

Invited comments on CMA Children's social care market study

Scotland centric:

Common Thread is a residential Care provider with 20 homes and two schools in Scotland.

The comments below are deliberately broad in nature and comment on the brief which appears to be "to investigate the market and recommend ways to improve it".

Overall comment:

In the background of your study too little notice is taken of the key factor for successful outcomes for young people. That is, the individual needs of all young people, which can only be treated as homogenous at the most basic level.

A quality offering is one where the needs of the young person are accurately assessed, and individual care plans made for each young person. That means that for those that with more complex needs, bespoke solutions and careful matching is essential. In a simple example a young person with sexually predatory behaviour cannot be accommodated with potential targets. This 'meeting the needs' is the key factor driving costs and outcomes.

In examining the market cognisance must be taken of differences in the needs of the young people and the specialist care required to meet those needs. This is typically determined by the number of residents of any home. The fewer the residents the more specialised the care.

As the needs of the young people are more clearly identified more specialist care is required. This is the primary reason costs have increased so significantly in the last 20 years. Young people are getting a better deal now.

Nature of supply:

Having been in at the outset of private residential provision in Scotland, we have a view formed over more than 20 years. Whilst

Scotland lagged behind England and Wales in adopting private residential provision the need for private provision was just as urgent.

Local Authorities and the voluntary sector had been failing those young people with more complex needs for some time. Local politicians had become wary of scandal so it was expedient and appropriate that most LA residential provision was closed down and the provision of services were handed over to the private sector. It was also cost effective for Local Authorities then, even considering the public sector accounting rules which ignore the Capital account in assessing cost of services.

More recently some Local Authorities have re-introduced their own residential provision. Anecdotally this has led to some poor outcomes as the matching mentioned above is not accurately followed as the placing decision is based on cost and not on the needs of the individual young person.

There are no significant differences in how providers operate with the exception of the different needs of the young people and most having slightly different business models.

Investment in additional capacity is driven by a number of factors. Local Authorities have the capital but generally lack the management to efficiently run homes. Local Authorities provision generally caters for the young people with the least needs. Private provision is generally focussed on providing services which Local Authorities cannot do well. The third sector in Scotland is quite significant but operates similarly to and competes with the private sector.

As a rule, private provision is started by people with a passion for the work they do, and this is the primary motive for starting up, rather than financial gain. Private provision is delivered more cost effectively than Local Authority or Third sector provision, as these operations are run on solid business lines.

The role/effect of Private Equity funds is more nuanced. The motivations of these funds to involve themselves in the business has to be different to the individual start-ups. These funds are established primarily to make financial returns above market rate. Making excessive profit out of the vulnerable is seen to be unpalatable. That said, they do have a positive role to play in providing an exit for those who have established effective care businesses. The market loses much of its essential quality and

diversity when big corporates adopt a cookie cutter approach to the homes they acquire.

Commissioning

Except in the most straightforward of cases the placement of young people is a process unique to each young person. A placement needs to be found where the individual needs of the young person can be met by the provider. Block contracts and the like, mean less effective placement for the young people, as the pressure is on to fill the beds regardless of the suitability of the placement for the young person.

Scotland has a Framework agreement in place, this is welcomed as it sets the basis for price and quality understood by both contracting parties. All of our Scottish placements are placed under the Framework Agreement contrary to the assertion in the preamble. A UK wide Framework agreement would make things easier but much higher property prices in the South of England would unfavourably impact price comparisons of providers there.

At a reasonable cost? Residential places are 'expensive' because that is what it actually costs to provide the care. It has been noted that there is not a flood of new entrants into the market even though the barriers to entry are reasonably low. That is because it is an extremely difficult business to run, as one constantly battles the various conflicting interests. Whilst adequate financial returns are available, the risks are also significant. Any reputational damage could be terminal for any business. In these days of easy, wide information spread, the damage can be done based on hearsay alone.

Most tellingly though has been the Central government's ever increasing of the minimum/living wage without the commensurate uplift in Local Authority funding. Staff costs are far and away, the biggest cost for any provider resulting in increased prices beyond inflation. This has led to increased pressure on Local Authorities which in turn has been detrimental to some young people, as the cheapest place is sought, regardless of whether it is the best placement for the young person. By seeking the cheapest placement, the needs of the child are not met this leads to placement breakdowns which start the spiral to ever more expensive solutions.

In Scotland there is a serious shortage of singleton placements for young people. These provide for the most challenging young people and require a house and a full staff team of 7 plus a manager to run. The prices

needed to provide such care are unpalatable to Local Authorities as comparisons are made with the cost of secure care which costs about the same. The rules are, however, different for secure accommodation as a facility can be run with far fewer staff per young person, as locking young people in is allowed, so the walls act as additional staff members. The result is that singleton placements provide no profit but carry the most risks yet are far better for most young people than secure.

The regulatory system.

One would imagine that the regulators would have the same goals as a provider, the best outcomes for the young people. We have not found that to be the case. With 20 houses we would want one lead inspector who understood what it is we do and what we are trying to achieve. Instead, we have a number of inspectors some of whom clearly don't understand the challenges of looking after some of the most confrontational young people. Inordinate amounts of time are spent ticking boxes for the inspectors, none of which improves the outcomes or ensures the young people are safer. Whilst regulatory oversight is a necessity, effective regulation should be about working with providers to understand their business and the risks.

Sadly, we view the inspectorate more as a necessary evil than the positive partner it could be. Sadly, this lack of understanding and risk averseness detracts from the quality of care offered to young people.