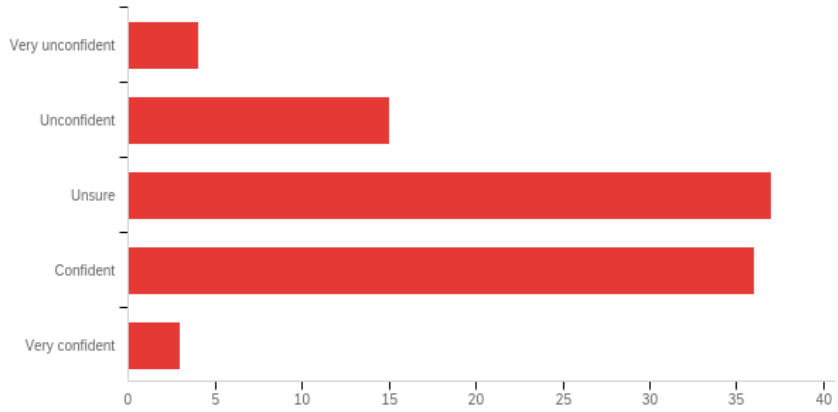


Most survey question feedback is recorded on the basis of "one-respondent-one-vote" so the responses are not weighted by the size of the provider or any other factor. Whilst some provider organisations had different respondents reply to different parts of the question set, no single provider had more than two respondents in total, and over 90% of providers gave their input via a single respondent.

Where the following report discussed small providers, these are defined as the two groups with 10 or fewer registered places in their homes in aggregate.

How confident are the providers about the state of the children's residential sector?

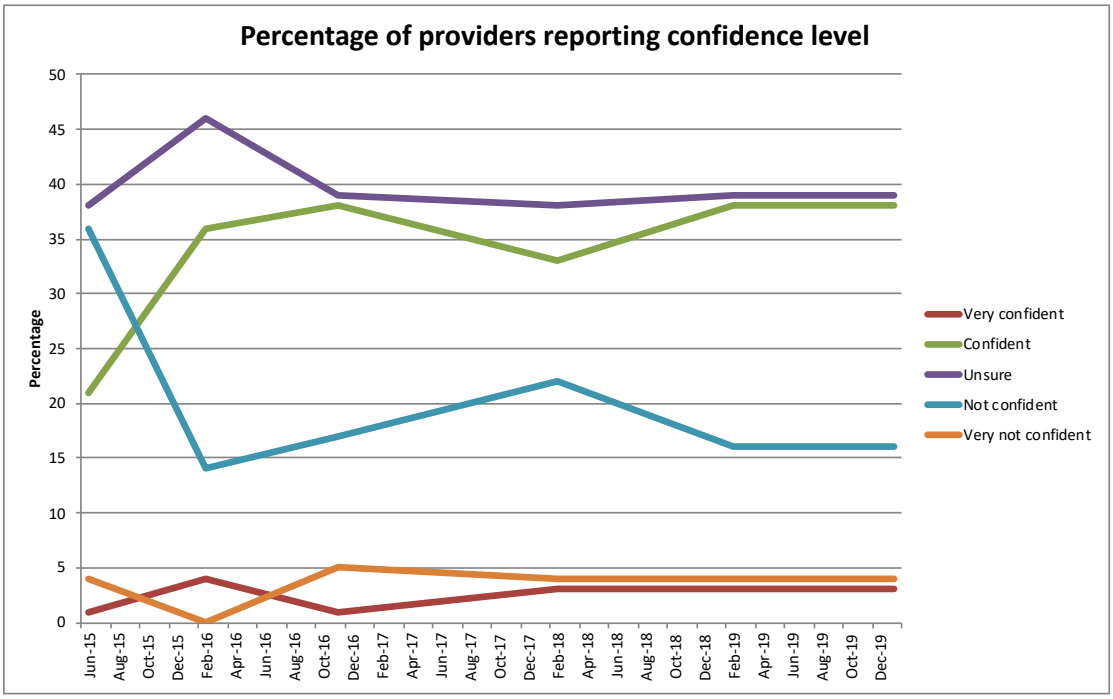
Numbers of providers reporting each confidence level (Jan 2020)



Converting responses to percentages and comparing to previous surveys the 2020 response shows remarkable stability compared to the 2019 survey.

The largest category remains "unsure" at 39% of responses, a level largely consistent with the last three years of survey.

In total 59% of respondents are at best unsure about the market but this is more marked amongst the small providers where 67% are, at best, unsure.



Respondents offered a substantial array of qualitative factors that influenced the confidence level that they reported. These were thematically coded and analysed and the below points represent the most frequently stated factors:

- Demand levels continue to be the dominant factor that drives the more positive comments about confidence amongst providers. Whilst some providers report high occupancy and waiting lists, others continue to report high levels of referrals that are inappropriate to their services, and a difficulty in matching referrals to vacancies.

- The counteracting factors that inhibit confidence despite the high demand are financial. These are articulated by providers in terms of an appreciation that local authorities are underfunded, and that this leads to continuous drives to reduce prices and to cut costs to the LA. With providers at the same time expressing concerns about the increasing costs of providing children's homes services (driven by statutory increases in National Living Wage and increasing difficulties in recruiting staff), there is a clear tension as to how costs will be met.

- There are mixed comments in relation to Ofsted and regulation. Providers commenting about increasing confidence report some improved consistency in the Ofsted inspection experience, whereas those who feel they experience inconsistency from the regulator quote that inconsistency as a factor that limits provider confidence.

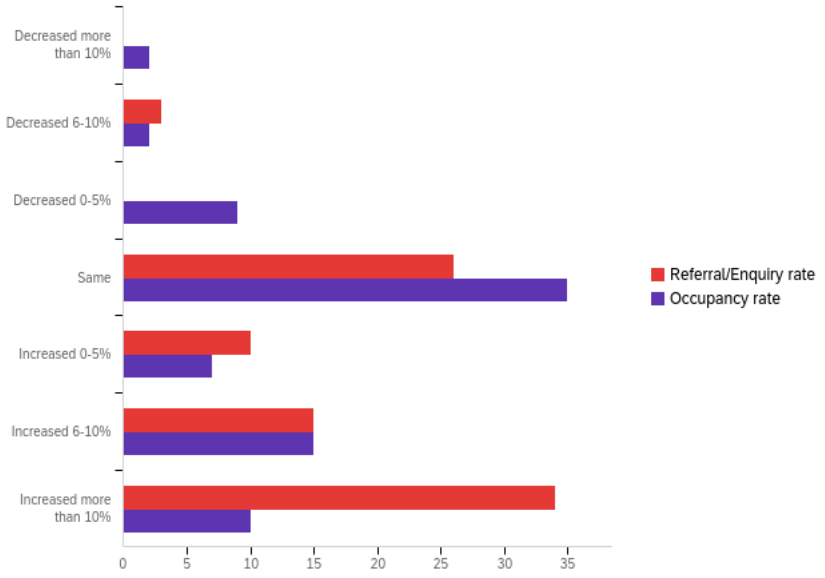
- For the first time in the series of surveys several providers raise concerns about the use of unregulated services and the need for greater clarity from Government about the regulation and use of those services.

- On a more macro-economic level providers mention uncertainty of Brexit impact, and a lack of confidence that the days of austerity budgets at the children's services level are at an end as influences on their confidence levels. Several respondents call for more support from Government, and for a more balanced view of the sector in the media.

- Relationships at the commissioner: provider interface continue to attract criticism from providers, although there are also anecdotal reports detecting some changing attitudes and improved partnership working.

Referrals and Occupancy

Referral rate and occupancy trend Jan 2020 vs. previous year – numbers of providers reporting each level.



The clear disparity between the increased levels of referrals and the rate of increase of occupancy has been a consistent theme since the November 2016 survey and is again observed in this latest survey.

Two-thirds of providers (67%) report increasing referral rates with 39% reporting increases of over 10% year on year. By contrast, only 40% of respondents report increased occupancy.

Small providers report experiencing the same levels of referrals as the sector as a whole, but occupancy rates of small providers are more even more dislocated from that referral trend, with only 30% of small providers reporting increases in referrals.

This continuing imbalance between referral rates and occupancy rates is again a key indicator that the marketplace is not functioning at optimum efficiency or effectiveness, and there is little sign of improvement in the situation compared to a year earlier.

Comments offered by providers recognise the disparity between referral rates and occupancy levels and provide particular insight into the reasons for this:

- The predominant theme is the observation by providers about matching. Despite high and increasing numbers of referrals the complexity and challenge of both the existing residents in a home, and those of the young person being referred are such that matching referrals appropriately to vacancies leads to the rejection of a large majority of referrals. This is clearly a critical function of the provider sector and one that providers articulate in terms of

being the provider's professional safeguarding responsibility. It is also seen as a requirement of providers as stated in Regulation 14 of the Children's Homes (England) Regulations 2015.

- In addition, there are providers that additionally refer to the role of Ofsted and restrictions that providers feel on accepting referrals that the regulator may subsequently judge to have been too high a risk.

- Some of the higher referral rates are a result of procurement frameworks, databases and placement searching activities of purchasing authorities that result in "scattergun" and "send-to-all" approaches. Providers with services targeted at specific cohorts of need or ages find they receive numerous inappropriate referrals purely as a result of being a qualified provider on a broadly-based procurement system.

- The age of children referred is a clear example of this mismatch of activity. Providers reported both referrals that are for young people aged 16-18 who are too old for services specifically registered for younger children, and vice-versa, increased numbers of young children being referred to homes that have age ranges in the statement of purpose of the home that automatically renders the referral outside of the scope of the home.

- There is a group of providers who report being full or almost full for most of the period. Clearly, irrespective of the referral rate trend such providers will report no changes in occupancy rates.

- There are new providers and providers with new capacity in the year who describe a phased approach to taking referrals into a new home so as to allow periods of stability after each new entrant arrives.

- There are indications in the responses that may be helpful to placing authorities and some follow up study may be beneficial in this area. Several providers indicate that inadequate information provided for a referral from the searching authority can lead to rejection of the referral. Others note that poor partnership experiences during previous placements from an authority can lead to providers preferring to work with other local authorities. Examples of the poor experience quoted include inflexibility in relation to fee rates, lack of a plan for education and inappropriately early step-down into fostering.

- Clearly as providers have expanded their marketing efforts and gained entry to more procurement frameworks, and as placing authorities have at the same time widened their searching beyond those frameworks, the volume of activity has increased disproportionately. Providers also report multiple re-referral of children and young people due to earlier failures to find a placement

or rapid breakdown of a poorly matched placement leading to repeat referral in short space of time.

- A new theme noted last year was again present in responses in this survey. Investment in additional capacity to meet need, and the ability to utilise all of the capacity of some existing homes is being affected by difficulties in recruitment and retention of staff and managers. The perception of the sector as portrayed by some media coverage is one reason given by respondents as a contributor to the challenges faced.

This years' survey again investigated referral trends through a series of questions asking respondents if they were experiencing specific trends. The chart on the following page illustrates the results.

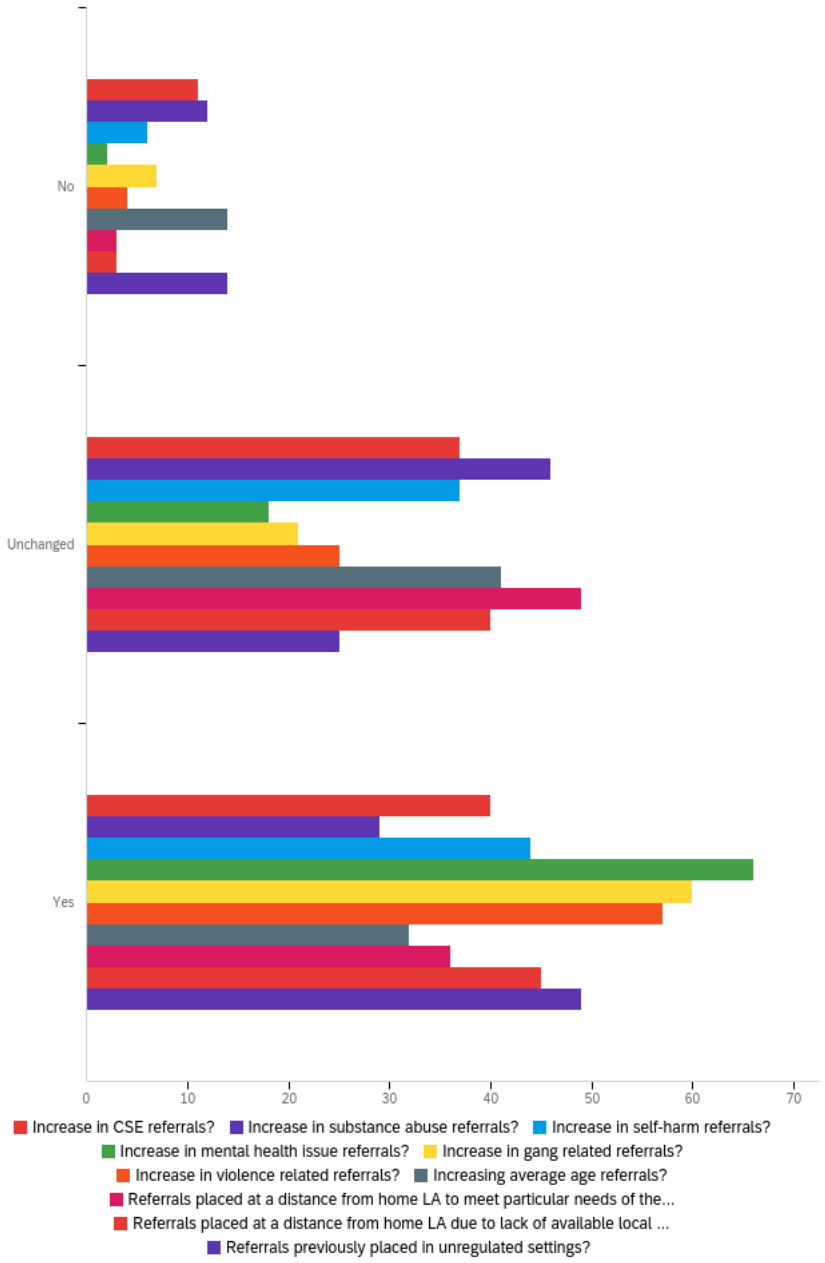
As last year, the incidence of mental health related issues, gang related (including County Lines) and violence related referrals are the most likely to be reported by a majority of providers to be on the increase.

Over 55% of respondents report that referrals previously placed in unregulated settings are on the increase. This was a new category in the survey this year.

The responses of small and larger providers were very similar to one another indicating that the referral challenges are seen irrespective of provider size.

The overall trend of increased numbers being placed at a distance from the placing local authority is consistent with the trend observed in the DfE national statistics for looked after children.

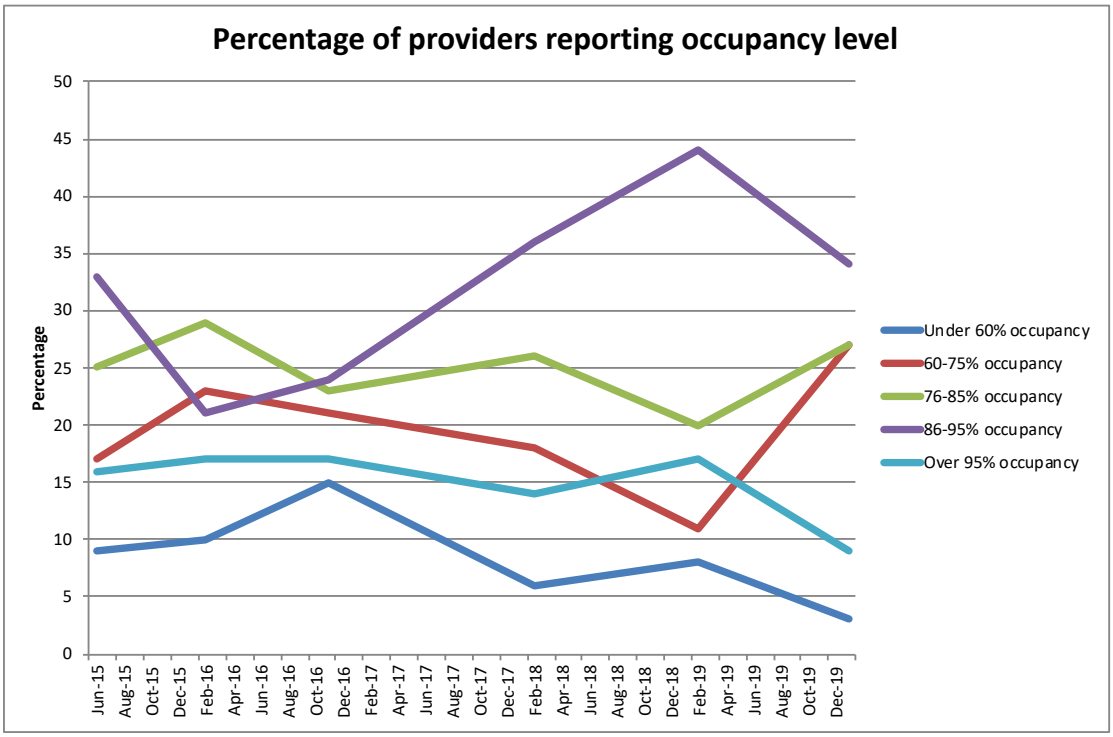
Number of providers reporting level of change in type of referral



Consistent with the qualitative feedback discussed earlier, the two main reasons why providers reject referrals are matching to the needs of children already in placement and matching to the home's statement of purpose.

Many other detailed factors are quoted by providers to illustrate the challenges in accepting referrals and again confirming that, at the detailed child-need level and the detailed different service type level, the children's homes sector is very complex. Aggregated data and generalisations about the sector should therefore always be approached with caution.

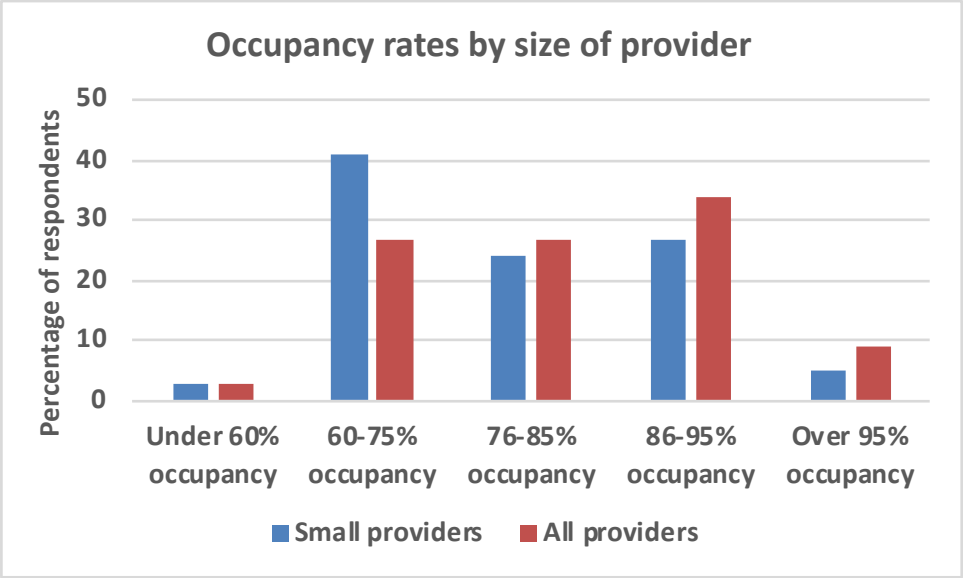
Actual Occupancy levels trend



Reported occupancy rates show a shift away from the extremes of highest (over 85%) and lowest (under 60%) this year with 88% of respondents reporting occupancy fairly equally across the middle bands between 60% and 95%, with a slightly higher proportion in the 86-95% band.

The reduction in providers reporting above 85% occupancy (43% vs 61% last year) is perhaps surprising given the high referral rates but this may reflect the complexity of factors discussed in the previous section.

Small providers also report a weaker occupancy profile overall:



Clearly there is a mismatch in referral rate increases and occupancy increases. High referral rates and councils that report being unable to find appropriate places contrasts with 30% of providers (44% of small providers) operating at occupancy levels below 75%.

The survey also looked at how placements are made contractually with providers. Whilst the experience of providers differs provider by provider the aggregated average picture is:

- 47% of placements are made on commissioned frameworks
- 51% of placements are spot purchased NOT from a framework
- 2% are block contract placements

Small providers report a slightly higher (55%) proportion of spot placements.

The overall picture is consistent with the feedback from providers elsewhere in the survey that identifies mass spot purchasing of complex needs on an unplanned basis by councils. That purchasing is however made into a marketplace of supply that contains a wide variety of types and specialisms of service. The supply side of this complex sector has largely not been commissioned in such a way as to be able to match the volatile demand patterns of all subgroups of need all of the time.

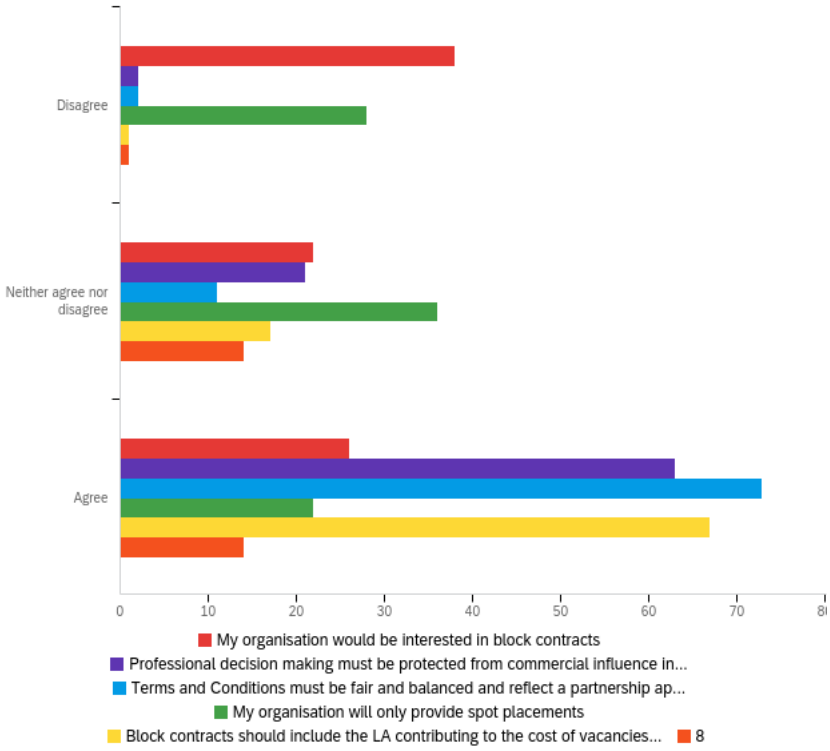
The potential for greater risk sharing

The survey again explored the attitude of providers towards the potential of local authorities working differently with the sector.

The results are shown in the following chart and can be summarised as follows.

- Provider appetites for block contracts are mixed, with 37% stating they would have no interest, 37% undecided and 26% interested.
- Consistent with the views on block contracting, 34% of respondents state they will only provide spot placements, 37% are neutral on the topic, 29% would be more open to other methods.
- Where block contracts are to be considered the responses clearly expect professional decision making to be protected from the commercial arrangements, fair and balanced terms and conditions, and purchasing authorities taking some of the occupancy risk by payment towards cost of vacancies created by a lack of matching.

The feedback of smaller providers did not on this occasion differ significantly from that of the whole response.



Further feedback and comments from respondents on the subject of block contracts also reflects the mixed opinions around the sector:

- Those in favour of blocks stress the need for good partnership working, stability of senior managers at the local authority involved and terms allowing the operational managers to appropriately match referrals to vacancies even when there are voids being paid for. The resulting financial stability and viability brought through a good block partnership is seen as attractive to these respondents.

- The mirror image perspective is seen from respondents who are not in favour of blocks. The fears that blocks do not recognise the individuality of need, the risk of placements being forced and the denial of the home manger to refuse referrals are all quoted as negatives for blocks.

- Small providers tend to believe that blocks are likely to be the province of large providers only.

What is happening to capacity?

Numbers of beds capacity added and deregistered in the last year	Jan 2020	Feb 2019	Feb 2018	Nov 2016	Feb 2016
Newly registered	215	103	146	154	51
Deregistered	-95	-56	-18	-19	-18
Net increase in capacity	120	47	128	135	33

Only 31 (last year 28) providers, around one third of respondents reported increased capacity in the previous 12 months, but the total number of places added was more than double that in the previous year.

Responses indicate it is the larger and medium-sized providers who are responsible for opening a majority of new capacity with only 36 places (17% of all new registrations) being added by small providers (who make up almost 42% of all respondents). However, these are still higher levels reported for small providers than last year, and small providers reported almost no deregistration amongst the highest level of deregistration in any survey to date.

The social care statistics reporting by Ofsted in July 2019 notes the trend since 2015 of increasing numbers of home registrations, but the number of places available increasing at a much slower rate. The ratios of net increase in capacity, and the slight bias towards the larger providers is broadly consistent with the Ofsted findings also.

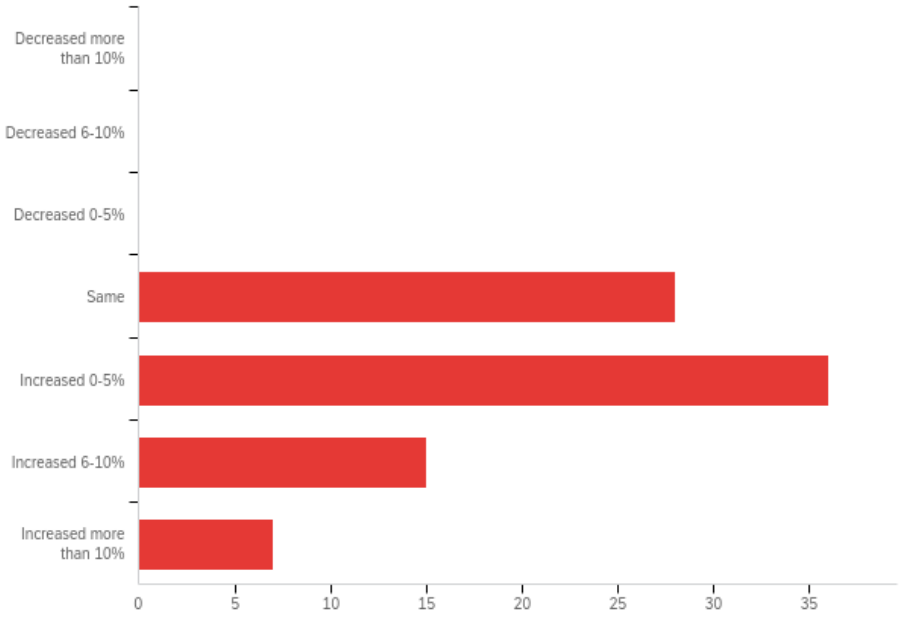
Despite numbers placed in Children's Homes reported in DfE children looked after statistics increasing by 12% since 2015, Ofsted state that the net increases in places available has only grown by 3% over the same period. In this latest survey there is some evidence of providers beginning to be more active in increasing capacity, but the increases are modest relative to the apparent demand levels.

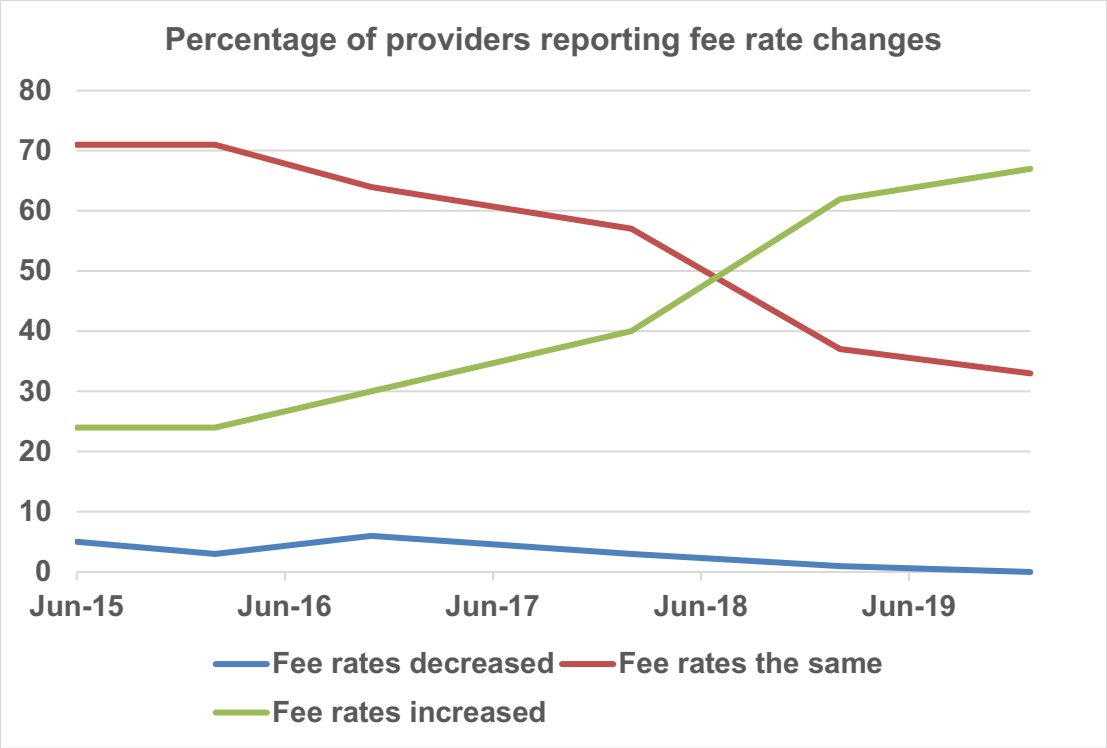
There remains only sparse evidence of local authority and regional commissioning efforts in 2019 offering insight into needs, forecast demand levels, scarcity of supply or of approaches to incentivise investment in specific services or locations.

Providers deciding to make investments in new capacity are therefore continuing to do so on the basis of their own internal analysis of the sector rather than through a response to specific procurement activity operating under strategic commissioning by councils.

Prices/Fee rates

Numbers of providers reporting different levels of fee rate changes





There is continued evidence in this survey that providers are increasingly able to secure price with two-thirds reporting increases, although the majority (42%) are in the 0-5% range.

Given the clear indications of surplus demand elsewhere in this research, and the relative lack of a strategic commissioning approach to expanding capacity

across the sector it is perhaps inevitable that providers are increasingly able to increase prices.

It is worth noting that smaller providers are more likely to hold prices than larger providers (52% of small providers reported no change in this survey).

This is the second successive survey where ranges of actual price information has been surveyed. The results in the table below are consistent with the price trend discussed above.

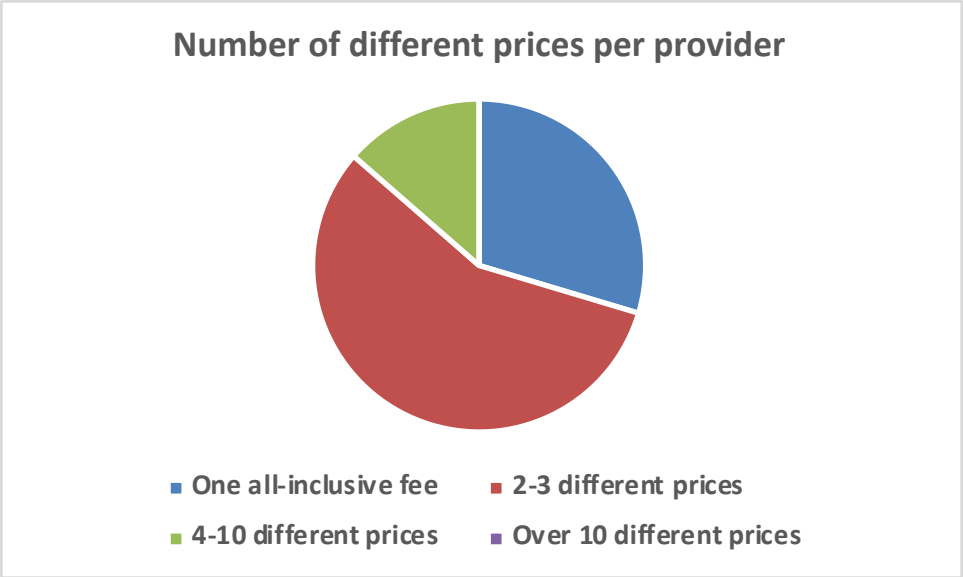
£/week	Jan 2020	Feb 2019	+/- (%)
Average minimum price	3584	3384	+6%
Average maximum price	4700	4589	+2%
Average mean price	3963	3723	+6%
Average mode price	3919	3876	+1%

Small provider pricing is not inconsistent with the overall profile of pricing. The average mean price of small providers was actually 4% higher (last year 1% lower) than their peers, whereas the mode was 1% lower this time around.

The underlying survey results again illustrate a very broad range of pricing around these averages, with a range from £1,000 per week up to £7,000 per week quoted. This is again consistent with the broad range of needs and services in a complex sector.

The 2020 survey has again investigated the rationale for prices set by providers in greater detail.

Price strategies vary significantly, from providers who charge one flat, all-inclusive fee to those who create a bespoke fee for each individual child. The most prevalent model is one with just 2 or 3 different prices being used by the provider.

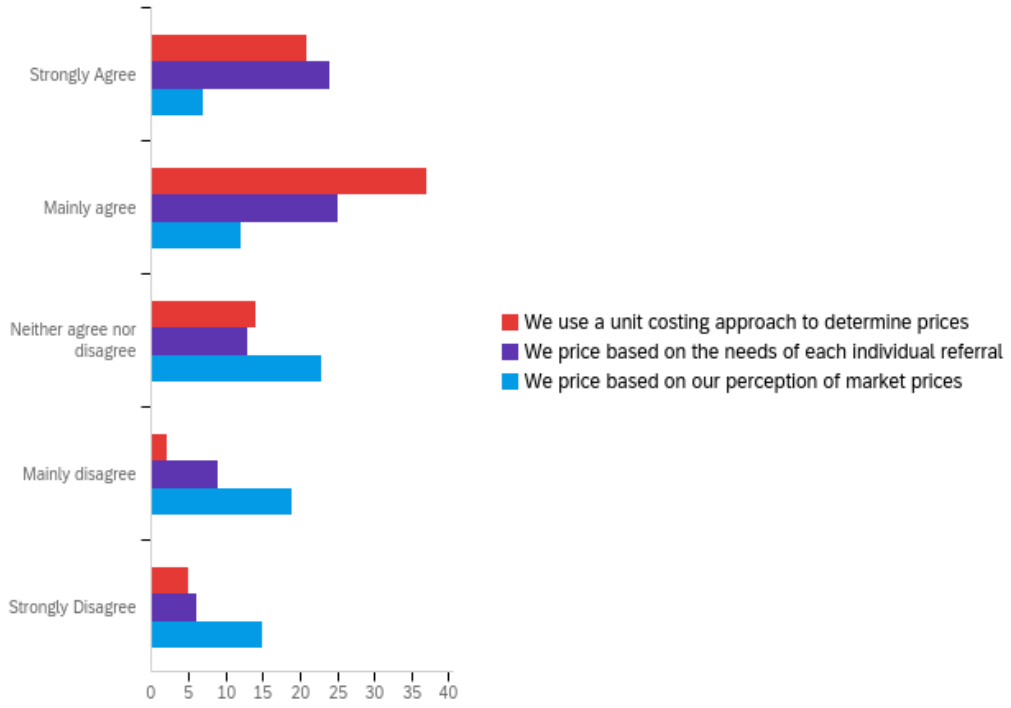


One quarter of respondents report that they charge a different price if the service includes education.

One quarter of providers also report that they charge a different price if therapeutic services are included.

Smaller providers are, logically, more likely to be charging a small number of price points (93% of small providers have no more than 3 prices).

Factors that most (and least) influence the absolute level of prices set by providers were further explored. Unit pricing of placements is most strongly correlated with the needs of the placement, with overall perceptions of market prices playing a weaker role (irrespective of size of provider):



The graphic on the following page illustrates that there are a range of different factors affecting provider pricing and that different providers put different weightings on the factors involved in pricing.

It is however clear that the degree of complexity of a child and their needs, and therefore the intensity of staffing and other resources needed to meet those needs, most strongly influences price levels.

Secondary to that the cost pressures of National Living Wage increases allied to concerns around the availability and cost of residential care staff are increasingly prominent in price setting strategies.

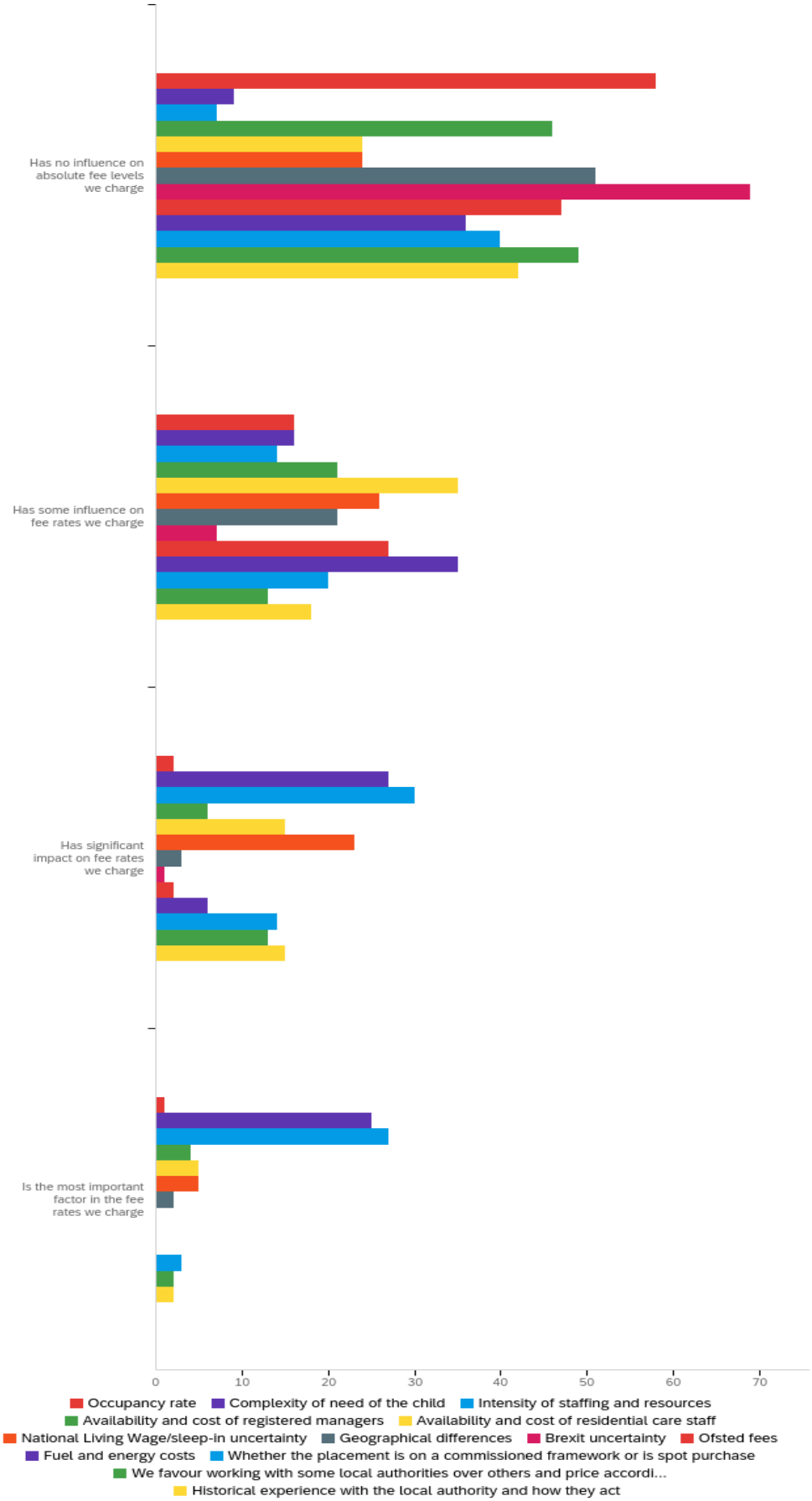
Conversely, Brexit uncertainty, occupancy rates and geography are amongst the least influential factors on prices.

It is also worth noting that up to one third (last year 20%) of respondents indicate that they are in a position to adjust prices to favour working with some local authorities over others, often due to favourable or unfavourable experiences with particular authorities historically.

Text based feedback confirms the broad spectrum of additional factors that have influence on pricing in different scenarios and again illustrates the complexity of the sector at the grass roots level. For example factors range from the high cost of pension contributions needed for education staff to the need to pay extra for waking night staff, and from increasing salaries and costs to find registered managers in some regions of higher employment to active cancellation of participation in a framework contract to enable greater control of the provider's own price strategy.

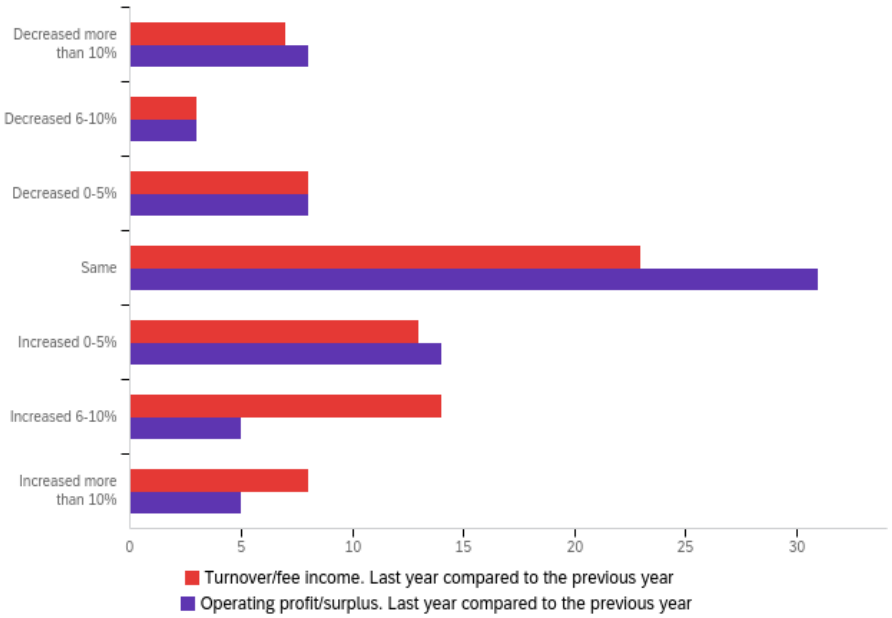
This complexity is often misunderstood by commissioners and researchers trying to apply cost-plus based models to the sector.

Factors influencing absolute price levels charged by children's homes.



Turnover and Profit trends

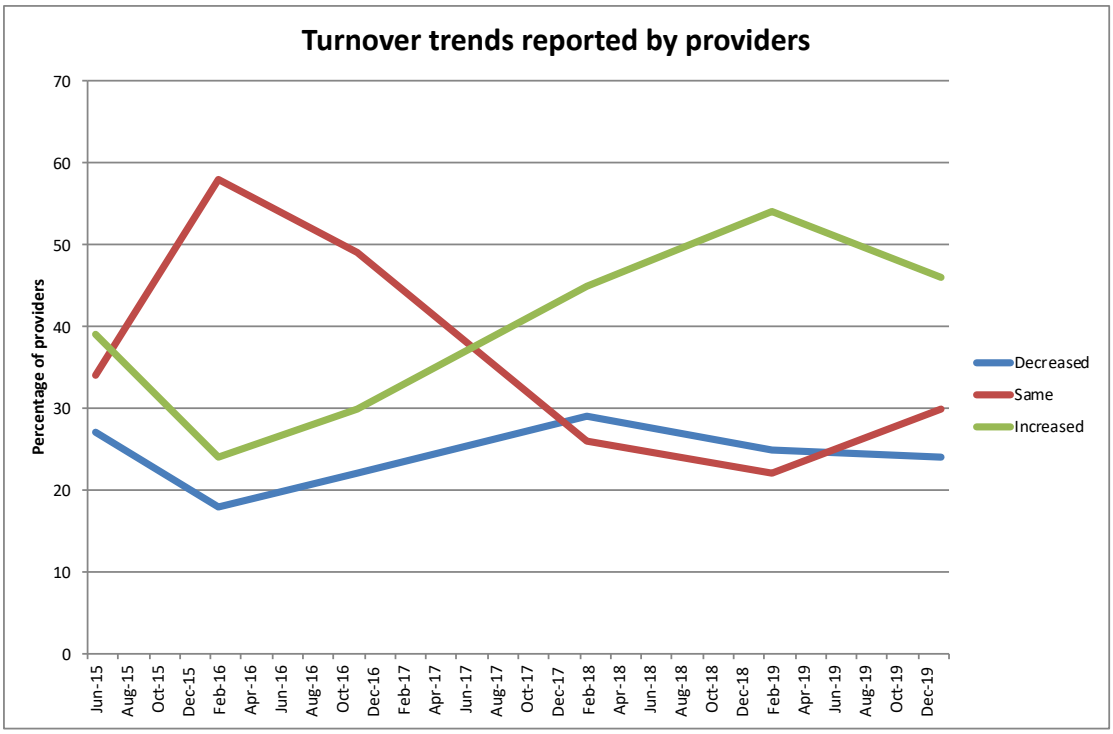
Turnover and Operating Profit trends: Number of Providers reporting different levels of increase/stability/decrease.



Providers continue to experience a range of financial outcomes in the children's homes sector. As discussed in the preceding sections, the continued high demand does not translate into the same levels of occupancy, largely due to the complexity of needs and difficulties in matching, but fee rates are clearly moving up on average.

Some 46% (last year 54%) of providers report increased turnover, and 24% report a decline (last year 25%). The balance 30% report stable income (last year 21%). This represents continued overall increases in turnover levels and follows last year's strongest growth recorded in the series of surveys.

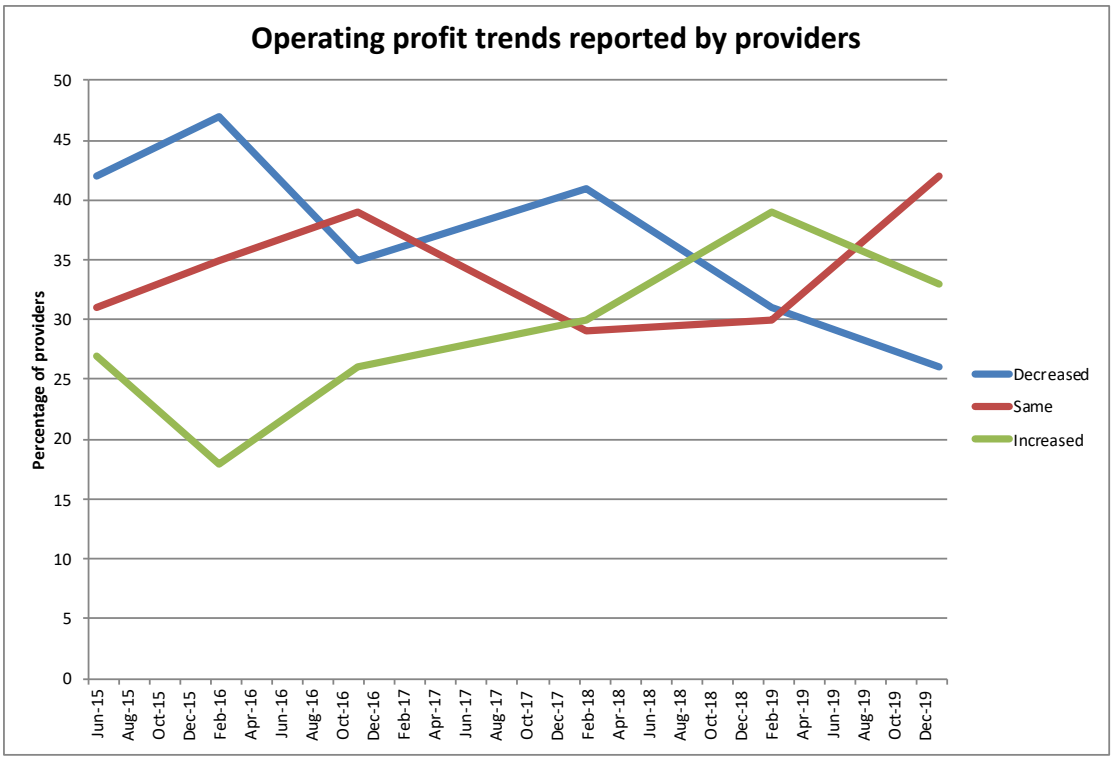
Small providers continue to underperform against the average with 38% reporting increased turnover (up from 30% last year) but still below the overall growth in the sector), and 29% reporting decline (30% last year).



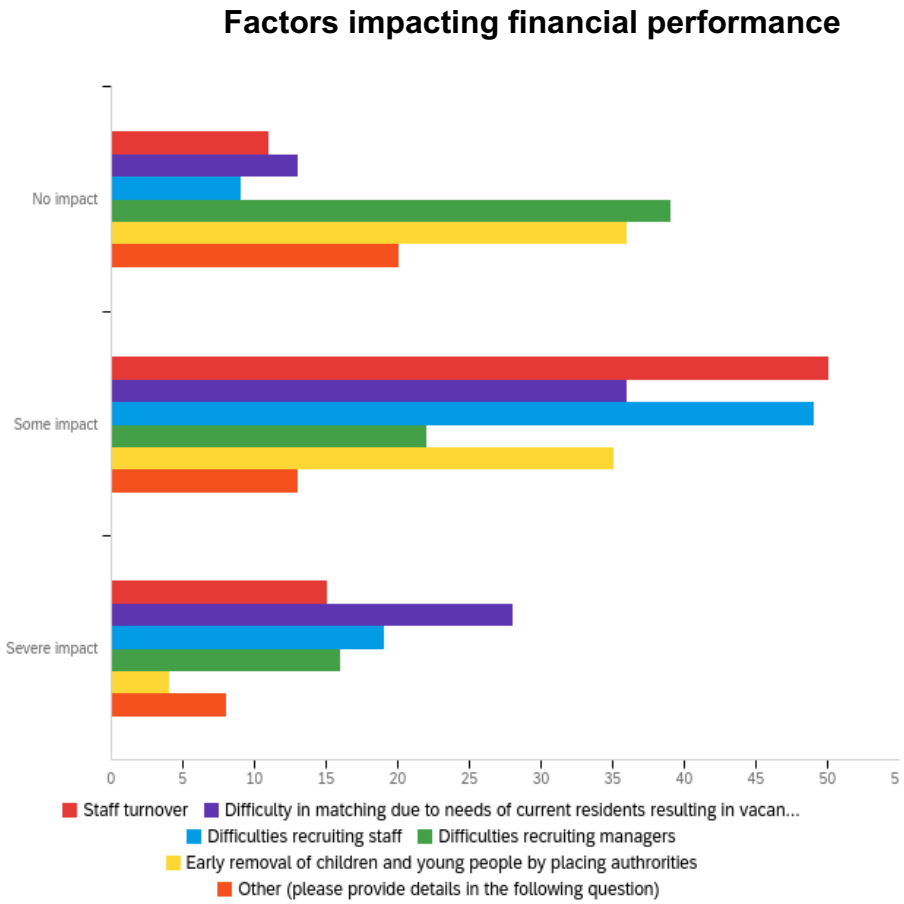
Operating profit trends do not automatically follow the turnover/income trend, as additional cost and efficiency factors come into play.

In this 2020 survey 33% (last year 39%) of respondents reported increases in operating profits, whilst 26% reported a decline (31% last year), the lowest level of decline in any survey to date. There was a marked increase to 42% of providers reporting stable operating profits (up from 30% a year earlier).

The overall effect is an increased stability and small improvement in profitability. Small providers fare worse than the larger providers with only 21% of small providers reporting profit increases.



To gain further insight into the factors that impact financial outcomes the survey asked providers to score the influence of the factors below:



Consistent with earlier feedback, matching of placements is identified as having the most influence on results, with recruitment and turnover of staff being the strong secondary factor. These are key factors for small and larger providers alike.

It is again notable that 52% of providers say that the early ending of placements by local authorities is also an issue that causes financial disturbance, although smaller providers do not report this factor as often as larger providers.

In the “other” category are mainly cost factors such as pensions costs, National Living Wage driven increases, sleep-in cost uncertainty and utilities cost increases. One provider particularly articulates the tensions that cost increases create when the provider is bound into a fixed price multi-year framework. Effectively providers are forced into an “all or nothing” decision to risk everything in the spot market by leaving or choosing not to join frameworks in order to recover cost increases. Evidence already discussed above suggests that almost half of all placements are now being made outside of frameworks.

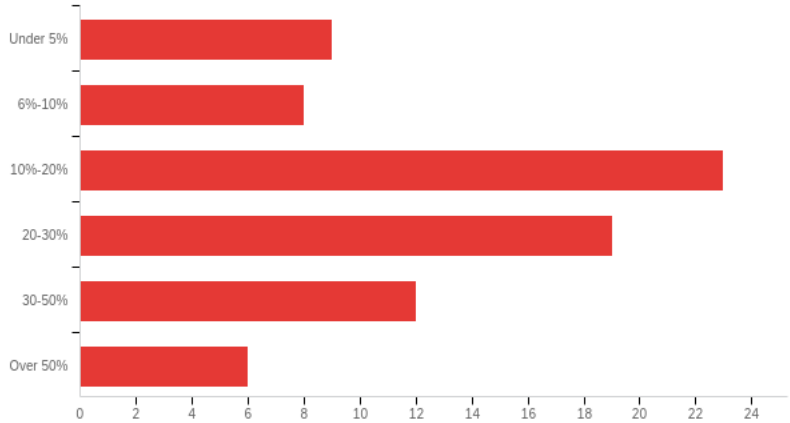
Managers and staff

The survey sought to gain additional feedback this year related to manager and staffing turnover as both have been areas of focus more generally in the sector e.g. via the Child Sexual Abuse investigation recommendations to the DfE, and via the Ofsted annual report).

Response rates were low in relation to the question about registered managers. On average those that responded report that around 87% of managers are fully qualified, however the variation of results was large with several respondents reporting less than 50% of managers with qualifications. Clearly this is a most acute measure for small providers with only one or two homes where the proportion of homes with qualified manager may be 100%, 50% or 0%.

Staff turnover ratios were more readily reported by providers:

Numbers of providers reporting staff turnover levels.



Almost half (48%) of providers report staff turnover levels above 20%, and only one in five providers (22%) report turnover below 10%.

These findings are consistent with those highlighted by Ofsted in the recent annual report. This data would indicate the need for further scrutiny and potential policy development in this area. Difficulties are directly related to uncertainty of further investment and expansion.

Profit levels

The overall result of the combination of all of the factors discussed on preceding sections is represented by the profitability or loss making of providers. This survey again asked providers to disclose actual profit levels (as a percentage of turnover).

This area of the research again had lower response rates and therefore is substantially less representative of the membership as a whole. Many providers were unable to calculate EBITDA as it is not a term used in their normal statutory accounting, and this is therefore the least representative row in the table below. Up to 50 providers completed the other two measures, and the average levels of profitability are largely consistent with last year.

Provider profit levels – percentage of turnover

Field	Minimum	Maximum	Mean
Operating profit/surplus (i.e. profit/surplus before interest and tax)	-10.00	25.00	6.74
Net profit/surplus before tax	-10.00	22.00	7.34
EBITDA = Earnings/ Profits/Surplus before Depreciation, Amortisation, interest and tax (If known - leave slider at 0/zero if not known)	-10.00	35.00	7.30

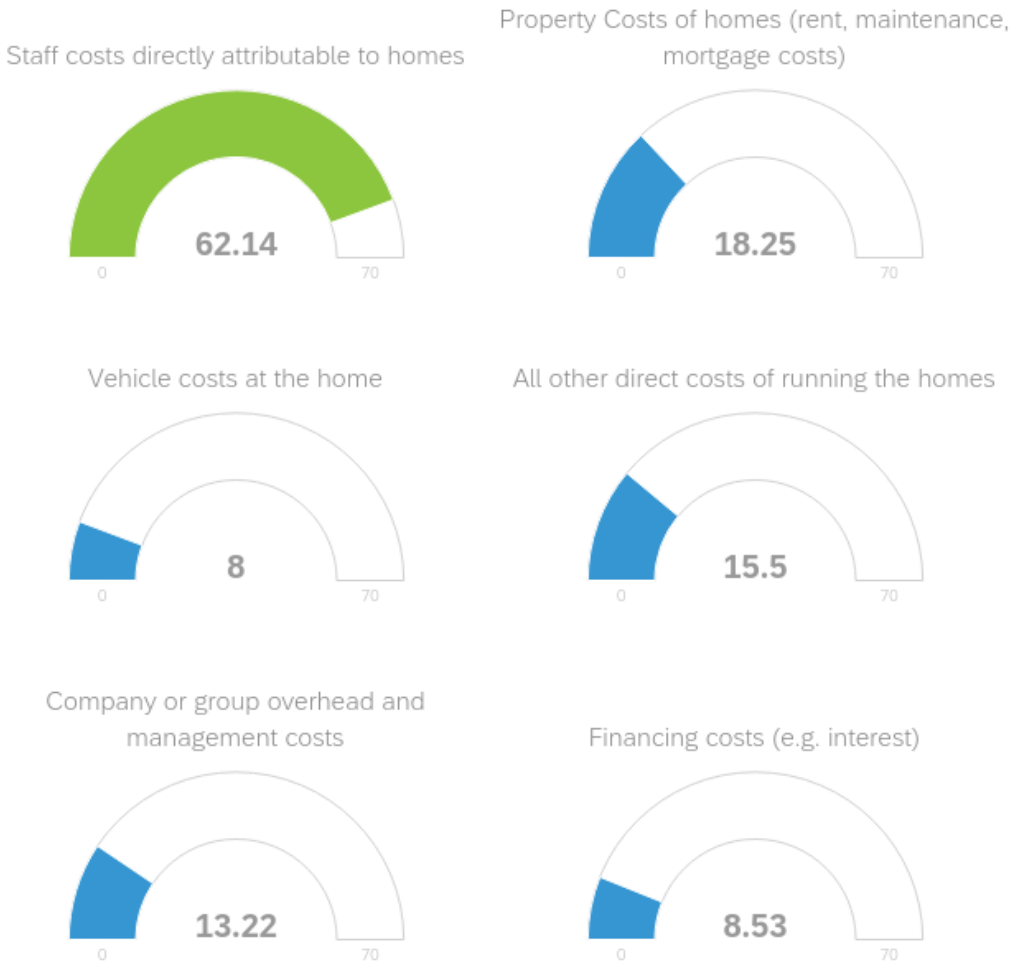
Small providers again on average report profitability at around 1% lower than the market as a whole.

Cost structures

The complexity of need and of service types to meet the range of needs was discussed earlier in this report and the challenges of development of standardised cost models was further noted.

This survey has however gathered some feedback (from around 60% of respondents only so some caution is advised in use of these figures) to give some illustration of average cost structures in children's homes.

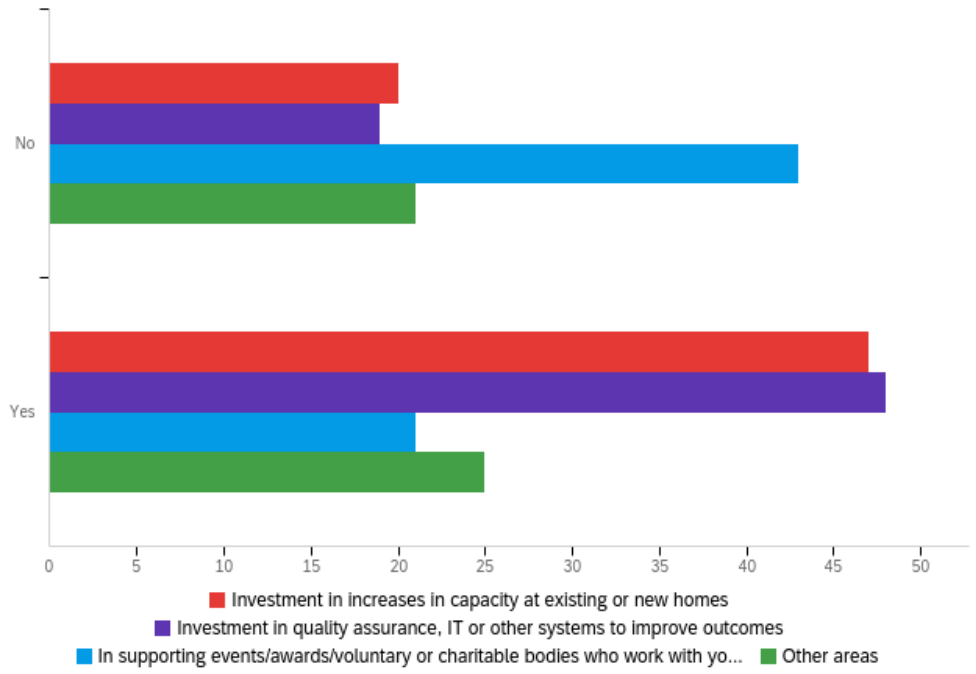
As not all respondents were able to provide all of the data the overall ratios do not sum to 100% so these average percentages are illustrative only.



Staffing costs are clearly the dominant factor in the running costs of children's homes, and this explains why factors such as the underlying pressure on all staff costs from the statutory uplifts in National Living Wage, the uncertainty of the sleeping-in position, statutory uplifts in pension contributions, and the high levels of staff turnover (see later) are at the top of provider concerns about costs.

Investment

Where are providers investing currently?



Providers are slowly beginning to invest more to increase capacity (70% of respondents indicate investment in this area vs. 65% last year). This comes alongside continued investment into their existing services as the main area of investment.

However, not all providers are able to report investment into their own business, and this is especially the case with small providers (only 62% report investments into existing services). Small providers are also less likely to be investing to increase capacity.

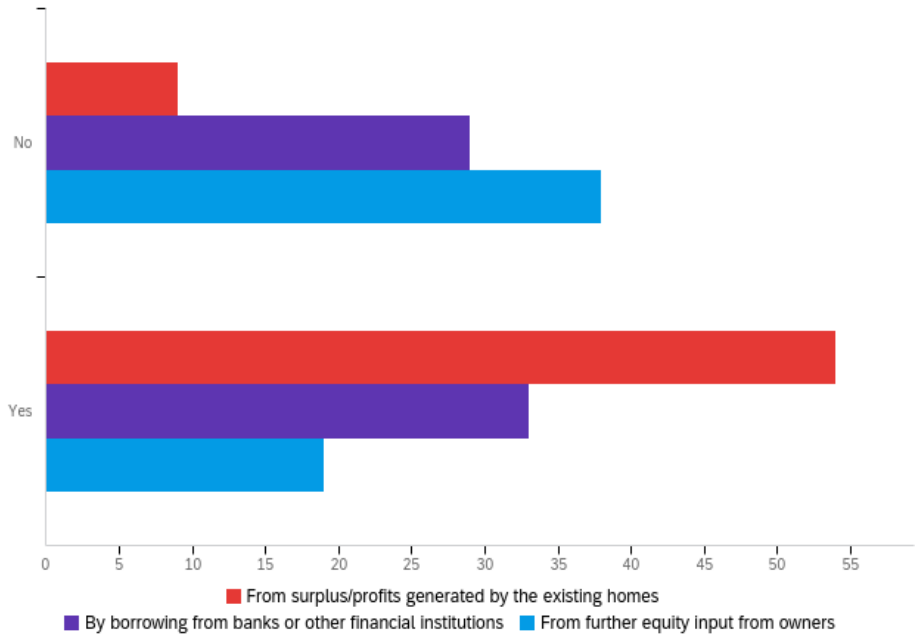
This offers further evidence of the sector may be moving towards larger providers making up a larger share of the sector.

Almost 9 out of 10 providers are investing in their existing services to maintain or enhance quality and outcomes, whereas just 65% of providers are considering additional capacity added to existing homes or invested in new homes altogether.

Under the “other areas” heading, commitments to increased training of staff, including specialist clinical or therapeutic training are the most prominently noted investment areas.

Respondents also provided feedback on the source of funding for investment activities, and it confirms the importance of profitability and the resulting positive cashflow as the primary source of funding.

Where do funds for investment come from?

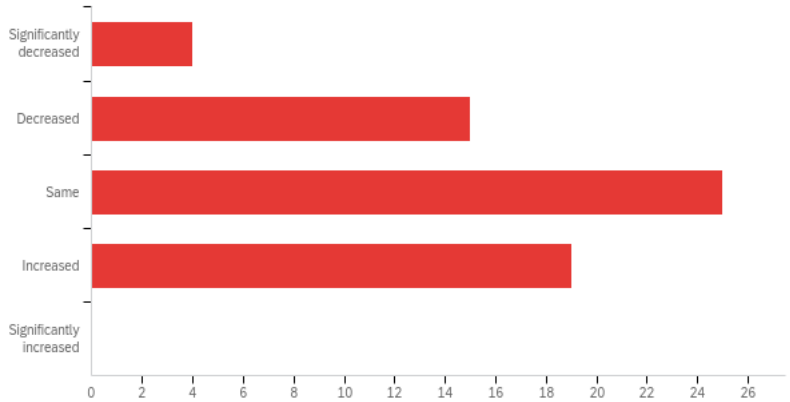


Compared to the total market picture, smaller providers are less likely to use external bank funding for investment, and more likely to need to rely on positive cashflow from profitability of existing operations.

There are clear messages here for strategic commissioners. Stability of existing profitability is the most important influence on the intent of providers to invest in further capacity. Small providers still make up a large part of the overall market for these providers the stability of existing cashflow is even more important to stimulate further investment.

Viability and Reserves

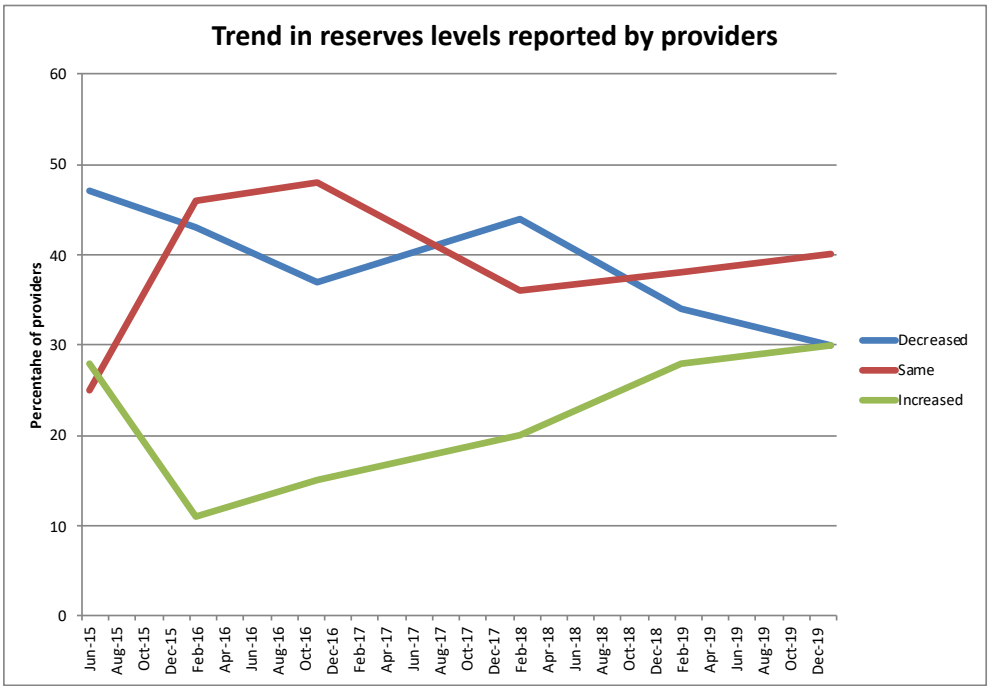
Reserve movements in the last 12 months: Number of providers



This indicator captures a view of the overall viability of providers by looking at changes in reserves levels. These will be impacted on not only by the combined effects of operating results and investment already discussed, but also by funding structures and the servicing of debt and interest. Hence an organisation reporting an operating profit may, after investments and debt servicing costs, still experience a drain on reserves.

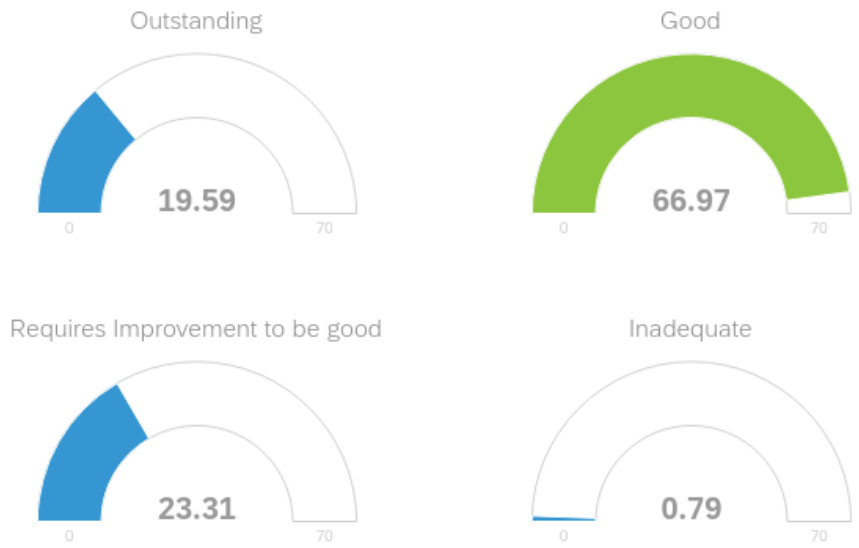
This latest survey saw a further reduction in the proportion of providers reporting a deterioration of reserve levels 30% vs 34% in 2019. Small increases were also seen in the numbers of respondents reporting stable or increasing reserves. Smaller provider reporting of reserves trends are similar to the overall sector results.

This is the first survey where the proportion of providers increasing reserves is at the same level as those reporting decreasing reserves.



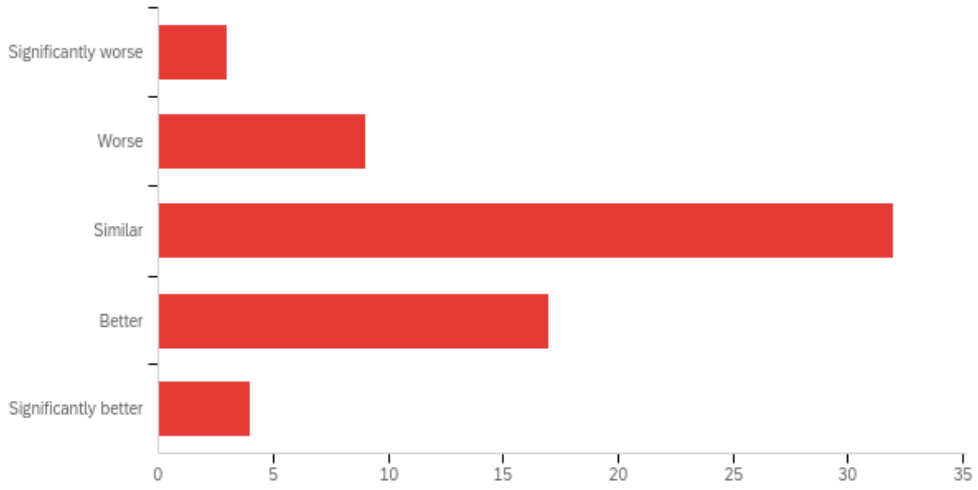
Ofsted

The survey again collected indications from respondents about Ofsted ratings in the last year. The outcome is consistent with the national statistics reported by Ofsted in the recent annual report with a slightly higher proportion in this survey of Requires Improvement to be Good (notably from the smaller provider sector), and fewer inadequate ratings reported in this ICHA sample.



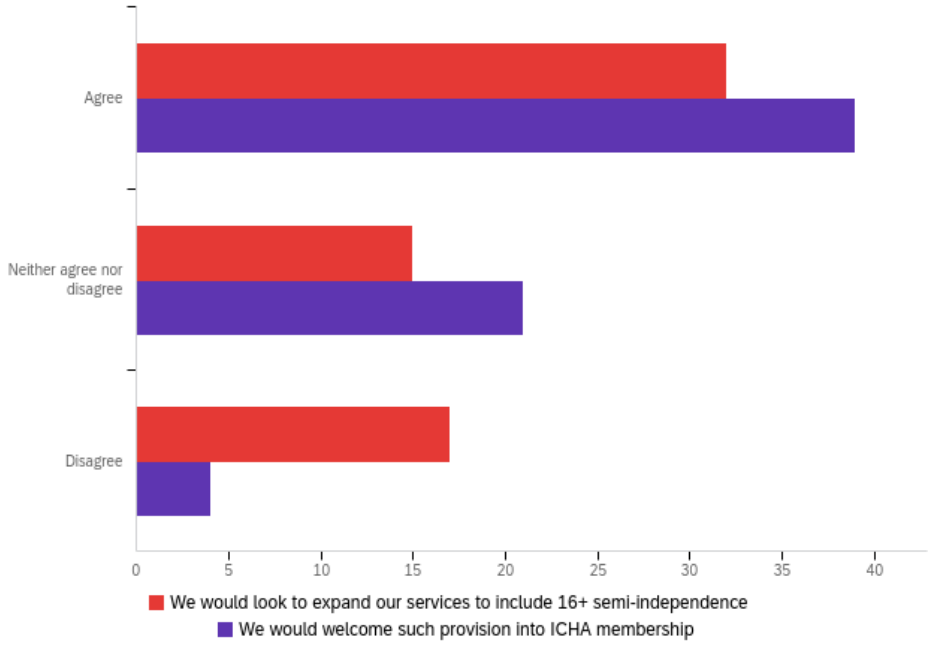
Providers reported a trend of overall improvement:

How did your inspection outcomes compare to the previous year?



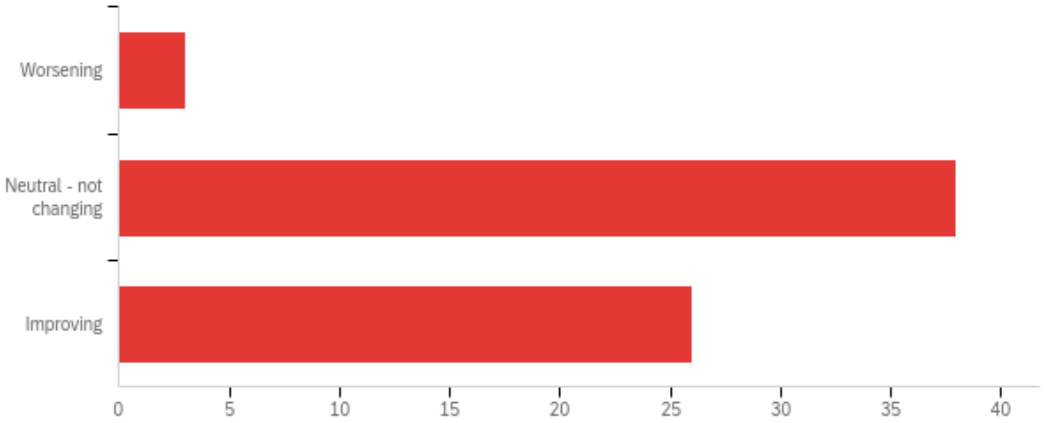
New topics this year: Unregulated, commissioning, co-funding

If current unregulated supported accommodation were to become regulated:



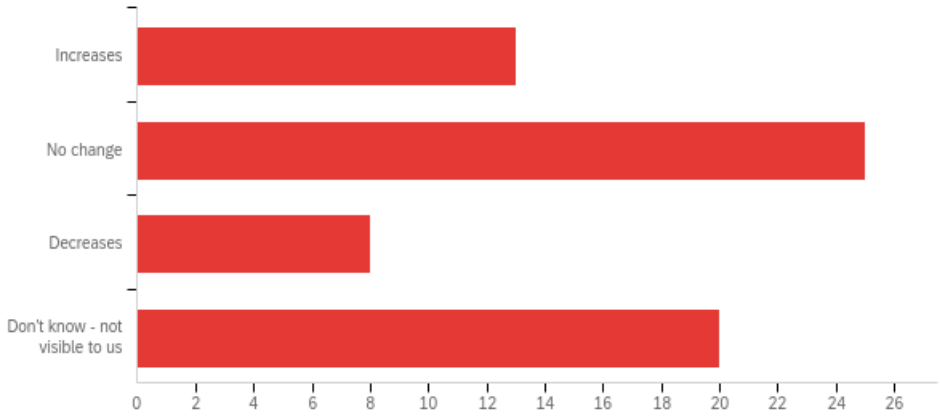
Half of all respondents indicate they would look to expand into the supported accommodation sector if it were to become fully regulated, and there would be only a small minority who would object to providers of this type of service to then become ICHA members. This applies to small and larger providers alike. It is an important message to policy makers looking at ways to stimulate growth in capacity across the combined sectors.

Rating commissioner relationships



There is positive indication here that providers are finding signs of improved commissioner relationships, perhaps driven by necessity and the severity of demand: supply imbalance. Larger providers are more positive than smaller providers on this indicator.

Are there increases in co-funding by health/education/social care?



This is a fairly neutral result, with 30% of providers not having visibility of this issue and another 38% not detecting change.

<u>Provider confidence and planning for the long-term future</u>

Respondents were asked to comment on what they thought the next three years will look like for their organisation. The themes reported most strongly in feedback were:

- Many providers are anticipating expansion plans in response to demand. Growth plans are however cautious and incremental with limitations on ambition to grow coming from concerns about Government policy and from the realities of staffing challenges.

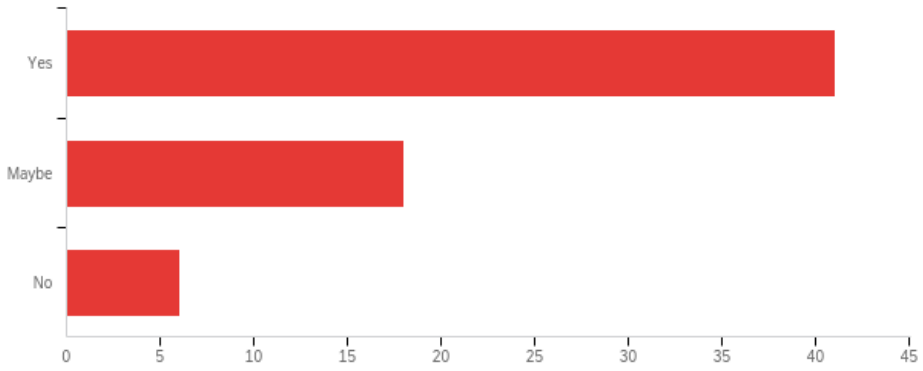
- Around one in three respondents explicitly aim to stay the same size and limit the risk they are taking, with some choosing instead to develop their existing services further (for example to add education).

- A significant minority are planning to leave the sector or to sell their business and retire. This has the potential to lead to further consolidation.

- Some providers have noted the growth in unregulated provision and would be encouraged to develop properly regulated supported accommodation and leaving care services.

Addendum

Providers were asked about their willingness to offer student placements to social work course students:



This clear and largely positive response is only tempered by small providers who feel they do not have the size of organisation or management capacity to be able to offer student placements enough insight and guidance.

Methodology

This is the sixth survey of Children's Homes providers in a series that started in June 2015. These surveys continue to provide a comprehensive, consistent and representative review of the sector and are used as a reference source by Government, researchers and academics.

Each survey provides a "point-in-time" picture of the state of the sector based on the reported experiences of providers and based on a set of core questions that remain unchanged between the surveys. This approach allows analysis of trends arising vis the direct comparison of core information to earlier surveys.

Additional thematic questions are made at each individual survey point to investigate in more depth the prominent issues at the time of the survey. For example, media coverage of issues related to prices charged by providers and to profitability levels has continued so questions related to these issues have been enhanced in this latest survey. Questions related to unregulated services are also introduced for the first time.

A combination of measurement based (quantitative), and written text based (qualitative) evidence is collected via an on-line survey. Qualitative feedback is thematically coded and summarised to add context and understanding alongside the quantitative analysis in the following report.

Around 134 organisations accessed the survey in December 2019 and January 2020 and of these up to 96 gave comprehensive and detailed feedback to questions. Statistically we can be more than 90% confident that the numerical results are accurate to within +/- 6% margin of error for the whole membership of ICHA.

As in previous years this report and analysis looks to detect if small providers and large providers experience the sector differently. Small providers, defined as those with 10 or fewer places available, were 43% (last year also 43%) of all respondents. Where responses of small providers differ noticeably from the overall results this is highlighted in the report.

The results can be considered to be most representative of the views of the ICHA membership as it is only ICHA members who contribute to the survey. ICHA membership accounts for around 75% per cent of the independent sector in England and a majority of all providers of any type.

ICHA commissions this survey from Revolution Consulting and we would like to extend thanks and appreciation to those who thoughtfully completed the survey and for the openness displayed in the responses provided.

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