
To: Education and Children's Services Scrutiny Board (2)

Date: 11th September 2025

Subject: The complexities involved in finding homes for children in care and associated costs

1 Purpose of the Note

- 1.1 This paper provides an update following the item considered by the Education and Children's Services Scrutiny Board (2) on 28th November 2024, outlining ongoing challenges in the children's social care market, recent national developments, and local authority responses.

2 Recommendations

- 2.1 The Education and Children's Services Scrutiny Board are recommended:
- 1) To note progress in relation to sufficiency, in line with national social care reforms.
 - 2) To formally acknowledge Coventry City Council's support to the 14 local authorities in the West Midlands by managing the West Midlands Commissioning Hub & leading on the Regional Frameworks for both Fostering and Residential homes.

3 Information and Background

- 3.1 As previously reported, in the last 4 years there has been a marked increase in the number of children and young people in care that local authorities have struggled to find appropriate homes for. This continues to be a widely reported national issue and is a consequence of several interlinked factors, which were highlighted in Competition and Market's Authority report of March 2022, the Independent Review of Children's Social care of May 2022 and the Government's response to this review – Stable Homes, Built on Love (February 2023)
- 3.2 There is national recognition that the children's 'placement' market is broken. Recent research published by the LGA in May 2025 considers the '*Costs and complexity in care. The real drivers of high-cost placements for children in care*'
- 3.3 Nationally, there has been a reduction in the number of mainstream foster carers of 9.6% since 2021, alongside a significant growth in new children's homes of 15% in the last year, with 84% of all homes being run by private organisations. However, it

is important to note that the size of a mainstream children's homes (how many children are cared for) continues to reduce with the average new home now caring for only 3 children, compared to 4 in 2023/2024.

- 3.4 Research has identified that these problems break down into two main areas and the government has started to consider ways in which these can be addressed, alongside wider Social Care & Education reforms. As reported to SB2 in November 2024, the two main areas were identified as:
 1. *A lack of placements of the right kind in the right place, thereby increasing risk of unregulated placements with providers making materially higher profits and charging significantly higher prices than if the market were functioning effectively.*
 2. *A concern of the high level of debt some providers have and the impact if they exited the market as this would further exacerbate sufficiency and the ability of local authorities to meet the needs of these children.*
- 3.5 The Social Care Reforms, commenced in 2023, with an overarching focus on Keeping Children Safe, Helping Families Thrive. This sets out the aspirations and commitment of a whole system reform of the children's social care system.
- 3.6 In [*Keeping Children Safe*](#), the government have referenced the need to "*bring a swift end to excessive and exploitative profit making in a sector which supports our most vulnerable children*". Chapter 2 – focuses on legislating to make the care system child centred, and to tackle profiteering.
- 3.7 There continues to be a drive to create regional solutions through the establishment of Regional Commissioning Co-operatives (RCC'S). supporting local authorities in challenging profiteering providers "*as well as enabling greater central government oversight of the placements market*".
- 3.8 The Strategic Lead for Corporate Parenting & Sufficiency, alongside the Operational Lead for Placements with colleagues from finance are part of the Children's social care market interventions working group with the DfE.
- 3.9 [*The Children's Wellbeing and Schools Bill*](#) would introduce a financial oversight regime for providers who meet conditions set out in regulations; these are likely to relate to the size of the provider and whether it would be difficult to replace were it to fail. The bill would give the government the power to require these providers to submit a "recovery and resolution plan", setting out risks to their financial sustainability and actions they propose to take in response.
- 3.10 In addition, the [*National Audit Office \(NAO\)*](#), has launched a 'study' into the Department for Education's oversight of the children's homes sector, including supported accommodation, in light of the 35% rise in placement costs between 2015/16 and 2023/24.
- 3.11 The Government have also identified an additional £53m to support the capital funding (50%) to increase the number of local authority run Childrens homes (July 2025).
- 3.12 The Strategic Lead for Corporate Parenting & Sufficiency is part of the DfE working party on reforms linked to Childrens Residential Care. Recent research has been

published linked to findings from a workforce census and discussions are ongoing on the development of a national workforce strategy.

- 3.13 Ofsted are considering changes to regulations including 'location impact risk assessments' to ensure that new children's homes are being opened in the right places to meet need and only following collaborative work and agreement with the local authority in which they plan to situate the home.
- 3.14 Regional Fostering Recruitment Hubs are being established to enable local authorities to work together to recruit new foster carers and improve retention, supported by £25m in DfE funding.

4 The local picture

- 4.1 The Coventry practice model 'Family Valued' works on the premise of keeping children and families together when it is safe to do so. This approach seeks to enable families to find the solutions to challenges they face. Families are supported through Family Network Meetings and Family Group Conferences (FGC) and additional support to identify family led solutions. This approach aligns with the government 'keeping children safe, helping families thrive' principles,
- 4.2 In September 2024, 716 children from Coventry were in care, as of the 12 August 2025* this number had reduced to 684. This includes 71 children who are defined as unaccompanied asylum-seeking children (UASC).
- 4.3 In May 2025, the number of children in care reached its lowest point in the past 12 months, at 668. However, as previously noted, the summer period has seen the usual seasonal increase. Further analysis will begin in September to explore the specific factors contributing to this rise and to identify potential mitigations that could be implemented next year, if applicable.
- 4.4 Family-led solutions, including kinship arrangements with connected carers, are considered when a child cannot safely remain with their parents. This area has seen notable growth in Coventry, with 129 children now placed in kinship care—representing 21% of the children in care (excluding UASC), compared to 13% in 2018. Additionally, between April 2024 and March 2025, 27 children previously in foster care have achieved permanence through a Special Guardianship Order (SGO).
- 4.5 If no suitable family or kinship carers can be identified and the child requires safeguarding and care by the local authority, the process of finding an appropriate alternative home will begin. In most cases, a foster placement is sought initially, allowing the child to receive care and support within a family setting—either through Coventry Fostering Service or an Independent Fostering Agency (IFA).
- 4.6 As of 12 August 2025, 72.4% of Coventry's children in care, lived within a fostering household, a higher proportion than the 'All England' average at 67% and statistical neighbours at 69%.
- 4.7 However, for some children, due to their complexity of need, placing them in a children's home will be deemed the most appropriate care plan and only if our internal children's homes or block providers cannot care for them, would the service seek to explore the wider residential market of commissioned children's homes.

- 4.8 9.7% of Coventry's children in care live within a children's home and this figure has remained fairly stable over the last 12 months.
- 4.9 The challenge of securing the right home in the right location is often intensified by the urgency with which placements must be made. Some children enter care under a Police Protection Order, are remanded to local authority care, or require immediate relocation due to incidents involving physical or perceived aggressive behaviour. In such cases, carers—both foster and residential, may give very limited notice, sometimes on the same day. Within an already pressured market and considering the factors previously outlined, finding a suitable new home immediately is not always possible. Children's Services consistently work to resist immediate or short-notice placement endings, dedicating significant daily resources to engaging with providers to stabilise placements at risk.
- 4.10 Weekly placement stability meetings are held to explore additional support options that may help maintain stability for children at risk of needing to move. This often involves securing extra funding, which some providers may require to continue the placement—stating that without it, the child will need to be relocated.
- 4.11 When a child must move from a children's home and another residential provider offers a placement, the associated costs can be high. Providers may seek to mitigate perceived risks by increasing fees, often basing their offer on the need for additional staffing or by charging for bed blocking (double funding).
- 4.12 For children who experience sudden moves, the impact on their emotional wellbeing can be significant, affecting their self-esteem, sense of self-worth, and their ability or willingness to form attachments with new carers. These children may assume that new carers will also give up on them at the first sign of difficulty, which can perpetuate a cycle of instability. This, in turn, can reinforce providers' justification for maintaining high levels of support and costs, as children respond to psychological trauma through 'fight, flight, or freeze' behaviours.
- 4.13 Both the increase in the number of 'out of hours' foster carers and the opening of the short stay same day children's home, has evidenced impact on our ability to address some of these challenges. There are currently no children living in an unregulated children's home or with an unregulated supported accommodation provider.
- 4.14 A report by the County Councils' Network & IMPOWER published in November 2024 states: *Councils are faced with unenviable choices when needing to place a child taken into care at short notice – they cannot just be left homeless until a suitable price can be negotiated for their care.*

5 Financial context

- 5.1 The challenge for Coventry is that the average unit cost of placements has been sharply increasing from year to year, high costs placement feature across the region, confirming demand outstripped availability of the right home in the right place to meet children's needs.
- 5.2 Although there are residential homes within the local market and Coventry will have 9 homes by 2026, it still remains extremely difficult to find homes for our most

complex children who exhibit significant trauma linked behaviours and often have additional needs such as autism.

- 5.3 External Residential (excluding Block) costs have almost doubled over the last 5 years with the current 10 highest cost packages of care accounting for 47% of the total external residential budget. Since November 2024, there has been little change in the total costs for the top 10 highest cost residential provisions weekly fee.

6 Mitigating activity

- 6.1 **The Sufficiency Steering Group**, alongside the Children's Commissioning Team carry out needs analysis into the issues to inform potential commissioning solutions. Several existing projects, alongside new initiatives seek to address the challenges of the 'placement mix'.
- 6.2 **The placement mix** is tracked throughout the year and reported monthly on a finance scorecard. To project future movements in the placement mix, input is gathered from across children's services covering:
- Expected changes in the overall number of children in care
 - Considerations of new contracts e.g., block contracts in the pipeline
 - Growth of internal provision, particularly for residential children's homes
 - Growth of internal fostering
 - Changes in UASC numbers
 - Impact of other projects, including House Project, Reunification
- 6.3 Once compiled, the placement mix is modelled across the next financial year along with the anticipated unit costs to create expected budgets.
- 6.4 Actuals versus projections are reviewed regularly including at the monthly Sufficiency Steering Group Meeting. In addition, expected delivery against budgets is scrutinised as part of Coventry's quarterly budgetary control process, Children's Services Leadership Team monthly business meeting and regular meetings between colleagues from finance and children's services.
- 6.5 **Peer review**- An LGA Peer Review took place over 3 days in October 2024 to consider Efficiencies and Resources within Children's Services, as reported to SB2 in early 2025. Several actions have been taken, based upon the recommendations and in addition led to working with Impower to expedite further areas for development.
- 6.6 **Working with Impower.** Children's Services in Coventry have been working in partnership with Impower on the 'Valuing Care and Opportunities Review' to strengthen needs assessments for children in care. As part of this initiative, a pilot has been launched using the 'Valuing Care' assessment tool, which includes a spider chart to visually represent a child's needs. This supports social workers in care planning and helps match children to appropriate current or future placements. A cross-service weekly Valuing Care Panel reviews assessment outcomes and identifies opportunities for children to transition from residential care to foster placements or to begin planning for independence. The panel also evaluates the appropriateness of additional funded resources—such as 1:1 staffing—and considers whether these are necessary or if alternative support could facilitate a

suitable move. A comprehensive review of the home-finding (placement) and commissioning teams has been completed to improve engagement with external providers, build on existing relationships with local providers, and assess the efficiency of current systems. The Valuing Care tool is being embedded into a new Placement Referral Form, and provider engagement events have been held with both residential and fostering services to support its implementation. The model has been well received, and the department plans to roll out the assessment tool over the next six months, alongside the appointment of a dedicated Valuing Care Practice Lead.

- 6.7 This project is overseen by a strategic board comprising the Chief Executive, Director of Finance and Resources, Director of Children and Education Services, Strategic Lead for Children in Care, and senior representatives from Impower.
- 6.8 **The Fostering Excellence** programme aims to build on the growth in the number of carers supporting Coventry's children—whether through kinship care, mainstream fostering, or Next Steps arrangements. It enhances the support available to carers to promote stability and permanence wherever possible. Notably, the service has successfully increased the number of emergency foster carers, who now operate on a rota system to provide immediate care for children entering care in crisis. This has significantly reduced the use of unsuitable or unregistered provision.
- 6.9 Targeted recruitment activity continues, aligned to the specific types of placements needed—such as parent and child arrangements—and includes postcode-based recruitment in areas with larger properties that may be suitable for sibling groups. (Further details will be available in the Fostering Annual Report 2024–2025, due for publication in October.)
- 6.10 In line with the 2024 Kinship Statutory Guidance, Coventry has strengthened its Kinship Strategy and Local Offer. This now includes access to therapeutic support and a wider range of resources for all carers, aimed at encouraging and supporting potential kinship carers through both fostering and Special Guardianship Order (SGO) pathways. A formal launch of the updated strategy and Local Offer, alongside the rebranding of the Connected Persons Foster Team to the Kinship Team, is planned for this autumn.
- 6.11 Discussions are ongoing with four neighbouring local authorities regarding the development of a regional fostering recruitment hub. Although initial work began earlier this year, progress has been delayed due to changes in the Department for Education's funding criteria, particularly around the scope of the hub's role.
- 6.12 **Next Step foster carers.** The Next Steps fostering scheme offers a supportive, safe, and nurturing family environment for children with more complex needs who step across from a children's home or are on the cusp of entering residential care. 11 households are currently part of the scheme, with 11 young people living in a family home. 7 of the children are long-term matched with their carers and 3 children have been enabled to move to independence from their foster (next steps) home. This continues to show success in significantly improving outcomes for the children placed with Next Steps carers alongside delivering tangible cost saving / avoidance.

- 6.13 **Coventry's Residential Strategy (2023–2026)** outlines plans to expand the number of council-run children's homes from five to ten. Since the last report to SB2, two new homes have opened: a short-stay/same-day home and the city's first purpose-built residential home for children with disabilities. However, both experienced delays due to building works and Ofsted registration, with opening dates in December 2024 and February 2025, respectively.
- 6.14 As part of the Medium-Term Financial Strategy, there is an opportunity to expand further, up to a total of 12. These additional homes will support children with the most complex needs, many of whom are currently in high-cost placements. Some of these children are subject to Deprivation of Liberty Safeguards (DoLS) following discharge from hospital due to serious mental health concerns. Although an opportunity arose in early 2025 to apply for a Department for Education (DfE) grant to cover 50% of the capital costs, Coventry was deemed ineligible under the DfE's criteria. This issue has been formally raised with the department. Two properties have since been purchased, planning permission has been granted, and building work is scheduled to begin in autumn. The homes are expected to open by April 2026, although Ofsted has advised that application processing times are now significantly delayed—taking 'several months' rather than the 16 weeks outlined in their guidance. A registered manager has already been appointed for these homes.
- 6.15 A residential review is currently underway to assess both the financial impact and the outcomes for children linked to the strategy. Ongoing evaluation is essential to ensure the number and type of homes meet the diverse needs of children requiring residential care in Coventry. Findings will be presented to the Capital Projects Board in the autumn to inform future planning.
- 6.16 Initial findings show that, within its first 16 weeks, the short-stay/same-day home supported five young people during crisis periods. It helped avoid the use of unregistered or illegal provision, enabled siblings to remain together, and improved the chances of securing long-term foster placements.
- 6.17 In addition to these positive outcomes, financial benefits have also been realised. It is estimated that up to £1 million in annual placement costs have been avoided during the first 16 weeks of operation. This is due to three young people transitioning to foster care instead of residential placements, and a timely search for new homes for two children resulting in reduced weekly costs.
- 6.18 **House Project & Staying Close**, plans are in place to increase the number of cohorts accessing this. The next cohort is due to commence later this year and 58 young people now having been successfully supported by the project. The House Project successfully registered as a Supported Accommodation provider earlier this year and are awaiting their first Ofsted inspection.

Several children from children's homes have successfully moved onto their own home through the House Project and will receive ongoing support through "Staying Close", from their former carers and through Lifelong links networks. The Strategic Lead for Corporate Parenting and Sufficiency alongside the Operational Lead for Residential Children's Homes are part of the Core Working Group for Staying Close Statutory Guidance development with the DfE.

- 6.19 **Reunification project:** Since the launch of the Reunification Project in June 2021, 54 children have returned to the care of their parent(s) through this project, with further children, young people and their families working towards reunification.
- 6.20 **A 'Hard 2 Place'** contract with 2 commissioned providers to meet the needs of children who require high levels of staffing in solo or 2 bedded homes due to the risks, was shared with SB2 last November. Unfortunately, neither provider was able to open a new home to meet the requirements of the contract within the 2-year period and therefore the contract ended.
- 6.21 **Regional contracts.** Working in partnership with the Commissioning Hub and local authorities across the West Midlands a new regional fostering framework was implemented in September 2024 to address some of the challenges linked to securing homes for children through Independent Fostering Agencies. 58 agencies signed up to the contract, supporting us to work with them on improving quality and fixed costs.
- 6.22 In addition, a new regional residential framework has been out to tender with the aim to address the challenges of working with providers through avoiding 'Spot' purchasing, enabling fixed contract costs, regional quality assurance and access to more homes closer to Coventry. It is anticipated that this will be implemented in Autumn 2025, as the success of the new framework exceeded expectations and subsequently has delayed the start / implementation date.
- 6.23 It is important to note that in partnership with the West Midlands Commissioning hub and other local authorities, Coventry are the lead for both of these regional frameworks on behalf of the West Midlands and an effective One Coventry team, including legal and procurement worked together to make this happen.
- 6.24 Our Commissioning team work collaboratively with other local authorities to undertake quality assurance linked to all providers. In addition, the team undertake checks before using new providers, quality assurance visits and work with social workers to ensure that children receive good quality care from providers.
- 6.25 **Regional Co-Operative Safe Centre.** The 14 Local Authorities from the West Midlands are working with the DfE to open a new West Midlands Safe Centre (secure welfare) children's home. There is a national shortage of secure welfare provision. The home will care for up to 20 children and is expected to open in the latter part of 2028. Birmingham Children's Trust are leading on the development and the Strategic Lead for Corporate Parenting & Sufficiency is part of the 'Practice & Operating Model' working group. A cabinet report is due to be submitted later this year with further details.
- 6.26 **Strategic Lead oversight** includes the weekly Gateway Panel, Resource & Placement Stability Panels and bi-monthly Residential Review. All new entrants to care are approved by a Strategic lead. A bimonthly review is undertaken of all children living in residential care, to consider a move on, in line with their care plan. Alongside this, children in residential care with additional packages of support are reviewed weekly. This meeting actively tracks each resource with additional support and works with social workers and providers to reduce the package in line with need. As noted above, the new Valuing Care model / panel and roll out across

children's services, will lead to a review of existing panel processes to avoid duplication and ensure efficiency.

- 6.27 **Unit cost inflation:** The outturn (end of year) position is analysed each year to determine the unit cost of different placement types, including contract type e.g., framework, block or spot. Work is then undertaken to determine contractually expected uplifts or to estimate non-contractual increases. This involves looking at historical uplift trends and consideration of national inflationary rates, including CPIH and National Living Wage. This supports ongoing budget forecasting.

7 Health Inequalities Impact

- 7.1 **Joint working with Health.** Joint Health funding is provided for those children who are discharged from hospital, having been sectioned under S2 of the Mental Health Act, under s.117 and for some children with complex needs. However, there are ongoing discussions with health regarding differing views as to whether several children should receive additional funding support through Childrens Continuing Health Care (CCHC) assessment outcomes. A complex needs panel meets monthly to consider funding 'splits' for children with the most complex needs- including the ICB, Childrens and Education service.

8 Summary & Conclusion

- 8.1 As evidenced, the primary budgetary pressures stem from the instability within the residential children's homes market. Coventry Children's Services is leading the way regionally in supporting the development of local authority-run children's homes, with seven homes currently operational and two additional homes scheduled to open by spring 2026.
- 8.2 A wide range of workstreams and projects are underway to identify and deliver alternative homes for children in care, tailored to their individual needs. The service remains committed to finding smarter, more effective ways of working and actively seeks feedback to drive continuous improvement.
- 8.3 Significant national social care reforms are also underway, aimed at strengthening support for children and families. Initiatives such as Family First Partnerships are designed to improve outcomes and prevent children from entering care.
- 8.4 It is noteworthy that many of the recommendations outlined in the May 2025 LGA publication, 'Costs and Complexity in Care: The Real Drivers of High-Cost Placements for Children in Care', are either already in place or have been identified as active workstreams through Coventry's Sufficiency Steering Group.
- 8.5 Collaborative efforts across the Council, Children's Services, and regional partners continue to focus on reducing the costs associated with children entering or remaining in care, and on supporting safe reunification with families wherever possible.

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Links to documents referenced:

[Care placements costs still driving up children's services spending, council budgets show - Community Care](#)

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[Government announces £53 million for council-run children's homes | Social Work Today](#)

[Changes to social care inspections aimed at improving stability for vulnerable children - GOV.UK](#)

<https://www.mutualventures.co.uk/fostering>

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