

**Local Government Association
Children's Homes Research**

Final Report
January 2021

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Executive Summary

"What we've learned and what's not been comfortable for a lot of local authorities is that we'd lost control." (Local Authority stakeholder)

In the context of concerns raised by local authority members around their level of control in meeting sufficiency duties – specifically in respect of children's residential care - the Local Government Association commissioned SEC Newgate Research to undertake research into the policies, barriers and facilitators for local authorities and smaller independent providers in establishing children's homes. This research involved a targeted literature review, interviews with a selection of strategic stakeholders from across the public sector, voluntary sector and academia, and interviews with a range of practitioners and professionals to understand practice at more of a local and regional level. In total over 40 contributors fed into this review from across 26 different organisations.

A variety of inter-related barriers to establishing residential children's care provision were identified that impacted local authorities and smaller independent providers across both the private and voluntary sector. These included:

- The perceived role of children's residential care as an option of last resort due the negative stigma that surrounds children's homes, comparatively worse outcomes for those children and young people that have been supported within these homes (often having come through multiple failed placements beforehand), and the significantly higher cost for residential places
- Challenges making a robust business case for investing in children's residential care due to the high capital expenditure required for setup and the lack of predictability in the flow of placements
- Difficulties finding the right property and staff (in particular a registered Manager), and having these in place in advance of being given licence to operate by Ofsted, all of which require significant time and resource investment
- The complexity and severity of children and young people's presenting needs can make it difficult to make a placement (due to the need to manage the dynamics of homes as much as the challenging behaviours themselves) and homes can feel overly-restricted in managing challenging behaviours due to stringent regulatory requirements and the need for appropriate matching
- A perceived lack of co-ordinated and strategic commissioning practices to assess need, engage the market and develop services with the longer term in mind

Many local authorities and providers have worked to address some of these barriers, and create an environment in which more local residential care provision has a valued role to play as part of the wider ecosystem of support and services for children and young people. These included a variety of strategic commissioning examples at local and regional levels which have sought to bring greater balance to the residential care market, and innovative service delivery models including joint ventures, community interest companies and approaches drawing on evidence of what works.

Through this research it is clear that to address what are relatively systemic barriers to the establishment of residential care by local authorities or smaller providers, it is necessary to actively recognise, promote and support residential care as an important part of the range of support options open to children and young people both at a national and local level. Formal recognition of this will help with subsequent steps to professionalise the sector, to reward practitioners (making it an attractive vocation and to promote their retention), and to reduce the perceived risk (or appropriateness) of investments in this form of provision.

Residential care cannot be seen as a homogenous market or as a standalone unit cost to be managed (or reduced) at a local or regional level. Instead, there needs to be recognition of the specialisms and interdependencies that exist in the system, both of residential care supply and demand, but also in respect of the other public services working with this cohort of vulnerable children and young people. The forthcoming Children's Social Care Review presents a key opportunity to address the challenges facing local authorities and the country as a whole. This should include considering the merits of establishing a national body with oversight over market need, market terms and the strategic commissioning of residential care provisions at a national and regional level.

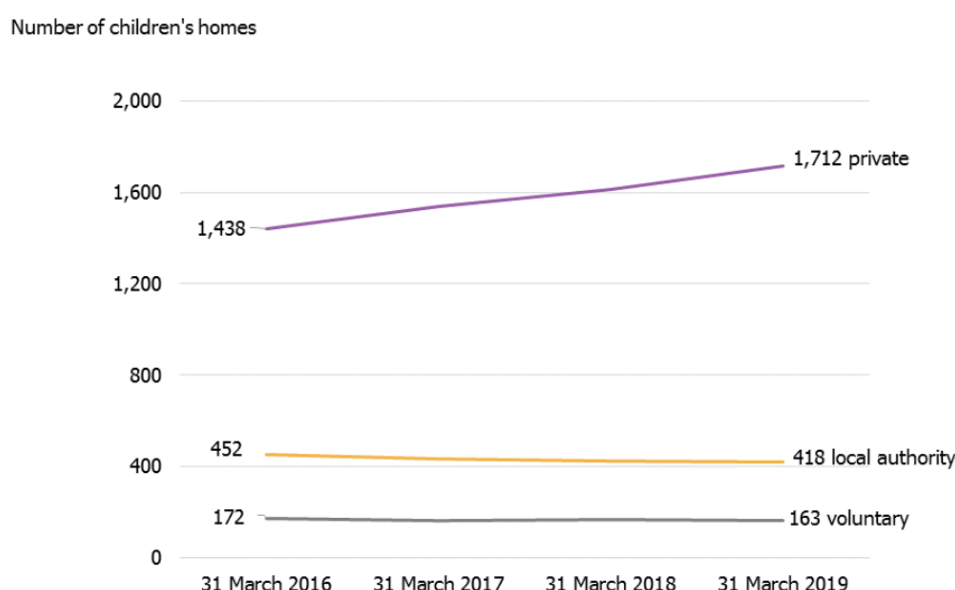
Introduction

Context

The Local Government Association is the national membership body for local authorities. They are committed to ensuring that councils have the resources needed to locally provide the necessary support to best meet the needs of children in their care, including those with more complex or challenging needs. Looked after children have rates of emotional, behavioural and mental health difficulties 4 to 5 times higher than the wider population¹. These are amongst the most vulnerable members of our society and local authorities hold a duty of care as the corporate parent to promote the best outcomes for these children and young people.

The number of children in care in England has risen by 15% since 2015 to 80,050 as at 31 March 2020², of which approximately 6,780³ were in the care of one of England's 2,378 residential children's homes⁴. As illustrated in Figure One (below), the vast majority of these homes are run by private companies, compensating for a decline in provision by local authorities and the voluntary sector who have both greatly reduced their residential care home provisions over the past 30-40 years (much of which has now been repurposed as short break provision). There are various reasons for this trend, one of which is the cost efficiencies attributed to private sector provisions. The most recent Personal Social Services Research Unit report indicates that local authority run homes cost on average over £1,000 more per resident, per week than those run in the private sector⁵.

Figure One: The increase in the number of children's homes run by private companies in England since 31 March 2016⁶



Local authorities have a general duty – where practicable - to provide accommodation that is within the local area and allows the child to live near their home. While there are no hard-and-fast rules around what constitutes a reasonable distance, the Education Select Committee in 2014 acknowledged the appeal of a rule which prohibited placements of more than 20 miles from home.⁷ In its 2018-19 annual report, Ofsted reported that, as at 31 March 2018, around half of all children living in children's homes were placed more than 20 miles from home; 60% were living outside of their 'home' local authority⁸. Table One (below) illustrates that the average distance of placements is not uniform across the country with certain locations, notably London and the South West, more likely to be placed very significant distances from home.

Table One: Average distance from home to the children's home, by region, as at 31 March 2018 ⁹

Region where child originally lived	Average distance in miles from home to the children's home
England	36
North West	21
Yorkshire and Humber	25
West Midlands	26
North East	28
East Midlands	29
South East	43
East	49
South West	54
London	60

Given the capital expenditure costs of establishing homes in areas like London which have relatively fewer suitable properties available at commercially viable prices, it is perhaps understandable that independent providers operate more homes in areas of the country where capital expenditure on property and staffing is lower. The trend therefore continues that new children's homes are established primarily in the North West and West Midlands.

Out-of-area placements are recognised as being necessary to safeguard some children from gangs and child sexual exploitation, or in meeting certain specialist needs. However the practice of out-of-area placements can be criticised for placing additional barriers to the maintenance of relationships between a child in care and their family and friendship groups, and there is evidence (e.g. the University of Bedfordshire's Contextual Safeguarding Programme) to suggest that it can increase risks of exploitation. However, there is much support for the position advocated in Sir Martin Narey's independent review that the most important consideration for commissioners should be in finding children the 'right home'¹⁰. Location is an important factor in this but needs to be accounted for along with the range of other presenting needs.

In the most recent analysis of the financial performance of the largest independent sector children's social care providers Andrew Rome of Revolution Consulting reported that local authorities in England spend over £1 billion annually on purchasing children's homes 'services' from private and voluntary sector organisations¹¹. The report goes on to acknowledge the high degree of consolidation within the sector, especially amongst the largest providers, and questions what actions the state might take if an independent sector provider begins to fail financially; it also presents a challenge to existing commissioning structures and processes that have historically tried to influence the supply sector from a single local authority or regional perspective. Given that the only 'buyer' for children's social care in England is the state, which has a legal duty toward ensuring sufficiency of care, these are important considerations.

'The legal, reputational and case management risks to government – national and local – of market collapse are extraordinarily high. The risks and costs to children in such an event are almost incalculable.' (Children England¹²)

Aims and objectives for this research

The Local Government Association (LGA) on behalf of its local authority members engaged SEC Newgate Research to explore the policies, barriers and facilitators toward local authorities developing in-house children's home provision, and for smaller independent providers in establishing homes. This is in the context of:

- risks to continuity presented by a small cohort of around 10 large independent providers¹³ operating around one-third of the residential care sector provisions;
- the lack of geographical spread of provision impacting choice and sufficiency;
- the predicted increase in referrals to children's services following the COVID-19 pandemic;
- acknowledgement that current residential provision is insufficient in volume or form to meet the wide variety of needs of children and young people, in a child-centred manner; and
- an increased emphasis on addressing the use of unregulated settings (resulting largely from the lack of placement options).

This research was undertaken in two phases:

1. The first phase involved a rapid review of relevant published and grey literature from the past six years, alongside 'expert' stakeholder interviews to explore the issues from an overarching, macro level.
2. The second phase involved interviews with professionals and practitioners representing a range of strategic commissioning groups, local authorities and children's home providers to understand how local authorities and regions were responding to challenges with sufficiency in residential children's care provisions. These interviewees were identified following recommendations from stakeholders in the first phase and through the ADCS Standards, Performance and Inspection, and Resources and Sustainability Policy Committees.

The information and insight obtained from this review will be used by the LGA to help inform initiatives to support the development of in-house provision and provision by smaller providers, as well as to input into the forthcoming Children's Social Care Review due to commence in 2021.

We would like to thank all those who contributed to this research, helping provide a comprehensive assessment of the challenges and opportunities that exist for diversifying provisions. These included representatives from:

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| • Darlington Borough Council | • Lighthouse Children's Homes |
| • Hampshire County Council | • No Wrong Door |
| • Hertfordshire County Council | • Spark of Genius Children's Homes |
| • Kent County Council | • Action for Children |
| • Liverpool City Council | • Children England |
| • Stockton-on-Tees Borough Council | • The Department for Education |
| • Suffolk County Council | • The Association of Directors of Children's Services |
| • Tees Valley Collaboration Project | • Ofsted |
| • London Innovation and Improvement Alliance | • The Office of the Children's Commissioner |
| • South East Commissioning Group | • The Independent Children's Homes Association |
| • The Commissioning Alliance | • University of Bristol |
| • West Midlands Commissioning Hub | • University of Oxford |
| • Barnardo's | |
| • Birmingham Children's Trust | |

Thanks also to the ADCS Resources and Sustainability Policy Committee and the Standards, Performance and Inspection Policy Committee for their comments on the interim report. Many thanks also to Louise Smith at the LGA for all her support and collaboration throughout this research, particularly in facilitating access to stakeholders.

The views, opinions and recommendations expressed in this report are those of the authors and do not necessarily reflect the official position of the LGA. With thanks to Clarissa White and Naomi Day for their support with fieldwork and analysis.

Barriers to establishing and maintaining children's homes

'The role of children's homes is misunderstood, the challenge of the children they care for underestimated, and the contribution they make too easily dismissed.' (Sir Martin Narey, 2016¹⁴)

In undertaking this research, a variety of inter-related barriers to establishing residential children's care provision were identified that impact local authorities and smaller independent providers across both the private and voluntary sector. These included:

- The perceived role of children's residential care as part of the wider system of support for children and young people
- Making a robust business case for investing in children's residential care
- Having the necessary infrastructure, management and staffing in place
- Complexity of presenting needs
- Co-ordinated and strategic commissioning practices

These are covered in more detail as follows.

The perceived role of children's residential care

To understand the barriers toward local authorities and smaller independent providers in establishing and maintaining residential children's homes provision it is necessary to understand how the sector has developed since the first large 'institutional' homes were introduced in the mid-19th century. Over the course of the following 100 years homes were used as a primary means of caring for orphaned or abandoned children, until that is the Curtis Committee on the Care of Children recommended the use of fostering over children's homes in 1946. From this point forward we see a general decline in the number of looked after children cared for in children's homes and a comparative increase in foster care placements. This trend was exacerbated following the "epidemic" of institutional child sexual abuse uncovered in children's homes during the 1970s and 1980s when 40% of all children in care were placed in residential homes.

As Hart et al. (2015) report in their research into the role of residential care, international policy in the form of the Stockholm Declaration has clearly articulated that care within institutional children's home settings should only be considered as a **last resort** and a temporary measure. The 'paradigm appears to be that it should be used only until a 'proper' home can be identified' else it is 'almost exclusively used for children deemed unable to live in a family'¹⁵. There is also a **financial driver** underpinning the use of residential care as an option of last resort. On average, residential care is around 5-6 times more expensive for local authorities to use as a placement option as compared to foster care. There is a vicious cycle in evidence here as a large part of this expense lies in the need for both specialist therapeutic support and high levels of staffing to meet the complex needs of children for whom multiple foster care placements have failed. These views that residential care is both expensive and inherently worse than other forms of care (despite a surfeit of robust data), reinforced by the historical abuses uncovered in children's homes, pervade the consciousness of those involved in setting policies, strategies and commissioning provision.

"Residential care needs to have a role within the placement options available to local authorities that moves away from it being the option of last resort." (Expert stakeholder)

"Residential care is a legitimate option for some children as their first entry into care if that is right for them, and the way to meet their needs, and matches... the sort of overall plan for the child." (Expert stakeholder)

There is a **stigma** attached to residential children's homes which impacts the objectivity with which such provision is viewed by policy makers and commissioners leading to a non-committal approach to residential care as part of the overall support structures available to children and young people. It has a "PR" (public relations) problem. This has a multitude of impacts: on the decision-making process of children's home providers; on the career and development pathways of social care professionals; and directly and indirectly on those children that are placed in such provision.¹⁶

“It’s a vicious cycle I think because there are lots of challenges with the sector and the outcomes are poor because the quality is not good enough. That means that people think that children’s homes are not very good and so they are used as a last resort and things get worse. There’s a feedback loop.”
(Residential Care Provider)

‘This generally negative view of residential care from its only customers must be understood as the central problem in any attempts to improve residential care.’ (Children England, 2014¹⁷)

Making a robust business case for children’s residential care

A common and related barrier for both local authorities and small independent providers is the challenge in **predicting the ‘flow’ of placements**. Looked after children have a wide variety of needs and can come in and out of care without providers having much foresight on the likely need for placements. Given the financial implications of establishing and maintaining residential provision, particularly when providing specific educational or therapeutic support, a lack of predictability in flow (and guarantees on incomes for independent providers or efficient expenditure for local authorities) presents a substantial barrier. However, it was apparent through discussion with senior Children’s Services leaders and Commissioning Managers from across the country, that there is much greater demand for residential care than there is supply at present. While flow may not be entirely predictable, the overall volume of demand does appear to be at the very least stable, if not increasing. Making the financial business case for investing in new provision can however be a significant challenge due to a lack of long term perspectives, especially at a time when local authorities are under considerable budgetary pressures. Nevertheless, in some local authorities a financial case was being made for bringing more residential provision in-house both to gain greater control over costs and the specialist support offered to local children and young people.

“It’s a painful drawn out process, and we all struggle with having to make that case in-house, even though strategically more than ever it is the right thing to do because we’re paying massive amounts of money for placements.” (Local Authority stakeholder)

The business case is also based on evidence about the numbers of children (their ages and their needs for the service) that will be out of date on the day the list of children is produced (as this is changing all the time). This results in challenges around the suitability of provision for the children in a council’s care and also how appropriate it is to move children into a specific home (i.e. their needs change and children need to be matched appropriately).

In response to the Revolution Consulting report into profit making and risk amongst independent children’s homes, Children England declared that the ‘market’ is not a level playing field for charities and smaller local providers trying to compete with a ‘small cartel’ of profitable giants¹⁸. While many local authorities may have access to a portfolio of properties for use in establishing new provisions, smaller independent providers have to take on a **significantly higher level of financial risk** in establishing a residential children’s home. Not only is there the capital investment required for the property itself, there is then further investment required in the setting-up and running costs of a home, and in successfully navigating procurement processes.

Without any guarantee over whether the places offered will be used by a local authority, or recognition by local authorities that smaller organisations with fewer places to ‘sell’ will have higher costs per place, it is a risky commercial endeavour that favours larger entities who are more financially resilient. Smaller providers are effectively priced out. As reported in a January 2020 survey of independent children’s homes by ICHA, visibility of forecasts of future demand from commissioners remains very limited and providers need the confidence of sustainable profit levels to invest in growing capacity¹⁹. From the perspective of a small independent provider (or even a local authority) there is a decision needed as to whether opening a residential children’s home is a responsible investment in a sustainable service. The most recent ICHA State of the Sector report²⁰ suggests a growing divide between smaller and larger providers, with small providers likely to need increasing support from purchasing local authorities if they are not to be increasingly at a disadvantage to the larger providers.

Infrastructure, management and staffing

On their website, the Independent Children's Homes Association (ICHA) advises those seeking to open a children's home that:

'The sector is highly regulated and you will need to be aware of the need to employ staff experienced in childcare and not least, a Registered Manager who meets OFSTED requirements. The lead-in time to establishing a children's home is substantial and you will be faced with significant setup costs, not only in terms of the property but in terms of recruitment of staff, training, establishing written procedures etc.'

Two key steps required of any local authority or children's home provider aiming to establish regulated residential care provision are to identify suitable premises and staff in advance of registering with Ofsted under the Care Standards Act 2000. This entails significant capital expenditure, which comes with no guarantee that provision will be approved (a further barrier to both new and smaller providers), but it also presents other more immediate challenges.

The first challenge is the **identification of a suitable property**. While local authorities may have existing housing stock, interviewees we spoke with highlighted that finding properties of a suitable size (typically 4-5 bedrooms, or smaller provisions for those with more complex needs) and in a suitable location (ideally in a more suburban or rural area) could be highly problematic. In some authorities such properties were in relatively short supply and could be expensive to purchase. Even where suitable properties were identified, providers can then face considerable opposition by local communities who have concerns that residential care provision may lead to anti-social behaviour, increased traffic and/or impact house prices. Assuming that consultations are successful, and agreement is gained for opening a children's home, there is then often significant investment required to refurbish properties to the required standard to meet legal requirements. One interviewee described the search for suitable properties as *"like finding a needle in a haystack."*

The second challenge, identified by both local authorities and smaller independent providers is the **lack of suitably skilled children's home managers**: *"You just can't recruit a registered manager at the moment for love nor money."* This is not an issue that receives much attention in the literature as a barrier to establishing provision, but this was identified by a number of stakeholders interviewed. To successfully manage a children's home takes a specific set of soft and hard skills with the leadership experience necessary to set the appropriate expectations among staff, embedding clear models and ways of working. This combination of skills and experience is not widely held, and there is no formal vocational route to acquiring these. As a whole, the children's residential sector is very "under-professionalised" comparative to the level and complexity of need of those it supports. The lack of support for residential care as a viable and valuable part of the support available to children and young people creates a further barrier for those individuals who do have the necessary skills to pursue this – it simply has limited visibility or longevity as a career pathway.

Across the range of professionals and practitioners that we spoke with there was recognition of the critical importance of strong regulation over the children's residential care sector but also the need for greater flexibility in the way in which Ofsted works with providers. Both the requirement to have everything setup in advance of registration and the length of the registration and approval process itself was widely seen to be too onerous, though this was also linked to whether applications were correctly completed when submitted. However, a time-consuming process places significant financial pressures on providers which can directly impact the ability of some authorities and smaller independent providers to establish provisions. As a result of the COVID-19 pandemic Ofsted has adapted processes to expedite registrations which they anticipate will help inform future approval practices.

"The need to be setup before Ofsted will properly engage with you doesn't make any sense whatsoever. They need to be much more receptive to have conversations with organisations early on." (Residential Care Provider)

Complexity of need

There is little doubt that the complexity of children and young people's presenting needs places significant pressure on both care providers and on local authorities in finding appropriate placements. As well as an increasing volume of demand, stakeholders that we spoke with also highlighted the **increasing complexity and severity of needs** (e.g. in relation to mental health issues, self-harm and violent behaviours, and associated impacts of sexual and criminal exploitation). While there doesn't appear to be any published research that qualifies this, there was a view expressed among some local authority stakeholders that reductions in the number of young people in the secure estate and CAMHS have coincided with an increase in those entering the social care system with problematic behaviours and complex needs. There is a concern here that there are a small number of children and young people being "bumped" between health, youth justice and social care services without addressing their needs.

Within children's homes themselves, while there is huge demand for placements, residential care practitioners emphasised the importance of balancing individual needs with the impact that any new admission will have on the dynamic within the home itself; this is also an Ofsted requirement. It is therefore critical that Children's Home Managers are able to work closely with the local authority's Child Placement Team to mitigate risks around places going unfilled, but also to ensure the right mix of children in the home. This requires strong management from the care provider to ensure they are not just accepting whoever they are being asked to take, but to look at what is best for everyone in the home setting.

Finally, there is some concern that the current **relationship between children's home providers and Ofsted** isn't sufficiently open to best support children's needs to be met. Again, with reference to those children and young people with more complex presenting needs, several interviewees highlighted how providers are currently discouraged from placing these children and young people due to the challenges they present and the lack of flexibility – either perceived or actual - that is afforded to providers in innovating in their support. Concerns were raised by a number of interviewees that anything that doesn't look like "*standard practice*" in the delivery of residential care may result in provisions being judged as inadequate.¹ Across stakeholders there was consistent feedback that a more open and less adversarial relationship between the regulator and the market would help to foster more effective provision.

Co-ordinated and strategic commissioning

A related overarching barrier is the **lack of truly co-ordinated and strategic commissioning** of children's home provision at a sub-regional, regional or national level. At present there are local and regional procurement consortia, established to procure residential care through frameworks and spot purchasing agreements at the best possible price. In some areas this was seen as having driven prices down and in the view of some, leading to local authorities playing providers off against one another without necessarily having the child's needs front and centre in taking these decisions. Conversely, in areas with higher or more urgent demand for placements, local authorities could end up bidding against one another and paying different rates for provision.

Stakeholders lamented the lack of any truly "*strategic*" commissioning, whereby local authorities proactively engaged in conversations with providers around the form of provisions required over an extended period, drawing on long-term flow data, outcomes data and utilising tools (such as CANS or BERRI) for diagnosing short and longer-term needs. There is an acknowledged lack of robust data on the outcomes for children looked after in residential homes, with foster care not providing a suitable comparator group due to a lack of control on presenting needs and recognition that children's homes are typically the last step on an often-turbulent path through care. There is instead a need to look more closely at what constitutes 'good quality care', to reflect on the purpose of each home in terms of the

¹ It should be noted that this represents the views of a number of interviewees – both strategic stakeholders, commissioners and children's home managers – but that this research did not seek to qualify these views with reference to examining inspection reports. This report should not be seen as providing an objective judgement of the appropriateness of Ofsted inspection processes or outcomes.

population it is designed to serve and whether the supply being used by local authorities meets the demand need.

In recent research by Lisa Holmes at the University of Oxford²¹, a survey of 13 local authorities found that commissioners themselves recognise the need for more effective and efficient commissioning strategies, with decision making and value tied to accurate assessments of children's needs and the extent to which placements address those needs. Regional consortia were proposed by many of the participating local authorities as a means of establishing strategic commissioning. A number of local authorities were also looking to develop in-house placements with the aim of both reducing costs and an 'over-reliance' on externally commissioned provision.

As has been seen with several of the Children's Social Care Innovation Programme projects (e.g. Achieving for Children Better by Design and the NCLEP residential model), establishing residential provision requires recognition of the long-term nature of the investment commitment, and of the subsequent return on investment. An environment where there is a four-year electoral cycle, where local authority budgets are both (relatively) fixed annually and have reduced year on year, and where procurement processes dominate commissioning, is not conducive to longer term planning. Indeed, it can lead to situations where local authorities are 'knowingly putting a child through multiple placement breakdowns in order to be able to justify higher cost care options'²².

"Many councils have no long-term view, because of the annual slicing and the question of 'where will we be next year?', let alone in 10 years." (Expert stakeholder)

Innovative commissioning practices and service delivery models

In undertaking this research we sought to identify what we call 'bright spots'. These are areas of practice, policy or strategy intended to address the challenges already identified and through which lessons could be learned. Below we present some of these as case studies under two broad headings:

- Commissioning practices
- Innovative service delivery models

The intention here is not to call-out best practice or attempt to document the range of activity taking place across England. Instead, we were seeking to identify some examples of work taking place at a local or regional level which can be seen as tackling some of the barriers already identified and presenting ideas which other authorities may gain inspiration from.

Commissioning practices

"Five years ago there was more supply than there was demand and the prices were really low. Everybody said 'Why are we paying for in-house provision? It is costing us more. We'll close our provision and buy from the market'. That was really short sighted because one of the biggest lessons we've learned is don't put your eggs all in one basket. You need a mixed economy." (Local Authority stakeholder)

"There is a care crisis of young people having to go hundreds of miles away and have often worse outcomes. We wanted to change that narrative and hold on to them and do something different because they belong to us." (Local Authority stakeholder)

Among those local authorities and regional commissioning groups that we spoke with there was a consistent view that the needs of vulnerable children and young people were not felt to be adequately met through the range of provision currently available – the status quo was therefore simply not acceptable.

For some local authorities this was primarily an issue of sufficiency and the need to ensure that there was an appropriate quality and quantity of in-borough provision. The scale of the **sufficiency challenge** ranged from London - where recent analysis from the Commissioning Alliance suggests a 58% sufficiency gap in residential provision - to a small unitary authority in the North East, that hypothetically had sufficient registered beds but which were either not available or not a good match for the presenting needs of children. Of particular concern were children coming into care at an older age (ranging from those aged 8-16 years old). Finding an appropriate match for these children in existing provision was reported as a challenge as they often needed to be supported in solo placements and/or to be able to access more flexible and tailored provision with specialist wraparound therapeutic services. As corporate parents, local authorities stressed the challenges of trying to find the best placements for young people with complex needs and ensure they are matched appropriately in existing provision. They described the challenges of trying to explore options for integrating a child appropriately into an existing home, run by private or independent providers, compared with their own provision where they can more easily have these conversations with the managers and social work teams.

The drive for investing in localised provision could also involve an economic consideration: the cost for out-sourcing residential children's care was considered to no longer provide **value for money**. The changeable nature of placement fees charged by the independent sector has restricted the ability for Children's Services to forecast costs, which is particularly problematic in the current economic climate. Coupled with the lack of a sufficient volume of residential care placements in parts of the country, this has led to a situation in which some local authorities feel they have very limited options to influence or challenge prices, which are seen to have increased beyond inflation. Existing models of contracting, such as spot purchasing and block contracts, which have been in place for a long time are not considered to be working to good effect.

"I think local authorities have realised that this model of outsourcing was a false economy, because prices have gone up by 40% over the last six years massively above inflation and they don't show any signs of slowing." (Residential Care Provider)

"It is extraordinarily difficult in the current arrangements to challenge those costs. For every place that we don't take, there'll be five other local authorities looking for the placement. So there's a perverse distorted relationship between us and the market." (Local Authority stakeholder)

This situation was described as having been compounded by a lack of *"any kind of strategic intent"* about how the market should operate and the type of provision needed. Instead, the outsourcing of provision to the private and independent sector has been carried out at a local authority level and reduced the power and leverage of commissioners to persuade providers to create new local provision or to agree a sensible premium as the providers inevitably benefit from competition in the market.

"Understandably, because they're private organisations managing their own risk and return, where they have competition, they cherry pick... they choose the children that are the least complex to care for, because that is the most sensible thing for them to do. And that that is a national problem." (Expert stakeholder)

In addressing these challenges many local authorities have undertaken market and needs assessments to inform business and operational strategies, including invest-to-save business cases. One example of this is **Suffolk's Residential Review 2019** which consulted staff, children and young people in their homes, reviewed the market for residential provision across the county and asked Hertfordshire County Council to carry out a peer review of their children's homes. They also worked with colleagues in public health to review the literature across the UK to inform their conclusions. The review was overseen by a steering group and adopted Signs of Safety as their methodological approach for carrying out the review. This process helped Suffolk be clearer about which services they should continue to provide and those they should outsource. It has also resulted in various workstreams focusing on the recruitment and retention of staff, their practice model and the adoption of trauma informed care, the physical conditions of their property, IT, workforce development, future commissioning and wider community engagement to support children and young people. The Review has been a driver for:

- Raising the profile and confidence in the children's home system amongst senior management which has resulted in additional funding for their provision
- Putting in place a programme of works to improve their homes which has resulted in selling one home and repurposing another home
- Increasing the quality and quantity of provision in the county, for example, establishing trauma informed care, psychologist support for in-house children's homes, commissioning provision for 7-11 year olds, and supporting the education, recruitment and retention of staff
- Making a business case for commissioning additional provision for 10-15 year olds with complex emotional and behavioural needs
- Implementing reflective practice sessions and Signs of Safety sessions after incidents or difficult situations

Another example is **Hertfordshire County Council** who were finding it increasingly difficult to find high-quality placements for an increasing number of children and young people with complex needs. In response to this, Hertfordshire developed a three-year strategy for residential provision which included investment in new local residential provision and runs alongside a fostering strategy and adolescent offer (including the DfE-funded Inside Out innovation model) to help stabilise the number of children and young people entering residential care. These strategies were part of an overarching 'Children Looked After Sufficiency' invest to save programme with £7.85 million of investment for residential care, fostering and support for adolescents. Following on from a strategic needs assessment exercise, Hertfordshire have progressed various streams of work as part of their holistic approach to improving sufficiency within the county. These have included:

- Identifying existing council properties that could be used and refurbished for residential homes. The ambition is to provide 17 beds within the county by Summer 2021 (resourced in-house and via independent providers) with the prioritisation of solo-bed and smaller shared provision to reduce

the use of costly out-of-area provision (e.g. £11,000 pounds per week for solo provision placements²) and a further 14 beds by March 2023, making a total of 31 over the strategy

- A programme of support for the residential children's care workforce including a refreshed programme of professional development and a provider forum network for in-house and independent providers to support collaboration and resource sharing.
- Greater collaboration and partnership working. This has included open dialogue with independent providers to help shape future provisions suitable for meeting needs – often something which Commissioners encounter barriers in doing - and the co-development of services with health and education to develop more specialist provisions for children and young people with specific needs (e.g. 12 week placements for children stepping out of/at risk of admission to Tier 4 CAMHS).

“You’ve got more chance of being placed at a distance if you're in residential care... so everything then becomes more of a challenge, whether that be health provision, school, social workers visiting, have to go up and stay overnight, you know, so the whole support network around the provider and the placement that was challenged as well. We thought by bringing everything back into Hertfordshire, we could get all providers as a network working with us. If one provider was struggling with a child, there'd be an automatic support network between our enhanced and our external provision.” (Local Authority stakeholder)

Alongside localised approaches, strategic commissioning is increasingly being approached through a range of regional consortia and becoming part of the agenda for the Regional Improvement and Innovation Alliances (RIIA). Formalising relationships across a region was viewed as a way to address market pressures, by providing additional power and control and to facilitate more effective commissioning and procurement practices. The commitment to work collaboratively across local authority children's services is often building on strong pre-existing relationships which have taken place on a regional footprint and encouraged by ADCS, LGA, Solace and DfE to share expertise and offer peer support to each other on a reciprocal basis. A framework for sector-led improvement support and peer challenge exists across all regions and has now been formalised in the RIAs. This research has briefly explored two of these regional approaches.

The **West Midlands Commissioning Hub** was set up in March 2020 to take forward commissioning activity across the West Midlands region covering 14 local authorities who have jointly funded the Hub for an initial two years (alongside some start-up funding from the LGAs Efficiency Programme and more recently the RIIA). The Hub currently comprises three members of staff who provide additional commissioning capacity for contract management, provider engagement, some operational support for the commissioning and recommissioning processes and developing a commissioning plan/strategy. The Hub also has a role looking at strategic issues, ensuring that the region works collectively on the quality agenda and looks into placement sufficiency, and will therefore be setting up systems for the collection of regional data to inform commissioning decision making.

While regional decision making can be slower, the strength of the Hub is that they can provide a macro-level, regional perspective and can share learning across all 14 local authorities to build a collective intelligence about commissioning. It is also helping speak with a single voice to the independent market and helps prevent providers playing local authorities off against each other. This is further supported by a regional Flexible Contract Arrangement (led by Birmingham Children's Trust) which has reduced spot rate placement purchasing, introduced a more transparent platform for placement searches (the Placements Portal) and helped to build relationships through market engagement activities. Birmingham are now exploring new models of contracting in residential care including the concept of “soft block contracts” (a concept introduced by Andrew Rome of Revolution Consulting), where local authorities agree a smaller retainer fee to hold a set number of beds over a period of time purchased across a number of providers (rather than one provider as in the previous arrangements) in different locations. Once placements are made the terms would then change so the authority would pay for the full placement fee enabling greater flexibility in extending or reducing the length of the block arrangements.

² Note that solo placements vary hugely in cost (starting at around £3,000 per week) depending on the complexity of needs, support requirements and market demand for support

“I would suspect that if you're a provider, looking to be competitive on a regional framework, you may be looking a little bit harder at what you could offer in terms of a lower price hoping you'll get more volume rather than being part of a single local authorities framework.” (Local authority stakeholder)

The **South East (SE) Commissioning Group** initially started with a project funded by South East Sector Led Improvement Programme (and then extended by two smaller DfE grants) which aimed at looking to understand where efficiencies could be made in the use of residential care to reduce overall costs (notably independent residential costs). This helped to show the paucity of understanding in how homes are used across the region as they previously had no sense of how provision was being used to address needs. The first 18 months of the project involved a comprehensive strategic needs analysis which looked at high cost placements across all of the 19 South East authorities. In undertaking this analysis a sample of around 100 children and young people were identified from each authority and data was compiled in respect of their needs, outcomes and the financial costs of these placements.

This analysis is now driving a second phase of work which is looking to develop a blueprint for a different model of commissioning. Work is now taking place with four local authorities to develop a specification and procurement process. Four themes emerged from their strategic needs analysis which fed into this: (i) keeping children local, (ii) preventing the use of unregistered care, which ties into (iii) a broader sufficiency piece to stimulate the residential care market and then (iv) to develop new placement options (which involves encouraging hybrid links between different types of provisions, both social care and wider services). The SE Commissioning Group are currently developing each of these further into a proposition to take to the market to help build relationships and refine before going out to wider consultation.

Some authorities make use of **block contracts**³ negotiated by the strategic commissioning group at a regional level. These are seen to have benefits for local authorities as – by enabling local authorities to purchase beds from one another - they allow for increased occupancy rates and reductions in “voids”. For providers they are better able to manage occupancy levels while minimising any financial risk. While **collective bargaining arrangements**⁴ make sense in theory, in practice, with the current level of demand outstripping supply, they are not seen as effective due to demand not just coming from other local authorities within the region but from all across England. This is particularly the case for regions which border London, where there is well-documented lack of residential care homes, leading to increased demand for placements in surrounding regions. There is a strong argument for strategic commissioning decisions not simply to be taken at a local or regional level but at a national level. Further embedding the use of standardised tools for assessing needs (such as Child and Adolescent Needs and Strengths (CANS)) could also help commissioners build a stronger picture of both current and predicted need, supporting proactive identification and/or investment in the appropriate range and type of services.

“Children are passed around the system nationally because there aren't enough places locally, but there is no coherent process for assessing need nationally”. (Expert stakeholder)

“How you work together collaboratively to get sufficiency in the right place for the right children - that's a national issue. It's a different mindset.” (Local authority stakeholder)

Innovative service delivery models

There has been significant innovation within children's social care over recent years, in part supported by the DfE's £200 million Children's Social Care Innovation Programme launched in 2014 to test and share effective ways of supporting vulnerable children and young people. Here we highlight some specific examples of delivery models that were identified as having wider relevance for the sector. Note

³ A block contract is a payment made to a provider to deliver a specific, usually broadly-defined, service. For example, a residential care provider could be given a block contract to provide beds and associated therapeutic services in a particular area.

⁴ Collective bargaining arrangements, in this context, are typically contracts agreed by a group of local authorities (typically in the same region) with one or more suppliers setting an agreed set of terms under which services are to be contracted, and lasting for a defined period of time.

that only one of these had funding from the DfE under the Innovation Programme. Some relate to the ethos and management of provision, while others relate more to the ownership structure; the first of the case studies below encompasses both.

“One of the things that really disturbed me was speaking to people who said: ‘You can’t have a home look too nice because it gives children an unrealistic image of what their lives might be like.’ I firmly disagree with that. You want to give all children the best life and early childhood experiences that you possibly can so you should provide them with the very best.” (Residential Care Provider)

Lighthouse Children’s Homes was founded by Emmanuel Akpan-Inwang in response to the long-standing issue of poor outcomes for children in residential care, both relative to young people out of care and in comparison to their peers in other countries (such as Germany and Denmark). As a result of studying care systems and practices where more positive outcomes were being achieved for looked-after children, Lighthouse Children’s Homes have developed an approach focused on four key areas:

- **People:** ensuring that staff are rewarded and recognised for the complexity, challenge and importance of the work being undertaken both in terms of salary and in respect of professional development. The intention is to provide a tailored, degree-level training programme which all staff working at Lighthouse Children’s Homes will go through.
- **Place:** while it is necessary for properties to adhere to Ofsted regulations, this shouldn’t mean they have to feel like an institution. Care is taken to ensure that property locations are considerate of the needs and vulnerabilities of those children and young people living there, and that spaces are purposefully designed not just to aid therapy but to feel like a home, where they are valued and respected.
- **Purpose:** all staff are trained in therapeutic practices to enable them to respond to individual needs, and there is an explicit ambition to ensure children and young people progress in mainstream educational settings.
- **Pedagogy:** Lighthouse Children’s Homes use the social pedagogy method of practice which ensures a common framework with a shared language and understanding of how to deliver care.

As a residential care provider, Lighthouse needed to be in a position to build and manage a property, but not necessarily to own it. Their response to the identified challenge of the capital expenditure required to purchase and refurbish suitable properties is in working with charitable trusts and foundations. Recognising that the top 300 charitable trusts and foundations have billions of pounds worth of underperforming assets, Lighthouse approached organisations with the opportunity to both generate greater returns on their investment and to do social good. In establishing their first home in South London which is due to open in 2021 they have worked with the Treebeard Trust who have purchased the property and to whom Lighthouse will pay rent (at a rate less than a mortgage). Treebeard also funds organisations that work with vulnerable children, many of whom are in care or at risk of going into care, so even the rent paid by Lighthouse contributes to a virtuous circle of activity with the aim of improving outcomes for children and young people.

Liverpool City Council (part of Liverpool City Region Commissioning Group) have taken the view that demand for residential care cannot be addressed through any one part of the sector, and what is required is an approach that supports the establishment of a range of provision. As well as putting together investment cases for establishing their own homes again, Liverpool have commissioned Barnardo’s to establish two local residential care homes (on an open-book basis⁵); it was recognised here that Barnardo’s had both the necessary expertise and greater scope to develop more bespoke and flexible options for children’s residential care, as they are not as commercially driven by the need to generate profit.

A mini-framework has also been established for the Liverpool City Region, with Partner Provider Agreements established with around 30 residential and foster care providers. This supplements the larger North-West framework and enables a more relational approach, including the nomination of relationship managers who work with providers to support the development of high-quality provision.

⁵ Open-book accounting is where providers are reimbursed on the basis of providing transparent records of the costs they have incurred, often with the addition of an agreed management fee.

The intention is to create a more balanced marketplace which is built on a foundation of open and transparent communications to be more responsive to needs of the region. The Group has also collaborated with Capacity Lab to secure social investment to establish the **Juno Community Interest Company** (CIC) which will be opening their first home in Summer 2021.

"We're never going to be able to build enough, even with increasing the voluntary sector, community interest companies and building your own, we're still not going to be able to build enough for what we need." (Local Authority stakeholder)

In looking to address the use of out-of-area placements, in 2013 **Stockton-on-Tees Borough Council** approved the creation of a joint venture partnership with Spark of Genius (a Scottish-based education and residential care provider) to establish **Spark of Genius North East**, delivering care and education to children with complex needs in the Stockton area. The partnership has led to the establishment of three, five-bed children's homes in Stockton as well as a Social, Emotional and Mental Health school (the King Edwin School), all managed by experienced practitioners employed by Spark of Genius. This was underpinned by £2.3 million of local authority capital investment upfront in purchasing and renovating properties, as well as an initial working capital loan.

A profit-sharing arrangement is in place whereby Stockton pays market rates for placements, with any subsequent profits shared 50/50. The joint venture now generates an income stream of over £800,000 per annum for Stockton, as well as increasing in-borough sufficiency and knock-on benefits such as increased employment opportunities for local residents. Critical to the success of this venture was strong support from senior council leaders who made investments with the longer term in mind, having initial upfront capital investment, recognising that it can take several years before homes are fully established and integrated, and realistic planning when working in partnership with the private sector.

Finally, one model of care which has received considerable attention in recent years is the approach taken by the **No Wrong Door Service** in North Yorkshire. It is often cited by other councils as having informed plans for developing flexible and tailored provision locally. Having identified the outcomes they wanted to achieve the local authority worked backwards to identify the indicators, practices and ways of working that would achieve these based on the existing evidence base. This led to a focus on vulnerable young people aged 12-25 years old on the edge of care and the development of an integrated service in which residential care plays a role as a short-term intervention. This has helped No Wrong Door be seen not as a *"unit cost"* (i.e. the cost of a bed) but as *"the cost of a service"* in supporting a vulnerable young person for whom they held corporate parenting responsibility.

The service operates out of hubs (former children's homes), which include residential provision, which serve as the base for specialist services provided by CAMHS, police, and education professionals who work as one team with a shared skill base developed around clinical and trauma-informed practice. They are supported by a dedicated Analyst undertaking ongoing data collection which helps to evidence outcomes, inform practice and justify the return on investment of the service. One of the key lessons learned in establishing No Wrong Door is that while effective partnership working has been critical to success, it is also hard fought to establish and requires time at the outset to achieve that buy-in to a different way of working.

No Wrong Door has been extensively evaluated and are able to evidence a wide variety of positive outcomes for those children and young people in their care, including:

- No new out of area placements in the past three years
- Reductions in both independent fostering and residential care placements
- Reductions in the overall numbers of looked-after children
- Reductions in numbers of young people involved in criminal activity
- Improvements in health, education and employment outcomes

All of which has a direct positive human impact for those care-experienced children and young people in North Yorkshire as well as corresponding fiscal savings both for the local authority and allied services.

"I think that it's about being brave and having that strong leadership spine in an organization. You know, you need permission to do things differently. You need that environment to do things differently. So I think that leadership spine is really key." (Service Manager)

Implications for policy and practice

To effectively address the identified barriers requires there to be active recognition, promotion and support for residential care as being an important part of the range of support options open to children and young people both at a national and local level. This could be as a 'bridge to a different fostering experience'²³ or as an appropriate means of support in its' own right at any stage of a child's care journey dependent on need. This will help to provide stronger foundations for more co-ordinated, strategic discussions on developing the quantity and quality of care provision required around England.

Validating the role of residential children's care as an important part of the wider system will open the way for greater professionalisation, reward and recognition of staff working in care settings. It will also help underpin the financial and reputational investments required amongst both local authorities and independent providers. The majority of stakeholders interviewed for this research highlighted that the market for children's residential care is not currently seen to provide sufficient value for money or to meet the needs of some of the most vulnerable and challenging children and young people. A desirable outcome is a more mixed economy, where a greater range of provision and providers are encouraged to meet growing demand across the country.

The LGA commissioned this research to identify the barriers and facilitators for local authorities and smaller independent providers in establishing children's residential care settings. To encourage a greater diversity of provision this research suggests the following actions could play an important role:

- Support greater professionalisation of the sector, with appropriate qualifications and development opportunities for staff and Managers working in children's homes that align with the presenting needs and social, educational and therapeutic outcomes sought for children cared for. Aligned with this is to advocate for improvements in salary for residential care staff and Managers to help promote retention both in role and in the sector more broadly
- Clearer analysis is required, at a local authority, regional and national level, of the business case for a more mixed economy which include local authority-run provisions. Many Commissioning Managers require greater support in understanding whether and when it makes financial sense to invest in children's homes that are managed by the local authority
- Partnerships between the public and private sector are not straightforward, but a range of work has taken place already to appraise options and to take innovative models of commissioning and investment forward. It would be beneficial to ensure that there is a repository of materials (guidance, templates and tools) and/or support for both commissioners and providers to access. Similarly, there could be a role for key bodies (e.g. LGA, ICHA, ACDS, DfE, The Commissioning Alliance) in sharing examples of good practice, as well as supporting voluntary sector-improvement organisations (e.g. Greenhouse, Lighthouse Children's Homes development arm)
- Addressing the dynamic and challenging needs of those young people on the cusp of the secure estate through a combination of wraparound support and greater collaboration between education, health, youth justice and social care services
- The forthcoming Children's Social Care Review should validate the role of residential children's care as a valued part of the spectrum of services available to meet the short and longer-term needs of children and young people. Furthermore it should:
 - look at the legislative changes that are needed to enable Ofsted to operate more flexibly, particularly in considering new models of care that don't fit within the current legislative framework
 - consider the merits of establishing a national body with oversight over market need, market terms and the strategic commissioning of residential care provisions at a national level. The problem of sufficiency will not be solved with different procurement approaches and processes in which buyers are in direct competition with one another. Adopting a national approach would help ensure a holistic understanding of the current shape and capacity of suppliers before efforts are made to re-shape the market at a local or regional level. It would also work to focus providers on where they should be directing their efforts in the 'hamster wheel of procurement'
 - acknowledge that, with the diversity, complexity and changeability of children and young people's needs, it is inevitable (and even desirable) that there is spare capacity within provisions to meet these needs. This requires a national strategy and rules which ensure that the costs and access to this provision is fairly shared.

“Someone should have responsibility to work out how many children with which variety of needs are going to be appearing, where and who has the capacity to deal with that. It shouldn't be left to 153 different institutions to work out how many they're going to deal with because all of these things interact and go across local authority boundaries.” (Expert stakeholder)

We are hesitant to draw conclusions around the role of regulation in respect of residential children's care given the small sample of interviewees. However, this research does suggest a collaborative and flexible approach from Ofsted in working with potential and current providers would help facilitate the establishment of new provisions and to encouraging more innovative practices. This could include, for example, being seen to be more open to collaborative discussions about the development of new provisions in advance of applications being received.

The market is currently not working for the benefit of local authorities, providers or children. There is a mismatch - between demand and supply – both in terms of sufficiency and flexible and responsive residential provision that meets the changing needs of those coming into care. Children and young people can flourish in a wide variety of circumstances. For many, this will be best achieved within a family-type environment, be that birth parents, kinship care or foster care. For others this may not be suitable or desirable, with better outcomes made possible through high quality residential care. Still others will benefit from residential care as part of a continuum of support which responds to changing needs. There is a clear need identified by local authorities for a greater volume and diversity of residential provisions to meet the demands currently placed on them as corporate parents. This report aims to contribute to the discussion on how such diversity might be achieved.

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