The first report by the government-commissioned Care Review sets out the case for changing how care

Care Review turns attention to

SOCIAL CARE

By Derren Hayes

It took Josh McAlister, chair of the Independent Review of Children's Social Care, less than four months to conclude that the care placement market is "broken".

In the review's The Case for Change report, its first since being launched in March, McAlister sets out his initial thinking as to the current system's failings, describing it as financially strained and risk-averse to the point of near collapse – "a 30-year-old tower of Jenga held together with Sellotape".

Power imbalance

Among the many findings in the critical report, published in June, is that the 'market for care' and local authority commissioning and matching are not working. It blames this largely on the imbalance of power between councils and care providers who "set the terms of engagement" and are able to "fill their provision with 'easier to manage' children from across England and set whatever price they choose".

This is particularly so for the children's residential care sector, it states. The report cites figures showing there has been a 34 per cent rise in children placed in residential care since 2009/10 and a 40 per cent rise in the average placement fee paid to independent providers between 2012/13 and 2018/19. In addition, local authorities now spend a total of £1.6bn annually on residential care placements, a 42 per cent rise in real terms over the same period.

The report raises concerns over profit levels of the largest social care providers, an issue raised by McAlister at the recent Independent Children's Homes Association (ICHA) conference.

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The report descibes the care system as "a tower of Jenga held together with Sellotape"

"Since 2013, the average price per child for a place in an independent children's home in England comes in around £4,000 per week – that's £200,000 per year," he said. "People rightly balk when they hear some figures projecting over £250m per year in profit being made from caring for what can be very vulnerable children. Given pressures in the children's social care system and economic realities of 2021, this is indefensible. It cannot continue."

The review is working closely with the Competitions and Markets Authority (CMA) which is conducting a market study of the children's social care sector, and McAlister says the "complexity of the issues" and "fragility of the system" require a "pragmatic rethink" on the way ahead.

"There is an active debate in the sector about whether incremental improvement of commissioning or radical rethinking of the care marketplace is needed to ensure that children receive the care that they need," the report states. "This review will consider all options."

To this end, the review has commissioned What Works for Children's Social Care to work with the Government Outcomes Lab at Oxford University to look at effective models of commissioning that could be applied to children's social care.

The conclusions have surprised few who work in children's social care. However, some of the analysis and interpretation of evidence in the report is questioned by some sector experts, particularly when assessing the role of independent care providers (see expert view).

The criticism of independent providers has also disappointed the ICHA. Deputy chief executive Liz Cooper says that although what he said was "nothing new" it did "annoy and alarm people".

"We want a balanced argument," she says. "There are some companies making large profits but on the whole the sector is providing good care to very disturbed young people."

Cooper also challenges the premise that the cost of a care placement in the independent sector is more expensive than councils providing it themselves.

"The reality is our care is cheaper than local authority care," she says. "Most small to medium sized homes operate like a charity."

In addition, she says many care home providers also deliver education and mental health services for children because authorities want them to offer therapeutic placements that cater for the holistic needs of children.

"If [councils] are not happy with that then they should look at how they use the residential sector – for example, commission shorter-term intensive placements that enable a child to move to a foster home," Cooper says, adding that councils need to be more "creative" in how they use their placement budget.

System-wide focus

Despite the criticism of profit-making by private care providers, Cooper says she is "heartened" by the report's system-wide focus and backs McAlister's intention to scrutinise commissioning, which she describes as "ineffective".

"I hope we get a sensible discussion; that all the figures are put on the table and we can see the true cost of care," she adds.

Rob Finney, chief operating officer at Tristone Healthcare, says if providers deliver good outcomes "business will come and if you don't get greedy you can make a return on investment".

Finney, who spent 12 years working in a local authority managing fostering and adoption services and as a commissioner, says the majority of private sector settings provide good quality care.

"There are poor providers in the private and statutory sectors," he says. "Some of the worst services placements are commissioned, but experts challenge its findings over private sector care providers' profits

reforming care sector market

I have worked in have been in a local authority."

In a market where provision is in short supply, Finney says the solution should be to focus on encouraging "ethical capitalism" with commissioners adopting an ethical framework of what they want from providers. "This would agree from the start what we want to achieve for that young person and what will make their life better, rather than just providing a bed."

Finney adds that while a profit margin of 17-18 per cent is not uncommon across the sector, once tax, reinvestment and other costs are deducted "it is a lot less".

"A lot of small businesses are not making a huge amount," he adds. "I think there is a happy medium where young people get served well and investors get a good return."

Scale of the problem

Whether it is within McAlister's powers to engineer the care market in this way is unclear, but the scale of the problem suggests tinkering at the edges is unlikely. One local authority commissioner says: "The feeling I'm getting is that [McAlister] is querying whether there should be a 'market' at all, and this is certainly the tone of discussion I've been hearing around the CMA work on profit-making that's been going on.

"It seems to suggest that rather than inject more money into the system – much of which, let's face it, will line the pockets of shareholders for the big care providers – we should invest in system reform and there needs to be a strong cost-benefit case for this.

"That's not a quick win and would take years. The final review would need to identify what is to be done in the meantime, because that Jenga tower won't hold up forever."

● *The Case for Change from* https://tinyurl.com/hduvr2uz

EXPERT VIEW WE NEED CALM, FACTUAL ANALYSIS OF PROS AND CONS OF PRIVATE SECTOR INVOLVEMENT

Andrew Rome, director, Revolution Consulting

The Case for Change sets out the initial thinking as to why the review is necessary and uses some key facts and figures to support its direction of travel.

Revolution Consulting research is the source of some of the figures used by the review including price increases in children's homes, and the levels of profitability and debt of the largest providers in the sector.

It is essential this information is understood at more than a superficial and summary level for it to be of most use to the review and its future recommendations. For example, the 40 per cent price increase figure is a prominent factor in what is described in related media coverage as "indefensible" profit making.

Quoted prices

First, the price increase quoted only relates to children's homes. Data from fostering agencies shows a very different picture, and indeed there are examples of legacy foster placements made 10 years ago where there has been no increase in fees over that period.

Our research measured children's homes' price increases between 2012/13 and 2018/19. This information comes from a piece of voluntary, unfunded, and long-term research we have done alongside the National Centre for Excellence in Residential Childcare. It is based on data collected from local authorities about prices they paid in 2012/13, 2015/16 and 2018/19. The 40 per cent increase is measured over that six-year period. This equates to a compound annual inflation rate of less than six per cent.

The range of prices and the way they have developed also needs further detailed analysis. This shows that the proportion of providers charging fees at the higher end of the scale has gradually risen and is consistent with the assertion of the sector that the children referred were increasingly complex, requiring smaller homes and higher levels of staffing and support.

Local authorities describe this same shift in higher complexity and need.

This change in mix has a direct mathematical impact on the average fees in our findings; even before a number of significant direct inflationary factors.

Staffing costs (derived from our State of the Sector surveys for the ICHA) amount to nearly 60 per cent of the costs of running a children's home. Inflationary factors, deriving outside of the provider's control, e.g. from government led changes impacting on employment costs, have the most material impact on providers:

- The National Living Wage (NLW) for over 25s for 2018/19 was £7.83 per hour compared to the National Minimum Wage for over 21s in 2012 of £6.19 per hour. This single factor created an upward pressure on all pay levels in children's homes in the order of 26.5 per cent over the equivalent six-year period.
- Employer National Insurance costs increased to 13.8 per cent and workplace pension obligations introduced a minimum three per cent employer contribution that many providers had not previously provided.
- Legal cases relating to the treatment of sleeping-in time as working time led many providers to increase the pay of staff from a single nightly payment to at least the hourly NLW rate, more than doubling the cost of night-time cover for many providers.

> "It is essential this information is understood at more than a superficial level"

Taken together, these factors present a very different perspective on the price increases that they have driven. They are largely beyond the control of local authorities and service providers. They coincided with a period where funding of children's services has struggled to meet both rising demand and this externally driven cost inflation.

Profit and debt

Profit drivers and debt risk, as reported in our latest update for the Local Government Association, also require understanding, as does the role of commissioning of placements and occupancy rates.

To dispassionately and forensically consider the way in which the private sector contributes to the children's social care sector we need calm factual analysis of both positives and negatives; we need appropriate levels of understanding of the evidence available followed by intelligent, informed, strategic approaches to how to interact, commission, procure, partner (or otherwise) with provider bodies. This is the debate we need to have.

● *Profit and debt in children's social care report for the LGA, June 2021* www.revolution-consulting.org/2021/06/16/profit-and-debt-latest/