

## Residential child care: costs and other information requirements

Jonathan Stanley<sup>1</sup> and Andrew Rome<sup>2</sup>

### Introduction

The residential child care sector looks after some of the most vulnerable children who have complex and challenging needs. The children often have serious psychological needs that stem from abuse, trauma and neglect, which make them a qualitatively different cohort than those placed in other segments of the care system, such as fostering or residential special needs schools. Children often arrive at children's homes quite late: on average at 14.6 years of age. Twenty nine per cent have had six or more placements, and some have tens of previous community and family-based placements (Department for Education, 2013). Outcomes from residential child care are often seen as poor, but this may be a correlation – to do with the high level of needs the children have developed over a relatively long period of time prior to entry to residential child care – rather than a cause. Notably, although it is the negative outcomes of regulatory inspections that receive the largest headlines, these are reported for only 4 per cent of all inspections. Twenty-four per cent are adequate and 72 per cent of all homes are good or better, with 16 per cent rated as outstanding (Ofsted, 2013). These ratings are important, as increasingly local authorities will only place in such homes.

If the 'most appropriate placement' principle of the Children Act is to be upheld, placement in a residential child care setting should be approached with a robust social work assessment that identifies the necessity of the placement, alongside the needs that must be met. In turn, these needs should be closely matched with a particular placement or setting.

While the child's needs should form the greater part of placement choice, the issue of cost cannot be completely ignored, not least because local authorities must operate within a limited budget. But the 'market' for residential child care is highly complex, dealing with a wide spectrum of needs across many providers. It is a sector now dominated by non-public providers: 1,347 of non-public homes (78% of all homes) provide 5,414 places, whereas 371 local authority homes (22% of all homes) provide 2,135 places (Department for Education, 2012). Some of these organisations are small, perhaps just providing a single setting; others are larger organisations managing several different settings. Some provider organisations specialise in a particular type of setting or for a group of children with particular needs; others are more generic.

In this short article, the aim is to shed more light on the costs of residential child care – more detail than can be found in publicly available information – but also highlight that there are other information short-falls that perhaps lead to commissioning decisions being dominated more by cost than appropriateness or quality.

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<sup>1</sup> For further information, contact Jonathan Stanley at National Centre for Excellence in Residential Child Care: [j.stanley366@btinternet.com](mailto:j.stanley366@btinternet.com)

<sup>2</sup> Revolution Consulting. [www.Revolution-Consulting.org](http://www.Revolution-Consulting.org)

## The survey

Box 1 shows the Freedom of Information (FOI) request sent to all local authorities on 24 May 2013. By September 2013, 110 local authorities had provided the information requested in the FOI.

### Box 1 Freedom of information request

1. For each placement made to a private or voluntary provider's children's home in the year beginning 1st April 2012, the actual price per week paid for the placement to the provider by your authority.

Please note

1a. If the price per week changed during the year please provide the weekly price that applied to most weeks of the year for the placement, or the average weekly price if amounts charged varied across the period.

1b. It is the weekly price and not the total cost that is requested.

1c. The name of the child and the name of the provider are NOT required.

1d. If the provider has charged any element of VAT please exclude the VAT from the weekly price provided.

1e. Please do not include short breaks

For ease of analysis it would be helpful if it were supplied in Excel spreadsheet format but this is not essential

2. If your authority operates its own children's homes please provide the actual weekly cost of a place in your own home for the same year (2012/13).

All the responding authorities had used private and voluntary sector (P&V) placements, and they provided data on 4,752 weekly prices that were paid for these placements. There was a wide range: from £119 to £9,310 per week. Of the 110 responding local authorities, 73 reported the weekly cost for homes they operated 'in-house'. These authorities provided 117 data points, with narrower range of costs than that found for the P&V sector prices: between £798 and £5,176 per week.

Mean costs from this FOI Survey are lower than those estimated for this year's *Unit Costs of Health and Social Care* volume which are calculated from the aggregate DfE Section 251 returns. For the FOI Survey, the average price paid for independent sector children's homes was £2,841 compared to £3,282 from the aggregate data shown in table 6.3 of this volume. For homes run by the local authority, this FOI survey found a mean reported cost of £2,490 whereas, after adjusting for outliers, this year's *Unit Costs* volume reports an average price of £2,964 (table 6.2).

The level of detail about the prices/costs of residential child care available from the Freedom of Information request is rarely seen outside each local authority. Figures 1 and 2 show each reported weekly price or cost plotted on a graph. Within the range identified above, 27 per cent of weekly prices paid for independent (P&V) sector placements fall between £2,500 and £3,000. For local authorities, nearly half (45%) of the reported weekly costs are between £2,000 and £3,500. If we widen the view, the graphs show that 77 per cent of the weekly prices paid for P&V placements lie between £1,750 and £3,500 per week; and 85 per cent of local authority costs are within the same range.

Figure 1

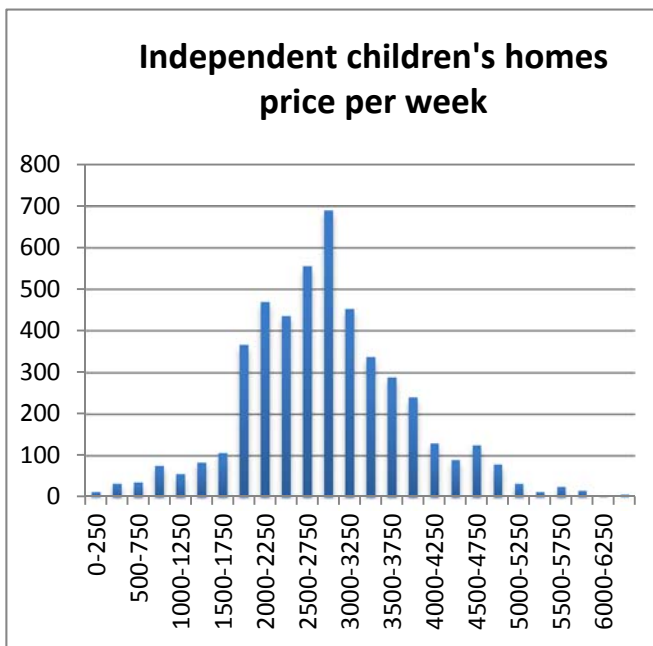
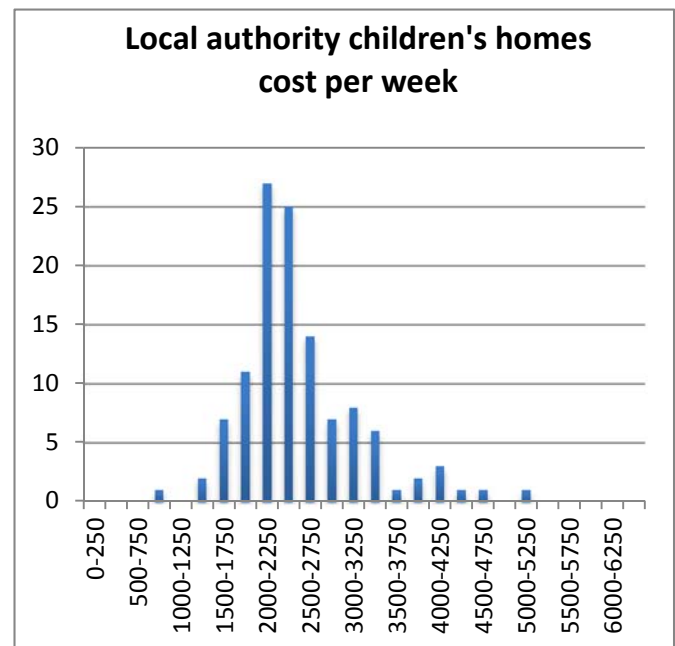


Figure 2



A direct comparison of the sectors is not really the point of the article, not least because data from only two-thirds of local authorities have been captured so the prices and costs for the remaining third are unknown. Neither do we know whether the reported prices and costs all include the same items of expenditure. However, what is important is that the overlap between the sectors is quite large – and perhaps larger than previously realised – for the price/cost range for more than three-quarters of the placement weeks in 2012-2013. These findings challenge a commonly held view of ‘in-house first’ use of homes for cost reasons.

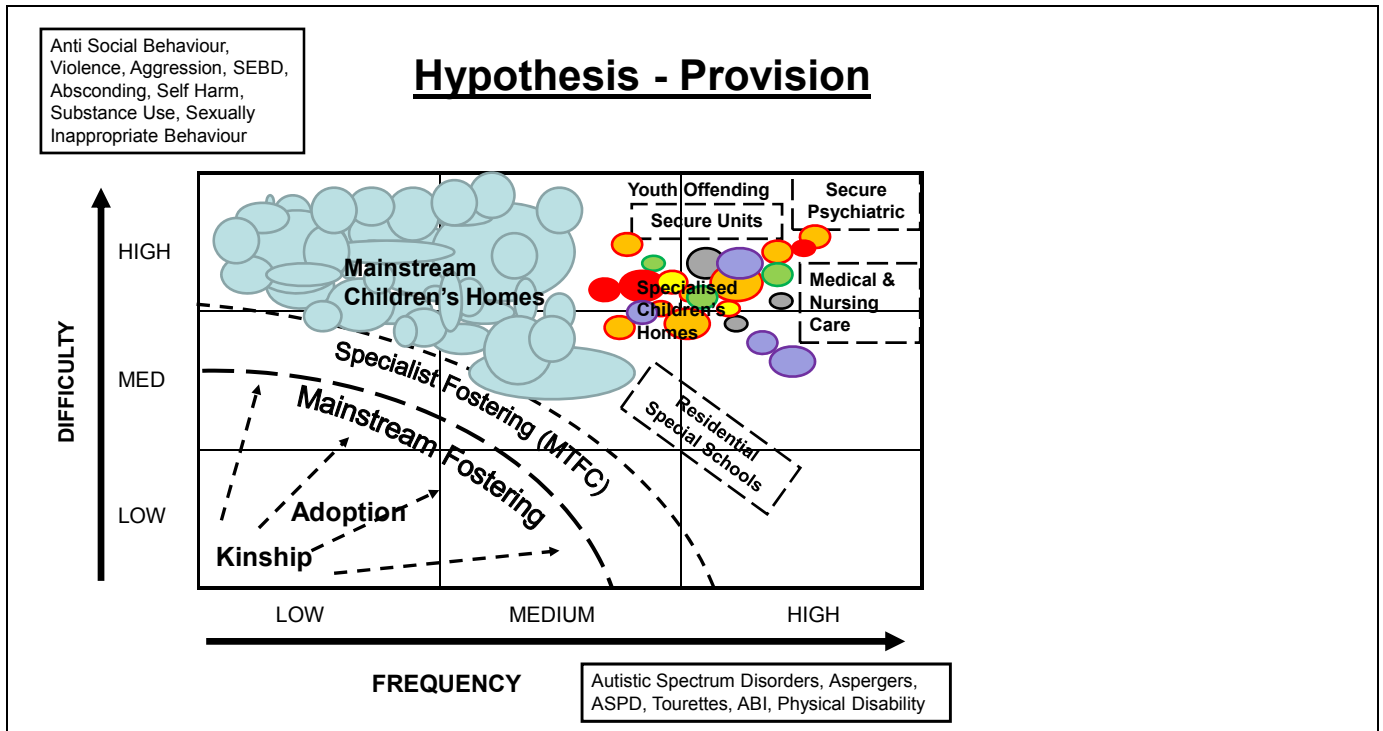
Although this is a far more detailed picture than previously available, are these data sufficient?

As the conceptual framework in Figure 3, shows there are many overlapping sub-segments within the residential child care market and a wide spectrum of prices for children’s home placements is to be anticipated. It is not unreasonable, for example, to suggest that specialist services – where higher levels of staff cover and skills may be needed to meet the children’s even higher level of difficulties and needs – are likely to be made available at a higher price than those services that deal with the larger cohorts of children in more mainstream children’s homes.

When thinking about individual placements, each young person will represent a different point within this framework, as identified during the social work assessment. However, we know little about where any given residential child care setting lies in this framework, or about the relationship between the prices/costs of settings and the different levels of child difficulties, or the frequency with which particular conditions occur.

The framework suggests that the information available about the market needs to be developed at a detailed sub-segment level. What settings cater for what difficulties and which conditions? How do they respond to their (potential) residents’ needs? This leads to a further suggestion. With limited resources at play, it would perhaps be most efficient to start by creating an agreed description that is consistently applied for specific specialist sub-segments. From this we would gain insights as to the practicality of collecting, presenting and understanding the data, including the prices/costs, for the other parts of the residential child care service as well as other parts of the care system.

Figure 3



Given the complexity of both the supply and demand parts of the market, and with a view to strategic development of the residential child care service as a whole, more detailed information about settings that is consistently recorded is key. Tenders can be applied to segments where aggregate demand is relatively substantial, but such processes should be only part of a wider commissioning approach that ensures visibility of all the other specialist segments. These other specialist segments can be viewed strategically as common pool resources: scarce but benefiting from co-production rather than regulation or market pressures.

The role of commissioning then becomes one of properly mapping the sub-segments of demand and supply, identifying where there are supply shortages, developing outcomes measures, monitoring performance and ensuring information flow around all parts of the market.

## Conclusion

From the three Es of the 1980s – economy, efficiency and effectiveness – through the ‘challenge, comparison, consultation and competition’ of the Best Value initiatives in the early 2000s and the Gershon (2004) review, commissioners have been charged with ensuring that the best value for money is obtained in terms of both quality and price. However, too often tasks and outcomes of commissioning are seen in terms of finance and administration, so the planning of placements can inadvertently become separated from the task of looking after children.

Current commissioning guidance documents focus on enhancing the quality of life of service users and their carers by:

- having the vision and commitment to improve services
- connecting with the needs and aspirations of users and carers
- making the best use of all available resources
- understanding demand and supply
- linking financial planning and service planning

Unfortunately, there is still insufficient definition in the data currently collected which leaves providers and commissioners acting from an uninformed position. For the future development of children’s homes – and other services and settings for vulnerable young people – the generation of accurate data should be a priority. As the data from the FoI Survey show,

there is massive variation in the prices paid for independent (P&V) sector residential child care and in the costs of settings run by the local authorities, yet we know little about the construction of these costs and prices. We also need a far greater level of sophistication in the information systems so that a collated set of data on what can be bought for these prices/costs is easily available to commissioners. This collated data set should include:

- Standardised definitions attached to these prices/costs to describe the size, staffing levels, staff skill-set etc. for the settings
- Standardised information attached to these prices/costs about to whom – or what type and level of difficulties and conditions – the placement is best suited
- Standardised information attached to these prices/costs about the quality of care provided.

Young people using children's homes require high-quality care and structured targeted work by skilled professionals. Residential care could benefit from longer-term investment and sustained operating excellence. Developing knowledge and innovation should be encouraged; improved information will help develop the strategy that will deliver the right placement at the right time for the right child in the right place (Association of Directors of Children's Services Ltd, 2012).

## References

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