

Market Review:

Private Residential Children's Care

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By: James Moran

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Foreword

What is it like to work in children's residential care today? How do the recent political and economic changes affect providers? And how should providers plan for the coming years? For many, uncertainty is the only certainty. In a sector where changes to legislation, regulation and outcomes are a regular occurrence; are providers fully prepared for the future?

As a leading senior social care recruitment agency, dealing with senior executive roles throughout the UK, we understand a lot of the difficulties care providers face.

However, with 2016 being one of the more eventful years for politics, this has had an influence on the social care sector.

Over 18 months ago, then Prime Minister David Cameron and then Secretary of State for Education Nicky Morgan asked ex Barnardo's Chief Executive Sir Martin Narey to compile a comprehensive review into children's residential care.

In July 2016 Sir Martin Narey released his independent review. The Review was received well, with mostly positive responses. This garnered some hopeful optimism that there would be a solid follow through from the government on a number of his 34 recommendations.

Between the release of The Narey Report and Christmas 2016 the UK; voted to leave the EU, experienced a complete cabinet reshuffle - including a new Prime Minister - and we watched on as Donald Trump was voted the next President of the United States.

After having spoken with hundreds of clients and candidates throughout 2016-17, I have gained a small insight into their fears around what affect these changes might have on the social care sector in 2017.

With this uncertainty, Hampton's have compiled a report to gather the thoughts of directors, chief executives and company owners, from across the UK to find out what difficulties they currently face, what 2017 holds and where they feel change will come from in the coming years.

Our hope is that some of the insight gathered in this review might give providers a look into how their peers are dealing with similar issues and hopefully lead to stronger planning as we move into the new financial year.



James Moran
Executive Consultant
Hampton's Resourcing

Introduction

At Hampton's, we live and breathe the sector we recruit in, just as much as those who work in the businesses themselves. Much of what we do is working alongside clients and candidates to find suitable matches for both parties.

To do this effectively, recruiters need to be up to date with the sector. Not just the legislation and general changes, but the businesses and the market as a whole.

To achieve a better understanding of the sector we must first undertake the research necessary to garner as much data as possible.

Once the data has been collated and arranged into a coherent sheet, what we are left with is a data-set that we can manipulate into relevant charts to show how the sector breaks down, given differing parameters.

By producing documents like this Market Review, we can offer a subjective view on the sector.

There are two core sections to this Market Review.

Section One includes a basic statistical analysis of the number of registered homes, number and size of the providers and the geographical footprint of the residential care sector in England.

Section Two includes a Q&A that we held with various providers from all over the UK. By speaking to large and small providers, owners to business development directors, we attempted to get a broad view of the issues they face.

As no two organisations are the same, especially in a sector with so much diversity and varied acuity, no two businesses will encounter identical issues. Our research led us to speak with hundreds of providers during the last 12 months and we have noticed common trends that have an effect on every business, regardless of size.

We hope that this Market Review will allow companies to notice common trends, locate opportunities and open a discussion about how the sector could be improved.

Section 1 - Children’s Residential Sector Breakdown – Statistics and Charts

All statistical information used in the below analysis is accurate from December 2016.

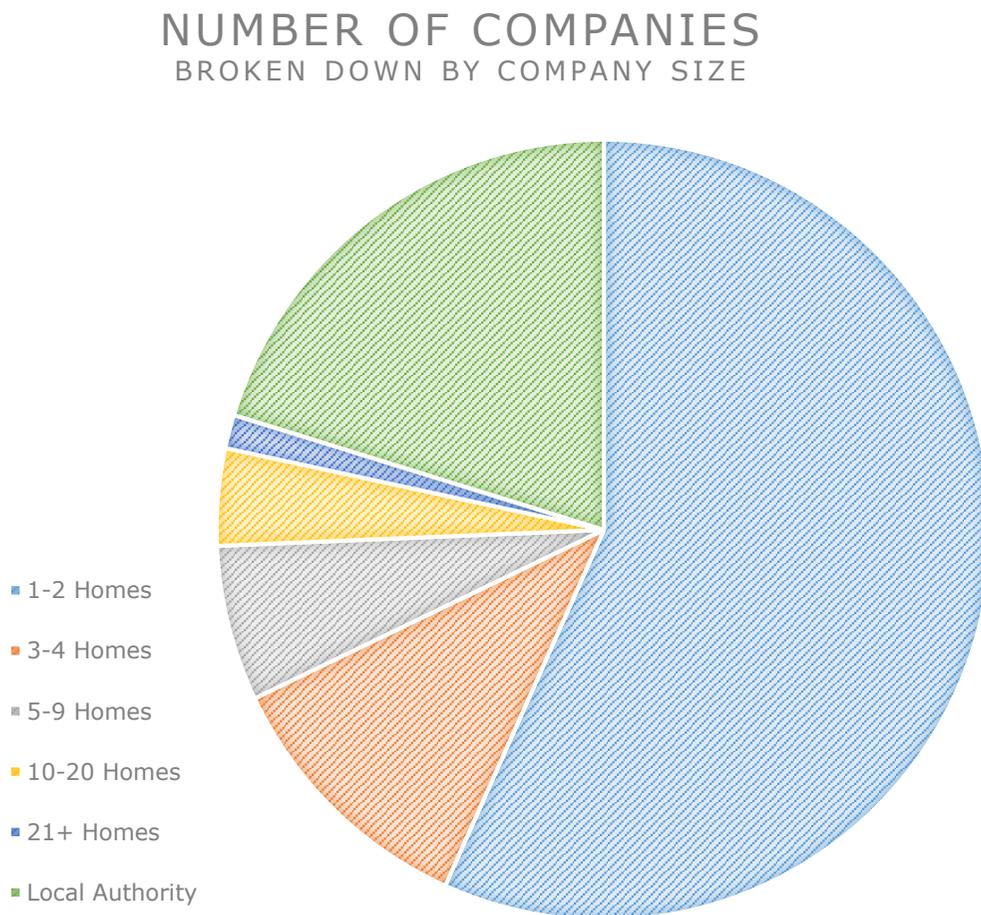


Figure 1.

Company Size	# of Companies	% split
1-2 Homes	325	56.7%
3-4 Homes	64	11.2%
5-9 Homes	37	6.5%
10-20 Homes	23	4.0%
21+ Homes	8	1.4%
Local Authority	116	20.2%
Total	573	100%

This Chart shows the Number of Companies and Local Authorities in England who currently operate OFSTED Registered Children’s Homes.

These Companies are grouped by number of Homes they own.

These groups are collated by the owner of the business and not the independent trading name.

i.e. Provider A owns 2 separately registered businesses with 4 homes per business. This provider is grouped in the 5-9 Homes category and not counted twice in the 3-4 Homes category.

NUMBER OF HOMES BROKEN DOWN BY COMPANY SIZE

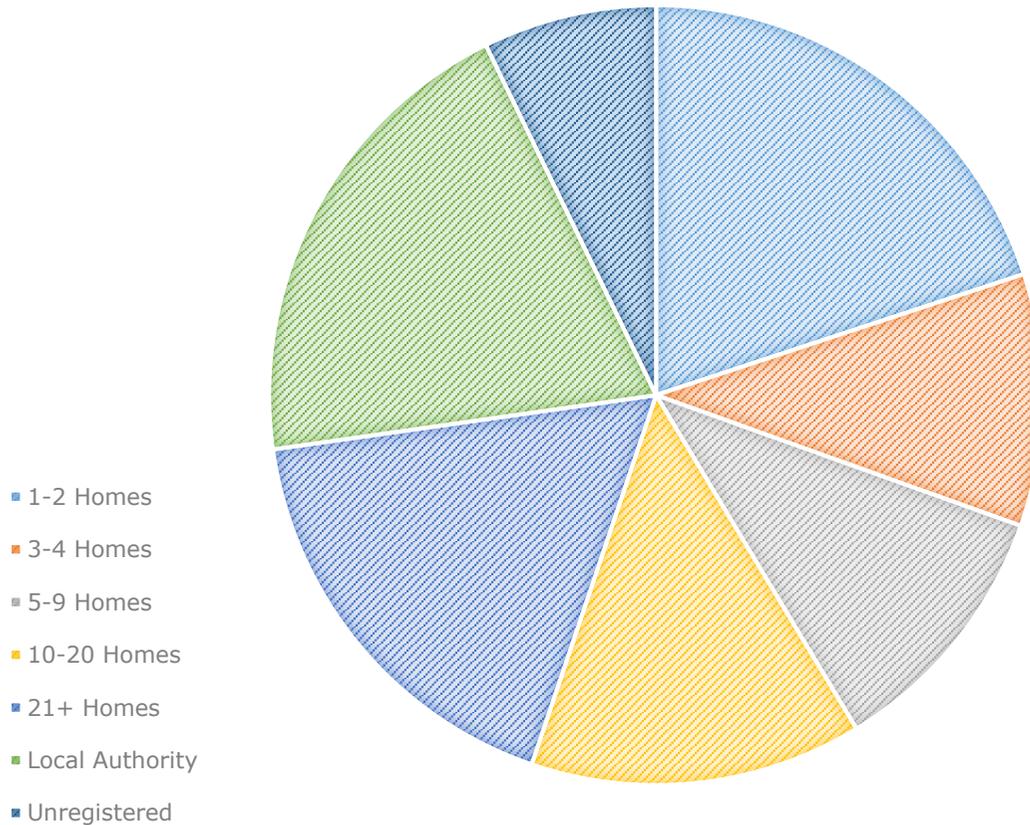


Figure 2.

Company Size	Total # of Homes	% Split
1-2 Homes	416	20.0%
3-4 Homes	218	10.5%
5-9 Homes	227	10.9%
10-20 Homes	281	13.9%
21+ Homes	366	17.6%
Local Authority	416	20.0%
Unregistered	151	7.2%
Total	2075	100.0%

This Chart shows the Number of Homes Registered with OFSTED in England.

These Homes are grouped by number of Homes in the business category from the previous chart.

The 151 unregistered homes account for all homes in England that have been acknowledged by OFSTED but not yet opened. For this reason, these homes cannot be categorised at this time.

NUMBER OF HOMES

BROKEN DOWN BY REGION

- North West
- North East
- Yorkshire & Humber
- West Midlands
- East Midlands
- East of England
- London
- South West
- South East

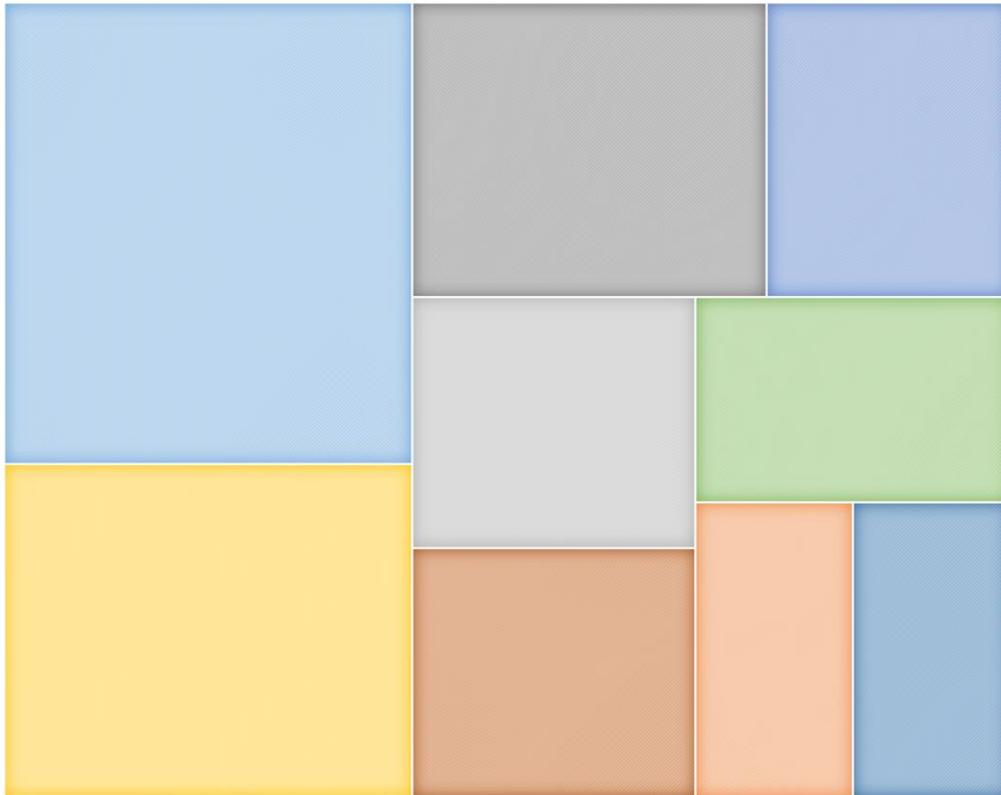


Figure 3.

Region	Total # of homes	% of homes
North West	457 (30)	22.1%
North East	123 (8)	6.1%
Yorkshire & Humber	188 (13)	9%
West Midlands	360 (18)	17.4%
East Midlands	190 (21)	9.3%
East of England	171 (14)	8.2%
London	123 (14)	6.1%
South West	187 (17)	8.4%
South East	276 (16)	13.4%
Total	2075	100.0%

This Chart shows the Number of Homes Registered with OFSTED in England.

These Homes are broken down into the 9 regions of England.

The 151 unregistered homes are merged into the "Total # of homes" figure. They are also highlighted in brackets for reference.

HOMES PER 100 SQUARE MILES

- North West
- London
- West Midlands
- South East
- North East
- Yorkshire & Humber
- East Midlands
- East of England
- South West

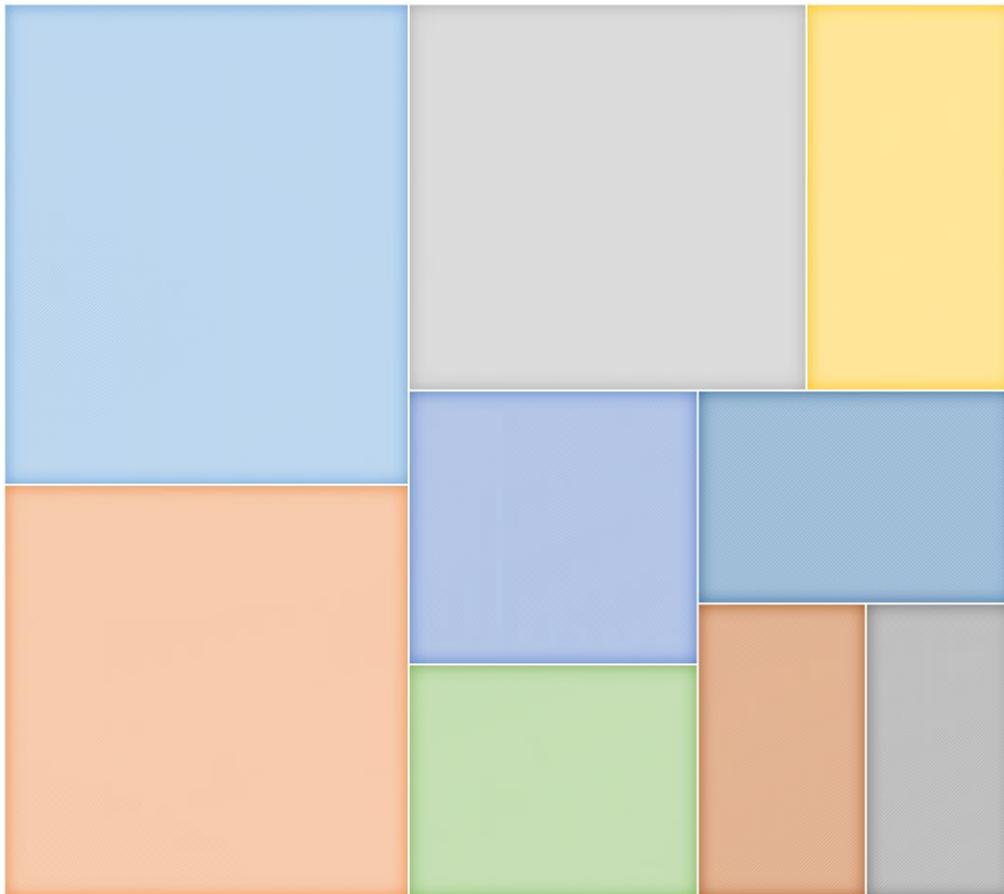


Figure 4.

Region	Area (sqm)	Number of homes	Homes per 100sqm
North West	5,469	457	8.4
London	1,572	123	7.8
West Midlands	5,000	360	7.2
South East	7,373	276	3.7
North East	3,317	123	3.7
Yorkshire & Humber	5,950	188	3.2
East Midlands	6,034	190	3.1
East of England	7,380	171	2.3
South West	9,200	187	2.0

This Chart shows the Number of Homes Registered with OFSTED in England, per 100 square miles, broken down by region.

*All data taken from:
https://en.wikipedia.org/wiki/Regions_of_England*

HOMES PER 100,000 PEOPLE

- North West
- London
- West Midlands
- South East
- North East
- Yorkshire & Humber
- East Midlands
- East of England
- South West

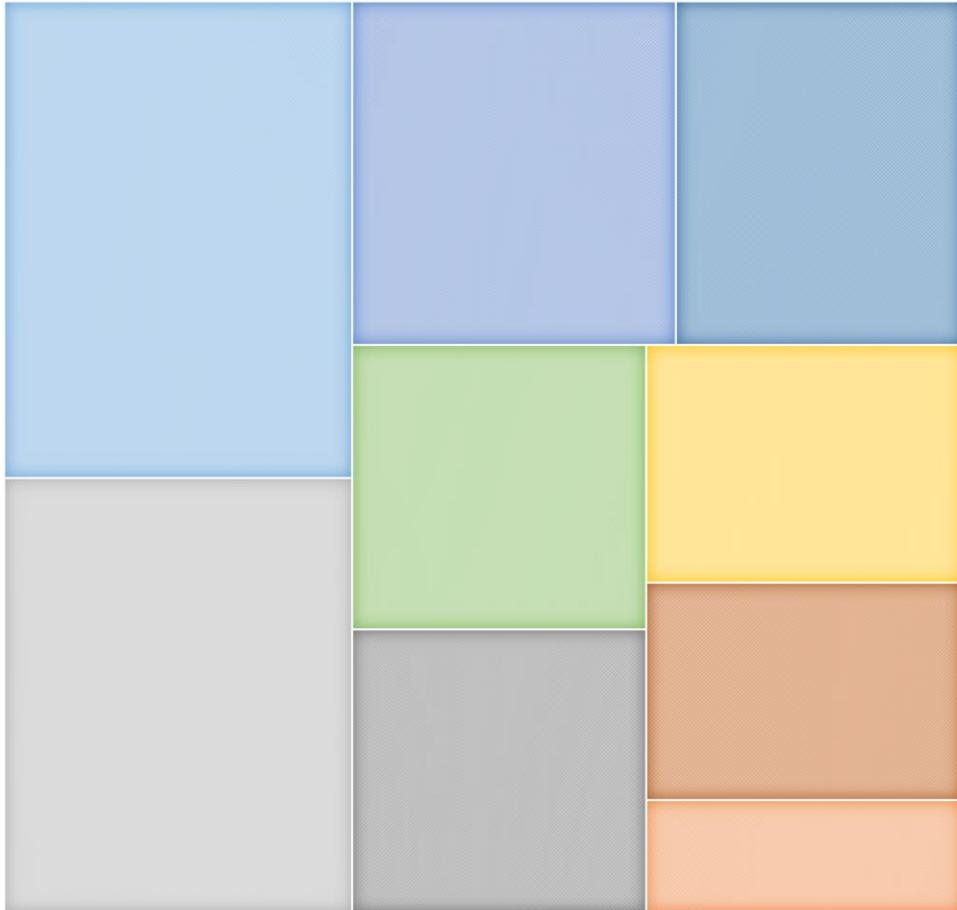


Figure 5.

Region	Population	Number of homes	Homes per 100,000 People
North West	7,052,177	457	6.48
West Midlands	5,601,847	360	6.43
North East	2,597,000	123	4.74
East Midlands	4,533,222	190	4.19
Yorkshire & Humber	5,283,733	188	3.56
South West	5,288,935	187	3.54
South East	8,634,750	276	3.20
East of England	5,846,965	171	2.92
London	8,173,941	123	1.50

This Chart shows the Number of Homes Registered with OFSTED in England per 100,000 people, broken down by region.

All data taken from:
https://en.wikipedia.org/wiki/Regions_of_England

Section 2 - Interviews and Quotes from Providers

In Residential Care, as with almost every business in the world, statistics can only tell us so much.

To ensure a more rounded view and insight into the market, we interviewed a broad range number of clients to get a wider perspective on the Children's Residential sector.

We asked questions around:

- Brexit
- OFSTED
- Sir Martin Narey's Report
- The present state of Children's Residential Care
- The future of the sector

Instead of multiple pages of interviews, we have condensed some of the main quotes into bitesize chunks.

You may agree or disagree, or have an entirely different view, please let us know. We would be happy to complete follow up document in the autumn based solely around this Q&A.

What is it like running a Residential Children's Home business in 2017?

"It's like working in a "Perfect Storm"

Local Authorities and Private Providers are dealing with:

- Increasingly higher acuity young people
- The highest demand for our services we have ever seen
- There are more breakdowns in placements, only adding to the demand for beds.
- Increased costs to providers of running our services
- Local Authority budget cuts placing even greater pressure on making the right placement."

Neal Walker

Business Development Director at Cambian

"Challenging. The core issues are:

- Local Authority Austerity Measures have a big impact.
- Increased acuity of children has given severe matching issues.
- Changes to employment legislation have caused big adjustments vs previous years
- Local Authority Funding Changes and Fixed Contract Fees make it more challenging to take referrals."

Chris Aristidou

Director / Owner at Archways Care

"Challenging and competitive. There is a big push to demonstrate value added services onto the basic offerings and this is causing a more competitive environment in the Residential sector."

Andrew O'Reilly

Group Operations Director at Family Care Associates

"It's no different than any other year. There are relatively high number of referrals being made, although, the children and young people being referred are far more complex. LA budgets continue to decline and value for money continues to be a sector theme. Commissioning of placements has become 'cloud based' and system driven.

Over recent years, there has been more consolidation of larger providers, whilst bed numbers have remained relatively the same. Ofsted regulation and its implementation is evidently much more robust and rigorous."

Nusrat Janjua

Independent Consultant

What issues do you face from the local authorities and OFSTED?

"One of the biggest issues as a private provider stand point is how under resourced OFSTED are in approving new services. Trying to get new services approved and the homes open is intended to be a short process, however the current waiting times can be up to 9 months and at significant cost to the provider. We operate within a regulatory framework set by Ofsted, the standards they set for the care sector are continually being raised which is a good thing, however requires continued investment to ensure compliance and 'best in class' results."

Neal Walker
Business Development Director at Cambian

"One of the biggest issues from Local Authorities are the cumbersome frameworks that request a huge investment of time and company information only to be ignored. This is evidenced by the number of off-framework placements that are being made.

Another issue was highlighted in Sir Martin Narey's Report and is one that we at Family Care take a real interest in, the number of foster placement breakdowns that happen prior to a young person being placed into a residential home. Commissioners have a reluctance to place a child in a residential home over an inconsistent foster placement."

Andrew O'Reilly
Group Operations Director at Family Care Associates

"Generally, once the placement is made; there are very few issues directly coming from LA's. However, there are a few on-going issues; including getting case files or the information around the young person prior to placement, sometimes there is a lack of planning around placement admissions/exits, and on accessions funding and payment issues.

Ofsted – this really does depend on your relationship with Ofsted and your ability as an organisation to meet and exceed standards. Poor quality operations, lack of investment in training and development and little focus on meeting measurable need; often leads to a poor Ofsted showing and hence poor results in inspections."

Nusrat Janjua
Independent Consultant

What are the core issues facing providers, post-Brexit?

"The impact will be minimum; however, we know Brexit will no doubt have an impact on the economy, which in turn will have an impact on the local authority budgets. So, no doubt there will be a greater push for value for money and a move away from expensive residential provision."

Nusrat Janjua
Independent Consultant

"Brexit has had no effect yet. The only issue we foresee is inflation and possibly a change to employment law that could have an advantageous or adverse effect."

Chris Aristidou
Director / Owner at Archways Care

"Brexit hasn't yet had any real impact on Cambian at a care level. The only real impact we foresee in the future is inflation causing an increase in the cost of living and cost of delivering services, this will increase our costs of delivering high quality care, education and therapy. Many of the staff who work in our services come from overseas, the impact of Brexit and the impact of this workforce is unclear, if this is significant it will have an impact the sector."

Neal Walker
Business Development Director at Cambian

"Nothing has changed yet, or at least it doesn't feel like it has. The next 2 years will be interesting but overall, we don't expect anything to change."

Matthew Fisher
Operations Director at Beacon Childcare

"We haven't had, and don't foresee any issues around Brexit."

Andrew O'Reilly
Group Operations Director at Family Care Associates

What is your reaction to Sir Martin Narey's Report and the subsequent response from the Government?

"I felt the report didn't go far enough into the sector, and his response didn't go into enough detail. Everything lacked a 'How'.

The push on contracting from Local Authorities was good but there was a lack of focus on Transitional Care"

Neal Walker
Business Development Director at Cambian

"I felt it was positive. The residential homes and staff were acknowledged for the challenges they face from young people and OFSTED"

Matthew Fisher
Operations Director at Beacon Childcare

"I felt the report was one of the most balanced reports on residential care that I have read in a long time. It highlighted the concerns many social care providers have around the perception that residential care is an expensive second or third option. When in fact if used correctly, residential care can have a significant impact on the life of a young person, in the long term is a more cost-effective option, and is far less harmful for the young person than multiple foster care placement breakdowns. It was also pleasing the report noted that apart from a few notable VC backed exceptions, a great number of providers, do not make huge profits, but do operate services which provide therapeutic, life changing care. The issue of young people leaving care is also a source of frustration to all providers, who have seen the significant financial and emotional investment made into young people often being wasted when they leave their care, the staying close initiative is a positive step in the right direction.

Finally, I do not share Sir Martins opinion that larger homes are not necessarily a bad thing, and whilst I recognise there are a few notable exceptions, I have in my 30 plus years in social care rarely seen a large SEBD home work well, and do feel three or four bedded homes provide a better environment in which young people are able to be supported to heal their pasts and build their future."

Andrew O'Reilly
Group Operations Director at Family Care Associates

What is your view for the Residential Children's Sector in the coming years?

"It could be really tough for small providers. If the Local Authorities continue to push fixed fees without any significant rise in base fee rates, then there could be a number of small providers that could be challenged to maintain their quality and business performance. This scenario could offer the opportunity for larger providers to purchase smaller providers of care in a quest for organic growth.

A solution in managing fees is to this might be for providers to move away from frameworks and to look into securing placements on a spot purchase basis."

Neal Walker
Business Development Director at Cambian

"The next few years will be challenging. I feel that homes will come under greater scrutiny, especially small providers who struggle to supply further services like clinical staff and education on site.

On a positive note, from a business perspective, we are expecting to see the amount of beds referred grow."

Matthew Fisher
Operations Director at Beacon Childcare

"I think that the following will happen.

- Young people will become more challenging
- The homes will become smaller – OFSTED will challenge 5+ bedded homes, this will cause companies to not bother opening them, instead solo homes will become more common.
- The work we do will become more specialist and require more acutely trained staff.
- The focus in homes will be more therapeutic focused and will move to more 2:1 staff ratios. with the higher acuity of children and young people."

Chris Aristidou
Director / Owner at Archways Care

"Brexit will have an impact on local authority budgets which could put pressure on commissioning teams to seek alternatives to residential or cheaper residential providers to be considered as the first option. However, LAC numbers remain high and to this end demand for placements will remain relatively stable. There will continue to be referrals of more complex children. From a provider prospective, I believe we will see more consolidation, with smaller and medium providers selling.

Nusrat Janjua
Independent Consultant

Section 3 - Summary

In this short summary, we will look at how the figures and statistics in Section 1 paint a picture of the Residential Children's Sector in England, as well as looking at the statements made in Section 2.

Figure 1 shows the number of companies and local authorities in England who currently operate OFSTED Registered Children's Homes. The most notable points from this chart are:

- Nearly **57%** of all children's home providers operate just one or two homes.
- If you remove the 116 Local Authorities from this statistic, you find that **71%** of all private and third sector providers operate just one or two homes.
- Only **8** providers operate more than **21** homes.

Figure 2 shows the number of homes registered with OFSTED in England. The most notable points from this chart are:

- Local Authorities operate **20%** of homes.
- With each authority still maintaining control of **4** homes on average.
- **366** homes (**17.6%** of all registered homes) are operated by just **8** providers.
- In comparison, **416** homes are operated by **325** small providers.

This chart offered the biggest reaction from clients we spoke to. Most were surprised at the number of homes Local Authorities still own. With the redistribution of children's services, a lot of providers were expecting a much lower number of LA ran homes.

Figure 3 shows the Number of Homes Registered with OFSTED in England, broken down by region. The most notable points from this chart are:

- The North West and the West Midlands account for **39.5%** of all homes in England.
- The North East and London have the lowest number of total homes.
- The North West has the most homes currently unregistered, with **30**.

Figure 4 shows the Number of Homes Registered with OFSTED in England, per 100 square miles, broken down by region. The most notable points from this chart are:

- The North West tops the charts again, this time with the most homes per 100 square miles, with **8.4**.
- Despite London having the lowest number of homes, it has the second highest density of homes per 100sqm with **7.8**.
- The South West has the lowest density of homes with just **2** homes per 100 square miles.

Figure 5 shows the Number of Homes Registered with OFSTED in England per 100,000 people, broken down by region. The most notable points from this chart are:

- When we look at number of homes by population density we can see that London has the lowest, with only **1.5** homes per 100,000 people.
- We can also see the North West and West Midlands with the highest number of homes, at **6.48** and **6.43** per 100,000 people.

The statistics we have provided only offer one side of the children's residential story. The other side comes directly from the providers. With the large volume of providers in England, we took a select number of clients of varying sizes; thus, offering a wider opinion of the sector.

Throughout these meetings, we discovered some unique views, as well as some concurring themes.

The most common and recurring comment we received was about how challenging the sector is. All the clients we spoke to mentioned the increased acuity in children and the increased volume of referrals.

One of the most contentious topics addressed centred around the current contracts and funding cuts from local authorities. With an increased need for beds, lower overall fees and a higher acuity of young people, a lot of providers expressed concerns around how they would be able to provide extra services to keep up with the increased needs of the children they care for.

In an attempt by the government to develop a plan for the future, the Prime Minister commissioned Sir Martin Narey to compile a review of the Children's Residential Sector.

We asked our clients about their thoughts on the review and received similar answers across the board. Overall thoughts were that it gave a balanced and positive picture of the sector but didn't go deep enough into the core issues or the solutions to the issues identified.

One of the issues mentioned in our conversation with clients, as well as being mentioned in Sir Martin Narey's report, was how inconsistent OFSTED had been in recent years.

OFSTED recently addressed this issue with the implementation of the Common Inspection Framework that came into effect in April 2017.

Combining all of the feedback we have received from providers, candidates and sector experts, we would like to pose the question:

With the higher acuity of young people with increased needs, coupled with austerity measures, Brexit uncertainty and the costs attached to offering more complex care services;

“how will your business plan for the future?”

Section 4 – Acknowledgements

Acknowledgements

We would like to thank everyone who gave up their time to talk to us and those who answered our questions:

Neal Walker	Business Development Director	Cambian
Chris Aristidou	Owner / Director	Archways Care
Matthew Fisher	Operations Director	Beacon Childcare
Andrew O'Reilly	Group Operations Director	Family Care Associates
Nusrat Janjua	Marketing / Commercial Director	Consultant.



Midway House
23a Coten End
Warwick
CV34 4NT
01926 353 999
info@hamptonsresourcing.com

www.hamptonsresourcing.com