

Forecasting, Commissioning and Market Shaping

Research report

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Executive summary

The Department for Education (DfE) commissioned Mutual Ventures to deliver a programme of support on forecasting, commissioning and market shaping in the fostering and residential placement market for looked after children. This report presents the findings from the evidence-gathering phase, highlighting common approaches, challenges and potential solutions for local authorities (LAs). The aims of this report is to support LAs to improve outcomes, diversify the placement market, and empower commissioners.

Context and challenges

LAs have a statutory responsibility to ensure there is sufficient accommodation for looked-after children, either by providing services directly or commissioning them. Over the last few decades, the children's placement market has been characterised by several key trends. The number of children in care has steadily increased, resulting in higher demand for placements. This has been accompanied by a greater reliance on private providers, rising costs and growing concern about profit levels and the influence of private equity firms in the sector.

We have found that the most pressing challenge facing the sector is the acute shortage of appropriate placements, particularly for older children and those with complex needs. Systemic limitations compound this issue, including inadequate access to the necessary data, poor market conditions, a dependence on spot purchasing, and weak partnership working between statutory partners.

These trends and challenges have resulted in troubling outcomes for some children in care. Too many children are being placed in inappropriate settings, separated from their siblings, and unable to access essential care, therapies, and facilities. The increasing use of unregulated placements further highlights the systemic pressures within the care system. It should be noted that many children thrive in the care provided by local authorities and private providers, but not all, the aspiration of this work is to deliver better outcomes for all children who require a care placement.

The challenges in the children's care placement market are complex and multifaceted, requiring a coordinated and strategic approach to address them. The issues necessitate a paradigm shift in the approach to commissioning care.

Improving forecasting and the use of data

Local authorities face substantial obstacles in forecasting demand due to significant data limitations. This impacts planning and engagement with the market. Through this research we have identified eight areas where LAs need data analysis to support their work in placing children in care:

1. Analytics for sufficiency planning
2. Analytics for demand management
3. Financial forecasting
4. Negotiating prices
5. Setting fostering fees and allowances
6. Creating and monitoring invest-to-save cases
7. Monitoring quality and outcomes of care
8. Placement finding

There are some LAs and regions that have addressed data quality issues effectively and are using data analysis to support commissioning decisions. These provide effective models that others can learn from and highlight that there is significant untapped potential in data analysis. We also found that LAs can improve forecasting approaches and the use of data by working together to introduce a common data model and by creating a regional infrastructure for analysis.

Market shaping

Market engagement and shaping was explored as part of this research. There are significant variations in how local authorities interact with care providers. Market shaping involves local authorities working strategically with providers to communicate expectations, build relationships, and create a stable, effective care services market. Many LAs issue sufficiency statements that are outdated, budget-driven, and lack crucial details. While some authorities have developed sophisticated engagement strategies, most struggle to prioritise and effectively share strategic information. This research reflects on important principles for market engagement and information sharing. These include developing an understanding of the market, creating a data-informed market-shaping strategy, and providing a mix of engagement activities including group events and one-on-one meetings.

A promising trend is the shift towards relational commissioning, which prioritises the establishment of strong, collaborative relationships with providers. We identified instances where local authorities actively engaged providers early in the procurement process and employed co-production methods for service design. Essential principles and behaviours for successful relational commissioning include early engagement of providers, ensuring that tender processes are relational, and instituting fundamental practices such as timely payments and clear lines of communication.

Commissioning arrangements

In this research, we have explored the critical role of commissioning arrangements in shaping the local children's care placements market. LAs face challenging circumstances, including the need to match unique child needs with limited placement options and the need to navigate a challenging market where the balance of power has shifted too far towards providers. We discuss effective commissioning practices and then examine joint commissioning with other statutory organisations, different contracting mechanisms, and regional commissioning models.

Joint commissioning arrangements between local authorities and other statutory bodies are not widely implemented, especially between local authorities and Health. Nevertheless, there are some successful instances, and lessons can be drawn from adult social care. Effective joint commissioning requires a mutual understanding of need, formal agreements that outline roles and responsibilities, and transparent data sharing.

Two common contracting mechanisms are explored: frameworks and block contracts. Frameworks have historically helped LAs understand local provision, develop preferred provider lists, and standardise terms and conditions. However, their effectiveness has been reduced due to increasing demand and supply imbalances in the market. The use of block contracts also appears limited. We have identified the need for long-term contracts and risk-sharing arrangements to achieve efficiency and effectiveness.

Regional collaboration has long been a policy focus. This research examines its history, current practices, and challenges. Despite recommendations in key reports, approaches to regional commissioning remain limited. Existing arrangements often fail to show benefits, and LAs frequently bypass agreed processes if they are unable to find suitable placements, usually through spot purchasing. The research outlines key principles for effective regional commissioning, many of which align with those for joint commissioning.

Increasing fostering and residential placements

The final chapter highlights the importance of increasing access to foster and residential care placements to meet the needs of children in care. The need for a multi-faceted approach is emphasised, which includes investing in in-house provision, encouraging new providers, developing strategic partnerships, and improving foster care recruitment and retention.

Many LAs have invested in building new homes to address these challenges. The report notes that over half of the surveyed LAs have built between one and three new homes in recent years. Most LAs are developing smaller homes to address the specific needs of children with complex needs, though a few LAs are opening larger homes. To support these efforts LAs can think innovatively about ways of accessing property; develop local workforce plans and related training opportunities; and consider different funding mechanisms for residential care, such as social investment funds.

There were some LAs that expressed dissatisfaction with the private residential market, raising concerns about high costs, poor quality, and the commercial motivations of providers. However, other LAs report having positive relationships with trusted private providers. There is a broad acceptance that private providers are currently an important component of the system and this research highlights several strategies that LAs employ to encourage the development of new residential provision by providers. These include providing support in the planning process and help navigating Ofsted registration.

Strategic partnerships between LAs and providers are also explored as a way to address sufficiency challenges. Strategic partnerships go beyond traditional contracting arrangements and involve a deeper level of collaboration, resource sharing, and alignment of goals. The report identifies three common forms of strategic partnerships in the market: preferential placement agreements; leasing agreements; and joint ventures. This research considers several key principles for successful strategic partnerships. These include developing a shared vision, clear communication, and trust between partners. Many of the components central to relational commissioning were key to the development of strategic partnerships.

Finally, we discuss the ongoing challenge of foster care sufficiency, noting that most LAs identify a shortage of foster care placements as one of their most significant issues. This shortage often leads to children being placed in more expensive residential care. There are multiple initiatives aimed at improving foster care recruitment and retention, including regional fostering recruitment support hubs which are working to standardise and improve the recruitment process, providing support to prospective foster carers, and collecting data on recruitment trends. There are several strategies to support existing initiatives. These include standardising and streamlining recruitment processes, targeting campaigns to specific communities, and improving support for foster carers.

Next steps

The report provides the foundation for the second phase of programme, which will focus on sharing evidence and providing direct support to LAs. Mutual Ventures will develop a learning programme that includes webinars, workshops, and a suite of tools. The programme aims to support LAs and regional arrangements to embed strong working practices in forecasting, market shaping, and commissioning children's care placements.

Click [here](#) to access our microsite and suite of resources.





Chapter 1: Introduction

1.1 Overview

The Department for Education (DfE) commissioned Mutual Ventures (MV) as the delivery partner to support the development of two Regional Care Co-operative (RCC) Pathfinders and to provide national support in the children’s placement market around forecasting, commissioning and market shaping. Both are key reforms in the market for looked after children’s placements, delivering on commitments made in Stable Homes, Built on Love under pillar 4: ‘Putting love, relationships and a stable home at the heart of being a child in care’. This position has been reaffirmed in this Government’s policy paper, Keeping Children Safe, Helping Families Thrive.

The programme of support is divided into two phases:

1. Evidence gathering: This phase focused on understanding current methods of forecasting, commissioning, and market shaping within the children’s care placement market. It aims to identify potential opportunities for enhancing these practices.
2. Evidence sharing and direct support. In this phase, the findings from the evidence gathering phase will be disseminated through a learning programme. Additionally, direct support will be provided to the authorities that participated in the first phase.

This report concludes the evidence-gathering phase, outlining the approaches, tools, and mechanisms that demonstrate potential for enhancing practice. Additionally, it identifies further opportunities to advance these efforts.

1.2 Background



The Independent Review of Children’s Social Care (2022) and Competition and Markets Authority (CMA) market study (2022) both identified significant problems with the market for looked after children’s placements.



These reviews found that current approaches to providing and commissioning children’s care placements are not working. They concluded that it can be hard for LAs to forecast and plan for future needs effectively as their relatively small size can lead to large variations in need year-on-year, particularly for children with complex needs.



Many LAs lack the buying and negotiating power to shape the market effectively and/or invest in their own provision. This has resulted in a lack of the right types of placements, in the right areas, to meet the needs of looked after children. Placement decisions are increasingly being made based on what is available rather than finding the best match for the child, with too many children receiving a poor care experience as a result.



In response to these challenges, Stable Homes, Built on Love outlined that the DfE would commission an independent organisation to provide national support on forecasting, commissioning, and market shaping. Keeping Children Safe, Helping Families Thrive reaffirmed this Government’s commitment to build on the recommendations made by the CMA and Independent Review.

1.3 Aims of the research

The evidence-gathering phase aims to:



Review existing research: Explore previous studies conducted about the children's care placement market.



Analyse current practices: Understand current practices and tools used for forecasting demand, commissioning and market shaping, identifying challenges and potential solutions. As well as to determine the data that authorities collect to support their forecasting activities.



Produce a comprehensive report and consider new approaches: Document promising practices in forecasting, commissioning, and market shaping, and propose enhancements to help local authorities more accurately forecast future demand and shape their local markets.

This research provides the foundations for the second phase of the research programme - evidence sharing and direct support. We have drawn out approaches that could be taken to strengthen commissioning of children placements thematically – identifying throughout this report what works and opportunities. Many of these areas will be familiar to some, but perhaps not all local authorities and stakeholders, while other opportunities may be more novel or experimental. This report seeks to spread existing promising practice and identify new opportunities to get the best out of the children's placement market to deliver great outcomes for children. The tools, approaches and methods highlighted throughout this report will be disseminated to the wider sector through a learning programme, including webinars and information packs.

1.4 Methodology

Mutual Ventures employed a structured and evidence-based approach to deliver the evidence-gathering phase of this support programme. To inform this work, a desk-based review was conducted at the programme's outset to synthesise current practices, challenges and areas for improvement about LA forecasting, commissioning, and market shaping activity. This review considered previous research and developed key lines of enquiry for the fieldwork.

The evidence-gathering fieldwork involved local authorities, provider organisations, and key groups in the sector:

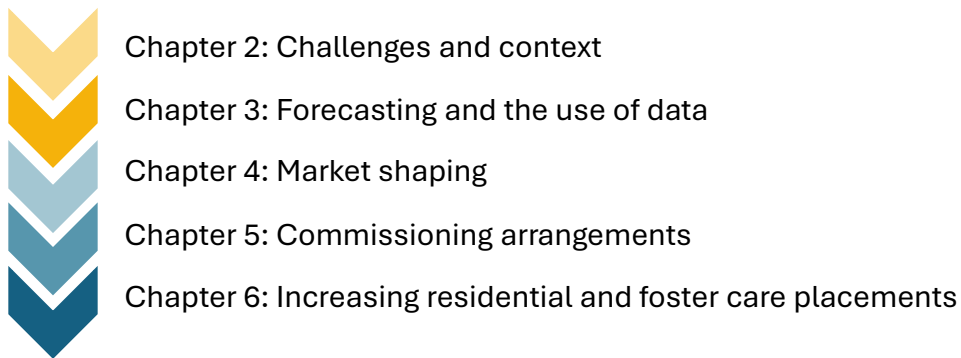
- Local authorities were selected to participate in the evidence-gathering phase based on a range of metrics to form a representative sample, including factors such as location, council type, Ofsted rating, and the number of looked after children.
- Initial scoping calls were conducted with 46 local authorities across England to identify key areas of interest and confirm stakeholders for in-depth follow-up conversations.
- Deep dive conversations were organised with selected local authorities to explore themes from the scoping calls in more detail. These conversations varied in format, from 30-minute topic explorations to two-hour deep dives into multiple practices.
- In-depth interviews were conducted with 12 providers of children's social care placements, including a mix of fostering and residential providers, and organisations providing both. The sample included three of the largest placement providers, small independent providers, and organisations from the third sector. As well as trade organisations such as the National Association of Fostering Providers (NAFP) and the Children's Homes Association (CHA).
- Additionally, key stakeholder groups in the sector, such as Ofsted, ADCS, the Government's Market Interventions Advisory Group, and Become, participated in interviews.

Interviews were recorded with the interviewees' permission and transcribed in full. The interview transcripts have been analysed through thematic analysis focusing on the potential solutions to the challenges that stakeholders raised, and areas that LAs were particularly interested in.

Fieldwork was conducted by MV and supported by Social Finance who led the research around use of data and forecasting. The findings from the desk-based review and fieldwork have undergone a process of triangulation and have been scrutinised by MV's team of subject matter experts.

1.5 Structure of the report

The remainder of this report has been organised in the following way:



1.6 Next steps

This report lays the foundation for the second phase of the support programme, which focuses on evidence sharing. Mutual Ventures will develop a learning programme to support authorities and regional arrangements to embed strong working practices, based on the findings from the evidence-gathering phase. The learning programme will include:



- A webinar series led by experts to discuss findings and recommendations.
- A suite of tools focused on forecasting, market shaping, and commissioning, available through a dedicated micro-site.
- Workshops with RCC pathfinders to explore opportunities in detail.
- Direct feedback and support to participating local authorities to embed solutions.

This approach aims to help local authorities and regions work more effectively to forecast, market shape and commission children's care placements. The practice and opportunities highlighted in this report will not 'fix' the problem of the care market outlined in previous reports but will help LAs and regions to consider how they can achieve better outcomes from the current market, and how they can help to diversify the placements market and empower commissioners.



Chapter 2: Context and challenges

2.1 Background



Definitions*

Forecasting in the children's care placement market involves the analysis and prediction of future trends and needs to guide decision-making and resource allocation for LAs. This process ensures that local authorities can anticipate demand, plan effectively, and allocate resources to meet the evolving needs of children in care.

Commissioning is the strategic planning, procurement, and management of services to meet the needs of children in care. This process ensures that local authorities can provide high-quality placements that are suitable for the unique needs of each child.

Market shaping involves local authorities working strategically with providers to communicate expectations, build relationships, and create a stable, effective care services market. It includes activities that inform providers of local needs and incentivise them to ensure adequate and appropriate provision.

**Please note, definitions throughout have been created by the research team alongside subject matter experts.*

This chapter delves into the overarching themes and core issues that have emerged from this research. The main challenges align with recent reviews in the sector, including the Independent Review (2022) and CMA (2022) market study. This chapter summarises the now well-publicised challenges.

The children's care placement market is wide and includes foster care, residential care, the secure children's estate and residential education provision. LAs have a multifaceted role concerning looked after children. Section 22G of the Children Act 1989, which was amended by the Children and Young Persons Act 2008, requires authorities to ensure they can provide sufficient accommodation within the authority's area to meet the needs of children in care.¹ Councils bear the duty to ensure sufficient accommodation by providing services directly and commissioning services from other providers.

Almost three-quarters of children in care are placed in foster care (67%), followed by residential settings (12%), independent living and supported accommodation (7%), kinship care (6%), and adoption (2%) as of 31st March 2024.² Over the last few decades, the use of residential homes had been declining as a proportion of the overall number of children in care, as more favour has been given to adoption and fostering, due to research indicating it is the best approach for children and the high cost of residential placements.³ However, in more recent years the use of residential care has increased. Additionally, private providers have become increasingly common; in March 2024, over 83% of children's residential homes were operated by private providers, and independent fostering agencies (IFAs) account for around 44% of fostering placements.⁴

Over the past few decades, the market has undergone significant changes, influenced by various factors including changes in policy, regulation, and the financial landscape. This chapter provides an overview of the historical and current landscape of the market, highlighting key trends and challenges.

2.2 Placement type and demand

The number of looked after children has steadily increased over recent years, both as a proportion of the population and in absolute terms. As of the 31st March 2024, there were 83,630 children in care; almost a 30% increase since 2010.⁵

In recent years, there has been a growing gap between the number of children requiring a placement and the number of placements available. Many LAs report having too few foster carers or children's homes to meet the demand. As a result, it has become increasingly common for LAs to place children in placements offered by private providers.⁶

Between 2019 and 2023, the number of vacant fostering places decreased by 25% across LAs and IFAs.⁷ In part, this has been reported to be because investment by providers has focused on existing services, such as staffing, training, and clinical input rather than increasing capacity.⁸

2.3 Funding

LAs have experienced a challenging funding environment, with overall budgets falling by 17.5% between 2009/10 and 2019/20.⁹ LAs have seen a reduction in their spending power since 2010 meaning LAs have had to find ways to do more with less.¹⁰

LAs responded by cutting non-statutory spending. Between 2012/13 and 2019/20, spending on non-statutory children's services decreased by 35%.¹¹ This resulted in many preventative services, such as children's centres, having their funding cut or being closed.¹²

Over the same period, there has been an increase in demand at the acute end of the system while the cost of children's social care has spiralled. Spending on statutory children's social care increased by 26% in real terms between 2012/13 and 2019/20.¹³

Authorities face significant financial pressures in providing children's social care placements. In the 2022/23 financial year, English LAs spent approximately £4.7 billion on children's social care placements, compared to a budget of £4.1 billion, resulting in an overspend of almost £670 million (16%). The projected expenditure for 2023/24 is estimated to be £5.4 billion, with a budget of £4.7 billion, indicating a continued overspend.¹⁴

The high cost of placements is driven by several factors, including a lack of choice in providers, increasing numbers of children with complex needs, including significant mental health needs. The average weekly cost of placement in independent children's homes rose by 40% between 2013 and 2019. The CMA (2022) highlighted that *the 'largest providers of placements are making materially higher profits, and charging materially higher prices, than we would expect if this market were functioning effectively'*, with operating profit margins averaging 22.6% for providers of children's homes between 2016 and 2020.

2.4 Challenges

The remainder of this chapter explores the specific challenges reported as part of the fieldwork. The challenges are multifaceted and stem from various factors.

2.4.1 Lack of appropriate placements for children in care

The most common and pressing challenge identified through the evidence-gathering is the lack of sufficiency in both residential and foster care. The scarcity of suitable placements is a significant issue among the LAs we spoke to – in particular, there is a scarcity of placements for older children and children with complex behaviour or specialised needs. Some of the LAs we spoke to were keen to emphasise that they were effectively managing local sufficiency for other cohorts. LA stakeholders reported that this scarcity in some cases results in providers having more power in the market, allowing them to choose the children they take, which makes it harder for LAs to find appropriate placements. This lack of sufficiency results in imperfect placements, out-of-area placements, and increased costs, ultimately affecting the quality of care and stability of placements.

In residential care, LAs often highlight that they are aware of ways to resolve the issue, as discussed in Chapter 5, although they are constrained by tight financial budgets. There is greater concern around foster care. Many LAs continue to experience a shortage of foster care placements even after providing significant resource and effort to increase their available support.

“Residential [care] is challenging and a major budget issue, but I can see a way through. It is actually fostering that keeps me awake at night. I don't know how we are going to solve it.”

Local Authority Head of Commissioning

Shifting need

Local authorities emphasised the challenge posed by an increasing complexity and diversity of need. There was a strong perception that the needs of children in care have become more complex in recent years and LAs highlighted a growing number of children with mental health issues, learning disabilities and challenging behaviours. Additionally, there is an increasing number of older children and unaccompanied asylum-seeking children (UASC) who require specialised support.

Since the Covid-19 pandemic, LAs have struggled with the complexity and frequency of children's mental health issues.¹⁵ Just over a fifth of children's homes report to support these needs in their statements of purpose. However, children with complex mental health needs are more commonly placed further from their home location, than children in other types of specialist provision.¹⁶ This suggests there is a lack of appropriate mental health provision for children and young people – a concern that was shared by LA stakeholders.

This has led to increased demand for residential care and specialist fostering placements.¹⁷ The lack of provision for these children often leads to inappropriate placements and inadequate care.

Recruitment and retention

The children's care sector is facing staffing challenges at all levels, as highlighted in recent reports and throughout the fieldwork.¹⁸

There is a growing crisis in foster care recruitment and retention. Ofsted (2024) reported that '*the number of mainstream fostering households continues to decrease*'. LAs face competition from IFAs and neighbouring LAs, leading to a shortage of suitable LA carers and high turnover rates. The aging population of foster carers exacerbates this issue, as many are nearing retirement. The shortage of foster carers is a significant limiting factor when matching children with carers. As a result, the Independent Review of Children's Social Care (2022) recommended a national foster carer recruitment programme to approve 9,000 new foster carers over three years.

Additionally, the sector has seen residential staff leaving the profession for higher paid positions which may offer more work-life balance.¹⁹ This has significant implications on sufficiency for both the quantity and the type of placements available. Ultimately, this is negatively impacting the outcomes for looked after children and young people. The recruitment and retention of residential staff presents several challenges for authorities and providers, particularly in recruiting experienced and qualified personnel. There are significant challenges in finding registered managers (RMs) who meet the required standards, with the vacancy rate of registered managers rising from 9% in 2019 to 17% in 2022.²⁰

2.4.2 Understanding current and future need

Local authorities have a legal duty to plan for the placements children in care might need. However, many do not have access to the necessary data for effective sufficiency planning at the local or regional level that would enable them to identify and address supply gaps and improve the quality and breadth of placement options.

Additionally, LAs report a lack of necessary data and analysis to forecast and strategically plan for placements. Anecdotally, LAs know where the supply gaps are, yet they consistently reported that they do not have the data to demonstrate the true extent or cost of the supply gaps, or to show where new gaps may emerge. The key issues that LAs referenced as part of this research were that available data does not reliably or consistently capture 'true' demand for certain placement types, there is not a sufficiently clear typology of need to unpick demand for specific types of provision, and placement and cost data is not easily linked. This makes it hard to show the true cost of supply gaps.

This challenge is compounded by a lack of useful, shared information across the care placement market. Limited communication between LAs, providers, and other partners results in a fragmented understanding of the market. This lack of both information sharing and a common data collection model hampers the ability of commissioning teams to understand the market, improve placement outcomes, and achieve better value for money.

Another contributing issue was the significant variation in the number of children needing care and their specific needs across different LAs. The number of children in care can change rapidly due to policy initiatives in other parts of the system, such as the reduction of mental health inpatient beds, which has led to an increase in children with complex needs entering care. The National Transfer Scheme also redistributes the responsibility for unaccompanied asylum-seeking children (UASC) among LAs, and this can result in unexpected increases in the number of children needing care. The unpredictable nature of children's needs further complicates forecasting efforts.

2.4.3 Market conditions and costs

The children's care placement market is characterised by increasing costs and poor market conditions. Effective market stewardship requires certain conditions to be met, such as the ability for new providers to enter the market, competition among providers for placements, and the ability for providers to exit the market. However, various reviews have highlighted that these conditions are not fully met in the current market.²¹ For example, LAs are often competing for placements with many applications from LAs per placement, instead of providers competing.

The issue of high profits has been noted in the children's care market. The CMA (2022) found that the average weekly cost of children's homes increased from £2,977 to £3,830 between 2016 and 2020, with profit margins remaining consistently high. The Association of Directors of Children's Services (ADCS) has called for a move towards a not-for-profit model and limiting profits.²²

There have been multiple waves of private equity firms entering the sector since the early 2000s. Private equity firms raise capital from high-net-worth individuals, institutions, and pension funds to acquire equity ownership in companies. Their aim is to invest in a business, grow its value, and sell it at a higher price within a timeframe of four to seven years.²³

The market's resilience is also a concern, with high levels of debt among some of the largest providers. This poses a risk of disorderly failure and unmanaged exit by large children's home providers, which could disrupt the placement of children in care.²⁴

Spot purchasing

The reliance on open spot purchasing is another major challenge identified through this research. There has been a historic shift away from procurement frameworks which were regarded as inflexible on prices. Spot purchasing does not incentivise providers to prioritise local children, as placements are given to the highest bidder or first in line.

The Independent Review of Children's Social Care (2022) suggested that spot purchasing should generally only be used in unplanned circumstances or when there is an unexpected need, as it is generally more expensive than purchasing in advance at an agreed rate. The current reliance on spot purchasing indicates that LAs have limited market power and are unlikely to be attaining value for money from providers. This is likely driven by a combination of insufficient competition between providers, inadequate regional and block commissioning arrangements, and a lack of market signalling.

Ineffective regional arrangements and frameworks

There is evidence of regional and sub-regional working, although this is to varying degrees of effectiveness. More than half of LAs reported being part of a regional or sub-regional procurement framework, with an expectation that collaboration would improve sufficiency. However, where voluntary regional arrangements have been used, LAs often continue to have their own parallel processes for urgent needs.

In the current market, where demand outstrips supply, providers can refuse to engage with pan-local and regional procurement processes, knowing that they have a scarce resource and LAs often have little option but to purchase a placement. This results in a reliance on spot purchasing, which can be more expensive and less effective than other procurement options.

LA stakeholders and provider organisations that engaged in this review reported that regional residential frameworks have been largely ineffective, contributing to local competition, price spirals, and provider withdrawal. High levels of demand, rising costs, and slow decision-making processes have resulted in LAs being unwilling to adhere to these frameworks. Section 5.4 and Section 6.4 explore different approaches to regional working. This includes investment into a Fostering Recruitment and Retention Programme, which has established 10 geographically linked clusters working together, and more recently Regional Care Cooperatives. Both of which aim to learn from previous regional arrangements.

Narrative around the private sector

This research and previous reviews have demonstrated a longstanding tension between LAs and some independent providers.²⁵ Some LAs believe that independent provider fees are expensive, inflexible and unjustified. There was also a perception that provider organisations are reluctant to accept children with complex needs, and if they do accept these children they may insist on blocking out additional beds or increasing the number of staff per child, at the LA's expense. Among some LAs there was also an ideological objection to private providers – several LAs told us that they do not support making a profit from children's social care. The providers we interviewed indicated that the negative perception of the independent sector adversely affects children's care by impeding collaboration and causing care staff to feel undervalued.

Not all LA stakeholders shared this position. Some noted that the private market expanded because LAs struggled to provide residential care and turned to commissioning instead. Although not all LAs expressed hostility to private providers, it was common to hear a preference for in-house provision, which in some cases influenced placement decisions.

Limited VCSE involvement in fostering and residential provision

The VCSE sector provides a very small proportion of foster and residential care placements. Some stakeholders highlighted that this contributes to a lack of national sufficiency and reduces the availability of potential organisations for LAs to partner with.

As of 31st March 2024, only 5% of children's homes were operated by the voluntary sector, even though there has been a 10% increase in voluntary-run homes over the last five years.²⁶ Voluntary organisations account for just 14% of IFAs, and an even smaller percentage of IFA places (just 9%). Some stakeholders noted that the voluntary sector's limited role in children's care placements is due to historic abuse scandals, leading the sector to avoid the perceived risks of operating children's homes.

2.4.4 Weak partnership working with statutory bodies

Through this research we heard that there is often a lack of effective partnership working between LAs and other statutory partners, such as health and education services. This results in gaps in service provision and joint commissioning, affecting the holistic and integrated care of children and young people.

LAs specifically mentioned the increase in complex needs with children in care and the correlation with the reduced use of CAMHS Tier 4 beds. Funding responsibilities for children with complex mental health who do not meet Tier 4 thresholds and are supported in the community, often referred to as "Tier 3.5", are undefined which means contributions between the LA and local ICB vary significantly across the country.

2.4.5 Regulatory and legal barriers

Various regulations and legal requirements, such as Ofsted standards, planning permissions, procurement rules, court decisions, and Deprivation of Liberty Safeguards, are perceived by some as being challenges and barriers to effective commissioning and market shaping. Stakeholders report that regulations can be overly restrictive and slow down the process of opening new children's homes or expanding existing ones. There was also a perception among some stakeholders that providers are unlikely to accept referrals for young people who might cause disturbances, as incidents must be reported and may lead to Ofsted visits and home restrictions.

In the placement market, Ofsted's role has been focused on inspecting local authority work to meet the sufficiency duty and inspecting provision. This means there has been no single entity with oversight of the market for residential children's homes and foster care.²⁷ This will change following the implementation of the Government's policy paper.

2.4.6 Constraints to provider entry and growth

For residential care, there are further specific barriers that hinder the ability of providers to bring new supply to the market. These include regulatory challenges, difficulties finding suitable properties and obtaining planning permissions, upfront capital costs associated with attaining and developing required properties, mobilisation and utilisation risk, and issues recruiting and retaining staff, including registered managers. These barriers create costs and delays, deterring investment and slowing the addition of new provisions.

In fostering, the shortage of people willing to consider becoming foster carers, along with foster carers retiring and older children staying with foster carers after they leave local authority funded care, reduces the overall capacity and can hinder growth.

2.4.7 Cultural and organisational factors

The culture and organisational structures of LAs influence their commissioning and market shaping activities. Leadership, staff skills and capacity, partnership working, and risk appetite all play a role in how effectively LAs can address the challenges in the children's care placement market. Transactional commissioning practices, which focus specifically on the procurement process and managing contracts, have also been highlighted as a barrier to effective market shaping.

2.4.8 Poor outcomes for children

Whilst there are some excellent commissioning teams and providers, all of this adds up to a situation where LAs are too often unable to meet their responsibility to provide or commission placements that properly meet the needs of children. This is resulting in a range of negative outcomes for children:²⁸

- **Children are being placed in settings not appropriate for their circumstances:** Many children in care are moved miles away from their home area, often with no say in the decision, which leaves them feeling isolated and lonely. This can also disrupt their access to healthcare, education and other local services. Almost 18,000 children are living more than 20 miles away from their home area.²⁹ Many LAs struggle to place children locally and to access local provisions, due to a lack of sufficient appropriate places, even though this was highlighted as a priority in most local authority sufficiency strategies.
- **Children are being separated from siblings** even though their care plan calls for them to be placed together (13% of children endure this).
- **Many children are unable to access the care, therapies or facilities that they need.**
- **More children are being placed in unregulated placements:** There has been a significant increase in unregulated placements in recent years, where the children may be given accommodation but not care, and which have no regulatory oversight. Unregulated placements have been used increasingly as ‘a last resort’ because there is a lack of suitable provision to house children .

“*Having a stable home built on love and no moves allowed me to not only dream, but to achieve great things. I’ve been able to get an undergraduate degree, pursue an MA in Social Work and follow my dream of travelling the globe.*”

Kevin, Care Leaver (Become, 2024)

“*Given the vital importance of good placement matches for successful outcomes for children, and particularly the negative impact of repeated placement breakdown, these outcomes should not be accepted.*”

(CMA, 2022)

2.5 Conclusion

The challenges in the children's care placement market are complex and multifaceted, requiring a coordinated and strategic approach to address them. The issues plaguing the children's care placement market necessitate a paradigm shift in the approach to commissioning care. Effective leadership, enhanced staff capabilities, and robust partnerships across sectors are essential to driving this transformation.

By developing a culture of collaboration and innovation, LAs can better navigate the complexities of the care placement market, ensuring that every child in need is placed in an environment conducive to their growth and well-being. Therefore, the remainder of this report explores potential solutions and promising practices that can be explored to improve practice, and highlights opportunities for next steps.



Chapter 3: Improving forecasting and the use of data



3.1 Introduction

This research has identified eight distinct areas in which LAs need forecasting and data analysis to support their work.

- **Analytics for sufficiency planning** – what placements do we need more of, where, and when? What is the case for investing in them?
- **Analytics for demand management** – what are the typical journeys into care and out of care? Does this differ among different types of care? How does this compare to other LAs? Can we provide the case for investing upstream?
- **Financial Forecasting** – what are we likely to spend this year and in the coming years?
- **Negotiating prices** – what is a reasonable price for the service I’m asking for? What are others paying for similar services? What might it cost to provide this service?
- **Setting fostering fees and allowances** – what should we offer in order to attract and retain foster carers? What might it be worth paying to encourage our carers to look after children they would not currently accept?
- **Creating and monitoring invest-to-save cases** – is a service achieving what we hoped it would? Is it delivering benefits for all LAs taking part? Should we continue funding it?
- **Monitoring quality and outcomes of care** – which providers appear to be caring better for our children and young people? What do the children themselves say about this?
- **Placement finding** – who might have a suitable placement?

Each of these areas are described below, starting with a description of the observed needs. It is important to be specific about the different needs to ensure that potential solutions address the problem. Otherwise, investments in ‘better data’ may not translate to more efficient working or improved outcomes. Next, the chapter discusses how LAs are currently meeting these needs and the opportunities for improvement.

Overall, this research found that there is significant untapped potential. Decision makers in LAs were able to clearly state what analysis they need and why it is important, but for most, there was not a clear path to getting it. The key challenge for LAs was not found to be the skills or tools of their analysts, as most of the needs described here can be met through Excel. Instead, it is data access and activities that come before the analysis. This includes:

- Capturing the right data from the outset.
- Robust processes for ensuring that data is comprehensive, reliable, and up to date.
- Infrastructure and governance to share data on a regional footprint.

In LAs and regions that had gone furthest towards addressing these fundamentals, data analysis was being used to great effect by commissioners. There has been significant work that LAs are willing to share and that can be built upon to improve practice.

3.2 Analytics for sufficiency planning



Definitions

Sufficiency planning involves local authorities ensuring that there is adequate accommodation and services to meet the needs of children in care. This process includes a detailed analysis of current provisions and the development of strategies to address any gaps, ensuring that the needs of children in care are effectively met.

Commissioners need to be able to take a given set of assumptions about demand (demand for what, where, at what notice) and priorities (e.g. keeping young people close to home, providing family-like care where possible, managing to budget) and then analyse what array of services are required to achieve this and how best to secure access.

Decision makers often deliberate whether to create or expand in-house services, enter into risk-sharing partnerships with providers, and/or commit to buying through regional frameworks. To make informed decisions regarding these options, there is a clear need for analysis of:

- The types of services that are required, where, and at what notice.
- The segments of provision that have been easier and harder to secure, and to achieve value for money.
- Whether this is likely to change due to fluctuations in supply, local demand, and the demands of other LAs.

It also creates a need for scenario modelling.

3.2.1 Current practice

All LAs that we spoke to undertake some form of sufficiency analysis and, at minimum, some forecasting of placement spend. In most cases:

- Brokerage teams collect data based on operational needs, such as monitoring searches, and statutory reporting requirements. This often overlooks the market intelligence needed for investment decisions in market shaping and prevention.
- Data required for statutory reporting is captured in case management systems and related reporting is managed by performance teams.
- The data being captured for the day-to-day management of brokerage teams and market analysis is usually maintained in a system of spreadsheets. These are usually managed by the brokerage team. Most have one sheet for referrals and another for placements made (addressing needs around management of providers and reporting on costs).
- The data relating to children themselves is commonly held in case management systems, and in most cases, it is not easily connected to the data held in spreadsheets.
- Similarly, critical information regarding expenditure (invoiced amounts, service providers, types of services, beneficiary children, and contractual details) is generally maintained in a separate system.

- Financial analysis was done in spreadsheets, typically by someone from the finance team, with data from case management systems (CMS) and brokerage teams as inputs. However, these processes usually required extensive ad-hoc cleaning and enrichment before the analysis could be used.

Although case management systems could technically include market intelligence for investment decisions and be connected to other systems, none of the LAs that we spoke to reported using them to do so. Most LAs had tools for managing financial information on placements, typically ContrOCC or Mosaic Finance, which are add-ons to their CMS. However, they reported that they could not rely on this information for market analysis and forecasting because of the way the data is configured. Often, the data in CMS and finance add-ons was not segmented as needed for analysis.

Specialised digital tools for managing placement data were not essential for capturing accurate information. Instead, robust processes were more important for ensuring data quality. Some LAs are effectively using spreadsheet-based systems, particularly where experienced commissioners or finance leads have established a comprehensive set of rules for data collection and ensured adherence to them. This underscores the value of having leaders who understand what information they need and having control over the data being captured.

Most commonly, market analysis was conducted by commissioners or finance leads alongside their usual roles, and performance teams were generally described as being focused on statutory reporting. Only a few LAs had staff specifically responsible for market analysis, either in commissioning teams or business intelligence teams supporting commissioning.

Most LAs described working around the limits of their available data by relying on staff knowledge of demand and supply, and their experience in judging market reactions to changes. This approach was effective to the extent that almost all commissioners involved in this research could identify gaps in local supply, provide actional segmentation missing from formal analysis, discuss the displacement of children into high-cost models of care, and state what they needed more of and where.

3.2.2 Challenges and considerations

Although most commissioners know the local gaps in placement sufficiency, the limitations of their formal data collection and analysis, and the ad hoc nature of their market analysis, mean that many struggle to provide evidence of these sufficiency gaps to decision makers such as finance directors and elected members. In short, there was a need for analysis to convince decision-makers to invest in market activities rather than specifically identifying service gaps. This was especially evident in regional collaborations, where it is necessary to persuade multiple decision makers of the advantages of investing in market-shaping activities.

For example, many commissioners want to expand their in-house services, share risk with their best providers in exchange for exclusivity, support providers to expand, and increase what they pay some foster carers. However, the use of these approaches is limited by challenges in making the business case. This contributes to the sector being more conservative and focused on cost-cutting over investing to save.

The key challenges with the systems of data collection and analysis in most LAs are:

- **It is not actually describing demand:** Analysis is commonly based on the placements that are made, instead of the most suitable placement. For example, there is a lack of data to show that an estimated 20-30% of residential placements are the result of failing to find a suitable foster placement, instead of a need for more residential care. Therefore, there is a need to capture data on the placements sought as well as secured to properly analyse gaps in sufficiency.
- **It lacks actionability because it does not segment demand or supply in terms of the characteristics of the provision required:** To illustrate one of the most commonly heard points: “it is not useful to know that we have gaps for 12-16 year old boys. We need to know what types of needs they have which our providers aren’t able to meet locally – such as risk of criminal exploitation, or autistic spectrum disorders.” Fundamentally, to be used in sufficiency analyses, LAs need data to capture ‘need’ in terms of what type of provision they require from providers.³⁰ The data collection systems and analysis do not currently do this.
- **It lacks mechanisms to attribute avoidable costs and poor outcomes to specific gaps in supply:** This analysis is needed to make a business case for investment, or to agree to share risk – both of which are integral to most market shaping options.
- **It is done on too small a geographic footprint:** As most LAs serve populations of under 400,000 people, they need to understand neighbouring demands on shared suppliers to accurately identify and anticipate sufficiency gaps. This can only be achieved with a larger footprint, typically requiring regional data sharing. From our fieldwork we believe that London and the Northwest lead the way in this, but the lack of a common data model and challenges with information governance mean that most regions cannot yet produce the market analysis they need.

Analysis of the long-term supply of foster carers

A distinct issue was LAs’ need for analysis of long-term trends in the supply of foster carers. Many LAs agreed that this was their most significant long-term challenge. Most LAs had detailed knowledge of the households fostering for them, and the reasons why those who had either stopped fostering or moved to an IFA had done so. This reflects the small size of most in-house fostering services – staff know the fostering households directly, and many questions can be answered without the need for more formal data collection and analysis.

However, almost none were able to answer questions such as:

- How many fostering households are there in your LA including those with IFAs?
- Do people in your LA have a particularly high or low propensity to foster compared to similar LAs?
- What proportion of local carers foster for your LA rather than a neighbouring authority or IFA?
- Is your authority's share of local fostering households (who could also choose to foster for IFAs or for neighbouring LAs) significantly higher or lower than LAs you compare yourself to?
- How likely are your fostering households to care for local children?

It was difficult to test the value of having this data because interviewees found it a novel concept. Nevertheless, as LAs view foster carer supply as one of their key challenges, it is logical to assume that it would be helpful to be able to understand the impact of efforts to persuade people to foster. This data would be especially valuable if paired with comparative figures on LA investment in in-house fostering services.

3.2.3 What works and opportunities

There were examples of good practice that address the issues outlined above and early evidence that they can be implemented without significant cost or operational impact. All of the intellectual property involved is already licenced open source and can be used and modified without paying licence fees.

The most useful actions to support the sector in this area would be to:

- **Develop a common data model and regional analytics infrastructure:** To unlock the potential we have seen in this research, the common data model will need to cover unique identifiers, what a child needs from a placement, the operational circumstances of the search, and (where a placement is commissioned) the commercial vehicle and the price and services agreed. A synthesis of the models already developed by the Northwest and Southwest regional commissioning partnerships would achieve this.
- **Develop and share a set of ‘off the shelf’ market analyses to help any LA or region implementing the common data model to get immediate benefit from doing so:** This could build on the successful [‘Data to Insight’](#) programme run by East Sussex County Council. This provides a tool which any LA can connect to their Annex A data to see analysis of a standard which it would be impractical for most LAs to produce alone. A promising approach would be to offer a core set of analyses for immediate value, while also allowing LAs to customise analyses and share them. This way, any LA can apply an analysis created by another LA to its own data.



3.3 Analytics for demand management



Definitions

Demand management is the process by which local authorities assess and implement strategies to reduce the need for care placements. This involves proactive measures such as prevention and diversion to address issues before they escalate, to minimise the demand for formal care services.

To support investment in prevention and diversion, LAs need to be able to answer questions such as: What are the most common journeys into high-cost care, and what are the highest leverage points where we could intervene earlier and secure better outcomes?

Local authority decision makers described the need to understand children’s journeys over many years, and how a given form of intervention might change propensity for a journey to go in one direction or another.

LAs want this to:

- Avoid unnecessary entry into care through various forms of upstream interventions like changes to social work practice, or defined interventions such as family decision making and edge of care service.
- Increase propensity to use kinship care and fostering rather than residential care.
- Maximise successful transitions to permanence whether through family reunification or adoption.

3.3.1 Current practice

Across LAs, current practice can be segmented into descriptive analysis and predictive risk models.

Analysis of the long-term supply of foster carers

There were a few examples of practice which the LAs found extremely valuable and which spoke to the needs expressed by many of their peers:

- Despite previous hypotheses that most journeys to high-cost care were a result of first-time entry into care of adolescents previously unknown to children's services, one LA conducted analyses that instead found that a surprisingly high number were the result of breakdowns in existing placements. The LA therefore invested in closer attention to the stability of some placements, and in support for foster carers. Variants of this type of analysis have also been done at a regional level.
- Another LA looked further upstream, analysing journeys into care, benchmarking this against comparators, and identifying potential for changes in social work practice both to reduce the number of cases where Public Law Outline is required for children to enter care, and to increase the proportion of those who do need to be cared for to go into kinship care.
- Several LAs described conducting analysis of young people's transitions from care into supported accommodation. This helped identify that a lack of suitable placements were keeping children in care for longer than necessary and enabled them to make investment decisions to resolve the issue.



“These are incredibly useful, but so much work that we can't do it as often as I'd like.”

Commissioner in a County Council

However, the above examples were done manually by commissioners reviewing cases and coding them against a framework they had created. This was because the data required for these analyses typically does not exist in a structured form (instead it is in free text, or not recorded at all), and because of the technical challenge of automatically transforming data to be analysable in this manner.³¹

Predictive risk models (PRMs)

PRMs are a variant of the 'journeys into care' and 'journeys into high-cost care' work described above, with an effort to identify individuals who are at risk of crisis before it happens.

An urban unitary authority that we spoke to has been working with its local NHS partners and a commercial supplier on a model to predict episodes of crisis and to develop a process for a multi-disciplinary team across health and social care to review the flagged cases and intervene. To identify those at risk of crisis, the model links data from social care, education and health.

There are at least sixteen LAs who have experimented with similar technology for related purposes, though they tend not to publicise this information. The London Borough of Barking and Dagenham, however, have been very public about their exploration of various data science tools, including PRMs, and have facilitated access for researchers from the Ada Lovelace Institute to write a report on the ethics, impact, and practicalities of using PRMs and other tools in these contexts.

LAs continue to work with NHS and commercial partners to improve both risk models and the practice around them, and several are looking at how to take these from single-LA pilots to products that can be implemented in many LAs at an affordable price. However, this research has not identified any which are currently operating effectively.

3.3.2 Challenges and considerations

Currently, most LAs can only do journey analysis through manual review of free-text notes in potentially thousands of records. This prevents journey analysis from being done at any scale. This limits the ability of commissioners to identify or provide evidence for potential opportunities.

With respect to predictive risk models, the key challenges are that:

- They require a large scope of data, drawn typically from different services and systems, which therefore requires data engineering capacity that most LAs do not possess.
- They often require data from multiple organisations.
- Understanding whether or not they are effective and ethical is complex, and many LAs lack the capability to develop PRMs or to scrutinise provider offerings effectively.

More specifically, we did not identify any PRMs or descriptive analyses that were both effectively operating and scalable.

3.3.3 What works and opportunities

Analytics for demand management is an area where the potential impact of enhanced analysis is high. This is because it supports LAs to see and communicate the case for investments in prevention and diversion, which are fundamental levers for improving outcomes.

Despite the noted challenges, there are opportunities in the following areas:

- **Develop a community of practice around journey analyses** which can:
 - Support those already doing this work in LAs to connect to improve their journey analyses.
 - Codify and share those analyses so that they spread from their originating LAs to others. The DfE-sponsored Data to Insight programme at East Sussex County Council already does this in other areas – convening performance analysts to re-build their best tools in such a way that they can be re-used by any LA, then spreading those through its network of around 600 members in 151 LAs.
 - Take advantage of existing opportunities to place analysts into funded data science training.

- **Develop the teams, datasets, and infrastructure required to do this analysis on a regional level, and provide the analyses to the region's LAs.**
- **Lower the barriers to creating useful journey analysis** by commissioning open-source software that can be used by regional hubs and those without data engineering expertise to create a standard 'journeys' dataset from statutory returns, ideally on a regional or single-LA basis. This would take care of the most technically challenging part of the work and allow the community of data scientists in children's services to build analyses on top of it.
- **Lower the barriers to spreading Python-based journey analyses** by sponsoring the development of the community of LA-based children's services data scientists building replicable analyses using their open source platform PATCH.³² Python is a programming language that supports multiple programming functions and PATCH is the 'Python Analysis Toolkit for Children's Services'.
- **Implement a consistent 'child identifier'** across children's services, education, and health. This would require significant support to implement, even if an existing identifier such as the NHS ID were used on a local level. The current government has proposed work at a national level to deliver this.

3.4 Financial forecasting



Definitions

Financial forecasting in the children's placement market involves predicting future financial conditions to guide policy and programmatic decision making. This process is crucial for maintaining fiscal discipline and ensuring the delivery of essential services for children in care.

Every LA described the need to set a placements budget for the coming financial year and monitor against it to year-end. Many described the high stakes around this, particularly:

- The pressure to be ambitious on cost containment given the impact of placements spending on other budgets, and the knowledge that small overspends versus their budgeted spend would be liable to unbalance the LA's overall budget.
- The difficulty of predicting spend (as opposed to demand) when it can be affected so strongly by a small number of high-cost placements.

For most LAs, financial forecasting was the main area where they attempted to formally forecast demand or spending.

Most LA stakeholders also spoke of the need to forecast placement spend as part of their medium-term financial plan, typically on a 3-5-year horizon, with less at stake if the numbers are inaccurate.

3.4.1 Current practice, challenges and considerations

Most LAs reported that spending forecasting is led by Finance, usually in close collaboration with commissioners.

Financial planning has two core activities: 1) data collection and 2) data analysis.

Data collection

No LA described being able to get reliable and comprehensive data (as an input to its forecasting) from a single system, even though most had either ContrOCC³³ or Mosaic Finance³⁴. Both systems can capture and curate this data, but configuring them to do so, and ensuring the business processes support accurate data collection, is a challenge.

As a result, they use spreadsheets outside of these systems to produce the clean and comprehensive data they need for forecasting, taking data from CMS and finance systems as well as from spreadsheets maintained by commissioning teams as inputs, and cleaning them in conjunction with commissioners. As well as cleaning the data, they also report manual work to categorise placements, as the categorisations present in CMS and finance systems were often not those of most use in the analysis or had been applied inaccurately.

Most described producing these clean and suitably categorised datasets for forecasting on an annual basis to support financial forecasts (e.g. comparing figures to those in finance systems and invoices). However, for others, it was an ongoing process which allowed finance to maintain a core dataset to support many analyses.

Data analysis

With the data in place, the work was consistently approached as two distinct challenges:

- **Segment 1** - Forecasting what will happen to placements that are already live (e.g. how long will they persist, how will the cost per week change)
- **Segment 2** - Forecasting how many new placements will start, with what types of provision, and at what cost.

Some LAs complemented this with top-down estimation (last year's spend + X%, or plus trend from the last few years), or with simple stock and flow models (e.g. we lose X per year, we gain Y per year). Due to the typically small number of children in care at any given time, as well as the commissioners' comprehensive knowledge about these children and their care situations, most local authorities participating in this research approached forecasting existing placements by reviewing each one individually. They made informed predictions about future developments over the coming year based on their direct understanding of the placement.

As part of this research, we did not secure data on the accuracy of LAs' segment 1 estimates, but most finance representatives were confident that they were sufficiently accurate for their purpose.

Segment 2 – placements which start in the new financial year - was a source of stress and dissatisfaction, and many LAs therefore stated an interest in hearing about good practice from elsewhere.

Most LAs reported using historical averages for placement starts. However, placement spend is driven as much by placement 'mix' (what proportion of in-house fostering versus IFA versus residential versus high-cost residential) as by total numbers, because of the disparity in prices between different modes of care (approximately £1,000 per week for a foster placement versus £6,000 per week for a residential placement) and so the ability to forecast smaller segments becomes important.

The ability to forecast confidently for smaller segments depended on the size of the LA and on the time-in-post of the finance lead as the latter tended to determine how far back their dataset of demand, segments, and prices went. This speaks again to the simplicity of the analysis, but the difficulty of maintaining a suitable dataset.

A few LAs mentioned using third party tools for demand modelling, most often provided for free by Data to Insight.^{35, 36} This project is hosted by East Sussex County Council and helps analysts in English LAs to collaborate to build the tools they need. Whilst this tool has been downloaded by over 70 LAs, this research suggests that its use is largely confined to performance teams and that it is not widely used by the finance and commissioning leads responsible for financial planning.

However, most local authorities face challenges with 'low frequency / high cost' placements. These placements can cost between £10,000 and £15,000 per week, with some reports indicating costs as high as £35,000 per week. These placements are unpredictable due to their low frequency—none might occur one year, then several the next. Their high costs can significantly impact budgets. No LA we consulted knew of a workable solution.

3.4.2 What works and opportunities

There are a number of opportunities to improve financial planning:

- **LAs could implement a suitable data model for describing placements**, including standard categorisation of needs and could specifically implement standard approaches to describing the core services funded (e.g. core, transport, therapeutic services, allowances). As with the recent changes to data sharing requirements regarding agency spend, this may require some changes to how LAs require their providers to structure their invoices (consistently itemising charges by placement, category of service, and period). The benefits would be greatly magnified if the data model was common across at least a regional footprint, but ideally national. With an appropriate data model and data quality processes in place for segmenting demand and supply, and for describing what is included in prices, Finance teams would have the data they need to produce more useful forecasts with less effort and be able to produce other financial analysis year-round.
- **LAs should make use of existing demand modelling tools** for modelling 'segment 2' demand (new placements), as a complement to the work they can do better using staff's intrinsic knowledge about 'segment 1' (existing placements). This is already helpful in modelling overall demand. However, to effectively model costs using these tools LAs also need to implement the common data model otherwise the tools will be unable to accurately forecast the mix of placement types, upon which spending is highly dependent. All but the largest LAs will also benefit from doing this analysis on a regional as well as a single-LA basis, as this will give them a larger dataset with which to model the rates of low-frequency / high cost placements which are an important component of overall spending.

3.5 Negotiating prices for commissioned services

Local authorities expressed a need for analysis that supports them to negotiate prices for commissioned services. This requires judgements about who else is competing for the same supply, and the extent to which prices and other factors will determine whether a supply is made to the LA in question. As such they require insights into on:

- How quickly and at what price the provider is likely to be able to fill the placement if this LA does not take it.
- How hard it is likely to be for the LA to find a suitable alternative if this placement is not taken.
- Providers' likely costs of delivery.

This is likely to be met by:

- Analysis of what has been paid recently for similar placements. This is challenging as it is difficult to identify like-for-like placements. This analysis also requires a common data standard to be implemented across LAs to segment needs and provision. To work effectively, there needs to be data sharing and a sufficiently large dataset to provide price ranges with reference to less common needs. This would provide added value for LA decision makers.
- A means of estimating the costs of delivering a given service. This would require a configurable model of service delivery, and a dataset to generate benchmark costs for elements of the service. Commissioners were interested in getting hard data on prices paid, though many felt that they already knew the answers and would be using these to prove that they were right to other decision makers, rather than to discover the situation. In particular:
 - Their work means that an average commissioner will see 1-3 placement starts a week in their own LA and the prices being paid for these, as well as a number of renegotiations of prices on existing placements.
 - There is some regional benchmarking already taking place and it is a small professional community in which people know one another and share this information informally. There are also some independent benchmarking services.

It was not possible to test whether commissioner's informal estimates were accurate, or whether a shared picture of prices allowed them to negotiate better rates, or to better collaborate on commissioning.

Commissioners were interested in accessing data on providers' costs. However, some cautioned that in what they perceived to be a seller's market, information on provider costs would not necessarily help secure a better deal. This was because discussions on price often have tight time constraints and there is usually only a small number of suitable placements. Generally, it was felt that this information would be valuable, especially when it was used to complement commercial skills and experience of the market – which should be developed in tandem with any improvements in analysis available to commissioners – see Section 5.1.

In discussions on regional collaboration, it was observed that frameworks for residential care were frequently considered ineffective. Providers are increasingly withdrawing from these frameworks and opting to serve the member LAs through spot contracts instead. This was reported to be a result of an inability of the framework's member LAs to agree on a price rise sufficient to keep providers on board. This underscores the necessity for analysis to assist individual decision-makers in determining their willingness to pay a specific price. Additionally, it is essential to develop a common understanding among groups of LAs. This shared perspective will enable informed decisions regarding framework pricing, based on an agreed view of the potential consequences of not adjusting framework rates.

Likewise, when justifying higher fees for councillors or decision makers, commissioners benefit from similar analysis. This underscores the need for a regional perspective on 'prices paid' analysis, aiding LAs in considering regional agreements or fees within a market. It would help to:

- Judge how much below the proposed price a provider would really accept under a framework agreement, in a context where providers (for the most part) hold market power; and
- Understand the difference in prices being paid on and off framework when comparing on a like-for-like basis.

Any analysis to support price-setting in regional frameworks should be complemented by improvements in governance to ensure that pricing decisions can be made effectively and swiftly. This is because we heard several instances where an inability to agree prices amongst member LAs led to deadlock and then degradation of the framework. See section 5.3 for a more detailed discussion on frameworks.

3.5.1 Current practice

To support pricing decisions, many LAs involved in this research were using a costing tool called CareCubed³⁷ to gather data on the likely cost of providing a given placement. CareCubed is a tool for pricing and benchmarking, designed to compare staffing and other costs needed to support a child with costs researched from national databases. It is used to calculate a local benchmark for what can be expected to be a 'reasonable cost' for that package of care. CareCubed have both a children's social care module and an adult's social care module. They have reported that approximately 70% of LAs across England use the adult social care module and continue to grow the numbers of LAs signing up to use their more recent development in the children's social care module.



Case study: Tools to negotiate prices with provider organisations

Lancashire highlighted the application of CareCubed. Lancashire noted they have established internal benchmarks derived from financial data collected over the past two years, which further supports cost analysis and negotiations. Through this method, they report significant savings since August 2022. It is important to note, however, that such negotiations are feasible only when alternative provision options exist within the market.

Lancashire also uses this dataset to identify providers who consistently charge above expected rates and refuse to engage in cost discussions. The team regularly reviews the market, including identifying new provision and providers in the area, and engages in conversations about prioritising local children. This work has been enabled by a dedicated market analyst supporting the commissioning team.

LAs also referenced some ongoing projects at the regional level to share and compare data on costs and inform regional pricing strategies. Examples of this include: the Commissioning Alliance, the West Midlands Commissioning Hub, CCRAAG, and Placements North West. This research found that:

- Most were sharing aggregate data (e.g. the average price in my LA over the last 12 months is X) on an annual or quarterly basis. The data was generally compiled by commissioners using spreadsheets rather than being accessible through systems.
- Some regions have moved to record-level data (i.e. a list of placements with a price paid for each) to address a wider range of questions. However, none have yet been able to include much data about the needs of children involved, due to information governance and limitations in what is captured and how consistently. This hampers the ability to establish like-for-like comparisons between the costs charged by different providers.
- Some regions have begun developing common data standards and information sharing infrastructure to enable like-for-like price comparisons.
- One region (Placements Northwest) also captures the percentage of cost contributed by Social Care, Education and Health respectively.

Some LAs were also creating local price trackers in spreadsheets to benchmark 'reasonable' price ranges. These datasets were often restricted to local data, making them insufficient for establishing benchmarks beyond the most common requirements and locations. Additionally, they frequently lacked essential operational context, such as the time allocated to brokerage teams for finding a placement.

LAs using shared ebrokerage systems noted that this facilitated their benchmarking activity, although in some cases this also suffers from the challenge of inadequate and inconsistent data capture. Another challenge was that many placements occurred outside of the frameworks usually associated with these systems.

Several LAs mentioned independent benchmarks such as one run by the National Centre for Excellence in Residential Child Care and Revolution Consulting.³⁸

3.5.2 Challenges and considerations

Commissioners valued some of the analyses these data sharing initiatives enabled, however, there were a number of challenges:

- **Poor data collection processes:** In each case they are undermined by the quality of the data collected in the first place, particularly:
 - Variability in how LAs segment supply and demand (mainly how they define 'needs').
 - Variability in how they record the details of what services are being bought (e.g. costs inclusive or exclusive of transport, therapeutic services, allowances, etc).
 - Variability in how effectively different LAs ensure data quality.

- **Multiple manual steps:** Regional teams struggled to produce these analyses frequently because the task currently has many manual steps. One region reported they can only provide this data annually with a three to six-month delay, despite decision makers wanting more current information.
- **Lack of clarity about how to use the Ofsted provider list:** A key challenge for some regions has been the lack of clarity about how they can use the Ofsted provider list, even though it is a key input to their systems. In some cases, stakeholders have been informed that the list cannot be shared with combined authorities (e.g. GMCA) or other vehicles for regional partnership which has been a barrier to setting up regional systems. Further, the data is made available as a spreadsheet rather than as a data service which means it cannot be easily incorporated into LA or regional systems.

However, one early-stage project was identified that trialled automating the extraction of data on placement spend from common finance systems, linking it to data from case management systems, and using it for spend analysis for the region overall as well as for individual LAs within it.³⁹ This work also delivered a recommended model for describing placement costs which could be incorporated into any new data standard for placements.

Current datasets have limitations. For instance, factors like 'notice given to find placement' are important for determining price but are not tracked, meaning that critical variables are missing from the analysis. Another significant issue is the absence of consistent outcomes data. None of the pricing tools in this research linked cost to child outcomes, such as education, wellbeing, or their views on care, making it hard to monitor the relationships between cost and quality.

Finally, when setting prices, it is crucial to balance analytical tools with relational practices. Many participants noted that the best outcomes stem from trust and openness between commissioners and providers. Pricing tools should support, not replace, these good-faith negotiations.

3.5.3 What works and opportunities

There are opportunities for next steps for commissioned placements.

- **Develop a common data model:** As described above, the application of a suitable data model and work on data quality is sufficient for any LA to establish a dataset which can address these questions. However, whilst the solution is simple, it is difficult to implement in financially constrained LAs.
- **Build on the best regional benchmarking analyses:** Regional price benchmarking is well established, but given significant differences in the maturity between regions there is an opportunity to make the approach used by the most mature (for data standards, data quality, data sharing, and the analyses used) available to other regions. The best value approach may be to ensure that what is developed in RCCs is well documented, open source, and designed for replication, and then to offer it to other regions as a package.
- **Continue exploring options to achieve greater interoperability across systems:** Costing tools and ebrokerage tools would be easier to use for more placements if there were greater interoperability with case management systems – which could reduce the amount of double data entry required to use them. The DfE is actively exploring options to achieve greater interoperability between CMS and other systems.

3.6 Setting fostering fees and allowances

Most LAs described a long-term shortage of fostering households as one of their key challenges, and displacement from fostering into residential care as a major driver of increased overall spend. A small handful of LAs were making or considering radical increases in what they would pay foster carers to look after those children who would otherwise be going to residential care. Likewise, many LAs reported fostering households moving to IFAs to secure better financial support and had the perception that they ‘obviously’ could not match what IFAs pay. Notably, none of the local authorities that rejected more radical options were able to model the costs associated with maintaining current payment levels while tolerating a higher turnover of foster carers. This could result in an increased number of children being placed in children's homes.

Although there was no explicit request for analysis, the importance of these issues for placement sufficiency and the financial health of LAs suggests a need for it. This is relevant considering that significant changes in foster carer payments are challenging for most local authorities to implement.

3.6.1 Current practice

Some LAs referenced arrangements to share data regionally on fees paid to foster carers and some analysis of what IFAs were paying. Most found it was relatively easy to learn what IFAs were paying from published rates and discussions with their carers and the IFAs they work with.

Some authorities had undertaken one-off modelling exercises to make the case for significantly increased rates for a subset of foster carers able to provide care for children who would otherwise have to be placed in a residential setting, successfully demonstrating that considerable savings can be made from such programmes.

The Fostering Network provides a benchmark for rates in different regions and national guidance about principles for setting foster care allowances. Although this covers basic allowances only, rather than additional fees for time, skills and experience. The State of The Nation's Foster Care survey (conducted every three years) also provides insight into additional fees paid for time and skills, although the data is aggregated nationally and does not provide a regional/local comparison for fees.⁴⁰

3.6.2 Challenges and considerations

There are a number of challenges for analysis to support setting fostering fees and allowances:

- **Limited data sharing:** A major limitation in analysing foster care allowances is data sharing. Local authorities are hesitant to share rate details with neighbours due to pricing concerns and a lack of infrastructure for sharing personal data. Additionally, it can be time consuming to gather data on allowances and fees from independent fostering agencies can be challenging.



- **Difficulties understanding the impact of rate changes:** Another significant limitation is the ability to determine the appropriate level of rates that would influence retention rates, enable foster carers to support children with higher needs, and improve placement stability. We observed a disconnect between what LAs told us about the typically 25-30% of residential placements were made because of a lack of suitable foster placements, the additional costs this entails (around £200,000 per placement per annum) and the allowances they were contemplating paying their own foster carers. There were several exceptions, but they were surprisingly rare. No one we spoke to had seen or done any modelling on this subject, which seems worth exploring further.

3.6.3 What works and opportunities

Opportunities for improving data on in-house foster care:

- **Continue building on recent exercises to benchmark rates** (such as the recent LGA benchmarking exercise and the Fostering Network survey) by supplementing this data with insight into regional variation in additional fees for additional skills/experience, and links between fees and outcomes will give LAs the local insight they need to set competitive fees and allowances.

3.7 Business case creating and monitoring

Making ‘invest to save’ cases is a constant challenge for LAs actively managing demand for care and shaping the market to ensure services are available. This is seen in the challenges LAs face when developing in-house provision, block contracting, strategic partnerships with providers, edge of care services, step-down, and so on. Beyond creating business cases, LAs also described the need to monitor how a given project was performing against its business case.

In single-LA projects there was little demand for data analysis because most of these projects were small-scale, and commissioners felt sufficiently well-informed to judge whether they were performing. However, some LAs highlighted the need for a consensus on whether the project was performing when deciding whether it should be renewed, and therefore a need for analysis which could provide a shared understanding of whether a project was working. This was particularly important in regional collaborations where multiple DCSs and their stakeholders need to recommit to a project and have a shared understanding of its impact.

3.7.1 Current practice

There are well established methodologies for creating business cases, and many LA teams are well versed in doing the necessary modelling in spreadsheets. For example, we encountered LAs who had successfully made the case for pilot programmes to pay therapeutic foster carers considerably higher rates to provide care for children who might otherwise be placed in a residential placement, even securing agreement to pay foster fees three or four times higher than standard.

For commissioned services, contract monitoring provides some information on ongoing utilisation and spending which can be used to evaluate whether the provision is delivering against the business case.

3.7.2 Challenges and considerations

This research found a number of challenges in analysis to support business case creation and monitoring. These were:

- **LAs sometimes struggle to source reliable inputs to configure their models** – such as what proportion of the relevant population might take up a given preventative service, stay with it, and benefit from it? What proportion of children meeting the intended profile for a new block contract might be suitably placed given factors such as where they go to school? And when building in-house provision - what will the market price be for this service in three years? When pushed on where their business cases tended to meet the most scepticism from councillors and other decision makers, it was the issue of reliable inputs to models which commissioners highlighted.

However, in ongoing monitoring the question of whether a given provision is ‘performing’ also depends on:

- **Whether the children being cared for are similar enough to those which the business case assumed would use the service.** For example, if a business case was passed on the basis that it would provide beds for children with complex needs whom the LA would otherwise pay £10,000 per week to care for, then monitoring needs to track whether it is being used for those children, or whether over time it is being used for children with progressively more mainstream needs which could have been met at lower cost with or without the new provision. This was difficult in some of the examples we reviewed.
- **The evolution of the ‘counterfactual’ over the life of potentially long contracts.** For example, if provision has been block contracted at £5,000 per week to avoid paying an understood market rate of £6,000 per week – how has the market rate evolved over the life of the contract? If the market rate has increased to £6,500 per week the savings under the block contract will be greater than when the original contract was set up.

These questions are not simple to solve. Hard data may not be essential for decisions in a single LA project, but it becomes crucial in multi-LA projects.

3.7.3 What works and opportunities

The foundational initiatives described in this report on data standards, data quality and data sharing are prerequisites for benefiting from other opportunities described here.

Additionally, there are a number of opportunities for improved business case creation and monitoring.

- **Consider using existing published data sources to support the creation of business cases and monitoring:** These are available, providing authoritative inputs for invest-to-save models. For example, the GMCA Unit Cost Database, and INDIGO dataset.⁴¹
- **Consider the evaluation and ongoing monitoring at the start of a project:** Regions should consider at the outset of joint investment projects how social and financial performance versus the counterfactual will be evaluated over the life of a project given in that time there will be change in the population being cared for, the social outcomes associated with not accessing the provision, and the costs associated with not accessing the provision.

- **Develop and test templates for monitoring:** It may be useful to work with a small number of LAs who are engaged in designing or monitoring such invest-to-save programmes to develop and test templates for better monitoring.

3.8 Monitoring quality and outcomes

LAs described a need for analysis that consistently tracks the performance of residential providers and IFAs. Some of the metrics participants mentioned they would like to see used to compare residential providers included:

- Percentage of placements resulting in disruptions within the first month.
- Percentage of placements resulting in disruptions over a 12-month period.
- Educational outcomes.
- Employment outcomes.
- Data capturing the perspectives of children in care.



3.8.1 Current practice

Most LA interview participants reported relying mainly on insights from social workers and commissioners engaging with providers to monitor quality and outcomes. This was supplemented by largely free-text material in Regulation 44 reports and Ofsted inspections, and locally maintained datasets on complaints, missing incidents, and placement breakdowns.

Many participants were exploring the value of standardised strengths-based needs assessment tools like BERRI, CANS and Valuing Care for this purpose. Some LAs were hopeful that as these tools become more embedded in their casework practice, they will generate a dataset that would enable meaningful and robust comparative analysis of provider performance (i.e. tracking changes and improvements in child outcomes). However, none of the interview participants were currently using these tools in this way.

To enable these tools to be used in this way, attention needs to be paid to several factors. These include: the unit costs of assessments, the burden of new assessments that a given solution creates for staff and children, the openness of assessment providers to allowing their assessments to be delivered within staff's existing systems (for convenience) rather than in stand-alone tools, what purposes assessment providers can process the data for, and licencing. The latter is a particularly important consideration for a wider rollout as it would be difficult to negotiate commercial terms in future if a provider had the option to withdraw the sector's right to use an assessment which has become central to data assets and practice.

Table 1 Standard needs assessment tools

Tool	Extent of Use
BERRI	BERRI provides a framework for assessing a child’s needs across five domains and is available through an online assessment portal. It is used by residential homes and several local authorities. ⁴²
CANS (TCOM England)	The Child and Adolescent Needs and Strengths (CANS) is a strengths-based decision-support tool that “ <i>helps the whole care system make decisions that improve outcomes</i> ”. Versions of CANS have been implemented at scale in the US over the last 20 years and are now being trialled by local authorities and care providers in the UK. ⁴³
Valuing Care (IMPOWER)	The Valuing Care assessment tool “ <i>enables the placement cost of every child in a council’s care to be mapped against their individual needs</i> ”. It is designed by IMPOWER. Valuing Care is specifically designed for local authorities to consider the value for money of each placement and is used across several areas for this purpose. ⁴⁴

3.8.2 Challenges and considerations

For comparative provider performance analysis, some of the key identified barriers were:

- **A lack of easily accessible and organised quantitative data on performance (e.g. percentage of disruptions and percentage of providers delivering support according to care plans etc).**
- **Limited use of standard assessments to track child progress and outcomes in a way that facilitates aggregate-level comparative analysis of provider outcomes.**
- **A lack of tools which systematically brought the judgements of children and young people themselves into view.**
- **The LA ‘view’ of provider outcomes is misaligned with the actual provider ‘footprint’ (e.g. where the provider operates regionally, but LA only see outcomes in their LA). This barrier is relevant for the level at which data is aggregated, and how the data could be used – for example, to support active contract management where providers and commissioners regularly consider the data together to improve outcomes.**

More fundamentally, **tools are limited because definitions of 'quality' are often too individual or complex for standardisation**; each child has unique needs, characteristics, and aspirations. While outcomes data have their uses, they represent a small aspect of the broader efforts to assess quality and outcomes.

3.8.3 What works and opportunities

Opportunities for improving monitoring quality and outcomes are described below:

- **LAs and regions might explore implementing any of the standardised assessment tools for children in care.**
- **Continue sharing learning around monitoring practices across LAs:** Sector-led improvement partnerships already provide a vehicle for LAs to compare their approaches to monitoring the quality and outcomes of care and this work should be developed to further this practice. LAs should share the data that is captured on quality and outcomes more widely to learn from existing good practice.
- **Consider arrangements to capture the perspectives of children in care:** introducing services designed specifically to systematise capturing the perspectives of cared for children and young people about what outcomes matter to them and about the care they receive. This can be done locally but LAs may benefit from economies of scale by developing this with others.
- **Explore the insight that can be gathered through existing data sources:** substantial data assets exist already (in a largely unstructured form), including Ofsted regulation 44 reports, which we estimate must exist in at least the tens of thousands, and LA case notes. Given that new technology now makes it more practical to analyse unstructured data at scale, it may be worth exploring what insights can be derived from these sources into the relationship between needs, care quality, and outcomes.

3.9 Placement finding

Local authority interviewees mentioned needing tools to find suitable placements for individual children. Most LAs prefer partnering with fewer, local providers for genuine partnership. However, most also described the need to look beyond their preferred partners when finding placements for at least some children.

When doing so they face challenges in discovering the providers they can speak to, and then prioritising them. To illustrate this:

- There are about 3,000 children's homes in England, with circa 750 registrations and de-registrations in the last year for which we have data;⁴⁵
- There are about 300 Independent Fostering Agencies through whom LAs can find placements with approximately 15,000 fostering households, to complement the circa 130 fostering households which an average sized LA might have in its in-house service.⁴⁶

Knowing which placement might be suitable for a given child is difficult. Finding out which among those might have a placement available can be extremely time-consuming. Many LAs mention sometimes sending out mass emails because they are desperate to find a placement for a child and lack an effective way to make targeted outreach.

More precisely, they described a need for tools to help identify which of the list of possible providers it was worth talking to for a specific child. This was most commonly a variant on *"I want to know which IFA has people in the right area who have cared for a child with similar needs before so that I know who it is worth me talking to"*.

3.9.1 Current practice

There is a thin line between directory and e-brokerage products because the latter must incorporate directories to function.

CarePlace (provided by the LA-owned Commissioning Alliance) is used by over 20 LAs for e-brokerage and incorporates directories as well as functions for managing provider quality information. The West Midlands is in the process of refreshing its LA-owned and open-source e-brokerage product which will be used by all 14 LAs in the region. The main case management providers are understood to each own e-brokerage products intended to complement their tools for managing placement contracts and payments.

Outside of e-brokerage, there are several approaches that LAs are using to find and filter among providers:

- Ofsted distribute a spreadsheet-based list of providers, which most LAs use.
- Many LAs maintain their directories, typically in spreadsheets or mailing lists in their email software
- There are also collaborative directories, such as the Children's Cross Regional Arrangements Group (CCRAG), an online provider database which often adds further information to commissioners working with those providers.
- Regional and single-LA purchasing frameworks and dynamic purchasing systems can act as directories by connecting all participating LAs with all participating IFAs and children's home providers.
- Some LA's track local planning decisions to identify new homes opening in their area.

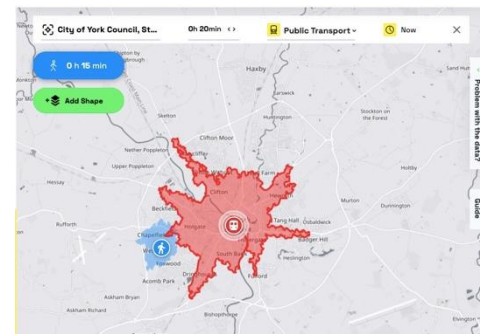
3.9.2 Challenges and considerations

Key challenges with most current directories are:

- **E-brokerage products are not well-liked by providers** in children's social care who report that they are time-consuming to interact with, increase the volume of inappropriate referrals, and restrict their ability to ask clarifying questions about a child and how they might match with a carer or other children. In practice, many providers therefore ignore on-platform referrals where possible and wait to be contacted through other channels.
- **They lack sufficient detail on providers' eligibility criteria** and services for users to be able to effectively filter to relevant provision. Providers complain about receiving a large number of inappropriate referrals. This highlights the lack of even basic filtering criteria in most systems, some provider complaints are as simple as "we only provide care for girls, but we get a lot of referrals for teenage boys".

- **Geographic search functionality tends to be limited**, which is important as this is a key filtering criteria (travel time to school, to extended family, etc). The spreadsheet-based tools tend to offer only filtering by LA (or larger geographies), whilst even the web-based products can lack tools which have become common in consumer products such as filtering by custom geographies ('draw your own search'), or filtering by travel time, or by travel time to multiple sites (see Figure 1).

Figure 1 Geographic search function



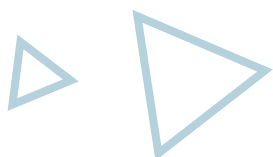
- **Most do not provide information on whether or not placements are currently available.**
- **Most do not integrate information on quality**, meaning commissioners need to look it up separately. The key sources for this information are Ofsted reports, reports of independent monitoring visits, compliance information, local notes of commissioning or social worker visits, and local or regional provider surveys.
- **Most do not integrate data on pricing** such as framework and DPS membership, or prices recently offered/accepted. These have to be looked up separately.

In general, providing a suitable user interface for directory products is straightforward, as is governing access to them so that only appropriate people view the information (e.g. the addresses of children's homes). Integrating national and local data sources is relatively straightforward if they are made available in the right way, although anything involving data engineering is beyond the resources of many commissioning teams. All of this could be done by any one of a number of public, voluntary and private sector organisations developing digital products for local government.

The more important challenges, even for an organisation with capital and technical skills, are in maintaining up to date information. This is particularly difficult as much of the information needs to come from other organisations, such as:

- Eligibility criteria and service descriptions from providers.
- Placement availability from providers.
- Quality and pricing intelligence from within the LA, and potentially from other LAs in region or nationally.
- Lists of providers from Ofsted.

The Ofsted provider list is the most commonly used directory and includes all regulated provision and is updated regularly. However, it has a number of challenges. It is a spreadsheet and has inherent user-friendliness limitations, such as geographic search. It also offers limited information for categorising provision or filtering.



It could however be an important input for other tools which bring together data from a mix of local and national sources. However, there are two impediments to doing this:

- Firstly, it is a spreadsheet and distributed by email, which means it is awkward to process automatically as an input to other databases;
- More fundamentally, it is offered to LAs on terms which prevent many of them from incorporating it into other products because those terms prohibit them from sharing the list with organisations who are not LAs. This has sometimes been interpreted to include LAs' technology suppliers, combined authorities, and LA-owned partnership vehicles such as London Councils. Since developing more sophisticated directories (and analytical products) is expensive and has good economies of scale, prohibiting regional and national partners from using the provider list to provide directory or analysis products to LAs is hindering their spread.

Finally, foster care poses a particular challenge when it comes to sourcing information for directories because, for the IFAs, openly sharing information about the foster carers they have registered with them is a practical challenge given the numbers involved, and because there are commercial and pastoral considerations for them in not wanting to facilitate LAs' approaches direct to the fostering households they work.

3.9.3 What works and opportunities

There are opportunities for improving placement finding. Notably, regional and national directory products already exist and can be used and built upon to provide an economic means of giving good quality tools to all commissioners. The CCRAAG provider database (hosted at Hertfordshire County Council) is a good example of what is possible with a simple online tool and a small central resource to maintain the underlying information. We heard suggestions that CareCubed could possibly be developed into a directory product and that the ebrokerage products could also be built upon.

However, enabling any of these to flourish requires addressing the constraints to assembling the data which they need. Therefore, important opportunities are also:

- **Making data on providers available as a data service** – doing this with Ofsted inspection reports would be a useful step, and with the right investments in security it could be possible to extend the approach to independent monitoring reports.
- **Implementation of a common data standard and regional data sharing infrastructure** as described earlier in this chapter, so that directories can incorporate information comparing providers' pricing.
- **Consider designing a tool to find suitable (IFA-registered) foster carers for a child**, without sharing their identity to the LA. The practical and commercial challenges of 'one national directory of foster carers' have been highlighted above, and there is learning on this from recent projects. However, there are a number of ways in which matching could be done without either disclosing IFA-registered foster carers' details to LAs, or relying on IFAs to maintain and share records of who is available at any given time. Most of these approaches would do the analysis automatically, and then give LAs a ranked list of IFAs to contact.



Chapter 4: Market shaping

In children's social care, commissioners and providers must inevitably interact extensively with each other to find appropriate accommodation for children. While some LAs perceive providers negatively and strongly prefer in-house provision, others see them as crucial partners. Difficult relationships among providers and commissioners can complicate efforts to meet children's needs and make it challenging to have open discussions about provision quality and costs.



Definitions

Market shaping involves local authorities working strategically with providers to communicate expectations, build relationships, and create a stable, effective care services market. It includes activities that inform providers of local needs and incentivise them to ensure adequate and appropriate provision.

4.1 Market engagement and information sharing

In the landscape of children's social care, effective market engagement is paramount for ensuring that LAs can meet the diverse needs of children in their care. The ability of LAs to engage with providers, share data, and communicate strategic objectives is crucial for shaping a responsive and sustainable care market. This section explores the current practices of market engagement across LAs, highlighting the spectrum of activities and identifying areas for improvement and best practices.

4.1.1 Current practice

Market engagement is the practice of LAs engaging with providers. This research found that authorities take a range of approaches to plan for market engagement, and there is a range of market engagement activity across LAs, such as one-to-one meetings, group events and forums, as well as co-produced commissioning arrangements and strategic partnerships. This finding is consistent with the wider literature.

Planning for market engagement

As highlighted in Chapter 2, LAs are required to formulate plans about how they will achieve sufficiency through commissioning. The sufficiency strategy is an important way of communicating information about the cohort of children in care and expected demand to providers. In theory, sufficiency statements should drive commissioning decisions and share information with providers, so they are able to understand what LAs need and their current supply.⁴⁷

Most LAs issue sufficiency statements, however, they are frequently outdated and budget-driven instead of outcomes focused, which inhibits their usefulness. This is consistent with the findings of the WWCS (2022), which reported that nearly half of LAs did not have a publicly accessible or current sufficiency strategy. Few strategies included detailed information or analysis on their local provision, particularly independent sector provision.

As outlined in Chapter 3, although LAs (and indeed providers) reportedly perceive to have a good sense of where key supply gaps are, they are missing data that allows them to demonstrate the true extent and cost of these gaps, or to consistently show which needs are not being met. This hampers their ability to communicate clearly and consistently with the market about their sufficiency needs and plans.

Sufficiency strategies rarely include a clear overview of the portfolio of provision that the LA would like in the long-term or the type of placements they would like additional support with. As a result, many providers gain an understanding from local markets through their own data on referrals and placements, often based on country-wide referrals not just the most local councils. This frequently means that provider strategies do not align with authorities' priorities and children's needs. This is a missed opportunity to share key messages and signals to the market about the portfolio of support that the LA is working towards.

Market engagement and information sharing

This research found that market engagement activity in most LAs was limited. This was because it was not always prioritised or was sporadic and impersonal. Strategic messages and information were also not shared consistently or effectively with providers in the majority of cases.

Nevertheless, there were a number of LAs that have prioritised market engagement activities. Some LAs have been effectively engaging their provider market over a prolonged period and have developed strong relationships. Others described being on a recent 'improvement journey' and have invested resources into engaging with their local market regularly. In these instances, it was common for different provider groups to be engaged separately (i.e. IFAs, residential providers, supported accommodation) and it was also common to see a variety of engagement activities. These activities included forums and group events, problem/solution-focused group discussions, and provider surveys. LAs in this category also meet individually with potential and existing providers. Additionally, some LAs produce and share market position statements with providers, which give a clearer sense of the strategic direction and are a useful way of priming the market. Overall, LAs have indicated that market engagement is an area of practice they are keen to improve.

4.1.2 Challenges and considerations

There are multiple barriers to effective market engagement and data sharing.

- **Difficulties understanding the market:** As discussed in Chapter 3, LAs face several issues understanding the market, in terms of current and future demand and levels of supply. This means that LAs are not always aware of all of their local providers, and often do not fully understand the ownership structures or commercial arrangements. This lack of information puts LAs on the back foot and vastly limits their ability to develop a strategy outlining their desired portfolio or to shape the market accordingly.

- **There is a tendency for LAs to work in silos:** LA officers have a primary responsibility to support children in their own area. This prevents a unified approach to addressing needs and often means authorities are in competition with other LAs for placements. This is a particular challenge as LAs are unable to effectively consider the strategic plans of their neighbours when engaging with providers and making purchasing decisions. LAs also do not easily know if local provision (current or planned) is sufficient to meet their needs. Without certainty about access to placements in their area, they are less likely to encourage providers to create them.⁴⁸ There is evidence that developing an understanding of need and supply at a regional level, and developing a regional strategy to market shaping would further support outcomes.
- **Scale:** One challenge to market shaping is the small scale at which most authorities operate. The demand from an individual authority for certain types of specialised provision may be too low to justify contracting a whole service. This limits the authorities' ability to utilise tools like block contracts that would give providers enough certainty to invest in specialised provision.⁴⁹
- **Current methods of sharing information with providers are limited:** Providers find LA sufficiency strategies of limited use, relying instead on their own data sources like placement requests and Ofsted data. They often view LA data sceptically and report having to take it with a 'pinch of salt'. Additionally, providers identified several types of data that they would find useful which is not shared with them. This included information on the current providers in an area and new capacity being developed as well as information around recruitment capabilities, property costs, and longer-term forecasts of demand, including how many children need placements and at what cost.
- **Market engagement is time-consuming:** Market engagement requires substantial time and energy, which can be seen as burdensome in an environment that is already operating with limited capacity. For example, collating and analysing data, and hosting regular provider outreach events are relatively resource intensive.
- **Skills for successful engagement:** Commissioning teams must understand competitive markets, know how to engage with providers individually and collectively, and address various scenarios effectively.

Importantly, some experts argue that market shaping is almost impossible in a spot-purchasing environment due to the lack of long-term planning and meaningful relationships between LAs and providers.

4.1.3 What works and opportunities

The research suggests that LAs should adhere to several principles:

1. Develop an understanding of the market:

As a precursor for market engagement, LAs need to have access to accurate data to enable them to understand the local market, particularly current and future demand, and supply. Chapter 3 outlines the challenges that most LAs experience in doing this currently and provides opportunities for next steps to improve practice.

As part of this research, there were examples of LAs conducting rigorous and detailed analysis to understand their market. The information that was captured included providers operating in an authority and their potential placement options; the types of children and needs that the provider is set up to support; financial and ownership structures, their profit-levels and whether an organisation is private-equity backed; staffing levels of providers and training-provision for care staff. As explored in Chapter 3, there are also efforts to establish regional directories, for example, the Children's Cross Regional Arrangements Group provider database presents member commissioners with intelligence on providers operating in the region. Further, some purchasing frameworks can, in effect, act as directories for participating commissioners, although these will be limited to providers who have joined the framework.

Some LA stakeholders emphasised the advantages of engaging with providers to gain insights into the local market. This involved inquiring about their supply profile, strategic objectives, and obstacles to expanding provision. By acquiring this understanding, stakeholders noted that they attain a clearer perspective on whether to purchase or develop provision in-house. By conducting a range of analysis, LAs and regional groups can develop an informed and data driven response based on local objectives and drivers.

There is evidence that understanding the market can be more effective at a regional level, reducing the need for discrete analysis resulting in efficiencies, and the benefits of aggregated data analysis and forecasts being more accurate.

Evidence of impact

The CMA (2022) market study reported that effective market shaping is essential in the context of the placement market, as LA's purchasing decisions do not reliably signal their future needs to current and potential independent providers. This is because LAs sometimes have to place children in less-than-ideal placements because those are the only options available, even if their needs would be better met by a different type of placement. These decisions do not communicate to providers that there is a need for more or different types of placements.

There is limited research available on the process or impact of market engagement activities. This research has found that there is poor evidence that market engagement activities are working effectively at the moment or having a sustained impact. This is primarily driven by the limited confidence LAs have in their forecasts, resulting in undefined strategies for market shaping and the desired shape of the market.

Nevertheless, where sustained engagement has been prioritised, LAs report improved relationships and a positive impact on local sufficiency and outcomes for children, by improving placement stability and ensuring that services are well-matched to their needs.

Additionally, providers have reported that effective market engagement can enable them to strategically plan their growth and development based on a comprehensive understanding of local needs, existing services, and market conditions.

2. Develop a data informed market-shaping strategy/market position and share this with providers:

Effective market shaping requires a cohesive strategy at the local or regional level, addressing current and future needs and determining necessary provisions. In contrast, the lack of a strategy makes it challenging to share a sense of direction with providers so that they can develop or decommission provision in response. This commonly results in a situation where providers have limited information about the portfolio of placements that the LA or regional group would like in the future.

Through a clear strategy and strategic plan for market shaping, commissioning teams should be able to adjust their markets to be more closely aligned with local need, and providers get clearer insight into their objectives and planned commissioning activity. This could be developed as part of an LA sufficiency strategy but should provide a clear sense of the desired portfolio of provision, including the type of provision and preference for whether this should be provided in-house or external.

It's crucial to share the market-shaping position and methodology with providers. This transparency helps build confidence in the data and forecasts.

3. Ongoing and regular engagement - provide a mix of market engagement activities, including group events and one-on-one engagements:

Effective market shaping should support both LAs and providers to understand and respond to evolving need and ensure that services are aligned with what is required. To enable this commissioners need to be transparent about their local requirements and objectives.

Both LA commissioners and providers highlighted the positive impact of regular and ongoing engagement. It encourages collaboration and can foster a more strategic and less transactional approach to commissioning. Commissioning teams can engage provider organisations in a variety of ways. Evidence suggests that doing so at the earliest opportunity produces positive results, enabling providers to coordinate their strategies with local priorities. This applies both when a LA is developing a strategy or assessing a challenge, and when providers are contemplating entering, or have recently entered, the market. It offers an opportunity to build a relationship and discuss local placement requirements.



“One thing is having specific market engagement when you know that you've got projects coming up. But the second is having that ongoing engagement. So that's what we've tried to do.”

Local Authority commissioner

Proactive and regular market engagement events help broadcast LA objectives and ensure alignment. Stakeholders discussed a mix of large forums and group workshops and spoke positively about the impact local market engagement events have had. The implementation of regular provider workshops in some areas has been transformative, enabling more effective collaboration and quick issue resolution. Speaking about regular provider workshops, a local authority stakeholder said they have “been a game-changer, allowing [them] to collaborate more effectively and address any issues promptly”. Stakeholders reported that provider forums should be held regularly and should have a defined purpose or problem to solve.

LAs reported that it can be beneficial to include multiple parts of the LA team in engagement events, including procurement, education, and social care as well as the voice of children and young people. Providers noted that it is important to have representation from senior officers from the LA, including DCSs, to support the development of longer-term, strategic partnerships. If there is a perception that senior stakeholders are opposed to the involvement of the private sector, it can reduce the willingness of providers to engage in conversations. This ensures that all parties are represented, can share their perspective and absorb key messages.

Stakeholders emphasised that group events and forums should be supplemented with one-on-one conversations and a two-way dialogue. Individual conversations were seen as an opportunity to enable parties to be more open, strategically plan, and build stronger relationships. Being honest with providers about system limitations and seeking their help in designing solutions has proven beneficial. Open channels of communication, where providers can directly call named contacts, were seen as effective practice by both providers and stakeholders from LAs.



“[At the moment] care providers have to be proactive in terms of building that relationship [with local authorities]. So, I suppose the local authorities being more open and welcoming to it almost it would be great if there was even more formal ways of doing it. So, it's almost like we will meet with you once a month or we will meet with you once a quarter that just being more of the norm.”

CEO of a large provider organisation

Market engagement helps providers align commercial plans, meet financial and operational criteria, and identify areas to increase provision by understanding local support and workforce availability.

4.2 Improving relationships with providers

Authorities are increasingly recognising that the exclusive use of traditional transactional commissioning can limit the development of relationships with providers. This approach, which focuses predominantly on the procurement process and short-term contracts, often emphasises cost over quality, creating a fragmented market environment. To counter these challenges, a shift towards relational commissioning is being explored. This model prioritises long-term, trust-based relationships, fostering a stable and supportive market.



Definitions

Relational commissioning is a concept that emphasises the importance of relationships in the commissioning process. It's a shift from traditional commissioning, which often focuses on transactions and contracts, to a more collaborative approach that values the connections and professional relationships between commissioners, service providers, and the communities they serve.

4.2.1 Current practice

In recent years, there has been a focus on shifting from purely transactional to relational commissioning approaches. This approach can sometimes lead to a focus on unit costs rather than the overall value and quality of services. Transactional commissioning may also result in a lack of meaningful relationships between commissioners and providers, making it challenging to address complex needs, shape the market, and achieve positive outcomes for children. Efforts to reduce financial pressure through procurement-driven initiatives were reported to have deepened the divide between providers and commissioners.

In contrast, relational commissioning is centred around building strong, trusting long-term relationships between commissioners and providers. Relational commissioning aims to create a stable and supportive market where providers are more likely to remain in the area and invest in improving their services. However, authorities had different perspectives on what relational commissioning entails. For some, it simply involves developing stronger relationships with providers. For others, it represents a more fundamental shift from a traditional brokerage model of placement sourcing to a more integrated and collaborative approach, which is focused on enhancing service delivery and outcomes for children.

Only a minority of LAs reported working collaboratively and relationally with providers, and of these many accept that there is further progress to be made. There are multiple ways that LAs are working to improve relationships with providers.

The first method relates to the previous section and is about developing regular communication channels with provider organisations, listening to their perspectives and developing a two-way dialogue. Some areas report conducting regular meetings and interviews with providers, as well as using surveys to gather feedback about specific aspects of practice. LAs have explored provider views on referral systems and placement process. For example, in Devon they worked closely with providers to improve their Provider Information Form, although engagement was mixed, the LA and providers report that it improved their ability to understand and meet the needs of local children.

LAs are providing advice, guidance and support to both potential entrants to the market and existing providers. This includes advising new providers on local context, planning permission, and regulations. New entrants to the local market often require support. LAs highlighted that it is important to get things off the ground effectively. Support included providing advice and guidance around the local context, planning permission and regulation. For example, one LA shares multiple toolkits with providers as they enter their market on the 'basic principles' of operating in the LA and on safeguarding. Another authority engages with new providers to ensure that they meet the required standards and increases access to social workers when necessary (i.e. when a provider is finding it challenging to manage a child's behaviour).

LAs report that they are actively engaging providers early in the procurement process and co-designing solutions to address local challenges and needs. For some LAs, this begins with extensive engagement with providers, rather than imposing terms, commissioners actively listened to providers' challenges and concerns. These ranged from communication issues to difficulties with existing processes and, crucially, moving from a negative perception about the role of providers to seeing them as partners. LAs have gone to their market with particular challenges and needs, to develop solutions collaboratively. Other areas have gone out to the market to understand what providers would like to see in terms of new DPS and frameworks. LAs are using different strategies with providers, some engaging the whole market, while others focus on building relationships with preferred local or VCSE providers.



Case study: Competitive dialogue approach

Somerset opened a competitive dialogue process, which resulted in the Homes 2 Horizon programme. This involved providers offering different ideas and solutions to the high-level goals of providing better CAMHS and educational support to children in care who required an increased level of care. The competitive dialogue approach involved extensive market engagement and collaboration with providers. The Council received 13 responses from providers, indicating strong market interest.

The competitive dialogue approach involved several steps. The Council started with a light-touch market engagement event to gauge interest and gather initial feedback from providers. Instead of presenting a detailed specification, the Council shared high-level outcomes and invited providers to collaborate on designing the service. Providers were encouraged to partner with others to meet the requirements, such as residential providers partnering with IFAs for education. The process was labour-intensive, involving long hours over six months. Providers were put through their paces with various groups, including strategic, operational, and young people's groups. Despite COVID-19 challenges, face-to-face meetings were held to ensure clear communication and collaboration. The best ideas from all providers were compiled into a more detailed specification, which was then used for the final bidding process.

To enable this, LAs have invested in dedicated resource and restructured their brokerage teams to follow relational practice and be commissioning-led. For example, one authority has developed designated leads for fostering, residential care, and supported accommodation. This gives providers familiar points of contact who understand their services. Another authority has restructured the team so that instead of placement coordinators there are now contract managers, who actively monitor how providers meet care plans, moving beyond finding placements to ensure ongoing quality and stability. This included a shift in mindset to get staff to view themselves as responsible for nurturing provider relationships and ensuring positive outcomes for children.

Quality assurance has been seen as an important part of relational commissioning. There are examples of LAs going beyond addressing feedback around referral and placement processes, to unblock issues related to the quality of provision. A key component of this is permanency planning and working holistically to improve placement stability. In some LAs, providers are encouraged to contact the team and service manager for assistance with issues, such as health assessments or personal education plans for children, to ensure providers receive the necessary support to continue delivering quality care. LAs have improved quality assurance processes by implementing regular meetings between providers and social workers, to find balanced solutions and work collaboratively to enhance the quality of care, to ensure children's profiles are up to date and accurately reflect their needs and to respond promptly when issues arise.

Other LAs use multi-disciplinary team meetings to address complex issues. For instance, one LA uses a Children's Joint Intelligence Group to address issues raised by providers about supporting children. The group includes IROs, LADOs, social workers, heads of service, QA officers, health, and education professionals. The group ensures that support plans are evidence-based and fair, helping providers manage complex cases and improve outcomes for children. The group has successfully managed cases where children have frequently gone missing by improving multi-agency communication and intervention.

As a result of efforts to enhance understanding about placements, local authorities have been able to consider placement transitions more regularly. One authority reported using "step across" meetings to identify children ready to transition from residential care to fostering and was surprised by the positive response from providers. Three residential care providers identified nine children they believed were ready for foster care, and several of those children are now in the process of being transferred.

4.2.2 Challenges and considerations

There are a range of challenges encountered when embedding aspects of relational commissioning. These are:

- **Defining relational commissioning can be challenging:** Different areas have varying understandings of the term and how it should be embedded. Provider organisations expressed it can be easy to give 'lip service' to relational approaches, but it was less common to see them operating effectively in tendering and contracting processes. The way LAs employ procurement approaches has been reported to tend to hold providers at arm's length and can leave providers feeling "done to". Within procurement regulations, LAs can take an alternative approach and have more dialogue with the market.
- **There are certain conditions for success:** Importantly, relational commissioning and the development of professional, respectful contracts requires specific conditions to work effectively. For example, stakeholders have argued that relational approaches operate most effectively under long-term commercial contracts. Short-term contracts with quick turnarounds limit LAs' ability to communicate needs and negotiate services in advance. Instead, there is often a focus on urgently finding homes for children rather than predicting needs and ensuring appropriate homes are available on time.

- **Personal relationships:** It is important to consider that successful relational commissioning is often based on personal relationships, meaning that when individuals leave organisations, it can cause relational commissioning to break down. Where we have heard of particularly effective commissioning arrangements and strategic partnerships, long-term relationships are often held by a specific person, who is keen to work in a new way. This may cause issues if the person leaves the authority. This challenge was regarded as particularly significant in spot purchase markets. In more substantial and longer-term agreements where relational practice has been more deeply embedded, through regular engagement and reporting structures, it was reported to be less of an issue.
- **Providers are likely to interact with multiple parts of the LA:** Provider organisations interface with multiple local authority stakeholders including social workers, independent reviewing officers, in addition to commissioners. If relationships with any of these is poor or unresponsive, it diminishes the relationship and trust with the LA even if the relationship with the commissioners is strong.
- **Limited understanding of cost:** There is limited national understanding about provision costs, so local authorities often do not have the necessary information to understand providers' commercial constraints. If providers do not exercise transparency with their pricing, local authorities are in the dark as to why placements are so costly. This lack of communication and shared understanding can increase tension in the system.
- **Lack of understanding about long-term outcomes:** LAs and providers have limited tools or systems to track long-term outcomes for children in care and care leavers. This makes it difficult to understand the effectiveness of services and make necessary improvements.

4.2.3 What works and opportunities

There are a number of important principles and behaviours that this research found to be crucial to developing relationships with providers and relational commissioning. These are:

- **Engage providers early and, where appropriate, ensure tender processes are relational:** This includes going to the market early to collaboratively consider challenges and develop solutions. Working as a partnership and involving providers in codesign can bring valuable perspectives to the table. Several LAs reported the benefit of being open with providers about local challenges and needs, engaging them in processes to develop solutions.

“

“We said [to the providers], ‘The system is not working, and young people are not seeing the right outcomes. Look, we’re not sure what to do – help us design something.’ [We were not] being arrogant about what we wanted, but instead inviting them to build a solution with us.”

Local authority stakeholder

- **Dedicate resource to improve trust and communication:** Developing strong relationships takes time and resources. LAs highlighted that members of their team work closely with providers to address their concerns promptly, and that this collaborative approach has improved trust and cooperation between the local authority and providers.

“Trust and open avenues for feedback are key in relationships... We ask providers what their bug bears are – not getting payment, not getting the right information, not having communication. So then, we focused on fixing those three things. [After adjusting the timeliness of the payments accordingly] the improvements in the payment process have made a significant difference in [their] ability to plan and deliver services.”

Local authority stakeholder

Evidence of impact

There is substantial qualitative evidence that relational commissioning leads to improved outcomes, although there is a lack of quantitative evidence or robust evaluation of relational commissioning within children’s services.

Qualitative feedback indicates that placement outcomes have improved through relational commissioning. Relational commissioning can result in reduced costs through benchmarking and negotiation activities, access to more placements as existing providers are encouraged to invest and new providers are attracted to the area, and improved outcomes for children, including enhanced placement stability.

“If we’ve got good relationships with providers, they’re more likely to make suitable offers to us.”

Local authority stakeholder

- **Establish fundamental practices:** LA stakeholders emphasised the importance of addressing certain foundational elements and ‘getting the basics right’ as prerequisites for developing relationships with providers. These include timely payments, accurate and correct forms, efficient referral processes, a single point of contact, and consistent communication with social workers.

“If a provider contacts us, we call them back within a couple of hours, so people know they will get a response. If we say we will do something, we do it.”

Local authority stakeholder

- **Buy-in from other parts of the system:** LA stakeholders reported that there needs to be strong communication and buy-in from other parts of the local system, including social worker teams and finance. This helps ensure providers have access to the support they need and enables LAs to collaboratively address challenges.
- **Support local providers:** To develop better, more productive relationships with providers, LAs should consider how they can support potential and current providers. This may include advice and guidance, or the development of feedback mechanisms and multi-disciplinary teams working to identify and troubleshoot problems.

- **Understand the legal limits to tendering and commissioning processes:** Commissioning teams and stakeholders in LA children’s services must understand what can be achieved through relational commissioning within procurement law. Internal pressures, budget constraints, and risk appetite will shape the approach. When LAs adopt new methods, they should clearly define the limits of provider engagement. Procurement law requires LAs to develop tender requirements independently, as provider involvement can lead to disqualification from bidding. After setting broad purchase requirements, LAs can use methods like competitive dialogue to find the best solution.
- **Develop a relational commissioning guide:** Given the lack of consensus on what relational commissioning is and how to achieve it, there is an opportunity in the system to create a how-to guide on relational commissioning. The Government Outcomes Lab has a general public sector guide on relational commissioning, which can be further iterated for the children’s placement market.⁵¹
- **Evaluate different approaches to commissioning:** This should include both transactional and relational approaches, to better understand which approaches are most appropriate for different situations and their impact.





Chapter 5: Commissioning arrangements

The commissioning of children’s care placements is a critical aspect of LA operations. The effectiveness of these arrangements can significantly influence the shape of the local market, placement cost, and the quality of services. This chapter delves into the various approaches to commissioning, examining the approaches employed across different areas.

5.1 Effective commissioning

This section provides an overview of the current commissioning practices and highlights the challenges faced by authorities in accurately forecasting needs, engaging with the market, and procuring appropriate placements efficiently.

5.1.1 Current practice

The CMA’s (2022) market study found that the current system of commissioning is not supporting desired outcomes for children as well as it should. Identifying one of the causes as LAs *‘struggle to effectively forecast their future needs, engage with the market in order to ensure sufficient appropriate placements to meet those needs and procure placements as efficiently as possible’*.⁵⁰ Some LAs appear to struggle with accurate forecasting due to the small number of placements they buy and the varying needs of children. This uncertainty may hinder investment in new capacity. Even when needs are anticipated, authorities can’t always signal them effectively to providers, resulting in a mismatch between placement capability and children’s need. Commissioners referred to situations where the placements purchased could only partially meet needs.

It is important to note, that in the current context commissioning is challenging and has been described as such in this research. Commissioners provided examples of some providers leaving frameworks in order to avoid quality controls and increase margins, reducing supply in the face of increasing demand and adopting dynamic pricing.

The behaviour of the market in this sector indicates that current approaches to commissioning are not working effectively. The reliance on spot purchasing (discussed in Chapter 2 and further explored in Section 5.3), contributes to this and the typical “buy one at a time” approach loses the benefit of aggregated buying power. There are examples of more substantial commitments by LAs taking a longer-term view and working closely with providers (explored in Section 6.3) to provide an element of their placement sufficiency. The most effective arrangements adopt a portfolio approach to sufficiency using internal, block, framework and spot purchase to provide sufficient care placements

LAs employ a range of commissioning practices, with some adhering to structured commissioning cycles and others operating more reactively. There was no uniform approach to commissioning across LAs, with various structures and processes in place. It is important to note there is no national standard for effective commissioning. For some, the commissioning practice focused on ensuring a framework or DPS is in place which is then replaced when the agreement expires.

Commissioners discussed the appropriate levels - national, regional, sub-regional, and local for commissioning specific services. The size and demand of local authorities influenced their decisions. Some smaller authorities preferred regional and sub-regional commissioning to pool purchasing power and share activities.

This research did not consider all of the different commissioning structures/processes and their effectiveness in detail; instead, areas that reported having mature and effective commissioning arrangements were explored to draw out lessons which could be applied to other localities.

5.1.2 Challenges and considerations

The effectiveness of commissioning can be impeded by a variety of issues. These include:

- **LA commissioning teams are operating in challenging circumstances:** LAs face many challenges in finding placements for children in their care. Matching a child to the right place is vital but difficult due to the unique needs of each child. The available options are always changing, and it is difficult to know what options are available, especially outside their area. Authorities make decisions under pressure and can rarely wait for better options or prices. There is also competition between LAs for placements.⁵¹ Providers have also become more powerful both individually and collectively. Some have left framework contracts, confident they can negotiate placement with LAs on their own terms and prices due to high demand. LA stakeholders reported that some providers have also considered ending placements unless LAs agree to substantial price increases.
- **Staff turnover:** Personnel changes, short tenures, and sickness or absence create significant turnover in LAs. Due to high turnover in LAs, council staff have reported that there is sometimes a lack of expertise in commissioning teams which can mean it is difficult for less experienced members of staff to understand the market and negotiate with providers.⁵² This can lead to a lack of continuity and make it difficult to build and maintain effective, trusting relationships with providers and other stakeholders. As mentioned in the previous section, this is a critical base from which to create mutually beneficial outcomes.
- **Limited resources:** There is evidence that austerity and reduced LA funding, coupled with rising demand, resulted in cuts to non-operational activity, which impacted activity across forecasting, commissioning, and market shaping.⁵³ LA commissioners 'often report having inadequate resources and expertise to predict and cope' with changes in the sector and this has been worsened by cuts to data and insight teams.⁵⁴
- **Training and support for commissioners was perceived as limited:** Access to training for commissioners is generally locally determined and LAs reported that support is available through the Institute for Public Care and the Staff College. This helps new staff in commissioning roles and offers networking opportunities with other commissioners. However, as professionals move up the ladder there are few additional professional qualifications. To address this, some local authorities have introduced skills audits to identify areas for development and cross-fertilisation, providing specific training packages and sharing resources. However, it has been noted that many teams lack expertise in some commissioning areas, which can make it challenging to operate commercially when interacting with organisations that invest significantly in their commercial teams.

5.1.3 What works and opportunities

There are a number of commissioning guides that highlight a range of principles for effective commissioning (see evidence of impact). These principles and additional themes from this research are outlined below:

- **Transparency and integrity are key principles of effective commissioning:** Commissioners need to be open with providers about their decision-making processes and ensure all stakeholders are kept informed. This helps build trust and makes sure everyone is working towards the same goals.
- **Strong, active relationship management:** Maintaining a dialogue with current and potential provider organisations, including the third sector and local experts can advance the commissioning of new services. See Chapter 4.
- **Close working relationships between commissioning, placement, and social work teams:** Some LAs have found success in integrating commissioning, brokerage, and placement teams under a single umbrella. This integration allows for a more cohesive approach to managing resources and ensuring that all aspects of commissioning are aligned. It is important that these teams share information and work closely.
- **Collaboration with social work, health, and education:** Effective child-focused initiatives require cooperation among various local system components. Authorities are providers of services, delivering family support, fostering services and, increasing, children's homes. Therefore, a strategic approach to commissioning requires the engagement of a broad range of stakeholders.
- **Effective collaboration with procurement specialists:** LA commissioning teams should actively engage with internal procurement specialists to gain a deeper understanding of procurement processes and enhance their negotiation strategies with provider organisations.

Evidence of impact

Research into effective commissioning was common in the 2000s and early 2010s, with a range of reviews into commissioning.⁵⁵ However, in recent years there has been less focus and limited research into effective practice in the current context.

Recent research by Foundations (2024) found that there are examples of tools and guidance available to commissioners, including:

- Early Intervention Foundation Guidebook
- What Works for Children's Social Care Evidence Store
- Education Endowment Foundation Early Years Toolkit
- Education Endowment Foundation Teaching and Learning Toolkit
- Youth Endowment Fund Youth Violence Prevention Toolkit
- Youth Futures Foundation Youth Employment Toolkit
- Institute for Effective Education 4 Impact website
- National Institute of Health and Care Excellence Child and Young People Products.

However, the researchers concluded that a central limitation was that these guides and tools were 'not specifically looking at the use of evidence in designing and commissioning services in the children and family sector'. This indicates a clear research need for further and robust evidence.

- **Ensure contracting processes are transparent and fair, facilitating the involvement of a broad range of suppliers:** Effective contract management starts with clear desired outcomes and key performance indicators (KPIs). Effective market engagement should occur to make sure that the KPIs are both the right KPIs and also deliverable. Stakeholders highlighted that it is important to involve the contract manager in the tender process, to ensure provider commitments are incorporated into the contract, set clear expectations and foster a symbiotic relationship. Partnerships require a well-defined mobilisation plan and clear timelines to facilitate efficient contract operation. After establishing a contract, regular meetings with pre-provided data allow for thorough analysis and informed discussions to monitor progress.
- **Ensure long-term contracts and risk sharing, wherever appropriate, to achieve efficiency and effectiveness:** Successful commissioning should look to develop long-term contracts, which involve sharing risks and benefits, as well as including financial arrangements and operational responsibilities. This is also discussed as an important component of developing strategic partnerships in Section 6.3.
- **Seek feedback from service users, communities, and providers to review the effectiveness of the commissioning process in meeting local needs:** Feedback ensures that services are designed around the needs and experiences of users and holds the commissioning process accountable to those it serves. Regular feedback allows for ongoing adjustments and improvements to the services, making them more responsive and effective over time.
- **Develop simple governance arrangements for regional and sub regional procurement and contract monitoring activities:** Commissioning activities across multiple LAs can hit hurdles as multiple perspectives from different legal and procurement teams must be heard. Creating a governance structure that is easy to understand, implement and manage can reduce bureaucracy and complexity, allowing for quicker decision-making and more agile responses to changing needs and circumstances. They can also provide clear guidelines and processes, ensuring that all parties involved have a consistent understanding of the procedures and expectations. This can help identify and mitigate risks early.

These principles can be further enabled by:

- **Strong business and commercial awareness in commissioning teams:** Commercial acumen is another important factor, as commissioners need to be able to negotiate effectively with providers and ensure that contracts are financially sustainable.
- **Enhance training and support for commissioners.** There is not a single route for people to enter commissioning roles and therefore commissioners need to have access to relevant training, peer support, ongoing professional development opportunities, and access to resources and support networks.

As explored in Chapter 3, data is another key enabler of better commissioning. There are opportunities to enhance commissioner insight into the sufficiency of existing services, the right price for different types of provision, and value for money of different contracting mechanisms or types of provision through building a common data model that LAs can adopt individually or as regions. When it comes to contract review and provider management, there are also opportunities for regional coordination around gathering consistent provider outcomes data and introducing tools to capture the perspectives of children on the outcomes they care about and the care they receive.

5.2 Joint commissioning with other statutory partners

This section delves into the practice of joint commissioning between LAs and other statutory bodies, particularly the NHS. Despite existing legal frameworks facilitating these collaborations, such as Sections 256, 75, and 76 arrangements, their application in children's care placements remains limited. This section explores the current practices, challenges, and notable examples of successful joint commissioning efforts, highlighting both the potential and the hurdles in creating effective partnerships. Based on the priorities raised by interviewees, this section focuses primarily on joint commissioning arrangements between LAs and the NHS.

5.2.1 Current practice

This research found some examples of joint commissioning between local authority children's services and education – these ranged from capital investments in the development of residential special schools to the joint commissioning of complex need placements. Social Care and Education often work closely to meet young people's EHCP plans. Similar arrangements were less common in the NHS, but examples include the NHS integrating into specialist children's home staffing or attending funding panels. The research identified examples of ICSs withdrawing from current joint commissioning agreements and LAs felt that ICSs were yet to identify their role in looked after children services.

There are existing legal arrangements, such as Section 256, 75, and 76 arrangements between local authorities and NHS organisations, that provide mechanisms for pooling budgets, combining resources, and transferring monies between different organisations. However, these arrangements are rarely utilised in the commissioning of children's care placements and there are challenges when they are used.⁵⁶

As part of this research, there were only a handful of promising examples of joint commissioning between LAs and their statutory partners. In these cases, arrangements were the result of strong trusting relationships between partners, which have been built up over a long period, and often use legal arrangements to pool budgets. However, these instances are relatively small-scale and highly localised. Some of these examples are provided below.

Authorities reported difficulties securing contributions from the NHS towards the placement costs of complex children and young people. In the examples where arrangements were in place, the approach was to identify health-specific additional services, however, most contributions amounted to less than 5% of the total cost. The funding was often for health professionals, such as a psychologist, to work directly with the child, instead of the therapeutic placement itself. LA commissioners felt that the required characteristics of the placement, including the location, environment, and staffing requirements were all informed by the impact of trauma and general health needs. Therefore, for this group of children, it was felt that health should make a greater contribution to the actual cost.

Lincolnshire illustrates the use of a Section 75 agreement over the past 12 years. The local authority and NHS Trust have combined their budgets to deliver mental health services for children and young people. This setup includes a complex funding structure with contributions from multiple sources, aiming to delegate functions and responsibilities effectively. Each year, an agreement determines funding values, where the local authority informs the NHS planning round of budget requirements, demonstrating a collaborative financial planning approach for children's mental health services. The pooled fund consists of contributions from the ICB exceeding £19 million and just under £800,000 from the local authority annually, along with public health grants, reflecting the complexity of the funding arrangements. The services provided cover prevention, early intervention, and specialist services, ensuring comprehensive support for children and their families.

Similarly, Gloucestershire County Council and Gloucestershire ICB have an integrated commissioning function, with various legal agreements and led by a joint director across both organisations with a commissioning team covering health and social care. Stakeholders reported that a lot of work took place to define the level of integration and desired outcomes, however, there has not been any integration for children's services. There were difficulties making inroads in this space, as there are no clear reference points on how to make decisions jointly. This example highlights the challenges that LAs and ICBs experience when trying to jointly commission children's care placements.

There are also examples of more specific elements of integration, generally to open residential homes. For example, one authority recently opened two new small children's homes alongside social care partners to provide placements for children with complex needs who have dealt with multiple placement breakdowns. The Council has also developed a specialist home in partnership with another county council and health trusts to provide short to medium-term placements to prevent CAMHS inpatient care and as a step-down provision from hospitals. Interviewees reported that this has been successful, resulting in fewer inappropriate referrals to hospital.



Case study: Cherry tree cottage

In 2023, Hertfordshire Council alongside colleagues from health created Cherry Tree Cottage. This was to address the issue of children in care ending up in Tier 4 mental health provision due to a lack of alternative options. A needs analysis conducted in 2019 revealed a significant number of young people, particularly in the 13-15 age group, with mental health concerns. The business case for the project required multiple presentations to various health directors and bodies to secure funding and agreement. This resulted in joint funding. The council is responsible for the building and its refurbishment, while health colleagues provide the clinical staff, including mental health professionals.

The primary objectives of Cherry Tree Cottage are to provide a nurturing home environment combined with expert mental health support, aimed at preventing Tier 4 admissions and facilitating timely discharges from such facilities. So far, the programme has been successful, with the home receiving a 'good' rating from Ofsted and positive feedback from both children and parents. An initial evaluation has shown promising outcomes, and there is interest in expanding the model.

5.2.2 Challenges and considerations

There are several key challenges facing local authorities in developing effective joint commissioning arrangements with partners. These are:

- **Unclear responsibilities:** ICBs have a statutory responsibility to comply with requests from LAs to provide support and services to children in care. However, a model for doing this effectively has not emerged. There are instances where LAs and other statutory partners have conflicting understandings of their responsibilities, leading to operational inefficiencies and legal disputes. There is a lack of consistency and often significant disparities in the contributions made by LAs and health services in joint commissioning arrangements. LAs are funding different services or paying different amounts for the same services. This often results in each LA negotiating with partners on how best to apportion funding responsibilities. For example, Section 117 of the Mental Health Act 1983 is a legal provision of support that applies to some children after they leave a Tier 4 placement. Stakeholders noted that the guidance is unclear about whether the LA or ICB is responsible for funding this support. The lack of specificity creates financial strain and pressure points. This has resulted in a situation where contributions vary across the country.
- **Difficulties engaging with health partners in joint funding arrangements:** Many LA stakeholders reported challenges engaging with and involving ICBs in discussions about supporting children in care with particular health needs. Children in care require a trauma-informed multi-agency response. The ADCS has previously reported that although legislation mandates local partners to fund certain provision, such as support for children with SEND, it is challenging for LAs to get health partners to participate meaningfully in health plans and service provision.⁵⁷ This challenge is further compounded by the fact the many ICS structures are not coterminous with LAs.
- **Difficulties accessing continuing care funding:** ADCS members report difficulties in accessing continuing care funding, even for children with the most complex needs, and inconsistency in the application of the Continuing Care Framework. This inconsistency is a particular problem for children who require additional support from health services to access education. Improved consistency in the application of continuing care funding by ICBs would support the ongoing effort to develop better joint commissioning across health and social care partners. Currently, the provision of continuing care for children is not a statutory requirement, like it is in adult services.⁵⁸
- **Displacement of need:** LA stakeholders reported that there is a transfer of demand from the NHS into the LA care system, particularly in mental health services for children. This creates a burden on LAs to manage needs that it does not have the skills for and that were previously addressed by the health system.
- **Changing health landscape:** The introduction of ICBs has changed the structure of the NHS in England and how health services are commissioned. LAs have had to respond to this change by developing new relationships and learning to navigate the new governance structures of their ICBs. The footprint of ICBs does not neatly align with LAs, sometimes meaning that LAs and regional arrangements must interact with multiple ICBs.

5.2.3 What works and opportunities

Given the insufficient research and evaluation of joint commissioning in children's services, this section initially examines insights from other sectors. It then identifies and outlines common practice principles for joint commissioning.

Learning from other sectors

Historical evidence from various UK initiatives demonstrates the potential of place-based joint commissioning approaches. Since the 1990s, effective partnerships among stakeholders have been seen as vital for places to thrive.⁶¹ Place-based leadership is an approach that focuses on addressing the unique needs and opportunities of a specific geographic area by leveraging local resources and fostering collaboration among various stakeholders. The success of these place-based partnerships depends greatly on leadership and has drawn the attention of academics and policymakers.

The King's Fund (2022) has developed place-based design principles, which emphasise several critical success factors: developing a shared vision among stakeholders, establishing clear baselines for shared resources, organisations being willing to give up some autonomous control, and agreeing on local metrics to measure success.⁶²

One example is the Better Care Fund, which was introduced in 2013 and is explored in more detail below. The Fund helped develop existing joint services and build upon existing partnerships. It highlights that positive outcomes can be achieved through joint commissioning, as the Fund successfully reduced the number of delayed days for hospital discharge.

Research by the Social Care Institute for Excellence found that local case studies suggest with shared strategic vision, a culture of openness and collaboration, and good analytical support it is possible for joint commissioning of new integrated models to improve experience and quality of care, and to make aspects of the health and social care system such as hospital discharge and support for people in care homes more effective.⁶³

Evidence of impact

While anecdotal evidence exists regarding the success of joint commissioning, as discussed in the examples above, there is a lack of empirical evidence on the impact that can be achieved. Although additional research into the health and social care sector is available, it primarily focuses on the context and processes supporting joint commissioning rather than the impacts that can be realised.⁵⁹ Existing evidence in health and social care is quite mixed on the ability of joint commissioning, and in particular pooled budgets to impact on key metrics such as hospital admissions and some studies suggest that such activity can initially increase as unmet need is identified.⁶⁰



Case study: Better Care Fund (BCF)

The BCF is a national programme requiring local authorities and ICBs to pool defined budgets through a section 75 arrangement. The pooled funds are used for interventions which reduce non-elective admissions to hospitals and untimely discharge.⁶⁴ The BCF was introduced in 2013 to integrate health and social care services, particularly for older people, to improve outcomes and reduce pressure on the NHS. The programme involved the transfer of funds from the NHS to local authorities to support joint initiatives.

Each local area developed its own BCF plan outlining the specific activities to be funded. The BCF was found to help develop existing joint services and build upon existing partnerships. The number of delayed days was negatively related to BCF expenditure. The evaluation reported that BCF had positive outcomes and was able to reduce delayed transfers and that *'the effects of the BCF on delayed transfers is indicative of improved integrated working between health and social care'*.⁶⁵

Applying the learning to the children's placement market

The learning from other sectors suggests that successful joint commissioning is underpinned by a variety of principles and behaviours. These are:

- **Shared understanding of need:** For joint commissioning to be successful it requires a common language to articulate child needs and outcomes in a way that enables different partners to understand their role in providing adequate care. LAs and their partners need a single view of current and forecast demand to plan which services are required to meet this demand. This is challenging due to local system data development issues and inconsistent data sharing between partners.
- **Shared vision and outcomes:** Joint commissioning should be founded on a shared vision for an area, developed with local people and communities, and involve providers and professionals. This vision and its core values can then be translated into shared outcomes, forming the basis for new service models and specifications. Collaboration and co-production should be integral to joint commissioning, including in accountability processes, contract tendering and investments, as well as in monitoring and review.⁶⁶
- **Strong relationships:** Examples of good practice in joint commissioning are typically the result of strong relationships between authorities and their partners. If strong relationships are not in place, the effectiveness of arrangements can be weakened. For example, when EHCPs were introduced, they were intended to create strong relationships between LAs and Health, however, their involvement was limited as they did not become full partners.
- **Good governance:** Effective use of strategic joint decision-making panels with colleagues across LAs and health to develop plans for provision based upon shared data and a shared understanding of need has been critical in examples of good practice. Utilising data across the different services in an authority and health services is crucial to building trust and ensuring a shared understanding of forecast need. The South West Sufficiency Project is a good example of this, where 14 LAs work with CAMHS and SEND to review specific cases and agree support. This ensures that all parties have access to the relevant data and information, and they have a forum to make effective decisions.

There are approaches and areas to explore that could enhance joint commissioning:

- **Integrating commissioning through dual roles:** An enabler in effective successful approaches to integrating commissioning has been the use of jointly funded roles. For example, Havering Council partnered with their ICB to fund a dual role to manage functions across both areas to better facilitate collaboration and decision-making. The role helped overcome organisational barriers and promote integrated working.
- **LAs should explore and embrace joint commissioning options with local statutory partners based on key principles of placed based leadership, including shared governance and decision-making processes:** Joint commissioning should be seen in its place as one aspect of wider collaborative working between LAs and partners driven by genuinely committed place-based leadership. Local leaders need to be strategic and brave in how they develop partnerships to provide services for children with complex needs. To enable this, LAs and their partners should create shared governance, decision-making processes and outline how responsibilities and funding will be split between them. This should be supported by shared business cases for combined working that evidence the expected long-term savings.
- **Training offers for LA and other statutory organisation commissioning teams should focus on the importance of joint commissioning:** Providing commissioning training and support for local authorities to enhance their capability in managing joint statutory responsibilities effectively. Ensuring that commissioners from different organisations are encouraged to collaborate through regular meetings, shared offices and/or joint training and development will encourage new ways of working together.

5.3 Frameworks and block contracts

There are various approaches used to procure children's care placements. Understanding the different approaches is crucial for optimising placement strategies and the use of resources. This section explores the most prevalent methods used by LAs to procure placements, exploring the differences between spot purchasing, procurement frameworks, and block contracts.



Definitions

Spot purchase: Spot purchasing is when local authorities procure placements on an individual basis. This means that the terms of each placement are determined separately.

Procurement framework and Dynamic Purchasing System (DPS): A procured framework is an arrangement where the LA pre-selects providers and sets terms and conditions under which specific purchases can be made for a period. A DPS is similar to a procurement framework, however, it remains open throughout its duration for new providers to join. These options were, until recent years, the most typical way that local authorities engaged the children's social care markets.

Block contract: A hard block contract is an absolute commitment by the purchaser to use capacity and pay for it over a period of time. A soft block is more sensitive to the risk of voids if arrangements are not working and looks to mitigate those risks.

5.3.1 Current practice

The procurement of children’s placements must adhere to relevant procurement regulations, which are currently being updated under the new Procurement Act (2023). This Act is scheduled to take effect on 24th February 2025. The updated regulations outline the procedures LAs must follow for procurement, leading to a growing number of LAs establishing framework contracts to replace ‘preferred provider’ lists in order to remain compliant.

Placements can be commissioned through various methods, with the most common being spot purchases, frameworks, and block contracts (including soft blocks), though other arrangements may also be used. Each method has distinct characteristics. Spot purchases involve open market transactions outside of any framework, often referred to as “direct awards.” Framework purchases, on the other hand, are regulated spot purchases conducted under the terms of an established framework. Block contracts are typically secured through a formal procurement process and guarantee a specified level of activity to the provider. Understanding these differences is crucial for ensuring compliance and effective commissioning of placements.

Frameworks were intended to streamline the process through pre-agreed terms and conditions, and prices for specific services. These contracts allow LAs to focus on the needs of the child when requiring a placement as their placement teams know the provider meets an agreed set of standards including levels of insurance and registration with Ofsted. They also allowed LAs to access a larger pool of provision than was previously available.

The Children’s Home Association (2023) found that spot purchasing was the most common way local authorities procure children’s homes placements – 55% of placements were made through open searching around the sector outside of formal procurement arrangements; 43% were made under a procured framework or DPS; only 3% of these procured placements for children’s homes were subject to block arrangements (percentages add up to more than 100% due to rounding errors).

Frameworks and DPS

Frameworks/ DPSs have generally been used by LAs to agree on terms and conditions and comply with Public Contract Regulations. The use of procured arrangements provides LAs with some assurance regarding terms and conditions, service specifications, provider standing and price. Placements achieved from general placement searches rely on contracts established at the point of placement agreement – and may use standard or provider issued terms and conditions.

The CMA (2022) study indicates that the majority of foster care placements are made using framework agreements, though these agreements do not require local authorities to use a specific provider. The disparity in procurement processes between fostering and residential placements is attributed to the fact that LAs more frequently collaborate with neighbouring LAs on the procurement of foster care placements compared to placements for children’s homes.⁶⁷

There are multiple frameworks and DPSs being used by LAs and regional commissioning groups. The NAFP estimate that for fostering, there are approximately 30 different primary commissioning arrangements in England. For children's homes, fewer placements were made through frameworks, however, there are many more different arrangements. There are numerous frameworks with varying terms and conditions, required levels of insurance, and forms to complete. Completing these requirements consumes significant time and resources for providers. This challenge is partly driven by outdated national contracts. The national framework for residential care has not been updated since 2013, although the NAFP recently revised the fostering framework.

Frameworks and DPSs are popular with LAs because they don't require spending until a contract is 'called off'. Some specify the price, while others allow more flexibility. Providers who met the requirements were listed as preferred providers, with the expectation that they would be the main suppliers for those LAs. However, this system was sometimes unsuccessful when preferred providers could not meet local demands or lacked capacity.

Several historical framework contracts had either capped or zero inflationary increases. Replacement arrangements often only covered new placements and not those made under previous frameworks. When inflation was minimal, the lack of inflationary adjustments was less problematic for providers as their costs were stable, and LAs appreciated being able to predict most of their LAC placement costs and children remained in their original placements.

Although providers agreed to these terms and conditions upon joining frameworks, the rise in demand and shortage of available placements, coupled with significant inflationary increases since 2020, have made providers less inclined to stay in contracts that do not include inflationary adjustments or allow them to control pricing. Consequently, many providers have exited arrangements mid-contract.

LAs have also found it challenging to change the terms and conditions during the contract due to their financial constraints and the risk of potential legal challenges from providers if the terms were altered. Given the high demand for placements, providers do not seem to be disadvantaged by offering services in the open market. This applies to fostering, children's homes, and supported accommodation. This shift away from procurement frameworks has led to a reliance on open market spot purchasing and direct awards.

The primary issue with spot purchasing is the mismatch between the substantial risks and costs of setting up services and the way demand and income are experienced by the service owners. Spot purchases can be made through a range of procured arrangements including the traditional frameworks and more flexible or dynamic systems or be the result of general searches across the whole market, as well as direct award in the open market.

Block contracts

Block contracting can be an effective component of the placement sufficiency strategy, securing local placements and potentially reducing costs. A successful contract requires a well-coordinated approach that engages providers and other stakeholders in the design of the contract, the procurement process and the contract management structure. Commissioners have been reported to view block contracts favourably and as a *'promising approach to improve access to local residential provision and several LAs reported that this contract type enabled them to achieve more local placements'*.⁶⁸ Many commissioners are also concerned about the risks of void placements. However, these risks can be mitigated, shared and managed.

LA and provider interviews highlighted a range of examples of block contracts, although these are only utilised for a small minority of placement purchases.

One LA is using block contracts to enhance care delivery, after it was approved by the Cabinet in September 2023. These contracts can last up to three years and follow a 1 + 1 + 1 structure. This LA provides anonymised profiles of real children to providers, who propose tailored placements. Mutual break clauses allow either party to terminate the contract under agreed conditions. The goal is to create a stable, responsive care environment leveraging providers' expertise and tailored placements.

Another example was Middlesbrough Council and Cambian Care, which involves a long-term relationship built on trust and shared objectives. Middlesbrough Council had a block contract with Cambian Care which secured nine beds across three homes at a set bed rate. The contract was in place for a number of years and deemed successful. Over time the contract expanded from originally four beds in one home to having nine beds in one home in Middlesbrough, one in Hartlepool and one in Stockton. Occupancy levels were generally high and from April 2022 to September 2022 there were eight young people accommodated - an 89% occupancy rate.⁶⁹

Soft blocks

The Nationwide Association of Fostering Providers (NAFP, 2018) report on soft block contracts highlights an alternative approach to commissioning placements for children. Traditional block contracts shift the occupancy risk from providers to purchasers, ensuring stable income for providers and potentially lower costs for purchasers. However, these contracts can lead to local authorities paying for unoccupied beds. A soft block contract aims to find a balance between hard block contracts and open market spot purchasing. By analysing current commercial terms, it seeks to create a new contract that shares occupancy risk and benefits both parties through fair pricing and arrangements.

Soft block contracts can provide a number of benefits. One benefit is risk mitigation as soft block contracts manage the risk of over-commitment by allowing flexibility in the number of guaranteed placements. Another benefit is improved economic efficiency for providers as well as helping LAs avoid paying for voids.

Soft block approaches can lead to better outcomes for children, lower prices for purchasers, and stable income for providers. The NAFP (2018) suggests that thoughtful analysis and engineering of current contracting practices can create contracts that address the concerns of all parties involved, leading to more efficient and effective commissioning of children's care services.

5.3.2 Challenges and considerations

The financial and economic principles that support service provision are well-understood. However, there is a need for solutions that better align demand and payment with the fixed costs and investment risks that service providers face. A lack of this can lead to price inflation due to unbalanced risk. If this trend continues, there is a danger that LAs will continue to experience rising costs for purchased provision.

The interviews and wider literature reveal a number of challenges in implementing frameworks and block contracts.

- **Developing frameworks and block contracts can be a lengthy process:** Creating frameworks and blocks requires engagement with multiple partners, including commissioning, procurement, legal and commercial teams from LAs. This is necessary to ensure that the commercial arrangement will incentivise providers to be involved and result in the desired outcomes.
- **The market does not currently incentivise providers to join frameworks or block contracts:** Providers do not always see the value in being part of a framework and do not sign up, particularly when a framework or DPS does not guarantee placements with the provider. The current state of the market presents a difficult starting point for buyers in negotiating block contracts. This is because a lack of sufficiency weakens the negotiating power of LAs.
- **The need to agree on maximum pricing and uplifts:** Providers are constrained by frameworks that do not allow for price increases, leading them to go 'off framework' and causing the framework to collapse. Maximum price limits that are sometimes regarded as unrealistic by providers, can prevent them from tendering for contracts or result in providers frontloading costs meaning higher initial prices. Stipulations of no price increases for extended periods was a particular frustration for provider organisations. The recent period of high inflation offers an illustration of the hazards for providers signing up for contracts with fee uplifts only at the discretion of purchasers. Increasingly a number of frameworks include a formula for agreeing inflationary increases (these include a percentage of CPI, CPI itself or CPI and pay awards). Although this subjects LAs to increasing costs, these should allow for less challenging negotiations and allow the authorities to predict future costs.



“One of the other things that really frustrates us on frameworks is when they say, ‘you’ll get no price increase for five years’”

Provider organisation

- **Limited risk appetite in LAs to commission in different ways:** The current procurement regulations (to be updated early next year) provide a large degree of flexibility to LAs to try different approaches to engage with providers and procurement. However, new approaches are rarely explored.
- **Short-term funding:** Local authority funding prevents collaboration with providers to expand capacity. Short-term and limited funding restricts long-term contracting arrangements, like block contracts and future investments.⁷⁰

Specific challenges for block contracts:

- **Mixed picture regarding provider interest:** Another significant challenge is the limited interest from providers in participating in block contracts. Providers may be reluctant to commit to block contracts due to various reasons, such as financial risks or operational constraints.
- **Placement challenges:** Both LAs and providers have expressed challenges around placement decisions when block contracts are in place. Historically, LAs reported that some block contracting arrangements do not offer good value, as providers regularly rejected placements, forcing LAs to 'pay twice' by additionally spot purchasing. Whereas providers reported that block contracts in the past have sometimes required filling a set number of beds without much say in the children placed, occasionally leading to inappropriate placements. This reinforces the need for better design and relationship building to address such issues.
- **Managing void beds:** There are occasions in block contracts when the available beds cannot be filled. Block contracts provide direct financial value only where occupancy rates are achieved which bring the unit price at or below the spot price. Providers and commissioners identified that the regulatory position and reputation of the provider are impacted by the matching of children placed within block contracted homes and that therefore a point of tension existed that needs to be managed through good relationships and shared problem solving.

5.3.3 What works and opportunities

Principles for developing and maintaining effective frameworks and block contracts:

- As described in Chapter 3, **access to better and more consistent data on the cost of placements** (e.g. through establishing a common data model) would enable LAs and regional coalitions to more easily model costs of different contracting scenarios, making it easier to develop business cases for soft block, block and regional block arrangements, and monitor the impact of these on budgets and on child outcomes over time.
- **Market engagement, collaboration and co-design:** The success of frameworks and block contracting depends on the availability of sufficient provision and the willingness of providers to participate. This indicates a need for better market engagement and collaboration between LAs and providers to make block contracting a viable and beneficial approach. Providers advocate for the strategic use of frameworks with the provider, rather than just applying them in the hope that providers will acquiesce to their usage. One provider organisation suggested that frameworks should work with providers to ensure they can function commercially. Pricing should be discussed with potential providers in advance of a tender coming to market.

Principles for developing and maintaining block contracts:

- **Strong and ongoing relationships:** The relationship with providers is key, with regular meetings and open communication being crucial. In some instances, these relationships rely on specific individuals in roles, rather than being part of agreed formal governance arrangements that encourage effective joint decision-making, putting the longevity of these partnerships at risk.
- **Agree placement matching processes:** Block contracts must be designed with comprehensive descriptors of potential referrals (pen portraits of needs), clear and considered referral routes, including relationship-based examination of matching, mechanisms to deal with professional disputes, and mechanisms to terminate in full or in part. Block contracts should ensure fair assessment and matching processes for children entering block contract services are embedded to guarantee proper support and utilisation.
- **Flexible arrangements:** LAs provided examples of a range of flexible arrangements that support contracts to work effectively. This includes being able to set up a short-term crisis home if there is a local need and releasing empty beds to neighbouring authorities if needed.
- **Good block contracting shares and mitigates risk:** Well-designed contracts mitigate risks. Pragmatic arrangements should include regular reviews of purchasing and placement patterns, with variation provisions allowing for agreed methods of manageably increasing or reducing the block to ensure that the arrangements remain match need.
- **Open book accounting:** Encouraging open book accounting also supports LAs to understand where their money is going, including costs and profits to ensure it is fair for both parties.
- **Long-termism:** Providers can be attracted to the surety of longer-term income and earnings compared to spot markets. Longer-term contracts can improve costs as the risk of unused spaces is reduced.

Evidence of impact

The evidence of impact of frameworks and block contracts has been explored separately.

Frameworks: Historically frameworks have enabled LAs to develop a list of preferred providers and helped understand local provision and standardise terms and conditions. However, frameworks have reduced in effectiveness as demand and supply imbalances have developed. Qualitative evidence as part of this research and the reliance on off-framework purchasing activity suggests the benefits of frameworks are limited in the current market. Nevertheless, stakeholders reported that introducing a requirement that providers must be part of a framework as part of Ofsted registration could be transformative for the sector, though others argued it could act as a barrier to entry for new providers.

Block contracts: There is evidence that block contracts can lead to a range of positive outcomes in principle. However, while block contracting can potentially reduce costs and secure local placements, it is not without its challenges. Achieving cost efficiency through block contracting requires careful planning and negotiation. Some of the potential outcomes include sustainable relationships with providers, improved access to provision, and better placement stability and predictability.

Longer-term approaches to explore

- **Develop a tool for understanding and measuring the benefit of block contracts:** Such a tool would help LAs and regional groups to create a case for investing the time and resources necessary for developing block contracts.
- **Educate commissioners and providers about blocks to improve understanding of the real risks and how they can be mitigated, and to help understanding of the potentially substantial benefits:** Given the vulnerability of the LAC population, the level of expenditure on the provision and the nature of the regulatory framework, procurement guidance should be produced regarding the various forms of contracting. As part of this there should be shared learning from blocks and other substantial contracts around the country to help create a learning environment.
- **More rigorous and professional evaluation of projects and contracts:** There is a lack of independent and transparent evaluation of long-term partnerships and block contracts, which means it is difficult to identify what works and common pitfalls. More rigorous evaluation would support commissioners to better understand the range of procurement and contracting options that are available and their potential impact.

5.4 Regional commissioning

This section conducts a critical examination of regional commissioning practices within children's social care. It explores the historical context, current implementation, and the ongoing challenges faced by LAs in optimising these collaborative arrangements. The section highlights significant examples of regional initiatives, evaluates their impact, and underscores the need for further research to identify effective regional commissioning strategies.

5.4.1 Current practice

Regionalisation has been a long-standing item and recent calls for aggregated commissioning are not new. It was recommended in the 2005 'Every Child Matters' report, and more recently in MacAlister's Independent Review of Children's Social Care (2022), and the CMA (2022) market study. These reports all advocate for more commissioning functions to be carried out by collaborative bodies at a regional level.

The research found that most LAs join regional or subregional groups for fostering and residential care placements, and it is increasingly common to see collaborative commissioning through agreed regional frameworks. LAs are often part of these as they expect improvements to sufficiency and benefits from larger-scale operations. However, where voluntary regional arrangements have been used, LAs often continued to have their own parallel processes for when there is urgent need.

Generally, LA stakeholders expressed dissatisfaction with regional and sub-regional commissioning arrangements. Even when part of arrangements, LAs expressed that it is common for them to deviate from them often by spot purchasing, as they are not resulting in the expected benefits. Similarly, provider organisations reported that few regional arrangements that they have worked with have been effective.

A number of regional and subregional groups were mentioned. One example is the West Midlands Commissioning Hub which was established in 2020 across 14 local authorities. The Hub was initially jointly funded for two years, to provide extra commissioning capacity, contract management, provider engagement and strategic planning. In the West Midlands, there are also regional frameworks for fostering, residential and supported accommodation placements. Some participating LAs reported that they usually pay less through the frameworks and that they have more favourable terms than spot purchasing from providers directly (however, these favourable terms can disincentivise providers from engaging - see Section 5.3).

In 2024, the DfE funded two groups of councils to test the commissioning and delivery of looked-after children at a regional level. Greater Manchester and the South East were selected as the two regional care co-operative (RCC) pathfinders, under which individual councils pool their resources and plan placements centrally. The RCCs are due to go live in 2025 and aim to learn from the shortcomings in previous regional arrangements. The RCC Pathfinders are expected to perform a variety of functions. These include regional data analysis and forecasting future needs of homes for children in care; working as one customer with providers to shape the market, address local needs, improve value for money and commission care places; and developing new regional provision to increase capacity where gaps have been identified, including relating to children currently placed out of area.

5.4.2 Challenges and considerations

There are several challenges to the implementation and operation of regional arrangements:

- **Local differences:** Differences in needs, demographics, political landscapes, risk appetite, and governance structures can make collaboration difficult. Engagement levels can vary, and some partners may remain sceptical. Across many geographies, this remains an area of challenge for many LAs. Stakeholders noted that authorities facing specific challenges, such as an 'inadequate' Ofsted rating, may deprioritise regional arrangements and become introspective. Regions must progress at a pace that accommodates all areas.
- **Competition between LAs:** Trust and confidence issues exist between LAs, even within established regional arrangements. LAs compete for a limited number of placements and this can mean that their primary aim is to improve their performance, rather than that of the broader region.
- **The need to relinquish local funds and responsibilities:** One of the biggest challenges is that constituent LAs are often reluctant to relinquish control of resources and responsibilities. Examples of aggregated contracting are rare, and most regional arrangements are limited to low-risk, low-cost frameworks and DPSs. There are also procurement responsibilities, contract continuity concerns, and disagreements over uplifts, which complicate collaboration. Smaller LAs can be priced out by fee uplifts on regional frameworks. There is a need for a robust regional framework that requires lots of negotiation between local authorities and there must be a willingness to compromise. Some interviewees also highlighted the benefit of holding relationships with providers on a local basis and expressed concerns that this could be lost through further regionalisation.

- **Needs analysis:** As mentioned in Chapter 3, regional consortia have previously struggled to develop regional needs analysis, primarily due to LAs within a region using different data and criteria, and challenges finding the significant resource required to collate and analyse this information.⁷¹
- **Regional perspective on the market:** There is often a lack of understanding between authorities on what they are paying and how that compares to their neighbours. At best, LAs have access to high level cost information but are more often limited in their ability to compare costs. Regional groups must develop a clear picture of the different rates LAs are paying across placement types to act as an intelligent purchaser.
- **Provider engagement:** Providers can refuse to engage with pan-local and regional processes, and this has become more likely as demand for placements has increased. For example, in Surrey only 39% of local providers were signed up to the framework.⁷² The lack of local provider take-up has been highlighted as an area that LAs have been actively trying to address by encouraging local providers to join. However, in a market where demand outstrips supply, there is limited motivation for them to do so. Providers have also indicated that processes favouring authorities over providers in regional arrangements can discourage their participation.
- **Moving children away from their home communities:** A concern with regional commissioning is that it may result in children being placed outside of their home community, even when it is beneficial for them to remain close. Moving a child a few miles from home can feel very different to them.



“If they’re [the child in care] at an age where they do all travelling on themselves and they have to travel farther due to a new placement it can be a bit disruptive.”

Care Leaver (Become, 2024)

“Overuse of taxis is really negative, isolated me from people from the age of 6. So using the school as the pinpoint.”

Care Leaver (Become, 2024)

- **National challenges:** Although collective bargaining through regional arrangements can be advantageous, there can be challenges in their effectiveness due to demand for some placements exceeding supply across the country – demand for placements does not come from LAs in one region exclusively, but from across England. This situation is especially pronounced in regions bordering London, where there is a well-documented shortage of residential care homes, driving up demand for placements in surrounding areas.⁷³ This has led some stakeholders to argue for a portion of strategic commissioning decisions to occur at a national level.

5.4.3 What works and opportunities

Many of the principles and behaviours necessary for developing effective regional arrangements are the same as those outlined under joint commissioning – see Section 5.2.

Additionally, other important principles and behaviours include:

- **Standardisation and centralised quality assurance:** Regional arrangements often help establish standard terms and conditions for agreements with providers, which can then be used by many suppliers, helping to streamline processes and negotiations. This is key to enabling a region to manage costs for placements as much as possible. For areas with less regulation, such as supported accommodation, regional commissioning allows for stronger standards of quality assurance and centralised contract monitoring. Standardising key documents and processes helps reduce administrative burdens on LAs and providers.
- **Information sharing and data utilisation:** Regional groups present a great opportunity to share effective practical and useful information across LAs. The D2N2 regional framework is a good example of this. It has been successful in sharing best practice and learning as well as supporting LAs to understand the wider trends across the region and how this will affect their sufficiency planning. Through this framework they have been able to share the prices they are paying, which can support with both local and regional cost benchmarking. Regional collaborations can be effective in centralising placement data, which helps develop nuanced intelligence around purchasing behaviour and shaping fee negotiations.
- **Collective market influence:** By engaging collectively with the provider market, commissioning teams can influence the market in a unified way and often have more negotiating power than individual LAs.

Evidence of impact

There is mixed evidence into the impact of regional arrangements, partly because aggregation of demand to commission more effectively and share risk is relatively underexplored in the sector, even though there a variety of arrangements working to do so. More research is needed to identify ‘what works’ for regional commissioning and evaluate the impact. There are some evaluations of regional commissioning groups, such as evaluations of the North East London Commissioning Partnership, however, these were conducted shortly after the arrangements were created and there is limited exploration of longer-term outcomes.⁷⁴

Recent reviews highlighted that regional commissioning has the potential to resolve the relatively ‘weak’ position of individual LAs when purchasing placements and market shaping, as well as to improve capacity management as regional trends are usually easier to forecast, and improve the functionality of block contracts by allowing LAs to purchase placements from each other.

However, it is important to note, that while some LAs recognised potential benefits of operating at a larger scale, many did not, and previous evaluations have highlighted that regional arrangements rarely suit all of those involved, often leading to some disengagement. Additionally, the current position of the market indicates that existing regional arrangements have not enabled local sufficiency or disrupted the spot purchasing market.⁷⁵

- **Cost sharing:** Regional collaboration allows LAs to spread the costs and risks of experimenting with new models and solutions, making it easier to try innovative approaches. This can be particularly impactful when developing solutions for high need and low volume placements.
- **Consistent engagement and participation across consortium members:** Attracting the highest level of seniority to participate in regional arrangements can ensure engagement and expedite decision-making processes.
- **Clear Governance:** It is essential to establish robust governance and decision-making frameworks from the beginning, with well-defined terms for participation and engagement. Responsibilities retained by LAs and those assumed by the regional group should be clearly delineated, ensuring that all stakeholders are committed to the process.
- **Ensure relationships can thrive:** There is a need to consider how local relationships, which may have been developed over a long period, are not diminished by a move to more regional commissioning. When forming regional arrangements, it should be made clear who will hold the relationship and where responsibility for forming and maintaining relationships will lie.
- **Pooled budgets:** There are existing legal arrangements that enable local authorities to pool their resources for joint commissioning which can provide a framework to do this – but for this to be successful it requires strategic leadership and genuine appetite to work differently and give away control over budgets.

There are a few enablers that would support these principles and behaviours:

- **Consider what constitutes a region:** There are innate challenges with defining a regional footprint. In part, this is because LAs are often of different sizes, politics and levels of need to their neighbouring authorities. There are also considerations about aligning with other regional structures such as Fostering Hubs and ICBs, which often have a different geographical footprint. Regional arrangements should be sculpted to ensure their long-term sustainability and alignment with existing arrangements.
- **LAs should agree on dedicated resource, infrastructure and the terms and conditions for regional arrangements, and stick to them:** Clear governance and funding arrangements should be developed before arrangements are operationalised with specific terms that LAs commit to. Regional arrangements often break down when an LA needs to find a place for a specific child. Therefore, there needs to be a commitment to stick to them where possible and develop solutions when challenges in finding appropriate provisions emerge, rather than go outside the regional arrangement.
- **If there are challenges working regionally, test commissioning for low-volume placements:** In areas where regional arrangements have historically not worked effectively, LAs may want to collaborate on commissioning arrangements for a subset of children in care, such as placements for high levels of need which are often of a low volume. This would provide an opportunity to develop the necessary infrastructure for regional arrangements and test their effectiveness, building trust amongst partners for broader regional arrangements.



Chapter 6: Increasing access to foster and residential care placements

Local authorities have a statutory duty to provide, as far as reasonably possible, sufficient and suitable accommodation for children under their responsibility – enough accommodation of a type that will meet the needs of children within its care. A key challenge for the sector, reflected in the fieldwork, is ensuring this sufficiency duty is met. This chapter explores how LAs are currently working to increase capacity in both in-house and external foster and residential care provision.

6.1 Establishing new residential provision

The number of children's homes is steadily increasing each year. As of March 2024, there was a 12% rise in the number of children's homes and a 7% increase in available places compared to the previous year.⁷⁶ However, the distribution of these children's homes across the country is not always congruent with local or regional demand.⁷⁷ For most authorities, increasing in-house provision is crucial for expanding their placement options and meeting local needs. This is partly due to the rising costs associated with private residential provider placements and a desire to keep children within their local area.

6.1.1 Current practice

Over the last few decades, there has been a reduction in the number of children's homes operated by LAs and a growth in those run by independent providers. However, more recently an increasing number of authorities have returned to building new homes, partly prompted by Government capital funding.

Officers from LAs that are building new homes reported they are doing so to secure more suitable local provision that meet their requirements. Most authorities building new homes need to increase in-house provision to diversify their placement options and better meet needs. It also overtly signals to the market that LAs are willing to invest in new capacity to change the dynamics of the market and the behaviours of those within it.

Over half of the authorities surveyed have built between one and three homes in recent years, with some expanding their internal provision more significantly. For instance, Coventry has constructed five new homes and plans to open more, addressing a range of needs including therapeutic provision and disabilities, and Leicester City is considering plans to build one home each year for the next four to five years.

Most commonly LAs are developing smaller homes, such as solo and two-bed units. Primarily, this is to address sufficiency challenges for children with complex needs and reduce the practice of 'blocking out' multiple beds in larger homes. A few authorities are opening larger homes; for example, Leicester City has recently opened a five-bed unit, and another six-bedded unit is under construction.

As part of the research, we have also heard that LAs are developing homes to meet the needs of a specific young person and provide the necessary care services. For example, one LA has created a residential placement for a child with complex needs, as they were unable to find a suitable external placement. This LA developed a tailored solution, using a former children's home and a skilled team from an independent company to ensure the child receives the necessary care. The placement is designed to be the child's 'forever home' and will support the transition to adult social care as the child approaches adulthood.

Similarly, another LA has developed two bespoke homes for children with highly complex needs, designed to provide tailored care and support, with the intention that they may transition into adult social care settings as the children age. This model aims to ensure continuity of care and placement stability.

There are several reasons that LAs are developing their in-house residential provision. LA stakeholders report that they face challenges with private providers, including high costs and poor quality, and some LAs reported that complaints from residents about poorly run private facilities have increased over recent years. By expanding their in-house provision, authorities aim to reduce reliance on private sector placements as part of their medium to long-term business plans.

A number of considerations are made by LAs before deciding to develop internal provision or commission out the care service. These include the cohort of children being served, the model of care for the home, the necessary staffing complement, and assumptions on level of occupancy, as each has an impact on associated costs. Generally, authorities have found it straightforward to make a business case for in-house residential care because the alternative in the external market is often very expensive, although business cases are rarely externally scrutinised and there has been some concern that they may not be comparing like for like..

In 2021, the DfE allocated £259 million in capital grant funding to support the expansion of in-house residential provision with the goal of reducing reliance on unregulated placements. This increase in funding from the DfE has created opportunities for new in-house residential homes and enabled authorities to pursue their sufficiency goals. A new grant for children's homes for complex needs opened in November 2024. The grant will provide match funding to create additional beds for children with complex needs.⁷⁸

6.1.2 Challenges and considerations

Challenges and consideration for developing in-house provision:

- **High initial investment:** The startup costs for a children's home are significant. This includes the cost of purchasing or leasing a property, renovations to meet regulatory standards, and the purchase of necessary equipment and furnishings. The cost of purchasing properties in areas like London and the South East are particularly expensive, meaning it can be cheaper to use external placements instead of developing internal provision.
- **Revenue delays:** Before opening, children's homes must demonstrate to Ofsted that they have sufficient and experienced staff, and a registered manager must be in place as part of the registration process. This can result in substantial pre-revenue expenses.
- **Renovation expenses:** Buildings are often purchased with significant wear and tear, requiring significant renovation. Additionally, home layouts may need to be changed to facilitate better care.

- **Workforce challenges:** One of the key challenges facing authorities when staffing their own homes is finding enough registered managers and skilled staff to meet the Ofsted requirements for registration. The cost of staffing, including the need for a full-time manager, deputy manager, and support workers, is another significant financial burden. In part because there is competition between LAs and providers, as well as between neighbouring authorities. This competition for qualified staff can strain the resources of local authorities, making it harder to maintain a stable and experienced workforce. The challenge of staffing homes raises debate over whether authorities should staff their own homes or lease them to private providers, as providers were seen as having more flexible options in targeted recruitment campaigns and care staff salaries.
- **Regulation 28:** Regulation 28 was also cited as a barrier to staffing homes, as it requires senior children's home staff to have two years within the sector. Those with applicable experience in the police force or a healthcare role are unable to take up similarly senior positions in children's care.
- **Unused provision:** Just as unused and void beds are a concern with block contracts, LAs must also consider the possibility of creating a surplus of residential beds. If authorities build an excess of residential beds and these beds go unused, then the investment in building in-house provision will not be worth it. This is of particular concern for smaller authorities who do not have many children in residential care and there are concerns that it could lead to children going into inappropriate placements to fill the beds. There were examples of LA placement protocols preferring the use of in-house capacity before considering other providers. There is a need to ensure undue pressure is not placed on LA homes to accept inappropriately matched children.
- **Intellectual property and experience:** Over the past few decades, many LAs have disinvested in in-house provision, resulting in external providers holding most of the expertise and experience in running homes successfully. This knowledge is not easily accessible to LAs unless they operate the homes themselves.
- **LAs also reported challenges related to planning permissions and regulation:** These themes are discussed in more detail in Section 6.2.

6.1.3 What works and opportunities

As mentioned, a large proportion of LAs have already invested in new residential provision. This research identified a number of behaviours and principles that have supported this activity:

- **Think innovatively about ways of accessing property:** Renovating or repurposing existing council properties reduces the initial investment as LAs do not have to purchase or build a new property. Several LAs have repurposed council property into residential homes and renovated existing properties, to make them more functional or increase local capacity.



- **Develop local and/or regional workforce plans, and related training and development opportunities:** Some larger authorities have implemented workforce strategies to upskill their staff and ensure they have the expertise required. Authorities that have operated or are developing a large number of in-house homes have an existing workforce with the necessary skills or are developing workforce strategies to ensure they are able to meet the required staffing levels. The workforce plan should consider both in-house and external care staff.

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“We've got a very stable workforce compared to the private sector, very well trained workforce. We've been around a long time. A lot of our staff have been in the service for 10, 20, 30 years and actually even though we have larger numbers of young people in the homes, that is because of the calibre of our staff and managers - they can manage larger groups.”

LA stakeholder

- **Consider alternative funding for residential care:** Options include a social investment fund purchasing the property and leasing it back, or providing grants or loans to set up a care home.

Evidence of impact

In terms of evidence of impact, we have heard from LA stakeholders that there were various benefits to expanding internal provision. These included keeping more children local, reducing the exposure to the increase in costs associated with private residential provider placements and ensuring that homes provided care for the more complex and less well-served children.

Some stakeholders reported that in-house provision allows for better cost control and some report that it has been more cost-effective compared to private placements. However, LAs often compare the costs of in-house residential care with spot purchased unregulated placements, which are significantly more expensive than other types of placements. When considering building in-house residential provision, authorities should also compare the costs of commissioning residential places through frameworks and block contracts, which can provide better value for money.

Many LAs have successfully increased their current in-house residential provision. Most authorities who took part in the research have opened at least one new home, often many more than this. In doing so they have been at least somewhat successful in reducing their reliance on the private market and increasing sufficiency.

Nevertheless, although local business cases and LA stakeholders indicate that in-house provision can achieve these outcomes, there is a lack of robust research and evaluation. Some LAs have experienced challenges opening and operating their own homes, leading to closures and transitions to private providers.

6.2 Encouraging new residential provision

Many authorities report being dissatisfied with the private residential market, seeing providers as making high profits from increased complex needs. However, some authorities have good relationships with trusted providers, forming the basis of their sufficiency plans. The children's care sector shows mixed results in encouraging providers to open new residential provisions; while new homes are opening, they seem linked more to house prices than actual need.

6.2.1 Current practice

The research has identified two primary challenges that LAs and providers encounter in developing new residential provision. These obstacles include obtaining planning permissions and meeting regulatory requirements, which many LAs are actively seeking ways to address.

Planning permissions

Acquiring planning permission presents challenges for both authorities and providers. Whether a residential home requires planning permission depends on various factors, including the property's current use classification and the nature of its intended use. Residential developments need planning permission if there is a significant change from its previously approved purpose. Consequently, authorities repurposing existing children's homes would not require a change of use planning permission. However, authorities or providers purchasing former residential properties to establish new children's homes may be subject to differing planning regulations. This determination hinges on whether the change is considered "material," which encompasses factors such as noise levels, increased parking demands, and the number of residents. Specifically, if a property transitions from a typical family home (Class C3) to a residential institution (Class C2), planning permission is required. Additionally, new children's homes are often challenged at the planning stage by residents who do not want the perceived disruption that may come with a multi-bed children's home.

The planning process can be expensive and time-consuming with no guarantee of approval. Currently, change of use planning is a long and expensive process. Depending on their use classification, residential dwellings and children's homes may require different levels of regulatory compliance. Stricter regulations for children's homes can impose material changes to ensure homes conform to the correct regulation. For example, new fire regulations can cause authorities and providers to incur large costs to make sure the building is compliant with fire safety standards.

The planning process represents a big risk for providers, especially for smaller and VCSE providers. It is important authorities support providers through the process with planning knowledge and expertise. This support is invaluable to smaller and new market entrants. LAs report providing support in a variety of forms, including one-on-one bespoke support, information sharing sessions and workshops, and sharing toolkits around managing the planning process. Some LA planning departments will share information and gather perspectives from children's services where relevant changes of property use have been applied for. Most often this is to enable LAs to develop relationships with providers as they develop provision.

In a smaller number of cases, LAs have developed innovative approaches to managing children's residential care homes through close collaboration with planning departments. One Council has established a system where they receive notifications of new home applications and can provide input on sufficiency, need, and saturation levels. A planning clause has been developed with two district councils and legally validated, requiring new homes to specifically serve local children. This strategic use of planning powers has fundamentally changed the dynamic with providers, as new homes must commit to prioritising local children to receive planning permission. This planning approach has dramatically shifted the market dynamics and negotiating power with providers. Rather than providers being able to sell beds to the highest bidder across multiple local authorities, the planning clause creates a single-customer relationship where the Council is the only client. This has enabled more transparent cost discussions, where providers are encouraged to make reasonable profit levels. While this clause cannot be applied retrospectively to existing homes, it has already proven effective with two new registered homes operating under these conditions. This approach has made the Council a more attractive market for providers who are willing to work collaboratively while ensuring better value for money and improved outcomes for local children.

Durham Council has taken a different approach to preferential placements, focusing on collaboration instead of preconditions. Lots of other LAs place children in Durham due to its low house prices. To ensure local sufficiency, the Council engages regularly with providers to monitor vacancies and influence service development to meet local needs. If proposed homes do not align with these needs, the Council challenges them early through statutory planning, guided by Planning Policy Guidance. Where the Council identifies a definitive need for a service being developed, it seeks to establish a 'Durham First Approach' with the provider, prioritising local placements to keep children close to family and support networks.⁷⁹ While this approach does not prevent providers from opening if they do not give preference to Durham children, it does encourage more providers to prioritise local placements.⁸⁰

Ofsted registration

If an LA or provider wants to run a children's home, they must register with Ofsted before opening. To become registered several legal requirements must be satisfied. Ofsted's registration work is not fully cost-recovered, leading to resource constraints that can slow down the registration process. Some of the providers who participated in the research reported that Ofsted can act as a barrier to entry into the registered market. The time it takes to achieve registered status was noted as a concern. Ofsted states that a decision is usually made within 47 days of receiving an application.⁸¹ However, both authorities and providers noted it can take over a year to receive Ofsted registration for homes. It is not clear if this was due to certain requirements not being met. Ofsted reported that the process for registering new homes can be delayed due to the need for registered managers, obtaining planning permissions, and completing forms correctly.

Some LAs report working collaboratively with Ofsted, and instead of seeing them as a barrier to opening homes are sharing information on planned developments and progress. Involving Ofsted in the early process of opening a home was highlighted as a particular enabler, as it can ensure that the home has everything in place before requesting to be registered and enables Ofsted to move quickly when registration is requested.

Strong relationships with Ofsted were typically built through proactive engagement. One authority, for example, has taken steps to engage with Ofsted concerning their residential provision. Ofsted were invited to participate in their market engagement events to address issues like the backlog in registration and provide advice and guidance to help providers register more efficiently. Similarly, stakeholders from another authority reported engaging in an open dialogue with Ofsted to proactively build their relationship. Other authorities adopting similar approaches report receiving Ofsted's support and advice on opening residential homes for complex needs. These approaches aim to ensure that providers are well-informed and supported in meeting regulatory requirements.

6.2.2 Challenges and considerations

There are a number of ongoing considerations related to the above themes:

- **The children's residential sector is experiencing recruitment and retention challenges:** Care staff leave for higher paid positions, sometimes in aligned services, such as family support and youth-offending teams which were reported to offer a better work-life balance. This has significant implications on sufficiency for both the quantity and the type of placements available. This challenge is a particular inhibitor to growing capacity and investment for smaller providers.
- **Authorities placing outside of area:** Over the last decade, there has been a growth of larger framework contracts and digital brokerage systems that have widened the number of providers that LAs can contact for referrals both in number and geographical locations. This has resulted in local provision being utilised by distant authorities. Some stakeholders reported that there are few examples of authorities incentivising local providers to give priority or preference to local placements.⁸²
- **Ongoing regulatory challenges:** Inspection criteria were cited as an area of concern, with providers reporting an inconsistent approach, which varied geographically and by inspector. There was a narrative across LAs that Ofsted regulation can act as a barrier for providers to accept children with complex needs, as it may result in a poor Ofsted rating and impact their commercial viability.



“It is not a consistent approach to inspection criteria and more on experience of local homes and local context”

Provider organisation

6.2.3 What works and opportunities

This research found that approaches to encouraging new residential provision work effectively when underpinned by the principles of relational commissioning. In particular, there is a benefit to having strong relationships with providers so that strategic conversations can take place about whether local children are being placed in local homes.

Additionally, there are a range of other principles that help LAs to encourage new residential provision in their area:

- **Understanding and assessing need:**

Adequately understanding need within a locality is essential for opening the right sort of provision. Some LAs reported that they are hesitant to build more homes as if they do, they will use them, even if they don't provide the ideal placement for the specific child. Therefore, it is important that LAs have a sense of the most suitable portfolio of internal and external provision. This relates to the findings in Chapter 3.

- **Provide advice for commissioners on planning regulations:**

Understanding these is crucial, as planning permission is often unnecessary for developing children's homes if the use remains within Class C3 or does not materially change to Class C2. Additionally, a lawful development certificate from the LA can confirm legality, negating the need for a planning application.

- **Work with Ofsted to expediate home registration:** LA stakeholders highlighted the benefit of working closely with Ofsted when planning to increase their in-house provision and when supporting providers to develop. Key to this was being clear and transparent with the regulator about likely timelines and providing regular updates on challenges. There may also be benefit in discussions with Ofsted nationally about how to improve the process for registering new homes.

Evidence of impact

There is very limited evidence about what is effective in supporting providers through the planning process and with Ofsted registration. Qualitatively we have heard that providing support around these two areas helps address issues at an earlier point and can speed up processes.

Linking planning permission to preferential placement has seen mixed results. In one authority, some children were successfully placed with new providers prioritising local children. Whereas, in another LA, this policy led providers to stop opening homes there. Critics argue that this method is not needs based and may harm children by preventing suitable placements.

6.3 Strategic partnerships

Many authorities have recognised the need for building productive relationships with trusted providers as a way of meeting their sufficiency targets. These arrangements offer local authorities the opportunity to work closely with providers who bring skills, experience and expertise that may be lacking in-house, as well as greater flexibility of approach. The trust within the relationship, the length of the relationship and the increased understanding of each party result in a more cost-effective way of providing for complex needs. There is no strict definition of a strategic partnership, but it denotes a stronger relationship that goes alongside the formal contract(s) where a provider works towards the wider needs of the authority. As part of this research, we have developed a definition for strategic partnerships below.



Definitions

Strategic partnerships are a business arrangement where two or more companies collaborate to achieve shared goals. Typically, the goal is to create or achieve something greater than the companies could achieve on their own. It is commonplace to share resources, technology, finances, risk allocation and reward. However, not all are essential for a strategic partnership to succeed.

6.3.1 Current practice

Multiple LAs highlighted the relationships they have developed with providers over recent years. These take a variety of different forms, some of which are described below.

Preferential placement agreements

There are a variety of forms of preferential placement agreements, but at their core they are an agreement between a LA and a provider, that the LA gets first refusal on a placement before the placement is offered to a different authority.

Some authorities have preferential placement agreements as a contractual requirement of leasing a property to a provider – explored further below. In other cases, preferential agreements are informal and based on long-standing relationships. These can be held directly with a placement worker or team, as a result of a member of the provider's team previously working in the LA and maintaining contact or developing a trusting relationship by sharing information and addressing challenges.

Leasing homes to providers

Authorities opening homes and seeking the optimal approach to managing them often consider various staffing and operational strategies. Some authorities are training their staff to manage these homes, while others, particularly smaller ones, find it more practical to lease homes to providers. This method allows them to leverage the expertise and experience of private sector partners, which may not be present within the authority. Another significant factor in the decision to lease residential homes is the financial oversight and constraints faced by authorities. Given the current financial situation of local government there is a heightened level of scrutiny over spending decisions, making it more challenging to commit significant sums of money to develop and run children's homes internally. While larger authorities can develop business cases for establishing and running homes internally due to economies of scale, smaller LAs and unitary authorities are unable to replicate the same cost savings through scale.

One authority engaged in this research opted to lease residential homes to providers primarily due to their lack of recent experience running children's homes, combined with the need to respond swiftly to emergency situations. Without the existing expertise, developing in-house capabilities would take considerable time and delay their ability to address urgent need. There is also the reputational risk posed by operating children's homes without the accompanying required skill set. By leveraging private sector providers, the Council has been able to rapidly establish the required facilities and ensure that immediate care needs are met without unnecessary delays.

A (50/50) joint venture between Stockton on Tees Borough Council and Spark of Genius (a CareTech organisation) has been highlighted as a successful model. This partnership involves the council providing housing and the provider operating the services, with profits shared equally. It has been in place for 12-15 years and is considered very successful due to its alignment of goals, trust, and effective communication. Through the partnership, two children's homes are in operation in the North East and a small, independent specialist school.

Wider system partnerships

A small number of authorities have developed provision collaboratively with providers to address local sufficiency challenges. One such example is the Homes and Horizons programme, which is a partnership between Somerset Council, the Somerset NHS Foundation Trust, and Homes2Inspire, part of the Shaw Trust. Established in June 2021, the initiative addresses the needs of children with complex requirements by providing holistic support that includes education and health services. The primary goal of the programme is to create a wrap-around service that ensures children receive comprehensive care. This includes the development of residential homes for high needs, foster care, and educational support.

The Shaw Trust was awarded the tender and currently staffs and runs the homes. Somerset Council held the initial financial risk by purchasing properties and providing a £1 million mobilisation fund, incentivising providers to participate. The contract model allows the relationship to develop and increase in capacity over its 10-year length (designed for a long-term partnership with a 10-year agreement and the option to extend). Integrated governance structures, including weekly referral meetings and bimonthly operational delivery groups, ensure joint responsibility and shared decision-making. The contract operates on a cost-plus model, providing financial transparency and security. This contracted price covers the provider's costs with a reasonable surplus which is taken as profit and can be reinvested into the charity.

Another example is Leicestershire County Council and Barnardo's. The authority faced a shortage of residential places for children in care and an additional £14.7 million was needed over three years for the expected increase in looked-after children, while there was a need to find savings of £3.7 million in children's social care. The solution was envisaged as a partnership between the LA and an expert in designing and delivering innovative solutions for children and families. Over a year, the council worked towards procuring a partnership rather than a service and had to develop a contractual model that both complied with procurement regulations and was flexible enough to respond to the challenging environment. This was achieved by the creative use of new freedoms in the 2015 Public Contracts Regulations which led to a two-tier contractual framework. A Children's Innovation Partnership was tendered, with Barnardo's winning the bid for a 10-year contract starting on 1 December 2018. The financial value was based on the total spend of services commissioned in the council's Care Placement Strategy, amounting to £700 million over 10 years. A powerful characteristic of this project was the centrality of the voice of the children in care and the breadth of engagement with other stakeholders.

6.3.2 Challenges and considerations

A number of factors were raised in relation to forming and maintaining strategic partnerships.

- **Assessing need:** Assessing and describing need is underdeveloped across the market. Many of the authorities who participated in the research found forecasting need difficult or were using basic techniques and data sets to do so. Without an adequate understanding and description of need, finding a provider to partner with to meet this need is also very difficult. Because of this, high value private providers are often in high demand with authorities looking for solutions to their most complex needs. For more on assessing need see Chapter 3.
- **Balancing the needs of children in care with the commercial needs of the providers can be very complex:** For instance, preferential placement agreements on homes leased to providers are difficult to negotiate. Providers have no obligation to take local children because the council owns the building, often doing so can harm their financial stability if they wait extended periods of time for beds to be filled. This is where sensible governance arrangements and incentives are important.
- **Misalignment of goals and short-term focus:** When the goals and objectives of the partners are not aligned, it can lead to conflicts and misunderstandings. Both parties need to have a clear and shared vision for the partnership. A focus on short-term gains rather than long-term objectives can undermine the partnership. Strategic partnerships require a long-term perspective and investment.
- **Risk appetite:** Partnerships must be approved by multiple decision-makers in LAs, including finance officers and procurement teams, each with their own level of risk appetite. This can slow down the process of developing partnerships and may prevent LAs from considering them completely.

- **Financial disagreements:** Disputes over funding and financial arrangements can quickly derail a partnership. Clear agreements on financial responsibilities and profit-sharing are crucial. Rigid financial terms in contracts, such as fixed fees for long periods, and inflexible price adjustments frequently cause disagreements.
- **Lack of commitment and resistance to change:** If there is no long-term commitment from key individuals within the organisations, the partnership may falter. Changes in personnel can disrupt the continuity and alignment of the partnership. If either party is resistant to new models or approaches, it can hinder the partnership's ability to adapt and evolve.
- **High cost:** Strategic partnerships to solve complex needs often incur high costs because of the complex nature of the issue authorities are looking to solve. For instance, as discussed above, Somerset provided an initial mobilisation pot of £1 million, in addition to the purchase of the properties. This financial outlay may be beyond some authorities due to the financial constraints across local government.
- **Limited potential strategic partners:** Some LAs report a small pool of preferred partners, making it challenging to generate high interest in partnership tenders.

6.3.3 What works and opportunities

Stakeholders highlighted key principles and behaviours that were important for the creation and maintenance of strategic partnership. Many of these overlap with the behaviours outlined earlier in the report, in particular relational commissioning, effective commissioning, and joint commissioning with statutory organisations.

Other important principles included:

- **Motivated individuals and supportive leadership:** Successful strategic partnerships often rely on motivated individuals within both the provider organisation and the local authority who are committed to making the partnership work. Establishing and maintaining long-term relationships is crucial. These relationships should be built on trust and a shared vision for the partnership. Having champions at senior levels within both organisations can drive the partnership forward and ensure it receives the necessary support and resources.
- **Co-design and alignment of goals:** Both parties must align their goals and understand the partnership's aims. Clarity on the business model and desired outcomes is essential, and collaboration during development helps identify and ensure needs are addressed effectively through the service offer.
- **Governance arrangements:** For strategic partnerships to be successful it's important to get the partnership structure right. There is a need to identify who the decision makers are, how teams will be made up and organised, and who is responsible for necessary actions such as quality assurance and creating appropriate lines of communication. Robust governance arrangements streamline decision making and reduce blockages during the contract.

- **Funding arrangements:** Similar to governance arrangements, it is key to a successful strategic partnership to get the funding arrangements right from the beginning. This is particularly important when involving another statutory body, such as health, education or housing. Pooled funding can provide a challenge as different bodies operate under different legal and regulatory frameworks, complicating the integration of budgets. This extends to accountability and reporting, which needs to be consistent internally and externally.
- **Contract flexibility:** It is also important to build in flexibility throughout the length of the contract to allow the programme to adapt to external forces. The Covid-19 pandemic provides a good example where some authorities struggled due to an inability to adapt their contracts to respond to the changing nature of the demand and of the market.
- **Shared risk and benefits:** Successful partnerships often involve sharing both the risks and benefits. This can include financial arrangements, operational responsibilities, and accountability for outcomes. Stakeholders have reported that it can be beneficial for LAs and providers to share risk when entering into a partnership, particularly since start-up costs can be prohibitive for small and VCSE sector providers. Authorities can buy property and provide mobilisation funds. This sets parties off on a positive footing to collaborate throughout agreements and ensures that providers feel involved and committed to the projects' success.
- **Effective communication and support for providers:** Regular and open communication between the provider and authority helps to address issues promptly and maintain alignment. By having a clearer shared understanding with providers at the initial contracting stage authorities can support providers through challenges which arise, rather than terminating the contract. This has beneficial results both for the authority, provider and most importantly the children being looked after. See Section 4.2 for more information on supporting provider organisations.

Evidence of impact

The evidence highlights a range of positive impacts as a result of strategic partnerships. The outcomes of different strategic partnerships are discussed below.

Preferential placements: LA stakeholders have reported that preferential placements can improve local sufficiency and improve their ability to place children in their local area.

Leasing homes to providers: This approach can be more cost-effective and helps ensure that the homes are managed by experienced professionals. The leasing model has shown some success. For example, one provider operating under this model has achieved positive ratings from Ofsted inspection, indicating that the homes are meeting the required standards of care. This success suggests that the partnership approach, where the council provides the properties and the provider manages the care, can be effective in delivering quality residential care for children. However, the Council acknowledges that the costs associated with this model are still high, and there is an ongoing effort to explore more sustainable and cost-effective solutions. By leasing properties to providers, authorities can utilise existing resources more efficiently, such as using void costs from housing to renovate buildings for use as children's homes. This method has enabled authorities to provide necessary care without the substantial upfront investment required to establish and manage these facilities independently.

Wider system partnerships: The qualitative evidence has been overwhelmingly positive in relation to strategic partnerships. Both LAs and provider stakeholders have reported that they can be effective at developing new provision, providing quality support, and result in cost savings over the long term. For example, Homes and Horizons has resulted in six homes becoming operational, with another two in the process of being opened. This has provided additional residential capacity and there have been no placement refusals in the past four years. Stakeholders also reported that the partnership has provided good outcomes for children, including improved placement stability, better access to mainstream education, and a reduction in self-harming behaviours.

We are only aware of one of the strategic partnerships having an independent evaluation: This was the Leicestershire County Council and Barnardo's partnership which was evaluated in 2020 by the University of Bedford.⁸³ The evaluation highlighted improved outcomes for children, enhanced placement stability, and long-term cost savings. However, it also identifies challenges, including the complexity of developing strategic partnerships, the difficulty in partnering with specialist providers, and the high fees associated with opening complex placements.

6.4 Foster carer recruitment and retention

Most LAs described a long-term shortage of foster households as one of their main challenges, often resulting in displacement from fostering into residential care at a much greater cost. On average, LAs reported that a foster care placement would be more appropriate for between 25-30% of children currently in residential care placements.

Many LAs report that foster care is generally preferred over residential care and research highlights that children in foster care had consistently better experiences and fewer problems compared to children in residential care.⁸⁴ Inadequate numbers of foster placements poses a significant risk to authorities' ongoing sufficiency of children care placements.

6.4.1 Current practice

Over the last five years, there has been a downward trend in the number of foster carer applications, coupled with a striking gap between those expressing interest and those going on to foster. To improve foster care sufficiency, there are both regional and local initiatives aimed at improving foster care recruitment and retention.

In February 2023, one of the commitments in the previous government strategy 'Stable Homes Built on Love' was a £27 million investment into a Fostering Recruitment and Retention Programme (FFRP) to deliver end-to-end improvements across the foster carer recruitment journey. There are three main strands of the programme: 1) the creation of Fostering Recruitment Support Hubs; 2) the design and delivery of a regional fostering communications campaign; and 3) the expansion of the retention-focused Mockingbird model.

Nine self-selected, geographically linked 'clusters' successfully bid to deliver the programme from October 2023, alongside Foster with North East, the pathfinder for the project. All ten Fostering Recruitment Support Hubs have redesigned the experience for prospective foster carers in their region, focussing on improving the recruitment journey from initial enquiry through to application. This includes providing support and emotional guidance to prospective foster carers from both a dedicated recruitment team and experienced foster carers, sharing best practice, and introducing regional training programmes. Additionally, efforts are made to standardise data collection by embedding regional customer relationship management systems, sharing key performance indicators, and running regional communications campaigns.

As part of the 2024 budget, the DfE has now committed an additional £15 million to increase the number of foster carers, which includes expanding the Fostering Recruitment and Retention Programme to ensure that every local authority can access a regional fostering recruitment support hub.

The Mockingbird programme operates across the UK with over 120 constellations.⁸⁵ It aims to provide stability and support for foster families by creating a network of carers that mimics an extended family. The programme addresses challenges like disrupted care journeys and poor outcomes by building a sense of community among carers. It establishes a 'home hub' of trained carers offering respite care, peer support, and joint planning to 6-10 foster and kinship families.



Case study: Foster4 – Cheshire and Merseyside Fostering Recruitment Support Hub

Foster4 is the regional foster carer recruitment service led by Warrington Borough Council, recruiting foster carers on behalf of eight Cheshire and Merseyside LAs. By pooling resources, Foster4 aims to recruit more foster carers, provide greater support to existing foster carers, and keep more local children with local foster carers.

The recruitment support hub provides prospective foster carers with ongoing emotional and practice advice. Via a single front door, prospective foster carers across the region can enquire and receive the same information about becoming a foster carer. Foster4 has also set up a regional system to collect foster carer recruitment data, established a regional training portal for all foster carers to access pre-approval training, developed a therapeutic support offer, and run regular pop-up events and coffee mornings to provide an informal way for people to find out more about fostering.

Other initiatives to improve fostering recruitment and retention include:

- **Salaried foster care:** Some LAs were particularly interested in employing professionals from across health, social care, the police and education with transferable skills as foster carers to look at a subset of children with particular needs. Authorities have suggested a pay bracket between £35,000-£65,000, depending on a number of factors including the finances of the authority, the complexity of the child's need and skills and experience of the carer. This is a significant increase on the current allowance.
- **Intensive fostering:** Some LAs are introducing intensive foster care models, that provide additional support to foster carers. For example, Hertfordshire is currently implementing an intensive fostering programme to provide long-term stability for children with complex needs, who would otherwise need residential care. This approach aims to reduce reliance on residential care, keeping children in foster care, saving approximately £239,557 per child annually. Intensive carers receive a higher allowance of around £52,000 per annum per child and are recruited from industries with transferable skills such as healthcare and the police. Carers receive support from therapeutic practitioners and outreach workers. Carers get regular training and access to therapeutic services to manage children's complex needs effectively.
- **Fosterlink:** This initiative is funded by the DfE and offers in-depth diagnostic support focused on recruitment and approval practices, with the aim of providing bespoke recommendations for improvement, alongside building a strong evidence base to share good practice nationally.
- **Advice for foster carers:** Initiatives such as Fosterline offer prospective and current foster carers free and confidential information on foster care. Funded by the DfE and delivered by the Fostering Network, Fosterline provides free, independent confidential and impartial advice.

- **Fostering friendly employers:** Nearly 40% of foster carers work alongside their fostering commitments.⁸⁵ This is made easier by employers who either offer specific schemes for foster carers or are understanding of their foster care commitments. This can be agreeing to leave at short notice for an emergency placement or medical appointment, offering flexible working hours or working from home to make time for fostering. The Fostering Network runs a scheme called Fostering Friendly, which provides employers advice and support to put in place a fostering friendly HR policy.
- **Pre-approval training:** Other than being able to read and write in English foster carers don't need any prior training or qualifications. Pre-approval training teaches foster carers about looking after children and the skills required to support them before a child is placed in their care. Evidence shows foster carers who have a better understanding of what to expect and are better prepared when entering fostering are more likely to remain foster carers in the long term.
- **Foster carer buddies:** A number of LAs and IFAs provide a buddy system for new and prospective foster carers. Foster care buddies are experienced carers with knowledge of the assessment process and challenges that come with being a new foster carer who support new foster carers through the process.
- **Extending and augmenting properties:** Some LAs have taken steps to extend the homes of foster carers as part of their efforts to increase capacity. This initiative includes extensions to properties to add extra bedrooms and paying carers to purchase larger private accommodation to accommodate more children and larger sibling groups, as well as making adaptations to homes to support carers in keeping children with complex needs long-term. In one LA, this approach is reserved for carers with whom the LA has a long-term relationship, and they enter into a five-year 'claw back' agreement to ensure commitment.
- **Moving council tenant foster carers into larger accommodation:** This approach aims to enable existing foster carers to take in more children, thereby increasing the overall capacity for foster care within the authority. However, the initiative has faced challenges due to the high demand and limited availability of larger properties, which has limited its success.
- **Reviewing foster carer fees and allowances:** Some local authorities are being proactive in reviewing both fees and support given to foster carers. Essex for example, regularly review their fee structure and the support structures around their foster carers. This approach has helped them reduce the loss of foster carers. LAs have also altered their fee structures from skills based to needs based. Carers are rewarded for supporting more complex children, rather than fees being based on length of service.
- **Respite care and support care:** Respite care offers various forms of support to foster care households, including planned breaks, day care, and temporary homes. This type of care is often provided through initiatives like Mockingbird and provides support for regular foster carers, helping maintain placements during challenging situations.
- **Foster Plus Programme:** This programme provides foster carers with a 'full network of ongoing support'.⁸⁶ Foster carers are supported by a dedicated social worker and local team, regular support groups, an out of hours helpline and online resources. By connecting foster carers to a range of support, it can help improve confidence and enable carers to feel empowered, both of which have been connected with improved retention.

6.4.2 Challenges and considerations

There are a number of challenges and considerations for foster care recruitment and retention:

- **Foster carer allowance and benefits:** The minimum allowance for foster carers varies by local authority and depends on the age and needs of the child in care. As of the publication date, the minimum weekly allowance is £165 per week for a child aged 0 to 2, outside of London and the South East.⁸⁷ Local authority stakeholders noted that allowance rates might deter some individuals from applying to be foster carers and may not correspond to the responsibilities associated with the role. Equally, there are challenges with competition for carers when fees vary across neighbouring LAs and between LAs and IFAs.
- **Rising age of foster carers:** A common challenge across all localities is the increasing age of the foster carers. Authorities have reported an ageing population of carers and a falling average length of service.⁸⁸ Ofsted (2024) data on foster care retention shows between 2023 and 2024, there was a net decrease in fostering households.⁸⁹ The majority of newly approved carers during this period were in their 40s and 50s, and among those who deregistered, 64% were aged 50 or over. These proportions are consistent with previous years. People are entering the market later in life and the length of time they are remaining as carers is dropping.
- **Unclear use of the private market:** There is not always a clear strategy for placing children in-house or externally, and within some LAs there is a preference for using in-house first if it is available. Stakeholders reported that this has resulted in cases where children are placed with specialist foster carers when they do not need this support, which can lead to other children being placed in residential care instead of a more appropriate specialist foster care placement.
- **Challenging nature of the role:** Foster carer retention can be challenging due to the demands of fostering. Carers often face emotional strain due to the complex needs of children in care. Foster carers need more training and support to ensure they are in a position to best care for children with the most challenging behaviours and complex needs.
- **Housing market:** Another challenge that emerged during the fieldwork was the price of housing in some areas. Particularly in London and the South East, there is a lack of appropriate housing which impacts people's ability to foster older children and sibling groups.

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“Ofsted reports found that the number of foster care applicants are decreasing year on year, which has a big impact in how the care system functions. The number of applications in 2022-23 was 18% lower than that of 2018-19. Moreover, the number of deregistrations are on the rise. In 2022 out of 8010 applications to foster, 42% withdrew.”

The implications of this creates an imbalance between the number of children in care and the amount of foster homes available, as the children who are in need of a safe homes increases, but the possibility decreases. Social services are forced to resort to long-distance placements where the child is moved to an area, they are unaware of and isolated.”

Lamar, Care Leaver (Become, 2024)

6.4.3 What works and evidence of impact

This research and previous studies have found a number of principles that support the recruitment of foster carers. These are:

- **Standardised and streamlined recruitment:** Evidence has shown that there are a number of weak points across the foster carer recruitment journey and that there is variation in the recruitment journey dependent on where you are enquiring to become a foster carer. The regional fostering recruitment support hubs are improving the journey from initial enquiry through to application by standardising and streamlining the recruitment process, as well as providing consistent and ongoing emotional and practical support.
- **Target different communities in recruitment campaigns:** Effective recruitment requires reaching people from diverse backgrounds to meet the varied needs of children in care. Messages should resonate with different communities, including ethnic, religious, and cultural groups. Building trust with diverse communities and demonstrating inclusivity in marketing and support is essential. Agencies that actively work with community leaders, provide cultural competency training, and prioritise inclusivity are more successful in attracting carers from various backgrounds.
- **Use existing foster carers in recruitment:** One of the most effective recruitment methods for foster carers is word of mouth. There are a range of ways that LAs can utilise existing foster carers in their recruitment processes, these include holding events where current foster carers answer questions and provide information, utilising lived experience in their marketing campaigns, and setting up buddy or ambassador schemes to provide prospective foster carers with ongoing support
- **Flexibility for foster carers:** Some people are unable to commit to full-time fostering but would consider short-term or respite care. Ensuring these options are available, as well as promoting them nationally and regionally may encourage people who might otherwise assume fostering would not fit their lifestyle.
- **Offer high-quality preparation and training:** A well-prepared carer is more likely to succeed and stay committed. Carers need thorough training on trauma-informed care, mental health, cultural competency, managing behavioural challenges, and understanding the complex needs of children in care. LAs that provide ongoing support, such as mental health resources, peer support groups, and 24/7 assistance are better able to retain carers. Structured development paths, with skills advancement courses and qualifications, improve retention by making carers feel valued and professionally invested.

Evidence of impact

This research has found that the recruitment and retention of foster carers remains a significant challenge for LAs and regional hubs, and although some have been able to increase or maintain their numbers in recent years, there continues to be a national decline. Stakeholders reported that there is a need to continue exploring a range of options to support recruitment and retention, however, there is no silver bullet and challenges continue to persist.

There have been evaluations of programmes designed to improve retention of foster care and outcomes, such as Mockingbird. These generally showed a positive impact in relation to retention.⁹⁰

- **Share clear financial and practical information:** Financial support, allowances, and practical resources are critical considerations for prospective foster carers. Transparent communication regarding compensation, competitive allowances, and associated costs is essential to address common concerns and enhance transparency. Recruitment efforts should clearly articulate the financial implications and available resources, thus making the process less daunting for potential carers who may have concerns about the expenses of fostering.
- **Provide comprehensive and ongoing emotional and practical support:** Foster carer retention can be difficult due to the demands of fostering. Carers often face emotional strain from the complex needs of children in care. Regular counselling, peer support groups, and dedicated support workers can help manage stress effectively. LAs see better retention when fostering a supportive community where carers can share experiences and advice. Consistent supervision, virtual networks, and dedicated social workers who understand carers' needs significantly enhance retention. Access to mentorship programs and specialised support groups builds a sense of community and addresses unique concerns. Timely respite care is crucial in preventing burnout, especially for those caring for children with intense needs.
- **Ensure foster carers have contact with social workers:** The Foster Network found that foster carers want to feel as if they work in partnership with social workers, to collaboratively find solutions to issues and to be respected for their knowledge and experience. Evidence suggests that while this is happening, it is not happening as systematically as it should be or functioning as effectively as needed when it is.



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Chapter 2: Context and challenges

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Chapter 3: Improving the use of data and forecasting

30. This has important implications for how a data model for describing 'need' should be created if it is to be used in sufficiency analysis. A definition of needs is useful for sufficiency analysis to the extent that it captures 'whether and at what price a provider will offer an available placement, all other things being equal.'
31. Most social work datasets describe either events and their dates, or 'states' (e.g. a legal status) and their start and end dates. Journey analysis typically requires transforming these to create a view of events and statuses which are linked by being part of a single 'journey' though services. This is relatively straightforward for data engineering teams once the conceptual issues are resolved (e.g. when should one journey be counted as two journeys) but requires tools and skills which are not usually available to the commissioners doing this work.
32. PATCH is the 'Python Analysis Toolkit for Children's Services,' an application developed by the Data to Insight Project at East Sussex County Council. It is accessible at <https://patch.datatoinsight.org/>
33. ContrOCC is tool for managing contracts, invoicing, and payments for in-house and commissioned care. It is mainly used in combination with the Liquid Logic Case management system (c. 55% market share in English children's social care) and is owned by the same company.
34. Mosaic for Finance is a module of the Mosaic case management system (c. 35% market share in English children's social care).
35. In the interests of transparency we should acknowledge that most of the creation of that tool was done under contract by Social Finance who also conducted this part of the research. However, the intellectual property is owned by East Sussex County Council, the single-LA version of the tool is free for any LA to use, and the code for both the single-LA and regional tools is published openly and licenced open source so that others can re-use and modify them without needing to pay either Social Finance or East Sussex.
36. We are aware of a similar tool, provided by Mastodon C, but none of the LAs interviewed mentioned using it.
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