Children’s social care market study

Comments from Anglia Fostering Agency

Directors:

Graeme Duncombe and Nigel Pickering

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Introduction

Before commenting on the specific themes outlined in the Children's social care market study, we felt it would be helpful to provide some background to ourselves, our journey and how we came into being.

Anglia Fostering Agency has been providing services to Local Authorities for the past eleven years. It was formed and is still wholly owned by two Social Workers with significant experience in managing and delivering foster care in both the public and private sectors.

In the 1990's we were managers for Local Authority fostering services. But became frustrated and disillusioned by the lack of investment, high caseloads and decisions and policy being made by managers with no experience of the sector. The opportunity to move to the private sector with the brief to develop quality fostering provision for East Anglian LA's gave us the chance to put our ideas into practice. Developing a very successful region of a large national IFA, providing high quality foster care by keeping the needs of the child at the centre of all we did, providing genuine 24hr a day support to our carers, comprehensive training and very manageable caseloads for our social work staff.
It was when this IFA was sold by its original owners to Private Equity backed investors and new board installed, that we started to see changes to the focus and priorities of the organisation. The focus shifted from the "needs of the child" as the main driver to the brand and returns for the stakeholders being the priority. Net profits of 20% minimum became the target. It was at this point we had to make a decision about our future. We decided that the level of profit we were being asked to make could only be achieved at the cost of economies to quality and that money which could have been used to provide more services to children and carers was being channelled to stakeholders rather than invested in development and support.

This was in 2009. We resigned from that company and set up our own company, Anglia Fostering Agency, with the express aims of delivering quality foster care, maintaining our integrity, and having respect for all we were in contact with. We also made a commitment to foster carers we recruited that we would not sell our business to Private Equity. We had seen how it operated, seen the sale and resale of once good organisations on a three to five year basis once profits for investors were realised, seen the levels of debt needed to finance these rapidly growing organisations and seen taxpayer's money become excessive profits, moved offshore to avoid UK taxes.

Eleven years on we are still going strong, having stuck to our principles ensuring a child focussed Agency that can provide high quality and innovative care to children whilst providing excellent support to foster carers and staff and at the same time offering value for money to local authorities and the tax payer.

Theme 1 Nature of Supply

1. How has the provision of children’s homes, unregulated accommodation and foster care for looked after children developed over time, what has driven this development and how will the wider environment shape it in the future?

Development of foster care started with move from expensive residential accommodation to far more cost effective LA foster care.

In the 1990s IFA’s started to gain a foothold. Charging fees to the LA meant justification was required for those fees which meant standards had to be higher. This led to a mild “professionalisation” of foster care where the IFA’s concentrated solely on the provision of foster care as opposed to LA’s needing to manage a variety of services under the large and unwieldy umbrella of Childrens Services. Within the IFA specialism IFA’s were able to diversify within their provision thus providing more specialist services for more challenging children alongside “mainstream” fostering. Services such as, Therapeutic Fostering, Parent and Child fostering, Step Down fostering (from residential care). To enable such provision to work IFAs had to make a profit to be able to invest in them. LA’s did not and do not have the same investment motive in their services and so a lot of LA schemes did not have enough motivated backing and fell by the wayside. It became apparent that specialising in foster care could be profitable by focusing on service provision but also by not costing anymore per child looked after than the LA provision.

IFAs were Ofsted inspected and had to come out well to stay in business. LA’s who did not do well carried on but often not improving.

Private equity then saw an opportunity and started to acquire larger IFA’s and in turn began to swallow smaller IFA’s. This has led to the usual short term model of buying/selling over a three to five year period and appears to be based on larger and larger debts. At the same time a large number of LA’s have fostering services that are failing to provide a good standard of foster care for children and undergoing constant change, restructuring, re focusing, high staff turnover or shortage and, therefore, not providing long term stability for their fostering services. We would suggest neither of the above is a good model as a child’s life in care is usually not short term and can often be up to 18 years.

This is not a healthy environment to shape the future.

Currently there a few large, often offshore influenced IFA’s gaining dominance but still some genuinely independent IFA’s committed to a model of best practice but rejecting the private equity advances. The future of children looked after, i.e., the future of around 100,000 children cannot be in the hands of very large debt based, profit driven machines. Individual fostering households have the best interests of children at heart without necessarily knowing where the money for fees is going.

The market will need to be reshaped to recognise there can be no room for short termism.

2. Are there significant differences in how providers operate, depending for example on the type of provider they are, their size or the geographic region in which they are operating?

Differences in how fostering providers operate can be dependent on size and ownership. The smaller IFA’s tend to provide more localised services in the areas they set up. This can mean the development of good working relationships with the LA’s they operate in. Larger IFA’s have to be operating nationally to generate enough income to satisfy the backers. The larger the IFA the more likelihood of quality becoming diminished.

3. To what extent is a lack of availability of suitable residential and fostering placements driving undesirable outcomes for local authorities and children?

There is not an overall lack of fostering placements. More a lack of highly specialised carers and vacancies as well as lack of funding made available for specialist services to meet the needs of some more challenging children. The individual needs of some children are high, and it is challenging to find those resources and the associated funds. Often undesirable outcomes can be attributed to many underlying issues not just a lack of foster placement. (EG, poor Social Work practice, lack of preventative services, lack of funding etc.) The difficulty is a vicious circle, lack of services/funding = children more damaged = more demand for more specialist services.

It also needs to be recognised that for some, not many, children, placing in a family setting is not appropriate to the child's needs. At least initially.

4. How have the following four types of children's care home and fostering agency provision developed over the last decade:

a. Local Authority: little development more a recycling of various schemes that have been around a while. LA's often seem to work against IFA's, not in partnership. Staff not well supported, morale low. Frequent Ofsted difficulties.

b. Private-Equity owned: has grown swiftly based on acquisition of smaller IFA's and/or mergers. Background borrowing and offshore involvement also grown exponentially. Care of children can be good but profit main motive. Can often afford to employ staff for specific purpose of passing Ofsted. Tries to and needs to influence national policy but not always I the child's best interest.

c. Non Private Equity Owned: Depends on reasons for setting up agency. Some set up to build and then sell on for quick profit. Some set up to provide good quality care and much lower profit levels than private equity owned. Often because owners stay hands on and want to make a big difference to the children looked after, the foster carers and provide staff with a supportive, nurturing environment. Can be imaginative and innovative with types of individual provision. Some succumb to the frequent approaches from private equity. Others stay in for the long term. Many smaller agencies (not all) set up with the view that they can do it better than the LA or a bigger IFA and are very successful, however, they then reach a point where they either get too big, or decide it's not for them anymore, so end up selling to one of the PE companies. Some can struggle with ever growing and more difficult commissioning models.

d. Third Sector: Can provide more specialist care. Can be innovative. Must still make a surplus to stay in business Often hold influence over national policy disproportionate to actual size of agency.

5. Does the status of the provider (ie Local authority, private equity, non-private equity or third sector) significantly impact on the nature of the homes and fostering arrangements they put in place, in terms of: the number of placements (eg do they have incentives to invest in new capacity), price, value for money, location and quality of placements?

Status can have an impact depending on people's perceptions around each model. All providers need foster carers. There are only so many people who would ever want to be a foster carer.

A major issue is LA's are in competition with other providers as well as commissioning their services. LA's are under local and national political pressure financially. Therefore, the incentive to invest in new capacity is often to assuage political masters or to combat IFA's in their area. Narey and others have shown there is no substantial difference between the cost of an LA placement and that of an IFA placement. Value for money has to be tied up with quality of placements.

LA's only look at value for money in the short term and purely from a financial perspective. They do not look at the longer-term benefits to the public purse of making the right match. Whilst price does need to be a factor, it should not be *the* factor when matching a child to the right placement and should only be considered if there are two or more really good matches for a child.

IFA's often provide better support for foster carers and this can lead to better outcomes thus better value for money.

(How is VFM judged? A successful, well managed placement presents VFM for the life of the person e.g., successful education, no criminal institutionalisation, a "normal" adult participating in and giving back to society.)

Personal experience of private equity has shown that there is a much greater emphasis on marketing, the brand, etc than in other sectors. This can detract on quality of placement offered through diversion of funds.

Status is subjective but can lead to people fostering for the right motive. The last few years has seen a large increase in advertising for carers using fostering allowances as a major hook. To us this is not the right motive to be a genuinely good carer. Yes, a good allowance is essential but money is not the best motive.

6. With regards to private equity ownership of children's care homes and fostering agencies:

a. What features of children's care homes and fostering agencies attract PE investors? Are these the same compared to non-PE investors? The motives are definitely not the same. PE investors are attracted by the profit that can be extracted from the investment, short term. Non-PE investors, as stated above, tend to be those who have worked in the LA or for a PE IFA, who want to do things differently, do them the right way and want to make a difference. PE investors will be looking at the income they can generate from the businesses, the regularity of this income and the fact there will always be a demand for the service. Childhood is from 0 - 18 years. Life of PE investment 3-5 years. We have experienced working/managing LA fostering, managing PE owned fostering, and over last 11 years owning and managing our own non-PE IFA. We are very clear that well motivated, child centred practice should be by far the greatest incentive. A small profit is a necessity to gain LA contracts and to navigate the commissioning hurdles.

b. To what extent are property prices a driver of PE incentives to invest?

Property prices are almost certainly a driver for PE to get involved with residential provision. In the case of care homes, the profit that could be made on the property they own (by virtue of the enhanced share prices off the back of property valuations) will be attractive to PE investors.

c. Do PE investors in the sector have a shorter-term investment horizon than other types of providers, and if so, what effect does this have on the service they provide and investment in future capacity?

PE investors do have a short-term horizon. This can mean paring services to stay within legislation but to extract maximum return. Arguably they also need to invest more to attract carers to increase capacity but there is a limit to the number of people wanting to foster.

d. Do PE-owned children's homes or fostering agencies carry a higher financial risk profile or leverage than the other types of providers, and if so what effect does this have on the service they provide and investment in future capacity?

We suggest the risk is growing. Ultimately PE owned agencies will carry a higher financial risk profile. Agencies are bought and sold for very large sums, which are funded by borrowing. That borrowing must be serviced, often with high interest loans, and the capital must at some point be repaid. This is essentially why the bigger agencies are bought and sold every 4-5 years, when the original loan terms expire and there is no cash to repay them, so they are sold instead to raise the capital. This is not something that can go on in perpetuity and it is not unreasonable to foresee one of the larger agencies eventually defaulting on their loans as no one will be prepared to pay the amount for the business that they require. With foster care private equity is using our tax payments to buy and sell childcare. This tax money is increasingly going offshore. This could lead to a crisis as already evidenced in social care with the collapse of some providers. We are certain children should not be used in this way.

e. What are the implications for the number of placements, price, value for money, location and quality of placements if group companies providing essential services such as children's social care are registered offshore?

One argument would be that to enable profits to go offshore quality has to be good to stay in business. But VFM can suffer to extract more profit and quality could decrease. Another factor is the pressure LAs have been put under leading to attempts to cut fees thus leading to lowering of standards and then to more placement breakdowns and even worse long term VFM.

Theme 2. Commissioning

1. **How has the way in which local authorities commission places in children's homes, unregulated accommodation and foster care developed over time, what factors have driven this, and how is it likely to develop in the future?**

As providers we have not really seen any consistent development of commissioning over the past 10-15 years in terms of a model. More a mixture of different schemes being run in different LA's depending on who the commissioning team is. e.g., Tiered frameworks based on varying degrees of cost/quality submissions. Often driven with a bias to cost, placing providers in a more advantageous position for lower prices. Light touch frameworks. Regional consortiums with one lead authority coordinating.

The main driver, although not admitted, is cost. As LA budgets have become more and more constrained this has emerged more.

The move away from Social Workers involved in commissioning to a more procurement-based approach has not helped as the focus on the needs of children has been replaced by the purchase of a unit of service. The result is a lack of understanding of the complex needs of many children with the associated need to deliver support, training, therapeutic intervention, pay enhanced allowances and a whole host of other factors which make up the price of a placement.

2. **How able are local authorities to secure appropriate placements to meet the varying needs of children in their care, for a reasonable cost?**

Where LA's develop good relationships and good communication with providers they are more likely to secure appropriate placements. Providers want to develop resources they can sell, so a knowledge of local need, volume of need will help them to invest in recruiting and providing a resource they can sell rather than ones they cannot. By doing this there is less cost to recruitment and training, which can then be passed on to the customer in the price. It also means they end up with a service they need rather than one which is more generic. The result, more secure placements that meet the needs of children, less breakdowns, better outcomes for children.

3. **To what extent do features of the market limit the ability of local authorities to secure appropriate placements at reasonable cost, including:**

   a. levels and uncertainty of future demand;

   b. nature of demand, e.g. age profile of looked-after children or prevalence of complex needs;

   c. levels of uncertainty of future funding;

d. level of access to information on providers and individual placement options;

e. any other factors?

All the sections here come down to past and future funding. Levels of demand can be predicted to increase, they have consistently over the past decade and will continue as long as LA's have funding constraints, they will have to make assessments over what services they have to, rather than would wish to, deliver. Over time we have seen a reduction in services to support children and families. Early years provision, sponsored nursery provision, family centres, parenting support classes, youth clubs. The list goes on. This along with the raising of thresholds for intervention with families, has led to a situation that children often remain in dysfunctional, deprived, often abusive environments for too long and as a result have significantly more complex needs when eventually taken into care. The cost of meeting these needs is expensive.

The answer, to us, lies in long term investment nationally in support to prevent children needing being Looked After. This requires long term planning beyond the term of one Parliament. The aim to reduce levels of need for care. It will not reduce the cost of individual placements, but over time will reduce the overall numbers of children cared for and the volume of complexity of needs. Thereby reducing the overall cost of foster care to a LA.

3. **To what extent does the capacity, capability and practice of local authorities limit their ability to secure appropriate placements at reasonable cost, including:**

    a. **the relative use of frameworks, block contracts or cost and volume contracts, as against spot purchasing;**

    b. the extent to which local authorities proactively forecast demand and seek to attract providers into their area;

    c. levels of collaboration between local authorities in planning and purchasing;

    d. ability to recruit and retain appropriate staff to carry out their planning and procurement functions;

    e. any other factors?

a. No consistent approach. Frequent changes to tendering depending on personnel, regardless of effectiveness of a particular model. The use of Frameworks can be restrictive and take away the ability to look at the needs of a child and build a bespoke placement based on this with a price to reflect the need, not fit into a prescribed category. Spot Purchasing would enable this to happen.

The use of block contracts often leads to instability in placements. If a placement is paid for as part of a block contract there is a risk of a child being placed without the match being fully considered and assessed.

b. The issue is not about forecasting levels, most LA's are able to do this. It is not necessarily about attracting providers into area. You can attract 20 new providers in, unless they have the foster carers it will have no effect. There is a finite number of people who have the skills and desire to foster. These people are likely to already be with existing IFA's or the LA themselves. The focus should instead be on building relationships with current providers, bringing in new ones with resources and supporting foster carers who are the best form of recruitment.

c. This is an area we have seen both good and poor examples of. Where it works well there are advantages for both provider and Local Authority.

For the provider, the fact you only need to do one tender application to access several customers, and only have monitoring data to provide to one central point is a time and cost saving. It reduces administration time, makes costs of delivery consistent, reduces meeting frequency and time and a whole host of other savings. These can all be factored into the price to the customer thereby reducing the price of the service delivery.

It also gives a level of security for a provider to invest in recruitment in a region rather than a town or county. This enables a focus to be on recruiting to meet needs rather than just in an area. Services such as therapeutic fostering, parent and child placements can be invested in and developed on a regional basis more effectively. For Local Authorities, the development of these specialist services by more providers can mean children who would otherwise be placed in residential care, due to lack of alternative resources can have their needs met within a family setting. Leading to potentially better outcomes for the child and significant cost savings for the Local Authority.

Again, there is no consistency in this type of commissioning. Where it has worked well, changes in LA personnel during the life of a contract often lead to consortiums being disbanded after 3 to 5 years being replaced with individual Authority's own tenders. Where a provider was dealing with one lead Authority on behalf of a consortium for monitoring, delivery, and any problem solving, it then finds itself having to do this with an additional five to twenty different LA's, all with different needs, demands and expectations. The result. Increased cost to the provider for delivery of the same service which has to be passed on to the customer. Potential less willingness to invest in new services or capacity in a smaller area, leading to less resources is another negative impact.

d. This is a key area. We are a relationship-based sector. The service we provide is relationships. Families. And our success depends on our ability to build and maintain relationships with our carers, LA Social Workers, Commissioners, Procurement and Placement teams. We have seen some examples of this working well. Sadly, we have seen more examples of this not working, where the procurers do not have a depth of knowledge of what they are procuring. In many Authorities we work with a revolving door of personnel. There is no opportunity to develop relationships before the person moves on and another is appointed, with different ideas and aims.

Where an Authority has retained its staff over the years, we have been able to build these relationships, get an understanding of where the gaps are in their provision and invest to develop in these areas, rather than generally recruiting carers to meet needs they have already got covered.

e. One major factor not touched on in this section has been the focus over the past decade or so on many Framework contracts and individual Authority tenders on factoring discounts into the price of placements and fixing these prices for a four-year period. Discounts such as for Long Term placements, Siblings placed together, volume of placements. On paper when presented to local government these percentage discounts from a fixed price can look appealing and can be seen at first as a saving on budgets.

The reality is very different. These models cost the Local Authority far more over the life of the contract. Where a provider has to set their price for a four-year period, with the option for the LA to extend this. With a fixed price model four years inflation have to be built into the price from the start, as well as any discounts being included in the contract. This means that for the early years of a placement the Local Authority will be paying more than the cost of provision at that point in time, as the pricing has to be based on the cost of provision in four years to enable the provider to be able to afford to deliver the service on an ongoing basis. This will be why profit levels in the early years of a contract will be higher than they are in years four and five.

Smart commissioning would see this and move away from enforced fixed pricing and percentage discounts. The cost of care is the cost of care. If Local Authorities genuinely accepted this and engaged with providers on agreeing a fair cost for delivery, with factors such as inflationary annual uplifts and a fair level of profit, or surplus, built in to ensure financial security and investment. They would reduce their spend significantly and provide security to the provider who could then invest to develop more resources.

4. **Are there examples of good practice within or among local authorities that have been effective in overcoming any of these potential difficulties?**

Over the years we have been in business, both as AFA and with a previous agency we have seen a few good examples of practice by Local Authorities. The old East Midlands Consortium framework of 9 LA's headed up and managed by one authority was probably the best one we worked with. There was one tender to apply for, we were able to set a price which reflected the local economy, we were able to build good working relationships with the key personnel, who were able to communicate with us on behalf of all and we had a direct route via them to resolve any issues, such as payments, practice of staff on occasions etc. Unfortunately, this consortium was disbanded.

The recent D2N2, again in the East Midlands is one of the only ones we are aware of with an agreed inflationary increase built into the contract. This is a huge step forward.

The other that comes to mind is Norfolk's previous "Light Touch" framework which removed discounts from the contract. This however still retained a fixed price from the start, which increased their spend in the first three years of placements. Unfortunately, the previous good practice has recently fallen apart.

Theme Three Regulatory System

1. Please briefly describe the regulatory system and your assessment of its effectiveness in supporting good outcomes in children's social care. In particular, we welcome comments on:

a. The interplay between regulators and government, local authorities and providers.

It appears that many LA social care providers struggle to obtain "good" or better rating from Ofsted. 94% of IFA's are rated good or outstanding. Ofsted is a government appointed agency. Over the last few decades regulations have been tightened up and become more stringent in terms of, say, the National Minimum Standards. This is not a concern but something to be lauded. Arguably standards have not been tightened but set out clearly so that everybody is clear on requirements.

Interplay is different. If an IFA fails inspection the likelihood is it will go out of business and rightly so. If a LA fails, the likelihood is it will be given chance after chance to carry on and endeavour to improve. The incentive to do well is therefore greater for an IFA than a LA.

Although Ofsted has a remit to ensure the child comes first and safeguarding is paramount, it is hard to believe that Ofsted is not influenced by government policy. It is after all a non-ministerial department of government. Government is heavily involved in LA financing. As financing has greatly diminished, are standards going to fall and is Ofsted going to show an equivalent lenience as services become stretched?

Inspection of LA's is more complex than that of IFA's. LA Children Services are large and unwieldy and each department seems to be lumped in together. IFA's are purely inspected on the standard of foster care.

There is always scrutiny on independent providers by LA's as part of Ofsted inspections but never vice versa which is a concern in terms of who is accountable for what. This may also leave some providers needing to 'appease' LA's rather than there being a constructive relationship.

Ofsted could also be about creating long term improvement and change for the child not just about checking the last 3 years of work, rechecked again and again by the LA's.

b. The range of the regulators' functions and whether they ought to be reduced or expanded in any way?

Functions need to be amended. Each LA Childrens Services area should be separately inspected. Functions should not be reduced but because of the tendering process it can be that, although an IFA will have an inspection report normally no more than three years old, each LA will attempt to carry out an inspection of each IFA that has a child placed. Thus, an IFA looking after children from 25 LA's can have 25 inspection/monitoring events during a year whatever the result of its current Ofsted inspection. This is not cost effective for each LA let alone the IFA.

The SCIFF is far better at focussing on what is important, rather than an inspection being a range of 'tick boxing'. However, the size of the agency is affected in terms of their ability to prepare for and being engaged with the inspection process and being in a position to provide 'evidence' for inspectors.

c. The operational effectiveness of regulators and whether this could be strengthened by reform of their remit and objectives, resources and skills-sets and/or powers.

Anecdotally, the outcome of an inspection can depend on the Inspector you get.

Lack of consistency. Their remit should be further bias towards outcomes for the individual child and away from statistics.

Needs to be a further section associated with a regional inspector within Ofsted to receive concerns/complaints about LA practice on a more individual level especially around LADO process.

There does feel that the need for accountability rests with the providers and that Ofsted are not always consistent and held to account when they are not, i.e., differing approaches to inspections/grading by inspectors etc.

2. Are there particular problems in the way placements are supplied and commissioned that the current regulatory system is not well-equipped to address?

The lack of accountability in terms of provision of information and timeliness of referrals does not appear to be addressed by regulators. Over the years there has been little change in practice. Important detail can be left out. The emphasis is on the provider to have tried to get key children's information, but not on the LA to provide this to the agencies that they use. This can have serious safeguarding implications.

3. Does any aspect of regulation create any perverse incentives on local authorities, providers or other actors, which are driving sub-optimal outcomes?

Yes. As mentioned in **1a** above the possible appeasing of LAs by providers. We are encouraged to challenge This is something that is expected by Regulators (which is positive) but for providers wanting to gain tenders/children into their foster homes and working relationships with pressured and sometimes poorly functioning LA's, it leaves the possibility that practice is not child centred. Much of the LA processes often lack a focus on what is in the best interests of children and it can be difficult to challenge this in an effective way.

Although regulation enables special measures etc, LA's can carry on providing inadequate or less than good service.

As well as childcare regulation, financial regulation also needs to be examined. Financial regulations allow for profit from looked after children to be taken offshore. This should not happen. Such tax payers money should be returned to look after vulnerable children.

4. Where local authorities use unregulated placements, how do they ensure that these are appropriate in the absence of regulatory oversight? In England, how might this change as a result of the government's recent announcements?

Unregulated placements are absolutely inappropriate. The only way this will change 100% would be through proper government investment allowing for foster carers and those providing proper care to be recompensed.

It is hoped that by stopping unregulated placements for under 16s, this will lead to better safeguarding and wellbeing of children. However, yet, this remains untested in practice. The lack of available foster carers, particularly for adolescents is going to be compounded by this change, without there being the support and investment in services (including preventative services, fostering) to address the shortfall/need.

Theme four: Pressures on investment

1. What are the main drivers of, and barriers to, decisions to invest in new children's homes capacity by local authorities, private sector and third sector providers? Please consider:

a. Levels, nature and certainty of future funding;
b. Levels, nature and certainty of future demand;
c. Expectations of the level of prices in the future;
d. Regulatory and policy frameworks;
e. Barriers to the acquisition of appropriate property;
f. Barriers to the recruitment and retention of appropriate staff;
g. Any other factors you think are significant drivers or barriers

This whole section above is not an area we have experience of. It would, therefore, not be appropriate for us to offer comment

2. What are the main drivers of, and barriers to, decisions by local authorities to expand their use of in-house foster carers, and to new independent fostering agencies entering the market or expanding their operation? Please consider:

a. Levels, nature and certainty of future funding;
b. Levels nature and certainty of future demand;
c. Expectations of the level of prices in the future;
d. Regulatory and policy frameworks;
e. Barriers to attracting and retaining appropriate foster carers;
f. Any other factors you think are significant drivers or barriers.

The issues here are not as simple as specifics around future funding, demand, price. These are all areas which impact on the decision makers in both Local Authorities and IFA's. We need to look behind that to see why the Independent sector first developed, how it is still perceived by many within local government and the ethical questions of making profit out of public care. There is still a view in many Local Authorities, and a widely held belief by the public, that fostering is something that is or should be done by local authorities themselves. This coupled with a subjective view that it is cheaper to have a Local Authority placement than one provided by an IFA.

These views and misconceptions have a negative impact on decision making when it comes to committing to investment in growing the level of fostering resources. A true cost comparison is needed and needs to be accepted as a level playing field in order for both Local Authorities and IFA's to make proper decisions about when and where to recruit foster carers, or whether to start operating in new areas. The recent review by Sir Martin Narey came to the conclusion that there was little difference in the relative cost of foster care in the public and private sector. If the generally higher allowances paid to foster carers by IFA's were factored in, there would be very similar costs. Acceptance of this would enable decision makers in Local Authorities to focus on need rather than misconceived views on differences in price and commission to meet this need. This in turn would enable IFA's to invest to recruit to meet the needs being commissioned, in the knowledge that the service they developed would be used and their investment recovered.

The issues around future funding and demand are very much interlinked. To have any real impact on this requires Central Government leadership rather than Local Government. For over a decade Local Government has had to make its decisions around funding based on cutbacks to its income in real terms. This has meant that in order to maintain its statutory obligations decisions have had to be made on stopping funding some of its other activities. Safeguarding and the provision of care are the two key and most expensive areas of LA Children's Services. To ensure these are funded cuts have been made to youth services, early years support, family support and a host of other services which support families struggling to bring up their children. The certainty with the continuation of this policy is that the need to care for children in both Foster Care and Residential Care will continue to rise and with it the cost to Local Authorities as a result of volume increase, rather than individual placement cost. The only real solution is a reversal of austerity policies which have created the situation over the past decade or so. The results of this however would not become apparent for the next decade or so.

3. Within the private sector, does the ownership model, particularly whether or not a firm is private equity-owned, affect the appetite of a provider to invest in providing new placements?

The Directors of AFA have had experience of both private equity owned and privately owned companies. Our experience has been of two distinctly different models.

Privately owned IFA's such as ours exist to deliver services in specific areas to meet specific needs in those areas. We need to develop new placements to support the growth of our business and to secure the stability of employment for our staff. We therefore invest steadily to enable this to happen and ensure the financial security of the business. As we are relatively small and operate in certain Local Authorities, rather than on a national basis we are able to build relationships with our individual customers, to understand their needs and to develop our services to meet these needs on a local basis. We are able to operate relatively debt free, using our profits to help us grow organically.

Our previous experience working for an organisation taken over by private equity was of a more corporate, less person focused organisation. The prime driver, after private equity took over, changed from the delivery of care as priority, to delivery for the stakeholders being priority. There was a greater emphasis on the brand, rather than quality of service delivery. The strategic plan timescales and targets became shorter, with the expectation to sell the business in a three-to-five-year timescale. To facilitate this the organisation was streamlined to maximise profits. Areas such as training, duty teams, Panel and administrations were carried out via a national team rather than area or regional teams. Resulting in diluted relationships with customers and a lack of understanding of regional cultures and specific needs.

Perhaps the biggest influence on the appetite to invest in the provision of new placements was the policy of "growth through acquisition", rather than organic growth responding to local knowledge of needs. The growth was by acquiring smaller IFA's whose owners wished to exit, retire or the offer was too good to refuse. This was funded by debt then recouped by selling on to another private equity investor. Only for the pattern to be repeated every three to five years. The sector is now dominated by a handful of very large companies who have bought up a majority of the small to medium sized providers over the past few years. The risk to Local Authorities is that if at some point one of these major providers fails to sell or service their debt there will be a huge cost to the public purse in taking over their provision.

4. Are there actions that government, regulators, local authorities (acting independently or collaboratively) or other actors could take to support more investment in capacity where it is required?

As we have previously stated. The greatest and most effective investment in capacity can be made by reducing the numbers of children needing to be cared for by Local Authorities. There are a finite number of people who can, or wish, to foster. Over the years we have worked in the sector, going back to the early 1990's there has always been a shortage of foster carers. This has only been exacerbated by the increasing number of children being Looked After. Consistent, serious investment in services to support families look after their children will over time reduce the level of need for public care. There will always be a level of need where children are abused, abandoned, orphaned amongst a few reasons. But investment in early years and youth services, family support and counselling will mean Foster and Residential Care will become one of the options for children, rather than the option for children.

Endless schemes to boost recruitment of foster carers is not the answer to the capacity issue. The reduction of the need for it is.

Alongside this, a more collaborative approach by local authorities will go some way to maximising the use of resources. Regional consortiums can help pool access to resources, rather than each Authority acting in isolation. They encourage new providers into an area and give them the confidence to invest.

The creation of a level playing field between IFA and LA fostering services, created by Local Authorities going to the whole market for a placement based on the needs of the child only, rather than the misconception it saves money to go in-house first before going to the private sector. This would go a long way to help increase capacity as foster carers would be more likely to be matched properly for a child. They would find it a positive experience and be more likely to encourage others to foster. Most foster carers are recruited via word of mouth.

Conclusion

Nature of Supply

This is a question of demand over supply. The answer is to be found in reducing demand rather than increasing supply. This would be over the longer long term and costly in the short term. It would, however, be very cost effective in the longer term. There has always been a finite number of people genuinely wishing to foster. This will not change as long as people wish to foster for the correct reasons.

Commissioning

The commissioning of children's services has developed into an unwieldy industry within the sector. It has been developed and is managed without an intimate knowledge of what it is commissioning. Commissioning is separated from procurement, placement and social work. Commissioning is short term, exacerbated by the high level of staff turnover, recycling of ideas and themes, and political changes. On any level it has moved a long way from meeting the needs of the child.

Regulatory System

The public sector is not inspected on the same basis as the independent sector. A failing public sector service will continue. A failed independent sector IFA will likely (and probably justifiably) go out of business.

Pressures on Investment

Local authorities commission services. Local authorities are in competition with the IFA's whose services they commission. A level playing field is necessary. Local authorities have been placed under overwhelming pressures through lack of central government funding. This, along with the vagaries of the commissioning system and recent experience of very poor commissioning practice leads to us questioning investment over the long term.

Between the two Owner/Directors of Anglia Fostering Agency we have been involved in foster care services for over 50 years. We have managed fostering services in the local authority arena. We have managed and developed services for one of the largest Private Equity owned IFA's. We have set up, managed and still own our IFA. AFA has been looking after children for over 11 years. We have dealt with some dreadful social care issues and some appallingly frustrating local government machinery. Our experience is extensive.

The one ongoing theme that has run throughout our careers is that of the **short term**. We have seen a recurrent recycling of ideas, projects and practice. Local authority services are in a constant state of flux. This instability is due to large staff turnover, both commissioning and social work, political changes every few years and major funding difficulties. Politicians only tend to look at a maximum 5-year term. Care of children is a lot longer than 5 years.

PE-owned IFAs generally provide better outcomes than local authorities as they must stay in business to satisfy their stake holders. Ownership of PE-owned IFAs is 3-5 years and is based on ever increasing debt. Care of children is a lot longer than 5 years.

The smaller, privately owned IFA's such as ours operate relatively debt free, using our profits to help us grow organically. We develop services to meet the needs of the local authorities and the needs of the child over a long term period. We have a very low staff turnover; we are consistent in our approach and we plan for the needs of the children we care for over the long term.

Graeme Duncombe   Nigel Pickering

Directors