National Audit Office

Report
by the Comptroller
and Auditor General

Department for Education

Children in care

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Department for Education

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This report examines how well the Department is meeting its objectives to improve the quality of care and stability of placements for children in care.

Contents

Key facts

68,110

children in care on
31 March 2013

£2.5bn

spent supporting
children in foster
and residential care
in 2012-13

62%

were in care because
of abuse or neglect
on 31 March 2013

75%	of children in care are fostered
£1.5 billion	cost of fostering services in 2012-13
£1 billion	cost of residential care in 2012-13
£29,000– £33,000	average annual spend on a foster place for a child
£131,000– £135,000	average annual spend on a residential place for a child
14%	the proportion of children in foster care placed more than 20 miles from home in 2012-13, the same as in 2009-10, 2010-11 and 2011-12
34%	the proportion of children in care with more than 1 placement in the year 2012-13, the same as every year since 2009
43	percentage point gap between children in care and their peers, in the attainment of 5 GCSEs grade A*-C including English and mathematics
5%	of residential homes were rated as inadequate by Ofsted in 2012-13
0.6%	of all children aged up to 18 years are in care

Summary

1   Local authorities in England looked after 68,110 children on 31 March 2013.[1] Most of these children, 75%, were fostered. In 2012-13, authorities spent £1.5 billion on fostering services and £1 billion on residential care. A child is 'looked after' by a council when a care order, granted by a court, gives the council parental responsibility for the child. Alternatively, the council may provide accommodation for the child under a voluntary arrangement with the child's parents, or if a child is remanded or convicted by the courts.[2] Nearly two-thirds (62%) of children were in care because they had suffered abuse or neglect.

2   Children's early experiences can have long-term impacts on their emotional and physical health, social development, education and future employment. Children in care do less well in school than their peers. They are also more likely to experience problems in later life, which can have a wider social impact and lead to higher costs to the public purse. In 2013, 34% of all care leavers were not in employment, education or training, at age 19, compared to 15.5% of 18-year-olds in the general population. By taking a child into care local authorities aim to protect children from further harm, improve outcomes for them, and address a child's basic need for good parenting.[3]

3   The Department for Education (the Department) has objectives to improve the quality of care and the stability of placements for children in residential or foster care, so that all children have a good start in life. The Department works with others to meet its objectives (**Figure 1** overleaf). Local authorities have a duty to look after their children in care and they use a mixture of their own, private and third sector-run fostering services and residential homes. Social workers judge when to take children into care, assess their needs and the type of placement required, and recommend when they should leave care. Ofsted regulates and inspects independent fostering agencies and individual residential homes against standards set by the Department. It also inspects local authority fostering services. These inspections make judgements on how effectively local authorities meet the needs of children in care. How well services meet the needs of children depends on all parts of this system working effectively together.

1   We have used data to the end of 2012-13 to allow comparison of data on children in care with financial and outcomes data. Some data for the end of 2013-14 have been published (see Appendix Three).
2   Hereafter, we use the phrase 'children in care' to cover all of these groups.
3   Association of Directors of Children's Services, *What care is for*, October 2012.

Figure 1

Responsibilities for children in care in 2013

Policy

Department for Education

- Sets policy, actions and oversight.
- Provides small proportion of funding.
- Responsible for holding councils to account for performance in delivering children's services.

Department for Communities and Local Government

Provides majority of central government funding.

Quality assurance and accountability

Ofsted

Inspect and regulates residential homes and fostering agencies.

Inspects children's services provided by the local authority.

Local safeguarding children boards

including health, education, justice representatives.

Local authorities

- Responsible for meeting statutory duties.
- Assess risk, put in place appropriate safeguarding measures.
- Coordinate access to fostering services and residential care (which may be in-house).
- Contribute additional funding from other sources, eg council tax receipts.
- Elected members set policy direction and hold officers accountable.
- Run children in care councils to get children in care's opinion on the services they receive.

Service providers

Private and third-sector providers

Provide fostering and residential care.

End-users

68,110 children in care and their families.

— Working relationships

— Accountability for money

— Accountability for delivery

Source: National Audit Office

Scope of this report

4   This report is the first in a series on children's services. It does not examine
the value of the whole care system, but focuses on the role and responsibilities of
the Department and how well it is meeting its objectives. It examines:

●   the Department's responsibilities for children in care; the demand for care; and how
effectively children's needs are being addressed through commissioning (Part One);

●   how well the Department is meeting its objectives to improve the quality of care for
these children (Part Two); and

●   the Department's understanding of the costs of care and its work to improve the
system's cost-effectiveness (Part Three).

5   This report does not examine the Department's objectives relating to the adoption
of children in care as that will be covered in a future report.

Key findings

Meeting the needs of children in care

6   **Demand for care is increasing and varies significantly across England.**
There were 68,110 children in care at the end of March 2013. This was an increase of
2% compared with March 2012 and an 18% increase compared with March 2000. The
number of children in care is at its highest level for 20 years. This is partly due to a rapid
rise in the number of children taken into care, following the widely reported abuse and
death of 'Baby P' in 2007. On 31 March 2013, the proportion of children in each local
authority area looked after, ranged from 0.2% in Richmond-upon-Thames to 1.7% in
Blackpool, compared with 0.6% of children nationally (paragraphs 1.5 to 1.7 and Figure 2).

7   **Unless their needs are correctly assessed and met effectively, there are
significant long-term costs of children not getting the right care.** In 2013, 34% of
all care leavers were NEET at age 19 compared to 15.5% of 18-year-olds in the general
population.[4] Academics at York University estimated the lifetime cost of a young person
being NEET at £56,000 a year. Effective commissioning based on good assessments
of children's needs and information on the demand for and costs of care for them could
lead to better outcomes for the children and for society. Ultimately, this will lead to better
value for the taxpayer (paragraph 1.35 and Figure 5).

4   HM Government, *Care Leaver Strategy*, October 2013.

8   Early intervention by government could support children, before they are placed away from home and incur costs. The Department has good experience of making such interventions, such as Sure Start children's centres. The Department for Communities and Local Government's Troubled Families Programme also shows how central and local government working together effectively on early intervention helps to keep children with their families, rather than enter care. As part of its Innovation Programme, the Department is seeking to support projects that provide services for children before they are placed away from home (paragraphs 1.36 and 1.37).

9   Local authorities told us that they are finding it harder to assess the needs of children in care and the demand for care. It is a challenge for local authorities to record, analyse and predict the needs of children, as they will have unpredictable reactions to a new environment. Also, the need for care may often be urgent or immediate, precluding the level of needs assessment they would normally undertake. In recent years, assessing need has become more challenging because of financial pressures. Local authorities told us that more children with complex needs and disabilities are coming into care. Forecasts of demand can also be overtaken by responses to events, for example, the recent child sexual exploitation scandals. In 2007, the Department tried to model national demand, but its forecasts underestimated the actual demand following the death of 'Baby P' in the same year (paragraphs 1.20 to 1.22).

10   The Department sets out what local authorities must do but not how they should do it. The Department issues statutory guidance and is the only body with national oversight of the care system. Rather than take a national lead, the Department supports sector-led improvement, and relies on local authorities to develop the good practice for children in care. Some local authorities already work together to commission services to meet their shared needs. In the past the Department ran programmes to support better commissioning. In 2014 it launched its Innovation Programme, which aims in part to identify new ways of commissioning services to improve outcomes for children in care (paragraphs 1.3 and 1.10 to 1.12).

11   Although the Department does not choose to manage the market for residential and foster care nationally, there is potential for it to do so for specialist groups. Both commissioners and providers told us the market for care could be improved through local authorities joining together to commission services. Comparable areas of central government commission some services nationally. An example is the Youth Justice Board, which commissions places for children on remand or who have been convicted. Local authorities told us that it would be helpful if there was a function for commissioning niche placements, for example, secure places for those children at risk of child sexual exploitation (paragraphs 1.24 and 1.25).

12   Local authorities often base decisions on children's placements on short-term affordability rather than on plans to best meet the child's needs. Local authorities and providers we interviewed told us that services are often procured on the basis of cost. There is only limited use of commissioning to achieve specific outcomes, such as educational attainment or healthcare. Ofsted found that the commissioning of placements for children at risk of or subject to child sexual exploitation were undertaken through spot purchasing. It also found that due to poor placement planning and the poor commissioning of an initial placement the needs of young people were not being met. Local authorities often choose to place children in their own residential or foster care because they have already committed costs and so need to fill places. They also think the cost is cheaper than private sector provision, although this may not be the case (paragraphs 1.23, 1.24 and 3.14).

The quality of care

13   The Department's objective is to improve the quality of care but it has no indicators that accurately measure the efficacy of the care system. Although it collects lots of data on children in care, the Department told us there are difficulties around measuring and quantifying improvement. The Department reports progress on a number of outcomes including attainment and absence from school for children in care although it recognises that these are not perfect indicators. Absence from school for children in care improved between 2010/11 and 2012/13 as unauthorised absence fell from 1.5% to 1.1% of possible sessions. The gap in attainment between children in care and their peers has also narrowed slightly from 45 to 43 percentage points over the last 3 years. In 2012/13, 15% of children in care achieved 5 or more GCSEs at grades A* to C including mathematics and English, compared with 58% of children not in care (paragraphs 2.3, 2.6, 2.7, 2.12 and Figures 6 and 8).

14   There has been no improvement in getting children into the right placement first time and close to home. One of the Department's objectives is to improve the stability of placements. It measures the number of placements a child has in a year and whether they are placed within 20 miles of home. At 31 March 2013:

●   34% of children in care had more than 1 placement during the year and 11% had 3 or more placements. These proportions have been the same since 2009. Some 330 children had 10 or more placements during the year, and 90% of these children went 'missing' during the year. Each time a child goes missing it is counted as an extra placement. There is evidence that, in the longer term, placement breakdowns can affect children's progress in school and their sense of well-being and self-worth (paragraph 2.18 and Figure 9).

●   14% of foster children and 34% of those in residential care were placed more than 20 miles from home. The Department accepts there is sometimes good reason to place a child at a distance from home, but the overall numbers have not improved in the last 4 years (paragraph 2.22 and Figure 10).

15 In 2012-13, 79 (5%) of residential homes were rated as inadequate. Because of changes in the inspection regime, the Department does not know if standards in foster agencies and residential homes are genuinely improving or worsening. Quality varies widely by region, with 79% of residential homes rated as good or outstanding in the West Midlands compared with 57% in outer London (paragraph 2.34 and Figure 13).

16 The Department relies on Ofsted's independent inspections for assurance over the quality of care. The Department only intervenes in response to Ofsted inspections of local authorities' children's services departments, rather than its own analysis of data it collects. The Department also relies on Ofsted to inspect the quality of care offered by residential homes and fostering services. And Ofsted also helps poor foster and residential care providers improve. If necessary, as part of its regulatory work, it can close down homes that do not improve to comply with regulations (paragraphs 2.32, 2.33 and 2.37).

17 The Department recognises that in recent years it has prioritised managing local authorities' performance on adoption over foster and residential care. The Department collects information from local authorities to oversee how well they are improving the quality of care for children who are fostered or in residential homes. Some information is published, including on educational attainment, but mainly at a national level. At the same time, the Department publishes information to highlight and compare all local authorities' success in placing children for adoption. However, there is no such equivalent for local authorities' performance in looking after children in foster or residential care (paragraphs 2.4 to 2.6).

The costs of providing care

18 Local authorities' spending on children's services has been maintained, despite the overall fall in their spending and rise in numbers of children in care. Local authorities spent £6.9 billion on children's social care in 2012-13, of which £1.5 billion was spent on fostering, and £1 billion on residential care. Spending on foster and residential care increased by 3% in real terms between 2010-11 and 2012-13 despite reductions in funding for local authorities from central government, while the number of children in care rose from 65,510 in 2010-11, to 68,110 in 2012-13, an annual increase of 4% (paragraph 3.3 and Figure 14).

19 Spending varies between provider and among local authorities. Data on the average amount spent on foster or residential placements also depends on the data source and how the calculation has been made. In 2012-13 the average annual amount spent on:

- a council foster care placement was in the range of £23,000 to £27,000, compared with a range of £41,000 to £42,000 for a placement with other providers.

- a council residential care placement was in the range of £129,000 to £215,000 compared with a range of £122,000 to £200,000 in a voluntary, private or independent home.

The Audit Commission also reports a variation among local authorities' spending on foster care. It calculated that annual spending ranged from:

- £15,000 to £57,000 for councils' own foster care provision; and

- £18,000 to £73,000 for other providers' foster care (paragraphs 3.11 to 3.14 and Figure 20).

20   The Department is aware of these cost variations but not all the reasons for them. Neither the Department nor local authorities have a strong understanding of the drivers of costs. The Department has tried to calculate whether cost varies with quality, but could not find a statistical link. Our own analysis also found for example that there is no clear correlation between house prices and the costs of residential care. Without a full understanding of the reasons for cost variations the Department and local authorities will not be able to reduce them (paragraphs 3.15, 3.16 and Figure 15).

21   There are benchmarking tools and sources of data on cost available and the Department could do more to influence local authorities to use them in decision-making. The Department is developing a benchmarking tool so local authorities can compare their costs with others. The tool is based on data that local authorities submit to the Department about their annual expenditure on children in care. However, there are also some issues with the quality of these data as there is no consensus among local authorities on how to cost services and complete the data return. Other benchmarking tools already exist, such as the Centre for Child and Family Research's Cost Calculator for Children's Services, but this is not widely used in the sector to make decisions. The Chartered Institute of Public Finance and Accountancy also operates a children looked-after benchmarking club and around one-half of local authorities are members (paragraphs 3.18 and 3.19).

Conclusion on value for money

22   Services for the most vulnerable children depend on high-quality assessment of need and effective commissioning of foster and residential care. The Department is responsible for holding local authorities to account for their performance. The numbers of children getting the right placement first time has not improved since 2009. Over the past 5 years, where data are available, improvements in outcomes have been, at best, mixed. Their learning and development needs, if not successfully tackled, can result in significant and avoidable detriment to themselves, and increased costs and risks to local authorities and the taxpayer in the long term.

23 The Department cannot demonstrate that it is meeting its objectives to improve the quality of care and the stability of placements for children through the £2.5 billion spent by local authorities; it has no indicators to measure the efficacy of the care system; and it lacks an understanding of what drives the costs of care. We recognise that the Department is not the only actor in regard to the outcomes for children in care, but it is clearly responsible for key components in setting and driving aspiration, expectation and performance and we cannot conclude that the outcome of the Department's oversight is efficient or effective enough to constitute value for money. The Department needs to use its new Innovation Programme to understand what works, especially on early intervention, if it is to improve the quality of care and reduce short and long-term cost.

24 The Department agrees the accuracy of the data used in this report, but it does not accept that the report's key conclusions and recommendations are supported by the evidence.

Recommendations

25 The Department should:

a **build on the Innovation Programme and other evaluation and:**

- routinely identify and share authoritative guidance on what works in effective commissioning and therapies for children so that it is embedded in practice; and

- secure feedback from local authorities on the utility of its guidance on what works, for example through an annual survey.

b **develop, share and pilot models of commissioning for local authorities to implement.** For example, it should encourage a pilot of pooling of local commissioning expertise into larger, more effective groups. It should also identify a single body, possibly the Department, to commission specialist placements.

c **review which data collected from local authorities are useful, so worth keeping, and concentrate on improving the quality of these, particularly local authorities' financial expenditure reports.**

d **support effective commissioning of foster places by developing a standard national contract for foster carers for use by local authorities or independent providers.**

e **learn lessons from what has worked in improving adoption and apply them to its oversight of foster and residential care.** For example, the publication of comparative data on councils' performance on time taken to place children for adoption with their new family.

f **develop better indicators to allow it to measure the efficacy of the system and hold local authorities to account for their performance.**

Part One

Meeting the needs of children in care

1.1 This part of the report examines:

- the Department for Education's (the Department) responsibilities for children in care;

- the demand for care; and

- how effectively needs are being met.

Responsibilities for meeting children in care's needs

1.2 The Department is responsible for developing and overseeing policy implementation for children's services. Its stated objectives are to improve the quality of care and stability of placements for children in foster and residential care, so all children have a good start in life. However, it has no indicators that accurately measure the efficacy of the care system.

1.3 While the Department does not directly deliver services, it is responsible for holding local authorities to account for their performance in providing services for children in care. There are some functions that only the Department can carry out, or is best placed to do, such as:

- setting out the statutory duties of local authorities for children's services;

- setting out expectations for service performance for local authorities including setting targets in the case of adoption;

- collecting and analysing performance data to help local authorities to improve and increase accountability;

- taking an overview of the way services are provided and how the market for providing foster and residential care services is working; and

- intervening where an authority is failing to deliver its services to an acceptable standard.[5]

5   Department for Education, *Accountability System Statement for Education and Children's Services*, September 2012.

1.4 In addition, as shown in Figure 1:

● The **Department for Communities and Local Government** provides the majority of funding for children in care to local authorities. Ensuring the financial accountability and propriety arrangements for children's services is primarily the responsibility of the local authorities and the Department for Communities and Local Government but the Department for Education holds them to account for service performance.[6]

● **Local authorities** are responsible for ensuring that funding for children's services is spent with regularity and propriety, and for ensuring that value for money is achieved. They are accountable both for services delivered directly by local government officers and for those services commissioned from external providers.[7] Authorities give information to the Department for Education about each child in care, and the total amount spent on their children's social care functions, which indicates the average cost of care per child. They also employ foster carers and some run their own residential homes. Local authorities run 22% of the 1,718 residential homes in England.[8] Local authorities employ the social workers who judge when to take children into care, assess their needs and the type of placement required, and recommend when they should leave care.

● **Ofsted** regulates and inspects independent fostering agencies and individual residential homes against a framework underpinned by the regulations and standards set by Government. It also inspects local authority fostering services. These inspections make judgements on how effectively local authorities meet the needs of children in care.

● **Local Safeguarding Children Boards** are a statutory responsibility for each local authority. Organisations on the board agree on how to work together to safeguard and promote children's welfare, to hold each other to account and to ensure safeguarding children remains high on the agenda across their region.

● **Private and third-sector organisations** provide foster and residential care under contracts from local authorities. Some are for-profit, others are voluntary sector organisations.

Demand for services

1.5 On 31 March 2013, 68,110 children were looked after by local authorities. Of these:

● 55% were male and 45% were female;

● 6% were babies under a year old and 36% were aged 10 to 15 years old; and

● 68% had special educational needs.

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6   Department for Education, *Accountability System Statement for Education and Children's Services*, September 2012.
7   Department for Education, *Accountability System Statement for Education and Children's Services*, September 2012.
8   Department for Education, *Children's Homes Data Pack*, June 2014.

1.6 The number of children in care varies across local authorities in terms of:

- the total number of children in care – on 31 March 2013 the number ranged from zero in the Isles of Scilly to 1,890 in Birmingham, with the average being 448; and

- the proportion of children in the local authority area aged up to 18 who were in care – on 31 March 2013, the proportion in care ranged from 0.2% in Richmond-upon-Thames to 1.7% in Blackpool. Nationally, 0.6% of children were looked after on 31 March 2013. Rates correlate with the index of social deprivation.

1.7 The demand for care is increasing. The number of children in care rose from 58,100 in 2000, to 68,110 in 2013 – an increase of 18% (**Figure 2**). In 1994 there were only 49,100 children in care. Compared with March 2012, there was a 2% rise in the number of children in care over the year. Almost all the local authorities we spoke with expect or are already experiencing a rise in referrals linked to child sexual exploitation following the abuse reported in Rotherham and other towns.[9]

Figure 2

The number of children in care, 1990 to 2013

The number of children in care is at its highest level since 1994

Number of children in care on 31 March
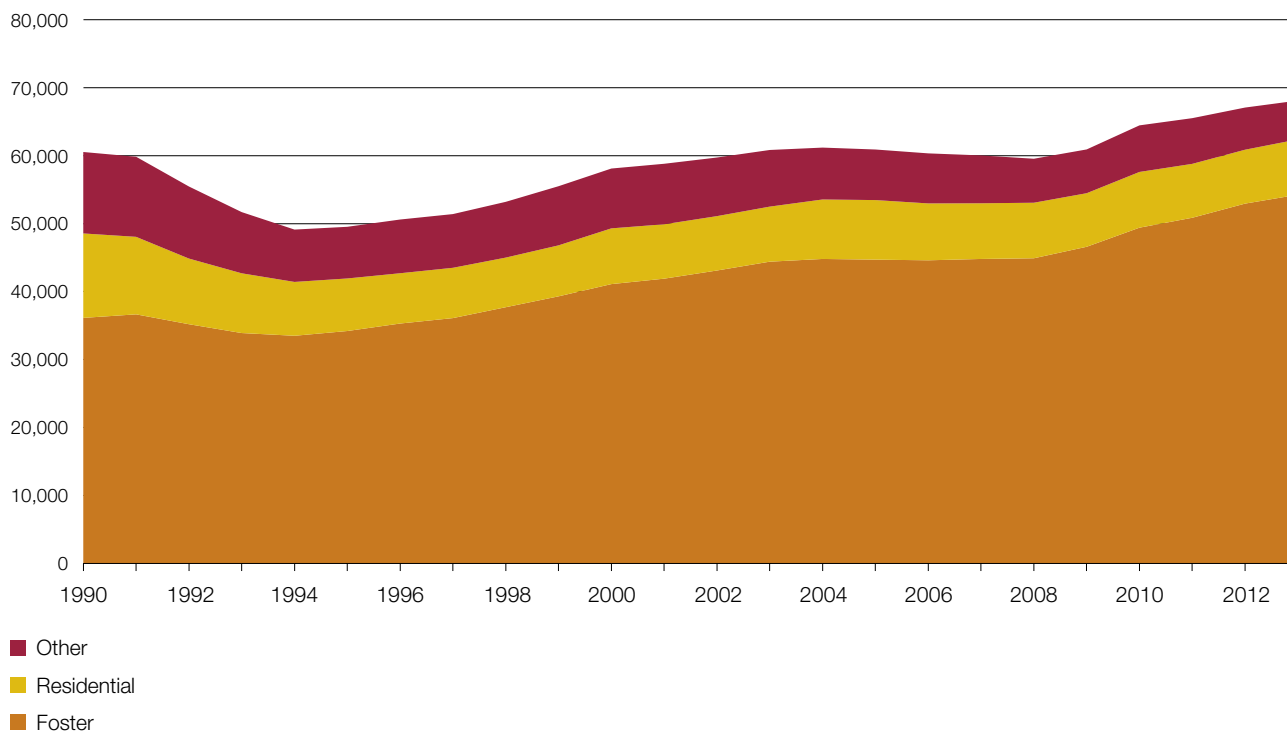
Source: Department for Education

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9 A Jay, *Independent Inquiry into Child Sexual Exploitation in Rotherham (1997–2013)*, Rotherham Metropolitan Borough Council, 2014.

1.8 The demand for care changes daily as children come into and leave care. In 2012-13:

- local authorities cared for 95,170 children in total;

- 28,830 children started to be looked after, and 28,460 children stopped being looked after; and

- on average a child was in care for 259 days, but this varied by local authority.

1.9 Most children are taken into care because of abuse or neglect (**Figure 3**). At the end of March 2013, 62% of children were looked after for this reason, a proportion little changed since at least 2009. Children entering the care system are likely to have complex and challenging needs.

Figure 3

Main reason for children being looked after, 31 March 2013

Most children are in care because of abuse or neglect

Child's disability 3%

Parents' illness or disability 4%

Absent parenting 4%

Family in acute stress 9%

Family dysfunction 16%

Socially unacceptable behaviour 2%

Abuse or neglect 62%
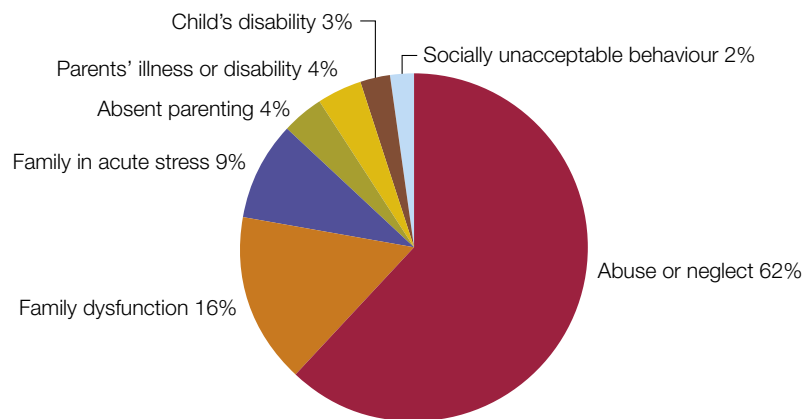
Source: Department for Education's Statistical First Release SFR 36, 2013, Table A1

Meeting the needs of children in care

The Department's role

1.10 To help meet its objectives to provide better care (paragraph 1.2), the Department has tried different approaches to improve the commissioning of care.

- In 2006 and 2007, it analysed the ability of the care market to respond to demand and ensure the optimum supply of care.

- From 2008 to 2013 it ran a programme that offered support, training and materials to local authorities to help them commission services more effectively to improve outcomes. The Department evaluated the programme and found that although it had made some initial progress, it does not know whether its investment in skills was sustained locally.

- Since 2013 it has been a partner in the Commissioning Academy, with the Cabinet Office, Local Government Association and others to develop commissioning skills.

1.11 The Department has also carried out research, for example on the children's homes market, to improve the sector's understanding of the care system and to inform policy. It has worked with the Local Government Association to benchmark local authority data. The Association also supports improvement in the children's care sector by, for example, offering peer challenge and diagnostics to councils and providing training and development including courses for council leaders.

1.12 In 2014 the Department launched the Innovation Programme and will provide £100 million of funding in 2014-15 and 2015-16 to support innovation and learn what works best in commissioning. The programme will provide seed funding to encourage local authorities to generate more creative approaches to care. The Department aims to learn and share what works. The programme will run until March 2016 and the Department has set aside funds to evaluate its impact.

1.13 The Department is seeking to improve social work practice. It told us, for example, that it has spent £580 million on training and improvement programmes since 2010 and has introduced new routes into the profession aimed at attracting high-flyers.

Local authorities' role

1.14 Local authorities have a statutory responsibility to take children at risk of harm into care and have a 'sufficiency duty'. This means that they must take steps to secure, as far as reasonably practicable, enough accommodation for children in care within their local area.[10]

1.15 Local authorities also have a role in training and developing the social workers who make judgements about children's needs and how they should be met. Northamptonshire County Council, for example, launched its social work academy in October 2014 offering graduates a year-long intensive training and support programme.

1.16 To meet children's needs in a cost-effective way and achieve the best outcomes for children in care, local authorities need to commission services in line with good practice.

Commissioning in line with good practice

1.17 Providing high-quality and cost-effective care depends on care being commissioned in line with good practice. This requires commissioners to:

- define desired outcomes;

- analyse and prioritise needs;

- plan a response;

- generate solutions;

- provide, buy or contract for services that deliver those solutions; and

- review whether outcomes are being met.[11]

We examined the extent to which local authorities and, where appropriate, the Department, are following good practice.

Defining outcomes to improve care

1.18 We found that local authorities do not routinely commission services to achieve specific outcomes such as health or educational attainment. Local authorities are more likely to describe the features of care they want for the child. Our work in other parts of government has highlighted the need to consider outcomes and quality, not just inputs. Even when outcomes such as school attendance are specified there are no penalties enforced for failing to achieve those outcomes.

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10   Children's Act 1989, Section 22G.
11   Comptroller and Auditor General, *Successful Commissioning Guide*, National Audit Office, June 2011.

Analysing and prioritising needs

1.19 Assessing needs is a crucial step in the commissioning process. If the local authority does not understand children's needs then the services it designs and provides are unlikely to meet those needs and achieve the outcomes required. This represents poor value for money.

1.20 The Department collects comprehensive information on children in care, but it does not use it to forecast demand for services. In 2007, the Department tried to model national demand, but its forecasts underestimated the actual demand following the death of 'Baby P' in the same year. The Department told us the decision to take a child into care is a local one and practice varies locally. Relevant factors are hard to predict, such as a tragic incident or the migration of high-need families to an area. We found that some authorities carry forward last year's figures as a measure of likely demand with no attempt to model or predict changes to the overall number or case mix.

1.21 Local authorities told us that they are finding it harder to assess the needs of individual children and decide the best type of placement for them because:

- matching of children with foster carers is always a question of judgement without complete information;

- children coming into care will have unpredictable reactions to a new care environment, be it foster or residential;

- children may need care urgently or immediately, so local authorities cannot carry out the level of needs assessment they normally would undertake;

- there can be sudden changes in demand – for example, local authorities we visited said that as child sexual exploitation is becoming better identified they are taking more children into care, and these children will often have complex and demanding needs; and

- decisions depend on social workers' experience and judgement.

1.22 If local authorities do not get the assessment right, placements are more likely to be changed. This unsettles the child, and means the local authority will ultimately pay more and achieve poorer outcomes for the child.

Planning a response

1.23 Local authorities we visited base decisions on children's placements on short-term affordability rather than long-term strategies to meet needs assessments. They often choose to care for children through their own foster and residential carers because they have already committed costs and so need to fill places. They also believe the cost is cheaper than private provision, but do not always know that this is the case (see paragraph 3.14). Either way, an internal placement may not be the best fit for the child. The providers we spoke to confirmed these practices were common. The Nationwide Association of Foster Providers is preparing to ask for a judicial review into the practice of local authorities placing children in their own care by default.

1.24 Local authorities told us that a particular pressure is emerging for secure residential places for girls at risk of child sexual exploitation. There is no central clearing point for this capacity so local authorities simply have to telephone around England, or even Scotland, to find a free place, if one exists. A report by Ofsted on this issue found that the commissioning of placements for children at risk of or subject to child sexual exploitation were undertaken in all local authorities through spot purchasing arrangements. It also found that children had experienced multiple placement moves and risks remained unaddressed due to poor placement planning and poor commissioning of an initial placement that was failing to meet the needs of the young person.[12]

1.25 Although faced with growing demand in this area, there is currently no co-ordination of the commissioning of secure 'welfare' places as opposed to 'criminal justice' places in secure children's homes. However, the Department has started to examine its response to the demand for welfare places in secure accommodation. The Youth Justice Board already commissions places nationally as part of its overall secure estate for the small number of children and young people remanded or sentenced by the courts. It makes the decision about where each young person should be placed in partnership with youth offending teams. On 31 March 2013 there were 200 children in 16 secure children's homes either for their own safety or because they had been placed there by the Youth Justice Board, having been remanded or sentenced by the courts.

Generating solutions

1.26 We found examples of local authorities who are developing new ideas for commissioning foster or residential services:

- London Borough of Richmond provides its fostering services through a community interest company, jointly with the London Borough of Kingston-upon-Thames;

- Oxfordshire County Council is working in partnership with 6 other local authorities and a private provider to provide residential care and education for young people with complex emotional and behavioural needs. There will be 20 places in 6 homes. Oxfordshire is contracted to use 6 of these beds; and

- an alliance of local authorities across north London has negotiated a price framework with its selected providers.

Providing, buying or contracting services

1.27 Most children in care are fostered and the proportion of children being fostered is increasing (**Figure 4**). On 31 March 2009, 72% of children in care were fostered compared with 75% in 2013. In 2013, 9% were in residential care. Local authorities have made more use of foster care over the past 10 years, although direct placements with parents or other family members have become less common. In 2009, 11,360 foster placements were provided by the private sector rather than local authorities. By 2013, the number was 16,260 – an increase of 43%.

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12   Ofsted, *The sexual exploitation of children: it couldn't happen here, could it?,* November 2014.

Figure 4
Children in care by type of placement, 2009 to 2013

Local authorities have made more use of foster care over the past 10 years, placing a larger proportion of children with private or voluntary sector providers
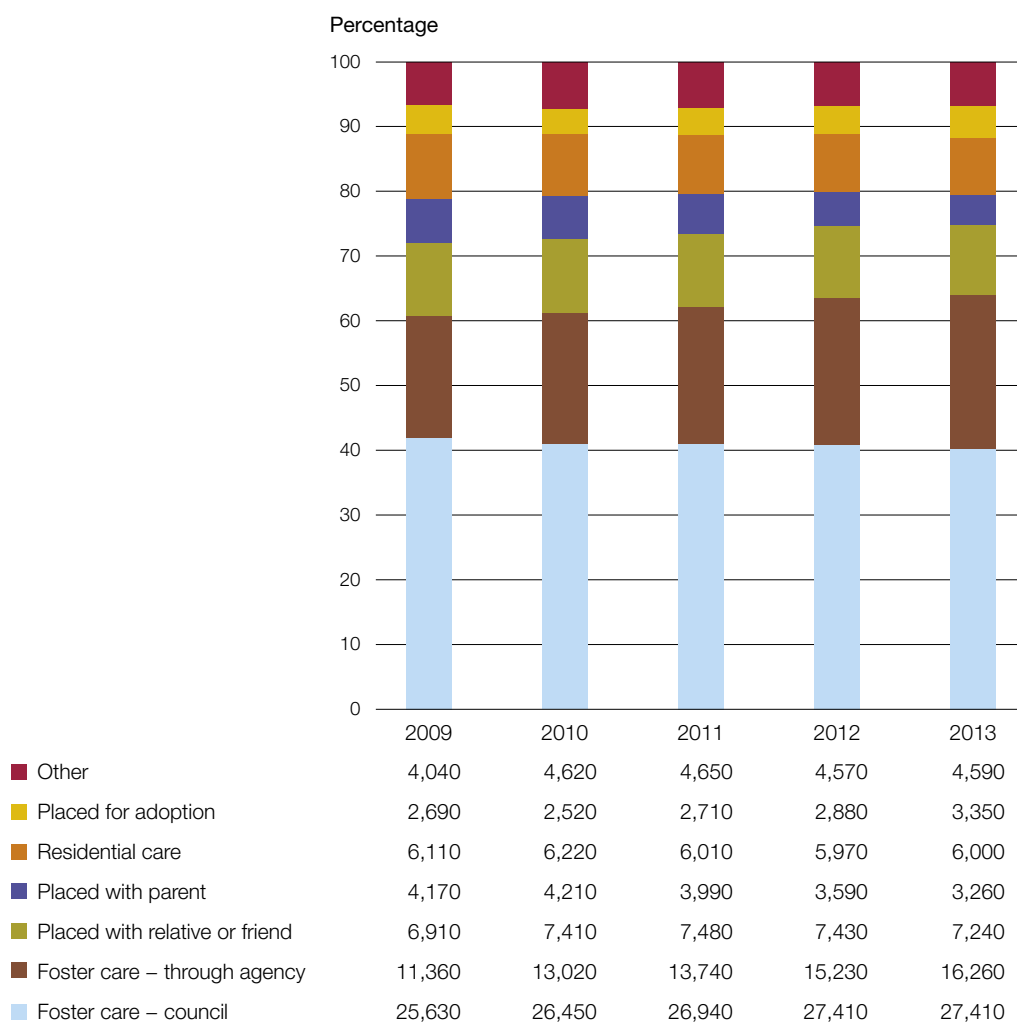
Percentage

	2009	2010	2011	2012	2013
Other	4,040	4,620	4,650	4,570	4,590
Placed for adoption	2,690	2,520	2,710	2,880	3,350
Residential care	6,110	6,220	6,010	5,970	6,000
Placed with parent	4,170	4,210	3,990	3,590	3,260
Placed with relative or friend	6,910	7,410	7,480	7,430	7,240
Foster care – through agency	11,360	13,020	13,740	15,230	16,260
Foster care – council	25,630	26,450	26,940	27,410	27,410

Notes

1   Placements of children looked after on 31 March each year.

2   Other includes: other placements in the community, other residential settings, residential schools, missing from agreed placement for more than 24 hours, and other placement.

Source: Department for Education's Statistical First Release SFR36, 2013, Tables B2 and B3

1.28 Local authorities often compete with one another and private sector providers to recruit suitable foster carers, mainly on the amount they pay to foster carers. One local authority told us it had calculated the fees and benefits to a foster carer to be equivalent to a salary of £50,000. In response, the Department has a programme to improve recruiting and retaining foster carers. It allocated £428,000 of funding in 2013-14 to help local authorities to tackle this issue. Some providers are developing specialist foster services. For example, Barnardo's is training foster parents to specialise in supporting victims of child sexual exploitation and trafficking.

1.29 Local authorities are also working together to buy services from the private sector using framework agreements. These are typically negotiated every 3 to 5 years, to reduce costs and ease the placement process. There are no data on the number of joint agreements operating but providers' representative bodies are concerned about the costs and duplication involved in bidding to supply places to many local consortia and councils. Framework agreements allow local authorities to place children with providers at the lowest price that meets the quality threshold. Both commissioners and providers told us the market for care could be improved through local authorities joining together to commission services.

Reviewing whether outcomes are being met

1.30 Some things only the Department can do at a national level, given its oversight role and through the information it collects from local authorities and from inspections. The Department holds the national database on all children in care but its understanding of a child's journey through the care system is limited. We found that it does not make enough use of its data to understand how different types of care provision affect the outcomes for children.

1.31 A recent report by Ofsted, for example, highlighted the lack of an agreed national performance data set, relating to child sexual exploitation including information on both missing children and looked-after children moving into and out of a local authority area. As a result, Ofsted considered that the true extent of, and response to, child sexual exploitation was uncertain. It concluded that local authorities were not held to account effectively for the performance of the partnership approach to child sexual exploitation at a local, regional or national level.[13]

1.32 All local authorities we visited have children in care councils, an initiative supported and promoted by the Department. These give children in care an opportunity to voice their views and experiences of the care system and to influence and improve the services they receive from their local authority. However, it is not clear how feedback informs commissioning decisions.

13 Ofsted, *The sexual exploitation of children: it couldn't happen here, could it?,* November 2014.

1.33 The Children's Commissioner for England also promotes and protects children's rights in England. She listens to what children say about what matters to them and then makes sure adults in charge take children's views and interests into account, particularly those children living away from home or receiving social care.

1.34 Both the Department and local authorities recognise that other parts of government will pay more in the longer term if care does not meet the needs of children and results in poor outcomes. Local authorities find it hard to evaluate the long-term benefits of preventative and remedial work with children. The immediate costs must come from their own budget. Most residential care providers offer therapies to meet children's needs. These are either included in framework contract prices or as optional extras, although the local authorities we spoke with had no evidence base showing whether the therapies were effective.

Long-term cost to the taxpayer

1.35 Children's early experiences can have long-term impacts on their emotional and physical health, social development, education and future employment. One aim of local authorities for their children in care is to improve their outcomes. If children's learning and development needs are not successfully tackled, they can experience significant and avoidable detriment. This can result in long-term risks and costs to local authorities and the taxpayer (**Figure 5** on pages 24 and 25).

1.36 One way to prevent these costs is through early intervention. In the past, as we have reported, the Department has taken a positive lead in establishing early intervention services for children, such as Sure Start children's centres.[14] The Department for Communities and Local Government's Troubled Families Programme also shows how central and local government can work together effectively on early intervention. Although not specifically aimed at helping children on the edge of care, at a hearing of the Committee of Public Accounts in January 2014 the government described how some local authorities were using the programme for this purpose:

 "… every time we properly solve what is happening in a family, which means that a child does not have to go into foster care, you are saving £40,000. There are lots of reasons and lots of things they can do with the programme that help them more generally".[15]

1.37 As part of its new Innovation Programme (paragraph 1.12), the Department is also seeking to support projects relating to services that help children on the edge of care.

14 Comptroller and Auditor General, *Early action: landscape review*, Session 2012-13, HC 683, National Audit Office, January 2013.
15 HC Committee of Public Accounts, *Programmes to help families facing multiple challenges*, Fifty-first Report of Session 2013-14, HC 668, April 2014.

Figure 5

Long-term costs to the individual and taxpayer

There are significant long-term costs to the public if children in care do not achieve good outcomes

Children in care often come from homes facing several challenges.

The government has estimated[1] that the cost to the taxpayer of families with multiple difficulties was approximately £9 billion annually for the spending review period of 2010–2015. Around £1 billion was spent helping these families (for example, programmes to tackle mental health issues and drug and substance misuse) and £8 billion was spent reacting to families' challenges (for example, social care and the costs of crime, such as court costs).

Intergenerational dysfunctional families

34% of all care leavers were NEET at age 19 in 2013 compared to 15.5% of 18-year-olds in the general population.[2] Adults with few or no qualifications are more likely to be unemployed, or be in poorly paid work. This means tax income forgone and a higher benefits bill.

The Department for Education is responsible for improving take up of education, employment and training among young people. The estimated lifetime cost of a young person not participating in education, employment or training has been estimated at £56,000 every year.[3]

Around 10% of 16- to 17-year-olds in care have substance misuse problems.[12]

Health care services carry the burden of cost for long-term health, mental health and substance abuse problems.

Poor mental and physical health outcomes in adulthood

Lower take up of education, employment and training

Higher offending rates

Homelessness

In 2013, 6.2% of children in care aged between 10 and 17 were convicted or given a final warning or reprimand, compared with 1.5% of all children.[8]

690 children entering care in 2012-13 were on remand or committed for trial.[9]

There are no national data on the number of prisoners who have been in care: one estimate puts the figure at around 1 in 4.[10]

The costs to the taxpayer for court and imprisonment are high: a prison place costs at least £38,000 a year.[11]

An estimated one-quarter of homeless people sleeping on the street have a care background.[4]

People without a settled home are more likely to suffer mental and physical ill health.[5]

Local authorities pay for housing 16- to 17-year-olds and 18- to 20-year-old care leavers who become homeless: 1,400 in the last year.[6] They are a priority in law for access to housing. Some are placed in bed and breakfast (B&B) accommodation in the short term. B&B can cost £340 a week. Shelter has estimated it costs around £375 to process a homelessness claim.[7]

Figure 5 *continued*

Long-term costs to the individual and taxpayer

Notes

1   Comptroller and Auditor General, *Programmes to help families facing multiple challenges*, Session 2013-14, HC 878, National Audit Office, December 2013.

2   No direct comparison available. *HM Government Care Leaver Strategy*, October 2013.

3   B Coles, C Godfrey, A Keung, S Parrott and J Bradshaw, *Estimating the life-time cost of NEET*, July 2010.

4   K Reeve with E Batty, *The hidden truth about homelessness: Experiences of single homelessness in England*, Crisis, May 2011.

5   S Rees, *Mental ill-health in the adult single homeless population: A review of the literature*, Public Health Research Unit, 2009.

6   Department for Communities and Local Government, *Live tables on homelessness*, Table 773.

7   Shelter, *Research briefing – Immediate costs to government of loss of home*, January 2012.

8   Department for Education, *Statistical First Release*, 50/2013.

9   Department for Education, Statistical First Release, 36/2013, National Table C3.

10   The Centre for Social Justice, *Green Paper on Criminal Justice and Addiction*, July 2010.

11   Prison Reform Trust, *Prison: the facts*, Bromley Briefings, Summer 2013.

12   Department for Education, *Statistical First Release*, 50/2013.

Source: National Audit Office and as noted

Part Two

Progress in improving care

2.1   This part of the report examines:

- the Department for Education's (the Department) objectives for improving quality of care; and

- progress against these objectives.

Objectives for improving the quality of care

2.2   Although local authorities have a duty to look after their children in care, it is the Department's responsibility to ensure, through effective oversight, that these children receive high-quality care. The Children's Act (1989) requires local authorities to ensure that a child is given the type of placement that best meets their needs, regardless of cost.[16]

2.3   The Department has set out its objectives as being to improve:

- the quality of foster and residential care; and

- the stability of foster and residential care placements.

2.4   The Department relies on local authorities to organise and often provide the care placements. It draws on Ofsted's inspection judgements on the quality of local authority and private sector fostering services and residential homes. However, it has no indicators of its own that accurately measure the efficacy of the care system or help it to hold local authorities to account for their performance. Although it collects lots of data on children in care the Department told us there are difficulties around measuring and quantifying improvement. As there are no official Departmental measures of performance we have used a range of data published by the Department to indicate progress against its objectives.

2.5   Staff in local authorities and providers told us that roles and responsibilities for delivering good-quality services were clear as they are often defined in law. However, although they noted that the Department takes an active role in overseeing and intervening in adoption, they were less clear about its objectives for fostering and residential care. The government has made adoption a policy priority and has invested £200 million to reform and improve local authority adoption services.[17]

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16 *Hansard HC, Children's Act 1989*, Section 3.22c.
17 Prime Minister's speech at the Relationships Alliance Summit, held at the Royal College of GPs, on 18 August 2014.

2.6 The Department has also recognised this priority in the way that it manages local authorities' performance on adoption compared to fostering and residential care services. While it has set local authorities a target to place children for adoption with their new family within 14 months, it has not set targets for improving the quality of foster or residential care. In some cases it does not consider it appropriate to do so.[18] In its business plan, however, the Department includes indicators on children in care's attainment and absence from school to help the public assess the effects of its policies. It publishes statistics each year to show progress against its business plan, although considers there are flaws in these indicators. For example, educational attainment does not reflect the amount of progress a child has made because of good care. Other indicators record decisions taken about children's care, not whether the reasons behind the decisions were sound.

Progress against the Department's objectives

Educational attainment and absence from school

2.7 The Department wants to reduce the gap in attainment between children in care and their peers. This a key indicator against which it reports progress. The gap in GCSE performance has narrowed from 45 to 43 percentage points over the last 3 years (**Figure 6** overleaf). In 2012/13, 15% of children in care achieved 5 or more GCSEs at grades A*-C including mathematics and English, compared with 58% of children not in care.

2.8 Some 68% of children in care have special educational needs, compared with 19% of the general school-age population. This means that they must overcome extra challenges to achieve their potential. Around 40% of children in care without a special educational need achieved 5 or more GCSEs including mathematics and English. Only 11.7% with a special educational need did so.

2.9 The Department also measures the educational achievements of children in care compared to children who are not in care, typically at the ages of 7 and 11-years-old.[19] In 2013, compared to 2012:

● At age 7, the attainment gap between children in care and children who are not in care narrowed for writing (from a difference of 26% to 24%). For reading and mathematics the attainment gaps have remained the same at 20% for both measures.

● At age 11, the attainment gap between children in care and children who are not in care narrowed for mathematics and writing (from a difference of 28% to 26% and from 30% to 28% respectively. For reading the attainment gap remained at 23%, but has fallen from 27% since 2009 (**Figure 7** on page 29).

18 Department for Education, *Adoption scorecards and thresholds published*, January 2014.
19 Key Stage 1 and Key Stage 2 assessments.

Figure 6

Gap in attainment of 5 or more GCSEs at grades A*–C including mathematics and English, between children in care and their peers, 2008/09 to 2012/13

The large attainment gap between children in care and their peers has begun to narrow slightly
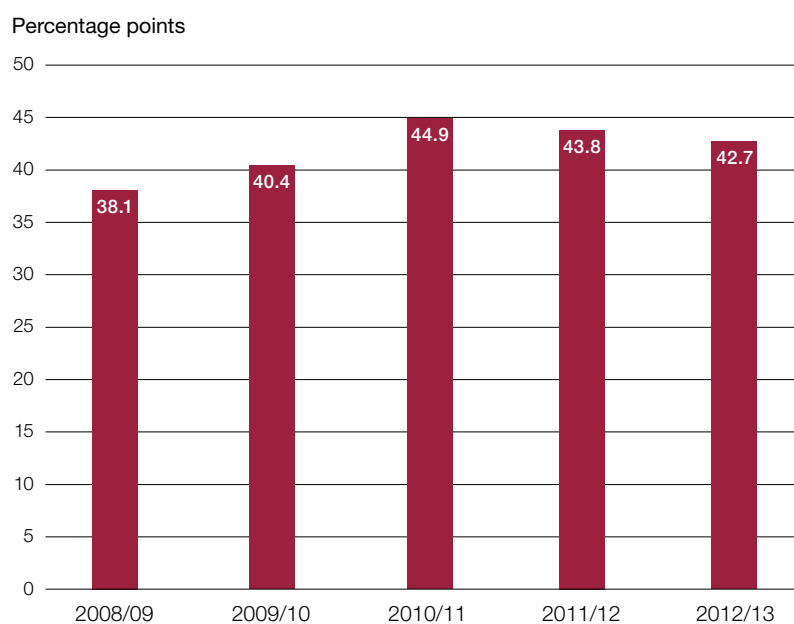
Percentage points

Year	Value
2008/09	38.1
2009/10	40.4
2010/11	44.9
2011/12	43.8
2012/13	42.7

Note

1   Only children who have been looked after continuously for at least 12 months are included.

Source: Department for Education's Statistical First Release SFR50, 2013, Table 3

2.10 To improve the educational attainment of children in care, the Department requires all local authorities to have a virtual school head. This is a person who champions the educational ambitions on behalf of the authority's children in care. The Department also:

● applies pupil premium to all children in care, and introduced pupil premium plus which more than doubled the amount for each child from £900 since 2011 to £1,900;

● gives children in care a £1,200 bursary if they are on a further education course; and

● funds local authorities to provide a £2,000 bursary for care leavers at university.

2.11 Local authorities we spoke to expected positive results from these changes. However, the Department has not put in place a system for measuring whether virtual school heads achieve positive change. Local authorities do not yet have data showing evidence of any change.

Figure 7

Gap in attainment in learning skills at age 11 between children in care and their peers, 2008/09 to 2012/13

At age 11, children in care are behind their peers in learning skills such as mathematics and reading
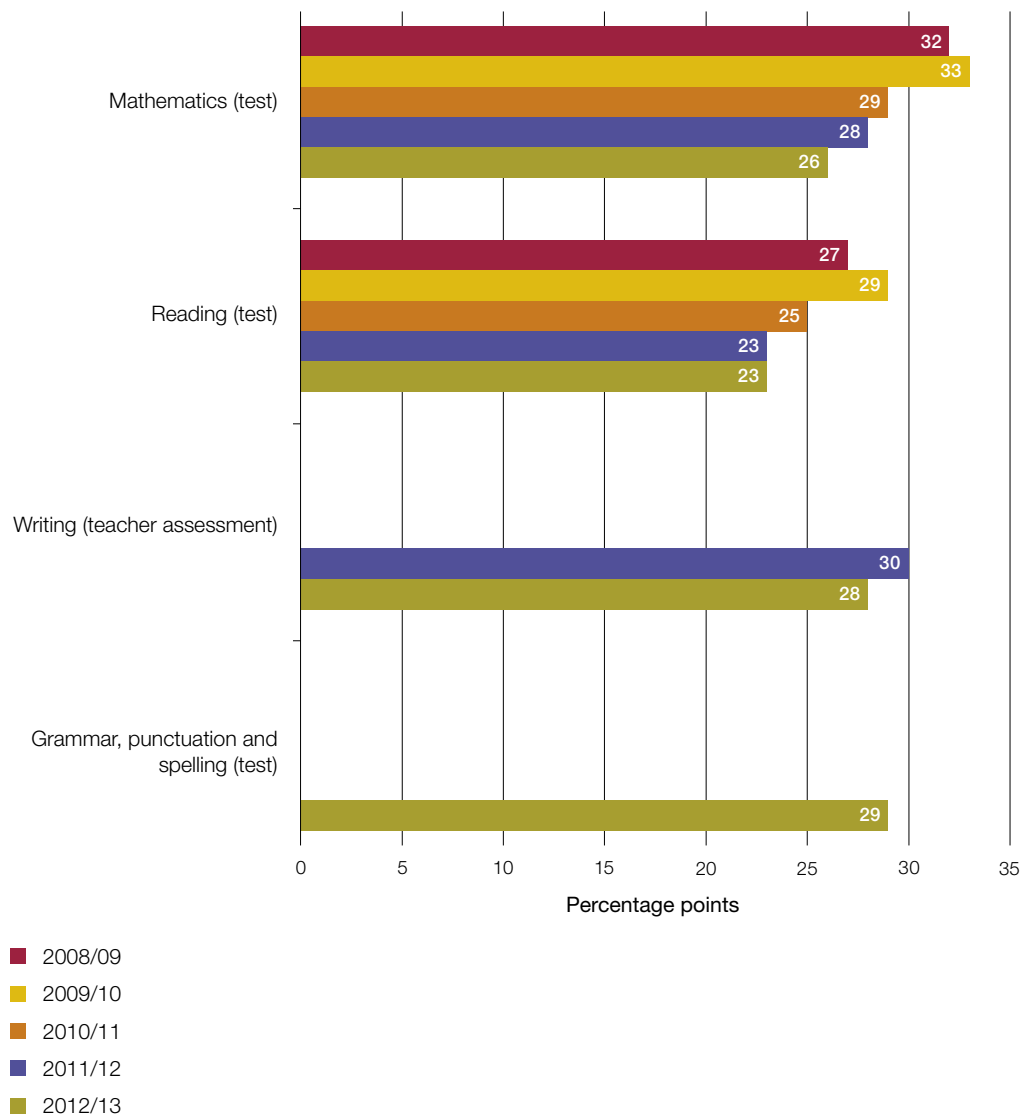
Mathematics (test)
- 32
- 33
- 29
- 28
- 26

Reading (test)
- 27
- 29
- 25
- 23
- 23

Writing (teacher assessment)
- 30
- 28

Grammar, punctuation and spelling (test)
- 29

Percentage points

■ 2008/09
■ 2009/10
■ 2010/11
■ 2011/12
■ 2012/13

Note

1 Only children who have been looked after continuously for at least 12 months are included.

Source: Department for Education's Statistical First Release SFR50, 2013, Table 2

**2.12** The Department's other key performance indicator for children in care is absence from school. Absence improved between 2010/11 and 2012/13 (**Figure 8**). Unauthorised absence fell from 1.5% to 1.1% of possible sessions. The share of looked-after pupils who were persistent absentees also fell from 7.3% to 5.0%. This was faster than the general downward trend in absence, which fell from 6.1% to 4.6%.

2.13 The Department also collects data on children in care excluded from school. In 2011/12, 0.15% of children in care were permanently excluded from school. This is over 2 times higher than the rate for all children at 0.07%. However, permanent and fixed term exclusions for children in care have fallen in recent years, faster than the trend for all children.

Figure 8
Absence from school, 2010/11 to 2012/13

Unauthorised and persistent absence for children in care is improving and the gap between them and their peers is narrowing

Percentage of sessions missed

■ Children in care
■ All children
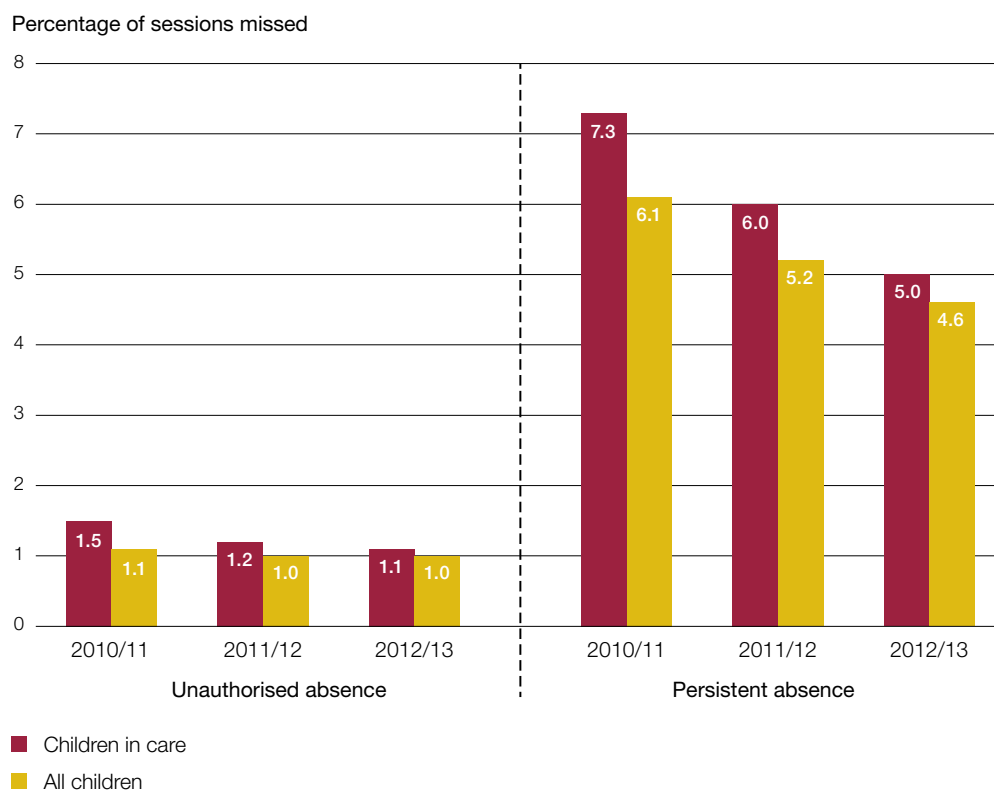
Notes
1   Only children who have been looked after continuously for at least 12 months.

2   Unauthorised absence is expressed as a percentage of the total number of possible sessions.

3   Persistent absentees are defined as having 46 or more sessions of absence (authorised and unauthorised) during the year, around 15% overall absence rate. The percentage is calculated by dividing the number of persistent absentees by the total number of enrolments.

Source: Department for Education's Statistical First Release SFR50, 2013, Table 12

2.14 The Department also publishes annual data on several key indicators. These measure placement stability, distance of placements from home, health and wellbeing, and the destinations of children leaving care.

Placement stability

2.15 Evidence shows that having multiple care placements reduces children's opportunities to develop secure attachments. It may also worsen any existing behavioural and emotional difficulties. This can make it more difficult for children to establish relationships with carers and lead to further placement breakdown and rejection.[20] Bath Spa University has found that secure attachment relationships correlate strongly with higher academic attainment, better self-regulation and social competence.[21]

2.16 However, where children have a single placement this could be a sign of inaction on the part of a local authority when children should be moved. High placement stability does not necessarily correlate with good Ofsted judgements. For this reason the Department does not set targets for placement stability. It considers that this could risk driving decisions that are not necessarily in the best interests of the individual child.

2.17 The number of placements in a year can be interpreted as a measure of the effectiveness of assessment of need. Some providers told us that to save money local authorities choose to place all children in foster care at first even though it is clear that some need residential care from the start.

2.18 Of children being looked after on 31 March 2013, 34% had more than 1 placement during the year and 11% had more than 3 placements (**Figure 9** overleaf). Both these proportions have remained the same since 2009. Children whose latest placement was in foster care had more stable placements than those in residential care on 31 March 2013: 26% of children in foster care had more than one placement during the year compared with 52% of children in residential care. Children in residential homes often have more complex and difficult needs than children in foster care. Some 330 young people moved placement 10 or more times during the year. Of these children, 90% went 'missing' during the year. Each time a child goes missing it is counted as an extra placement. The Department has recognised that this indicator mixes two different issues – going missing and placement numbers. From 2014-15 the Department will collect data on the numbers missing and number of placements separately.

20   E Munro and A Hardy, *Placement stability: a review of the literature*, Loughborough University, 2006.
21   J Rose, L Gilbert, M Gorman, J McDonald, R Parker, *An Introduction to attachment and the implications for learning and behaviour*, Bath Spa University, 2014.

Figure 9
Number of placements by type of final placement in the year ending 31 March 2013

Children placed in foster care have more stability during the year compared with residential care
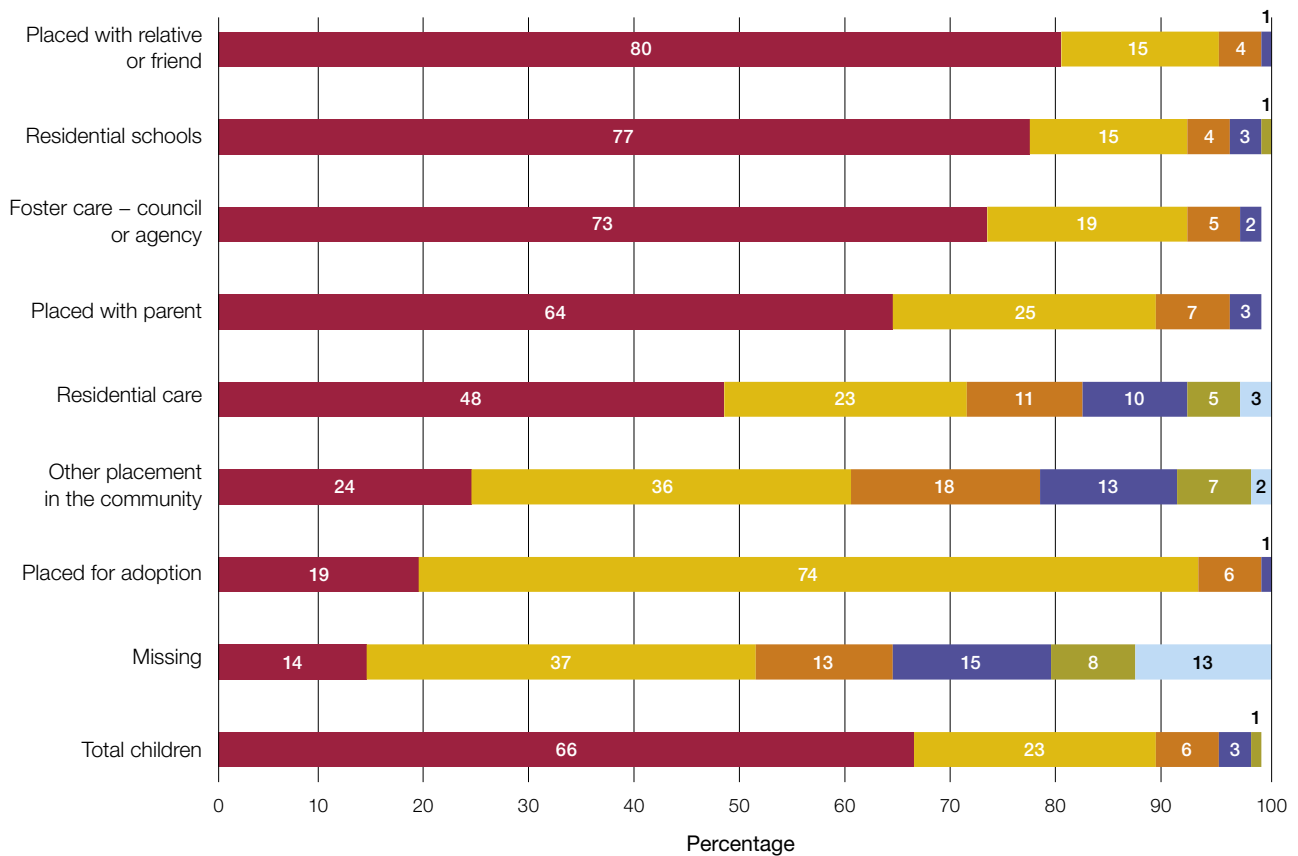
Legend:
- 1
- 2
- 3
- 4 or 5
- 6 to 9
- 10 or more

Note

1   Data values have been rounded to the closest percentile. Missing means 'Children who are missing from their placements'.

Source: Department for Education's Statistical First Release 36, 2013

2.19 Large numbers of children in care who are returned home re-enter care. A report by the NSPCC and Loughborough University on supporting children and families returning home from care, indicated that there are a range of factors to explain the high rates of reunification breakdown and that deficits in social care case management and a lack of support for children and families to address their issues are significant drivers.[22] The Department has calculated that around 30% of the 10,270 children returned home in 2006-07 re-entered care within 5 years.[23] The Centre for Child and Family Research has calculated that the estimated cost of failed returns is £300 million a year.

Distance of placements from home

2.20 An out-of-authority placement is a care setting for a looked-after child outside the boundaries of the authority that is legally responsible for that child. In some cases, there may be good reasons for placing a child at a distance, for example to break links with undesirable peer groups, but evidence suggests that vulnerable children placed outside their authority – especially those placed a long way from it – may be at risk. This is because they may be deprived of sufficient oversight and support from their responsible authority. They may need to change school and may not be able to maintain relationships with their family and friends.

2.21 In 2013, the Department introduced reforms to reduce the number of children placed at a distance from their home. It defines this as children not placed in their local authority area or a neighbouring authority area. A local authority's Director of Children's Services must now approve any decision to place a child at a distance. Local authorities must consult and notify each other of decisions relating to placing or receiving children to care for in their areas. It is too early yet to tell whether its reforms are having an impact in reducing the number of children placed a distance from home. However, the Department has collected data from local authorities on the number of children placed out of their local authority and whether they are placed within or beyond 20 miles from home, for a number of years.

2.22 As described in paragraph 1.14, local authorities must ensure that as far as possible they have enough accommodation to care for children in their area. However, there has been little improvement in the proportion of children who are placed 20 miles or closer to home in recent years (**Figure 10** overleaf). The Department acknowledges that there is sometimes good reason to place a child at a distance from home. On 31 March 2013, 14% of foster children and 34% of those in residential care were placed more than 20 miles from home. These figures have not improved in the last 4 years.

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22   L Holmes, *Supporting children and families returning home from care*, NSPCC and Loughborough University, September 2014.
23   Department for Education, *Data pack: Improving permanence for young people*, September 2013.

Figure 10

Children in care by care type and distance from home, 31 March 2010-11 to 2012-13

The proportion of children being placed 20 miles or more from home is not falling

Residential care

	2009-10	2010-11	2011-12	2012-13
Not known	9	7	5	4
Over 20 miles	33	32	33	34
20 miles or less	58	62	62	62

Foster care

	2009-10	2010-11	2011-12	2012-13
Not known	5	4	3	3
Over 20 miles	14	14	14	14
20 miles or less	81	82	83	83

Percentage

Legend:
- Not known
- Over 20 miles
- 20 miles or less
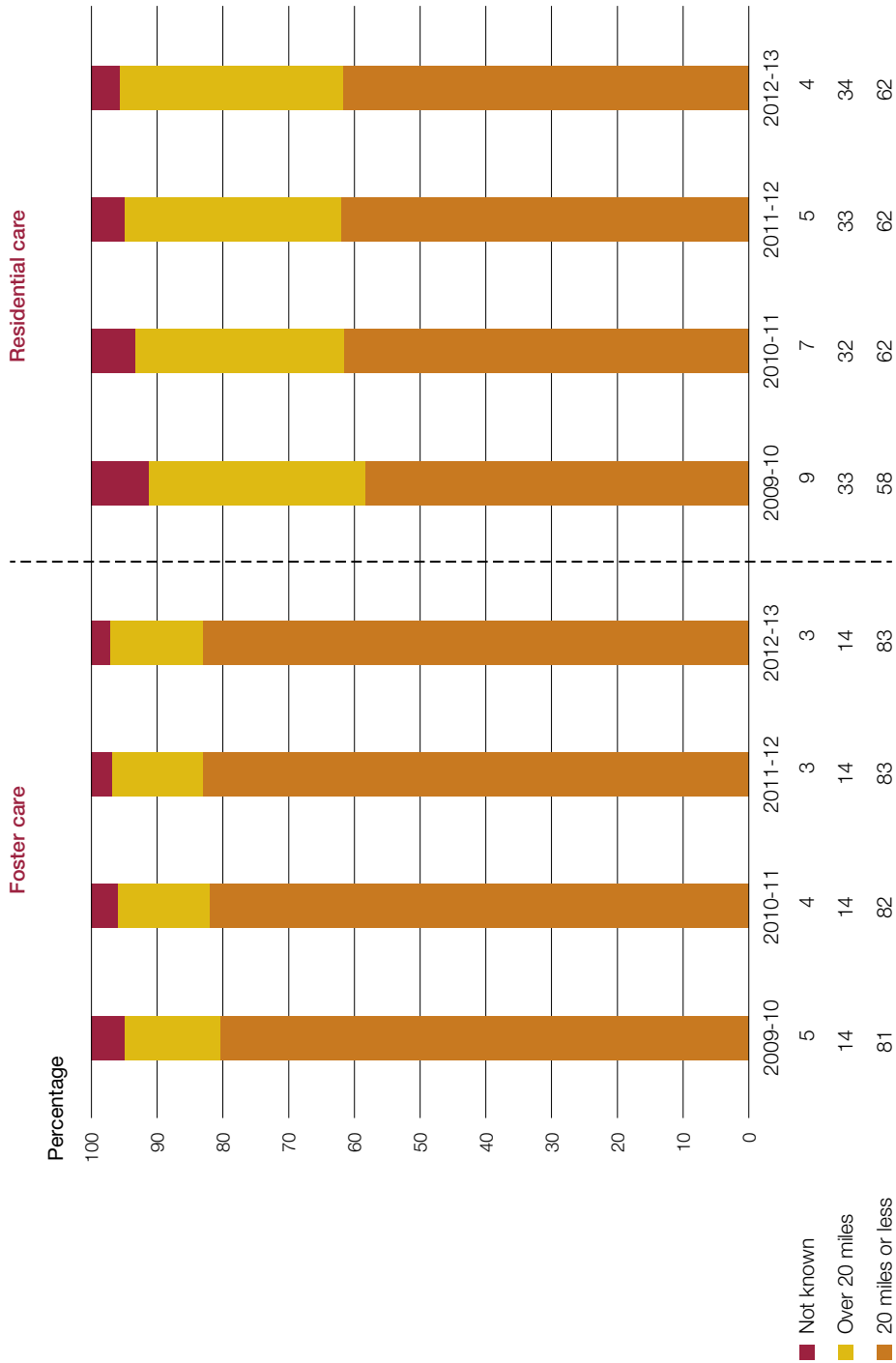
Notes

1 Foster care includes only: foster placements, excluding placed for adoption.

2 Residential care includes only: secure units; children's homes and hostels, excluding other residential settings; residential schools.

Source: Department for Education, Statistical First Releases 36/2013, 20/2012, 21/2011, 27/2010, Tables A6

2.23 The Education Select Committee's report published in March 2014,[24] said evidence suggested that the sufficiency duty was being disregarded:

● Of 4,890 children living in children's homes in England on 31 March 2012, 46% were living in homes out of their local authority area and 30% were living more than 20 miles from home.

In addition, the Department's own research into residential care found that in 2012:[25]

● 16 local authorities placed all of their children outside their area.

● 55 local authorities had fewer places in their area than the number of children they placed, compared with 40 authorities in 2011.

2.24 As well as children being placed out of authority, often siblings are placed apart, although this is improving slightly. In 2011, 73% of the children in care who had one or more siblings also in care were separated from brothers or sisters by being given different placements.[26] In 2009 the figure was 76%, and in 2010 it was 74%.

2.25 There is a mismatch between the supply of and demand for residential care. Some 43% of all children's homes are in the North West or West Midlands (**Figure 11** on pages 36 and 37). This may explain why many children are placed out of their local authority area or 20 miles or more from home. The Department is aware of the mismatch, but does not play a role in managing the market.

Health checks for children in care

2.26 The Department monitors whether children in care have annual dental and health checks, and that their immunisations are up to date. All children in care should have these checks. More than 1 in 10 children in care did not receive regular health and dental checks in 2013. This proportion has not improved significantly over the past 3 years (**Figure 12** on page 38). In 2013 only:

● 13 local authorities ensured 100% of children in care's immunisations were up to date;

● 5 local authorities ensured 100% of children had the required dental checks; and

● 10 local authorities ensured 100% of children had their annual health assessments.

24   Education Committee, *Residential Children's Homes*, Sixth Report of Session 2013-14, HC 716, 5 March 2014.
25   Department for Education, *Children Homes Data Pack*, June 2014.
26   Ofsted, *Children's care monitor 2011*, 2012.

Figure 11
Demand and supply for care

Map 1 shows the supply of care (the number of residential homes)

Number of residential homes[1]

- 46 to 96
- 27 to 46
- 17 to 27
- 11 to 17
- 0 to 11
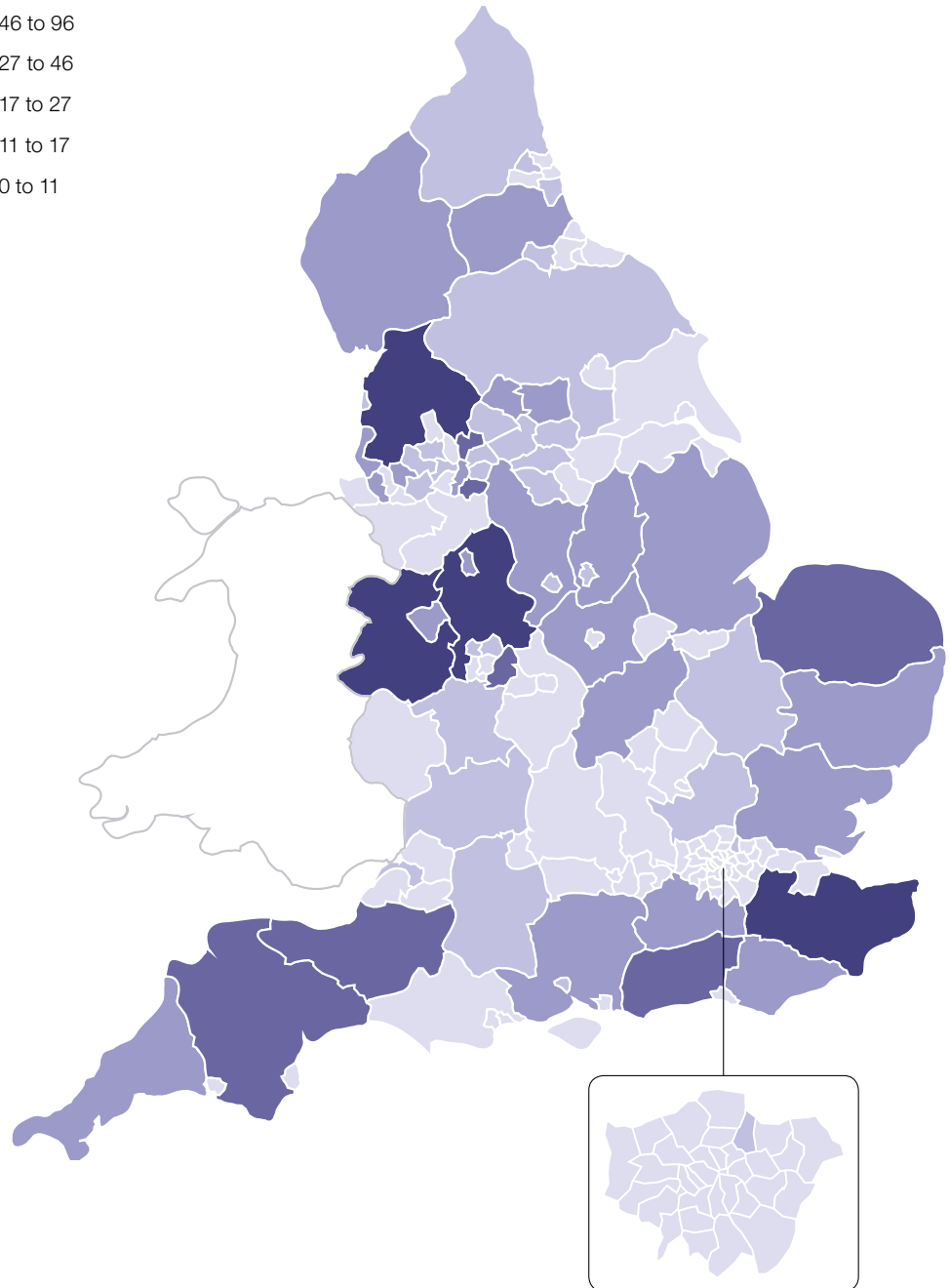
Note

1   Each range contains a fifth of all Englands children's homes.

Figure 11 *continued*

Demand and supply for care

Map 2 shows the demand for care (the number of looked-after children). The distribution of residential homes does not match the needs of children

Number of children in care[1]

- 960 to 1,890
- 630 to 960
- 480 to 630
- 330 to 480
- 0 to 330
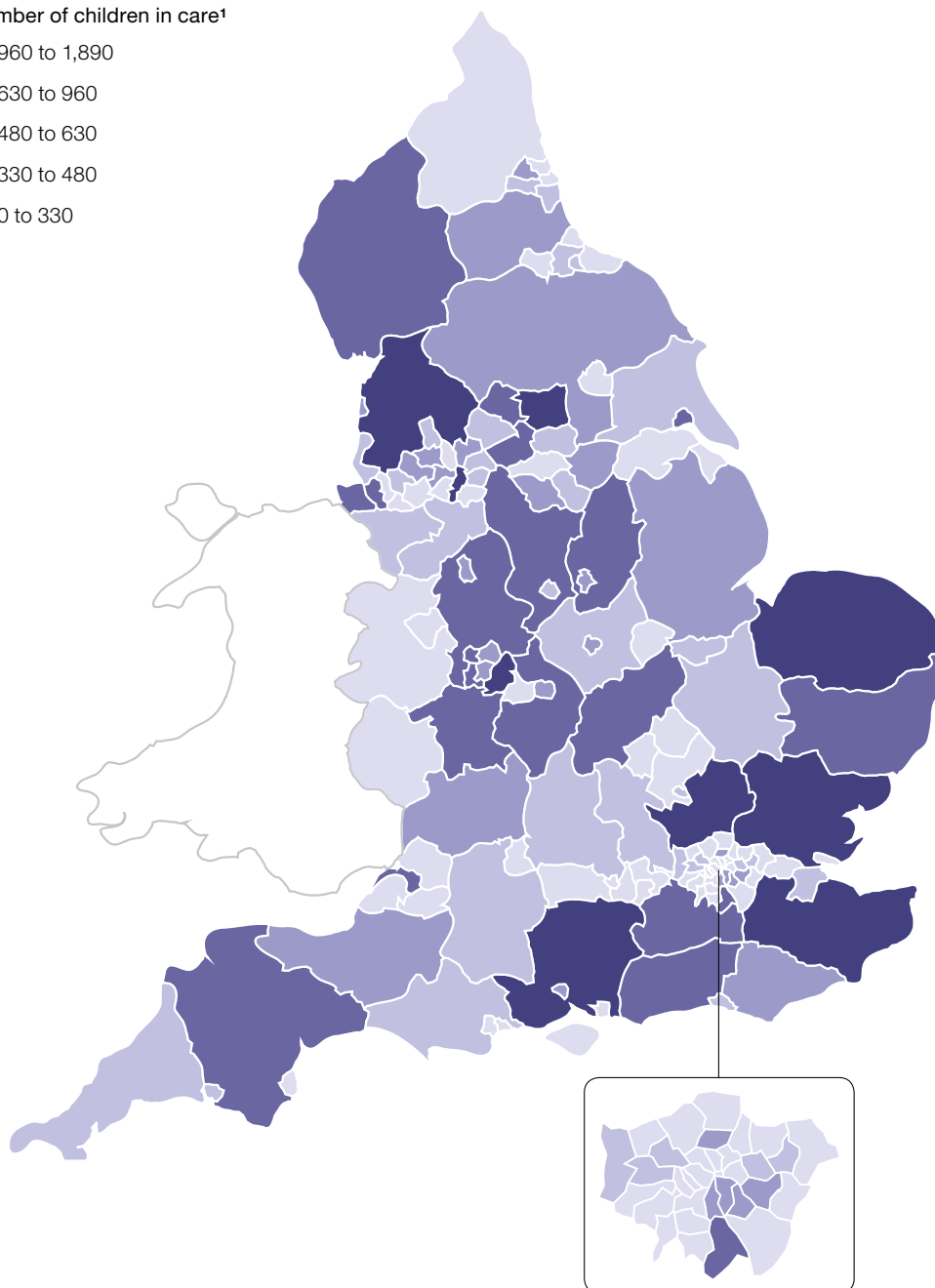
Note

1   Each range contains a fifth of all Englands children in care.

Source: Map 1 – Ofsted data on providers; Map 2 – Department for Education, Statistical First Release 36, Table LAA1

Figure 12
Health checks on children in care, 2011 to 2013

Rates of immunisation and annual health assessments are improving, but there has been no progress on dental care
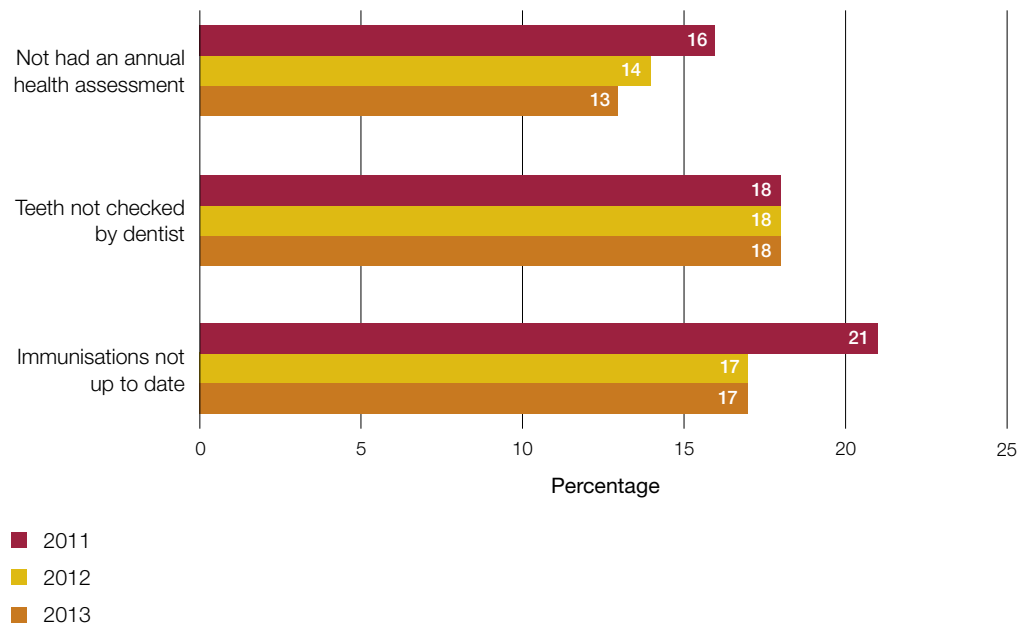
Note

1   Only children who have been looked after continuously for at least 12 months.

Source: Department for Education's Statistical First Release SFR50, 2013, Table 6

2.27 Although other children may not be taken for health checks by their parents, in the case of children in care such checks are important. Foster carers and residential care workers are paid to ensure each child in their care attends all relevant health appointments, including their health assessment. Children often enter care with a worse level of physical health and mental health than their peers in part due to the impact of poverty, abuse and neglect.[27]

2.28 For the year ending 31 March 2013, data shows some improvements in the health and wellbeing of children in care.

● Of those children in care aged between 10 and 17 years, 6.2% had been convicted or subject to a final warning or reprimand during the year compared with 7.2% in 2011.

● The rate of substance misuse among children in care has fallen from 4.2% in 2011 to 3.5%.

● However, there has been very little change in the emotional and behavioural health of children in care over the last 3 years when based on SDQ scores.[28]

27   Department for Children, Schools and Families and the Department of Health, *Statutory Guidance on Promoting the Health and Well-being of Looked-after Children*, 2009.
28   The Strengths and Difficulties Questionnaire (SDQ) is a child mental health questionnaire for children aged 2 to 17 years old.

The destinations of children leaving care

2.29 One-third (35%) of children leaving care in 2012-13 returned to their family. Following a sustained effort from the Department and local authorities, the number of children in care placed for adoption increased last year to 14% (3,980). A similar number began to live independently. Of these, 1,180 children in care moved into unsupported independent living, and this has not improved.

2.30 The number of young people who leave care aged 16 and 17 is falling, with more staying until they are 18. In 2013, 68% of young people leaving care waited until their 18th birthday (61% in 2009). However, 16% still leave at age 16 and 15% at age 17.

2.31 To prevent young people leaving foster care at age 18 from losing their settled home, in May 2013 the Department issued guidance to local authorities called *Staying Put*. The guidance says young people should be allowed to stay in a settled foster placement, at the local authority's expense, until they are 21. The Department has provided £40 million in extra funding over the next 3 years. Local authorities we interviewed welcomed the increased stability of foster care this offers. But they were concerned that the extra funding may not be enough and they would need to increase foster care capacity to make up for those children choosing to remain in care until 21. *Staying Put* does not apply to young people living in residential homes.

Quality of care based on Ofsted ratings

2.32 The Department relies on Ofsted's independent inspections for assurance over the quality of foster and residential care. In the latest inspection frameworks (September 2013 for fostering agencies; April 2014 for children's homes), inspectors give their judgements on:

- overall effectiveness;

- the experience and progress of, and outcomes for, children and young people;

- quality of service provision/care;

- safeguarding children and young people (including for foster care, having highly effective safeguards to ensure that unsuitable people do not have unsupervised contact with them; and for children's homes that children are protected from harm, including abuse and exploitation); and

- leadership and management.

2.33 Providers receive a rating of either: outstanding; good; requires improvement (foster agencies) or adequate (children's homes); or inadequate. All independent foster agencies must have at least 1 inspection in each 3-year inspection cycle. Children's homes are inspected at least twice a year. Since November 2013 Ofsted inspects local authorities' fostering services as part of the wider inspection of local authority services for children in need of help and protection, children looked-after and care leavers. Inspections do not cover cost-effectiveness or all issues of quality. Ofsted helps poor foster and residential care providers improve. If necessary, as part of its regulatory work, it can close down homes that do not improve to comply with regulations.

2.34 In 2012-13 Ofsted inspections concluded that 74% of fostering agencies were good or outstanding, as were 72% of residential homes. Among fostering services (**Figure 13**):

- 86% of the relatively small voluntary sector achieved a good or outstanding rating; and

- no services run by local authorities were rated as inadequate.

For residential care:

- 79 (5%) of children's homes were rated as inadequate; and

- homes run by the voluntary sector were least likely to be rated as good or outstanding.

Quality varies widely by region, with 79% of residential homes rated as good or outstanding in the West Midlands compared with 57% in Outer London.

2.35 Because of changes in the inspection regimes, the Department does not know if standards in foster agencies and residential homes are genuinely improving or getting worse over time. The Department does not collect data that would allow it to assess the complexity or extent of need at an individual level. So it cannot say if, for example, children with the highest needs are placed in the highest-quality care. This is because the data the Department collects on providers does not match Ofsted's records of providers, although it has plans to correct this.

2.36 Providers have expressed concern that the new Ofsted inspection regime could downplay their quality, and, as a result, local authorities will no longer place children with them. This could lead to a constriction of supply of places in the medium and longer term. Research suggests a wide variation in quality among large private providers. Local authorities we spoke to have a policy of only placing children with 'good' or 'outstanding' providers. If a provider falls below this standard in an Ofsted inspection there are discussions on how to improve quality before the stability of any placement is disturbed.

Figure 13

Ofsted inspection ratings for foster agencies and residential homes, by type of provider, 2012-13

The majority of provision is rated by Ofsted to be good or outstanding

Foster care

Provider	Inadequate	Adequate	Good	Outstanding
Voluntary or other public	2	2	18	6
Local authority		17	39	5
Private	5	18	46	10

Children's homes

Provider	Inadequate	Adequate	Good	Outstanding
Voluntary or other public	8	43	73	18
Local authority	21	102	286	88
Private	50	260	629	174

Percentage (0, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100)
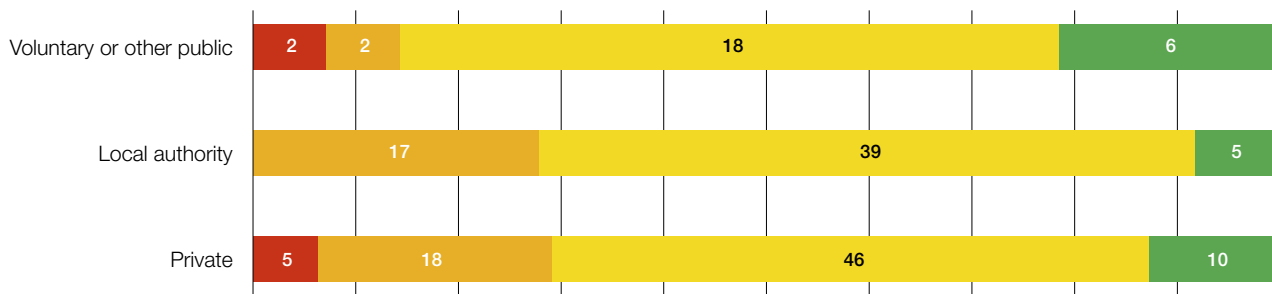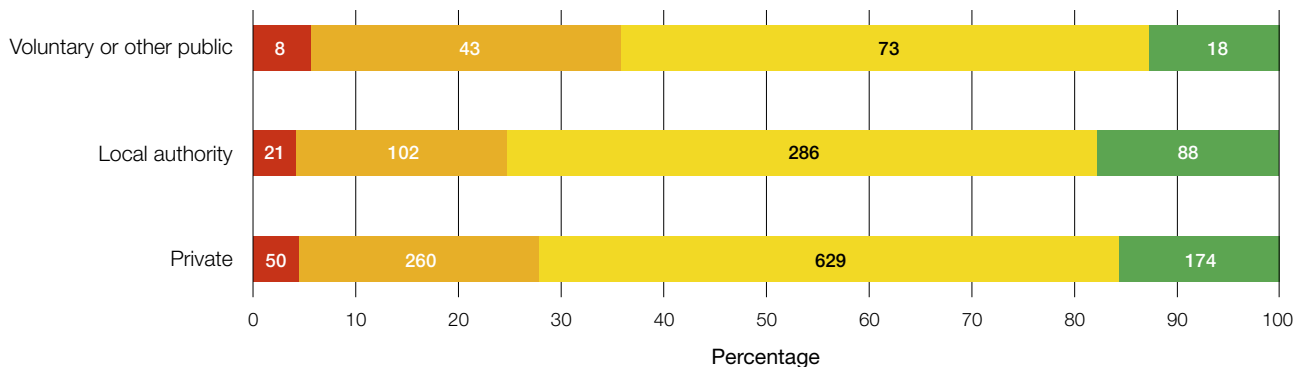
- ■ Inadequate
- ■ Adequate
- ■ Good
- ■ Outstanding

Note

1   Labels represent the number of providers.

Source: Ofsted, *Social Care Annual Report*, 2012-13

The Department's interventions

2.37 The Secretary of State has a range of intervention powers for tackling poor performance. Ofsted inspections form the basis for triggering intervention because of poor practice.

2.38 At the end of August 2014, the Department was formally intervening in 21 local authorities. While most of its interventions focus on weaknesses in child protection services – that is the stage before a child is taken into care – the Secretary of State for Education intervenes when there is evidence that a local authority is failing to discharge its duty to looked-after children. In the 7 most serious cases (Birmingham, Calderdale, Doncaster, Isle of Wight, Norfolk, Northamptonshire and Sandwell), the local authority is under a statutory 'direction' issued by the Secretary of State. The remaining 14 local authorities are subject to an improvement notice. Of the 21 intervention arrangements in place at the end of August 2014, 7 require the local authority to improve both child protection and services for looked-after children. The remaining intervention arrangements concentrate solely on the action needed to improve child protection services.

2.39 It is difficult for local people to hold their council to account for its performance on foster and residential care. The Department annually publishes supplementary tables to its 2 major Statistical First Releases that set out local authorities' performance. These Microsoft Excel tables are long, detailed and published as annexes in the statistical section of the pan-government website, GOV.UK. By contrast, the Department publishes adoption scorecards that have graphs illustrating trends in headline figures for each local authority.

Part Three

Understanding the costs of care

3.1 This part of the report examines:

- the amount that is spent in England on foster and residential care; and

- variations in spending on foster and residential care.

3.2 Our analysis in this part of the report is based on expenditure statistics published by the Department using data from the Section 251 return. We are aware that there are some concerns about the quality of the data, which we set out in more detail in paragraphs 3.8 and 3.9.

National spending on foster and residential care

3.3 Local authorities spent £6.9 billion on children's social care in 2012-13. Of this, £1.5 billion was spent on fostering, and £1 billion on residential care. The amount spent on foster and residential care increased by 3% in real terms between 2010-11 and 2012-13 (**Figure 14** overleaf). Over the same period, the number of children in care rose by 4%, from 65,510 in 2010-11, to 68,110 in 2012-13.

3.4 Councils have reduced their overall spending in recent years in response to significant reductions in government funding. However, our analysis of local authorities' budgets[29] showed that spending on children's social care is predicted to increase by 7% in real terms between 2010-11 and 2014-15. By contrast adult social care expenditure is expected to fall on average by 9%, planning and development by 46% and housing services by 34%. Spending on foster and residential care has been maintained at the expense of other parts of children's services, for example spending on youth services has fallen by 34% on average.

3.5 The increase in spending on foster care reflects a rise in both the number of children fostered and the price of that care. By contrast, placing fewer children in residential care rather than a fall in the price of places has meant that total spending on residential care fell.

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29 Comptroller and Auditor General, *Financial sustainability of local authorities 2014*, Session 2014-15, HC 783, National Audit Office, November 2014; Comptroller and Auditor General, *The impact of funding reductions on local authorities*, National Audit Office, November 2014.

Figure 14

Total expenditure on foster and residential care, 2010-11 to 2012-13, in 2012-13 prices

Expenditure on foster and residential care rose by 3% in real terms

£ billion

	2010-11	2011-12	2012-13
■ Residential care	1.06	1.06	1.00
■ Foster care	1.34	1.39	1.48
Total	**2.40**	**2.45**	**2.47**
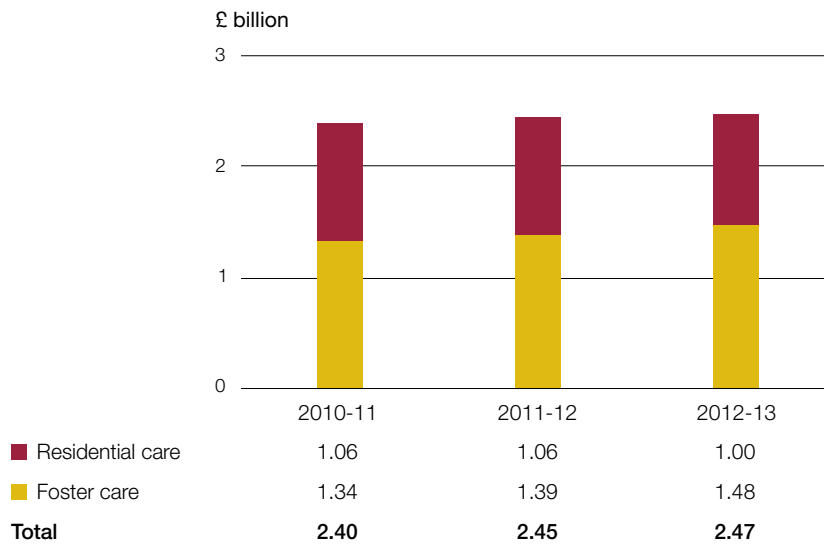
Note

1   Figures adjusted to 2012-13 values using HM Treasury GDP deflators, June 2014.

Source: Department for Education, Section 251 outturn data, Table A1

3.6 The majority of funding for children's services is not ring-fenced and comes from the Department for Communities and Local Government. How local authorities spend their funding on different services is a matter of policy for each authority. It will reflect the local context and each authority's priorities.

3.7 The Department for Education also gives grants and funding to authorities and other organisations. This is used for services such as Fosterline; to meet new policy requirements such as *Staying Put*; and for activities to improve practice and outcomes such as the Innovation Programme.

3.8 Without accurate, complete and comparable data on spending on children in care, the Department is unable to hold local authorities to account effectively. The Department believes its guidance on completing financial returns and apportioning overheads is clear. Local authorities submit data to the Department about their annual expenditure on children in care, by type of care. However, there is agreement among stakeholders and commentators that the data are not comparable between local authorities. There is a lack of consensus among local authorities on how to cost services and complete the data return. The Chartered Institute of Public Finance and Accountancy and the Local Government Association are working with the sector to try and improve the financial data return from councils.

3.9 We found some councils report that they have children in independent foster care, but in the financial return they report spending of £0. The Department does not check the financial return against local authorities' reports on the number of children in different types of care for consistency.

Variations in spending

3.10 We found that calculations of the average amount spent on foster or residential placements varies depending on the data source and how the calculation has been made. Inaccuracies in the Department's data mean that precise figures cannot be given. We have therefore set out estimates of average spending as ranges (Appendix Four, **Figure 20**).

3.11 In 2012-13, the average annual amount spent on care in England was, depending on which sources are used:

● in the range of £29,000 to £33,000 for a foster placement; and

● in the range of £131,000 to £135,000 for a residential care placement.

3.12 These average annual figures conceal a wide range of spend depending on the provider. Hence spending on:

● a council foster care placement was in the range of £23,000 to £27,000, compared with a range of £41,000 to £42,000 for a placement with other providers; and

● a council residential care placement was in the range of £129,000 to £215,000 compared with a range of £122,000 to £200,000 in a voluntary, private or independent home.

3.13 The Audit Commission shows that there is also variation among local authorities' spending on foster care. It calculated that annual spending ranged from:[30]

● £15,000 to £57,000 for councils' own foster care provision; and

● £18,000 to £73,000 for other providers' foster care.

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30 Audit Commission, *Councils' expenditure on looked after children*, August 2014.

3.14 These figures show that the cost of local authority provision may not be cheaper than other providers'. As reported in paragraph 1.23, local authorities often choose to place children in their own residential or foster care because they have already committed costs and so need to fill places and think the cost is cheaper than private sector provision, though this clearly may not be the case.

3.15 The Department is aware that there are differences in cost but does not know the reasons for the differences. It has identified some factors that may influence the cost of places for children in care. These include:

- differences in the way local authorities report costs, particularly how much central overheads are included in reported costs;

- the case mix: the characteristics of children in care and the range and severity of their needs;

- the local authority's expertise and power in procuring places, for example use of framework agreements; and

- the amount paid to foster carers. National recommended rates for allowances (for the upkeep of the child) and fees (for the foster carer's time) for each child vary according to age and region. Around one-half of foster carers are paid the fee for their time.[31] A quarter of foster carers are guaranteed payment for the period between one child leaving and another child arriving.

3.16 We also looked at local house prices. We found little evidence that this was relevant as there was a weak correlation between the cost of residential care and average house prices. Indeed, residential care tended to be cheaper in areas where average house prices were higher (**Figure 15**).

3.17 The Department is working with the Department for Communities and Local Government and local authorities to explore cost variations and identify efficiencies in the children services sector. The Department acknowledges that it needs to know more about what determines the costs of looking after children in care. It has begun to explore whether there is a link between spending and improved outcomes for children. Initial work to try and understand cost variation was inconclusive. However, when the Department compared Ofsted inspection results for local authorities' children's services and their weekly spend on foster care, it suggested that poorer performing councils tended to spend more.

31 M Tearse, *Love Fostering – Need Pay*, March 2010.

Figure 15
The average daily cost of residential care compared with the cost
of housing (by local authority)

House prices are not a key driver of the costs of residential care
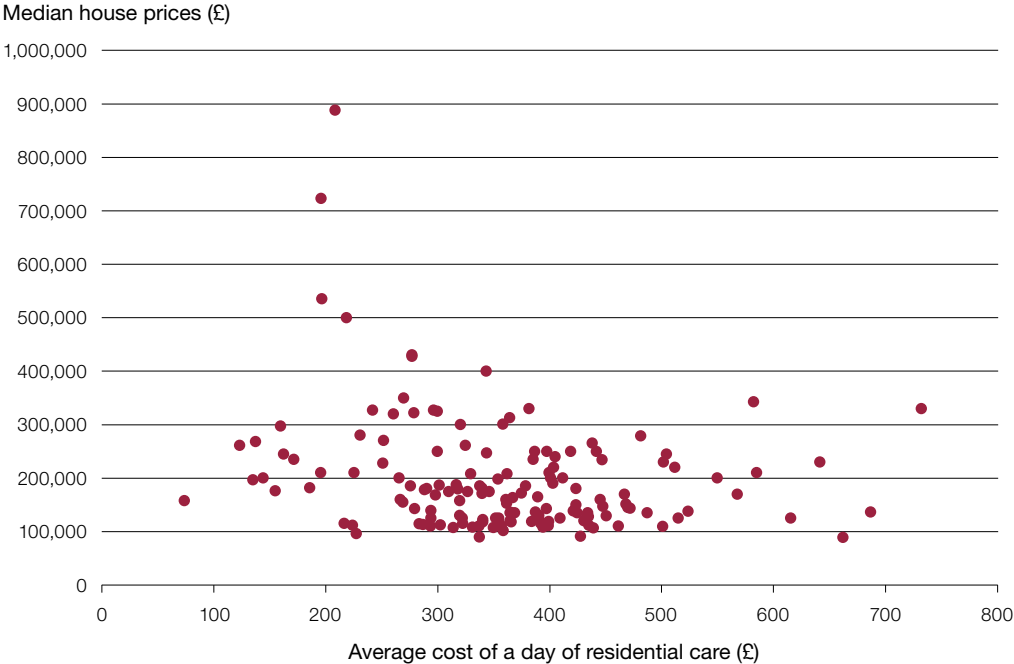
Note
1   The correlation co-efficient is -0.25, and statistically significant.

Source: Department for Education, Section 251 outturn data and median house prices based on Land Registry data 2012 Q4

3.18 The Department is also developing a benchmarking tool so that local authorities can compare their costs to others. It has already published some data on the local authority interactive tool, but local authorities we visited were not aware of this service. There are also several other sources of data that local authorities could use to benchmark their costs and challenge their own performance:

● the Audit Commission provided data though its value-for-money profiles tool, based on the Department's published financial data; and

● the Chartered Institute of Public Finance and Accountancy operates a children looked-after benchmarking club. Around one-half of local authorities are members.

3.19 The Centre for Child and Family Research has developed a cost calculator for children's services which uses comparable data on staff costs and hours required for key tasks based on published research. None of these tools appear to be widely used in the sector. The cost calculator is currently being updated with funding from the Higher Education Innovation Fund and will be made available to local authorities free of charge in spring 2015. The Department could do more to influence local authorities to use them in decision-making.

3.20 The Local Government Association also provides a tool called LG Inform. This provides local authorities with up-to-date data about the performance of their authority compared with others.

Appendix One

Our audit approach

1   We examined how well the Department for Education (the Department) is meeting its objective to improve on the quality and stability of foster and residential placements for children in care in a cost-effective way. We reviewed:

● how the Department is meeting the needs of children in care;

● progress in improving care; and

● the extent to which the Department understands costs of care.

2   We used an analytical framework with evaluative criteria to consider whether the Department is better meeting children's needs. We sought, as evidence, statistics on trends in outcomes and quality of care, shown through indicators such as stability and locality of placement. In addition, we investigated whether the Department has all the information and data it needs when making decisions and when evaluating quality and cost.

3   We summarise our audit approach in **Figure 16** overleaf and describe our evidence base in Appendix Two.

Figure 16
Our audit approach

The Department's objective	The Department's objective is to improve services for looked-after children by ensuring they receive high-quality care and by improving the stability and quality of long-term foster placements.

How this will be achieved	The Department has issued guidance to local authorities, published statistics and analysed data on cost.

Our study	We examined how well the Department understands the needs of children in care, what progress it has made towards improving care, and the costs of care.

Our evaluative criteria	The Department is improving the quality of care.	The Department understands what drives the cost of care.

Our evidence
(see Appendix Two for details)

- We **reviewed evidence** to identify criteria for assessing quality of care.
- We **interviewed** officials at government departments and agencies.
- We **consulted with care providers, foster carers and the voluntary sector**.
- We **reviewed the Department's data collection practices** and its analyses and interpretations.
- We **analysed statistical data** on quality outcomes.
- We **examined 8 case studies** to understand how local authorities meet their statutory duties on the provision of foster and residential care.

- We **reviewed the Department's evaluations** of its cost data.
- We **reviewed commissioning practices** in different local authorities.
- We **analysed statistical data** on cost variations at a local level.
- We **analysed financial data** from audited accounts and budget allocations.
- We **reviewed documents on the Department's Innovation Programme** which will explore different practices in local authorities.
- We **reviewed benchmarking and cost calculating tools** used by the Department or external bodies to understand cost variation.
- We **drew on existing National Audit Office evidence**.

Our conclusions

Services for the most vulnerable children depend on high-quality assessment of need and effective commissioning of foster and residential care. The Department is responsible for holding local authorities to account for their performance. The numbers of children getting the right placement first time has not improved since 2009. Over the past 5 years, where data are available, improvements in outcomes have been, at best, mixed. Their learning and development needs, if not successfully tackled, can result in significant and avoidable detriment to themselves, and increased costs and risks to local authorities and the taxpayer in the long term.

The Department cannot demonstrate that it is meeting its objectives to improve the quality of care and the stability of placements for children through the £2.5 billion spent by local authorities; it has no indicators to measure the efficacy of the care system; and it lacks an understanding of what drives the costs of care. We recognise that the Department is not the only actor in regard to the outcomes for children in care, but it is clearly responsible for key components in setting and driving aspiration, expectation and performance and we cannot conclude that the outcome of the Department's oversight is efficient or effective enough to constitute value for money. The Department needs to use its new Innovation Programme to understand what works, especially on early intervention, if it is to improve the quality of care and reduce short and long-term cost.

Appendix Two

Our evidence base

1   We completed our review of children in care services after analysing evidence we collected between April and November 2014.

2   We used an analytical framework with evaluative criteria to examine what approach to assessing quality and cost-effectiveness in meeting children in care's needs would be best. Our audit approach is outlined in Appendix One.

3   **We examined whether the Department for Education's (the Department's) understanding and assessment of quality and cost-effectiveness is well informed and supported by evidence:**

- We **reviewed existing evidence**, including data collection practices and guidelines issued to local authorities.

- We **reviewed existing literature** on the provision of high-quality care including the work of the University of Loughborough's Centre for Child and Family Research and publications by the Education Select Committee.

- We **reviewed published policy documents and guidelines, evaluations and expert working group briefings**, and held **semi-structured interviews** with the Department and Ofsted, to understand the Department's approach to quality in the care system.

- We **consulted providers and other stakeholders** to understand the challenges of providing high-quality care and to get their perceptions on the Department's approach to understanding, assessing and overseeing quality and cost-effectiveness. They included:

    - the Local Government Association;

    - the Association of Fostering Providers;

    - the Association of Directors of Children's Services;

    - Barnado's;

    - Kids Company;

    - National Society for the Prevention of Cruelty to Children;

    - representative bodies for foster and residential care providers; and

    - foster carers.

4   **We examined whether the Department was on track to improve the quality of care for looked-after children:**

- We **carried out descriptive analysis** to understand progress against quality outcomes, including educational attainment, stability of placement and health results.

- We **examined 8 case studies** to explore how local authorities meet their legal duties for looked-after children (see paragraph 1.14).[32] In our review of case studies we did not try to draw conclusions about individual authorities' performance, nor did we attempt to draw wider conclusions about all local authorities. We selected the 8 case studies in consultation with the Department and considering the following factors:

  - the proportion of looked-after children to the total child population in the council area;

  - the average cost of foster and residential care placements;

  - the stability of placements; and

  - the emotional well-being of looked-after children.

- At each local authority we explored:

  - its placement strategy;

  - its commissioning strategy;

  - how it uses information and data, and shares it with the Department and other local authorities and stakeholders; and

  - how it engages with the Department when delivering its policies.

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32   We visited Bath and North East Somerset District council, London Borough of Hackney, London Borough of Havering, Northamptonshire county council, North Yorkshire county council, Oxfordshire county council, London Borough of Richmond and Royal Borough of Windsor and Maidenhead.

5   **We examined whether the Department understood the cost of different types of placements for looked-after children:**

- We **reviewed the Department's benchmarking** and cost data collection practices.

- We **interviewed stakeholders**, including the North London Strategic Alliance, which is a local authority member framework that negotiates purchase prices for children's residential home placements and the University of Loughborough's Centre for Child and Family Research Unit that has developed a cost calculator for the care system.

- We **interviewed the Youth Justice Board** to review its approach to commissioning placements for young people placed in secure children's homes on criminal grounds.

- We **carried out descriptive analysis of financial data** from the audited accounts and budget allocations of the local authorities' Section 251 reports to examine spending patterns on foster and residential home expenditure.

- We **drew on our previous National Audit Office (NAO) work,** for example the *Financial sustainability of local authorities 2014* and the *NAO commissioning model*, to assess the Department's readiness to address and consider local practices when preparing policy.

Appendix Three

Updated figures

1   The Department for Education (the Department) published partial 2013-14 and updated 2012-13 figures in September 2014. Due to the data being only partially updated we have not included the new figures in our report. Below is a summary of the headline figures.

Figure 17

The number of children in care rose between 2012-13 and 2013-14

	2012-13	2013-14
Number of children looked-after on 31 March	68,060	68,840

Notes
1   Placements of children looked-after on 31 March each year.
2   The number of children looked-after on 31 March 2013 was revised in the 2014 statistical release, from 68,110 to 68,060 children.

Source: Department for Education, Statistical First Release SFR36, 2014, Table A1

Figure 18

The main reason for children being looked-after has not changed

	2012-13 (Number)	(%)	2013-14 (Number)	(%)
Abuse or neglect	42,430	62	42,460	62
Family dysfunction	10,150	15	10,880	16
Family in acute stress	6,210	9	6,250	9
Absent parenting	3,150	5	3,100	5
Parents' illness or disability	2,500	4	2,470	4
Child's disability	2,270	3	2,320	3
Socially unacceptable behaviour	1,230	2	1,210	2
Low income	120	0	150	0

Notes
1   Placements of children looked-after on 31 March each year.
2   Figures do not add to 100% due to rounding.

Source: Department for Education, Statistical First Release SFR36, 2014, Table A1

Figure 19

The types of placements used for children did not change
between 2012-13 and 2013-14

	2012-13		2013-14	
	(Number)	(%)	(Number)	(%)
Foster care – council	27,140	40	27,180	39
Foster care – through agency	16,210	24	16,770	24
Placed with relative or friend	7,240	11	7,300	11
Placed with parent	3,290	5	3,210	5
Residential care	6,170	9	6,360	9
Placed for adoption	3,590	5	3,580	5
Other	4,400	6	4,450	6

Notes

1   Placements of children looked after on 31 March each year.

2   Other includes: other placements in the community, other residential settings, residential schools, missing
from agreed placement for more than 24 hours, other placement and locality unknown.

3   Figures do not add to 100% due to rounding.

Source: Department for Education, Statistical First Release, SFR36, 2014, Table A1

Appendix Four

Costs of foster and residential care

Figure 20

Estimated average cost for a year of foster or residential care (2012-13)

Foster care

Source	All care (£)	Local authority (£)	Other providers (£)
National Audit Office[2]	28,778	22,716	41,854
Laing Buisson[3]	32,207	27,180	40,683
Audit Commission[4]	–	26,298	42,004
Personal Social Services Research Unit[5]	33,072	–	–

Residential care

Source	All care (£)	Local authority (£)	Other providers (£)
National Audit Office[2]	130,729	153,386	121,884
Laing Buisson[6]	135,000	–	–
Department for Education children's homes data pack[7]	–	215,020	200,720
Personal Social Services Research Unit[5]	–	154,128	170,664
Stanley and Rome[8]	–	129,480	147,732

Notes

1 Estimates vary due to different handling of outliers and methods of calculation.

2 Cost per placement, based on the Department for Education's data on total spending divided by total days of care provided.

3 Cost for a child, rather than a placement, based on annual expenditure divided by number of children. W Laing, *Children's social care and special education services: UK market report 2013*, Laing Buisson, October 2013, p. 27, Table 3.9.

4 Calculated on the basis of nightly cost multiplied by total number of nights. Audit Commission, *Council's expenditure on looked-after children*, August 2014 (para 39).

5 Cost per placement, based on the Department for Education's data on total spending divided by total number of days provided. Personal Social Services Research Unit, *I Services*: 'Services for children and their families', 2013, Table 6.2 to 6.4.

6 Cost for a child, rather than a placement. W Laing, as above, p. 19, para 3.3.4.1.

7 Cost per placement, based on the Department for Education's data on total spending divided by the total number of days provided. Department for Education, *Children's homes data pack*, p. 30.

8 Calculation based on 110 replies to a freedom of information request, May–September 2013. J Stanley and A Rome, 'Residential child care: costs and other information requirements', *Unit Costs of Health and Social Care 2013*, pp. 21–25.

Source: National Audit Office analysis of the Department for Education's financial data, and as noted