

Missed opportunity

Question marks remain over health and social care levy

Children's services

The sector is primed for further growth as demand increases

Home Instead

Technology to drive efficiencies at scale

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In focus

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The children's services sector is primed for further growth. Dr Joe Taylor, head of the No and Dr Michelle Tempest, partner, of Candestic, examine the opportunities the sector has offer



New kidson the block



While many sectors suffered significant curtailment of requests because of Covid, demand for children's services has increased (Figure One) and outcome metrics are on their way.

Overview

Children's services intersect and vary in the nature of provision and the reasons children are referred into them. Often, but not always, those in children's services will also be supported and educated in mainstream settings.

Broadly they fall along two axes (Figure Two). Provision varies from support in the home through to full-time residential care and in-service education. The reasons for referral are unique

for each child but can be considered to range from biological characteristics to environmental trauma.

These distinctions, however, are not clear cut. We know that children and young people with additional needs and disabilities are up to three times more likely to be abused or neglected than non-disabled children, and less likely to disclose harm due to communication and other difficulties.

What children's services in the UK share in common is that they are funded through a tripartite system:

- NHS/clinical commissioning group funding for healthcare
 - Local authority funding for children's social care
 - Local authority funding for education
- The requirements of the child determine the balance of funding contributions and is encapsulated in an education health and care plan (EHCP) tailored to each child based on a 'needs assessment'.
- This tripartite funding arrangement results in tensions between local authority and healthcare commissioners, with each party wishing to shift responsibility onto the other.
- Providers who can support the principal commissioner, who is in local authority children's services, to make the case for accessing other budgets can build stronger relationships and become preferred in the placement of children.

Evolving models of services

The old models of institutionalised care are being dismantled as we recognise that children do best in other environments.

There has been a concerted effort to support children in mainstream services as far as possible. This has led to an increase in the average acuity of need in specialist children's services. Simply providing food and shelter for children is no longer the mainstay of services as it was some decades ago.

Consequently, services now must provide the staffing levels, educational support, behavioural support and therapeutic services required by children with much more complex needs. Some services have adapted well to these new responsibilities, especially the larger independent groups.

Other smaller services have found these new challenges difficult to take on with any success or quality.

Development of 'new models of care' to improve existing services is all too often obfuscated by the absence of robust outcome measures. Instinct and anecdote have guided providers in what seems to be the right direction, but optimising care for different cohorts of children, needs robust audit of outcomes.

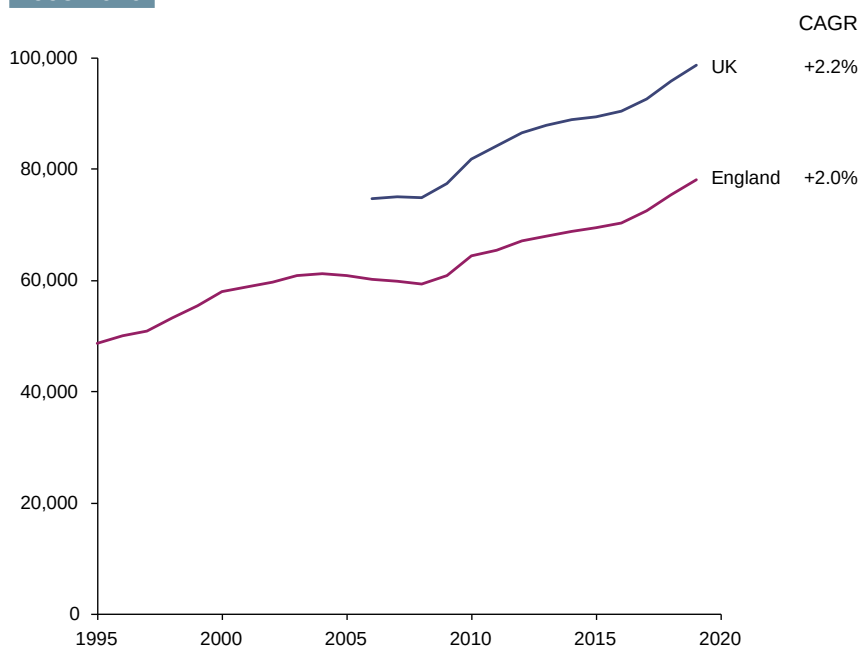
Many onward decades of life depend upon the efficacy of children's services, and whilst we have a myriad of validated incomes for the treatment of physical diseases of old age, there is no single equivalent for children's care.

The excuse that every child is different is as valid as saying that cancer outcome measures are a lost cause because every tumour is different; it does not wash.

Providers who take the lead in developing and validating outcome measures, and then opening them up to the entire sector will be able to win favour with both the Competition and Markets Authority and those funding services who are obliged to undertake 'evidence-based commissioning'.

Collaboration with academic institutions and data scientists will be key to developing validated outcome mechanisms recognised across the sector.

FIGURE ONE – TRENDS IN THE NUMBERS OF LOOKED AFTER CHILDREN 1995-2020



SOURCE ENGLAND - DfE; SCOTLAND - SCOTTISH GOVERNMENT; WALES - WELSH GOVERNMENT; N IRELAND, DfH

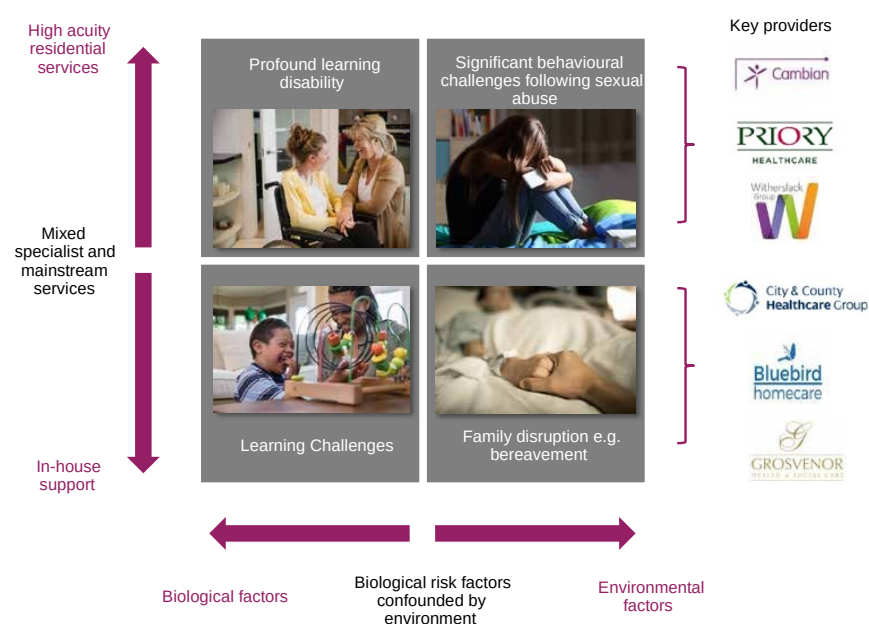
Paucity of needs assessments

The number of people who are identified as having a special educational need (SEN) underestimates true demand. There is a long waiting list for assessment, which is required before an EHCP can be developed and put in place. The waiting list has grown significantly during Covid.

There are opportunities in the market for independent providers who can support assessments as local authority provision has proven inadequate prior to Covid and certainly is now.

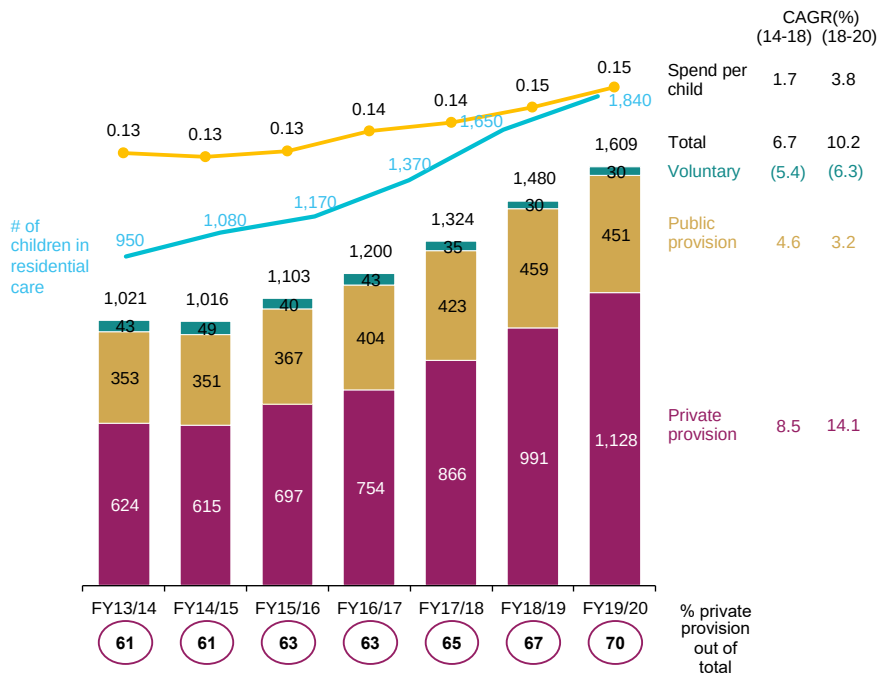
In 2020 BGF invested in A Wilderness Way (AWW), a company providing short and long terms residential placements for 'children at risk of sexual exploitation'. The business prioritises effective assessment of children who have not

FIGURE TWO – TYPES OF CHILDREN'S CARE AND EXAMPLES



SOURCE CANDESIC RESEARCH AND ANALYSIS

FIGURE THREE – LOCAL AUTHORITY SPENDING ON RESIDENTIAL CARE AND SPEND PER CHILD, £M



Local authority spend on residential care is showing strong growth, within which private provision is the fastest growing beneficiary

The spend per child has also increased throughout the same time period

- This indicates that children require more intensive care; the average level of acuity continues to rise
- Commissioners have not only remain willing to commission the independent sector, but also to fund more independent provision with higher weekly fees

NOTE NHS FINANCIAL YEARS
SOURCE GOVERNMENT UK, LOCAL AUTHORITY AND SCHOOL EXPENDITURE 2013–2020; CANDESIC RESEARCH AND ANALYSIS

yet received formal comprehensive EHC assessments, which enables AWW to make a case to local authorities for adequate funding of their short-term placements prior to long-term EHCPs having been put in place.

The impact of Covid

Successive lockdowns put pressure on every family, but for children who need extra support or those vulnerable to abuse or exploitation the negative impacts have been significant driving increase demand for a range of children’s services.

Children with SEN who have had limited access to community services or family support throughout lockdown will have seen their progress stalled or have fallen back in their abilities. Some who would previously have been supported at home may now need temporary or permanent residential care or specialist schooling.

For vulnerable children in unsafe home environments the effects have been catastrophic. Isolated from the oversight of teachers, social workers, doctors and relatives, unhealthy families have gone unchecked. We will never know the extent to which abuse of children increased during lockdown, but we have seen more safety concerns being

raised than in normal times as society has reopened, and children have come back into contact with those who care about their welfare.

Children’s sector providers have faced challenges with staffing shared across health and social care.

However, following the end of furlough there are likely to be many across retail and hospitality who find they have no jobs to return to and may consider work in social care for the first time.

We anticipate providers who have effective recruitment and training programmes in place will be able to grow through recruiting from those transitioning into the care sector.

Opportunities for provider growth

Children’s services remain divided between local authority, independent and third sector providers. As demand grows, service places are increasing most rapidly in the independent sector (Figure Three) and we anticipate this trend to continue as local authorities struggle to find the capital to invest in new provision.

Although significant changes have been underway in the development of local authority children’s services, many

services remain in the old mould of larger group homes and schools. Families and children have increasing influence over where they are placed, although in an undersupplied market (Figure Four) this choice is often unrealisable.

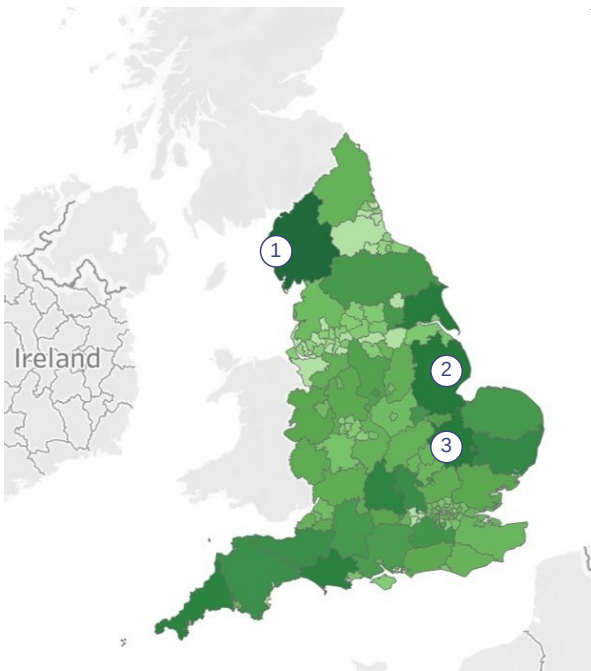
As new modern high-quality independent services enter local authority dominated markets, they tend to take market share from local authority providers, especially for the highest acuity children.

Children’s services remain fragmented, and consequently there are consolidation opportunities in the market (Figure Five). Plus, many providers have also been effective in delivering organic growth. Witherslack, which was recently transacted, has opened three new schools and a residential service over recent years that has contributed significantly to its revenue growth (Figure Six) and attracted interest from across the private equity community.

Choosing the right investment to mitigate risk

One of the questions we are frequently asked by potential investors in children’s services is regarding the possibility for abuse to take place within those services and the resultant reputa-

FIGURE FOUR – PERCENTAGE OF LOOKED AFTER CHILDREN MORE THAN 20 MILES FROM HOME COMMISSIONING LOCAL AUTHORITIES, ENGLAND

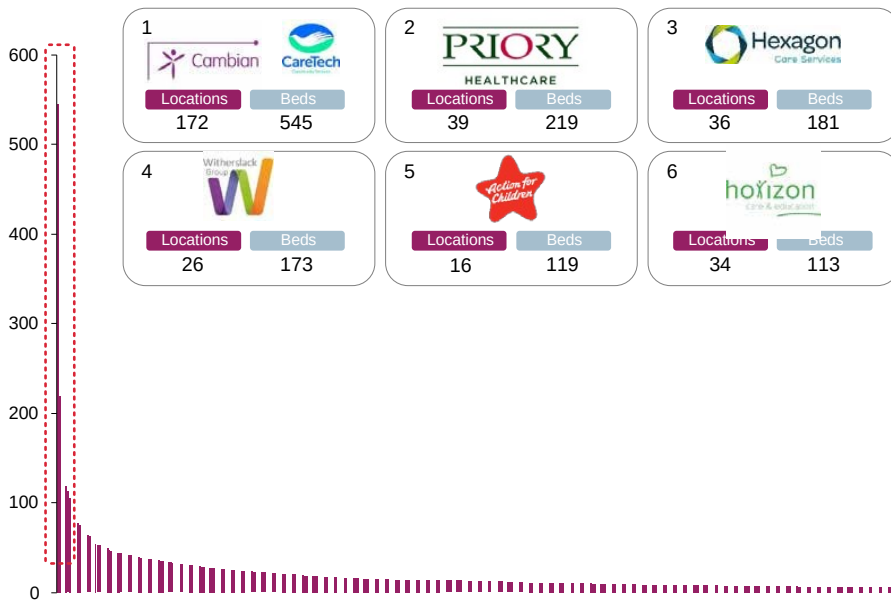


Opportunity exists for private providers to build capacity in areas that are moving their children far afield, anticipating that counties will be steered to commission more locally in the future

Area	Number of LAC, 2020	% LAC		Opportunity for private providers
		Placed 20 miles+ from home	Placed outside the area	
1 Cumbria	721	54%	25%	Build capacity close to home, in the county. Rural landscape with towns many miles apart Build capacity in county
2 Lincolnshire	622	48%	12%	
3 Cambridgeshire	714	47%	46%	
England average, per local authority	520	19%	37%	

SOURCE DfE LAC STATISTICS, PASS THE PARCEL CHILDREN'S COMMISSIONER REPORT 2019, CANDESIC INTERVIEWS, RESEARCH AND ANALYSIS

FIGURE FIVE – CHILDREN'S HOME PROVIDERS, ENGLAND NUMBER OF BEDS, 2020



CareTech's acquisition Cambian Group makes them by far the largest provider, accounting for 5.7% of all children's home beds in England

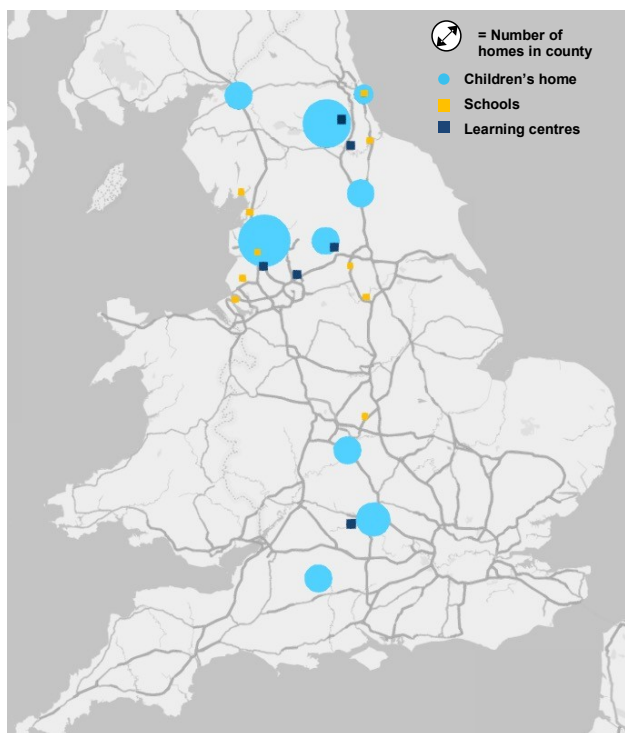
Single site providers:	291
Multi-site providers:	351

N(providers) = 642

The market for provision of residential services of the type delivered by Pebble is fragmented meaning that the market is likely to continue on a path of consolidation

NOTE OFSTED DATA COMPRISES SNAPSHOT AT 31ST MARCH OF EACH YEAR 1 AT 31ST MARCH 2020, 72 BEDS DID NOT HAVE A LISTED PROVIDER
SOURCE OFSTED; CANDESIC ANALYSIS

FIGURE SIX – WITHERSLACK'S GEOGRAPHICAL COVERAGE



The company most recently opened several schools:

- Windsor in Berkshire, Queensmead Primary and Secondary School
- Westbury in Wiltshire, The Eaves
- Stockton-on-Tees in County Durham, Elmbank

It also opened a new home in Tyne and Wear, Fernpark

SOURCE WITHERSLACK WEBSITE, UK GOVERNMENT DATABASE, LAINGBUISSON REPORT

tional impact on the group.

We have seen the risks attributed to different sectors evolve throughout the Covid pandemic. Investors increasingly understand the resilience of health and social care sectors to economic and societal shocks.

It is an understandable, if tragic, truth that demand for children's services will not decline. More positively, there is no public or political appetite to see funding for such services cut and this part of government spend is one of the most protected.

What happens if a serious safeguarding issue occurs within a service? The fear of a Panorama-style expose is at the forefront of many providers and investors' minds. Unchecked and un-noticed ongoing abuse by staff or inadequate service characteristics when revealed will always damage a business in the care sector. Conversely, high-quality services with excellent procedures for identifying and mitigating risk will benefit from the failings of other providers.

There are some key indicators of a service that has taken steps to minimise the risk of abuse:

- Services that are well integrated into the community with children

frequently involved in activities outside of the service

- Out-of-service training for each member of staff that is regularly repeated, rather than delivered only at the start of employment
- A well-documented simple policy for staff to report concerns regarding colleagues through multiple channels and alternative levels of anonymity
- Mechanisms for children, their families, and their social workers to report concerns without prejudice
- Frequent external service reviews from peers in other services within the organisation, and external reviews from outside of the group

When we review homes we flag areas of concern, such as institutional settings where children lack integration into their communities and when staff are isolated or have little peer support from their colleagues in the broader group.

Having visited hundreds of children's

services between the two of us, we have developed a keen eye for identifying risky services and also those where there are proper safeguards to reduce the risk of avoidable harm.

Conclusions

The children's sector is one primed for further growth and development. New models of care combined with improved evidence-based practice offers the chance of further and ongoing service evolution.

As risk and acuity increases for children, we are also want to evolve more specialist services and help develop children's services capable of evidencing how they are helping the child during their time in care and setting them up for future life success.

In July the UK government announced a new £48m for the national adoption strategy to help families access more support when adopting children. We know they are also reviewing the looked after children sector.

Overall, those investing in high quality children's services can take pride in their contribution to transform young people's lives for the better.