

BayTree House (Gravesend) Ltd

I have had a chance to review this very large subject and although we are only a small provider would like my comments considered.

Firstly I would say the response form ICCHA of whom we are a member is very accurate and I would agree with the majority of their comments.

Clearly supply of places is an issue that really is the cause of concern of perceived over pricing by independent children's homes. The standard of care and quality is regulated by Ofsted, the only thing missing is better recognition of good quality staff, both as a recognised profession and possibly remuneration for the lower pay scales. More homes and more staff is the only way to address the current concerns.

What nobody has pointed out is that most, certainly smaller homes, are run by directors who don't take a salary, but remunerate themselves by way of dividends from the reported profits of the company set up to register and run the Home. Our organisation as example, with myself as Responsible Individual and until recently my wife as Registered Manager reports a profit of around [X]% of turnover.

If we paid ourselves market rates for our positions as employees which would be accounted for as operating costs as they would be treated as part of our PAYE costs, this brings profits to around [X]% which I would have thought is more palatable by society. Perhaps we should point this out to Mr Josh Macallister too!!

Also an [X]% return on the significant investment of the property provision, and significant investment in obtaining registration for such homes, is far from outrageous.

This comes onto why this happens. Firstly public sector run homes cost about £1000 per week per placement more than those such as ourselves - so independent homes must be running a tighter ship financially.

Secondly the Tax system (clearly set up by Government) dictates that owner/directors retain more of their cash by paying dividends out of reported profit, as opposed to PAYE. Reporting of this appears that operating costs are lower than they really are resulting in reported profits being higher.

Thirdly the entrepreneurs tax relief system (again a government policy) removes the incentive to pay rent for properties owned by directors, used for the business. This again reduces reported overheads and increases reported profit.

Fourthly, companies like ours wish to report high profits using the above methods as this creates a good credit record which in turn enables the opportunity to borrow money from Banks to expand their business. This is surely a good thing to create better supply of places.

I point these out as they don't seem to have been expressed in your interim report.

The only way to get better supply of places and increase them is for recognition of the tax system and the incentives it provides, which is not extortionate. Reduce the onerous task of planning permission for children's homes - it's unfair that these vulnerable children's potential accommodation is negatively targeted by society during the enforced planning process.

Recognise that buildings have to be purchased and paid for to provide these homes - possibly government backed funding may increase potential supply and opportunity for private operators?

Please do respond to me if you require more detailed information supporting my comments