

NAO

Although most homes are rated as good or outstanding, too many placements fail to meet children's individual needs, affecting outcomes

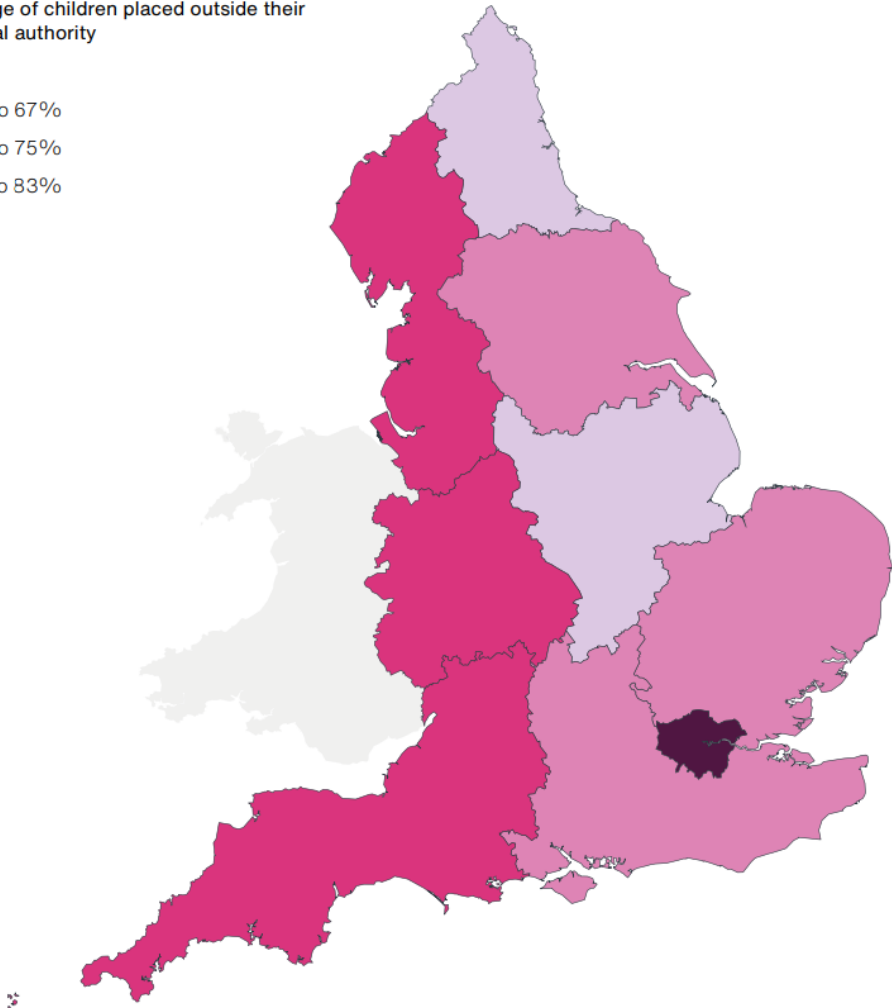
- 82% good or outstanding (up from 76% in 2020)
- Half more than 20 miles from home
- 14% had three moves in last year
- Increasing numbers deprived of liberty
- 3x more likely to be NEET when leaving care (all, not residential)

Figure 7
Children's homes placements: regional comparison of children placed outside their home local authority and placed more than 20 miles from their home, March 2024

Children can be placed far from their original home, with variations across regions

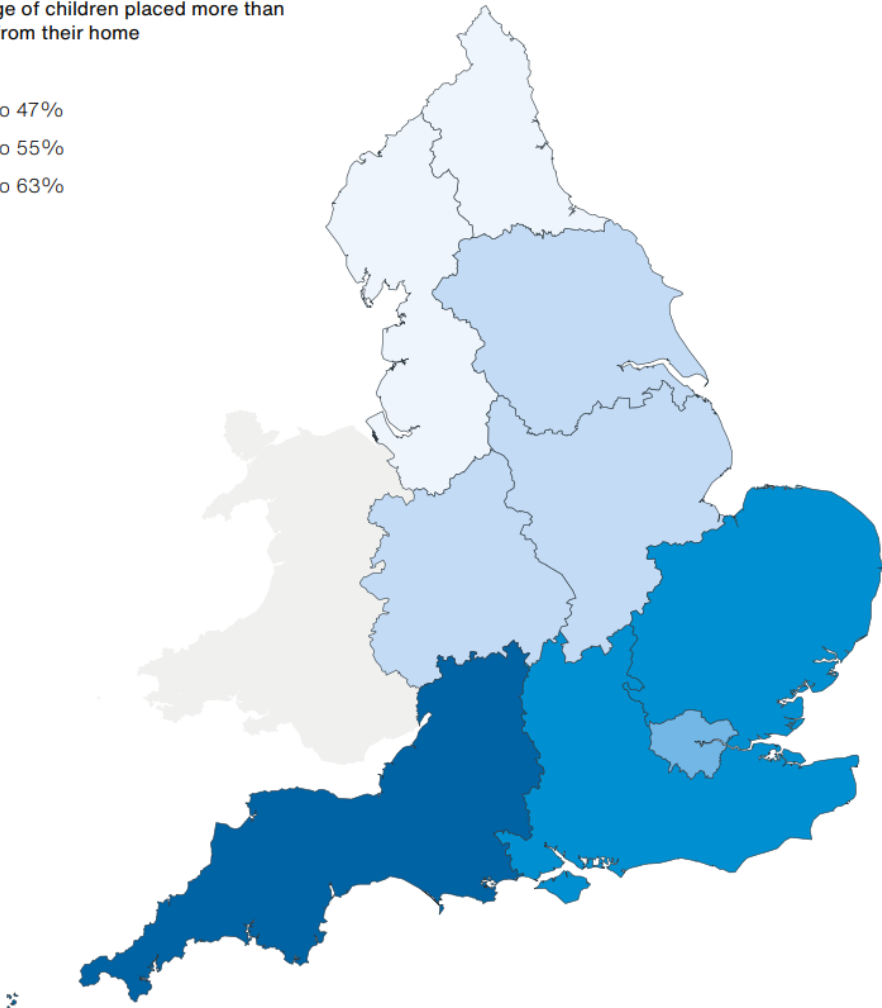
Percentage of children placed outside their home local authority

- <60%
- 60% to 67%
- 68% to 75%
- 76% to 83%
- >83%



Percentage of children placed more than 20 miles from their home

- <40%
- 40% to 47%
- 48% to 55%
- 56% to 63%
- >63%



Local authorities report placing an increasing number of children in unregistered homes

- Up from 147 to 982 (likely to be under-reporting as not required)

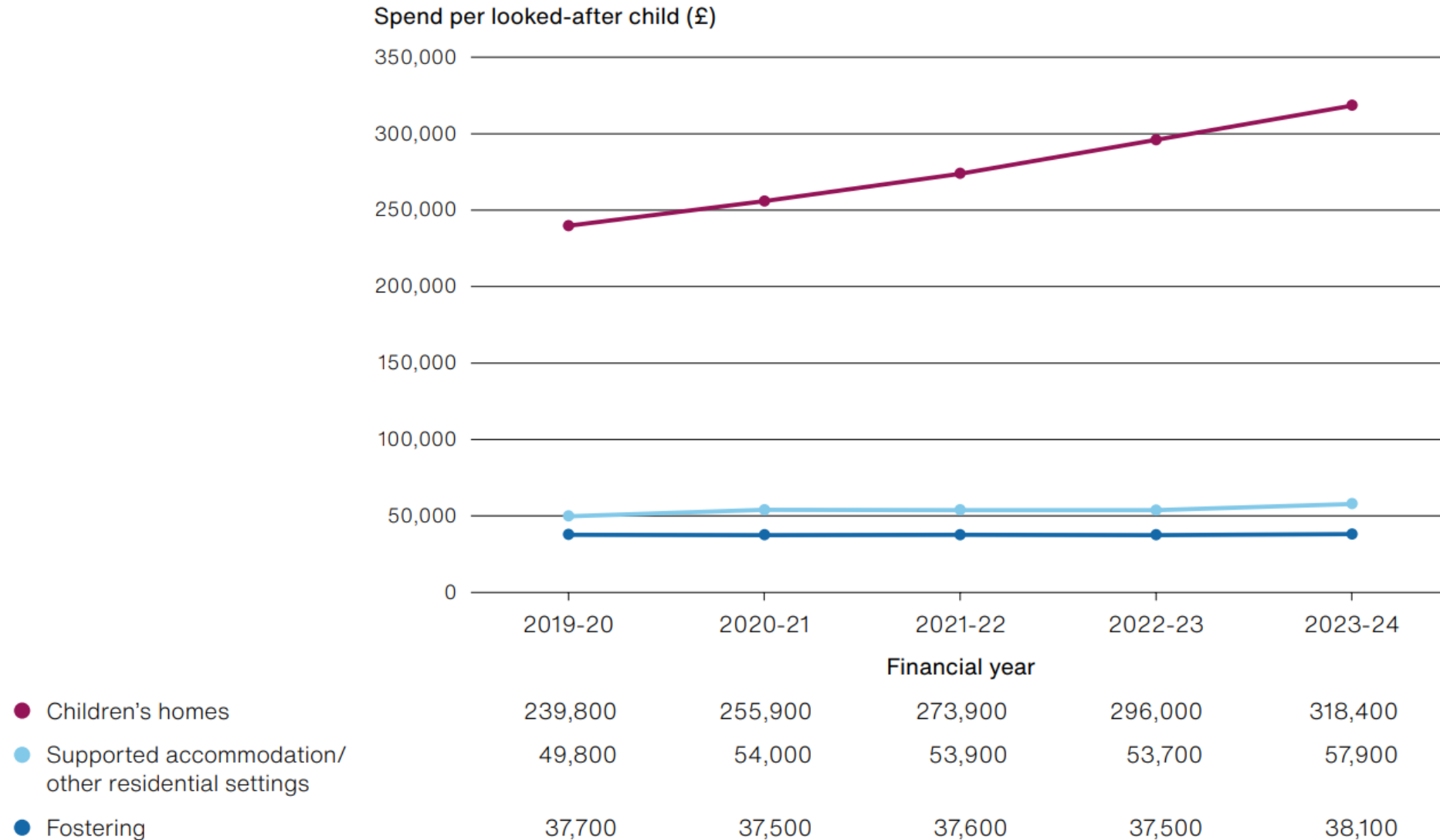
The cost of placing children in residential care has risen significantly in recent years

- 54% rise in costs for CLA to £8.1 billion in 2023-24,
- £1.5 billion more than the annual budget
- Residential care spend almost doubling to £3.1 billion
- Average spend £6,100 per week (max £63,000 per week)
- seven of the ten providers supplying most homes are ultimately owned or part-funded by private equity firms

Figure 5

Comparison of estimated spend per child per year for children's homes, fostering and supported accommodation/other residential settings, 2019-20 to 2023-24

A children's home place costs five times as much as supported accommodation/other residential settings and eight times as much as fostering, more than in 2019-20



Staffing issues

- sector workforce grew from around 20,000 in 2014 to 46,000 in 2024, the move towards higher staff-to-child ratios accounts for some of this increase
- In 2024, 37% of homes responding to a survey reported having a staff-to-child ratio of six or more to one, an increase from 32% in 2023.
- not filling all their available places – in 2024, 13% of homes with unoccupied beds felt recruiting and retaining staff to be the cause

Staffing issues

- Ofsted reported that almost one in three children's homes often, or always, reject referrals for children with complex needs because of challenges recruiting trained staff.
- a quarter rejected referrals as they felt they could not meet or maintain the staffing ratio needed for the child.
- DfE believes it has few levers to influence the size or quality of the residential care workforce, describing its role as setting the legal and regulatory framework without getting more actively involved
- Providers are responsible for staff recruitment, pay and conditions, and training so that they can meet the needs of children in their care

A mismatch between the supply and demand for places has fuelled a dysfunctional market and cost increases

- In 2022 the CMA identified significant issues with insufficient places in the right locations, materially higher profits than expected, and a risk that children's care could be disrupted by provider failure
- 15 largest private providers had average profit rates of 22.6% for children's homes, with prices increasing above inflation
- private providers can choose which children to home depending on the support needed or profit levels available

A shortage of places in foster care and reduced use of wider settings has increased pressure on residential care

- Reduction in secure custody or inpatient mental health care
- Lack of joint strategy between home office, NHS and DfE
- Number of foster carers fell by 4%, or 9% when excluding fostering with friends and family
- 1/3 of children in care sampled had fostering in original plan
- A children's home place costs eight times as much as a foster place.

Central government and local authorities have successfully worked together to accommodate unaccompanied asylum-seeking children

- UASC in residential care increased by 30% to 3,370
- MHCLG assesses this as not significantly influencing wider cost increases, with most children in cheaper supported accommodation

Providers face challenges supplying the residential care needed, due in part to workforce issues and barriers to setting up new homes.

- number of children's homes increased by 63% but smaller homes and may not be where they are needed
- Barriers include high property prices, securing planning permission, and the time taken for Ofsted to register homes
- In 2024, Ofsted reported that almost one in three children's homes often or always reject referrals for children with complex needs, because of challenges recruiting trained staff
- As at March 2025, 19% did not have a registered manager

DfE has allocated capital funding to expand and repair local authority residential care but will need better information to assess whether this addresses supply issues

- rebuild and repair three secure homes, build two new ones
- £110 million to create 547 residential care places
- DfE lacks a national picture of capacity to tell whether the places created are where they are most needed

Local authorities' approach to commissioning residential care contributes to local authorities competing for places and to cost increases

- LAs rely on finding placements just as children need to be housed
- only 56% of local authorities had published forward-looking strategies
- lack of coordinated commissioning puts local authorities in competition with each other, weakening their negotiating power and allowing providers to charge higher prices

DfE has introduced regional commissioning, although it has not yet tested the full model.

- two pilot regional care cooperatives (RCCs)
- Although DfE intends RCCs to take on a significant role in supporting commissioning, those launched in 2025 test a more limited concept as LAs concerned didn't meet statutory duties
- MacAlister review envisaged that RCCs would operate nationally from 2025. DfE has not made a public commitment for when this will be the case, but in a 2023 business case expected this could take ten years

DfE is progressing changes in response to challenges, but taking time and it is unclear how they will address all previous recommendations

- CMA and the MacAlister review recommended changes, which DfE broadly accepted
- DfE's response is still at an early stage, with many changes in progress or not yet started
- speed of its response had been impacted by the general election timing in 2024

DfE has not articulated what a productive and resilient market should look like

- DfE has set out the nature of changes it wants across the children's social care system, including reducing the dominance of private providers
- it has not explained the mix of providers it would expect in the market, and does not fully understand demand for different types of care

DfE does not collect comprehensive information to better understand the causes of market issues

- lacks up-to-date information on children's needs to understand demand
- lacks information on the places residential care settings can provide and whether children are placed in settings that meet their needs
- Ofsted are undertaking analysis to assess how well local authorities can meet demand for children's social care
- DfE does not systematically gather insights from local authorities or providers to identify and share challenges and good practice

Difficulties obtaining financial information make it hard for DfE to identify how much places should cost and excess profits

- The complex ownership arrangements for many large providers make transparency hard
- DfE does not fully understand how costs break down or what constitutes a reasonable price for residential care.
- considerable variation in the cost of similar placements.
- DfE does not have a CQC-like market oversight function – although introducing better financial oversight ‘difficult to replace’ providers. Will be gathering data from 2028/9

Recommendations

establish a productive and resilient residential market

- provide clarity on DfE vision for the residential and foster care market
- develop DfE role overseeing the operation and resilience of private residential and foster care providers. It should gather and use proportionate cost, profit, staffing and capacity information
- after piloting regional commissioning, plan and roll out
- establish regular information sharing between local authorities

address why looked-after children are not always placed in the most appropriate care

- Work together with DHSC (NHS) and MoJ around complex care
- increase recruitment and retention of fostering households
- improve the skills of children's care home workers with a package of interventions to support providers in having enough staff with the right skills based on successes in doing this with EY sector
- Support LAs to more effectively maintain homes and reduce the need for expensive repairs or new buildings