

Education Committee

Oral evidence: Children's social care, HC 372

Tuesday 26 March 2024

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Members present: Mr Robin Walker (Chair); Mrs Flick Drummond; Anna Firth; Nick Fletcher; Vicky Ford; Andrew Lewer.

Questions 92 - 153

Witnesses

I: Stuart Ashley, Director of Children's Services, Hampshire County Council; Councillor Roger Gough, Children's Services Spokesperson, County Councils Network; John Pearce, President, Association of Directors of Children's Services.

II: Lucy Croxton, Policy, Public Affairs and Campaigns Manager, Together Trust; Andrew Isaac, Chair, Children's Services Development Group; Dr Mark Kerr, Interim Chief Executive Officer, Children's Homes Association; Dan Turnbull, Senior Director for Markets, Competition and Markets Authority.

Examination of witnesses

Witnesses: Stuart Ashley, Councillor Roger Gough and John Pearce.

Q92 **Chair:** Welcome to today's session, which is on children's social care. We are taking oral evidence from two panels this morning. First, we have John Pearce, the president at the Association of Directors of Children's Services, and Councillor Roger Gough, children's services spokesman at the County Councils Network, as well as, remotely, Stuart Ashley, the director of children's services at Hampshire County Council. You are all very welcome to the Committee. How significant is children's social care as a factor in rising local authority spending and indeed deficits?

Roger Gough: The short answer is that it is very significant and it is a growing impact. Historically, when people have spoken about pressures in local authority budgets, a lot of the focus has been on adult social care. Very often in recent times, the pro rata or percentage increase for children's has been greater and it is a growing impact.

For our members at the County Councils Network, it is now nearly a quarter of total spend. A few years ago it was a bit below a fifth, so it has increased significantly. Overall, spend has almost doubled on a per-head basis over the last decade, so it has been a very significant increase. Late last year, the County Councils Network set out its estimates of the overspend pressures that there were, and about 45% of our overspend pressures were in children's services.

Q93 **Chair:** That is pretty much universal across upper-tier local authorities, is it not?

Roger Gough: Yes. There will be variations on the theme depending on what exactly is driving it. Some will have slightly different trends on underlying numbers, but perhaps what is most common is the unit cost pressures, which are very severe.

John Pearce: I would absolutely agree with that. We have seen a really substantial increase in two areas. The predominant area is around children in care placements, particularly the increase in very expensive placements for those children with the most complex needs, alongside the challenges that we have within the residential system. That is compounded by an overall increase in numbers as well as complexity. In a lot of areas we are also seeing significant pressures driven through workforce challenges, as well as challenges in terms of availability and sufficiency of social work staff and some of the agency fees around social work staff.

Q94 **Chair:** Can I bring in Stuart for the Hampshire perspective? Is that a picture you recognise from your experience?

Stuart Ashley: Yes, absolutely, it is a picture I recognise. Let me give you some numbers to prove the point. In 2018-19, Hampshire was spending £142 million on children's social care. At the end of this financial



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year, that has gone up to £264 million, so really significant increases in spend. All of that is driven by demand. As John rightly said, the real pressure comes from the cost of looked-after children's placements, which has grown exponentially.

Q95 Chair: The spring Budget included £500 million of funding for local authorities, with £165 million specifically for children's services. How far does that go to helping local authorities deal with the rising costs of social services?

Roger Gough: It was useful but it does not address the underlying issues. It was certainly very welcome. If I may step out of my CCN character for a moment and just take my own local authority, Kent, from memory that package was worth about £13 million to us. That is in the context of an overall budget for my authority of £1.4 billion and spending pressures, which are clearly in the very high double-digit millions. It was useful but also, as I think you indicated, not all of it was related to children's social services either. While it was helpful, it was a one-off and limited solution.

John Pearce: We see a very similar picture. I see it very much as a sticking plaster. It is extremely welcome. In the context of an LGA forecast that talks about a £4 billion shortfall, £500 million provides some respite, certainly for some authorities that were really struggling to understand how they could balance the books in-year. We know that increasing numbers of authorities are looking at 114 notices or additional financial support directly from Government. That has mitigated the risk around some authorities.

Looking forward, a lot of authorities are planning over a three or four-year cycle in terms of their financial sustainability. In my authority, as in most that I talk to, it is the 2025-26 and onwards forecasts in the Budget figures that give us real concern. The IFS estimates talk about a potential 3.5% cut in funding to unprotected areas such as local government at a time when we are seeing really substantial increases. At the moment, we are having to plan on that basis because we are working on a three or four-year cycle. Similar to Roger's reflection from his authority, my authority's allocation from that £500 million was about half my in-year overspend. That gives you a feel of the scale of it.

Q96 Chair: I presume that there is a similar challenge in Hampshire. In terms of the other challenges in this space, I guess that in the past when local authorities faced a challenge in children's services they were able to cross-subsidise from other areas. The issue I hear from my county council is the concern that it faces deficits in multiple areas, such as adult social care, children's social care, home-to-school transport and SEN. We see in the special educational needs space the Government investing in programmes with Safety Valve and Delivering Better Value specifically to help manage those deficits, but they do not seem to have ever turned them around, or only in very few cases. What would turn things around in this space?



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Also, you mentioned section 114 notices. We had the example of Birmingham, where a section 114 notice was followed by very substantial cuts to children's services. How does the system cope with that and how do we make sure that statutory duties are still delivered on in that context?

John Pearce: The real risk in the system for how they cope with that is that the discretionary spend, which is the spend that we know has a real long-term impact on prevention and early help, is the area that gets reduced. That is a false economy. In effect, it stores up costs further down the line. It is really bad for children and families. It is really poor for their outcomes. We are not addressing need at the right stage, so we continue to see the movement towards crisis response, which is already a real concern in terms of the amount of spend that is at the top end of the system on our statutory duties, particularly on children in care but also on a range of other statutory duties, at the expense of broader, system-wide spend.

A lot of the recommendations in "Stable Homes, Built on Love" talk about investment in family help and prevention. There is a core element of the national reform programme, which I think the whole sector agrees with and would get behind, but is potentially being undermined by the short-term financial challenges that authorities are facing.

Roger Gough: The work that CCN did suggested that the core statutory elements had gone up from 42% to 51% of spend over the second half of the last decade and, I think, on the projections, are heading towards 60% over time. You can see an analogy between this and lots of policy areas, where you find yourself on the treadmill because those statutory areas—the more urgent areas—eat up an increasing portion of your resource and it becomes ever harder to do the things that will actually help you out further down the line. I think that that, again, is a common experience of local authorities.

Q97 **Nick Fletcher:** Thank you for joining us today. I believe these costs are usually down to supply and demand, so the number of children who need the places and the number of places that you have available to you. What other significant factors are causing these high prices within children's homes? Where are the main costs?

John Pearce: It is a combination of things. Absolutely, it is around that supply and demand. We have increasing numbers of children coming into the care system and some real challenges about how the system expands and provides the right sorts of care for those children when they come into the system. There are a lot of pointers around particularly the make-up of the residential sector at the moment and the increasing role of and balance between private provision and local authority provision, which is 80:20 now. Particularly within that 80%, there is increasing growth in a smaller number of larger, often private equity-backed organisations that are not supporting the growth in supply to meet need. Often, it can be



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beneficial to their business models not to grow supply, but to control supply in that way.

We have a couple of things that are operating in that space. You have a total number of beds available, which is not growing at the pace it needs to in order to meet demand. They are often in the wrong place and not able to meet need. Also, a lot of those beds are out of the system for different reasons; for workforce or regulatory reasons, or due to decisions made by businesses, homes are not freeing up those beds to be used. That controls supply to a point that really drives up cost.

One point that came out strongly through the CCN work and some other work is about the transparency of costs and what you could perceive to be surge costing-type models, the impact of something that effectively is not a market, because the only purchasers of care are local authorities with public money, and the way in which that has not grown to meet need.

I also think that there is a key factor around complexity here. We have seen a substantial growth in really high-cost placements. More than 90% of councils now have at least one child whose placement cost is £10,000 a week or more. The overall growth in those types of placements has been huge. The LGA report last year provided some detail on that and on the scale of that growth. I think that the highest-cost place was £67,000 a week, or certainly in the sixty-thousands per week.

A lot of those children have a level of complexity: often, they have significant mental health needs, have suffered severe trauma, or have substantial risk that is based outside of the home. There is definitely a group of children for whom we do not have the type of provision available to meet need. Many of those children historically would have been in mental health in-patient beds. The bed nights in children's mental health in-patient beds have reduced substantially without an alternative being put in place. That is not to say that that is not a good thing from a policy perspective. For a lot of children, a mental health in-patient bed is not the right place for them to be, but those bed nights have reduced without an alternative community provision being put in place. Those children are now coming into the social care system and we have a model that is not able to meet their needs.

Similarly with youth justice, it has been well documented, and it is quite a positive thing, that we have far fewer children going into youth justice facilities. Those children are now within the community and coming into a social care system where an alternative has not been found. The Children Act is a fantastic piece of legislation but was designed at a time when these young people were in different bits of the system and was not designed to meet their needs. Local authorities are now picking up that slack.

We really need a very different type of model that is able to fill some of those gaps. That would address some of the really high-cost placements.



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Ultimately, there needs to be a complete rebalancing of the market model in residential care, with much more sufficiency within local authority and not-for-profit provision and a real growth around some of those things.

Q98 Nick Fletcher: I have figures for Doncaster and I have mentioned them before in another Select Committee. We have one child, who is actually attending mainstream school, for whom the cost is £677,000 for one year. Where would those costs have gone? Is there profiteering going on here? I have heard that there is a child who is the first million-pound child. It is not just Doncaster; it is obviously many other authorities. Where is that £1 million coming from in that case? For them to attend mainstream school and still cost that amount, there is something not quite right here. The taxpayer is paying out huge sums of money.

Roger Gough: John may wish to come in with some other elements, but let me pick up on some of the things he was addressing and add a few points too. First, there is a fundamental issue of misalignment of supply and demand, to partly answer your question. The number of children in care has increased over the last decade or so by something like 20%, but within that there has been a big shift. You see much more in the way of older children coming into care. Many of them, as John was describing, are those with the most complex needs. A lot of that goes back to quite significant changes in terms of how risk is perceived for teenagers. It is to do with what has happened with tier 4 beds, the youth justice system and so on. All of those things have contributed.

I know that you will hear from a representative of the Competition and Markets Authority a little later. They were clearly addressing, to some extent, some of the points you were describing. But as I say, we undoubtedly have a market in which there is the scope for surge pricing, if you like, and some very severe needs as well. Those two things come together to generate very high placement costs. I am not saying anything that has not been in the media. There was a case at another local authority that was costing either £51,000 or £57,000 a week. That was a very extreme case, but those are the sorts of elements that you see.

As the CMA report covers, there are elements of the market where there are clearly excess profits, or profits higher than you might expect. They are not followed by investment in new capacity, which you would otherwise expect. If there were those levels of profits, you would get further expansion of capacity and start to deal with the problem. That is not happening.

Q99 Nick Fletcher: Stuart, how significant are the activities of these private providers in generating these costs? Do you think that they are playing with the market? How do you think they are affecting it?

Stuart Ashley: These are not costs. Let us use the word: it is profit. That is what is driving the system. Frankly, at times it feels like bingo. We have to place children away from our local authority because that is



the only available placement. The provider knows that there are no other available beds, so they can charge more or less what they like.

We try to manage that. We have framework contracts in the way we go about procuring provision, of course, but we are still left with a reactive system. A child might be discharged from hospital and still present a very high risk, so we are then searching desperately for a bed. This is replicated in local authorities up and down the country day after day.

There is a wider point. We sit here and talk about cost and profit. These are the most vulnerable children in our society, who we are collectively responsible for. On a personal note, I do not agree with any profit associated with this at all. I am not against commercialism, because that can be very helpful, but we are talking about profiting from the most vulnerable children in our society. For me, that is morally wrong.

Q100 Nick Fletcher: Businesses have to make profit; otherwise, they would not go into business, would they? The profiteering is what you are against. Is that what you are saying?

Stuart Ashley: It is, although Scotland has a not-for-profit approach to its residential care. I wonder whether there can be a move over time to the same in England, or whether at least we could cap some of those profits so that it is not actually exploiting children. That is technically what is happening here. It is done through the lens of the local authority, but they are being seen as commodities. I know that that is a challenging statement, but it is the reality of what social workers and managers are dealing with on a day-to-day basis.

Q101 Nick Fletcher: When you cap profits you can create further issues. We have to be careful with that. We need to always look at the supply and demand. That is how we work our way through this.

John, in your written evidence you highlight that specific legislative or regulatory changes have made it difficult for local authorities to plan for children's social care. Can you set out what those changes were?

John Pearce: There have been a number of changes, not just within the legal and regulatory framework but in the broader framework. There are some very specific legislative changes that have come in over the last couple of years in terms of supported accommodation particularly. We are seeing a regulatory framework coming in. While in terms of the principle of looking at driving up quality that is absolutely the right thing to do, in terms of cost and planning that creates a lot of uncertainty in the system. I think CCN did some work with Newton Europe that looked at potential cost increases of 15% to 30% as a result of that. Where those changes are made, we need them to be fully funded. We need to have recognition of the costs of a whole range of legislative changes.

There are quite significant regulatory challenges in this space as well. The care standards are over 20 years old now. We talked a bit about the changing nature of the young people we take into care, many of whom



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come into care as teenagers, often because of risk outside of the home such as exploitation, going missing or trafficking—a whole range of risks—or complex mental health needs. The way in which the residential standards are set up does not take that into account. That makes it very difficult for local authorities in terms of finding suitable provision, oversight of that provision and how the regulatory framework enables us to meet our legal duties around some of the legislation that has changed in recent times.

Q102 Chair: Is there a risk that the bar is set so high that it is actually easier for local authorities to place children further away, in an area where they have less direct responsibility for the standards of the accommodation, than to develop the accommodation themselves?

John Pearce: The nature of the regulation has meant that we have a real imbalance in terms of where most residential provision is. We have a very property-based model, which means that independent provision, in particular, is very much concentrated in areas of low property prices, which are often areas of very high deprivation. That means that you get this really disproportionate impact in terms of local availability of places.

It can also be really difficult for local authorities to grow their own capacity. In Durham at the moment we are trying to grow our residential capacity significantly. We were already quite a big residential provider from a local authority perspective. Within the broader context of all the things you need to do to grow your residential capacity, that can be really challenging.

Ultimately, the biggest issue with placements out of area is a lack of sufficiency and choice. We are not making proactive, positive choices to place children far away from their own homes in the vast majority of cases. There is a very small number of cases where that would be the case. In the vast majority of cases, if sufficiency is not there and the provision is not available within our local community, where we want it to be, we have no choice but to make decisions that we know are not what we would want to be doing.

Roger Gough: Going back to the point I mentioned earlier about a mismatch between supply and demand, that is geographical as well as in type. For some of the reasons that John has described, you see growth in some forms of provision in areas of low property prices and higher levels of deprivation. In my own area, Kent, there has historically been significant growth in provision in coastal communities—that has been a very long-running element of this—and therefore very large numbers of other local authority children placed there. That has an impact across the entire sector.

Q103 Mrs Drummond: We have heard about the high cost of things. What impact are we noticing on children and young people from that? Can I start with Stuart? Hi, Stuart—it is nice to see you.



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Stuart Ashley: Yes, hi, likewise. The impact on the children comes back to two things, really. It may be high-cost, but it is not high-quality in the vast majority of cases. We are still having to seek additional support from the NHS child and adolescent mental health services. We are still having to seek additional support in terms of learning. While it may be a residential placement, it is very rarely the full package.

The full range of the child's needs, which, as both colleagues have said, are increasingly complex, is not being met. Often, if the child is then further away from the local authority, it is even more challenging to meet those needs, because we are having to make contact with a range of agencies that we have no relationship with. These should be seen as short-term stepping-stone solutions but often they are not because we cannot find an alternative placement. You get trapped in this cycle and that is where there is an implication for the child's needs. If they are not addressed and met in the longer term, it becomes a holding position, unfortunately.

Q104 **Mrs Drummond:** What measures are there for out-of-area placements? How do you work with other areas when you have to place children out of area?

Stuart Ashley: We have our virtual school head, who will make contact with the education colleagues in the other local authority. We will have key designated leads in the ICB who will do likewise. These children are not the responsibility of that other local authority and those other agencies; you have a gap, because these are our children. These are Hampshire children. If I am placing them in another local authority, responsibility rightly sits with me, not with those other agencies. We have to corral those services, and that is very challenging.

Q105 **Mrs Drummond:** What impact is there on children in Durham and Kent from the high cost and being sent out of area?

John Pearce: I would absolutely support the statement Stuart made. We have real concerns about the quality of provision because quality does not match cost. Quite often, children will bounce around placements. The external provider behaviour can be pretty appalling at times. There are examples of providers serving immediate notice or doing a range of things that are clearly not in the best interests of the child, so really significant quality issues.

The basic nature of a placement out of area means you are moving a child away from their friendship links, community links, family and extended networks, as well as all the things that they know. Taking a child into the care system is a huge thing. It is a huge thing for that child. If you take them into the care system and then say, "We are going to move you 100 miles to a place you have never been to and where you do not know anybody," the impact on the child is really significant.



Absolutely, that should be a stopgap where we need it, but we should not be having to make these placements. We should be able to meet the needs of children within our own communities. It is really important that, as we take forward the reform programme from “Stable Homes, Built on Love”, that is a real priority: that we are able to meet need much better. As Stuart says, those links with other professionals and our direct oversight of the quality provision within the home all becomes much more challenging at distance than when it is a placement within our area.

Roger Gough: From our point of view—again, speaking more from a Kent than a CCN perspective—we see this chiefly as a recipient. We place some children out of the county, although many of them relatively close by. For instance, there will be some in in Medway, our neighbouring unitary authority. The biggest thing that we observe is the arrival of children from London boroughs and a number of other authorities. That has all the impacts that both Stuart and John have already described. It of course also means that we have a situation where many of our providers are focused on that national out-of-area market, which constrains the placements that we can make locally.

Q106 **Mrs Drummond:** Roger, I know that you have come here with another hat, but in Kent you have the asylum-seeking children. What impact does that have on local provision for local children?

Roger Gough: It clearly is another source of pressure, particularly in certain areas of accommodation. There are a couple of elements. There is a very specific issue that we confront around reception capacity for those young people when they arrive. Equally, we will be, and have been historically, significantly above the recommended 0.1% level, and that means pressure in areas such as fostering, when you are looking at the under-16s, but also an awful lot in semi-independent accommodation. It is another element in that equation.

Q107 **Mrs Drummond:** Yes, there is a lot of pressure. John, you have criticised the Government’s intervention in children’s social care and said that it will take several years before it is implemented. I read a bit about what you had said. What can the Government do immediately to improve the situation on the ground, and what aspects of the strategy need further consideration?

John Pearce: We were saying that we need a balance between long-term reform and change, and dealing with the immediate burning platform, particularly in the context of regional care co-operatives. I know that you will come on to that.

Mrs Drummond: Yes, my colleague is going to talk about that.

John Pearce: We need interventions that are going to address the completely failing market system for children’s residential provision. We need to bring some rules and regulations to that, whether or not that is a national set of interventions. ADCS published a paper last year on a



range of national interventions we believe could be done in the short term that would enable us to start to address both some of the profiteering and some of the quality issues within the residential system.

There are also things like the pace and scale of change, so the investment in capital infrastructure. We know that, if we are going to rebalance children's residential provision, it is going to need really substantial capital investment in local authority and not-for-profit provision. There is a pot of funding that has been allocated, and some additional funding came through in the spring Budget, but the scale of it and the pace at which it is being rolled out to enable local authorities to expand their provision are not sufficient. It is about doing things much more at pace to be able to address some of the endemic issues.

The other issue is around the funding. In Josh MacAlister's findings he talked about really significant and game-changing investment in family help to rebalance the system. That investment has not come through yet; it is a discussion for the next spending review. By the time that comes into the system, we will be another three or four years on, by which time all of the issues that we are currently seeing will have escalated and we will not have addressed some of the core elements. It is about pace and scale of change, but also what can be done now.

Q108 Mrs Drummond: There was some criticism, too, that the pilot schemes will take too long to come through. Do the other witnesses agree with that?

Roger Gough: It is all part of one argument, really, which is, as John mentioned, about pace and scale. There is not consensus on every point of detail, but there is broad agreement about the direction of travel, going back to the Josh MacAlister review and then the ambitions and overall direction of "Stable Homes, Built on Love". I do not think that there is vast disagreement about that. It is a question of how quickly you act on it.

The criticism in relation to the pilot schemes is that there is already a fair amount of evidence and agreement, and this is, to some extent, stretching the process out to a degree that, while you can see why it might be understandable if you are trying to limit your initial spend, means that, as John said, the problems just mount in the meantime.

Stuart Ashley: I would echo everything that has been said. In Hampshire, we are rolling out the new family help model next week, actually, because we recognise that there are benefits. We are doing it from a zero cost; there is no investment from the local authority in it. It is hard to do, but we think it is the right thing and sets us up for the longer term.

John is absolutely right. We need some change now, but we need it from both ends. We need it, yes, in terms of the profit associated with the independent children's homes, but we also need investment in preventive



services so we tackle things from both ends; otherwise, we are continually firefighting. There is no preventive budget that comes in. I have no budget in relation to that, other than Supporting Families, which of course is very tightly focused and ringfenced. We need that investment. We have seen many third-sector and voluntary organisations come out of working with children and families because they have not had access to funding. Both ends need to be challenged.

Q109 Andrew Lewer: I want to ask you all about the mooted regional care co-operative model. I wonder whether you feel it would be effective in reducing local authority costs for children's social care.

John Pearce: ADCS is on record extensively over the last 18 months around the regional care co-operative model. We see some significant challenges in the model as described in the care review. That was taken forward into "Stable Homes, Built on Love". That is not because we do not think that regional commissioning arrangements and regional arrangements are not the right thing for some elements of the system, but what has been proposed is a significant structural change to create a new regional entity that separates out decision making both from local democracy and from corporate parenting responsibilities at a local authority level.

It is that element of it that we were quite critical of. There is the time it would take to do that, because it would need legislative change, so you are potentially looking at four to five years, at best, of pretty challenging structural change and upheaval to get to a model where there is no real evidence that it is going to make any significant difference, when what we were saying was that you can address a lot of those issues now. You do not need to create a new entity. You do not need structural change to do that. We have seen challenges in other sectors, such as the NHS and probation, where focus on substantial structural change has actually taken us away from the core issue.

We looked at the RCC model and pulled out the bits that we think absolutely work and what should be done at a local level, what should be done at a regional level and what should be done at a national level. ADCS published a paper last year that did two things. First, it sets out the set of national interventions that we believe are necessary to create the space for any commissioning model to operate and to work. Without putting those success criteria at a national level in place, it does not matter what commissioning model you have; it is not going to work.

Secondly, we defined what we think regional, national and local commissioning should look like and how a significant part of the RCC proposal could be taken forward in an effective and workable way, without moving to the full purist model that was described in the review, which is the element we have significant concerns with. We are certainly not saying that there is not scope for much more change in this area. There is definitely scope for local authorities, at local level and at regional and sub-regional levels, to commission more effectively.



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Our concern is that this was almost seen as a silver bullet within the review. Ultimately, this is not a commissioning problem. Commissioning could be better but, unless you address the fundamentals that are wrong in the system, it does not matter how effective your commissioning is; it is not going to have any material change in terms of the model. The RCC is a commissioning response to a problem that is not fundamentally a commissioning problem, if that makes sense.

Q110 Andrew Lewer: It does. Roger, do you see any benefits in a model that, to me at least, says that things would be better if there was less direct democratic oversight of them, and that somehow a unit of 3 million or 4 million is automatically more efficient and better than a unit of 750,000 or 1.5 million?

Roger Gough: No, not put in those terms. Where we have been in CCN is very similar to what John described in terms of the ADCS perspective. We engaged a lot with the care review and, in many ways, very positively so. There was a really good dialogue on that. On the aggregation of commissioning, our view would be “some and some”. There are some merits. It is worth remembering too that, when you are looking at the 152 children’s services local authorities across the country, you are talking about radical differences in scale. That will make a difference to how you approach some of these issues.

There is a place for some of this and you could recognise that it is part of the problem and part of the solution. There is a much bigger range of problems that we have described. We have, to some extent, touched on those already. We may well come back to them. It would be seeing it as simply one part of the solution. I also very much endorse what John just said about avoiding structural change. To be fair, so far what is being developed seeks to avoid that and seeks to take a more incremental approach to it.

Q111 Andrew Lewer: Stuart, I have a similar question to you. Is there any potential benefit you can see versus what I think are the disbenefits, such as lack of direct control—so Hampshire County Council and its senior officers are part of some larger collective that is more remote—and this assumption, which we sometimes get in social housing too, which I also think is wrong, that somehow bigger units, operators of 40,000 houses, will be more efficient and effective for their tenants than ones of 1,000 or 5,000? I am not selling it, as you can tell, but is there any actual benefit you can see in it?

Stuart Ashley: From a Hampshire perspective, there is very little. It goes back to the question of our size and our own commissioning ability, so very little. There is of course always some merit in collaboration with other local authorities, but I see the real benefits in the RCC for small authorities. I struggle to see it from a Hampshire perspective.

Where I think there are benefits is in the national commissioning of the more specialist placements. We talked at the beginning of the session



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about a reduction in tier 4 psychiatric beds for children and a reduction in beds in the criminal justice service. On the face of it, that is all very positive, but we know that, on any given day, there are 50 local authorities chasing one secure welfare bed. Where do those other 49 children go? The answer is into those really high-cost, poor-quality placements or bespoke packages, so local authorities renting properties. National commissioning of those placements would be a very sensible move, because, whether the needs are psychiatric, safeguarding or criminal justice, those children are one and the same in our view.

Q112 Chair: If there were national commissioning, though, who would be doing it? Would that be the MOJ and the Department of Health respectively in those categories, or is there a way of reconnecting that with the local authorities?

Stuart Ashley: It needs to be cross-Government, so the Department for Education, Ministry of Justice and Department of Health of course. I believe that some early discussions may have started to take place in that area, but I am not privy to them. John might be, so I will defer to him on that.

John Pearce: There is a task and finish group that has been set up to look at exactly this issue nationally, which involves the Department for Education, DHSC, NHS England and ADCS as part of that discussion. It takes us very much into a space, whether it is at a local, regional or national level, about an integrated commissioning model and how we take a coherent look across the system so we do not come at this from a social care perspective, a mental health perspective or a youth justice perspective. There needs to be a coherence to the plan.

Whatever comes through that, we have been calling at either a local authority or a sub-regional level for the Better Care Fund model that operates in adults to apply to children's services. You could see quite easily how that type of arrangement could also operate at a national level with a cross-Government plan and integrated resources that looked at how you map out something that comes from the starting point of a child's needs, rather than which bit of the system you happen to be in. That would be really important. At a local level that would make a massive difference, but you could absolutely see that operating at a national level.

Chair: Getting the scale right would be crucial. I recognise the picture, but, when a local authority has one particular type of child with one particular type of need, the costs can escalate enormously.

Q113 Anna Firth: I am going to continue the theme of what we can do to improve the system. Can I come to you first, Roger? In your written evidence, you state that recent Government measures "tie the hands of local authorities" and there is "little there to fetter the bad practices among the providers". Can you expand a little more, please, on how local authorities' hands are being tied and what we should be doing to untie



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your hands and give you the freedoms that you clearly would prefer to have?

Roger Gough: In some ways this refers back to a number of the points we have already been discussing, so I will try to draw those together. That was partly a reference to what we were just discussing—some of the regional models proposed. Underlying that was, in effect, the question of whether the problem that we see is simply one of commissioning and the scale at which commissioning is carried out, or whether there is a wider range of factors underlying it.

Our starting point was to say, certainly from the CCN point of view, that we are not resistant to any sense of possible change and, in some places, aggregation. We have already said that that will vary a bit depending on the scale of the local authorities involved, etc. It is a mistake to see that as the root of the problem. That is when it brings us back to the conversations we were having earlier about the distortions we are already seeing in the market. You will have seen from the submission that some of the points on which we were seeking to focus were around some elements of price capping. I take Mr Fletcher's point that you can have perverse outcomes from that.

There may be room for debate if you look back at the CMA report as to how it proposed dealing with some of the market distortions, and the answer for how best you do that may well be "some and some", whether or not you are looking at price capping and, within that, taking account of additional tiered extra needs. You would then seek, equally, to have a degree of regulation, certainly around what is basically surge pricing and the points at which there is extreme pricing in relation to very specific demand. That goes back to that position of several dozen authorities chasing one specific place. It is those sorts of areas.

We would see it as looking from both ends of the telescope, so recognising some of the issues around commissioning but not fundamentally saying that all the problems are around commissioning. If I may add another element to that, it goes back to some of the regulatory burden that gets put on in relation to carrying out those activities. There has been some reference already to the work that we did at CCN in relation to semi-independent placements. Whatever the merits of what is being put forward, the reality is that that is an extra regulatory burden. On the funding that is allocated to it, the estimates by CCN and Newton were that the incremental costs are probably nine times the new burdens funding. So it is all those things.

Q114 Anna Firth: That would be another area you would like to see looked at. Can I come on to the issue of reunification? We have heard evidence from the NSPCC and Action for Children in relation to their "Home again" report. They found that 56% of 75 local authorities surveyed did not have a reunification policy or strategy. Do you think that enough is being done? Are local authorities focusing enough on reunification with birth families? Do you think that that is a way of relieving the burden? Can you



see any disadvantages of that policy?

Roger Gough: They are not so much disadvantages but challenges. It has some real benefits to be explored, but it is not a silver bullet. The work done by NSPCC and Action for Children was a very good and important challenge to take this issue into the debate. At the same time, we would say that there can be some real challenges in delivering this. A family's own circumstances may well have moved on. They may not be in a position where they are used to sharing their lives with children. There may well be severe financial and other constraints on those families. It may well be that their housing arrangements are no longer fit for the purpose of having, let us say, a teenager or older child coming back into their lives. There is undoubtedly a need, if you are going to take that forward, for quite material support, certainly from the local authority.

All those things are constraints. I would hate to come out with that as simply a reason not to do it. A greater degree of focus, bringing it up the scale in terms of the debate, is well worth having. That may well then flow through into some degree of national guidance and support, and looking at what the funding requirements would be. It is a promising area to look at, but there are some quite significant real-world constraints in terms of what it can do.

Q115 **Anna Firth:** Yes, absolutely. There are two stages to this. There is the 44% of local authorities that currently do not have any focus on reunification. Presumably, you would like every local authority to at least be considering this as one of the tools in the toolbox. We heard that one council reported savings of £2 million a year by focusing on reunification practice. Do you have any experience of this in Kent? Has it worked in Kent successfully? What are the savings? Specifically, what are those long-term challenges? It could have worrying consequences.

Roger Gough: It is something that we certainly have pursued in Kent. In doing so, we encounter quite often a number of the challenges that I have described. I could not give you a figure immediately for what the savings associated with it would be at the level of our local authority.

To go back to the first part of your question, I believe that it is well worth seeing that local authorities collectively are able to give that somewhat greater focus. Equally, in pursuing that, you would want to ensure that there was real account taken of the challenges around it and around delivering it. As I say, I put it more in terms of challenges than downsides, though clearly under some circumstances—this would be a matter for the judgment in particular cases—if there remain those dysfunctions that there have been within a family, and perhaps they may well indeed have got worse since the child was removed, that puts up a very large obstacle.

Q116 **Anna Firth:** There would have to be real safeguards in place.

Roger Gough: Yes.



Q117 Anna Firth: Stuart, we have read your evidence about encouraging in-house provision. The obvious question is this: given local authority budgets are so strained and under such pressure, how can the Government generate more in-house provision?

Stuart Ashley: If we take residential in the first instance, clearly it is expensive to build children's homes, so capital investment would be necessary. Underpinning that, though, we struggle as local authorities with the revenue funding. There needs to be a real drive around the care profession. There is a proper conversation to be had about the care profession, actually. It came through in the pandemic, particularly with older people's homes. Do we really want to professionalise the care profession? It is among the lowest paid and yet I am asking those staff in my homes in Hampshire to care for some of the most complex children. There is something about the professionalisation of the care sector that the Government need to focus on. It needs to be on a par with teaching, nursing and social work. I think that that would really give a lift to the sector.

There needs to be a change to the regulations. John touched on this earlier. I currently have eight children's homes in Hampshire with a ninth coming online. The ninth one was a dual building with health. We have gone into it together. Health and the local authority have invested, recognising that those children's needs span both services. The reality around the regulations is that in many of my homes I have four beds but often there is only one child in there. Ofsted will come in, do an inspection and rightly say, "This child is very high risk and has high complex needs. You should not place anybody else with this child." It puts a restriction on it, so my one bed that is costing me £4,000 a week is now costing me £16,000 a week, which is on a par with, if not more than, some independent provision.

Those regulations need to be changed. The phrase that I use a lot for children is that life is a mainstream activity; it is not a solo occupation. The pun is intended there, because children should not be isolated. They should be among their peers. They should be, wherever possible, in a family-type situation, however that might play out. All those things would improve in-house residential provision.

It is similar in a way for fostering. It is really interesting. In 2022-23, Hampshire came out second across local authorities in terms of its increase in in-house foster carers. The grand total was 15. We are seeing foster carers leave local authorities and the independent sector in their droves, largely due to the cost of living crisis but also because of the increased complexity. If children's services across the country are getting better at supporting children to remain in their home where it is safe and appropriate to do so, those children who then come into care will be the most complex. We therefore need a national framework around foster care that gives our foster carers the right skills and tools to be able to manage the changing needs of the children we see.



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Q118 **Anna Firth:** Is there sufficient ongoing support, Stuart, for foster carers?

Stuart Ashley: I have to say that, in my contact with foster carers in Hampshire, they would say yes. We have introduced something called our Hampshire Hives, which is like an extended family, so foster carers supporting foster carers with some professional oversight. That means that, for example, if foster carers want to go out for dinner for the evening or go away for the weekend, they have other foster carers they are linked in with who provide support. That peer-on-peer support is really proving valuable. That is a model that should be replicated elsewhere. I know that it is in many authorities.

Anna Firth: Thank you. I am not ignoring you, John, but I am going to pass over to my colleague Vicky.

Q119 **Vicky Ford:** Apologies for being late. I know that I am a new member of this Committee, but I just have to make this comment. The fact that not a single Opposition MP can be bothered to turn up at this session has to call into question how much they care about vulnerable children and the services we provide to them.

Chair: In the circumstances, there are personal reasons why some Members are not here.

Vicky Ford: There may be different circumstances, but I have seen it time and again with very low attendance—a couple of Members are great.

What you are saying today, gentlemen, is really important. There is the chance to change some of this. I was gobsmacked by what Stuart has just said: £16,000 a week for one child. That is £832,000 a year. It is more expensive than the Hilton, let alone anywhere I have ever been able to afford to stay. Your recommendations for how to change that so we get better services for all are key.

John, some have commented on how we can get local authorities to work better with private providers to reduce costs and to plan in advance, so you are not trying to buy bed places at the last minute in a panic. How can we try to get better children's care service provision by working together between providers and local authorities?

John Pearce: There are lots of good examples of where local authorities are working really effectively with providers of all types, including private providers. Where some of the business models operate, that is really difficult. We have to go back to what we want to see within the care system and the types of business models we accept. There are some very high-quality, mainly small, private providers that have a lot to offer in this space. A lot of the larger providers are driven by private equity models, meaning that we have decision making that is about meeting debt requirements and managing the profits of shareholders, rather than investing in the children in the system. The only way we address that is by growing sufficiency in the bits of the system that are meeting need and are not undertaking that profiteering.



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Q120 **Vicky Ford:** Is there collusion between providers that is driving up prices? Is there anti-competitive behaviour here?

John Pearce: The CMA report was quite clear that this is not functioning as a market. Fundamentally, as I said earlier, this is not a market. There is only one purchaser of care. We might be split into 152 local authorities but the taxpayer is the only purchaser of care. Because of the growth of these, I suppose, super-providers with multiple arms, they have a scale that enables them to control supply. You have business models that do not grow supply. That came through really clearly in the CMA report.

Q121 **Vicky Ford:** What would you like to see changed?

John Pearce: We need different investment models. We need growth in other bits of the system. I would like to see substantial investment in growth within the local authority sector. I would like to see not-for-profit providers being incentivised to come back in. That could be by looking at social investment models or a whole range of other investment models to grow the overall sufficiency in terms of rebalancing that, but also to make sure that we have the ability to match placements against need. At the moment, particularly for those children with the most complex needs, we are not able to match placements against needs because they are not available. We will often have weeks of national searches for some children where we are not able to find any provision whatsoever.

Q122 **Vicky Ford:** The Government have invested capital in some of these specific areas. Is it just not enough?

John Pearce: It is not enough and it is not growing quickly enough. A lot of the investment, including the investment that was announced in the spring Budget, is in expanding secure welfare provision, which is really important. As Stuart said earlier, there are 50 authorities looking for any one secure welfare placement at any time. A significant amount of the investment is going into that area, but it is about the scale of that investment and, ultimately, whether that is through Government capital funding or just through looking at very different investment models that enable us to grow at pace.

Q123 **Vicky Ford:** Does any local authority do this really well: advance purchase in their area and support social providers, like you have said?

John Pearce: There are models of that type across the country. There are sub-regional sufficiency approaches. There are procurement models. We nearly all have models whereby we have framework arrangements where we engage with providers and look at a whole range of framework conditions, including price and quality. Certainly within Greater Manchester and London there are some models at quite a lot of scale in terms of those sub-regional arrangements.

They will still only ever have a minimal impact because the material elements of the system are failing. Unless we address those, all of the best efforts of local authorities, working collaboratively and more



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effectively around commissioning, linking in with providers of all types to grow their capacity, will be able to take us only so far. We need fundamental change at a national level in terms of the type of system we want and the models underpinning that.

Q124 Vicky Ford: Roger, you spoke to Flick briefly about the UASC and the impact that that puts on local children. I recall that when we used to speak, age verification, and how long that took, was a big extra hold-up in the system. Is the age verification system any better? Is there more that we could recommend in this Committee to address that?

Roger Gough: Some of the work on that has been taken forward. It would be good for the Committee to encourage that work to continue.

Vicky Ford: Like medical age-verification measures?

Roger Gough: Yes, there is that. To come back to an earlier phrase, none of these things is a silver bullet, but it can assist what is otherwise contextual work in assessing it. Where age verification, or age disputes, have often come to be an issue, of course, is as asylum seekers not necessarily initially considered as children are placed elsewhere and then there is a dispute over age. That has often become a big issue for the hosting local authorities.

Vicky Ford: That puts an extra burden on the services as well.

Roger Gough: Yes, indeed. If I may briefly touch on the points that you raised, I know that your next session has a representative from the CMA. One point made in answer to your question about excess profits and so on was that it certainly seemed to be the case, as I mentioned earlier, that you do not get the investment in new capacity that you would expect from the level of profit made. That suggests some flaw in the market. There are also a number of points in terms of approaches to commissioning. We did some work at CCN on what I believe is called "Valuing Care", which sought to do a proper assessment of particular forms of need, and pricing and commissioning those accordingly, which again I would commend.

Chair: I will bring this session to a close so that we can move on to the next panel. I am very grateful for all your input, which will be useful for the Committee. Thank you.

Examination of witnesses

Witnesses: Lucy Croxton, Andrew Isaac, Dr Mark Kerr and Dan Turnbull.

Q125 Chair: We have Dan Turnbull, senior director for markets at the Competition and Markets Authority; Andrew Isaac, chair of Children's Services Development Group; Dr Mark Kerr, interim chief executive officer at the Children's Homes Association, joining us online; and Lucy



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Croxtan, policy, public affairs and campaigns manager at the Together Trust. You are all very welcome.

Can I put my first question to Dan? You heard some of the previous panel's conversation about the regional co-operative commissioning model that your organisation has recommended. Some organisations and providers have said that pre-existing regional commissioning arrangements should be prioritised, rather than making structural changes. Some charities have said that children might be moved to cheaper areas of a region as a result of the proposed changes. How do you respond to those concerns about the regional commissioning model?

Dan Turnbull: Our recommendation was that certain aspects of commissioning need to take place at a higher geographical level than is currently the case, simply because local authorities are, on average, operating at too small a scale to effectively engage with the market. The majority of placements we know are spot purchased in the market, and when that situation is happening local authorities are, in effect, distress purchasers. We know that they have to make a purchase; they cannot delay making that purchase; and they are purchasing in a market where there is insufficient appropriate supply for them to do that. It is almost inevitable in that situation that they are going to be pushed into making suboptimal purchases that do not necessarily meet the needs of the children, and they are going to be paying higher prices for that.

In order to increase the power of those local authorities when they engage with that market, it is important to move away from that distress situation to a more controlled situation, where they are using things like block contracts and advance purchase to be able to shape the market so that that supply is there when they need to call on it. As I say, our concern is that the number of placements that individual local authorities are purchasing, particularly in the very-high-need segment, is too small and too uncertain for them to be able to do that effectively. We think that can be done only at a higher geographical level.

It is important to say, Chair, that our recommendation was not for any specific model. We said that we were not the right people to say which types of activity need to take place at that level or what the appropriate geographical level was, but we were very clear that local authorities will continue to struggle in this market operating at the current scale.

Q126 **Chair:** That is a helpful clarification. In informing that work, did you look at the relative performance and the relative challenges faced by larger upper-tier local authorities and smaller ones, and perceive that larger ones were doing this more effectively with fewer of those cost pressures, or is it more theoretical than that?

Dan Turnbull: No, we did. It was clear to us, as you say, Chair, that some of the larger local authorities were dealing with this more effectively because of that greater scale.

Q127 **Chair:** We have heard that every local authority faces those challenges,



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particularly at the acute end. I guess what we just heard in the last session was a suggestion that actually national commissioning in some of the most acute services, particularly those related to criminal justice and mental health, might be more appropriate than a regional approach.

I have to say that I sit in a county that is perhaps sometimes uncomfortable with its position in a region, and feel that regional boundaries can sometimes be much more artificial to the people who live within them than local authority boundaries are. Do you recognise those challenges with any regionalised approach?

Dan Turnbull: We absolutely do. I completely agree with the notion that national commissioning may be the most appropriate approach for some of those extremely high-need cases.

Chair: That is interesting.

Q128 **Mrs Drummond:** I want to look at the role of residential care in the landscape of the whole social care system. Is the balance between the private in-house and non-profit provision in alignment? In 2021, 77% were in the private sector, 17% were run by the local authorities and the other 5% were run by the voluntary sector. Is that balance correct, and what role is there for the residential homes?

Dr Kerr: The Children's Homes Association represents all of the sector: local authority, charities and independent. It is a choice. We have to recognise that the current make-up of residential across the country is a consequence of local authorities and charities withdrawing from the sector in the late 1980s and early 1990s. There was a void that was filled, and it has been a long evolution since the purchaser-provider split in the National Health Service and Community Care Act 1990.

The Children's Homes Association does believe that there needs to be some rebalancing on this. The rhetoric around providers, particularly the private ones, has become very toxic. There are committed practitioners across the country who are constantly basically told that they are profiteering. They hear that loud and clear, but for the people on the ground that is not necessarily true. Dan himself will acknowledge that they looked only at the largest providers.

In terms of the split, that is a decision for local authorities, but local authorities always have a choice to open up provision themselves. If they have an issue with the current market mix then there is a straightforward solution—that they need to open up more provision themselves—but the current toxicity really does not help the sector or the children in it.

Andrew Isaac: I agree with Mark. You are correct on your breakdown of the market. What has particularly worried me is that, going back even 10 years, 50% of the homes were owned by the local authorities. It is now a very small proportion. My understanding is that there is only a very small number of homes run by the children's services functions.



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What has transpired from that is that the intellectual property and the experience has moved from the local authorities into the independent sector. The independent sector now carries the intellectual property of long-standing employees over a 20-year period. There has to be a lot of interface between the independent sector and local authorities on how we solve that.

If I may just bring in a little bit about regional commissioning, to add to Dan's perspective, regional commissioning will help professionalise commissioning. At the moment you are dealing with 152 local authorities. Some of them are in framework agreements, etc., but this would allow all providers, and then you would have a local authority provider, an independent provider, a voluntary provider and specialist providers in a region, and we could shift the focus on to what is needed for the child.

It should be a child-centric system. If you start looking at what has happened over the last number of years—and if I could divert just a little bit—1,500 Sure Start centres have closed. As a result, in the last five to six years there has been a 67% increase in 16-year-olds coming into care. What can you do with someone between 16 and 18? We transition them into adulthood.

One fact to add on to that is that 23% to 24% of the prison population have been through the care system. If you do the maths on that, the cost is over £750 million. Surely we could manage something to bring that back into the younger people, to make sure they can transition into adulthood. While the whole system is very complex, I totally agree with you that, first, we should have regional commissioning that works and is based on professionalism, and, secondly, there should be much more dialogue. DfE carries so many stats that it is unbelievable. I am not so sure that all the dots are joined up.

Lucy Croxton: What is important about the mixed economy is that it works for the children who need somewhere to live and need a high-quality home. We do not know enough at national level about whether children are living in homes that are actually assessed as being in their best interest by a social worker. It is actually quite hard to evaluate whether the market is delivering good outcomes for children when we know very little about what it is that children actually fundamentally need from their care.

As a provider of children's social care that has been running in Manchester and the surrounding areas for the last 150 years, the average length of service for our nominated managers of our children's homes is over 10 years, and there is a wealth of experience and knowledge that comes with that. Only 3% of providers of residential care are charitable providers, so there is something to be said about collaborating, which we are trying to do in the Greater Manchester area by bringing together six charitable providers that share our ethos and our commitment to high-quality residential care, and seeing how we can collaborate in terms



of tendering opportunities but also in sharing best practice and keeping that part of the sector alive.

Q129 **Mrs Drummond:** Do you think that will have an immediate impact? How can we improve it quickly?

Lucy Croxton: There are a few things that we can do. We always need to go back to the fact that children need a voice in the home that they live in, but also in the broader system. At national level we have been calling for a long time for the United Nations convention on the rights of the child to be incorporated. This would provide children at national level with a mechanism for having their say on policy that affects their daily lives. When the Government are making policy around residential care—whether profit should be phased out, for example—children would at least have a seat in the room to be able to share their views, but we do not feel that that is happening.

In terms of local practices, we feel that there is certainly more collaboration that the charity sector can do. One of the risks with a move to regionalisation is that providers that can benefit from economies of scale and have a broader geographical spread might push smaller providers out of the market. That is a problem if those providers provide high-quality care for children in their area.

Q130 **Mrs Drummond:** We heard earlier that local authorities would rather it was done nationally rather than regionally. Dan, do you have any more to add to that, in particular about the balance that you found?

Dan Turnbull: It was clear to us, as I said, that you have a situation whereby local authorities are too often in a forced purchaser or distress purchaser situation. To improve things you need to reduce the occurrence of that.

One way of doing that, of course, is for them to have more of their own resources in terms of their own homes that they can place children in. That is an option, but that goes outwith the CMA's responsibility. We cannot say that there should be capital funding available to make that possible and so on, or dictate to local authorities what their policy should be. We concentrated in our report on—given the extent that local authorities are currently engaging with the market—how we can improve that. I very much acknowledge that that other option is available.

The other point I would pick up on, which Ms Croxton just spoke about and I absolutely agree with, is the difficulty of knowing how often local authorities are making suboptimal placements because they are forced into it by lack of availability in the market. We found getting information on that very difficult in our study. To take the example of out-of-area placements, we were told by local authorities that sometimes it is important to place children out of area to move them from gang influences and so on. What we could not find was what proportion of out-



of-area placements that makes up. That is simply not recorded, as far as we could see, in any way.

When it comes to particular support needs for children being available or unavailable, that is even more difficult to understand. Usually, when a market is working effectively, if the product being offered does not meet your needs then you do not purchase it, and the suppliers therefore adapt their offering to meet your needs to try to make you buy it. In this case local authorities have no choice but to purchase something, and we do not even know when what they are purchasing is not meeting the needs.

Q131 Chair: Did you look at how often those out-of-area placements break down? I was struck in conversation with my own local authority that they were talking about a massive increase in costs every time a placement broke down, because the child then becomes perceived as high risk and becomes harder to place. Is that part of the structural challenge at the moment?

Dan Turnbull: It was not something that we looked at quantitatively as part of our study, but we did hear evidence that placements were more likely to break down in that case. Similarly, placements are more likely to break down when the right level of support is not there. As you say, Chair, that is worse for the children involved and can be more expensive for the local authorities.

Q132 Chair: Is there any difference between the different types of provision, local authority versus private versus voluntary sector, in terms of the stability of placements? After all, the Government's strategy is headlined "Stable Homes". Have you looked at the difference in stability across those systems?

Dan Turnbull: We did not look at that in a quantitative sense.

Q133 Chair: Do you have any views on that, Andrew?

Andrew Isaac: From my perspective you have to take what is right for the child. In some instances—London, for example—there are around 400,000 children who are involved in the gang side of things. Would it be right to move them out of area to be away from that? On the other hand, if you are moving someone too far away then you run the risk of abscondment. It is a very delicate balance. We should not be looking at a child as a commodity; we should be looking at the individual needs of that particular child.

I just had a quick look: the number of children being placed out of area has gone up 13% since 2019. Realistically, if you are a small, condensed local authority in a metropolitan area you are not necessarily going to have the provision that you need within your boundaries. If you are looking at a regional area you will be able to see what specialisms there are within an acceptable distance of where you need that child to be.



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There was a question in the previous session about reintroducing families back together again, because if you fixed it in the first place then we would not be here today. That is the geographical limit that has to be applied per individual child, but it is having the sufficiency and the capacity in a reasonable area. The more I think about it, if you take special needs education, it is very difficult to keep that within the confines of a geographical area. A larger area would give you access to more needs, whether it be disability needs or sensory needs.

Dr Kerr: Just going back on a couple of points, we agree—and it was highlighted in the previous panel—that, at the higher end of acuity of need and risk, there are definitely opportunities to commission placements at a regional level. In terms of the lower-need, day-to-day placements, they need to be at a local authority level. Often, the figures that are cited about high costs are at the higher-acuity end. That is where some local authorities really struggle.

To your point about children being placed out of area and how many are placed out of area who do not need to be, it is a really interesting question, and something that I have on my agenda to have a conversation with DfE about in terms of data items. For example, we introduced a data item a few years ago around siblings who are not placed together where the care plan was for them to be placed together. That is a very simple statistical collection. What we found was that that actually increased significantly, which is to the detriment of those siblings.

We could introduce a data item that said, “Is a child placed out of area? Is this in line with the care plan?” For example, there are some who may be subject to exploitation or county lines offending and who we do need to place out of area for their safety. It was just highlighted that since 2019 the numbers have gone up by around 13%, but if we look at the journey from 2019 to now—I remember my previous visit to the Committee around county lines exploitation—we have seen a greater recognition of that in recent years. There is potentially a large number who are placed out of area based on their needs and risk profile.

Q134 **Chair:** But at the moment we do not know and, to Dan’s point, there does not seem to be a tag in the system that identifies that. That certainly seems to be something that we could ask DfE to look into.

Dr Kerr: Yes. It is a simple solution.

Lucy Croxton: I completely agree. There is an absence of knowledge in the system about whether children are living out of area because it is in their best interest or not. There are a few things I want to flag. There is a big difference across the country in terms of the actual provision available to children. You may have heard already that in the north-west there is more residential care than in other parts of the country. We have been in that community for 150 years, as I say, so all of the children who are in



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our homes come from the relevant local authority. However, that is increasingly rare.

One of the problems underpinning this is the fact that you essentially have two ways to buy a place in a children's home. The first is through a commissioning framework, and the second is through spot purchasing. With 97% of placements being bought through spot purchasing, what that means is that local authorities are on the back foot in terms of trying to find a suitable home for a child, often in times of an emergency, whereas with a commissioning framework the local authority knows that it has a certain capacity of homes in the area. We are in the commissioning framework, but we think that there is a perverse incentive for providers to actually not join—

Chair: To avoid being in it.

Lucy Croxton: Exactly.

Q135 **Chair:** Andrew, you mentioned the professionalisation of commissioning in that respect. Would that see a higher proportion being off the spot market?

Andrew Isaac: I think so. First, you are dealing with the outcome for the child, which is exactly where we want to be. Secondly, a point was made in the previous session regarding the regulations and the difficulty of placing additional children in a three or four-bedded home. If that is reviewed and taken into account then you will have less pushback.

Q136 **Chair:** That example that was given was quite shocking, in a sense. Clearly to have one child in a home designed for four children, and then to have other children having to be placed further away as a result, seems massively counterproductive to the children's wellbeing and welfare.

Andrew Isaac: It is a pretty reasonable assumption, in my view, across England. I will just give you another example. There was a question regarding the larger costs. If you have a single child who requires two or three adults per child, 24/7, that is 23 to 25 full-time equivalents. It does not take much maths to work out how much that is going to cost, without any therapies that sit around that. That professionalisation would identify where these children could go.

Chair: I have abused my Chair's privilege. I am going to hand over to Nick.

Q137 **Nick Fletcher:** Dan, your organisation's 2022 market study criticised the materially high profits within the children's social care sector. I do not believe in doing this, but what are your thoughts on limiting profits and prices? Every time we mess with the market as a Government and as legislators we can cause huge issues, but what are your thoughts on it?



Dan Turnbull: In this case there were two considerations that we took into account. We had had many representations from different organisations saying that that is exactly the route that we should take. We decided not to go down that route.

First, there is a practical consideration in this market, in that what is being bought in terms of the placements can be quite bespoke to the children. You therefore need to have a really good sense of the banding of the level of need that is being purchased, so that you can say what is an appropriate price for that. In our view, that level of detail and understanding does not exist at the moment that would allow anyone to appropriately set prices.

At a bigger level, our greater concern in this area is that usually when you see high profits and high prices that is a signal for more supply to come into the market and expand supply, but that is not what we are seeing here. We are seeing an undersupply of appropriate placements in the market, as we have heard from multiple witnesses.

When we look at the investment that is taking place and expanding supply in this market we agree it is not enough to keep up with the demand that is there, but the net increase in supply that we saw over the five years we looked at came entirely from private providers. Local authorities actually reduced their supply over that period, and not-for-profit providers were more or less stable. We would have a real concern that any attempt to cap prices could have a really negative impact on the supply that we see here, and therefore the ability of local authorities to find appropriate placements for their children at any price.

Q138 **Nick Fletcher:** Why do you think you are not getting that interest in the market? Money talks, doesn't it? That is the way you really reduce prices. We either decrease demand or put more care homes in. That is the only real way of doing it. Why are we not getting the interest from the market?

Dan Turnbull: There is both a short-term and a long-term answer. In the short term, as demand for placements goes up, there are rigidities in the market that mean that it cannot adapt very quickly to provide new placements. It takes time to get through the regulatory requirements that are rightly in place to protect children. It takes time to find suitable properties, get through the planning system, find staff, train staff and so on. The market is not initially very responsive to that.

In the longer term, there is more of a structural problem, in that if you want to have local placements available at short notice that means that you have to have some slack in the system. You have to have some empty placements that are available for children to move into in all areas across the country. But where providers are surviving by basically providing the spot purchase market there is no incentive for them to have any excess capacity open. They are paid only when they have children in those beds.



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In order to get to a situation where you are working with private providers to provide that excess capacity, you have to have much more long-term commissioning agreements, based on block contracts or similar processes, that would incentivise them to provide that capacity and, crucially, keep it available in each local area.

Lucy Croxton: Many providers that we have spoken to have actually been put off investing in the market in the last 24 months or so because of rising interest rates. A lot of providers rely on borrowing in order to open new homes, and so have taken a cautious financial outlook about opening new homes. This is a potential reason why the market has slowed slightly.

The other thing is that staff costs are by far the biggest overhead for any provider. Increases to the real living wage, which we have paid for a number of years, mean that it is actually now a greater proportion of our total overhead. We feel that is right to do. Our staff work day in and day out with the children in our care, but those are some of the challenges the providers are facing, which are increasing the cost of care in the market.

Q139 **Chair:** Out of interest, are you able to tell us what proportion of your costs are staff costs as a not-for-profit company?

Lucy Croxton: Yes, 80% of our overheads are staff costs.

Q140 **Chair:** That is a similar level to what we see in the school sector. I know the Department recently changed its guidance to raise it from 76% to 82%. Is the level similar among the private sector providers?

Andrew Isaac: It would be broadly the same, yes.

Lucy Croxton: It is high. When it comes to excessive profiteering, we believe that excessive profiteering is damaging the relationship, primarily between commissioners and providers, because it is breaking down the relational style of commissioning that is needed to find the best-quality home for a child when they need one. We think excessive profiteering is a problem, but profiteering in and of itself is almost a prerequisite because it is holding the children's social care system together.

Chair: The profit motive, perhaps, as opposed to profiteering.

Lucy Croxton: Yes.

Dr Kerr: I am just going to go through the cost element. It is probably the most frequent long-scale conversation I have with civil servants when we meet, probably on a fortnightly basis. In terms of the costs going up significantly over recent years, there are so many factors there, including inflation; borrowing costs, as Lucy highlighted; and the inflationary pressure on wages. I just want to flag that as a really important one, because it is going to increase. The reason that it is going to increase is that, while we welcome more local authorities opening up children's



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homes, the remuneration packages offered by local authorities are higher than those in the private sector. We have to acknowledge that.

The Personal Social Services Research Unit at the University of Kent—my old department—has, over many years, published the unit cost of social care. There is evidence that the independent sector is around about 15% lower cost than local authority-provided care. My analysis, drilling down into that, indicates that that is generally around the remuneration. As more local authorities open up homes, we are going to see wage inflation across what is a very finite pool of practitioners, which the private sector then has to catch up with because we need experienced practitioners.

It has been quite rightly highlighted: in a business area that is commercial, why are we not funding and opening up more placements? Well, one of the critical issues is that, if we look at workforce, it is one of the biggest areas that we have no movement from the Department of Education on in terms of supporting recruitment or workforce development.

To give an example, there are two statutory posts in a children's home, but the key one is the registered manager. At the moment between 10% and 15% of children's homes do not have a registered manager, so they are operating outside of regulations. We have a massive blockage in getting good-quality residential managers. They are now able to command a salary of between £50,000 and £70,000 due to supply and demand. That is a barrier. You have to have a registered manager to open up a children's home.

The other most significant one, which is one for your colleagues in DLUHC, is planning. Some of our most high-quality providers are taking 12 to 18 months to get planning permission. If you combine the high interest rates, the shortage of registered managers, problems with planning permission and the overall toxicity towards private providers at the moment, that makes a heady brew. The cumulative effect is that nobody wants to open up more provision. It is not about trying to control market supply and stifle supply; it is a multitude of barriers that are currently not being resolved. It feels like we are in a political policy limbo at the moment until the election. We are storing up problems unless we take some immediate action on those areas.

Q141 Nick Fletcher: The Welsh Government announced their intention to eliminate private profit from the residential and foster care system. What are your thoughts on that and the risks that could occur?

Dr Kerr: I have been through over two years of pain on working groups. We are hoping to get an announcement soon. Obviously there has been a change in First Minister there. What I can say is that there is no plan. There was an assumption that all the providers were going to just convert to being not for profit. None of them is, and the Government do not really have a plan for how they are going to do it. It is going to cost them several hundred million pounds that they do not have.



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What we are really talking about is a nationalisation exercise, but there is no plan. The providers have all stated that they are not going to turn to being not-for-profit provision. They are also not going to sell their provision; they are just going to repurpose it. They have two policies in Wales. They have the “rebalancing social value and social care”, which we fully support, and then they have the “eliminate”. They do not work together. The rebalancing one is absolutely right.

The Children’s Homes Association has just finished a real hard look at this. I have been able to see the Scottish situation, having done a year’s secondment in the Scottish Government, and the situation with Wales, and trying to find the solution. We recognise there is a need for rebalancing and there is an obsession with profit, but the missing thing is debt.

At the Children’s Homes Association we have had to acknowledge that high-interest-rate debt between tax haven countries and the UK is probably one of the biggest issues that we need to tackle. It is not necessarily about profit. It is really complex. As long as people are prepared to have the uncomfortable conversations around what the problems and the barriers are, we can move forward, but how long will that take? Wales does not have a solution. Scotland does not have a solution. We cannot just import these situations to England; otherwise, you are going to have a multibillion-pound nationalisation exercise. It is just not feasible, and we do not expect it to happen in Wales either.

Q142 Vicky Ford: Is the issue profiteering, or is it that there are such high barriers to entry and so many challenges to opening new homes that you cannot get enough new homes open to have a market where the prices are reasonable?

Lucy Croxton: That is a good question. We believe that the regulatory barriers are quite rightly high. Caring for children is a specialism and a vocation.

Vicky Ford: You have no problem with the very high profits, then.

Lucy Croxton: In terms of excessive profits, I have already stated that we think that this is breaking down relationships between commissioners and providers. We do not endorse excess profiteering at all, but when it comes to the regulatory barriers we are concerned about the fact that there has been a 210% increase in the use of semi-independent accommodation in the last 10 years or so. For us, that is indicative of the fact that the barriers to enter that market are far, far lower than the barriers to enter the residential children’s social care market. Investors are looking at that market as a better alternative in terms of setting up a business.

There is no relationship there between the quality of care that is provided in those places and the actual attractiveness of the market, so I believe we need to refocus back on what the best home is for children who need



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it. It might be foster care, but there is a shortage of 8,000 foster carers in the UK, and therefore residential care is the best, safest option for children as an alternative.

Q143 Chair: Can I just follow up on that? Your point is really around the regulations and barriers to entry. You are both saying you support high standards of regulation, because, quite rightly, this is very important for protecting the children, but you also seem to be saying that is creating a perverse incentive for people to avoid the regulation by putting people into semi-independent living. Is there therefore an argument that that perverse incentive might be removed if the standards of regulation were not quite so high?

Lucy Croxton: What we believe is needed is investment from the private sector, local government and the voluntary sector. It does need looking at in terms of what the barriers to the market actually are, but the CMA also identified some of those things. I do not think that means that we should compromise the quality of care that children are receiving in this country, because the whole market is built around those children to get the best outcomes for them.

Q144 Vicky Ford: Obviously you want children to have excellent care, but you are also concerned about the very high prices. You said that, if there is excessive profit being taken, that is breaking down the relationships within the market with the local authority and affecting the children. You cannot have it both ways and say, "I am going to make it so difficult to open a new home that nobody else can open a new home, but I am not prepared to pay the price that is charged."

Lucy Croxton: We are a provider. There has been a growth in the residential care market over the last decade. That growth has not been exponential, but there has been year-on-year growth. More people are coming to the market and opening residential children's homes. However, interest rates and other factors that I have mentioned have had an impact on people's attitudes towards opening homes. We need to see how that works long term and whether that changes providers' minds.

Q145 Vicky Ford: Mark, do you think there is an issue with profiteering, an issue with barriers or an issue with both?

Dr Kerr: There is an issue with both. We have very clear values at the Children's Homes Association. We never support profiteering. We do not know the level of it, either. It is really difficult. I do not envy Dan and the CMA's work in this. We have looked at the very top providers. We do not believe they are representative. We do an annual state of the sector survey. For much smaller providers, the profit levels are very different from those cited for the larger ones, which have a different business structure. They are very much in the single digits.

There are economies of scale, of course, such as if you were to compare Tesco's operating costs versus the small deli corner shops. They are operating to very different models, in the same way as the internationally



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funded ones are also operating to different models. It is complex, but I agree with Lucy that we need a decent benchmark to open provision.

If you look at the total cost—we do this work a lot—to open a four-bed children's home, you are probably going to need access to around £750,000 to £1 million of capital, through financing, loans or mortgages. You are probably going to have a deficit in your first year of about £200,000 while you bring in children and staff, etc., so that is where it goes very wrong for some of the new providers.

Financially, there is now a perverse incentive for local authorities to move kids into semi-independent too soon, so we do need to potentially make it easier for some providers to open up more quickly. We are working with Ofsted on this, so that if you have a long history and track record of operating outstanding homes there is maybe a fast-track way of being able to register provision, but if you are brand new to the sector maybe the route is a little bit more thorough, to ensure that you are the right person to look after our most vulnerable children. There is a similar argument for planning. We need to come up with an arrangement with planning and with DLUHC.

Q146 Vicky Ford: I am going to have to stop you, because I want the last word on profiteering to go to Andrew. Is there an issue with profiteering or is the issue with barriers?

Andrew Isaac: If you look at the social care market in terms of children, it has been a mixed-economy market for nearly three decades. The rhetoric of the last few years has been very damaging for the relationship between the independent sector and the local authority sector. In other words, the structure moving forward needs to be a lot more collaboration in making sure there is sufficiency. To put it in context, of the 80,000-odd children in care, over 80% are in foster homes. The barriers to entry there would be regulatory and statutory, as opposed to capital intensive. The recruitment of foster carers is really significant. Everybody is fishing in a pond that is nearly empty.

Chair: The needs they are being asked to meet are more complex.

Andrew Isaac: The children are a lot more complex. It is different, having a five-year-old come in, where the attachment can be fixed, to a 16-year-old coming in with mental health issues and challenging behavioural issues. That is putting people off, but there are things that the Government can do within foster care that will make a difference. At the moment it is giving extra leave and a few other tax benefits that could be put into the system to encourage people to come forward. They are terrified of allegations, and that puts an awful lot of people off. Again, there is some work being done by the DfE in terms of foster care recruitment with a group of local authorities, but the collaboration is not there. It is a closed door to some of the external companies.

Q147 Andrew Lewer: We have touched on some of this already, so I just



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want additional comments if people have them. Do you feel that there is a positive, negative or no relationship between for-profit ownership of children's service providers in terms of the care that is provided? Does a preponderance of for-profit ownership in any particular area lead to an increase in out-of-area placements, or is that not correlated either?

Andrew Isaac: I do not think there is a correlation. You must remember that the effectiveness of running a business is important. The management effectiveness and the experience that people now have often means, because they are focusing on just fostering or residential, that the management team is focusing on a much narrower band of need than perhaps a local authority that has responsibility for a wide range of issues in family care. That would be a reason why collaboration and working together would drive that forward. The independent sector is willing to invest. The independent sector has lots of experience.

I would also add that, in running any business in this day and age, what you might have done 30 years ago in going to your bank for a loan has been replaced by myriad opportunities with other organisations. The rhetoric over the last few years has been damaging to the children's sector in general. It is about time that stopped, and that we got together and said, "Structurally, there are things that can be done. Where is the low-hanging fruit?"

One of you made a point about the pilot testing that is going on at the moment. By the time that is done, on the projection, 3,000 more children will be in the system. Every single day in a local authority there are 180 children who are given SEN status. That boat is not going to stop, but what we can do is maybe attack some of the low-hanging fruit that can be done simply, with minor changes in legislation. I would implore you to look at the legislation that was brought in in the 1990s in a different society. Times were different. It now needs to be relevant to this decade. There are adjustments that need to be made within that, which will have a knock-on effect on the regulations that we have talked about.

Q148 **Chair:** Are you referring to the Children Act?

Andrew Isaac: Yes, going through where "shall" and "should" should be "must" and "will". There are simple words that could be changed. DfE has tried to tweak regulations where it can, and it has done a cracking job, but it is pretty stymied by the primary legislation itself.

Q149 **Andrew Lewer:** Dan, we have talked about for-profit, standards of care, relationship to out-of-area placements and, as Andrew has already touched on—you can cover this question as well—what Government could do to assist financial security in the sector.

Dan Turnbull: On standards of care, we as the CMA are not best placed to assess that ourselves, so we relied on Ofsted judgments. Looking at those we did not see any systematic difference in the standard of care between the different sectors. I am aware of research by Oxford



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University researchers that suggests that there may be some differences at a more granular level, but we have not assessed the validity of that.

In terms of out of area, the reliance on spot purchasing from private providers, to the degree that the market currently does, does lead to an increase in out-of-area placements because of the north-westwards drift of children's homes that Lucy mentioned earlier. If you are a private provider, you know that you are going to be essentially in the market for spot purchases and you do not know where the children are going to come from. The most cost-effective thing that you are incentivised to do will be to set up in areas where property is cheaper and where you have more ready access to a workforce. As we have seen, those incentives have pushed providers away from London and the south-east towards the north-west, for instance. That is an inevitable logic of the way that the market is currently set up.

In order to address that, it is really the same prescription: help local authorities move away from these distressed spot purchases towards a more long-term collaborative model, working with providers from whatever sector, to make sure that they have sufficient capacity in their own areas to meet local need.

Lucy Croxton: On the correlation between outcomes for children in care across private, voluntary and local authority, there is not enough evidence to state assertively that private providers are leading to poor outcomes for children in care. The evidence is not there. The Oxford University study suggests, as the CMA said, that at a granular level there is some difference. However, both the CMA and the Children's Commissioner said that from their own analysis there is not a significant difference. Just on an anecdotal basis, the commissioners that we work with have also told us that they do not feel that there is a significant difference.

Dr Kerr: Picking up the individual points, as an academic previously, I am very happy to see any research in this area, but I was very disappointed in the Oxford study on a methodological level. It used arbitrary and historic data. I am interested in the quality today. The only real measure of quality that we have is Ofsted data, which shows that the sectors are comparable. It does not really add anything to the debate today to look at data from 10 years ago.

In terms of the drift, I will challenge Dan a little bit on out of area and where homes are opening. If we look at the DfE dataset on net import-export, the north-west imports only about 150 kids versus other areas. It is not as different as you think. There is a high demand in the north-west. For example, Liverpool exports 300-odd children. We know London exports a lot. There is a mismatch around the country, but why is there a mismatch? I do believe that property prices play a small part, but it is only a small part. Dan highlighted workforce.



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Coming back to the planning, if we look at the areas where a significant number of homes have opened, the hardest journey to go through for planning permission is from a traditional residential property to being a children's home. We have providers and members of the Children's Homes Association that have in excess of 120 objections: "not in my backyard". Nimbyism rules. However, one of the easiest ones is to go from either an HMO, a guest house or some other commercial property to becoming a children's home. If we look at some of the areas where there has been a proliferation of children's homes opening, a lot of it is to do with planning. That does create a massive distortion in the market. If we can grasp some of these barriers then we can start to look to say, "Can we get a better match of placement to children's homes around the country where there is need?"

Q150 Chair: You talk about a rise in the use of semi-independent provision. Is that something that the Government should be looking to phase out, or does it have its uses in some circumstances?

Lucy Croxton: We don't feel that it does have its uses. The care review recommended that all children in care should receive care where they live by 2025. The £145 million initial investment in helping providers of semi-independent accommodation register would have been better spent in helping them get to the regulatory standard to become regulated children's homes.

The reason we think that semi-independent accommodation does not have its place in the market is that we fundamentally think that shared accommodation for children with adults, bedsits, and emergency placements like caravans cannot ensure the safety that is necessary for the care system to provide to children who have by and large experienced abuse or neglect before coming into the care system.

We have supported people in our own care who have been placed in semi-independent accommodation beforehand, and their stories of living in a caravan for multiple months at a time are harrowing. We do not feel that any child should have to have that experience, so we do not support semi-independent accommodation and the growth of that sector.

Dr Kerr: We fully support children receiving care up to the age of 18. There are some children and young people who I would frame as "adults becoming" where it may be right as a less restrictive environment when they get to 16 or 17 years old, but they are in the minority.

On the financial side, the biggest risk, as was talked about in the development of the legislation, was that we would end up with two-tier residential, with support being used as a cheaper form. To be honest, the legislation has created a massive problem for Ofsted. It has delayed the inspections until later this year. It is going to have a really difficult decision, in assessing some of the placements, as to what is care and what is support. What we do know is that there are several hundred children subject to a deprivation of liberty order across the country who



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cannot be in those placements. There is nowhere for them to go, so we do have a ticking time bomb there.

If I was to predict anything, it would probably be that at some point in the next 12 months to two years there will end up being a judicial review on a child or children who are in semi-independent and should be in a regulated children's home. It will end up being this thorny issue of what is care and what is support. There will end up being a challenge for a High Court judge to decide, but obviously the ramifications of that will be massive. There are 7,000 to 8,000 kids in those placements. That is a lot of children's home placements to generate. That is the scale of what we are kicking down the road.

Andrew Isaac: I agree with Mark that Ofsted has a really difficult job on its hands. I have worries of 16-year-olds going into supported living, I really do, but there are some who need to. My biggest fear—I am going to throw another statistic at you—is that a third of care leavers experience homelessness in the first two years after leaving care. We need to look at the picture beyond 18 in sorting this out. It is unacceptable that an 18-year-old leaving care should be homeless. It costs local authorities £30,000 a year to deal with a homeless person. That money could surely be spent better. I agree with the regulation of supported lodgings and what Ofsted are doing, but, again, it is a year to two years. As Mark quite rightly says, it will be a High Court judge who decides what is support and what is not support.

Q151 **Chair:** This Committee has done quite a lot of work on Ofsted with regard to its relationship with schools. Do you feel it is appropriately resourced to meet this challenge for the care sector?

Andrew Isaac: I am not sure. It is our only option at the moment. I certainly think the review of how it is doing is hard. Its resource is pretty stretched. I was talking to somebody the other day who had an Ofsted inspection at a special needs school, and the inspector had had four hours' training on special needs.

Q152 **Chair:** Something that we highlighted in our report is that we need an appropriate phase and speciality provision, which I do recognise.

We are going to have to wrap up the session very shortly. I just want to ask this very briefly. Dan, the Government accepted the recommendations in your 2022 market study. Do you feel the subsequent proposals have gone far enough to rebalance the market, and what recent steps have the Government taken to further the implementation of those recommendations?

Dan Turnbull: We were very pleased to see that the Government came out and accepted all our recommendations. We would like to see a multi-year commitment from the Government to see those through. We have seen encouraging noises in the direction of implementation, but no more than that so far. It is a little early to tell what the impact is going to be, and certainly we are nowhere near where we need to be yet.



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Q153 Chair: Finally, we have heard a bit about planning, we have heard a bit about the role of health, and so on. It strikes me as an area where interdepartmental co-operation is vital to try to move things forward for the children's care system. What type of multi-departmental collaboration would make the most difference for this sector? Where would you like to see other departments leaning in to work with this sector?

Dr Kerr: This has been a theme over many decades. "Access all areas" was a big policy initiative, but the lead needs to be taken by the Treasury. If I look at the previous piece of work by the Audit Commission and the University of York, the aftercare—this is without the costs of care—for a care leaver who goes on a negative trajectory costs the Treasury about £3 million. About 10,000 kids leave care each year. How many go on that trajectory? I would say at least 1,000.

If I started doing some maths I could demonstrate that there are multiple billions of pounds-worth of preventable problems that leave care every single year. The value that good-quality residential provides is massive, but we have a structural issue in terms of policy. If you are a local authority commissioner—you heard from DCSs earlier on—where is the return on investment for you to invest several hundred thousand pounds with a child or young person at 16 or 17? The costs through adulthood fall to the DWP, the Department of Health and the Ministry of Justice, not to the local authority. That is where social financing models potentially come in, but there is a huge financial incentive, obviously with the human cost of children. But it really needs to be led by the Treasury. They are the ones that get the costs over time.

Chair: That is a fair challenge.

Andrew Isaac: If I had two wishes, one would be making sure that the mental health side of things was very linked up, because if we can fix that earlier on it is going to relieve some of the pressure later. My other wish would be collaboration post-18. A youngster at 18 leaves one corporate parent and has to approach up to nine different agencies to sort their life out. That is also wrong. Those would be my two key wishes.

Dan Turnbull: There are two areas. One is mental health, as was just mentioned. That is incredibly important for managing the inflow of children into the care system and reducing the level of demand that we are seeing. The second area I would highlight would be DLUHC, where the planning issues that Mark vividly mentioned are incredibly important. I would like to see a commitment by DLUHC to working with DfE to ensure that we remove all the barriers to having the right homes in the right places.

Lucy Croxton: I have three areas. The first is transitions for young people in care, but also for young people with disabilities, because one in three children in our care have a disability. The second is housing, with regards to amending the priority need legislation so that young people get priority need to social housing. That would be a major priority for us.



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Lastly, a dedicated mental health strategy for looked-after children is something that we would strongly support.

Chair: Thank you very much. It has been a very useful session. Thank you for all your feedback.