

# Developing the Market for Welfare Beds in Secured Children's Homes

Deloitte



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*Developing the Market for Welfare Beds  
in Secured Children's Homes*

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*Deloitte*

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## Contents

1	Executive summary .....	5
2	Introduction.....	11
2.1	Background.....	11
2.2	Scope and objectives.....	11
2.3	Methodology .....	11
2.4	Report structure .....	12
3	Market overview .....	13
3.1	Welfare beds in the context of the wider care market.....	13
3.2	Demand characteristics: children & commissioning .....	15
3.3	Supply characteristics: providers .....	18
3.4	The market: the interaction of demand and supply.....	20
4	Understanding underlying market drivers.....	24
4.1	Welfare beds market drivers - “Issue Tree” analysis .....	24
4.2	Socio-economic and demographic drivers.....	26
4.3	Supply drivers .....	28
4.4	Policy drivers .....	28
4.5	Key market features.....	29
5	Future outcomes: A scenario based analysis.....	35
5.1	Quantitative analysis.....	35
5.2	Scenario formulation.....	40
5.3	Scenarios.....	43
6	Conclusions and recommendations .....	46
6.1	Conclusions .....	46
6.2	Policy options.....	47
6.3	Considerations/recommendations .....	49
7	Annex A - supporting information .....	52
8	Annex B - interviewees.....	53
9	Annex C - questionnaires .....	54



## 1 Executive summary

The Department for Children, Schools and Families (DCSF) commissioned Deloitte to undertake a review of the market for welfare beds in secure children's homes in October 2007. The objective of the review was to inform central and local government policy and to assess potential demand for and supply of these homes in the future. This report assesses the market for welfare beds in secure children's homes, identifies key market characteristics, highlights the key demand and supply trends together with their underlying drivers, explores potential future scenarios and sets out some policy options.

There are approximately 60,000 children in care across England who require varying levels of emotional, psychological and physical support to achieve improved personal and societal outcomes. Secure children's homes provide specialised support for young people between the ages of 10-17 years who are particularly vulnerable and considered to be a risk to themselves or others.

The number of children accommodated in secure children's homes in England at the end of March 2007 was 290. Of this, 70 were local authority placements which accounts for just 0.13 per cent of all children in care.<sup>1</sup> Young people may be placed in secure accommodation via the courts on welfare grounds under Section 25 of the Children Act 1989 or the Youth Justice Board (YJB) when a child is sentenced or remanded in custody. Welfare placements in secure accommodation are less than a quarter of the overall secure children's homes market. The demand for welfare placements has declined rapidly in recent years, prompting a 30 per cent fall in provision over the last four years.

In the opinion of some providers and two stakeholders, some local authorities have sought to place children in alternative forms of accommodation and care to that provided in secure children's homes. Examples cited were private homes or residential children's homes that offer an intermediate level of support and security that falls between a residential children's home and a secure children's home. 'Semi-secure' accommodation, as it is referred to in this report, is said to have, for example, a higher staff-to-children ratio and place more restrictions on a child's ability to leave the home than a residential children's home. Semi-secure accommodation is not subject to regulation in the same way that secure children's homes are.

The decline in demand for welfare beds in secure children's homes may have been partly driven by the use of 'semi-secure' homes, rather than a tangible reduction in the number of children needing secure accommodation. While opinions expressed by some indicated that there may be a growing demand for accommodation that is seen as an alternative to secure accommodation, such as semi-secure accommodation, the research was not able to substantiate these views with evidence or data.

The market for secure children's homes has responded to lower demand levels and a number of homes have been closed over the last few years. The recent closures of secure children's homes is recognised by the government and the White Paper 'Care Matters: Time for Change', which states the need to avoid a situation in which further home closures could lead to children being placed inappropriately in the community, where their needs will not be properly met.

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<sup>1</sup> Figures are for March 2007 from the *Office for National Statistics* First Statistical Release which is based on data from the *DCSF SA1* form (the secure children's homes statistical return).

The main findings of the study are summarised below.

### **The market for secure children's homes is complex on a number of levels.**

Secure children's homes accommodate children who are particularly vulnerable and have extremely complex needs. This has implications for the placement of children and young people in secure units, requiring multi-agency assessments and decisions at different points in the process. Along with these necessary checks and balances, many organisations are involved in this market, creating further complexities. These include DCSF, which provides some capital funding; Ofsted, with its inspectors checking on compliance with legislation; local authorities who commission placements, home providers, education and health services that are linked with the homes; and other stakeholders and representative bodies. Further to this, as the market for welfare beds is very small, it is hard to establish statistically significant correlations.

### **Declining demand for welfare beds has been driven by many factors - including: changes in children's needs...**

A small component of the drop in demand for welfare beds may be attributable to improvements in the diagnosis of mental health conditions as segments of demand for welfare beds may have been re-categorised as demand for psychiatric or mental health facilities.

### **... as well as use of alternative provision due to discretion in decision-making within local authorities and differing application of government guidance; ...**

Although decisions regarding placements in secure children's homes are guided by legislation and clearly defined criteria, qualitative research suggests that the application of guidance varies, leading to a high level of discretion in placement decisions. Although this discretion is, in many respects, necessary it can significantly influence demand. An individual's philosophical views about appropriate placement options for a child will have more influence over their decision if there is a lack of evidence about outcomes.

Financial pressures could also influence the exercise of discretion. This is supported by statistical evidence of 'seasonal' decision making, demonstrated by seasonal peaks in welfare vacancies ahead of financial year end as funding may possibly become more limited.

### **... the view of secure children's homes as a last resort;**

Some local authority practitioners suggest that secure children's homes should be used only as a last resort. Clearly the perceived stigma associated with the placement of a child in a secure home discourages the use of such homes and reinforces the view that it is a placement of last resort.

### **... the use of alternative<sup>2</sup> ('semi-secure' and other substitutes) provision;**

However, there is no evidence that the actual demand has declined in terms of the fall in the number of vulnerable young people. Opinions from consultations with stakeholders,

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<sup>2</sup> Alternatives to secure children's homes include 'semi-secure' accommodation or residential children's homes with additional services such as therapeutic treatments.

suggests that the 'unrealised' demand has been diverted to alternatives but the extent and level of this diverted demand is not clear due to lack of data.<sup>3</sup>

### **... and perceptions of outcomes.**

A successful post-secure placement and care plan on leaving a secure children's home is vital for achieving good outcomes for the young person. Even if a child's behaviour improves whilst in secure, failure to continue relevant services post-secure could negate any benefits received during the secure placement. This could consequently lead to a misconception that secure provision is an ineffective option.

There is also a perception amongst social workers that sending a child to secure is a sign of 'failure'. This could lead to a situation where children are not sent to secure even if this might be in their best interest.

### **Supply has declined in response to lower demand ...**

The key driver of declining supply is the fall in demand for welfare beds. YJB commissioning levels have been relatively stable so this is likely to have had little impact on supply as a whole but the perceived aggressive pricing strategy of YJB may have increased pressure on providers. The supply of welfare beds in secure children's homes has responded to the falls in demand and a number of providers have closed in recent years. Growing competition from alternative provision has pushed some of the loss-making secure children's homes out of the market. Currently there are 19 providers in the market compared with 28 four years ago.

### **... increasing financial pressures on local authorities and providers,**

Falling demand has, in turn, increased financial pressures on local authorities providing a secure children's home. This has been exacerbated by price negotiations and block purchase contracts from the YJB - exerting further downward price pressures on homes that provide both justice and welfare beds.

### **... and poor incentives to invest has fed-back into the system and pushed demand down yet further.**

Uncertainty of future demand also makes planning and investment decisions hard for existing providers as they have no certainty of future income. Homes are in need of repair and renewal but this uncertainty acts as a disincentive to invest. Consequently, the facilities in homes may be (or may be perceived to be) sub-optimal relative to other provision, potentially deflecting demand further towards alternative solutions.

### **Limited evidence on outcomes makes assessments and placement decisions less informed and more difficult.**

In this market, commissioners have limited knowledge of the outcomes that secure children's homes have the capacity to deliver. Furthermore, as these placements are rarely used there is little scope to attain experience and knowledge. As a result, commissioning decisions can be based on perceptions rather than actual outcomes. Moreover, there is no comparative outcomes data available to inform decisions.

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<sup>3</sup> This view was held by a small number of stakeholders who, although not asked directly, raised this issue but there is no quantitative evidence to substantiate it.



### **In future, demand could move in either direction but supply is unlikely to rise without effective commissioning and planning...**

Scenario analysis suggests that demand could continue to fall but equally the recent trend could be reversed as a result of unanticipated shocks, changes in the application of guidance and changes in legislation. The majority of stakeholders expect the supply of welfare beds in secure children's homes to continue to fall.<sup>4</sup> The scenario analysis indicates that the realised demand for welfare beds over the next few years could range from 25 to 150 beds, depending on the extent and success of policy interventions and the use of substitute provision.

Opinions amongst stakeholders suggested that the demand for alternatives has been steady, although stakeholders were unable to supply evidence to corroborate this. However, these alternatives are not necessarily cheaper than welfare beds which may continue to act as a limit to demand for them.

Stakeholders who are currently supportive and users of welfare beds in secure children's homes made the point that 'semi-secure' accommodation is a high risk alternative and in their view not the right solution – the two types of provision are not the same and not substitutable. On the other hand, stakeholders who were opposed to secure treatment for children held the opposite view. Further to this, consultations suggest that prohibiting semi-secure care or tightening up on its usage may be counterproductive - it allows flexibility in provision and, in the view of many commissioners, delivers better end outcomes for children.

### **... due to market entry barriers ...**

It is widely recognised that supply is very unlikely to increase due to a lack of commercial viability. Current low demand levels, operational financial pressures, a misaligned incentive structure and prohibitively high costs associated with setting up or restoring secure children's homes act as barriers to market entry for new providers. It is easier to exit the market and use welfare beds for alternative purposes (such as justice beds) than to enter the market and increase supply.

### **... and given low capacity in the system (the tight market) and inelastic supply, any unanticipated increase in demand could prove hard to meet and may lead to a critical situation for the market.**

Supply has been reasonably quick to respond to the fall in demand for welfare beds. However, market exit is easier than market entry so supply is unlikely to respond quickly to any increase in demand. There is a significant risk that any increase in demand in an already tight market could lead to a lack of secure home placements for vulnerable children.

### **Policy decisions are made difficult by a notable lack of information regarding the quality of outcomes ...**

There is currently little evidence, beyond the anecdotal, on the outcomes of placements in secure children's homes relative to other placements for children in care. A comprehensive assessment of fitness-for-purpose cannot be made if there is no effective comparison of

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<sup>4</sup> This was the consensus view held by the stakeholders during discussions at the workshop where 40 stakeholders (mainly providers as well as local authorities and other umbrella organisations). Given the open nature of the discussion it is difficult to attribute these views to a specific number of people. This is discussed further in section 5.2 of the report.

outcomes. A more detailed analysis could also enhance knowledge and understanding of factors affecting vulnerability in young people to efficiently target improvements in provision.

## **POLICY OPTIONS**

Based on analysis and stakeholder consultations, the report identifies the following four options.

- Option 1 - Commission and develop<sup>5</sup> the existing secure care market more effectively and regulate alternative care options. The improvements required in commissioning and developing the market are two-fold: policy setting by Government and informed decision-making by commissioners. On Government policy, clear regulation and guidance to ensure that 'semi-secure' and secure accommodation are used effectively. On the commissioning, the process needs to be reviewed and options for commissioning at a regional or national level should be considered. This is beyond the scope of this study and there is currently insufficient information available to justify any specific course of action. Hypothetically, under this scenario, there will be competition in the market to provide better outcomes. If demand continues to be diverted to alternatives, there will be a need to consider regional or national provision of secure accommodation for a small core group (around 25-30 children) who require this type of accommodation.
- Option 2 - Commission and develop the secure care market more effectively and leave alternative provision 'un-regulated' in circumstances where the liberty of the child may be restricted occasionally (without the local authority obtaining a court order under section 25 of the Children Act 1989). This option focuses on commissioning and developing the secure market more effectively by supporting current providers and ensuring that their services are effectively marketed and recognised by commissioners. However, if 'semi-secure' accommodation continues to be 'unregulated', it is probable that some demand that would otherwise utilise welfare beds in secure children's homes would remain with the 'semi-secure' segment, continuing to undermine market viability of secure children's homes.
- Option 3 - Commission and develop secure accommodation and prevent use of alternative provision. Under this option, regulation and guidance prohibits the use of alternative accommodation. As a result of this there would be a significant surge in demand and the supply needs to be enhanced to meet this demand.
- Option 4 - Do nothing - The option of doing nothing and leaving the market to continue in the same vein is a hypothetical option and it would be very risky due to uncertainties around demand, supply and outcomes. Due to the complexities of the market this is not a viable option and should be discounted.

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<sup>5</sup> 'Develop the market' in this context refers to the exertion of greater degree of influence rather than aiming for complete control of the market. It is about using policy levers to shape and influence the market for desired outcomes.

## POLICY RECOMMENDATIONS

Given the complexities of the market and inherent risks, both in terms of potential market imbalances and risks for children's welfare, the status quo is not an option. After considering the above options, the report recommends that the best course of action is to **commission and develop the secure market more effectively and regulate alternative provision (Option 1)**.

- Commissioning and developing the existing secure market more effectively should be part of a whole-market package of intervention that also covers legislation, regulations and clear guidance that encompasses regulation of semi-secure accommodation;
- There is a need for much better information on outcomes delivered by secure children's homes, semi-secure homes and alternative provision. This should be explored further, as part of the implementation plan, to determine the nature and extent of substitutes desirable for this market;
- The consultations suggest that prohibiting semi-secure accommodation or tightening up on its usage may be counterproductive - it allows flexibility in provision and, in the view of many commissioners, the delivery of better end outcomes for children. Our consultations also suggested that there would always be a core group of children who would benefit from welfare beds in secure facilities, and as such it would seem that some form of secure care provision must be retained; and
- Commissioning the existing welfare beds market more effectively would lead to superior outcomes if complemented by a whole-market approach that encompasses an acceptance that alternative care is appropriate in certain cases, provided it is properly regulated.

In addition, the report makes the following recommendations:

- As soon as possible, send a clear signal of intent to stakeholders to reduce uncertainty by setting out a strategy for future direction, viability and stability of the market and clarifying regulations and guidance that cover the placement of children in 'semi-secure' and secure children's homes;
- In the interim, work to improve perceptions of the value and usefulness of welfare beds in secure children's homes by:
  - Introducing longer-term and multi-agency assessment and monitoring of outcomes;
  - Publicising and increasing awareness of services secure children's homes provide, how they can match the needs of the child and, crucially, what the children feel about the care they receive in secure children's homes.
- Decide on the way forward and then adopt a more strategic and joined-up approach to provision, to include:
  - Ensure effective regional or national governance and co-ordination across agencies;
  - The use of necessary evidence in arriving at and logically articulating a formal multi-agency strategy for seamless care, over the whole 'care life cycle' of the neediest children in the country.

## **2 Introduction**

### **2.1 Background**

The Department for Children, Schools and Families (DCSF) commissioned Deloitte to undertake a review of local authority demand for welfare beds in secure children's homes.

Although the focus of this study was to review the market specifically for welfare beds in secure children's homes, the review has also assessed placements through the justice system because:

- There are some similar risk factors between the two groups of children and considering them together provides a more robust analysis;
- The provision for both groups is the same in many cases (i.e. providers often support both types of placements) and so demand for each group must be considered to assess the availability of and potential future need for supply.

As part of the research the commissioning local authorities and local authorities who provide secure children's homes were interviewed. The voluntary organisation and private sector provider responsible for two of the 19 secure children's homes were also consulted. A detailed literature review and statistical/econometric analysis also informed the study findings.

### **2.2 Scope and objectives**

The scope of the study included a comprehensive review of the dynamics of the market, identification of the drivers of demand and supply as well as an assessment of potential future challenges and policy implications.

The specific objectives of the study are to:

- Establish likely levels of demand for welfare beds, including an assessment of the expected impact of legislation and government guidance;
- Explore future supply and the sustainability of providers, including an assessment of the influence of the Youth Justice Board's (YJB) commissioning; and
- Make recommendations on how the secure children's homes market could be developed.

### **2.3 Methodology**

#### **Research methodology**

In addition to desk based research, the methodology for identifying the key issues facing the market for secure children's homes included interviewing a sample of local authorities, providers of the homes and representative groups. These were selected based on the following criteria<sup>6</sup>:

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<sup>6</sup> Details of the local authorities, providers and other stakeholders interviewed are outlined in Annex B.

- Commissioners - 15 local authority commissioners were included in the study based upon location, their commissioning of secure accommodation for children and the level of demand;
- Providers of secure children's homes - 18 care providers - including one that closed in July 2007 were included in the study. They were selected to ensure a mix of ownership (local authority, independent and voluntary sector), location, size and type of care provided; and
- Representative groups - 8 other stakeholders (such as YJB, Ofsted and the Secure Accommodation Network) were also included in the study.

Semi-structured interviews based on a detailed questionnaire were used to gather qualitative and quantitative information about the market trends and processes. A total of 33 interviews were conducted (a mixture of face-to-face and telephone interviews) whilst the remainder consulted completed the questionnaire themselves. See appendix B for further details of interviewees.

A 'key findings' workshop with the project Steering Group and relevant stakeholders was conducted to share and validate emerging findings as well as inform the basis for the scenario analysis. Over 40 stakeholders participated in this whole day event. Of these, 19 were providers, 3 from commissioning authorities, 11 connected to the regional commissioning pilots and 16 other stakeholders.

### **Data analysis and modelling methodology**

In parallel to the desktop research and the interview process, time series data analysis on daily vacancies in secure children's homes helped develop the evidence base for the findings.

In addition, a model was built to develop future scenarios by calculating the number of beds required at each geographical level to meet the demand for beds in secure children's homes. This was then compared to the actual level of supply in the market.

## **2.4 Report structure**

The remainder of this report is structured as follows:

**Section 3 - Market overview:** provides an assessment of how the market is characterised at present in the context of the wider care market and its key features. It also outlines how it works from a process perspective in terms of the routes a young person can take into a secure children's home;

**Section 4 - Understanding underlying market drivers:** explores the underlying market trends and their drivers based on findings from literature review, data analysis and stakeholder consultations;

**Section 5 - Future scenarios:** describes the potential future scenarios to be used as a tool to consider future demand for and supply of welfare beds in secure children's homes and consequently implications for the market and policy; and

**Section 6 - Conclusions and recommendations:** provides a set of recommendation for DCSF and its stakeholders.

### 3 Market overview

This section provides an overview of the market in the context of the wider care market and the process followed when a young person is considered for a secure children's home. It also discusses key features and characteristics of the market in terms of its structure and various people involved in it from the young people that are accommodated in the homes to providers of the homes.

#### 3.1 Welfare beds in the context of the wider care market

The market for secure children's homes is relatively small compared to the wider care market for all children in care. The number of children accommodated in secure children's homes in England at the end of March 2007 was 290. Of these, 70 were local authority placements which accounts for just 0.13 per cent of all children in care. The current level is almost a third lower than when the demand peaked at 400 in 2003.<sup>7</sup>

This specialised market focuses on the physical, emotional and behavioural needs of young people who have a history of absconding and when doing so are likely to suffer significant harm, and / or that if they are placed in any other form of accommodation they are a likely risk to themselves or others. In order to provide young people with support tailored to their individual needs, the secure children's homes have a high ratio of staff to young people and are generally small group facilities - ranging from 5 to 38 beds per unit.

#### Routes into care and secure children's homes

There are two types of secure placement made under a court order - justice beds / placements (when a child is sentenced or remanded in custody) and welfare beds / placements (when a child is placed under Section 25 of the Children Act 1989).

The initial decision to place a child in care can result in:

- An emergency welfare placement in a secure children's home for up to 72 hours without a Court Order (although in practice this is extremely rare);
- A voluntary agreement (under Section 20 of the Children's Act 1998); or
- A Care Order (Section 31/38).

***Some stakeholders expressed the view that placements into secure home usually followed some sort of crisis.***

The young person could enter a secure children's home on welfare grounds if their assessment highlights that they meet the criteria under Section 25 of the Children's Act 1989. There is a mandatory duty on the Court to make the order if the following criteria are satisfied:

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<sup>7</sup> Figures are for March 2007 from the *Office for National Statistics* First Statistical Release which is based on data from the *DCSF SA1* form (the secure children's homes statistical return).

- That he/she has a history of absconding and is likely to abscond from anything other than secure accommodation;

And

- If he/she absconds he/she is likely to suffer significant harm [Section 25 (1) (a)];

Or

- If he/she is kept in anything other than secure accommodation he/she is likely to injure him/herself or other persons [Section 25 (1) (b)].

A young person may also be placed in a secure children's home on justice grounds via the Courts if they are subject to a:

- Detention Training Order (Crime and Disorder Act 1998);
- Section 90-92 (Power of Criminal Courts Act 2000);
- Secure Remand (Crime and Disorder Act 1998 and Children and Young Persons Act 1969); or
- Detained under Section 386 (Police and Criminal Evidence Act 1984).

Annex A provides further details of the Sections of the relevant Acts for welfare placements.

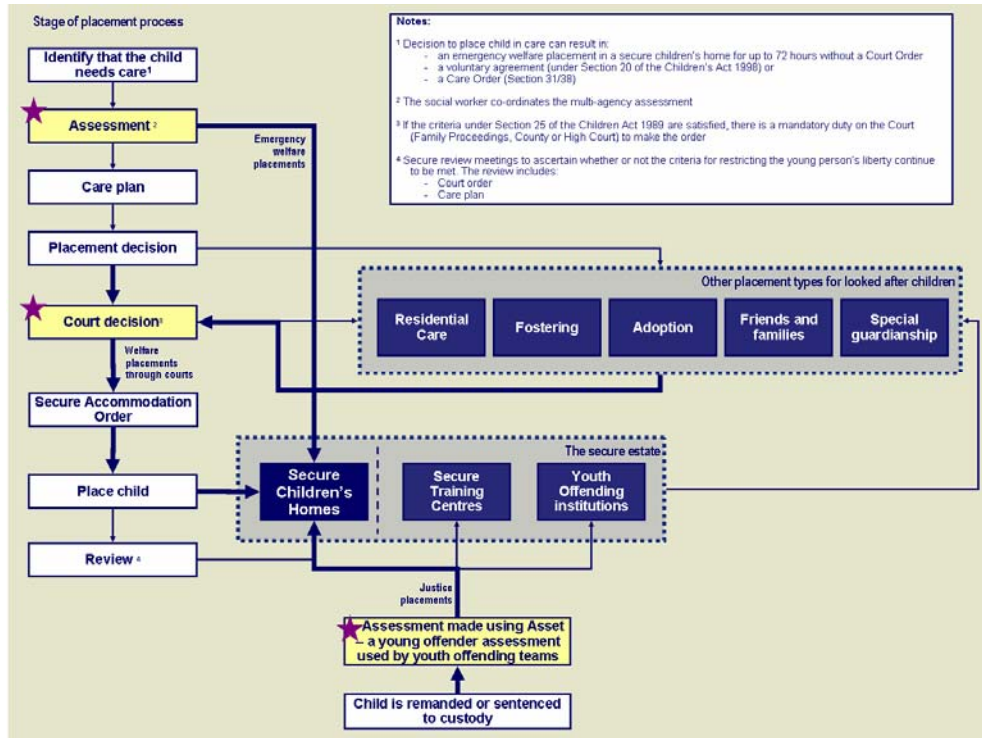
Therefore the key routes that a young person could follow to enter a secure children's home are:

- **Emergency welfare placement** - a rare route without going through the courts. In this scenario the young person can be placed in a secure unit for up to 72 hours only;
- **Welfare placement as first placement in care market** - where a court decision is made to place a child in secure care over other placements when they first enter the care system - a theoretical route that in practice is extremely unlikely;
- **Welfare placement in secure following other placements in care market** - where a court decision is made to place a child in secure care after they have tried other types of placements in the care market - the most likely welfare route; and
- **Justice placement** - where a young person has been remanded or sentenced by the courts to a secure children's home through the Youth Justice Board.

The process map in figure 3.1.a below provides an overview of where welfare placements in secure children's homes lie within the context of the wider care market. The process map highlights the different types of placement for children in care. Secure children's homes are part of the secure estate (in addition to secure training centres and youth offending institution). Many facilities accommodate children on both welfare and justice grounds, although there are some exceptions which do not mix the two types.

The figure below highlights the key points in the process that drive placements in secure children’s homes. The four main routes into secure children’s homes in the decision making process (as described earlier) are highlighted by the heavier arrows whilst the key decision points are shown by stars.

**Figure 3.1.a - Welfare beds and the wider care market**



Source: Deloitte Analysis

Although the focus of this study is to review demand for welfare beds in secure children’s homes, demand for justice placements has also been assessed. This is because of the similar risk factors between the two groups and because the provision for both groups is the same in many cases, as outlined earlier.

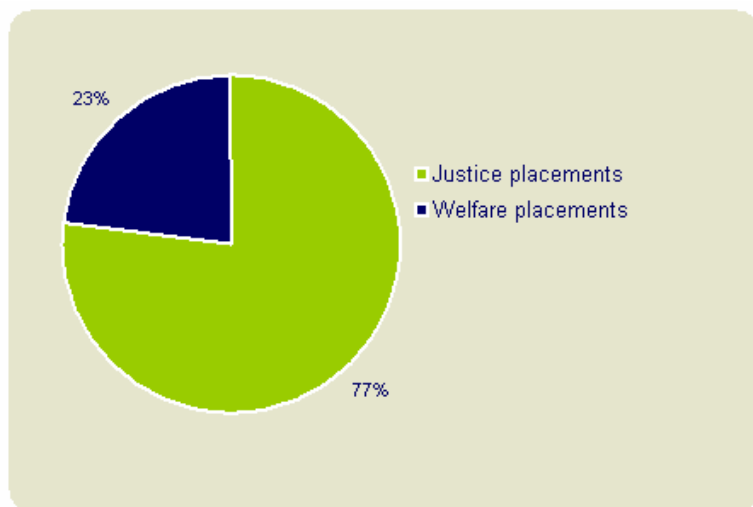
### 3.2 Demand characteristics: children & commissioning

This section outlines how the market is structured from a demand perspective including the profiles and key characteristics of young people in secure children’s homes.

As outlined earlier, the demand for secure children’s homes stems from either local authorities (welfare placements) or the Youth Justice Board (justice placements). As illustrated in figure 3.2.a, currently placements in secure children’s homes via the justice system account for over three-quarters (77 per cent) of all placements.



**Figure 3.2.a - Number of children accommodated in secure children's homes by type of placement**



Source: Office for National Statistics, Deloitte Analysis

Most welfare placements are commissioned on a 'spot purchase' basis as and when they are required and demand from each local authority varies. Some local authorities have a 'higher use' of secure children's homes than others but even they purchase relatively few placements each year. Conversely, the majority of justice placements are contracted out by the YJB and therefore 'block purchased' with the rest used on a 'spot purchase' basis. The block purchase arrangement gives providers more certainty of future income streams for around two to three years as this is the typical length of contracts for secure children's homes. However, block purchasing often means discounted prices and therefore some argue that the higher cost of welfare beds subsidises the justice placements.

***The opinion of the child is an important consideration. A survey of children in one secure children home showed that 60 per cent did not want to leave.***

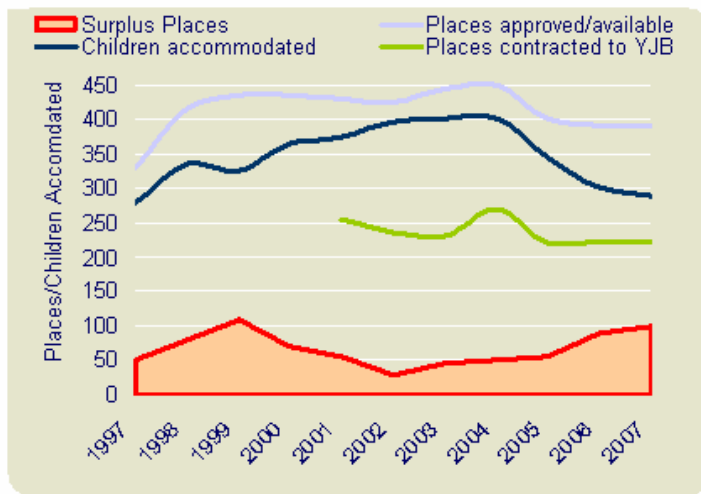
**Service manager of a secure children's home**

Figure 3.2.b shows the number of children that have been accommodated annually in secure children's homes since 1997. The relatively stable demand for YJB placements suggests that the fall in the total number of children accommodated has been driven by a decline in demand for welfare placements.<sup>8</sup>

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<sup>8</sup> Note that these figures are from a different source (ONS official release) to the daily vacancy figures presented later in the report. Importantly these figures are taken at 31<sup>st</sup> March each year, when the alternative data suggests vacancies are likely to be higher. Accordingly the chart is likely to overstate the average level vacancies.

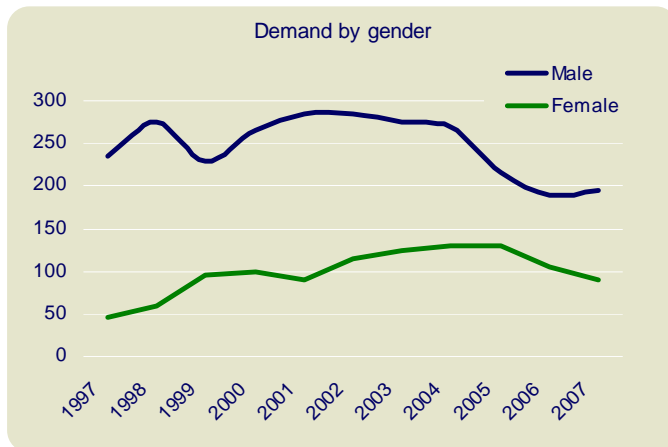
**Figure 3.2.b - Number of children accommodated in secure children's homes, 1997 - 2007**



Source: Office for National Statistics, Deloitte Analysis

Ten years ago 84 per cent of young people in secure children's homes were male and just 16 per cent were female. However, since 1997 the number of males in secure children's homes has declined whilst the number of females has increased, closing the gender gap. There are still more young males in secure children's homes than there are young females but the proportion of males has fallen to 68 per cent.

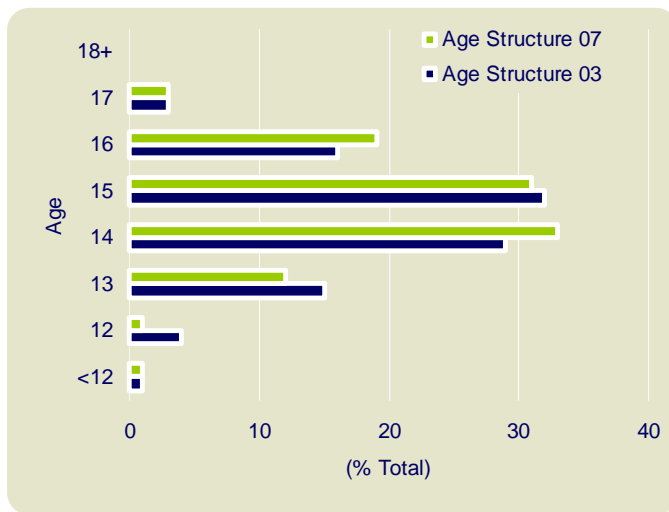
**Figure 3.2.c - Number of children in secure children's homes by gender**



Source: Office for National Statistics, Deloitte Analysis

The average age has fallen slightly in recent years but fourteen and fifteen year olds continue to account for the largest share of those in secure children's homes, as highlighted in figure 3.2.d.

**Figure 3.2.d - The average age of children accommodated in secure children's homes**



Source: Office for National Statistics, Deloitte Analysis

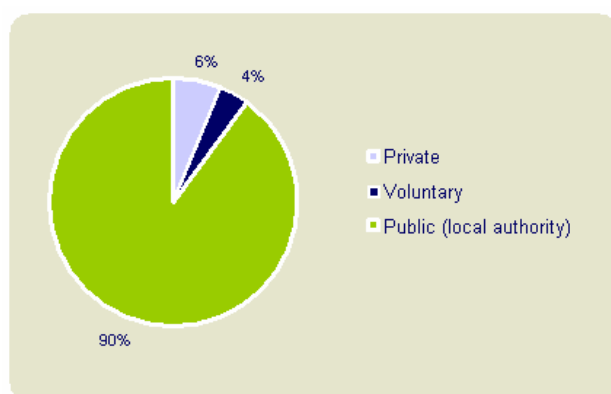
### 3.3 Supply characteristics: providers

This section outlines how the market is structured from a supply perspective including the profiles of providers of secure children's homes.

The liberty of children and young people can only be restricted in premises approved as secure accommodation by the Secretary of State of the Department for Children, Schools and Families. When this report was being prepared, there were 18 secure children's homes operating in England which had approval for use as secure accommodation. The location and size of these are shown in figure 3.3.a. The illustration highlights the uneven spread across the country with clusters of homes in the North West and few in the south of England.



**Figure 3.3.b - Share of market by number of places approved / available in secure children's homes**



Source: Office for National Statistics, Deloitte Analysis

In 2007 there were 290 children accommodated in secure children's homes on average. Of these beds, over three-quarters (77 per cent) were contracted to the YJB and the remainder (23 per cent) were welfare placements. This compares to a share of 68 per cent YJB placements in 2001, when the YJB first entered the market, highlighting the increase in young offenders in secure children's homes relative to those on welfare grounds. In absolute terms however, justice placements have fallen (a decline of 14 per cent since 2001) - although by a lesser extent than welfare placements (a fall of 42 per cent).

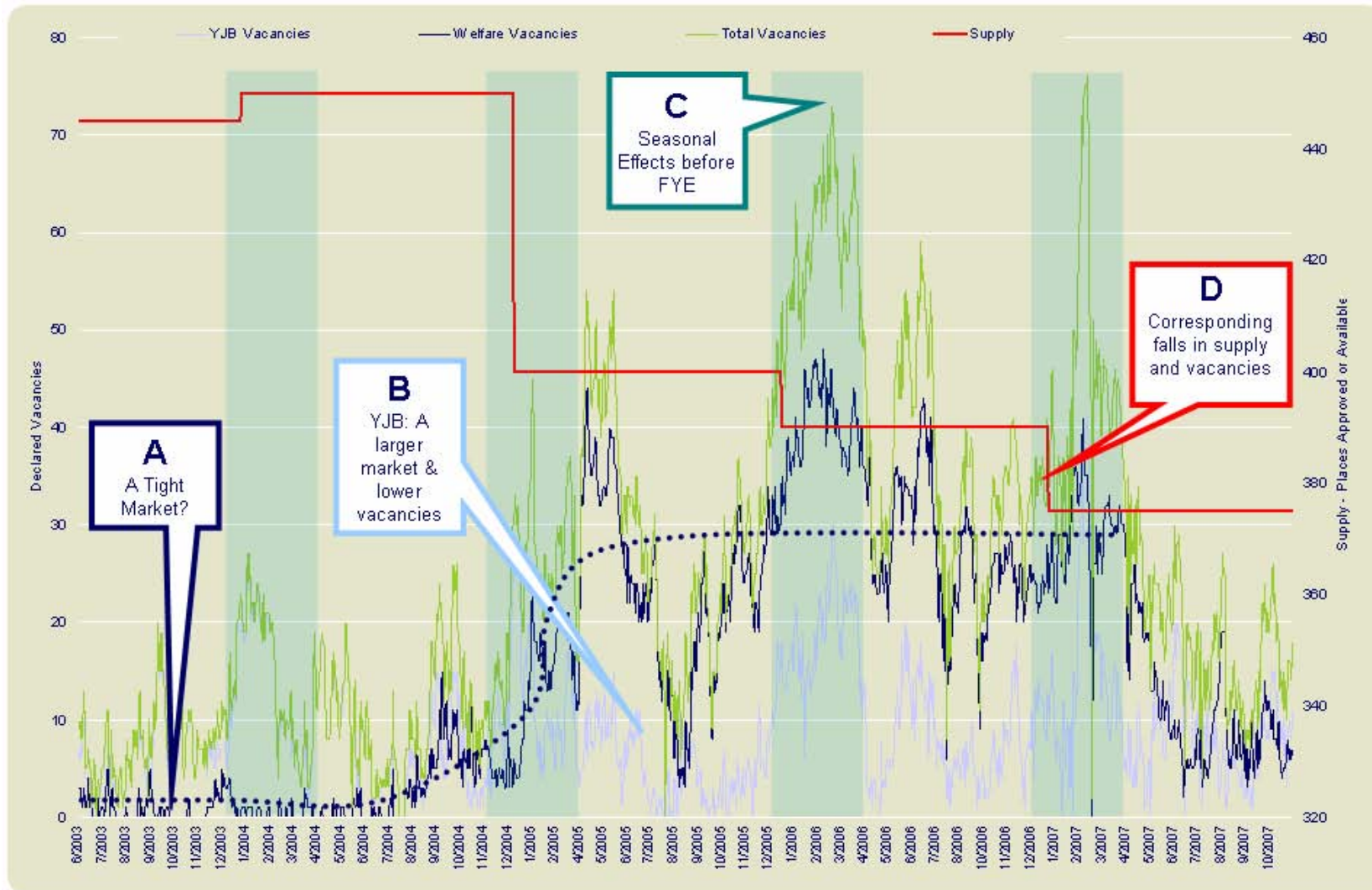
### **3.4 The market: the interaction of demand and supply**

Data from the YJB has provided extensive information regarding declared vacancies. This data extends to beds which are contracted to the YJB and also beds which are available for welfare use (as well as YJB spot purchase).

The data only includes vacancies which are registered daily through the YJB-run bed-bank and so excludes any vacancies which are filled 'offline' without the use of YJB as an intermediary. By definition, the data also excludes unrealised demand (i.e. that which is potentially relevant for secure children's homes but which is dealt with outside the secure estate such as through semi-secure or alternative provision).

Figure 3.4.a shows trends in vacancies from June 2003 to November 2007 for both welfare beds and YJB beds. The red line is associated with the right hand axis, and shows the average level of places approved / available in total in that calendar year. The dotted line is indicative and shows the underlying (moving average) trend of a step change in the number of declared vacancies for welfare beds.

Figure 3.4.a - Declared Vacancies for beds in secure children's homes, 2003-2007



Source: Office for National Statistics, Youth Justice Board data and Deloitte Analysis

Although there are significant fluctuations in this vacancy data on a daily basis which are not easy to account for and the chart only shows declared vacancies, there are features in the data that are useful to consider. The chart shows that after a period of high vacancies, the last six months have seen a much tighter market for welfare beds. As demand has fallen over this period, the fall in vacancies highlights the commensurate decline in supply which is likely to have responded to lower demand. The call outs on the chart in figure 1.3.b highlight some of key features of the data and the details below provide a fuller explanation:

### **A - A tight market**

The market was tight in 2003/4 with vacancies frequently hitting zero. At this time supply was higher as well (relative to the period for which data is available), suggesting that the tight market conditions were caused by strong demand. This was corroborated in consultations and may have been affected by the Street Crime Initiative in 2002<sup>9</sup>.

### **B - Lower, less volatile vacancies for the YJB**

Since 2005, and until recently, YJB vacancies had been much lower and statistical analysis confirmed that they are much less volatile. The certainty of YJB block purchase contracts may explain the steady vacancy levels of justice placements. Meanwhile, there has been an increase in the uncertainty associated with, and therefore the volatility of, welfare placements.

However, the court cycles for both justice and welfare placements may be a factor which has reduced volatility in the market overall as suggested by the average length of stay - which has steadied at around four months in recent years - and reflects the time between court proceedings. It is unknown whether or not these time scales are optimal.

The lower levels (and lower volatility) of YJB vacancies, could also be a result of:

- A more 'discrete' or 'black and white' process in the criminal route relative to the welfare route; and/or
- Cyclical effects (e.g. court cycle in each case); and/or
- Better management of bed purchasing and placement of children.

### **C - Seasonality**

The data suggests that there are seasonal impacts on vacancy levels. There is statistical evidence of seasonality - a seasonal trend in vacancies each year - over each of the last four years which is significant in econometric tests. This means that in each financial year, between December and March, the level of vacancies tends to rise. This could be for a number of reasons but a small number<sup>10</sup> of consultees suggested that this may be due to end-of-financial year cost pressures and an associated reduction in demand for secure welfare placements. This is examined by the model in chapter five.

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<sup>9</sup> The Street Crime Initiative began in March 2002 with the aim of cutting street crime (robbery and snatch theft) in the 10 worst affected areas in England which accounted for over 80 per cent of all robbery in England & Wales.

<sup>10</sup> This was not directly asked during interviews but a small number of consultees suggested that it was an important factor during one-to-one interviews.

## **D - Fall in supply**

The marked decline in the supply (measured by places approved / available) helps to explain the corresponding fall in vacancies. The recent fall in vacancies is thought to be attributable to closures - this is widely accepted to mean that the market is now at a critical juncture - although for different reasons from 2003/04 when vacancies were minimal. As a result of street crime initiative in 2002, demand for welfare beds increased and there was enough capacity in the system to accommodate this rise. However, since then demand has fallen and supply has responded with the closure of a number of providers. If demand increases once again as a result of legislation, guidance or another 'high profile' incident the system might not be able to accommodate this rise.

### **Key points and summary**

- The market for secure children's homes is focused on a small segment of children in care dealing with those who have particularly complex needs.
- The complexity of routes into secure and different stages of decision making in the market allows for high levels of discretion in the process.
- The interaction of supply and demand determines availability or excess supply in the homes. Supply has fallen in recent years whilst demand has fluctuated.
- Demand has also fallen but is subject to seasonal variation.
- Changes in the needs of the young people that enter secure children's homes may have implications for the provision offered.
- The market is now at a critical juncture. This is because supply of welfare beds is low and shrinking and would be unable to meet a rise in demand. If this happens there is also an important issue about where the demand may be diverted to.



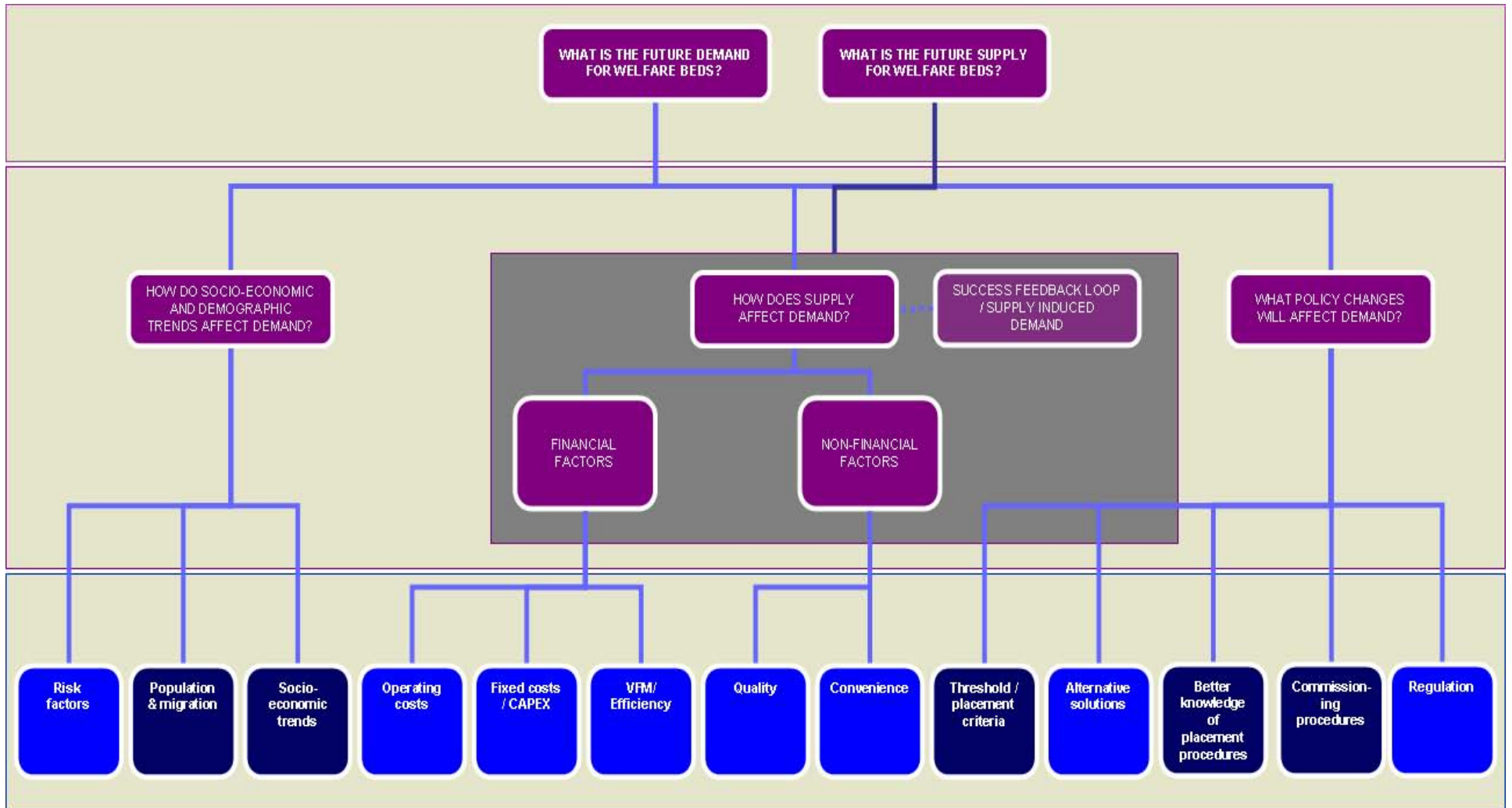
## **4 Understanding underlying market drivers**

Having outlined the current structure and processes in the market for welfare beds earlier in the report, this section explores the underlying market drivers further. It explains how socio-economic and demographic trends, policy and supply side factors may affect the market for welfare beds and why these factors are important. The context is based on findings from literature review, data analysis and the views and opinions of stakeholders

### **4.1 Welfare beds market drivers - “Issue Tree” analysis**

The issue tree, presented overleaf, was initially developed to provide an overview of factors which may affect the level and intensity of demand for welfare beds in secure children’s homes. The issue tree also considers supply side factors as demand and supply are inherently linked in this market. Following consultations and initial analysis, these factors were ranked in terms of their relative significance for the market outcomes. The factors highlighted in a brighter blue colour are those that have a more significant impact in the short to medium term than those coloured darker blue.

Figure 4.1.a - Welfare beds issue tree analysis



Source: Deloitte Analysis

## 4.2 Socio-economic and demographic drivers

These drivers of demand for welfare beds are inherently longer-term.

### Risk factors

The focus of the analysis is on segments of the young population who are at most risk. Risk factors can contribute to the vulnerability of these people and therefore the likelihood that they may need welfare beds. Risk factors may be associated with different groups who have contact with young people. These may, for example, include family, people in schools or the community, and those which are related to peer-group in some other way.<sup>11</sup>

Evidence shows that there may be clusters of risk factors in the lives of more disadvantaged young people; and the likelihood that those children will become anti-social and criminally active increases with the number of risk factors. Young people who have been exposed to the greatest risk are between five and 20 times more likely to become violent and serious offenders than those who have not. However, whilst there is some research on effectively reducing risk factors, there is little evidence on the relationship between these factors and demand for welfare beds. As the market for welfare beds is very small, it is hard to establish statistically significant correlations.

### Population and migration

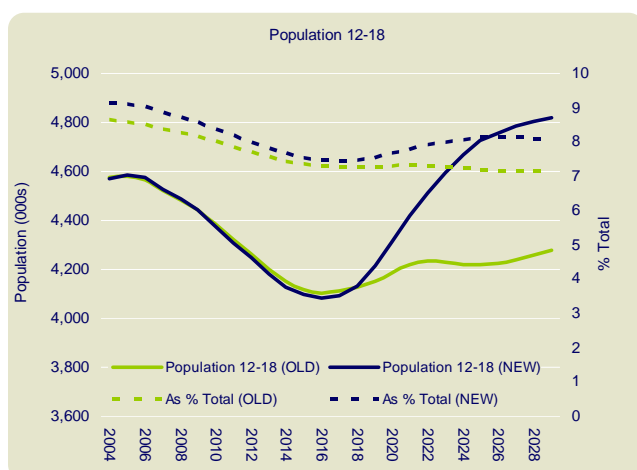
Population projections for the cohort of young people considered in figure 4.2.a highlights a 'falling' population amongst this group to 2016.<sup>12</sup> The figures for 'new' are 2006-based projections which replace the 2004-based population projections ('old') published in October 2005. This implies that, all else being equal, potentially fewer children may need the service in absolute terms (number of children) to 2016 but that demand may rise again as the population rises. Although this factor is considered, any impacts of changes in population and migration are likely to be over the longer term and are less relevant for this study.

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<sup>11</sup> From a range of research sources including: Risk and protective factors, *Youth Justice Board, 2005*, Youth at risk? A national survey of risk factors, protective factors and problem behaviour among young people in England, Scotland and Wales, *Communities that Care and Joseph Rowntree Foundation 2002*, and Identifying and exploring young people's experiences of risk, protective factors and resilience to drug use, Home Office 2007

<sup>12</sup> 2006-based projections from the Office for National Statistics and the Government Actuary's Department (GAD)

**Figure 4.2.a - Client-age population projections**



Source: 2006-based projections from the Office for National Statistics, Deloitte Analysis

Even with marked changes in population, the propensity of a child to require care is likely to be the key determinant and this is not easy to calculate or forecast in the aggregate.

### Socio-economic trends<sup>13</sup>

Changes in socio-economic trends can affect the profiles of vulnerable young people. In turn, this can influence demand as what may be considered as the “social norm” or what may be socially acceptable can change over time. Therefore the criteria that determine the vulnerability of young people - if children are a danger to themselves or society which can change with time - can be affected by views on what may be socially acceptable as well as the associated regulation and policy. For instance, substance use and sexual activity amongst young people is more widely accepted than a decade or so ago. A small number of stakeholders stated that these children would have been considered vulnerable and at risk in the past but their ‘accelerated lives’ are more typical of children now.

There is also a fine line between behavioural patterns of young people who are vulnerable or at risk and those with mental health conditions. As more conditions are diagnosed and recognised there may be some cases where children who may have been considered for secure accommodation would be re-categorised as young people in need of medical treatments. For example, before the recognition of Attention-Deficit Hyperactivity Disorder (ADHD) some children may have been seen to have behavioural issues that may have lead to placements in secure rather than the appropriate treatment.

However, this too is likely to be a longer-term driver of demand and is therefore less relevant to this study.

<sup>13</sup> These factors are based on information gathered during the interview process and were received from both providers of secure children’s homes and local authorities.

## 4.3 Supply drivers

### Cost

Many providers of secure children's homes expressed the view during consultations - including in-depth interviews<sup>14</sup> and workshop discussions - that they face financial pressures from fixed costs (in the initial set up and capital expenditure in refurbishment and renovations), operating costs and efficiency targets set by governing bodies. Local authority commissioners also expect providers to demonstrate value for money and efficiency while maintaining or improving frontline care.

The fixed costs and capital expenditure primarily include the cost of the property. High property prices have created barriers to entry.

Once set up, the operating costs of running a home primarily include staff wages. If recent trends of children being in care for longer continue, more staff may be required which will in turn increase operating costs. The operating costs may not necessarily fall if demand dips slightly either as - although they will depend on the terms and conditions of employment - they are often not perfectly variable costs.

### Quality

The quality of care provided by a home needs to be managed with an appropriate level of skills amongst the staff. The numbers and type of staff required may need to change according to the intensity and duration of care needed for children placed in the home. Given the specialist skills required, this market is likely to have less flexibility to adapt to changes in demand from commissioners.

### Access

The accessibility of a home is relative to its proximity to local authorities who may place children there. Without the major capital investment necessary to relocate a home, there is little that providers can do to improve access.

## 4.4 Policy drivers

There are a number of policy drivers that affect both commissioners and providers. Decisions by placing local authorities, the commissioners, as well as the market structure, are shaped by regulation, guidance and policy. Ultimately legislation governs the criteria under which children may be placed in secure settings, such as the criteria set out within Section 25 the Children's Act 1989. Guidance has also been provided by bodies such as Commission for Social Care Inspection (CSCI) and its Welsh equivalent (CISW), and more recently by Ofsted and the Youth Justice Board.

Guidance - in addition to awareness gained through contacts and experience - can also help promote better knowledge of placement procedures if it is understood and interpreted correctly. Regulation and guidance on alternative solutions for children who may need secure care of some form - but not within secure children's homes - can also influence demand.

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<sup>14</sup> This was not directly asked during interviews but some consultees suggested that it was an important factor during one-to-one interviews.

Further to this, thresholds and placement criteria can be influenced by guidance from bodies such as CSCI, whose responsibilities for this area have passed to Ofsted. Commissioning can change demand as it may influence the decision-making process.

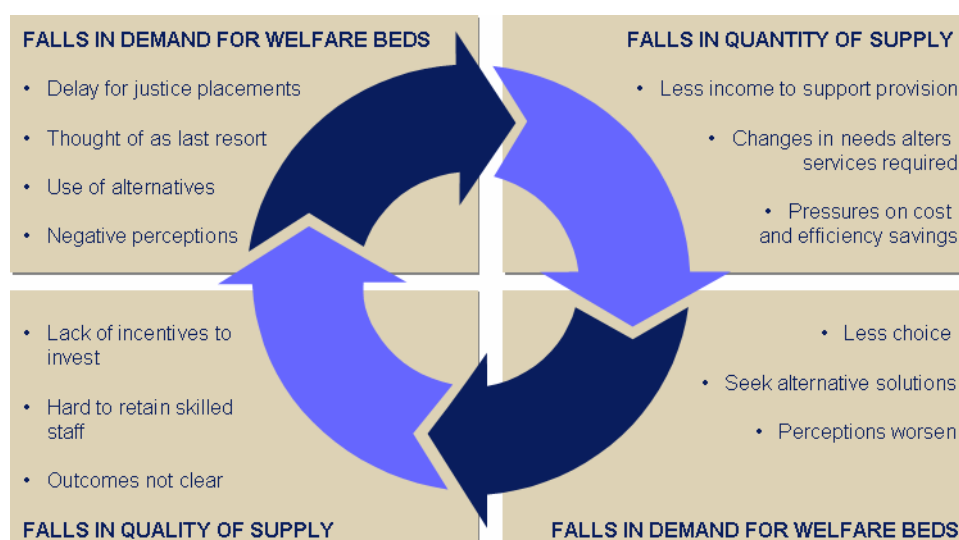
## 4.5 Key market features

Discussions with stakeholders during the interviews and the workshop were based on the factors described in the previous section. This helped to contextualise the effect and the relative magnitude that each factor may have on the market for welfare beds.

This section outlines the key market features and concludes with an analysis of their effect on the market. Most of the issues described in this section are based on the opinions of some stakeholders. Where possible, the number of stakeholders who raised the issue has been stated. However, much of the information in this section stems from views expressed during a workshop by varying numbers of individuals. Over 40 stakeholders participated in this event. Of these, 19 were providers, three from commissioning authorities, 11 connected to the regional commissioning pilots and 16 other stakeholders.

An expected key feature, identified before and confirmed during the workshop, is the inherent link between demand and supply. Figure 4.5.a highlights how falls in demand and supply are self-perpetuating. For example, falls in demand for welfare beds can lead to a fall in the number of suppliers of secure children’s homes as they have less income to support the running costs of the home. In turn, this could lead to a further fall in demand as local authorities have less choice and seek ‘alternative’ solutions. Providers will see little incentive to invest whilst future demand is uncertain which may lead to the quality of provision falling relative to other types of provision that are able to invest. In turn, this can lead to further negative perceptions of the use and outcomes of secure children’s homes and consequently lower demand.

**Figure 4.5.a - Self-perpetuating falls in demand for and supply of welfare beds in secure children’s homes**



Source: Deloitte Analysis

In addition to the interdependency between demand and supply there are key features which explain how the market has reacted over the past few years. The underlying factors can be categorised into seven key market features which are outlined below.

## 1. Incentives

Historically, many secure children's homes appear to have been seen as 'income sources' by their local authority provider as they brought a high, steady and dependable source of income whilst demand for welfare beds was high. This net income allowed local authorities to invest in other services or cross-subsidise other services. In the light of declining demand, an increased expectation from commissioners for value for money and lower income, some providers expressed the view that local authorities have little incentive to maintain these homes, especially if most of the demand stems from outside of their area.

In the opinion of some consultees, there is an incentive for commissioning local authorities to delay placements into secure children's homes so that children enter via the criminal justice route rather than on welfare grounds, as the YJB would bear the associated financial and administrative burdens. However this view was not substantiated by evidence due to a lack of available data.

***15 providers agreed that secure children's homes are used as a placement of last resort.***

**Based on interviews with 17 of the 19 providers**

Another opinion expressed during the workshop was that some risk-averse local authorities may place a young person in a secure children's home earlier than necessary in order to prevent a potential crisis.

### Impact on market

Lower incentives for some local authorities to maintain secure children's homes could lead to further **falls in supply over the coming years**. Although some commissioners might be inclined to make early placements into these homes, opinions expressed at the workshop suggest that the incentive to try other placements first is likely to be stronger. If this is correct, **some demand could be delayed** by longer time lags.

## 2. Placement motives

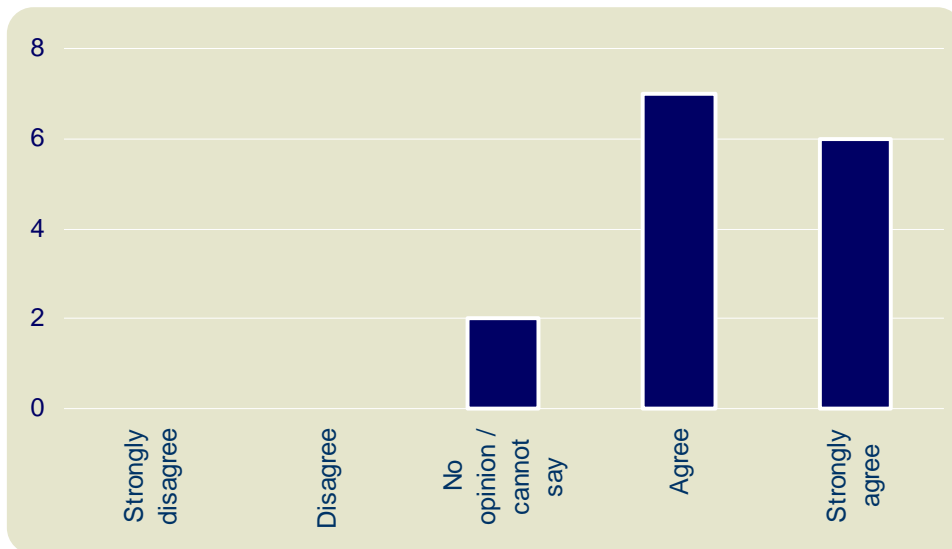
When asked whether secure children's homes are viewed as a placement of 'last resort', 15 providers out of 19 agreed or strongly agreed with this statement and the remainder were unsure. Some providers and local authority commissioners expressed the view during the workshop that placements into secure children's homes are often made in response to a crisis, rather than as part of a planned form of care. In such cases, the aim seems to be to exercise control over a child - to prevent absconding or potential harm to the child or others. The potential for secure care to form part of some children's rehabilitation and therapy appears to be overlooked by some commissioners, according to the views of some present at the workshop.

External events could influence demand by acting on the motives of commissioners. For example, media coverage of critical incidents relating to children in or needing care could lead to a heightened perception of risk and so to a spike in demand for placements into secure children's homes.

## Impact on market

If secure children’s homes are increasingly seen as being outside the package of care and support for looked after children, **demand is likely to fall further**. The effect of external influences on demand, such as serious incidents involving looked after children, will depend on the nature of the event. The **impact of these influences on demand is ambiguous and uncertain**.

**Figure 4.5.b - Number of providers who feel the secure children’s homes are used as a last resort**<sup>15</sup>



Source: Deloitte Analysis

### 3. Changes in demand

According to the views expressed by some providers and stakeholders at the workshop, there have been changes in the needs of young people and this has led to different placement and support needs. Children’s needs now appear to require more specialised intervention and support. This was said to stem from external factors, such as greater recognition of mental health problems and earlier identification of sexual exploitation. Some providers also expressed the view that delayed placements into secure accommodation had left children with insufficient care and support in earlier residential or foster placements.

Data suggests that the average length of stay has steadied at around four months in recent years. This seems to reflect the period between court proceedings.

## Impact on market

Changes in demand have ramifications for the **quality and scale of provision required**. Shifts in needs of children and young people may mean that facilities and workforce skills need to be changed.

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<sup>15</sup> 15 of the 19 homes participated in interviews conducted with providers of secure children’s homes.



#### 4. Alternatives to secure care

In the opinion of some providers and two stakeholders, some local authorities have sought to place children in alternative forms of accommodation and care to that provided in secure children's homes. Examples cited were private homes or residential children's homes that offer an intermediate level of support and security that falls between a residential children's home and a secure children's home. Semi-secure accommodation, as it is referred to here, is not subject to regulation in the same way that secure children's homes are. Semi-secure accommodation is not approved by the Secretary of State and the Commission for Social Care Inspection (CSCI) advised that semi-secure accommodation has no defined status in regulations or guidance. Some stakeholders expressed concerns that placements in semi-secure accommodation may carry some risk as such placements are not subject to regulatory safeguards to ensure that the restriction of liberty is reasonable and appropriate.

Local authorities exercise their discretion when placing children in care, taking into account the needs of the child, their statutory duties and Government guidance. But they also need to know how different placement options can best meet the child's needs. For this, reliable information about outcomes is essential. Some residential children's homes were said to offer additional services such as adventure training activities in remote rural locations, higher staff to child ratio or therapeutic treatments. However, information about outcomes for such alternative accommodation is not known.

While opinions expressed by some indicated that there may be a growing demand for accommodation that is seen as an alternative to secure accommodation, such as semi-secure accommodation, the research was not able to substantiate these views with evidence or data. If more children are being placed in such alternative accommodation, this would partly explain the fall in demand for secure accommodation. But without data it is impossible to measure the past effect of these placements and so forecast the impact on future demand for secure children's homes.

##### Impact on market

Alternative forms of accommodation appear to be **reducing demand** for welfare beds, although the extent is difficult to gauge given the lack of evidence or data. Such competition could over time lead to some secure children's home providers leaving the market, **reducing supply capacity** further.

#### 5. Disincentives for providers

In contrast with justice placements commissioned by the YJB in secure children's homes, welfare placements are generally spot-purchased by local authority commissioners. With greater certainty of YJB demand, some providers may prefer to limit beds available for welfare placements to reduce the inherent risk of relying on an uncertain income stream. Uncertainty of income also discourages investment in services and facilities. Financial concerns were highlighted by providers with four out of five providers saying that financial issues were likely to be a future challenge. This compares to just over half who said that regulatory issues would be a future challenge and half who said other non-financial issues would be a challenge.

##### Impact on market

There could be a reduction in the supply of welfare beds if providers move their resources towards those income streams which are more reliable. Over time, with reduced investment by providers, welfare accommodation could become sub-optimal relative to other alternative

forms of accommodation. This could **reduce demand** as it shifts further towards alternative accommodation.

## 6. Workforce

Much of the care delivered in secure children's homes depends on the capability and capacity of the workforce. Complex needs require specialist knowledge and skills, which in turn require investment in recruitment, training and retention. This is likely to be difficult if an income stream is uncertain, as outlined above. Identifying the appropriate skill mix is contingent on a better and shared understanding of the needs of children placed in secure children's homes and of how these needs can be best met.

### Impact on market

The capability and capacity of the workforce is one of the key factors that shapes the provision of secure care for children. Given the limited workforce capacity, **supply appears to be constrained** and providers could find it difficult to meet an increase in demand in this market.

## 7. Outcomes

Knowledge of outcomes is critical to objective commissioning decisions, especially when planning, designing and monitoring a service. If desired outcomes are identified, service delivery can be reviewed, enabling remedial action to be taken if necessary and building a growing evidence base for future commissioning decisions. Yet knowledge of outcomes in this market is very sparse. If outcomes are known, they are only known for individual children by those particular social workers familiar with their placements. The research could not identify any data or evidence on the outcomes for the children and young people placed in secure children's homes. Given the very small numbers of children placed, it is particularly difficult for individual local authorities to build evidence of outcomes. Even local authorities who do commission such placements do so infrequently.

### Impact on market

Commissioners and providers are making decisions on placements in the absence of any shared evidence of outcomes for children placed in secure children's homes and of outcomes for alternatives forms of accommodation. Decision-making without a shared knowledge of outcomes lacks a proper rationale and inevitably places great reliance on views and opinion, which in turn **affect demand** for welfare beds. The benefits and consequences of such placements for children are therefore difficult to establish.

## **Key points and summary**

There are many factors that can affect levels and intensity of demand and supply for welfare beds in secure children's homes. However, many are currently not monitored and their assessment is therefore difficult. There is an inherent link between demand and supply.

Based on the analysis presented in this section and stakeholder consultations there are a number of key market features which include:

- Incentives
- Placement motives
- Changes demand
- Alternative supply options
- Disincentives for providers
- Workforce
- Outcomes

## **5 Future outcomes: a scenario based analysis**

As the market is very small, it is not possible to predict/forecast future demand level with accuracy. This chapter considers potential future outcomes based on alternative scenarios developed throughout the study.

The scenarios have been informed by the research and developed in conjunction with stakeholders to be used as a tool to consider future demand for and supply of welfare beds in secure children's homes, rather than providing a definitive 'forecast'.

Initially the chapter concentrates on attempts to model future outcomes, before using the resultant analysis in conjunction with stakeholder opinion to produce four scenarios. The chapter concludes with a discussion of policy implications.

### **5.1 Quantitative analysis**

Statistical and econometric analysis of the market for welfare beds in secure children's homes is made difficult by three major limitations.

The first of these relates to the limited scale of the market. Fewer than 100 welfare beds available in secure children's homes coupled with the obvious need to treat each child as an individual case, means that this is a 'micro-market' where very small changes can have significant implications on outcomes and limit the usefulness of such techniques.

Of greater concern from a modelling perspective is the extent to which demand can be easily transferred to alternative means of provision. Any treatment of the market in isolation overlooks the fact that alternative supply (even though not perfectly substitutable) exists and can be used as a preference by commissioners or otherwise when deemed necessary.

This in itself would not be a problem if equivalent data on the extent to which alternative and potentially non-secure provision is utilised could be combined with existing data on secure children's homes to give a holistic market view. However, the YJB bed bank and ONS (through DCSF) do not include such data in their outputs and publications which precludes this.

Given these issues the usefulness of formal econometric modelling and forecasting is likely to be limited. As an example projecting forward the number of welfare beds required without regard for the scale of use of alternative provision (which is unknown) could lead to spurious results and policy conclusions.

Finally, and perhaps most importantly, data on post secure-care outcomes and how they are better or worse than any other alternative provision are not available. Thus any analysis of supply and demand in a purely quantitative sense cannot reflect the two most significant priorities for the market - that the child's needs and the optimum outcome in each case are paramount. To add another layer of complexity to this, the analysis has confirmed that perceived outcomes influence demand for welfare beds, with some practitioners basing their use of welfare beds on perceptions or recent experience that is limited in scope by the small numbers of children being placed.

To combat these problems we present high-level quantitative results from two alternative models with a discussion of limitations and the relevant context for interpretation, before considering future qualitative scenarios.

## Time-series analysis

The first model devised for the study is based on an econometric time-series model which estimates future welfare bed vacancies as a function of past vacancies, seasonal factors and YJB demand. This uses daily vacancy data from the YJB secure care bed bank (weekdays only) between June 2002 and December 2007. The data includes declared vacancies to YJB and excludes any provision that bypasses this intermediation process.

This simple model is statistically significant, confirming that the major determinant of declared vacancies on any given day is the previous day's vacancy level. The model also confirms statistically seasonal effects are at work in the market, with vacancies increasing in the quarter prior to financial year end to various degrees over the last four years.

The model, and related statistical information, is shown in figure 5.1.1.a

**Figure 5.1.1.a - Declared Welfare Vacancies in secure children's homes, Time Series Model Outputs**

Equation	Adjusted R <sup>2</sup>	Standard Error	Observations
	0.96	2.65	1121

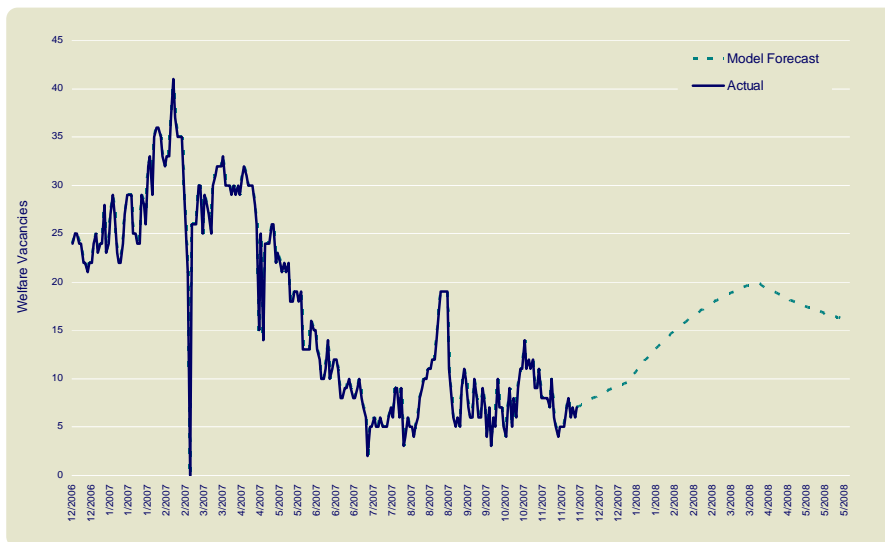
  

	Coefficients	Standard Error	t-statistic
Welfare Vacancies	-	-	-
Intercept	0.44	0.15	2.85
Welfare Vacancies (-1)	0.98	0.01	162.05
Seasonality Dummy	0.40	0.22	1.81
YJB Vacancies (-1)	-0.03	0.01	-1.72

Source: Deloitte Analysis, YJB data.

The model is then used to extrapolate vacancies forward for the six-month period to June 2008. This indicates that if the seasonal effects prevalent in the past four years were to impact the market in early 2008, vacancies would rise, bucking the recent downward trend which began in April 2007.

**Figure 5.1.1.b - Declared Welfare Vacancies in Secure children's homes, Time Series Model Projections, 2008**



Source: Deloitte Analysis, YJB.

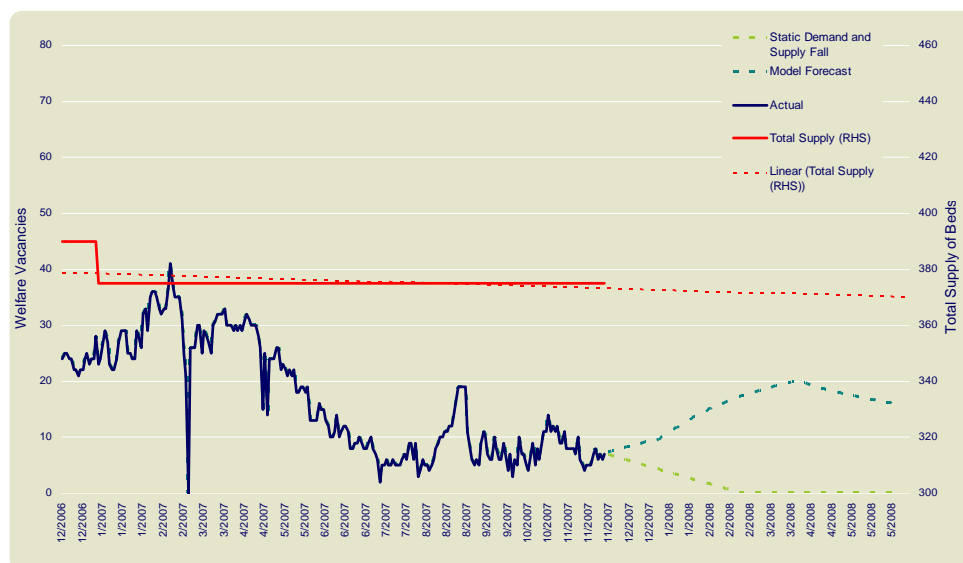
As shown above, the time-series model estimates that tightness in the market will lessen to April 2008 before another increase in demand leads to fewer vacancies and a situation similar to that faced in December 2007.

Clearly, this approach is useful in suggesting that seasonal impacts are likely to lead to an easing of 'tightness' in the market for welfare beds if, and only if, all other factors remain equal.

As discussed in preceding chapters however, there are many other factors which could prevent this outcome. Any further reduction in supply (such as the proposed closure of another home in March 2008) would lead to fewer vacancies, and a number of factors on the demand side could also lead to significant changes.

Assuming that supply does fall in line with broad historical trends and that demand does not respond to this change in supply in the short-term, remaining broadly equivalent to levels in December 2007 (a strong assumption given market characteristics and the available substitutes) the analysis implies a critical juncture in the market for welfare beds some time in March 2008, around the time of the proposed closure of a home in Liverpool. This scenario is shown by the green broken line below along with the trend extrapolation of annual supply levels used in the scenario.

**Figure 5.1.2.c - Declared Welfare Vacancies in Secure children’s homes, Time Series Model Projections, 2008**



Source: Deloitte Analysis, YJB.

Whilst this time-series analysis cannot be expected to generate the likelihood or magnitude of different outcomes, it does highlight the complexities associated with estimating likely future outcomes through the analysis of supply of and demand for welfare beds in secure children’s homes.

Depending on market outcomes and individual opinion it could easily be argued that March 2008 will be characterised by relatively high vacancy levels in excess of 15 beds per day or by a critical situation where a further reduction in capacity means there are very few vacancies available on any given day. There is a third outcome, whereby alternative provision is used such that the level of daily vacancies continues to hover at or around the 7/8 beds per day level.

These potential scenarios are considered in greater depth in section 5.2.

### Queuing Theory Modelling

The second modelling methodology employed is based on a ‘queuing theory’ methodology to assess how many beds should be kept as a ‘buffer’ to accommodate uncertain patterns in demand and minimise the risk of ‘queuing’.

This is potentially of limited use in the current market context where substitutes are available because of the discretionary nature of the market. If the child cannot be placed in an appropriate secure welfare bed this research indicates that alternative care would be sought - be that in non-secure equivalents or in other areas of the formal care system. In practice these other means of provision act as the necessary buffer negating the need for such extra capacity in the welfare beds market.

During stakeholder consultations, however, it was suggested that using other less intensive formal care provision (such as residential care homes or fostering) when secure care was required would lead to sub-optimal outcomes for the child in care as well and in certain instances other citizens. This suggests some level of buffer is preferable to minimise the

associated risks with non-secure placements. Without tangible evidence on outcomes for the child, this remains anecdotal evidence.

However, a feasible use of the buffer model is a particular scenario where the use of substitutes is less likely, perhaps due to the tightening of legislation. In this instance it is likely that a sudden increase in demand for welfare beds coupled with a very inelastic supply of beds would quickly lead to demand pressures and associated difficulties.

The model works by assigning a probability that a suitable placement is found for an individual in each case and applying that to demand levels to minimise the probability of waiting for a welfare bed on any given day - the probability of waiting in this instance is set to 10 per cent. A 'suitable' placement takes into account the need to provide spatially specific accommodation or otherwise, such that the buffer required to minimise the probability of waiting is higher if regionally specific accommodation is required.

One limitation of the model is the fact that it is not possible to differentiate between demand and supply at welfare bed and YJB level, which limits its usefulness in terms of the absolute magnitude of extra capacity that might be required. For this reason all results are presented in terms of percentages rather than absolute numbers.

Figure 5.1.2.a shows the results from the model depending on whether spatial characteristics are deemed to be of primary importance (location specific) or of no relevance at all (location neutral). As a point of note, the wider analysis suggested that placing a child was the first priority but that in many instances the proximity of family and friends was a key determinant of placement.

The buffer model also distinguishes between the cases where demand remains below supply and there are thus vacancies in the system (as it did in 2007), and the case where demand has increased to meet total supply.

**Figure 5.1.2.a - Buffer Analysis Scenario Outcomes**

	Implied Vacancies (as % supply)	Buffer required (as % supply)
Location specific	7.6	29.7
Location neutral	7.6	0.3
Location specific - if Demand = Supply	0	39.3
Location neutral - if Demand = Supply	0	7.5

Source: Deloitte Analysis, YJB.

The first two scenarios are based upon a situation where there is some spare capacity in the system - the average of 7.6 per cent comes from 2007 data from YJB's bed bank.

If, in this instance, the location of the secure bed relative to the child's home is of primary importance (and queuing should be minimised) a buffer of approaching 30 per cent of total supply would be required to ensure children can be placed appropriately in secure homes. This buffer, however, is as low as 0.3 per cent in the case where location is not a factor in the placement decision.



This highlights the relative effect of commissioners wanting to place a child in a specific home rather than in any home capable of providing secure care - spatially determined placements require (on average) 30 per cent more capacity to minimise the chance of waiting for a bed and function as effectively as a system and with no room for spatial preferences.

Considering the case where vacancies are already at zero, either because supply falls and demand remains the same or demand increases with no commensurate increase in supply, the model shows that the buffer required increases to 39 per cent in the location specific case and to 7.5 per cent if a secure bed in any location can be used.

Intuitively this differential is to be expected and the results are useful in giving an idea of required buffers in these hypothetical instances. The major limitation, as described earlier, is that the availability of substitutes means that such buffers are not currently necessary or therefore in place. In a tight market this will become even more problematic with further increases in real demand for secure beds or further falls in supply.

In practical terms the decision on whether to provide appropriate extra capacity to cope with peaks in demand is based on a trade-off between the substantial costs involved in building and maintaining additional capacity and the importance of extra capacity in improving outcomes - which at present cannot be understood with any certainty because of a lack of information.

## **5.2 Scenario formulation**

In order to highlight how future demand and supply might change, factors that have influenced the market to date were explored through stakeholder interviews and a stakeholder workshop including input from providers of secure children's homes, local authorities and other stakeholders (including Ofsted, YJB and the Secure Accommodation Network). The results of this consultation process together with the statistical analysis presented earlier in this chapter have been used to formulate four future scenarios in the market for welfare beds in secure children's homes.

### **Workshop outputs - prospects for the future**

Much of the information in this section stems from views expressed during a workshop by varying numbers of individuals. Over 40 stakeholders participated in this event. Of these, 19 were providers, three from commissioning authorities, 11 connected to the regional commissioning pilots and 16 other stakeholders. Views were collated during group discussions rather than on an individual basis. It has not always been possible to attribute numbers of individuals to particular viewpoints.

### **Changing level of children's needs**

All stakeholders agreed that there will always be a need for a core group to have access to secure children's homes. However, there are mixed views amongst stakeholders as to whether needs are becoming more acute. Some say it is very likely that needs are becoming increasingly acute with an increase in complex cases and particularly mental health needs (ADHD and learning difficulties) for example, whilst others say that analysis and assessment of needs is now better, improving remedial. Above all, more acute mental health needs are a major reason to strengthen relationships between providers at different levels of care and across services.

## **Future seasonal demand**

Some stakeholders acknowledged that demand has been seasonal and cited financial pressures as the most probable cause of this. There was, however, little in the way of strong opinion on whether this would be repeated. Seasonal fluctuations in demand, said some stakeholders, are important but concentrating on them could detract from the underlying issue that uncertainty around the future of the market is affecting outputs.

## **Future demand for substitutes**

After a steep rise in demand for substitutes post 2004, opinions amongst stakeholders suggested that the demand for alternatives has been steady, although stakeholders were unable to supply evidence to corroborate this. These alternatives are not necessarily cheaper than welfare beds which may continue to act as a limit to demand for them.

Those stakeholders who are supportive and users of welfare beds in secure children's homes made the point that 'semi-secure' accommodation is a high risk alternative and in their view not the right solution - the two types of provision are not the same and not substitutable. On the other hand, some stakeholders who were opposed to secure treatment for children held the opposite view.

There is also a view that when talking of substitutes it was easy to confuse two separate markets - short-term welfare placements being quite different to the long term placements sometimes deemed 'semi-secure', essentially because secure provision can not meet the long-term needs of the child. Whilst the two may not be the same, by using other elements of the formal care system as appropriate, secure care can be a very effective component of a longer-term care plan.

## **Future demand shock due to an unanticipated event**

At the workshop, the question was asked:

*'If a major incident involving a secure children's home made headlines, what would be the implications for the market?'*

This prompted mixed views from stakeholders with some saying that such an incident would have no effect at all on demand, with others saying it would have a noticeable impact. That said, all were in agreement that in such an event supply would not be able to respond to a surge in demand as it is very inelastic and requires a specialist built environment and skilled workers.

Again, the point was made that inflexibility extends to labour market responsiveness. The main issues around labour inputs to provision is that it is difficult to have comparable supply to other facilities within a short timescale and the time required to build an effective staffing team, particularly due to acute need levels requiring specialist mental health services.

## **Future demand shock due to changing legislation**

Stakeholders suggested that this was inextricably related to current interpretation of legislation. Some commissioners argue that the law currently does allow these other types, whilst others are clear that it does not.<sup>16</sup>

It was noted that clarity and tightening of legislation may affect demand for welfare beds positively by reducing discretion - although this would be considered to be an inappropriate course of action by some in the absence of firm evidence on the quality of outcomes associated with different types of provision. Moreover, the same stakeholders suggested that some degree of discretion is needed to reflect the sometimes unique circumstance of the child in question.

When asked about a market where adaptable provision is allowed to develop, for instance permitting placements into secure and non-secure provision, stakeholders made the point that converting an 'open' children's home into a secure children's home cannot be achieved quickly and is costly, especially given the inelastic nature of supply and workforce skill-mix requirements. Moreover, stakeholders suggested that adaptable provision of this type was likely to be very complex to run, regulate and administer and as such could be beset by problems.

## **Stakeholder expectations**

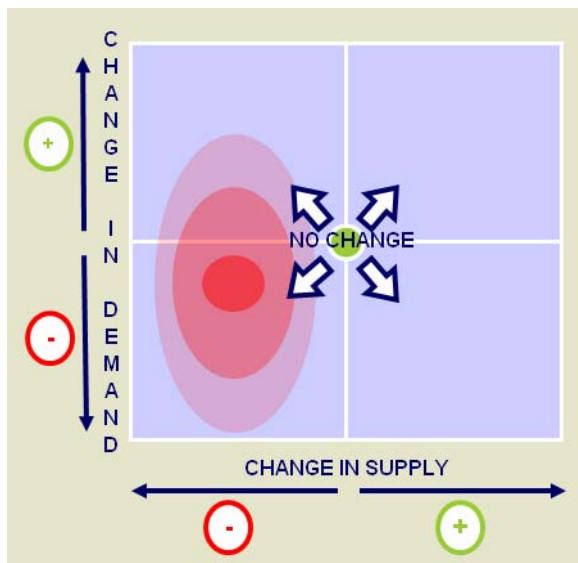
In most markets the future expectations of those individuals and organisations participating in the market have a significant impact on outcomes. To this end, during the stakeholder workshop each stakeholder was asked where they expected the market for welfare beds in secure children's homes to go from here. The question was asked in terms of what each stakeholder expected to happen to demand for and the supply of welfare beds relative to the current position - which had been articulated as an increasingly tight market earlier in the workshop

This broad consensus of opinion is shown by the concentric red circles on the chart presented to stakeholders at the workshop.

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<sup>16</sup> The majority held the view that that the law currently does not allow these other types.

**Figure 5.2.2.a - Stakeholder expectations of future market changes**



Source: Deloitte Analysis, stakeholder opinion.

All 40 stakeholders who attended the workshop thought that the supply of welfare beds in secure children's homes would continue to fall for the foreseeable future, with many also believing that demand may fall along with supply. Indeed most of those present thought that the fall in demand would be lower than the fall in supply, leading to significant market challenges.

### 5.3 Scenarios

#### Scenario 1 - Self fulfilling prophesy

If, as suggested above, stakeholders expect demand to fall slightly and supply to fall at a faster rate, there is a possibility that this could come to fruition. This would result in a smaller and much tighter market than has been the case over the last three years. In vacancy terms it will resemble the situation in 2004 when demand far exceeded supply and many children were placed in alternative and non-secure accommodation.

Indicatively this scenario could be characterised by a market of around 75 welfare beds in two years with little spare capacity in the market.

#### Scenario 2 - Continuing Spiral

Uncertainty was noted by stakeholders as a major problem faced by commissioners and providers alike. In particular this makes planning and investment decisions hard for existing providers and creates barriers for potential future providers and acts as distinctive to supply. Commissioners on the other hand are uncertain as to the efficacy of provision and in turn have been turning to alternative provision. As a result of these uncertainties, recent closures can be attributed to cost pressures and falling demand.

As highlighted in chapter four (figure 4.5.a) this is effectively a self perpetuating cycle whereby demand falls, reducing supplier viability and ability to invest, which is in turn exacerbated by financial pressures on suppliers. Falling supplier viability may in turn lead to reduced demand as commissioners seek alternative means of provision.

If this cycle were to continue, the market for welfare beds in secure children's homes would continue to shrink in size and importance regardless of whether it is responsible for superior individual and societal outcomes. This scenario therefore results in an outcome where reductions in supply and demand are commensurate and the market still caters for those wishing to use it, but where much existing demand is diverted to alternative care provision.

Indicatively, this scenario could be characterised by a market of around 25-50 welfare beds in two years with some spare capacity in the market.

### **Scenario 3 - Demand surge**

In this scenario a media-induced or legislation-driven demand surge (or both) could cause serious issues in provision. An example of such an event in the past is the Street Crime Initiative introduced in 2002 which appeared to boost demand.

An incident whereby a child who should have been placed in a secure children's home but wasn't commits a serious crime, which in turn captures media attention, may result in a significant increase in demand for welfare beds as commissioners seek to minimise perceived risks and fallout.

The above scenario could be exacerbated by some form of knee-jerk legislative reaction, requiring tighter controls and use of secure facilities and in particular welfare beds. Equally new and unanticipated legislation could be introduced at any point without such a stimulus and this could equally lead to much greater demand than seen at present.

Either would be problematic given current supply levels, relatively low vacancy levels, and the lack of responsiveness of supply to changes in demand. Consultations suggested that even currently mothballed facilities would take a significant length of time to bring back on-line and even then there would be issues around finding the calibre of staff with the requisite skills to support a greater number of children in welfare beds.

Indicatively this scenario could be characterised by a market of around 100 welfare beds in two years with no additional capacity in the market and excess demand being directed to provision that may or may not be fit and unacceptable (in terms of public perception or legislation).

### **Scenario 4 - New solutions**

The final scenario is more long-term than the three described previously and is one in which different solutions and provision lead to an increase in demand for 'welfare beds' which would otherwise have gone to semi-secure or alternative provision.

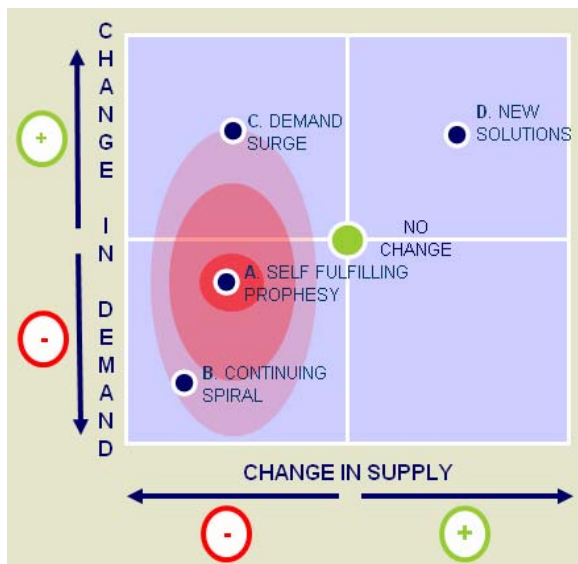
Welfare beds are mentioned in inverted commas here because this scenario assumes that changes are made to the system and capital expenditure is pushed into the system as a signal to the market about Government's intentions and to suggest a degree of support and certainty going forward. In other words, a scenario where secure welfare provision is viewed as a positive solution and not a last resort.

This may draw back much of the demand which has utilised alternative provision since 2004/05. This scenario could indicatively be characterised by a market of around 150 'welfare beds' in five years with some degree of spare capacity in the market.

At present this outcome is wholly unanticipated by stakeholders who all expect supply to fall and so would seem to be the most unlikely scenario by some distance. However, the research has uncovered uncertainty as a key driver of the market with a number of stakeholders explicitly calling for a long-term commitment to the market.

Each scenario is superimposed onto the diagram presented in the previous section showing the expectation of stakeholders to demonstrate these outcomes on a relative scale.

**Figure 5.3.a - Stakeholder expectations of future market changes & scenarios**



Source: Deloitte Analysis, stakeholder opinion.

This reflects perceptions of workshop participants. The 'self-fulfilling prophecy' scenario (with supply falling faster than demand) is at the centre of stakeholder expectations by definition. On the edge of stakeholder expectations are both 'continuing spiral' and 'demand surge' scenarios, which respectively represent commensurate and large scale falls in demand and supply, and a fall in supply with an increase in demand. 'New solutions' is a scenario dependent on major changes and is thus beyond the expectations of stakeholders at this point.

## 6 Conclusions and recommendations

### 6.1 Conclusions

The market for welfare beds is a small but highly complex segment of all children in care, and recently the market has undergone significant change and is in a state of flux. In particular:

- Demand for welfare beds has fallen due to changes in needs, discretion in the decision-making process and negative perceptions of outcomes; whilst
- Supply has fallen due to financial pressures (partly due to YJB commissioning), higher competition from alternatives, changes in the type of demand and misaligned incentive structures.

However, there is no substantive evidence that actual demand has fallen and nothing to suggest that there has been a fall in the number of vulnerable young people. This 'unrealised' demand has been diverted to alternative accommodation (such as semi-secure) but there is no data available on the level of diversion.

Much of this diversion may be due to the high level of discretion in the commissioning decision-making and lack of evidence on outcomes, which means decisions can be based on incomplete information and influenced by perceived outcomes.

Placements of children in 'semi-secure' accommodation are not subject to regulatory safeguards over and above those that apply to placements in open children's homes. This practice carries risk and does not seem to have legal basis. The alternative provision is not regulated specifically for the use of restricting liberty and the outcomes for children in these substitutes are not clear. There is no indication of how many children who meet the criteria for placement in secure children's homes are placed in 'semi-secure' or other alternatives.

Whilst the demand for and supply of welfare beds in secure children's homes has declined significantly over the last four years, it is difficult to predict and forecast exact levels of future demand, primarily due to the small size and characteristics of the market (such as perception-based commissioning, demand diversion, lack of evidence and data, and variable, unclear outcomes).

Expectations of changes in supply, however, are for continued falls, without some form of intervention in the market. All stakeholders anticipate further reductions in the number of beds due to home closures, if the current situation continues to prevail.

In the light of these expectations and other available quantitative and qualitative evidence from the analysis, the report considers a number of scenarios. The following scenarios provide an indicative range of realised demand levels based on changes in supply and demand, as well as the associated implications for market development policy:

- Self-fulfilling Prophecy - where stakeholder expectations come to fruition and are manifested in a market which loses supply faster than demand, leading to a much tighter market and lower vacancies.
- Continuing Spiral - a continuation of falling demand and supply, which is entirely feasible if the current status quo is preserved, implying a much smaller market in future due to continued 'leakage' of demand to alternative provision;

- Demand Surge - in which demand increases suddenly due to some unanticipated event or changes in legislation/guidance. Given the rigidities and market entry barriers, the responsiveness of supply is expected to be low. This will lead to much excess demand;
- New Solutions - in which an interventionary approach offers a positive signal to the market, reduces uncertainty, and supports increases and improvements in supply. In this scenario, the services offered by secure children's homes are seen as more than a 'last resort'. This will ultimately encourage increased demand and supply.

An interventionary approach would work only with a greater awareness of outcomes and evidence-led actions - at present some practitioners feel welfare beds in secure children's homes are (at the appropriate time) the only route for children with acute needs, whilst others are strongly of the opinion that secure should never be used on human rights grounds. Clearly, in some instances, children enter secure care when it is not necessary or the best course of action and in others they are not offered secure care when it is necessary and the best option.

Although it is not possible to predict future levels of demand, the scenario-based analysis suggests indicatively that the demand could range from 25 to 150 places. This is based on our understanding that a core provision, however small, will always be required but that in the past demand was much higher and is presently being redirected elsewhere to an unknown extent. It is not practical to forecast a more precise level of demand as ultimately this future demand will be largely affected by the policy decisions. The indicative realised demand levels suggest that there is a need to commission and develop the market effectively to avoid a number of risks. These are either demand outstripping supply by a significant margin, with supply being unable to respond quickly enough (the Demand Surge scenario); or where a significant fall in supply (the Continuing Spiral scenario) leads to poor outcomes for children in care.

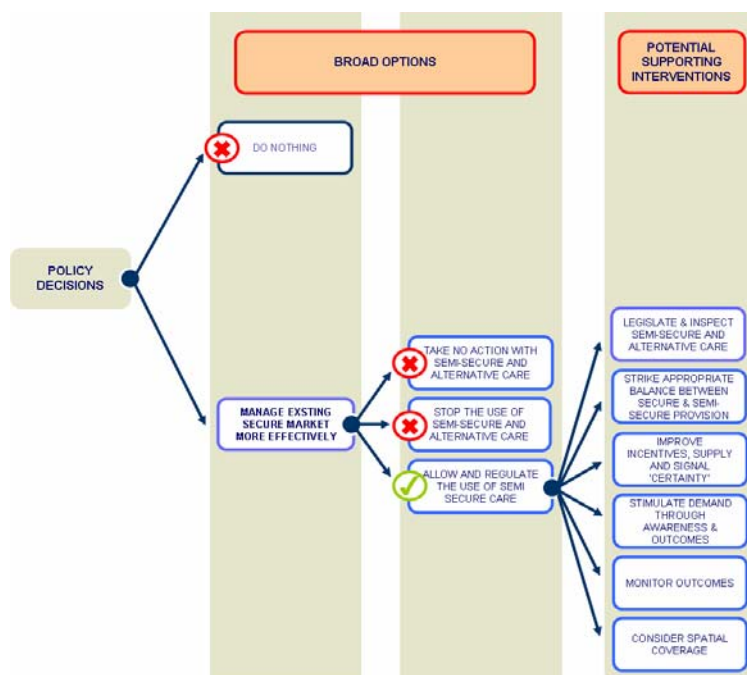
Each scenario is limited by consideration of the potential scale of demand, rather than an understanding of the outcomes for children that accompany these numbers, so that decisions based on numbers alone are unlikely to yield optimal outcomes for the child or society.

## 6.2 Policy options

The policy challenge is to commission and develop the market effectively in order to deliver consistently superior outcomes for children, ensure value for money and enhance the long term sustainability of provision. There are four broad policy options available for market development, and these are displayed in Figure 6.2.a.



Figure 6.2.a - Four broad policy options and necessary interventions



Source: Deloitte Analysis

The options highlighted in the above diagram are:

- Option 1 - Commission and develop the existing secure care market more effectively and regulate alternative care options. The improvements required in commissioning and market development are two-fold: policy setting by Government and informed decision-making by commissioners. On Government policy, clear regulation and guidance to ensure that semi-secure and secure accommodation are used effectively. On the commissioning side – the process needs to be reviewed and options for decision-making at a regional or national level should be considered. This is beyond the scope of this study and there is currently insufficient information available to justify any specific course of action. Hypothetically, under this scenario, there will be competition in the market to provide better outcomes. If demand continues to be diverted to alternatives, there will be a need to consider regional or national provision of secure accommodation for a small core group (around 25-30 children) who require this type of accommodation.
- Option 2 - Commission and develop the secure care market more effectively and leave alternative provision ‘un-regulated’ in circumstances where the liberty of the child may be restricted occasionally (without Secretary of State’s approval). This option focuses on commissioning and developing the secure market more effectively by supporting current providers and ensuring that their services are effectively marketed and recognised by commissioners. If ‘semi-secure’ is left in its current ‘unregulated’ state, demand that is best suited to welfare beds in secure care homes could still be diverted to alternatives, which would undermine market viability.

- Option 3 - Commission and develop secure accommodation and prevent use of alternative provision. Under this option, regulation and guidance prohibits the use of alternative accommodation. As a result of this, there would be a significant surge in demand and the supply needs to be enhanced to meet this demand.
- Option 4 - Do nothing. The first option of doing nothing and leaving the market to continue in the same vein is a hypothetical option and it would be very risky due to uncertainties around demand, supply and outcomes. Due to the complexities of the market this is not a viable option and should be discounted.

### 6.3 Considerations / recommendations

The following considerations are based on the analysis and stakeholder consultations. They should be developed further and tested against wider policy objectives before implementation. A detailed business case development for proposed recommendations (including deliverability assessment, value for money analysis) was outside the scope of this study.

Based on the above options analysis, our **key recommendation is to consider option 1 - Commission and develop the existing secure care market more effectively and regulate alternative care options** - for implementation. In summary, this is because:

- Commissioning and developing the existing secure market more effectively should be part of a whole-market package of intervention that also covers legislation, regulations and clear guidance that encompasses regulation of semi-secure accommodation.
- There is a need for much better information on outcomes delivered by secure children's homes, semi-secure homes and alternative provision. This should be explored, as part of the implementation plan, further to determine the nature and extent of substitutes desirable for this market.
- Consultations suggest that prohibiting semi-secure care or tightening up on its usage may be counterproductive. It allows flexibility in provision and, in the view of some commissioners, delivers better outcomes for children, though no evidence or data was found which substantiated this view due to the lack of available data. Our consultations also suggested that there would always be a core group of children who would benefit from welfare beds in secure facilities, and as such it would seem that some form of secure care provision must be retained.
- Commissioning the existing welfare beds market more effectively will lead to superior outcomes if complemented by a whole-market approach that encompasses an acceptance that alternative care is appropriate in certain cases, provided it is properly regulated.

In addition, the report makes the following recommendations for action:

**As soon as possible, send a clear signal of intent to stakeholders to reduce uncertainty by setting out a strategy for future direction, viability and stability of the market.**

Even before a strategy for action is arrived at, the effective communication of the Department's intentions and willingness to support and improve the market for this type of care and the need to provide sustainable outcomes will contribute to determining the future success of the market. As the report highlights, uncertainty around the future of the market has contributed significantly to falling supply and demand and all stakeholders would benefit from a clear statement of intent.

**In the interim, work to improve perceptions of the efficacy of welfare beds in secure children's homes**

Much of the fall in demand may be attributed to the use of alternative provision, which is obviously viewed by some local authority stakeholders as a means of achieving better outcomes for children. The decision to place a child in alternative care is a function of commissioner perceptions of welfare bed provision in secure children's homes.

Evidence suggests that some perception may be misplaced. Therefore there is a need to improve perception to increase demand and prevent welfare beds in secure children's homes being used as a last resort. This could be stimulated by:

- Longer-term assessment and multi-agency monitoring of outcomes in different types of placements for children in care through consistent and non-burdensome reporting processes;
- Publicising and increasing awareness of exactly what type of services secure children's homes provide, how they match the needs of the child in specific cases and, crucially, what the children feel about the care they receive in secure homes (which our research has suggested can be very positive); and
- Clearly differentiating the welfare bed offer from the rest of secure estate (and in particular justice placements).

**Conduct further research in the short-term to fill the 'outcome evidence' gap**

The level of information regarding outcomes for the child, before secure care, immediately after secure care and in the longer-term is limited and inconsistent and thus makes it very difficult to formulate an overarching opinion as to which type of provision, if any, leads to superior outcomes for the child.

In order to determine specific policy direction and effective market strategy, a clearer rationale for action through an improved evidence base on outcomes is critical. This should be based upon further research to examine the following:

- Outcomes for the child - perhaps through the use of case studies over the course of a year with an understanding of case history upon entry to system and subsequent results in case where secure care has or has not been used; and

- The extent to which demand has been diverted to alternative provision - through a short and very focused series of consultations with commissioners.

**Finally, decide on the way forward and then adopt a more strategic and joined-up approach to provision**

Promotion of a seamlessly linked multi-agency approach capable of dealing with the 'whole-life-cycle' of acute care would be an improvement to the current disconnected approach, although it was widely acknowledged that this is not easy to achieve and would require engagement and drive from all stakeholders.

Specifically, beneficial courses of action may include:

- Effective regional or national governance and co-ordination through an existing department or a coalition of industry practitioners acting as a market overseer;
- Determination of what level of spatial coverage is appropriate for the market (e.g. local, regional or national provision); and
- Dealing with misaligned incentives in the market (such as incentives to delay care and use the justice route, incentives to use secure care on a seasonal basis, lack of incentives to continue provision for other authorities and the YJB when operating at a loss, or the lack of incentive to invest in infrastructure).

## 7 Annex A - Supporting information

### SECTION 25; CHILDREN'S ACT 1989

#### PART III LOCAL AUTHORITY SUPPORT FOR CHILDREN AND FAMILIES

##### Provision of services for children and their families

##### Secure accommodation

##### 25 Use of accommodation for restricting liberty

(1) Subject to the following provisions of this section, a child who is being looked after by a local authority may not be placed, and, if placed, may not be kept, in accommodation provided for the purpose of restricting liberty ("secure accommodation") unless it appears—

(a) that—

- (i) he has a history of absconding and is likely to abscond from any other description of accommodation; and
  - (ii) if he absconds, he is likely to suffer significant harm; or
- (b) that if he is kept in any other description of accommodation he is likely to injure himself or other persons.

(2) The Secretary of State may by regulations—

(a) specify a maximum period—

- (i) beyond which a child may not be kept in secure accommodation without the authority of the court; and
  - (ii) for which the court may authorise a child to be kept in secure accommodation;
- (b) empower the court from time to time to authorise a child to be kept in secure accommodation for such further period as the regulations may specify; and

(c) provide that applications to the court under this section shall be made only by local authorities.

(3) It shall be the duty of a court hearing an application under this section to determine whether any relevant criteria for keeping a child in secure accommodation are satisfied in his case.

(4) If a court determines that any such criteria are satisfied, it shall make an order authorising the child to be kept in secure accommodation and specifying the maximum period for which he may be so kept.

(5) On any adjournment of the hearing of an application under this section, a court may make an interim order permitting the child to be kept during the period of the adjournment in secure accommodation.

(6) No court shall exercise the powers conferred by this section in respect of a child who is not legally represented in that court unless, having been informed of his right to apply for legal aid and having had the opportunity to do so, he refused or failed to apply.

(7) The Secretary of State may by regulations provide that—

- (a) this section shall or shall not apply to any description of children specified in the regulations;
- (b) this section shall have effect in relation to children of a description specified in the regulations subject to such modifications as may be so specified;

(c) such other provisions as may be so specified shall have effect for the purpose of determining whether a child of a description specified in the regulations may be placed or kept in secure accommodation.

(8) The giving of an authorisation under this section shall not prejudice any power of any court in England and Wales or Scotland to give directions relating to the child to whom the authorisation relates.

(9) This section is subject to section 20(8).

## 8 Annex B - Interviewees

The following table provides details of the stakeholders interviewed.

Commissioning local authorities	Providers of secure children's homes	Other stakeholders
<ul style="list-style-type: none"> <li>• Barking &amp; Dagenham</li> <li>• Bath and North East Somerset</li> <li>• Birmingham</li> <li>• Doncaster</li> <li>• Hertfordshire</li> <li>• Islington</li> <li>• Leeds</li> <li>• Manchester</li> <li>• Sandwell</li> <li>• Staffordshire</li> <li>• Surrey</li> <li>• Waltham Forest</li> <li>• Warwickshire</li> <li>• West Sussex</li> <li>• Wigan</li> </ul>	<ul style="list-style-type: none"> <li>• Aldine House Secure Children's Centre</li> <li>• Atkinson Unit</li> <li>• Aycliffe Secure Services</li> <li>• Barton Moss Secure Care Centre</li> <li>• Beechfield Secure Unit</li> <li>• Clare Lodge Secure Unit</li> <li>• Clayfields House Secure Unit</li> <li>• East Moor Secure Children's Home</li> <li>• Gladstone House</li> <li>• Hillside Secure Centre</li> <li>• Kyloe House Secure Children's Home</li> <li>• Lansdowne Unit</li> <li>• Leverton</li> <li>• Lincolnshire Secure Unit</li> <li>• Orchard Lodge</li> <li>• Red Bank Community Home</li> <li>• St Catherine's Secure Centre</li> <li>• Sutton Place Safe Centre</li> <li>• Swanwick Lodge</li> <li>• Vinney Green Secure Unit</li> <li>• Watling House Secure Children's Home</li> </ul>	<ul style="list-style-type: none"> <li>• Ofsted</li> <li>• Secure Accommodation Network</li> <li>• Youth Justice Board</li> </ul>

## 9 Annex C - Questionnaires

Separate interviews were designed for providers and commissioners although there were overlapping questions which were relevant to both.

The following pages present the interviews used.

Service provider interview notes - page 1 of 10:

### **SERVICE PROVIDERS INTERVIEW NOTES**

Local Authority:

Interviewee:

Date:

Our analysis is attempting to understand in more detail the 'market' for welfare beds in secure children's homes and more specifically to understand how demand for and supply of those beds may change in future.

To this end we would like to understand:

- a) The care process from start to finish from both a commissioner and provider perspective – this will give us an appreciation of relevant issues and the context in which the 'market' operates;
- b) The way in which outcomes are monitored to ensure the quality of service required is provided – this will enable us to understand which additional data sources we may be able to draw on; and
- c) Your perception of recent and future changes in demand and supply, and what has been driving these changes – this will enable us to bring a practitioner perspective to our analysis, widen our understanding of contributory factors, and allow us to model scenarios effectively.

This survey is divided into 5 broad sections

1. Understanding the process and the children affected
2. Services provided
3. Measuring Outcomes – Monitoring & Quality
4. Trends & Projections
5. Your views

Understanding the process and the children affected

- Q1 Do you have a formal **process for receiving a child in a secure home** and discharging a child from same? How long does the process take on average?
- Q5 Have the characteristics of CInC in welfare beds **changed**? If so, **how** and why?

- Q2 Where do you come into the 'commissioning' cycle? What do you think of the **commissioning process as it stands today**? Which factors do you perceive to be driving the commissioning process?

- Q6a What has been the general **change in the number of placements in the last five years** for welfare beds ...

Signifi  
cantly  
decre  
d  
1 2 3 4 5  
Signifi  
cantly  
rise

...by need?

Health

Mental health

Challenging behaviour

...by gender?

Male

Female

...by age

group?

Up to age 12

13 – 15

16 – 18

19 and older

...by ethnic

origin?

White

Mixed

Asian

Black

Chinese or other

- Q3 What would you **change to improve the process**? (In order of significance)

- Q4 Which factors have an **impact on the number of requests** for welfare beds in SCHs and why? Which factors have an impact on YJB beds and why? (In order of significance)



**Q6b** What has been the general **change in the number of placements** in the last five years for justice beds ...

	Significantly decrease → Significantly increase				
	1	2	3	4	5
...by need?					
Health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mental health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Challenging behaviour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...by gender?					
Male	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Female	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...by age group?					
Up to age 12	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 – 15	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 – 18	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 and older	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...by ethnic origin?					
White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mixed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Black	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chinese or other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q7** What **support** does your home provide to children in care provide in terms of areas such as education, healthcare etc?

**Q8a** Please tick how strongly you agree or disagree with the following statements about welfare care currently given in the care system? (tick the box that applies)

	Strongly disagree → Strongly agree				
	1	2	3	4	5
It is used by commissioners as a last resort	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
It is needs-based	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
It is financially led	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q8b** Other, please specify...

**Q9** When would **CinC** be placed in **welfare beds**? What is/are the **trigger(s)**? How discretionary is the decision of placing a child in a welfare bed? How does this differ from the YJB route?

**Q10** How important are the following inputs in **achieving good outcomes for children**? (as defined in ECM) (tick the box that applies)

	Not important → Very important				
	1	2	3	4	5
Better training for staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Higher wages for staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Smaller groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Less diverse mix of children in home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good partnerships with commissioners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regular access to relatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q10** Other, please specify...

**b**

Q11 How aware are you of the future commissioning intentions of the local authorities who purchase your services and the YJB?

Q14 Do the views and wishes of children and their families have any influence on their placements and the support they receive?

Q12 How much influence do you have on commissioning strategies of LAs and YJB?

Q13 How closely (and when) are you able to work with the LA in order to understand needs of the children?

Q13 Do you differentiate the service you offer depending on the CInC? Are YJB CInC treated any differently from those requiring welfare beds? Or do you differentiate based upon any other characteristics? Finally, would it be easier/more optimal to provide for just one type of CInC?

Services provided

Q15 Going forward, which of the following can you see as likely challenges in **how services are delivered?**

	Not at all <span style="font-size: 2em;">→</span> A lot				
	1	2	3	4	5
Financial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Non-financial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q16 What **improvements could be made** to the existing care model?

Q17 Are there any **trends or particular needs** which are gaining prominence?

Q18 How are you **preparing your business for future changes?**

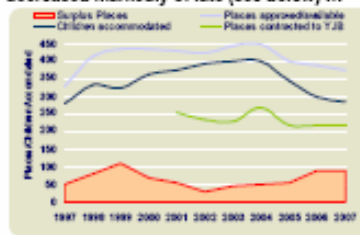
Q19 What are the main **differences between your competitors** and your own organisation?

- Size
- Facilities
- Establishment type (mixed vs. welfare only)
- Establishment type (mixed sex, single sex)

Measuring Outcomes – Monitoring & Quality

Q20 Do you monitor outcomes? If so, what procedures are in place?

Q23 Demand for & the supply of welfare beds has decreased markedly of late (see below) ...



... have you experienced this through your interaction with the market? If so why do you think this is? Will the trend continue?

Q21 Do you measure the quality of care received on the placement? If so, how?

Q24 Of the information collected, to what extent is it shared with local authorities, central government, inspectors, researchers etc?

- Q22 Which of the following do you record/monitor? (tick all that apply)
- (Socio-economic) characteristics of Ci/C
- Ci/C not catered for in 'first choice' care.....
  - Cost of provision .....
  - Destination post SCH .....
  - Ci/C views .....
  - Parent views .....
  - Provider views .....
  - Child Advocate .....
  - Others .....
  - (please specify) .....

Q25 How do you meet the requirements around obtaining VFM and efficiency in an environment where the Ci/C needs are paramount?

Q26 How do you interact and interface (if at all) with other commissioning authorities and wider providers (e.g. Health & Education)?

### Market Trends & Projections

Q27 To what extent do you think that welfare beds are viewed as a **‘last resort’** to be used only when **all other options** have been tried and failed rather than when they are only option based on a child’s needs? if you agree, **why is this?**

Q28 To what extent is **demand determined** by the **availability and quality of supply?**

Q29 Whilst the average length of stay has **fluctuated around a trend** level of four months for some time (see below) ...



Why do you think it has become seemingly **less volatile** and why has the **average age fallen?** **Will this trend continue?**

Q30 How do you think the following **care-market-specific policies** and directives will **impact** on the care **‘threshold’** and **market for welfare beds** in SCH and in doing so affect demand, supply and general outcomes?

a) CSCI advice: Chief Inspectors letter issued in March 2007

b) OFSTED Inspections

c) Potential of guidance on The Children’s Act

d) Any other

Q31 How do you expect wider and care-market-**external policy developments** (e.g. such as early stage interventions) to influence the market?

Q32 How do you think **socio-economic and demographic trends** might impact demand for welfare beds?

Q35 Do you hold **any information** which you feel may be of use to us in our research and which you would be able **to share with us**?

Q33 Is **need** becoming more **acute** and is **care** becoming more **intensive**? If so do you see this as a **continuing trend**?

Q34 Is there a place for more **mixed provision** (private ownership and 3<sup>rd</sup> sector provision of SCH as well as public provision) and would this be **viable** for the private/3<sup>rd</sup> sector?

Your Views

Q36 Please tell us about **any other issue** that you feel are relevant to our analysis?



## COMMISSIONING AUTHORITY INTERVIEW NOTES

Local Authority:

Interviewee:

Date:

Our analysis is attempting to understand in more detail the 'market' for welfare beds in secure children's homes and more specifically to understand how demand for and supply of those beds may change in future.

To this end we would like to understand:

- a) The care process from start to finish from both a commissioner and provider perspective – this will give us an appreciation of relevant issues and the context in which the 'market' operates;
- b) The way in which outcomes are monitored to ensure the quality of service required is provided – this will enable us to understand which additional data sources we may be able to draw on; and
- c) Your perception of recent and future changes in demand and supply, and what has been driving these changes – this will enable us to bring a practitioner perspective to our analysis, widen our understanding of contributory factors, and allow us to model scenarios effectively.

This survey is divided into 5 broad sections designed to capture the above:

1. Needs Assessment & Decision Making
2. Determining A Placement
3. Measuring Outcomes – Monitoring & Quality
4. Trends & Projections
5. Your views

## Commissioner interview notes - Page 2 of 8:

### Needs Assessment & Decision Making

- Q1 How often do you conduct **needs analysis** for an individual?
- Q2 Do you have a **formal needs analysis process** for secure children's homes? **How long** does the process take on average?
- Q3 What do you think of the **commissioning process as it stands today**? Which factors do you perceive to be driving the commissioning process?
- Q4 What **alternatives to a placement in secure children's homes** are used? How do you identify which is most appropriate?
- Q5 What are the main **challenges** in determining an individual's needs?
- Q6 When would **CiNC** be placed in **welfare beds**? What is/are the **trigger(s)**? How discretionary is the decision of placing a child in a welfare bed?
- Q7 Have the characteristics of CiNC in welfare beds **changed**? If so, **how** and why?
- Q8 To what extent (and when) do you **engage** with **providers**?
- Q9 Which **Welfare Bed providers** do you use the most and why?

Commissioner interview notes - Page 3 of 8:

Q10 Are these providers substitutable? If not how do they differ and why are they unique? Is provision sustainable?

Q11 How important are the following inputs in achieving good outcomes for children? (as defined in ECM)

a

	Not important	→			Very important
	1	2	3	4	5
Better training for staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Higher wages for staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Smaller groups	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Less diverse mix of children in home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regular access to relatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q11 Other, please specify...

b

Commissioner interview notes - Page 4 of 8:

Determining A Placement

**Q12** Do you have a **standard decision-making process for placement** decisions? Is this wholly independent or are there regional or sub-regional arrangements in place? If so, please elaborate on it (e.g. do you do it on a case-by-case or bulk buying basis?)  
 NB Determining need and making placement decision are to be treated as 2 separate processes.

**Q15** Are there **specific needs** that you cannot meet **within a reasonable distance** of your area?

**Q16** What are the **implications** of placing a child 'out of authority' or a great distance away from friends and family?

**Q13** Which **criteria** are used to select a provider? (tick all boxes that apply)

- Availability .....
- Location .....
- Quality/past experience .....
- Size .....
- Establishment type (mixed vs. welfare only) ...
- Establishment type (mixed sex, single sex) ...
- Age .....
- Cost .....
- Sustainability/Financials of Provider .....
- Overall match with individual's requirements ...
- Meeting religious and ethnic needs .....
- Other (Please Specify) .....

**Q17** Which **individual characteristics** of children make them more or less **difficult to place**?

	Least	Less	More	Most
Gender	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Age	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ethnicity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Parental cognition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Family ties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aspirations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Physical health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mental health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall acuteness of need	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Challenging behaviour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)				

**Q18** What are the main **challenges** in achieving a placement?

**Q14** How important is **location** relative to all other factors? Please indicate below

- 1  Much more important
- 2
- 3
- 4
- 5
- 6  Just as important
- 7
- 8
- 9  Much less important

Commissioner interview notes - Page 5 of 8:

Measuring Outcomes – Monitoring & Quality

Q19 What is the typical path of CinC after time in welfare beds in SCHs?

Q22 Which of the following do you record/monitor? (tick all that apply)  
*(Socio-economic) characteristics of CinC*

- CinC not catered for in 'first choice' care.....
- Cost of provision.....
- Destination post SCH.....
- CinC views.....
- Parent views.....
- Provider views.....
- Child advocate.....
- Others (please specify).....

Q23 Of the information collected, to what extent is it shared with providers, central government, inspectors, researchers etc?

Q20 Do you monitor outcomes? If so, what procedures are in place?

Q24 How do you meet the requirements around obtaining VFM and efficiency in an environment where the CinC needs are paramount?

Q21 Do you measure the quality of care received on the placement? If so, how?

Q25 How do you interact and interface (if at all) with other commissioning authorities and wider providers (e.g. Health & Education)?

Market Trends & Projections

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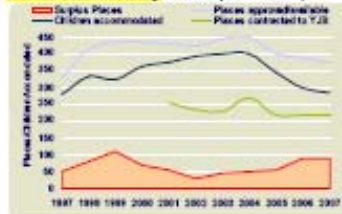
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b) OFSTED Inspections

c) Potential of guidance on The Children's Act

d) Any other

Commissioner interview notes - Page 7 of 8:

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Q34 Is there a place for more **mixed provision** (private ownership and 3<sup>rd</sup> sector provision of SCH as well as public provision) and would this be **viable** for the private/3<sup>rd</sup> sector?

Q32 How do you think **socio-economic and demographic trends** might impact demand for welfare beds?

Q35 Do you hold **any information** which you feel may be of use to us in our research and which you would be able **to share with us**?

Q33 Is **need** becoming more **acute** and is **care** becoming more **intensive**? If so do you see this as **a continuing trend**?

Commissioner interview notes - Page 8 of 8:

Your Views

Q36 Please tell us about any other issue that you feel are relevant to our analysis?



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