



CHILDREN AND FAMILIES OVERVIEW AND SCRUTINY COMMITTEE

Tuesday, 17 March 2020

CHILDREN'S PLACEMENT MARKET

REPORT SUMMARY

The purpose of the report is to provide the Committee with an update on the work within the local authority and across the city region regarding the local placement market for children looked after. These actions are proposed to reduce costs and to ensure the quality and sustainability of placements for children.

RECOMMENDATION/S

- 1) That the Committee note the report; and
- 2) Endorse work ongoing to support improvements in children's placement market.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 To ensure the committee has opportunity to review the plans to reduce the cost and ensure the quality of children's home placements.

2.0 OTHER OPTIONS CONSIDERED

2.1 The report sets out a range of options being considered.

3.0 BACKGROUND INFORMATION

3.1 ISSUES WITH CURRENT EXTERNAL MARKET

3.1.1 Children's Placements: Market Constraints

3.1.2 There are five known critical factors currently at play limiting Local Authorities ability to significantly limit children's social care placement expenditure increases and more importantly to meet the needs of children looked after:

- Rising children looked after numbers regionally and nationally, leading to increased demand for placements
- Service price escalation, much of which far exceeds reasonable inflationary cost growth
- Value for money provision disappearing from the independent residential and fostering market across the North West as small providers are bought out by large organisations
- Targeted purchasing of independent fostering agencies (IFAs) which are then closed leading to shrinking carer numbers across the North West IFA
- Investment in the market of private equity companies which increases a focus on profits and has the potential to cause market instability if funding is withdrawn.

3.1.3 Over the past 6 months, alongside a Programme Lead, Liverpool City Region (LCR) Commissioners have made the case for change and intervention in the placement market.

3.1.4 While the local residential children's home sector remains relatively diverse with a number of smaller providers, there is a national pattern of increasing consolidation by large organisations buying out smaller providers. Locally we have large providers with national footprints of delivery, including Keys Group, Care Today, Care Tech, Hexagon and the Witherslack Group. With mergers, takeovers and market growth by acquisition, these providers make up a much higher proportion of the local market than in previous years. Some large providers have now withdrawn services from framework agreements, such as the North West framework agreement we are part of; preferring to sell "spot purchase" placements on the open market, presumably to the highest bidder.

- 3.1.5 Where demand exceeds supply, this seems to be driving extraordinary levels of profitability. Care Tech reports a 26% EBITDA (earnings before tax etc) profitability return on its children's services.
- 3.1.6 Cambian, subsequently purchased by Care Tech, reported: "Cambian returned excess capital by way of a special dividend to Cambian Shareholders of approximately £50 million (27.1 pence per share) in September 2017 and approximately £15 million (8.2 pence per share) in February 2018" This excess capital represents a cost to each of the 152 English local authorities of £430,000 each or the equivalent of about 10 social workers.
- 3.1.7 Priory has paid £171 million in interest to its owners Acadia Healthcare in the two years since the US company bought it and has made an operating profit of £62 million in 2017. The profit made by the previous owner Advent International is reported as £375 million.
- 3.1.8 Despite the very high levels of profitability of children's services, there is also anecdotal evidence of cost cutting. Members will have seen this in the national news and television coverage of Cambian, Keys, and Priory Group. This reporting identified concerns regarding standards of performance and quality of care in well-resourced, profitable places and the involvement for profit of Private Equity funded groups. The question remains as to whether a company's desire to increase profitability acts in detriment to their responsibility to invest in and deliver the very best care and support for many of the most vulnerable children and young people in the country.
- 3.1.9 Given the lack of supply, market forces that would normally see poor quality providers become inoperable, are currently not working. Currently poor performance is not limiting demand and reducing financial returns as would be expected in a traditional marketplace. Of the 11 children's homes recorded as 'suspended' with concerns by Ofsted in July 2019, five were operated by Private Equity Firms. Of the 40 homes with an Inadequate full Ofsted report, 8 were operated by Private Equity Firms, who as noted above, are reporting high levels of profitability.

4.0 REGIONAL AND LOCAL PROGRESS

4.1 Liverpool City Region (LCR)

- 4.1.1 LCR are working collectively to better manage the market and secure better provision for our children. The work in progress locally includes:

An LCR Reform Programme

- Reporting to DCS group and Lead Members. A final report was presented in October 2019 to DCS/AD group. One of the key ambitions of the programme is to increase the proportion of residential care placements made on a local and more controlled basis from 2% of all placements currently commissioned to 20% or higher. In order to achieve this, across the 6 LCR authorities, around 60 residential beds will need to be developed and ring fenced for local children. The development of an LCR Partner Provider Arrangement to be tendered, bringing future services under greater local influence.

Residential Market Reshaping Regionally LCR

- To achieve growth of 60 controlled residential care beds across LCR, there are 3 main options:
 - i) Develop New Local Authority In-House Residential Homes, re-establishing a local estate of Local Authority run homes, either singularly run or co-created between two or more Local Authorities.
 - ii) Establish Volume Based Commissioning Arrangements with the Independent Sector by capturing and ring-fencing local supply by establishing a ring-fenced volume/block arrangement, either with existing independent residential care providers or new home/provider setup locally.
 - iii) Develop a New Market of Social Enterprise Residential Homes. Coordinate the incubation and infrastructure growth of a new micro market of asset-locked community interest companies/mutuals delivering residential care on a social enterprise basis, designed and tied to a sustainable contract and price point.

4.2 Lessons from History

- 4.2.1 Previous market strategies have focused on maximising the use of the most cost-efficient model of care. A decision was taken a long time ago that, as the market costs for independent providers were cheaper than the costs of in-house children's homes, Wirral would purchase all residential placements. This strategy was adopted by a lot of local authorities. As the private sector share of the market grew, the costs began to rise. Setting up new services takes time and can be costly. Any model considered for the future in Wirral must have a more diverse spread of options and avoid the previous 'eggs in one basket' model of provision. We plan to do this by exploring a number of options.

4.3 Wirral's Children's Homes Development Plan

- 4.3.1 Wirral has established a Children's Homes Strategic Development group with a clear action plan with the following deliverables:
 - Explore the development of a Children's Home alongside current Willowtree short breaks service in alignment with the SEN and Short Breaks Strategic work being undertaken across the borough (further information regarding Willowtree is provided at).
 - A rolling plan of developing 2/3 or 4 bed children's homes, where gaps in local provision to meet children's needs have been identified.
 - Alignment to the wider LCR regional plans as each LA develops their own models of residential care.
 - Work alongside Capacity Lab to design, develop, and deliver on the above vision. Capacity build in the local not for profit sector and social enterprise/CIC market to seek opportunities to work with ethical providers committed to social value and our local children, young people, families and communities.

4.4 Financial Position and Comparison with the Neighbouring Authorities

- Looked after Children Placement expenditure presents a pressure to the Directorate. The expenditure of the area is reported to be £3.89m forecast adverse variance in Q2 2019/20.
- Although there has not been a significant increase in the number of children looked after, there are pressures on expenditure which are driven by increases in complexity of need and market rates which is supplier driven.
- The average weekly rate for the residential placements at the end of September 2019 is £3,248, an increase of 23% from the base rate used for budget setting in July 2017.
- The neighbouring authorities are experiencing the similar trend of increased rates, in addition they are managing an increase in the number of children looked after. Wirral is performing favourably compared with the other authorities. The number of children looked after in Wirral has stayed at the same level from 2017 to 2018, however, the North West has increased by 6% in the same period.
- In Wirral the number of children looked after residential placements in December 2017 was 72 and it increased to 73 in December 2018. (73 in June 2019 Q1) where there was a significant increase in North West (45% increase for the same period).

4.5 Fostering Developments

4.5.1 Wirral currently has 187 mainstream carers and 167 connected carers.

The Service has developed a robust recruitment strategy in place which currently is producing a high number of newly recruited carers. Currently, 17 assessments of mainstream carers are ongoing and an additional 10 enquires which are currently being followed up with visits planned. Connected assessments currently underway are 36.

4.5.2 Since April 2019, 22 mainstream carers and 44 connected carers have been presented to panel and approved. Since April 2019, 7 foster carers have left the service, 4 due to practice issues and three have retired.

4.5.3 The Service is now undertaking a very different approach to new recruited carers and matching is commencing much earlier in the assessment period. This is allowing relevant identification of training requirements and skilling carers up prior to matching carers and making a placement, it also allows for introductions and planned moves for children.

4.5.4 At the earliest opportunity, talking about permanence for children is undertaken with carers, including advice regarding special guardianship orders, how this can be achieved and the benefits to this kind of order. Carers are supported in their home when required to ensure stability of placements to address the issues of placement breakdown. There are family support workers who are working with carers supporting placements and children to avoid breakdowns.

4.5.5 There has been significant improvements in the training offer for foster carers who told us that training was not of a good quality. We have commissioned, for instance, trauma training.

5.6 Local Residential Developments

5.6.1 The Children's Homes Strategic Development group has scoped the viability of creating a children's home alongside the current Willowtree short breaks unit. Willowtree is a short breaks unit which has been judged as outstanding by Ofsted. Disabled children who require full time care are currently placed out of borough. The creation of a unit within Willowtree would have the possibility, where it would better meet their needs, to move them closer to home. New children requiring residential, specialist care in the future would also have the possibility of a local offer. To make this happen, a capital bid will be submitted to support the capital monies secured by our Housing colleagues through the Better Care Fund.

5.6.2 A multi-agency, multi-skilled project team is in place, underpinned by a tightly monitored project plan with a Head of Service leading the group. The tendering process for the architects is underway and the evaluation and appointment will be in place by March 2020. Plans will be drawn up and consulted upon with members and parents/carers. Planning permission will be sought, contractors tendered for and we are aiming for contractors to be on-site in August this year with a 24 week completion period. Alongside the building process, recruitment, selection and appointment of the staff team and variation to Ofsted registration. Work is currently underway to determine the first cohort of young people for the new provision. Health and Education partners are an integral part of the project team.

6.0 CONCLUSION

6.1 The report has outlined recent progress and activity regarding regional and local residential accommodation developments and an update on the improvements and change in fostering.

7.0 FINANCIAL IMPLICATIONS

7.1 Current costs are rising and if nothing is done it is anticipated that this will continue to be the case. Providers are currently proposing further increases. The only way to manage and reduce the costs would be to either reduce the number of children looked after or reduce the unit cost. Whilst work is underway to reduce the number of children looked after, this is based on need and cannot be fully controlled. Increasing the number of children in foster care and local alternative types (inhouse and independent) of better controlled residential care, will reduce costs. Whilst we expect costs to reduce, we cannot at this stage quantify an decrease. This reduction in cost will be achieved with no detrimental loss of quality and in some cases an improvement.

8.0 LEGAL IMPLICATIONS

8.1 There are a range of proposals that will require consideration of different pieces of legislation. Increasing our own in-house fostering provision or opening our own children's home is already covered within our current statutory abilities. Other

options, as developed by the LCR, will all be subject to full legal scrutiny prior to any action being taken.

9.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 9.1 No major impact locally and a small reduction in travel by road for social workers and visiting families.

10.0 RELEVANT RISKS

- 10.1 A risk is the creation of the unit and it not being able to run at full capacity. To mitigate this, the cost projections have been made on less than 100%. We are also aware that, as this would be a more specialist provision than most, other local authorities would be interested in purchasing any spare bed capacity.

11.0 ENGAGEMENT/CONSULTATION

- 11.1 Consultation with children and young people supports the actions we are taking. Consultation will happen with the parents and neighbours of Willowtree around any disruption from the building work.

12.0 EQUALITY IMPLICATIONS

- 12.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. Having a local specialist provision will reduce the current negative impact on children and families of placements outside of Wirral.

13.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 13.1 Having our looked after children place in or close to Wirral will reduce traveling for families and staff. This will have a small but positive impact on the emission of green house gasses. Having more children cared for by Wirral's own provision allows for greater control of spending which can be more focused on using sustainable resources. We are also enable to ensure that are children grow up with a better understanding of environmental issues and steps they can take at home to reduce CO2 emissions.

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APPENDICES

None

BACKGROUND PAPERS

Report by the Liverpool City Region into the local residential market.
Children's Sustainability Strategy.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date