Financial stability, cost charge and value for money in the children's residential care market

Appendices

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Appendix 1 - Specific aims of the project:

Understanding financial profitability, stability, and the role of private equity

- Analysis of the current financial health and stability of the market, including a detailed analysis of the viability of the largest providers, a summary of the publicly available indicators of financial health, their meaning and analysis of the factors that impact on the financial health of the sector. Discussions of what affects these factors and how these can be shaped by public policy.
- Strengths and weaknesses in the current market and suggestions/ recommendations for how to manage financial health within boundaries of current legislation or statutory guidance.
- Research on the role and business models of private equity investment in this market and its relationship to financial stability and provision quality.
- Recommendations derived from a review of financial regulation and oversight regimes in other markets (e.g. adult social care).

Understanding the cost of residential care

- Research to understand the drivers of the cost of provision and the reasons why cost varies across the independent sector homes in the market.
- Collecting detailed and consistent cost and fee information at the level of the home setting alongside the setting-level covariates that explain these variables.
- Setting the appropriate size and sample composition in order to explain the variation.
- Providing options to ensure engagement from the independent sector in sharing the cost information.
- Examining the data collected via regression and other statistical techniques.
- Presenting and interpreting these results in a simple way in order to explain cost changes that could materialise with policy initiatives and other changes in the sector.
- Exploration of whether a national benchmarking model of costs for children’s residential care is feasible, including proposals for how this could be implemented, who should own such a model and how it could be updated in the future taking account of any models like this that may already exist at a regional level.

A clear understanding of the types of commissioning and financing models used in the sector and their impact on the market and outcomes for children

- A review of the theory and evidence on the impact of commissioning method on market outcomes (both financial health of providers and wider social outcomes such as service quality).
- An assessment of whether there is an optimal level for commissioning placements based on the numbers of that type of placement being made. For example whether LAs who only place a very small number of very high need individuals in a year, could that be better done at a higher sub regional, regional or national level.
- Analysis of why some local authorities have no residential care provision at all within their authorities and why do others send their children to placements in other local authority areas.
- A review of what other models for contract arrangements could exist, e.g. PbR models, 'place plus' model used in SEN for special schools or specialist units.
- Suggestions on how LAs should determine VfM both in the short and long term.

Appendix 2 - Data methodology

There were a number of issues relating to data that this project suffered from. Some of these were simply down to the timing of the work over the Christmas period and within a short timescale.

Data not available

We noted that finance data on smaller companies is often not as detailed as publically quoted companies.

Data collected but not collated

A number of data items that were desired were not available due to a combination of resource shortages at Ofsted and the non-routine nature of some of the information requested. Therefore, in order to meet the project deadlines, in some instances we used March 2014 data provided by DfE as in the production of the Children's Homes Data Pack. Some of the specific areas where information was sought were:

- Need types at a home level
- Type of education available to children placed in children's homes
- Up to date inspection results
- Up to date views of rates of openings and closing and re-registrations

Data not of good quality

The financial analysis available from Section 251 has recently been described by CIPFA as "not fit for purpose either of making valid assessments of total spending on specific areas or of making useful comparisons between local authorities"[1].

There are of course discrepancies in data reporting as Ofsted and DfE admit. For example from the Ofsted report they stated "The data presented in this publication is, at times, different to that provided by the DfE in their national statistics for children looked after, including adoption". There are a wide range of reasons why this might be so, mainly to do with data capture and definitional differences.

[1] 31 October 2014 "Research on Children's Services Spending and Budgeting – Section 251 Returns. John Freeman CBE, Sukhjit Gill.

Originally it had been planned to conduct a survey concerning the financial arrangements, particularly of smaller providers. However, as reported on page 41 of the report, having trialled this approach with a sample of providers it was clear this was not going to deliver the information required. Therefore, we interviewed some 50[2] providers by telephone interviews instead. However, it would not be true to call this a truly representative sample as some of these organisations were providers that also attended the focus group discussions.

Comment

Within the conclusions and recommendations we have made suggestions with regard to the collection of data on a routine basis concerning the care market. If such a set of data was pulled together we think this may well help to make the market more transparent.

[2] Out of 382 private and voluntary providers (excluding the top 20).

Appendix 3 - List of participating organisations

3 Dimensions Care Ltd
AGR Care Services
Alliance Care & Education Ltd
Amberley Care Ltd
Appletree Treatment Centre
Arc HD Services
Association of Directors of Children's Services Ltd (ADCS)
Association of Directors of Adult Social Services (ADASS)
Aurora Care Ltd
Baird Capital
Barclays Bank PLC
Barnet (London Borough of)
Barnsley Metropolitan Borough Council
Bettercare Keys Ltd
Birmingham City Council
Bradford Metropolitan District Council
Break
BrynMelyn Care
Caldecott Foundation
Cambian Group
Camden (London Borough of)
Care Today
Castlecare Group Ltd
Chailey Heritage Foundation
Cherish Children's Care Ltd
Cherry Cottage Ltd
Childhood First
Childrens Respite Care Ltd
Croydon Council (London Borough of)
Crusoe Care
Darlington Borough Council
Deloitte
Devon County Council
Doncaster Metropolitan Borough Council
Durham County Council
Eagle Children’s Home Ltd
East Midlands Care Matters
Embrace Group Ltd
Esland
Exceptional Care Ltd
Fairport Care Services Ltd
First 4 Care Ltd
Five Rivers
G4S Children's Services
GI Partners
Halliwell Homes Ltd
Harmony Children’s Services
Hexagon Care Services Ltd
Hollybank Trust
Hopscotch Care Ltd
Horizon Care
Independent Children's Homes Association (ICHA)
Island Choices
J & R Care Ltd
John Townsend Trust
Kedleston Schools
Kent County Council
Key Change Services
Keys Group
Manchester City Council
MCR Holdings
Meadows Care Ltd
NBGI Private Equity
New Start Ltd
North East Specialist Therapeutic Services
Northern care
Nugent Care
Office of the Children's Commissioner
Ofsted
One to One Crisis Intervention Ltd
Orchard Vales Trust Ltd
Outcomes First Group
Oxfordshire County Council
Paramount Group
Pathfinders Childcare Ltd
Pear Tree Projects
Pebbles Care
Phoenix Learning and Care Group
Pivot Care & Educational Consultancy Ltd

Priory Group
Reflexion Care Group Ltd
RNIB Pears Centre for Specialist Learning
ROC North West Ltd
Rochdale Borough Council
Scope
SENAD Group
Serenity Homes Ltd
Shropshire Council
Smartcare Ltd
Social Care Services Group
Southwark (London Borough of)
Sovereign Capital
Specialist Education Services Ltd
St Christopher's School (Bristol)
Step-A-Side
Sunfield
The Priory Group
Thoughts of Others Ltd
Together Trust Centre
Tri-borough: Westminster, Kensington & Chelsea and Hammersmith & Fulham
Unity Stoke
Victoria Education Centre
Woodside House Care Ltd

Regional commissioning groups

South West Peninsula
Northern Region of the South West
Children's Cross Regional Arrangements Group (CCRAG)
Mid Southern
North West
West Midlands
West Sussex, Brighton and Hove
Yorkshire and Humber (White Rose)
London Care Placements

London Sub groups interviewed

- South West London
- Commissioning Group
- South East London

Appendix 4 - The 21 indicators from financial statements

The full set of potential financial health indicators derived from the financial statements information is described below. We have not attempted to weight these factors, although this is something that could be tested in future, for example if a model were developed for use in a more regular monitoring effort in the sector.

1. Directors' report.

This is the report at the start of a set of accounts where the Directors can put the figures that follow into context. To an extent it tells the story that is represented by the figures.

Directors' reports tend to follow common formats, and any financial content has to be consistent with the accounts that follow. If the accounts qualify for audit then auditors also have to check the Directors' report for consistency with the rest of the accounts.

Directors' reports are often used to discuss if there is a question as to the "going concern" basis of producing accounts. If the organisation concerned is financially fragile the Directors will be expected to explain why the accounts are prepared on the basis that there is a reasonable expectation that the organisation will be able to keep trading beyond the period covered by the accounts. The overall result is that the Directors' report can offer the first signals of financial fragility.

In our analysis we have taken a first potential indicator of weakness as being the overt disclosure of fragility in the Directors' report.

2. Qualified Audit report

If auditors do not feel that their standard "true and fair view" statement is materially compromised they will qualify their report. For example, if an organisation's Directors do not sufficiently deal with going concern issues in their Directors' report then auditors may issue a qualified audit report.

3. Going Concern note.

As discussed above, Directors may deal with going concern issues in their report. Going concern discussion is however also often dealt with in the accounting policies section of the accounts, sometimes in addition to the Directors' report treatment.

4. Additional shareholder support.

This may be discussed in the accounts, again, possibly in the Directors' report. It applies in accounts of organisations that are so financially stressed that it is clear that for them to continue to trade they may require continuing or additional financial support from outside of the existing investment in the organisation, and usually this means commitments made by existing owners/funders to provide additional funds or support. Where this is present in the accounts it offers a further potential weakness indicator.

5. Turnover

Turnover often used as a key measure of size and scale. In a pure children's home organisation turnover is likely to be wholly made up of fees charged to local authorities for services provided. Unlike adult care services there is little or no personal/private funding by individuals using children's homes services.

Given the relatively fixed cost base of children's homes, they are particularly sensitive to downward movements in turnover. Hence we have used as an indicator the negative movement of turnover in the latest accounts compared to the previous period (normalised for any shortened or extended accounting periods).

6 & 7. Profit/Surplus or Loss/Deficit after tax, and trend.

This is the measure of the period's total performance including all factors including tax and financing impact. Although several higher levels of profit or loss measures are often used to give indicators of financial performance, this remains an important one as it represents the level to which reserves in the company were added to, or detracted from as a result of the most recent period of trading.

We have used the creation of a loss or deficit after tax for the most recently reported period as a potential negative financial stability indicator. In addition, a second potential indicator is gained by looking at the trend in profit or loss. Worsening losses, reduced profits, or a profit becoming a loss position are all potential negative indicators for an organisation.

8 & 9. Profit/Surplus or Loss/Deficit before tax and trend

This is the measure of the period's total performance including all factors except any corporate or organisational level tax. It can be useful in comparing organisations that operate in different tax regimes (e.g. in Children's Homes we see both Corporation Tax payers and Registered Charities that are exempt from any form of profits or surplus based taxes). We have used the creation of a loss or deficit before tax for the most recently reported period as a potential negative financial stability indicator.

A further potential indicator is gained by looking at the trend in profit or loss. Worsening losses, reduced profits, or a profit becoming a loss position are all negative indicators for an organisation.

10 & 11. Operating Profit or Loss and trend

The operating profit or loss measure removes the impact that financing structures have on a business, for example it removes the charges made for interest on debt. It therefore begins to home in, as its name suggests, on the operating result only for the period. A loss reported at the operating level is taken as a potential negative indicator. Also a worsening trend in operating profit is taken as a potential negative indicator

12 & 13. EBITDA and trend

Operating profits/losses can be further adjusted to eliminate the impact of sometimes significant accounting adjustments that relate to the way in which both tangible and intangible assets are written off over a period against profits of trading. In particular, and certainly evident in the Children's Home sector, depreciation and amortisation are removed to calculate EBITDA (Earnings before interest, tax, depreciation and amortization). We have taken a negative EBITDA as a potential negative indicator, and also derived a potential negative indicator from a negative trend in EBITDA.

14 & 15. EBITDAR trend information

EBITDAR is the final level of performance used to derive indicators for this analysis.

It removes from the costs the rental costs paid by the organisation. The rationale for doing so is that comparison between some organisations is made unequal depending on how they hold, for example, property assets. If property is owned then its related costs may have been eliminated at the EBITDA level (e.g. depreciation and interest on financing are removed by that point), whereas for a business that rents its properties the rental still impacts EBITDA. Hence EBITDAR is also of use (Earnings before Interest, tax, depreciation and amortization and rent). We have taken a negative EBITDAR as a potential negative indicator, and also derived a potential negative indicator from a negative trend in EBITDAR

16. EBITDAR > 20%

Other commentators on the care markets suggest that those parts of the care sector that operate from a property base need a sustained 20% - 30% EBITDAR turnover margin. We have applied this test and derived a potential negative indicator if a 20% threshold is not met.

17. Balance sheet total

The balance sheet total in accounts can be viewed as either the surplus of assets over liabilities (sometimes vice versa) or the level of reserves invested by the owners in the business. Hence a negative balance sheet total clearly represents that the liabilities of the organisation cannot be met from the assets. This level of insolvency may not be fatal, as the relative importance of timing of when liabilities have to be paid becomes very important. We have taken a negative balance sheet total as a potential negative financial stability indicator

18. Balance sheet total excluding intangibles.

Intangible assets in this sector are typically goodwill that, in accounting conventions, arises on acquisition of a new asset. They are, by their nature, difficult to value, often depending on future revenue streams to justify their carrying value. They are typically not available for short-term liquidation (other than through business sale) in order to meet liabilities coming due. Hence a balance sheet adjusted to exclude the intangible asset value, although a harsh test, is one that gives an indication as to whether realisable

assets outweigh liabilities. A potential indicator is therefore derived from this adjusted value.

19. Stress test

A stress test of the balance sheet has also been applied. We have tested whether the reserves of the organisation appear to be sufficient to allow the organisation to survive without becoming insolvent for year with a 25% reduction in turnover (with that impact flowing through to profit before tax). It is a severe test but is designed to mirror the situation faced by a four bed children's home that drops from full occupancy by just one placement for a whole year.

If reserves as at the last reported balance sheet date are not sufficient to ride out this impact we take this as a potential negative indicator.

20. Interest Cover

If a business is experiencing solvency issues it will often involve third party lenders to the business being concerned about the ability for any of their lending to the organisation being repaid, irrespective of whether the lenders have security over the organisations assets (e.g. a bank may have a debenture or legal charge over the property that a children's homes business owns that was purchased with the aid of mortgage finance from the bank).

Interest cover is one of the indicators used by lenders to monitor entities that they lend to. It simply measures whether the interest paid in the most recent period was comfortably met by the level of EBITDA that was generated to help pay that interest.

A ratio of EBITDA/Interest paid of less than 1 means that current levels of trading may not be sufficient to keep paying interest as it becomes due let alone fund repayments of capital loans.

A negative ratio or a ratio less than 1.5 has been taken as a potential negative indicator in our analysis.

21. Years to repay debt

Lenders do not just want interest repaid they also require repayment of capital over the set period of the loan. Accounts disclosure rules generally require a borrower to indicate the period over which liabilities are due for repayment. This allows us to estimate, from current EBITDA levels, how many years of current performance would be required to generate the cash needed to repay capital.

Whilst not a perfect calculation as it does not look at real cash generated and ignores the servicing of debt interest also, it does provide an indicator as to whether current trading, if continued, stands a reasonable chance of generating monies needed to repay debt in line with the terms of that borrowing.

Where the length of time is longer than the term of the loan then a potential negative indicator is assumed.

Appendix 5 - Comments from the financial review

Full list of comments from providers

Question 1: In what other circumstances would you vary price?

Provider response
2% discount for multiple placements
2% discount for payment within 7 days. Also for predictable longer term placements
7% discount if placements are from the same authority
Agreement with two largest partners on volume discount on standard fee. First two YP normal fee, 3rd 6.5% discount, 4th 10%, 5th 20% and then 6th reverts to standard and cycle begins again to 10th place and then repeats in blocks of five.
Contract with Authority L offers much cheaper rates. They have first refusal on every referral from Authority L. Have to take certain level of referrals and achieve number of placements over time. Not a block contract. Offer discounts on multiple spot purchase where there are 2+ placements but not happened yet
Depends on staffing e.g. additional waking nights. Education in house
Discount for additional placements 3rd and 4th placements in first home. After 1st placement in the 2nd home
discount for multiple placements (10% for 8 or more by LA, 5% for 4 or more
Discount of 5-20% on number of placements
Discount structure: Length of placement reduce by 0.5/1%. Additional placement 1% off
Discounts within frameworks e.g. Region A. Standard discounts for volume and for long term placement. These are discounts after 3rd placement, 4 to 7 placements, 7 to 10 placements and over 10. Further discount for over 13 mths in placement. Outside of framework starting point is standard price and may give small discount on relationship basis
Discount for 3rd placement to Authority S where the homes are located
Have reduced fee for first engagement with LA otherwise no variation

Provider response
Have varied fee where LA has placed 2nd child. 5% discount
If block or early payment or first dealing with LA to show service is good will offer discounts and for multiple placements.
If had a sibling group. If had guarantee of purchase of 1 or 2 places on long term basis would offer discount of 10/15%
In the past have agreed discounts with LAs but this rarely happens now
Offer multiple placement discount as part of consortia L framework but this has not happened yet. Discount is 1 to 2%. Any placement over 28 days the first week is free
Multiple placements from LA; new referral; if some part of provision not required
Occasional historical discount arrangements but reducing
Offer discounts on volume within the Region W framework agreement
Reduced for frameworks and consortia. Discounts for multiple purchases and when a smaller company and receiving fewer referrals reduced fees i.e. 8%. Currently lots of referrals and high occupancy so not reducing fees
Some arrangements with adjacent LAs for discounts. Agreement on costs and not directly linked to multiple placements
Some reduction offered if a sibling group e.g. 5% reduction. Generally taken volume discounts out.   Reduced fees over last 5 years. Down 15%+ on some services
Some variation where a market advantage i.e. first couple of placements when new service opened but not usually discounting
Two LAs have more business with and they offer discount beyond the 2nd placement. Also sliding scale of discount for number of education places purchased. First placement use for an LA can be discounted. Graded fee according to Ofsted rating. Base is for good and discount if adequate until returns to good and fee increases if outstanding.   Mostly 2/3% but sometimes bigger
When deal frequently with an LA will reduce fees. Have asked for guarantees days per year but LAs will not agree. More than 2 places will reduce the price by 8%.
Yes. If they have an LA where they place more than one child in an academic year

Provider response
they offer a discount of 5% on second child and 10% on third
Yes. Look at LA use over 12 month period and reduce fee for regular use
YP who needed a level of containment – close to secure – 2 to 1 staffing at any one time. For first couple of months this would be in the price. Beyond that seek review and additional fee. This would be kept under review on a regular basis

Question 2: Do you consider the price charged to be a fair price for care?

Fair price Y/N	Provider response
Yes	Not raised in six years. Profit not gone up. For Authority B a very fair fee.
Yes	Provided occupancy levels are reasonable
Yes	Very reasonable. Hard to compete with big organisations e.g.insurance up 30%. Fees have decreased since opened in 2010 from £2350
Yes	Compared with what they provide it is low and has not changed for 4 years
Yes	Should be charging a bit more but hold for moment due to poor state of market
Yes	Once discount applied. They speak to competitors and know cheaper than the majority. Any additional items are discussed with placing LAs. Increase in quality expected from Ofsted and some LAs want more than this puts pressure on costs
Yes	Not increased fees in 8 years
Yes	Provided not more than 30% vacancy level
Yes	Yes. Absolutely fair. Covers costs. Pay directors who work in the service. Struggle with cashflow
Yes	Very fair and good value

Fair price Y/N	Provider response
Yes	Is a very expensive service. Very high needs for the children. Ofsted expect a high quality services. Also run big sites which are expensive
Yes	Provided occupancy is more than 70% which it is often not
Yes	Far lower than it needs to be. At lowest occupancy level and struggling to get qualified staff at what they can afford to pay
Yes	Below mid-range price for this type of service
Yes	It seems expensive. Take account of occupancy and there is a very different picture. Matching issues mean achieving higher occupancy very difficult. Operate a home under contract to Authority C £3,300 per placement
Yes	It is fair for what we provide
Yes	Have to fight hard to justify the level of fees as they are high because staffing is so intensive
Yes	Provides good enough care with well qualified staff. Does not provide the additional support the children need which should come from other agencies i.e. CAMH
Yes	Fee set 7 years ago and has not risen. Does not reflect changing costs and policies
Yes	When rebid Region M framework will do this differently and price smaller homes differently as they generate only 40% of revenue of larger homes and staffing virtually the same. Recently responded to Authority D tender who wanted 3/4 place homes and priced these higher.
Yes	Spot is fair but block leaves a funding gap of £301K annually. Not fair as does not cover cost and no uplift for five years. Covered from organisations charitable sources
Yes	Middle range price
Yes	Yes – very fair. Good for price and better than LA could provide at similar

Fair price Y/N	Provider response
	cost in own provision
Yes	Aiming for modest surplus on fee charged of 6/7%
Yes	Just - commissioners wanting more for less. No inflation increase for 6 years
Yes	Considering comparative prices and flexibility on costing
Yes	Despite wages increasing on average of 1.5/2% each year, fees have not increased at all for framework placements made pre 2011
Yes	Fair and reasonable as an all inclusive price and wants to develop a partnership model with LAs
Yes	Everyone getting squeezed. Applied for increase 2.5% in April 14 and turned down. Would become more acute if no increase in April 15
Yes	Just - getting a service on the cheap
Yes	Reasonable - slightly under priced
Yes	With current rate of referral and occupancy. Would not be if this was not the case. Now margins are smaller but need to invest in staff to get better outcomes. No uplift in last ten years. Can spread risk as larger business
No	5% decrease plus no inflation rise since opening in 2008
No	Costs are stupendous. Expenditure that goes into sustaining their kind of service is very large. Note feels this is not well understood outside the sector
No	Hard to tell. Could not charge any less for the business to be viable. Note: This provider was curious about others prices. Did not sound very experienced
No	Realised they will not make money on residential child care as a small provider
No	Only just - challenging price

Question 3: What are the key drivers of cost within your (?) the home?

Provider response
Staffing (12 responses mentioned this a single word response in addition to those below)
Staffing – quality of care, training and providing a high standard of corporate parenting for the children/YP. They have a good staff team
Staff recruitment, training and retention
Experienced staff. Getting right staff at the right price. Only employ qualified staff at NVQ levels L3, 4 and 5. Invest in staff training. They are creating a diploma in therapeutic child care.
Staffing, training and retention; pensions
Staffing - recruitment, training and retention
Staffing is the major issue. Been able to recruit but struggled to get people recently. Hard to get qualified and experienced staff. Need to train people up
Staffing, training and keeping good staff
Staffing costs
Staffing is key. Recruitment is difficult. Cannot offer the best wage. Enough to get good staff and need to train them
Staffing. They pay above the going rate for all staff in the organisation i.e. residential care staff to managers
Staffing is key. Quality of people essential to do the work well
Staffing and training
Staffing. Not paid enough. Level of need they are now meeting. Used to have more time in the rotas for reflection
Staffing is the core. Quality first. More variable costs on property i.e. how much damage is done

Provider response
Staffing - pay above going rate; capital costs for purchasing the property
Staffing and training (3 responses)
Staffing – quality of staff needed for children with complex needs. Good staff in Authority E. Authority F hard to recruit to as many homes in the area and some poor staff. Insurance especially indemnity is high. Reg 33 costs £500 per month and Ofsted fee £7K
Staff costs and getting skilled staff
Staff ratios e.g. waking night staff. Not a minimum wage organisation. Starting salary £17,500 rising to £19K with level 3 NVQ and in post more than 12 months. Try to get quality and have matrix to guide staff progression. Secure staff paid £22K in STC
Staffing. Recruitment and retention of staff required. Ofsted driving up standards and this shrinks the pot available as require higher qualification and levels of academic ability e.g. to complete NVQ3
Staffing and retention
Staffing, training and retention; compliance with OFSTED requirements
Wanting to give good VfM service. Covering core staff and overhead costs
Staffing. Wages and investment in training and pay at top of grade. High staff ratios. Difficult to recruit to get the right people. Registered manager hard to recruit to
Staffing; utility bills; insurance
Staffing costs
Staffing, recruitment and training (home manager and regional manager crucial
Staffing; cost of borrowing; fuel prices (until recently)
Staffing. Got to have good staff and train and support them well. Not increased fees since 2009 but will need to go up 1.4% in April

Provider response
Property costs and qualified staff willing to stay
Staffing including training, recruitment and retention
Staffing - level and their quality
Overspend on travel substantial. Also food and heating costs up
Skill shortage
Staffing is key. Cost of promotions and pay rises.
Staffing the major element. Pay above living wage. Need to develop and retain staff and train well.
Staffing - including training and development

Question 4: How worried are you about the market and why?

Rating	Provider response
1	Good at what they do, robust business plan for growth, good relationships with commissioners – leading to above average length of stay, good staff team, stability and ability to grow staff in the business. Note: some movement of staff between the different businesses in the group
1	Demand for good quality speciality services is buoyant
1	Demand buoyant for this specialised service
1	Niche market. Take Children no one else will take. Always full.
1	Always trends and always need for service. See plenty of referrals
2	Specific niche provider with long placements and feel market secure for this need. See referrals which do not meet their criteria and there seem to be plenty. Are seeing more children with higher needs but with the right training staff can provide for these children with higher needs

Rating	Provider response
2	Not overly concerned but more concerned that 2 years ago as more focus on costs from commissioners. There is a point where you cannot do it for less/contain costs safely. Reputational risks are important for a big provider. Move to block placements reduces revenue even if revenue more certain but still need to deliver the service. See consolidation and fewer middle sized businesses. Very difficult for those in the middle
2	Not in it for the money. Small home and if two children in placement it is OK. Doing it for the right reasons. Lots of referrals – seeing 30 a week
3	No increase in fees for many years
3	We haven't increased our fees in over 5 years because commissioners are constantly looking to drive down costs. Our staff had a pay rise for the first time in 3 years this year. Our payroll is pretty much the only variable overhead cost we can fully control, and yet the majority of our staff are paid less than local authority employed workers
3	Concern about vagaries of LA commissioning and the effort involved in tendering and maintain membership of frameworks
3	Broadly doing ok. Occupancy has to be very high to break even. Pressure on fees intensive
3	Uncertainty of referral process. Difficult for small providers to be accepted on frameworks.
3	Tendering and that process favours the bigger organisations and squeezes the smaller ones. As a small provider if you do badly with one person then a big impact in relationship with the LA. Big providers have the flexibility to move a YP but a small provider cannot and can only ask the LA to move. Smaller providers struggle to market, respond to tenders and feel at a disadvantage. Ofsted marked this provider down as could not keep YP safe. Which provider knew and had asked LA to move but LA would not move until 28 days' notice expired so out of the provider's control.
3	Hard to find staff with the right experience

Rating	Provider response
3	Profit motivation of some providers. Like to see them out of the market. Put ethical organisations like his in a better position. If cheap providers not cleared out then social services will go for cheapest and not in YP bets interests
3	LA savings having an impact on quality of care using more foster carers and these placements break down repeatedly. Children get more extreme. Seen children who have had 5 to 10 foster placements and broken all of them and they then are very difficult to care for. For some should have looked at secure. Used to get children/YP who needed nurturing. Lack of earlier intervention means come to residential care too late
3	Capacity in the market. Almost seems flooded. Link to cuts in LAs and pressure on price which makes quality of service questionable. Good relationship with Ofsted inspectors. Unsure where their focus is going. Will it survive? Reliability of their decision making between inspectors. Needs more clarity as their decisions are so influential. Need to get an understanding of the new guidance
3	Never know what is round the corner. Competition with foster care. LA behaviour
3	20 years in the business and seen ups and downs. Not changed much – there will always be a need for residential care. Need national model for framework agreements. Cannot see block contracts working given matching issues. Not enough early intervention with some YP in LAC for years and then come to them aged 14 to 16 years with very serious problems which have not been addressed
3	LAs reduced own residential services so depend on independent sector. Independent providers getting a lot of challenges from Ofsted. Over scrutinised by Ofsted on new framework. Mist pressure on this in 20 years in this work
3	Pressures on quality, changing inspection regime. Commissioners pressure to only place in good or outstanding homes. Financial pressures on LAs and pressures on providers when trying to maintain workforce. More competition for staff and raising level of quality of staff and this is hard to achieve with all the demands. Higher levels of need, residential care the last dumping ground. Not a placement of choice. Older more damaged children and with higher levels of

Rating	Provider response
	complexity to meet. Balance working with higher levels of need and meeting quality standards very difficult
3	Changing regulatory and inspection regime. Character is changing and seems to focus more on paperwork and not quality of care and outcomes. Demoralising people. Children are not the focus, back covering. Leads to a lot of work in renewing policies and as soon as young have done this need to do it again – Forth Road Bridge analogy
3.5	Setting up preferred purchasing arrangements - unpredictable
3.5	Long term sustainability based on costing. Poor understanding of what the sector does by regulator
3.5	Vagaries of OFSTED ratings threaten occupancy
3.5	As new provider difficult to get in with LAs and demonstrate effectiveness of the service. Big providers dominate and running at a loss. Smaller providers offering more bespoke services but LAs under pressure to save now rather than look at whole of time in care costs and invest in a child now for lower costs later. Ofsted new framework is more supportive and have had good dialogue with Ofsted
3.5	Market is changing. They have now organised themselves so they can be an academy. Need to be able to respond to the market place. LAs give no guarantees. Need to look at other ways to provide the service. Need to be flexible. Owners take a long term view
3.5	Quality. Market consolidation harming smaller providers who offer bespoke packages. Becoming more like “Aldi” and less like M & S. Warehousing rather than green housing
4	Unpredictability of referrals; chaotic placement and referral process
4	Move to fostering decreasing demand
4	LA wanting alternatives to residential respite care
4	Uncertainty of whether LA will make suitable referrals. Difficult to match children so often long periods where there is a vacancy

Rating	Provider response
4	Being squeezed - commissioners driving down prices whilst costs of providing services, particularly staff are rising. Needs of children placed increasing.
4	LA trying to get more for less. Higher needs children being placed that previously would have been in secure or psychiatric hospital
4	Move to fostering decreasing demand
4	Commissioners constantly wanting more - taking more challenging children and young people - for less. Tough market
4	Do not trust la commissioners to commission what is best for outcomes for children. Trying to purchase too cheaply is backfiring, ending up with numerous placement breakdowns. Most placements at their high end are after an average of 8 other placements
4	Commissioning – not consistency between LAs. Child with the same needs some may focus on cost and go to providers that are poor standard. Short sighted with focus on minimising expenditure each year rather than invest in the child to reduce long term costs
4	Is the market being handled correctly by the DfE and Ofsted? No. LAs struggling so badly looking at residential as a last resort rather than when it is the best option
4	1. Growth and how some of the larger organisations have the ability to respond in short term to give LAs discounts. 2. LAs starved of money, everything driven by price. Not right for the children. 3. Ofsted and regulatory regime. Tighter and more nit picking by Ofsted which is punitive. Forcing people to not take children as affects their rating. 4. Inappropriate placements driven by cost. One child in one organisation had 34 foster placements as chasing price rather than the right placement at the right time
4	Competing with LA, private and independent sector. Block SLA runs out in 2017. Need to do this differently or the homes will not be used in the future> Interested in changing statement of purpose, developing new services and running unregulated housing to support care leavers. LA not engaged in this discussion yet.

Rating	Provider response
4	Ofsted. Not as consistent. Too much driven by individual inspectors interpretation of the guidance. Too much tick box stuff and this is very stressful for providers. Concern Ofsted not understanding the context e.g. children who have had multiple placement. Puts more pressure on smaller individual homes. Means larger dominate the market. They can cherry pick children. Ofsted les advisory and helpful. LAs pressure to balance their budgets. Drives down costs and harder to look at what happens for the children
4.5	Level of referrals not what it was. Very high and complex needs YP. Previously would have gone to specialist provision. LAs want high specification for buttons especially around CSE – gap of what people will pay and need. Ofsted shoot a residential home as not meeting YP needs and matching dynamics very difficult
4.5	Significant disconnect between LAs and Ofsted. Ofsted very high expectations and LAs want lower prices. If Ofsted increase standards need to improve quality and this ash a cost. LAs do not grasp this. Always open to work collaboratively but promised volume does not materialise and the matching problems are a major issue
4.5	1 for Appletree as referrals healthy and specialist service with good reputation. 4/5 for sector in general. For 14 to 16 yr olds expectations of impact are unrealistic. Costs high and need 1 to 1 and LAs are struggling financially
5	Instability and uncertainty - particularly around referral process and commissioning process. Very few placements through frameworks (LA find a way around the process)
5	Fees prescribed by LAs in Framework agreements not sustainable. Concern that small, specialist providers will disappear - either taken over by large providers reducing diversity, or going out of business
5	Residential not recognised for its value – seen as a last resort. Bad press and media cover often not helpful
5	Ofsted behaviour
5	1. Poor media and government image. 2. Used as last resort for YP. 3. Not doing good work with families anymore in LAs. 4. Using foster care badly – multiple placements and leads to YP being in residential

Rating	Provider response
	care a short time and then 16/17 yr. olds into leaving care service with poor support. 5. Not prioritising workforce development. Skills not recognised. Lack of career opportunities to help retain people. 6. To keep costs down could mean going back to big assessments centres. 7. Ofsted very difficult. Always thinking "what are Ofsted going to do if we take this child." E.g. had inadequate judgment as YP with CSE who went missing and 72 hrs in a short placement so seen as not keeping

Question 5 : What are your three biggest challenges?

Challenges
Skills shortage
Staffing costs
Possible government changes in SEN policy
OFSTED – if proposed changes for registered manager to be social work qualified are implemented. Will be hard to attract social work qualified manager to run a one bedded home
Money – LA budgets
Insurance
Realistic awareness of what it costs to deliver and safe and quality service
Damage to the home – sometimes £500 per week in repairs
Occupancy levels
Occupancy levels
LA frameworks are increasingly weighted towards price
Pressure on fees
Shift to fostering

Challenges
Supply of referrals
Staff with the right experience
Government cut backs not taking into account cots to YP and too society. Short term cut in expenditure not taking account of long term consequences of not funding proper intervention
Sustain and stabilise provision – placements made in an ad hoc way. Partnership contracts with LAs would help and give both parties more security
Recruitment and retention of staff – changed T & Cs e.g. changed pensions, reduced holidays, sick pay etc. Demand people of more and more and achieve higher quality but this shrinks who is available to do the work.
Regularity of placements
Staff turnover – train staff and they go
Regulatory changes – more homes being downgraded. Big problem for smaller operators. Problem of lack of consistency and changes
LAs desperate financial constraints. Keep fees down and squeeze down on costs and squeezes extras out of the system. Price is key and low price in conflict with quality
Maintain levels of referrals
Recession
OFSTED ratings - sustained £400,000 loss previous year due to volatile and inconsistent OFSTED ratings
LA budget cuts
Market for YP they deal with. Children becoming more complicated. LAs put off funding and then the children come through following multiple failures of placements and hostile parents i.e. parents angry about how their children's needs have not been met
Government investment and commitment to LAC. Give LAs the money to do the job

Challenges
Access to capital to expand - banks will not lend
Complying and keeping abreast of OFSTED regulations
Getting sufficient referrals
Large companies taking over the market and quite a few new homes opening up
Recruitment and retention of qualified staff
Continual pressure to reduce costs and take higher needs children
Complying and keeping abreast of OFSTED regulations
Occupancy - securing sufficient placements
More consolidation due in the supply market leading to some instability
Ofsted – legislation. Increased expectations some of which are positive and some not
Inspection regime – impact of Ofsted downgrading and consistency of the inspection regime
Reduction in funding for LAs. Chase price and impact on kids needs
Transfer of risk too providers. LAs want new provision but no guarantees
Big providers cherry pick and squeeze smaller providers out. Smaller providers trying to do the right thing but because of the difficulties the child brings more likely to fall foul of Ofsted. Hard for smaller providers to get good
Ofsted. Changes in the inspection framework again. Harder to achieve good/outstanding. Inspectors no very knowledgeable or experienced. Relationship of homes to Ofsted more difficult.
Policy of new Government. Need for continuity across governments
Costs, quality and fee equation going in a negative direction
Regulatory impact and unpredictable changes in LA and Ofsted policies

Challenges
Fee levels
Market forces leading to lower fees
Fees and pressure on LAs. All in same boat and everyone putting fees up. Matching of very difficult YP – if you cannot get two children in three place home the home is not viable
Overprovision of children's homes in some areas
Inconsistency between LAs in approach to placements
Continued shift towards fostering
Unpredictability of CCG commissioning
Attracting the right staff with the right skills and retaining them
Children themselves – complexity of needs and matching staff to the dynamics of the group
Regulatory pressures. Pressure to rate down and this has a massive effect bon ability to operate. Adequate homes do not get support to achieve good
Increase move to block contracts is a challenge and is an opportunity to done realistically
Maintaining placements
Level of LA fees
Clear commissioning statements about needs in future
OFSTED - inconsistent and increasingly difficult to get good or outstanding (LA only placing in good and outstanding
Perception that fostering good, residential care bad and only used as a last resort
Getting suitable referrals and matching with existing residents
Getting on to frameworks and tenders – developing the skills to be able to do this

Challenges
Referrals and the right mix of children/YP
Compassion for YP – the work needs to be respected and have more recognition and support
Type of children and practice. Pressure on LAs to place more in foster care. This breaks down and adds to cycle of damage for the children which defers costs and leads to high long term costs
Able to increase charges in line with costs
Market place – people undercutting and not sure how they provide quality at cost
Property market to smaller degree
Staffing - quality
Changes in LA strategies
Negative view of residential care which is seen as placement of last resort
Squeezing the vulnerable children means they get a poorer deal
Funding tends to be a last resort and crisis driven. Planning is not good enough and leads to funding decisions being put off
Market for residential care becoming concentrated with small number of very large providers. Choice diminishing and market led by non-child focused organisations
Maintaining quality
The localisation agenda reducing demand for rural provision
Changes in commissioning policies
Regulations from Ofsted and how they interpret them keep changing
Business risking Ofsted judgements - judged inadequate and then good with no change on the provider side
Ofsted inconsistency - downgrading homes from outstanding to good

Challenges
The localisation agenda reducing demand for rural provision
Satisfying Ofsted to keep outstanding classification
More sophisticated purchasing resulting in improved purchasing of the right resources and hence better outcomes
Commissioners – increase in tendering and frameworks and worry that % weighting to price will increase over % to quality
Kneejerk reaction to some issues e.g. CSE
Lack of Government will to look strategically at care across the piece – systemic approach lacking. Leads to fall out and chaos. No strategic overview
Commissioning arrangements. Every LA taking a different approach. Impact of frameworks approach and the related bidding system. Bigger organisations running homes at a loss and get an advantage
Ofsted role in the Market
Complex needs – shorter placements so less time to work and so not have positive outcomes. Short term driven by LAs e.g. move from private to in house to save money
Significant fallout of smaller providers and will see consolidation. Get smaller number of providers and this not likely to be positive for quality and could force into a Place that is not desirable and hard to get back from
To be convinced on the new Ofsted framework. How it will work in practice. Reduction in numbers of homes being judged outstanding and more are inadequate
Inflation
Financial impact of the introduction of new quality standards
Developing a coherent vision for residential homes
Austerity measures and their impact e.g. taking off value added service such as psychological input

Challenges
Changing agendas of LAs and budget cuts
OFSTED - done to rather than partnership
Loss of more bespoke specialist services due to market consolidation
Finding good staff
LAs have to be seen to place in good
Cost of legislation and compliance issues. 4. Availability and price of property e.g. location suitability assessment
Attracting skilled staff
Frameworks developed by LA burdensome for small providers
Risk to business if take absconders and Ofsted downgrade
Over supply in north - location assessments are likely to reduce in the demand for their service which depends on placements further than 20 miles away.
Ofsted rating being good or outstanding
Meeting the complex needs of the children/YP
Need more comfort to be sustainable? Security of income to promote investment in the services. Could they use LA service to help sustain small businesses? LAs supporting local providers to underpin provision
Regulatory framework – rationalise so it makes more sense and is more joined up. Other services – where is the therapeutic input? Should it be an NHS requirement? Health requirements not well identified and NHS not responding
Growth of external costs – insurance, training and recruitment, staff salaries
LAs looking for cheaper price but expecting a lot for that in terms of quality
Wage pressures and competing demands for staff. Larger organisations swallowing up smaller ones and losing smaller providers to detriment of quality
Media exposure and care home abuse leading to knee jerk reactions

Challenges
Domination of big providers – buying up smaller companies – more market manipulation by the big providers. 4. Frameworks lock smaller providers out. Paper work took four days and then excluded as turnover below £4M
Unpredictability and impact of legislation
Commissioners wanting to pay less for increasing needs
Recruitment of good quality staff
Staffing - finding the right staff who are willing to work in the care sector
Any centralised placement system as it risks inadequate knowledge of what providers offer
Too many emergency rather than planned placements for children who are subsequently moved on quickly
Commissioners wanting to pay less for increasing needs
OFSTED has too rigid an approach for their residential framework. need more flexible model to allow more fluid transition between residential and other forms of care such as fostering or supported living
Nobody knows who is monitoring what i.e. reg 33, Ofsted, tendering, LA monitoring. There is no overview of who monitors what and for what purpose and with what added value. 4. Framework and tendering process and tiers within frameworks. Not working. Some LAs send their placement request to lots of providers while others do not use the process properly.   5. Chaotic from the point of view provider and very time consuming
Regulatory regime. No objection but lack of consistency is a problem. Especially when penalised for things outside their control such as LA behaviour e.g. arranging educational placements and different views of Ofsted inspectors
Statutory requirement of qualifications for residential care workers has an impact. More rigorous requirements. Need people who are intellectually capable of being self-reflective. Can understand the theory behind the behaviours, use high quality training and need a decent wage for this. Hard to find these people
Retaining staff - need experienced and trained staff team that understand the work

Challenges
to be done. Keeping morale good for the staff
Providers keeping abreast of changes in the environment. Sees Ofsted being a bit more collaborative. Need partnership and this can be positive. Lack of this partnership will exacerbate the market problems
Residential acre after multiple breakdowns is very difficult especially when attachment problems. Should not be a last resort. Need for LAs to use proactively
Negativity in media about children's homes impacts on ability to attract and retain quality staff
Pressure from LAs to hang on to children and YP even where it is not working. Try to turn the child/YP life around but if no outcomes get downgraded to adequate – very current issue for them. Dynamics of how all these factors work out together.
Impact of shortfall of FPs. YP not coming to residential care early enough and going through too many failed foster placements

Appendix 6 - Models of private sector ownership that impact on the Children's Residential Care Market

	Unincorporated **Sole Trader or Partnership**	**Limited Liability Partnership (LLP)**	**Private Limited Company (Ltd)** **(including Private Equity)**	**Public Limited Company (PLC) quoted on a Stock Exchange**
Structure of legal ownership	Individuals or partnerships of individuals directly own the assets and trade of the children's homes business. In these cases the individuals or partners may be completely exposed to liabilities of the children's homes operations.	Individual partners work through partnership agreements that include terms to limit the liability of partners. Some private equity funds operate as LLPs.	Owners hold shares in a company that has constitution documents that limit liability of shareholders. Its appointed directors run the company in accordance with the company constitution and the Companies Acts. In small, "close" companies the main, or only shareholder may also be a director.	The owners of PLCs quoted on a stock exchange are the owners of the shares at any point in time. Whilst this may include some long term holders of equity (e.g. pension funds investors), it may of course also include transient short term equity traders. As with Ltd companies directors are appointed to run the PLC via a board and the company constitution, Companies Acts and the stock market rules.
Private Equity (PE) Involvement	Highly unlikely unless the individuals are themselves business angel	Some private equity funds operate as LLPs	Almost all PE investments will be made through shareholdings in	It is possible to have PLC models where not all of the equity is traded

	Unincorporated Sole Trader or Partnership	Limited Liability Partnership (LLP)	Private Limited Company (Ltd) (including Private Equity)	Public Limited Company (PLC) quoted on a Stock Exchange
	investors.		Limited liability companies (or groups of companies)	on the public market. Cambian Group PLC for example has around 55% of shares floating on the London Stock Exchange, but GI Partners own 45%.
Visibility of financial performance information	No visibility other than privately to HMRC for tax purposes.	LLP accounts are filed at Companies House and subject to the same late filing penalty regime as for Ltd companies.	Companies Act requires accounts to be filed annually. Some exemptions from details filed for small and medium sized companies.	PLCs have the most stringent requirements derived from Companies Act and stock exchange rules, which can include an audited quarterly update statement.
Non-UK ownership	Whilst it is feasible that non UK domiciled individuals could be owners the practicalities are such that this may be unlikely.	It is possible that a partner may not be domiciled in the UK for tax purposes.	Parent companies or investors who reside outside of the UK can own UK companies. This can make visibility of the whole financial picture difficult if a parent company resides in a territory that does not have public accounts disclosure.	UK based stock exchanges would generally offer good visibility even if some of the shareholders might be off-shore individuals or entities.

	Unincorporated **Sole Trader or Partnership**	**Limited Liability Partnership (LLP)**	**Private Limited Company (Ltd)** **(including Private Equity)**	**Public Limited Company (PLC) quoted on a Stock Exchange**
Funding	Likely to be from the personal resources of the individuals themselves, from family or friends, and possibly banks willing to lend, potentially securing against the property of the children's home(s).	As for unincorporated bodies but possibly with some increased availability of credit from banks or credit organisations	Increased equity can be raised from shareholders. May also have access to bonds, loans and funding from banks or shareholders either secured on property of the homes or loaned against future cash-flow expectations.	As for private companies although rules apply around raising additional equity and funding changes would likely need to be notified to the stock market.
Implications of failure	Personal liability of individuals or partners, could lead to personal bankruptcy of individuals.	Inability to meet liabilities as they become due could lead to liquidation and emergency sale of children's homes	Inability to meet liabilities as they become due could lead to liquidation and emergency sale of children's homes	Stock markets detect decline via share price which offers early warnings of difficulties. Otherwise options are as for Ltd companies

Appendix 7 - Financial Indicators Results Tables

Credit rating indicators from Dunn and Bradstreet (indicators defined and explained below the first table).

DNB Indicators	Financial Strength	Risk Indicator	Failure score
Provider 1	O4	4	2
Provider 2	N1	1	92
Provider 3	2A	1	87
Provider 4*	-	-	-
Provider 5	N4	4	10
Provider 6	4A	1	98
Provider 7	N4	4	3
Provider 8	2A	1	95
Provider 9	N2	2	70
Provider 10	5A	1	96
Provider 11	O3	3	26
Provider 12	N1	1	97
Provider 13	2A	1	89
Provider 14	4A	1	95
Provider 15	2A	1	90
Provider 16	N3	3	18
Provider 17	N3	3	45
Provider 18	2A	2	66

DNB Indicators	Financial Strength	Risk Indicator	Failure score
Provider 19	C2	2	72
Provider 20*			
*** = No D&B data available**			

The **D&B Financial strength** indicator indicates the tangible net worth of the organisation based on its balance sheet. The measure is an indication as to the degree to which the tangible assets of the company (e.g. properties, equipment, amounts due from customers, cash) outweigh the liabilities (e.g. amounts due to suppliers, staff, and banks and funders). The D&B ratings are as follows:

Financial Strength Code	Tangible Net Worth (£)	
	From	**To**
5A	35,000,000	Above
4A	15,000,000	35,000,000
3A	7,000,000	15,000,000
2A	1,500,000	7,000,000
1A	700,000	1,500,000
A	350,000	700,000
B	200,000	350,000
C	100,000	200,000
D	70,000	100,000
E	35,000	70,000
F	20,000	35,000
G	8,000	20,000

Financial Strength Code	Tangible Net Worth (£) From	To
H	0	8,000
N	Negative Net Worth	
O	Undetermined	

D&B risk indicators rate between 1 for lowest risk to 4 for maximum risk. This risk indicator is a composite rating of how risky a transaction with the organisation might be, i.e., it is aimed at providing anyone considering granting the organisation credit with an indication of the level of risk they may be taking while they are owed money by the organisation. It is a composite of the D&B failure score (see below) and other factors including unavailability of data, risk bearing parent owners, detrimental legal events (e.g. in administration, detrimental audit reports), possible fraudulent activity. Hence factors additional to those disclosed in company accounts influence this indicator

The D&B Failure score predicts the likelihood that an organisation will obtain legal relief from its creditors or cease operations over the next 12-month period. The Failure scorecard also looks for events signaling the onset of failure, such as a meeting of creditors, administrator appointed, bankruptcy, receiver appointed, and petition for winding-up.

The D&B Failure Score is a relative measure of risk, whereby 1 represents organisations that have the highest probability of failure and 100 the lowest. It shows how an organisation's risk of failure compares to other organisations within a country by ordering and segmenting that country's database into 100 equal percentiles. Each Failure Score represents 1% of organisations within that country with the same risk of failure. Therefore the D&B failure score says:

A score of 10 means a business falls into the bottom 10% of UK organisations

A score of 38 means that 62% of UK organisations have a lower risk of failure. It also means that 38% of UK organisations have the same or higher risk

Financial Accounts Indicators	Turnover Trend	EBITDAR %	EBITDAR trend	Balance Sheet total	Balance sheet trend
Provider 1	High – Acqusition	13%	improving	NA	stronger

Financial Accounts Indicators	Turnover Trend	EBITDAR %	EBITDAR trend	Balance Sheet total	Balance sheet trend
	driven				
Provider 2	2%	15%	improving	6,933,784	negative
Provider 3	3%	16%	improving	1,970,296	negative
Provider 4	NA	NA	NA	NA	NA
Provider 5	-3%	11%	negative	-3,273,728	negative
Provider 6	4%	29%	negative	246,950,000	negative
Provider 7	NA	15%	NA	-993,797	NA
Provider 8	1%	7%	negative	1,985,270	stronger
Provider 9	17%	19%	positive	-2,404,651	negative
Provider 10	0%	49%	positive	98,742,000	stronger
Provider 11	NA	NA	NA	NA	NA
Provider 12	2%	20%	negative	12,207,697	negative
Provider 13	3%	7%	negative	2,779,326	stronger
Provider 14	3%	4%	negative	18,654,652	stronger
Provider 15	-21%	-21%	negative	2,582,583	negative
Provider 16	25%	25%	positive	1,798,018	stronger
Provider 17	3%	14%	negative	-1,329,000	negative
Provider 18	25%	27%	positive	1,821,368	stronger
Provider 19	8%	22%	positive	5,311,379	stronger
Provider 20	5%	14%	positive	13,054,275	stronger

Appendix 8 - Finance review questionnaire

Interview with Providers

Children's Residential Care Homes

1. General Information

Date of interview	
Name of interviewer	
Name, Job Title of person being interviewed and contact details if not already known	

2. Provider Outline

a. Can you give us some details about your organisation? Do you provide any related services such as fostering?	
b. Size, number of homes.	
c. How long been operating.	
d. If you operate a number of homes, do the homes have broadly similar profiles and cost structures or are they all very different?	
e. Confirm home/s of this provider so we can see details on OFSTED register are correct.	
f. List SC numbers (ourselves) and registered capacities from OFSTED data	

3. Prices/Fees Strategy

<table>
<tr><td>a. In general terms which of the following 3 options best summarises your overall approach to pricing placements

1. Basic fee with occasional variations

2. Basic fee with a menu of standard additions (see below for examples)

3. Bespoke fee – each placement individually priced</td><td></td></tr>
<tr><td>b. If multi home provider does it vary by home, by region, by size or by other factors?

• Size of home
• Clinical model being applied
• Specific add on for therapeutic input (e.g. psychologist, psychiatrist, physiotherapist, Speech and Language/communication support, other therapeutic support)
• Specific charges for a professional assessment
• Specific pricing for emergency/crisis placements
• Farm based/outward bound type programmes
• Specific risk based – e.g. CSE
• Waking night staff requirements
• Pricing for tenders?
• Any other factors not covered above</td><td></td></tr>
<tr><td>c. Are there other circumstances you would vary price? – e.g. around discounts for multiple purchase, last one or two beds in home etc.</td><td></td></tr>
</table>

4. Pricing for one typical child

We would now like you consider the fees for a typical/average child in your home/one of your homes

a. How would you categorise his/her individual needs (1 or more boxes)

EBD (Emotional and Behavioural Disorder)	
ASD/Asperger's (Autistic Spectrum Disorder)_	
Mental Health	
Learning Disability	
Physical/Sensory Impairment	
Brain Injury	
SEN (Special Educational Needs)	
ADHD (Attention Deficit Hyperactivity Disorder)	
Sexually Harmful/ Inappropriate behaviour	
Schedule 1 offence	
Criminal/Antisocial behaviour	
Risk of Sexual Exploitation	
Serious Self Harm	
Substance Misuse	
Communication Difficulties	
Other (please specify)	

b. For this child/young person, what is the weekly fee?	
c. Can you give us a breakdown of what this includes e.g. Education £/week Additional staffing (2:1 or higher) £/week Waking night staff £/week More skilled staff £/week Therapeutic input £/week (specify psychologist, psychiatrist, physiotherapist, Speech and Language/communication support, other therapeutic support etc.) Specific risk based e.g. CSE £/week Any other elements? £/week	
d. Is the home a Registered Education Provider? Yes No	
e. If Yes do children/young people attend on site etc.?	
f. What is the range of prices you charge?	
g. Do you consider the price you are charging/able to get is a fair/reasonable price for care?	

5. Costs

a. What is the approximate percentage breakdown of your costs between: • Staffing costs • Property and Related costs • Direct Costs (food, activities, fuel etc.) • Overheads	
b. What do you see as the key drivers of cost? (prompts if necessary around cost of registered Managers or Residential Care Staff increasing, staff turnover %, agency staff)	
c. Estimate of typical annual staff turnover (%)	
d. Estimate of agency staff (%)	

6. General Financial Information and viability

a. Is the home owned ❑ *or rented/leased?* ❑ [Clarify whether information is about individual home or overall provider business]	
b. Average percentage Occupancy in the last year *Actual bed nights as a proportion of total available bed nights* *%*	
c. Do you have a target operating profit level (as defined in your company accounts)?	

d. If Yes what is your target? %	
e. What is your break even occupancy point?	

Financial Information

For your last financial year	
f. Balance sheet total (£) and trend from previous year up/down (%)	
g. Annual turnover (£) and trend from previous year up/down (%)	
h. Profit before tax (£) and trend from previous year up/down (%)	
i. Have you reduced (or increased) capacity in the last 2 years?	

7. Concern about the Residential Care Market

a. How worried are you about the state of the residential care market? On a scale of 1– 5. 1 not particularly worried, 5 extremely worried	
b. Why this rating	
c. List the 3 biggest challenges that you anticipate that will influence financial sustainability/viability in the next 5-10 years	***1.*** ***2.*** ***3.***

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