



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Education

Children in care

Key facts

68,110

children in care on
31 March 2013

£2.5bn

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

62%

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

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

Summary

1 Local authorities in England looked after 68,110 children on 31 March 2013.¹ Most of these children, 75%, were fostered. In 2012-13, authorities spent £1.5 billion on fostering services and £1 billion on residential care. A child is 'looked after' by a council when a care order, granted by a court, gives the council parental responsibility for the child. Alternatively, the council may provide accommodation for the child under a voluntary arrangement with the child's parents, or if a child is remanded or convicted by the courts.² Nearly two-thirds (62%) of children were in care because they had suffered abuse or neglect.

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

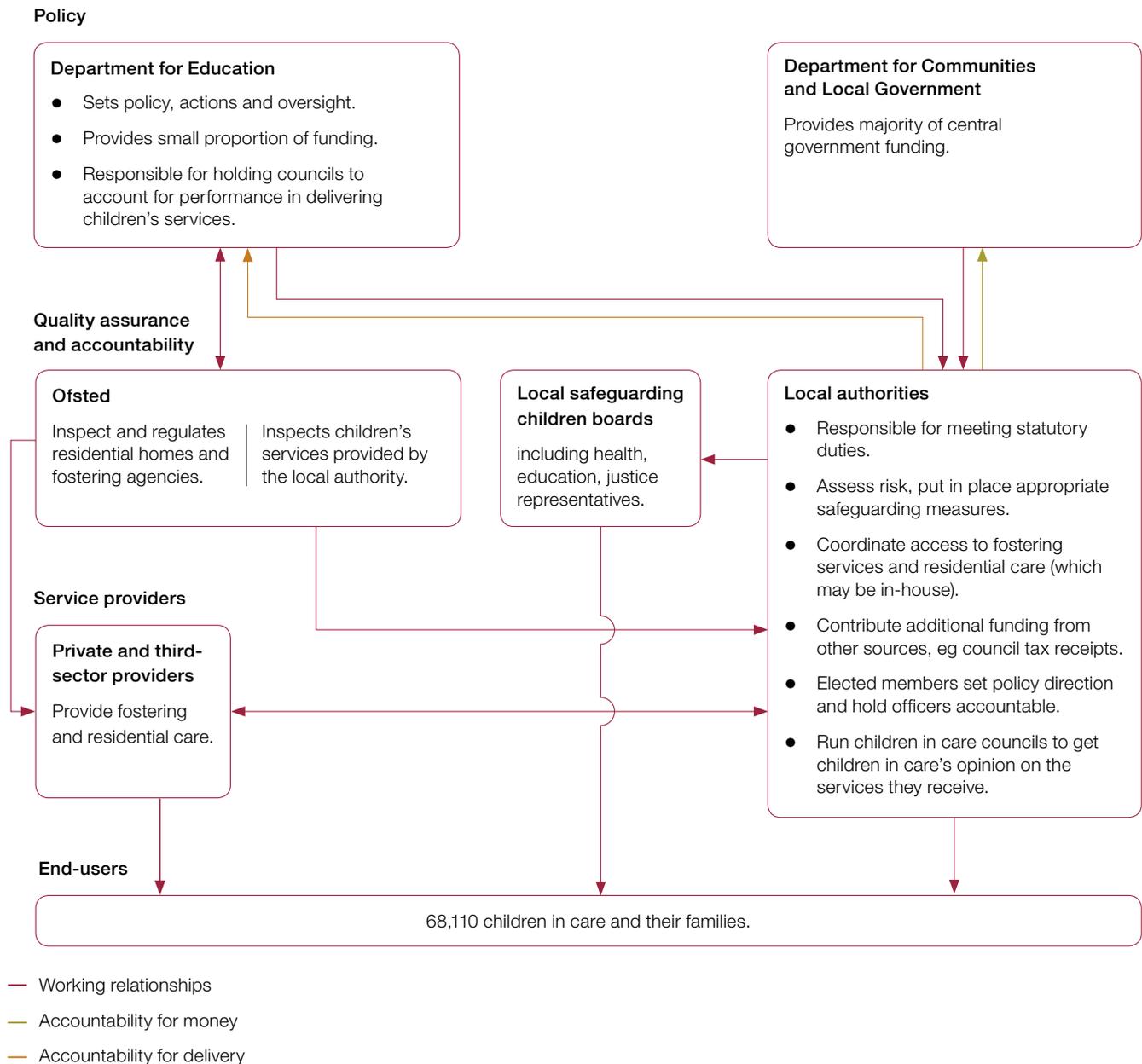
3 The Department for Education (the Department) has objectives to improve the quality of care and the stability of placements for children in residential or foster care, so that all children have a good start in life. The Department works with others to meet its objectives (**Figure 1** overleaf). Local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

¹ We have used data to the end of 2012-13 to allow comparison of data on children in care with financial and outcomes data. Some data for the end of 2013-14 have been published (see Appendix Three).

² Hereafter, we use the phrase 'children in care' to cover all of these groups.

³ Association of Directors of Children's Services, *What care is for*, October 2012.

Figure 1
Responsibilities for children in care in 2013



Source: National Audit Office

Scope of this report

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

- the Department's responsibilities for children in care; the demand for care; and how effectively children's needs are being addressed through commissioning (Part One);
- how well the Department is meeting its objectives to improve the quality of care for these children (Part Two); and
- the Department's understanding of the costs of care and its work to improve the system's cost-effectiveness (Part Three).

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

Key findings

Meeting the needs of children in care

6 Demand for care is increasing and varies significantly across England.

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

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

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

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

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

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

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

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

The quality of care

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

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

- 34% of children in care had more than 1 placement during the year and 11% had 3 or more placements. These proportions have been the same since 2009. Some 330 children had 10 or more placements during the year, and 90% of these children went 'missing' during the year. Each time a child goes missing it is counted as an extra placement. There is evidence that, in the longer term, placement breakdowns can affect children's progress in school and their sense of well-being and self-worth (paragraph 2.18 and Figure 9).
- 14% of foster children and 34% of those in residential care were placed more than 20 miles from home. The Department accepts there is sometimes good reason to place a child at a distance from home, but the overall numbers have not improved in the last 4 years (paragraph 2.22 and Figure 10).

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

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

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

The costs of providing care

18 Local authorities' spending on children's services has been maintained, despite the overall fall in their spending and rise in numbers of children in care.

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

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

- a council foster care placement was in the range of £23,000 to £27,000, compared with a range of £41,000 to £42,000 for a placement with other providers.
- a council residential care placement was in the range of £129,000 to £215,000 compared with a range of £122,000 to £200,000 in a voluntary, private or independent home.

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

- £15,000 to £57,000 for councils' own foster care provision; and
- £18,000 to £73,000 for other providers' foster care (paragraphs 3.11 to 3.14 and Figure 20).

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

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

Conclusion on value for money

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

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

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

Recommendations

25 The Department should:

a build on the Innovation Programme and other evaluation and:

- routinely identify and share authoritative guidance on what works in effective commissioning and therapies for children so that it is embedded in practice; and
- secure feedback from local authorities on the utility of its guidance on what works, for example through an annual survey.

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

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

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

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

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