



## BRIEFING PAPER

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# Key issues in fostering: capacity, working conditions, and fostering agencies

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## 1. Summary

This House of Commons Library briefing paper looks at key issues in fostering, including general statistical information, the capacity of the foster care system, working conditions for foster carers and the relationships between fostering providers. It draws upon evidence taken by the Education Select Committee's inquiry into fostering.

As of 31 March 2016, there were 70,440 "looked after children" in England, equating to 60 children per 10,000 of the population.<sup>1</sup> This was an increase of 1% on 2015, and of 5% compared to 2012. The vast majority of looked after children – 74% – live in foster care placements. This is compared to 12% who live in residential care settings, and 4% who were placed for adoption. The percentage of children in foster care has remained stable since 2013.<sup>2</sup>

Of the more than 51,000 children in foster care,<sup>3</sup> 61% were placed within their council boundary, and 1 in 6 was being fostered by a relative or friend. Two-thirds were in placements run by local authorities, while 10% were disabled – a greater percentage than in any previous year of data collection – and 22% belonged to minority ethnic groups, including mixed parentage.

In a policy paper published in July 2016, *Putting children first*, the Department for Education (DfE) announced that it would be undertaking a national "stocktake" of foster care.<sup>4</sup> This followed calls by many in the sector for a review of fostering in England,<sup>5</sup> following Government work on adoption and residential care in recent years. In their response to Sir Martin Narey's review of the residential care sector, the Government

<sup>1</sup> A "looked after child" is a child in the care of a local authority pursuant to a care order, or a child provided with accommodation by a local authority for a continuous period of 24 hours or more.

<sup>2</sup> Department for Education, [Children looked after in England \(including adoption\) year ending 31 March 2016](#), 29 September 2016, pp1 and 7–8

<sup>3</sup> [Department for Education](#) figures put the total number of young people in foster care placements on 31 March 2016 as 51,850, while [Ofsted](#) state the figure as 51,805.

<sup>4</sup> Department for Education, [Putting children first: Delivering our vision for excellent children's social care](#), July 2016, p62

<sup>5</sup> See, for example, Sir Martin Narey in his review of the residential care sector: HM Government, [Residential Care in England](#), July 2016, p24

outlined the aims and structure of the stocktake.<sup>6</sup> The consultation was launched with a call for evidence in April 2017.<sup>7</sup>

## 2. Issue 1: Capacity of the foster care system

### 2.1 Introduction and statistical overview

Ofsted reported that while there were slightly fewer fostering households at 31 March 2016 compared to the previous year, there had been a small increase in the number of approved fostering places. 61% of fostering places were filled while 23% were vacant, with the remainder not available,<sup>8</sup> meaning that there were more vacancies in 2016 than in the previous two years.

**Table 1 - Fostering places in England, 2012-16<sup>9</sup>**

	2012-13	2013-14	2014-15	2015-16
Total approved households	-	44,780	44,625	44,320
Number of approved foster places	76,565	81,185	80,660	83,175
Number of filled places	50,600	51,315	51,805	51,110
Number of vacant places	-	17,275	15,130	19,480
Number of places not available	-	12,600	13,730	13,000

The number of carers in England has seen small yearly decreases over the past few years since a peak in 2013-14. There was a drop of 2% in the number of initial enquiries between 2015 and 2016; also, there was a drop of a third in the number of applications, although this could be a result of a marked drop (some 25%) in the number of agencies providing data<sup>10</sup> These are decreases from 2013-14 of 11% and 45% respectively. The completion rate for applications in 2015-16 was also the lowest in the last four years, but the approval rate was the highest in the same time period, and up 13 percentage points on the previous year, suggesting that agencies are improving the filtering of good potential foster carers.<sup>11</sup>

<sup>6</sup> Department for Education, [Government response to Sir Martin Narey's Independent Review of Residential Care](#), December 2016, p10

<sup>7</sup> Department for Education, [National fostering stocktake – A review of the fostering system in England: Independent call for evidence](#), 21 April 2017

<sup>8</sup> Places not available include those occupied by care leavers under 'Staying Put' arrangements and those only available for siblings, as well as those unavailable for reasons relating to the foster carers (for example, because of personal or medical reasons) or due to the needs of children already in placement.

<sup>9</sup> Ofsted, [Fostering in England, 2015-16](#), 28 February 2017, pp5-7

<sup>10</sup> The drop in applications could be partially explained by the fact that almost a quarter of agencies (105) did not submit data about their prospective households. While some may not have recruited any foster carers, 69 had approved 10% or more of their households during the year, suggesting that they were actively recruiting. These 69 agencies only account for 9% of all approved households, so can only partially explain the decrease. Ofsted, [Fostering in England, 2015-16](#), 28 February 2017, p10

<sup>11</sup> Education Committee, [Fostering](#), 19 April 2017, HC 681, Q154

**Table 2 - Foster carers in England, 2012-16<sup>12</sup>**

	2012-13	2013-14	2014-15	2015-16
Total approved carers <sup>13</sup>	71,425	74,125	73,845	72,670
Number of approved foster carers	60,185	62,935	62,625	62,365
Number of initial enquiries from new prospective fostering household	113,415	114,150	103,355	101,795
Total applications concluded or in progress	19,625	20,925	16,920	11,460
Total households deregistered	4,760	5,880	5,380	4,610

The figures show that there are enough foster carers and foster places to care for the 51,850 young people requiring foster care. However, many in the sector have voiced concerns that there is an issue with capacity within the fostering system. The Fostering Network, for example, has stated that 7,600 new foster families are needed to adequately meet need in England.<sup>14</sup>

While there are technically enough places in the system as it stands, fostering does not work on a simple one-for-one basis: not all carers are suitable to care for all ages of children, and many young people in care have particular needs which require specific forms of care. The fostering system requires a surplus of available places for young people needing foster care so that they can be suitably matched with a foster carer who can meet their needs.

There are several other factors which affect the capacity of the foster care system, as outlined below.

## 2.2 Staying Put

The “Staying Put” programme came into force in May 2014, through the *Children and Families Act 2014*.<sup>15</sup> It requires local authorities to facilitate, monitor and support arrangements for fostered young people to stay with their foster carers until they reach the age of 21, where this is what they and their carers want, unless the local authority considers that the arrangement is not consistent with the welfare of the young person.

DfE statistics show that 54% of children who ceased to be looked after in a foster placement on their 18th birthday remained with their former foster carers 3 months after their birthday. This is up from 49% in 2015. 30% of 19 year olds were still living with their former foster carers, up from 22% in 2015, along with 16% of 20 year olds, up from 13%.<sup>16</sup>

The Staying Put programme impacts upon the foster care system because although the young people are, after the age of 18, care leavers and therefore not included in the figures for young people in care, their previous foster carers, who are still caring for them,

<sup>12</sup> Ofsted, *Fostering in England, 2015-16*, 28 February 2017, pp8-11

<sup>13</sup> The total number of approved carers includes family and friends carers and carers only approved for short breaks.

<sup>14</sup> The Fostering Network, *Over 9,000 more fostering households urgently needed during 2016*, media release, 7 January 2016

<sup>15</sup> *Children and Families Act 2014*, p77

<sup>16</sup> Department for Education, *Children looked after in England (including adoption) year ending 31 March 2016*, 29 September 2016, pp14–15

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are often unavailable to take in another child. In effect, with every young person who takes advantage of the Staying Put programme, a potential foster placement disappears.

There are several further issues with the Staying Put programme. While the programme has been widely welcomed and recognised as a positive initiative, concerns have been raised over its implementation and resourcing. Knowledge and structure of the programme varies across the country, and it has been argued that financial backing by the Government – £40 million over the first three years – is insufficient, with the financial gap only increasing as more young people take advantage of the programme. Carers in a Staying Put placement also get lower allowances than they would previously have received as a foster carer.<sup>17</sup>

### 2.3 Unaccompanied asylum seeking children

The numbers of unaccompanied asylum seeking children (UASC) entering the country and the care system in the last few years has also contributed to the stresses on its capacity. The Department for Education's 2016 statistics show that the number of UASC entering the care system increased by 54% on 2015, from 2,740 to 4,210, making up 6% of the overall looked after children population. This group of young people are largely responsible for the overall increase in the number of looked after children in England – without this group the system would have seen a decrease of 500.<sup>18</sup> 55% of UASC live in foster care.

UASC are predominantly male (93%), with 75% being aged 16 years or over. There is an uneven geographical split in terms of their placement around the country: two-thirds of all UASC are based in London and the South East, Kent has seen a 136% rise in the last year and now accounts for 21% of all UASC, and 10% are based in the London Borough of Croydon alone.<sup>19</sup>

The education provision for a third of UASC is recorded as 'unknown or not stated', and 41% have mental or psychological health needs.<sup>20</sup> Therefore the growing numbers of UASC entering the foster care system often require specialist care, which places a burden on the capacity of the system beyond just increasing numbers. Matching with suitable foster carers is also challenging, as consideration has to be given with regards to language, religion, and cultural understanding, and UASC are more likely to remain in care until they are 18 than other young people, thereby requiring longer support from local authorities.<sup>21</sup>

Other issues relate to funding for the care of UASC and their status. The Government brought in the National UASC Transfer Scheme on 1 July 2016, which is predicated on each local authority accepting UASC up to 0.07% of its child population in order to ensure equitable distribution across the country.

In February 2017, the then Minister of State for Immigration, Robert Goodwill, announced that local authorities would receive £41,610 per annum for each UASC under the age of

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<sup>17</sup> Education Committee, *Fostering*, HC 681, [FOS0099](#), [FOS0084](#), [FOS0050](#)

<sup>18</sup> Department for Education, *Children looked after in England (including adoption) year ending 31 March 2016*, 29 September 2016, pp1, 4

<sup>19</sup> Department for Education, *Children looked after in England (including adoption) year ending 31 March 2016*, 29 September 2016, pp5–6

<sup>20</sup> Association of Directors of Children's Services, *Safeguarding pressures phase 5 – Special thematic report on Unaccompanied Asylum Seeking and Refugee Children*, November 2016, pp21, 23

<sup>21</sup> Association of Directors of Children's Services, *Safeguarding pressures phase 5 – Special thematic report on Unaccompanied Asylum Seeking and Refugee Children*, November 2016, p14

16 and £33,215 per annum for those aged 16 and 17. This represents funding increases of 20% and 28% respectively.

This equates to a daily payment rate to local authorities for each eligible newly arrived UASC at £114 for those aged under 16 and £91 for those aged 16-17, as laid out in the Home Office funding instructions for 2016-17.<sup>22</sup>

Funding for those UASC who turn 18 and receive leaving care support has also been increased by 33%.<sup>23</sup>

However, concerns have been raised that current funding is insufficient, and that the Government has not committed to funding beyond 2017.<sup>24</sup> Research by the Association of Directors of Children's Services found that 43 of 44 local authorities felt that national funding was not sufficient, with one local authority facing a shortfall of £60,580 per child and others predicting budget pressures of £1.5 – £2 million. The ADCS projected a cost to local authorities of £3.4 million per annum per 100 UASC over and above the Home Office grant, which will cover no more than 50% of costs incurred by the local authority.<sup>25</sup>

Home Office payments automatically cease the day before the UASC's 18th birthday, and concerns have been raised regarding what happens to the young person thereafter, as there are tensions between the *Immigration Act 2016* and recent and proposed legislation for care leavers: while Staying Put aims to make it easier for young people to remain in safe and loving placements, the *Immigration Act* removes the automatic right to support from local authorities for UASC who have not established lawful bases for remaining. The *Children and Social Work Act 2017*, which legislates for a 'local offer' to benefit care leavers, is also missing any reference to UASC.

## 2.4 Special Guardianships

A Special Guardianship Order (SGO) is a court order which appoints an individual to become a young person's special guardian in a long-term placement. It provides additional security and permanence for the child and carer. The special guardian gains parental responsibility for the young person, but, unlike adoption, an SGO does not end the legal relationship or remove responsibility from the birth parents. SGOs are most commonly granted to extended members of the young person's family, but also often to a previous foster carer of the child. A child or young person in a placement under an SGO is not counted as being in the care system.

DfE statistics show that in 2015-16, 3,830 young people ceased being looked after through an SGO, 12% of all children who ceased being looked after. This is an increase of 8% on the previous year and an increase of 78% on 2012.<sup>26</sup> Ofsted's 2016 social care report stated that there has been an increase of 173% in the number of SGOs between 2010 and 2015.<sup>27</sup>

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<sup>22</sup> Home Office, [Funding to local authorities, Financial year 2016/17 – Home Office funding: Unaccompanied asylum seeking children \(UASC\)](#), October 2016, p4; 'Legacy UASC' (those who arrived prior to July 2016) are funded at £95 daily for under 16s and £71 for 16-17 year olds.

<sup>23</sup> [HC Deb 8 February 2017 cc9WS–11WS](#)

<sup>24</sup> Education Committee, *Fostering*, HC 681, [FOS0050](#)

<sup>25</sup> Association of Directors of Children's Services, '[Safeguarding pressures phase 5 – Special thematic report on Unaccompanied Asylum Seeking and Refugee Children](#)', November 2016, pp27 and 30.

<sup>26</sup> Department for Education, [Children looked after in England \(including adoption\) year ending 31 March 2016](#), 29 September 2016, p10

<sup>27</sup> Ofsted, [The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2016: Social care](#), 2016, p37

However, as young people with SGOs are not counted as being in care, and local authorities are under pressure to reduce numbers and offset the costs of providing care, there are concerns that SGOs are being encouraged for the wrong reasons, and when it may not be in the best interests of the child.<sup>28</sup> It has been anecdotally reported that some carers have been put under pressure to take out an SGO with the threat that the child will be removed from their care if they do not, with the term “blackmail” being used by some when describing their experiences.<sup>29</sup> Despite Government guidance stating that “Financial issues should not be the sole reason for a special guardianship arrangement failing to survive”,<sup>30</sup> some carers have reported being unable to take on a special guardianship on financial grounds.<sup>31</sup> Regulations state a range of circumstances in which financial support may be paid to a special guardian, but previous foster carers will not always receive the additional remuneration they may have previously received.<sup>32</sup>

It has also been found that some SGOs are being granted along with supervision orders.<sup>33</sup> With the threshold for a supervision order being the risk of significant harm, there are worries that some authorities are granting permanence to children in situations which they themselves have concern about. Recent serious case reviews have highlighted some of these fears in practice.<sup>34</sup>

The Government has recently made changes to statutory guidance on special guardianships following a consultation in 2015.<sup>35</sup> The changes require the child’s current and likely future needs, and any past or risk of future harm, to be taken into account when deciding whether to make an SGO, and for more consideration to be given to the parenting capacity of the prospective guardian, as well as their current relationship with the child.<sup>36</sup>

### 3. Issue 2: Working conditions for foster carers

#### 3.1 Employment status

Foster carers are classified as self-employed. However, while having the responsibilities of other self-employed workers – such as completing tax returns – they do not control their registration (which is owned by the agency they foster for), can only work for one employer, and do not have control over more aspects of their income and expenditure. They also have less portability than other self-employed workers: if they wish to move location they require reassessment and training, which can take up to a year, they have limited protection in the case of events such as allegations being made against the carer,

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<sup>28</sup> Education Committee, *Fostering*, HC 681, [FOS0053](#)

<sup>29</sup> Education Committee, *Fostering*, HC 681, [FOS0101](#), [FOS0053](#), [FOS0055](#), [FOS0057](#)

<sup>30</sup> Department for Education, [Special guardianship guidance](#), January 2017, p13

<sup>31</sup> Education Committee, *Fostering*, HC 681, [FOS0025](#), [FOS0074](#), [FOS0053](#)

<sup>32</sup> Department for Education, [Special guardianship guidance](#), January 2017, Regulations 6-7

<sup>33</sup> A supervision order is a court order which gives a local authority power to monitor a child’s needs and progress. The authority may apply for a supervision order if they have concerns that a child is suffering, or is likely to suffer, significant harm because of the care being provided by the parent or if the child is beyond parental control.

<sup>34</sup> Oxfordshire Safeguarding Children Board, [Child A and Child B: A serious case review](#), 1 March 2017, p25; Birmingham Safeguarding Children Board, [Serious Case Review: Shi-Anne Downer](#), 22 February 2017

<sup>35</sup> Department for Education, [Special guardianship review: report on findings – Government consultation response](#), December 2015

<sup>36</sup> Department for Education, [Special Guardianship Guidance: Statutory guidance for local authorities on the Special Guardianship Regulations 2005 \(as amended by the Special Guardianship \(Amendment\) Regulations 2016\)](#), January 2017, p3-4

and do not have the benefits that accompany employee status, such as sick pay, holiday allowances, pensions rights, or entitlement to the minimum wage.

Many foster carers believe that their employment status needs to be clarified and improved.<sup>37</sup> It has been suggested that a recent employment tribunal judgement – where it was ruled that Uber taxi drivers should be classed as workers rather than self-employed, thereby entitling them to holiday pay, paid breaks and the national minimum wage<sup>38</sup> – could apply to foster carers.

## 3.2 Financial reimbursement

Foster carers receive a weekly fostering allowance, designed to cover the cost of caring for the fostered child. The Government set out minimum allowances, which vary according to the age of the child and where in the country they are cared for.

**Table 3 - Minimum weekly allowances, 2017-18<sup>39</sup>**

	Babies	Pre-primary	Primary	11 – 15	16 – 17
<b>London</b>	£144	£147	£165	£187	£219
<b>South East</b>	£138	£142	£158	£179	£211
<b>Rest of UK</b>	£125	£128	£141	£161	£188

These amounts have increased by £2 to £3 from the minimum allowances for 2016–17.

Foster carers can also receive fees. These are additional payments, made on top of the fostering allowance, to recognise or reward a foster carer's time, skills or experience. These are not mandatory, with levels set by individual fostering agencies.

The level of financial reimbursement received by foster carers is a major issue for many. As providing foster care is a 24/7 role, allowances received equate to much less than the minimum wage (which, due to their employment status, they are not entitled to), with many carers finding levels insufficient.<sup>40</sup>

The Fostering Network's biannual *State of the Nation's Foster Care* report, based on survey responses from 2,530 foster carers, collates information about a wide range of issues relating to foster care. The most recent report, published in January 2017, found that:

- only 42% of foster carers felt that their allowances covered the costs of providing foster care. This is down from 80% in 2014;
- 57% of respondents reported that they receive a fee payment, an increase from 47% in 2014, with those fostering for an independent foster care provider (46%) less likely to report receiving one than those fostering for a local authority (60%). However, 14% were unclear whether they receive any payment, indicative of the practice of some providers to combine payment for fees and allowances;

<sup>37</sup> Education Committee, *Fostering*, 1 February 2017, Qq12-13, 16-17; Education Committee, *Fostering*, HC 681, [FOS0044](#), [FOS0068](#), [FOS0034](#)

<sup>38</sup> London Central Employment Tribunal, *Mr Y Aslam, Mr J Farrar and Other v Uber B.V., Uber London Ltd and Uber Britannia Ltd*

<sup>39</sup> Department for Education, *Foster carers: Help with the cost of fostering*, accessed 17 May 2017

<sup>40</sup> Education Committee, *Fostering*, 1 February 2017, Q5; Education Committee, *Fostering*, HC 681, [FOS0070](#), [FOS0059](#), [FOS0044](#), [FOS0056](#), [FOS0008](#)

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- 56% said that their household income is reliant on the money they receive from fostering, with 65% receiving no welfare benefits;
- of those who rated retainer fees (additional money paid while they are without a child in placement), 74% felt they were poor or could be better. Retainer fees were less likely to be paid by independent agencies;
- a third of carers reported that they had other paid work in addition to fostering.<sup>41</sup>

Foster carers also receive a fixed tax exemption of up to £10,000, meaning that they do not have to pay tax on the first £10,000 of income they make from fostering, and receive tax relief of £200 - £250 per child per week every week that they are caring for a child.<sup>42</sup> However, these thresholds have been in place for more than ten years, so have not been keeping pace with inflation, with some carers finding that they are being taxed on money that has been given to them as their child's allowance.<sup>43</sup> There are also complications arising from the fact that fostering is treated as work by HM Revenue and Customs, but not by the Department for Work and Pensions, making the system confusing for many carers.

### 3.3 Allegations

The number of allegations made against foster carers has been increasing in recent years, with the figure for 2016 showing a 1% increase on 2015 and of 32% on 2013. 57% of allegations were of physical abuse, with other categories including emotional abuse, sexual abuse and neglect. 4% of foster carers were subject to allegations during the year, with the majority made by fostered children.

**Table 4 - Allegations made against foster carers, 2012-16<sup>44</sup>**

	2012-13	2013-14	2014-15	2015-16
Total number of allegations made	1,855	2,315	2,420	2,450
Number of allegations resolved with no further action	-	-	1,440	1,375
Total number of complaints made	1,645	1,625	1,550	1,470
Number of complaints not upheld	740	765	740	710
Number of allegations made against foster carers by fostered children	-	-	1,640	1,550
Number of allegations made against foster carers by other sources	-	-	785	900
Number of children who made allegations	-	-	1,635	1,595
Number of foster carers subject to allegations	-	-	2,275	2,300

However, although over half of all allegations were resolved with no further action, 20% resulted in continued monitoring, and another 20% were subject to investigations which

<sup>41</sup> The Fostering Network, *State of the Nation's Foster Care 2016*, January 2017, pp25–26

<sup>42</sup> Department for Education, *Foster carers: Help with the cost of fostering*, accessed 17 May 2017

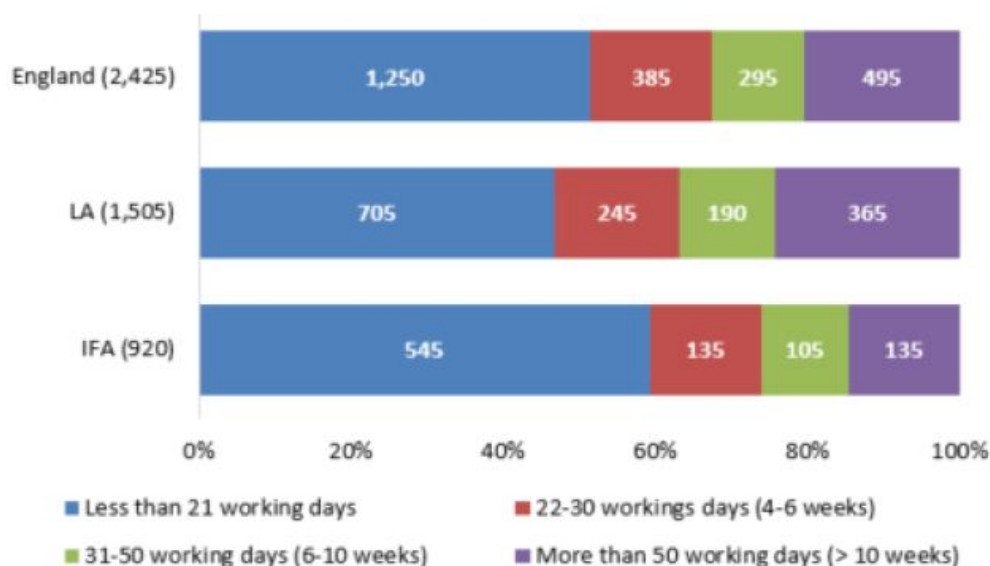
<sup>43</sup> Education Committee, *Fostering*, 1 February 2017, Q19

<sup>44</sup> Ofsted, *Fostering in England, 2015-16*, 28 February 2017, p25. Absent data is the result of changes in Ofsted's reporting, which has led to them increasing the level of detail collected in recent years



lasted for more than ten weeks. This is a major issue for foster carers who, due to their self-employed status, have limited protection and support during this time, as the investigations are carried out by the fostering agency, their former employer. Many carers have reported being given little or no information with regards to the allegation or subsequent investigation, and some can struggle during this period, as fee payments cease when a placement is stopped.<sup>45</sup>

**Table 5 - Timescale for investigations of allegations, 2016<sup>46</sup>**



### 3.4 Professionalisation

One proposed means of addressing the issues surrounding working conditions for foster carers has been greater professionalisation of the role. To this end a group of foster carers met in Westminster in September 2016 and, with the support of 56 of the 60 carers present, voted to form the first ever trade union for the profession with the Independent Workers' Union of Great Britain. The Vice-President of the IWGB called it a "monumental step forward in the fight for respect, fair remuneration and proper working rights for foster carers".<sup>47</sup>

Another suggestion has been the establishment of a national register or college for foster carers, along the lines of those that exist for other care professions. However, there are mixed feelings within the sector on these issues: some have highlighted the inherent practical difficulties in recognising foster carers as professionals or employees, while others have cautioned against the professionalisation of parenting, while concerns have been raised over a new body which could increase bureaucracy or potentially be used in ways which would not be welcome.<sup>48</sup>

<sup>45</sup> Education Committee, *Fostering*, 1 February 2017, Qq47-48; Education Committee, *Fostering*, HC 681, [FOS0053](#), [FOS0006](#), [FOS0048](#), [FOS0071](#)

<sup>46</sup> Ofsted, 'Fostering in England, 2015-16', 28 February 2017, p25

<sup>47</sup> Independent Workers' Union of Great Britain, 'BREAKING NEWS: Foster carers vote to unionise!', accessed 20 September 2016

<sup>48</sup> Education Committee, *Fostering*, 1 March 2017, Qq131-4; Education Committee, *Fostering*, HC 681, [FOS0050](#), [FOS0099](#)

## 4. Issue 3: Relationships between fostering providers

### 4.1 Statistics

There is a mixed economy of care options within the fostering system. The majority (two-thirds) of young people requiring care placements are placed with local authority foster carers, with the remainder cared for by independent fostering agencies (IFAs). The number and percentage of children placed with IFAs has been increasing over recent years, but showed a slight decrease in 2015-16. The majority of applications by prospective new foster carers were made to local authorities, but this followed a year in which 52% were to independent agencies.

**Table 6 - Young people in foster placements with local authorities and IFAs, 2012-16<sup>49</sup>**

	2012-13	2013-14	2014-15	2015-16
Local authority fostering agencies	34,045	34,230	34,120	34,395
As a percentage of the total	67.3%	66.7%	65.9%	66.4%
Independent fostering agencies	16,560	17,080	17,690	17,410
As a percentage of the total	32.7%	33.3%	34.1%	33.6%

**Table 7 - Applications to local authorities and IFAs, 2012-16<sup>50</sup>**

	2012-13	2013-14	2014-15	2015-16
Local authority fostering agencies	10,090	12,025	8,150	5,920
As a percentage of the total	51.4%	57.5%	48.2%	51.7%
Independent fostering agencies	9,530	8,895	8,770	5,540
As a percentage of the total	48.6%	42.5%	51.8%	48.3%

There are a number of differences between local authority providers and independent fostering agencies in terms of the characteristics of foster carers and the children being cared for:<sup>51</sup>

- the majority of short term, short breaks only, and long term/permanent placements were offered by local authorities, while IFAs offered most emergency, parent and child, and multi-dimensional treatment placements;
- IFAs were more likely to have larger households, with 39% approved for 3+ children;
- there are more carers (18%) and young people (26%) from black or minority ethnic backgrounds with independent agencies. 90% of local authority carers were White,

<sup>49</sup> Ofsted, [Fostering in England, 2015-16](#), 28 February 2017

<sup>50</sup> Ofsted, [Fostering in England, 2015-16](#), 28 February 2017

<sup>51</sup> Ofsted, [Fostering in England, 2015-16](#), 28 February 2017

as were 79% of their looked after children. Nine local authorities reported having no long-term foster carers from minority ethnic groups;

- IFAs also reported a slightly higher percentage of children with disabilities (11% to 9%);
- children in IFA placements made up a higher percentage of children experiencing an educational placement change (47%) than they did of all children (34%);
- 56% of young people in local authority care remained with their former foster carers after the age of 18, compared to 50% of those with IFAs.

Ofsted inspections have found that 88% of IFAs were rated as “good” or “outstanding” for “Children looked after and achieving permanence”, compared to 35% of local authorities. However, these figures need to be treated with caution as local authorities are graded for their entire range of services while IFA inspections only focus on fostering.<sup>52</sup>

Historically, many independent fostering agencies were set up to cater for specific groups of young people, for example those from certain ethnic backgrounds or with additional or challenging needs, such as disabled children. However, with the growth and increased demands of the foster care system, IFAs now provide foster placements for a much wider range of children. This has led to growing tensions with local authorities, as they are competing for the same cohort of young people, and local authorities often find it difficult to compete financially with IFAs in marketing and recruitment of foster carers. Relationships between the two are often described as mixed.<sup>53</sup> There are several other issues which affect the relationships between local authorities and IFAs, as outlined below.

## 4.2 Profit-making

Profit-making IFAs<sup>54</sup> are subject to criticism from many in the sector. Some oppose the notion of making profit from care, while others raise issue with the levels of profit made. Research in 2015 by Corporate Watch, and highlighted by Sir Martin Narey in his review of the residential care sector,<sup>55</sup> found that eight commercial fostering agencies made profits of over £40 million by providing foster placements to local authorities.<sup>56</sup> This practice was called “completely unacceptable” and “immoral” by Councillor Richard Watts, Chair of the Local Government Association’s children and young people board, and “immoral” by Andy Elvin, CEO of The Adolescent and Children’s Trust.<sup>57</sup>

Independent agencies have also been criticised due to reports of the use of “golden hellos” or “golden handshakes” – the practice of recruiting local authority carers into the private sector by offering financial incentives, then charging local authorities higher prices to use their services. Dave Hill, President of the Association of Directors of Children’s Services, called the practice “immoral and wrong”.<sup>58</sup> Many have called for such incentives to be banned, with some agencies deciding to stop using such payments in the wake of such criticism.<sup>59</sup> However, it is hard to ascertain how common or widespread the practice

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<sup>52</sup> Education Committee, *Fostering*, HC 681, [FOS0054](#)

<sup>53</sup> Education Committee, *Fostering*, 1 March 2017, Qq83-84

<sup>54</sup> Not all independent fostering agencies are profit-making: some are voluntary or charitable.

<sup>55</sup> HM Government, *Residential Care in England*, July 2016, p23

<sup>56</sup> Corporate Watch, *The Foster Care Business*, 15 December 2015

<sup>57</sup> [“Call for ban on ‘golden hellos’ in fostering”](#), *Children & Young People Now*, 7 September 2016 ; [“Why do we let fostering agencies profit from caring for vulnerable children?”](#), *The Guardian*, 11 January 2016

<sup>58</sup> [Foster carers ‘poached with golden hellos’](#), *BBC News*, 5 August 2016

<sup>59</sup> [“Major foster care firm scraps ‘golden hello’ incentives”](#), *Children & Young People Now*, 9 September 2016

of offering “golden hellos” is, and representatives of the independent sector have countered that local authorities also use various types of inducement to attract carers.<sup>60</sup>

Concerns have also been raised over a recent merger of two of the largest IFAs.<sup>61</sup> In August 2016, the National Fostering Agency bought Acorn Care Education Group, creating a single organisation worth an estimated £400 million. In January 2017, the Competition and Markets Authority announced an investigation into the merger amid fears that some councils may struggle to achieve value for money when dealing with what could amount to a monopoly in some areas.<sup>62</sup>

### 4.3 Commissioning

There are issues around the current processes for commissioning placements. When they are unable to place a young person requiring foster care with one of their own foster carers, a local authority will seek a placement through an IFA, usually on the basis of a pre-arranged framework of cost and provision agreed between the authority and the agency.

However, it has been reported that the cost of a placement with an IFA can be much higher than with a local authority carer: Sir Martin Narey’s report suggested that private sector operators can charge up to 92% more than the local authority’s direct recruitment costs, with voluntary providers costing 79% more.<sup>63</sup> Independent providers have countered that the belief that their services are more expensive is based on an unsubstantiated misconception, with direct price comparisons often flawed.<sup>64</sup>

IFAs, on the other hand, have also raised concerns over the way the commissioning process is conducted by local authorities.<sup>65</sup> It is believed by some that local authorities prioritise their own in-house provision, even when a placement with a local authority carer may not be the best match for the child in question, and there is also concern that such decisions may be determined by cost over quality, with a growing trend of price-led commissioning claimed by some agencies. Some groups have called for a new national commissioning or procurement framework.<sup>66</sup>

### 4.4 Collaboration with local authorities

There has been a recent trend of local authorities having their children’s services departments outsourced and run by independent companies or trusts. These changes were spurred by an announcement by the then Prime Minister, David Cameron, in December 2015, which outlined how poor performing children’s services that showed little sign of improvement would be taken over by a trust led by a new service leader and formed of high-performing local authorities, child protection experts, and charities.<sup>67</sup> Some services have since made the move to the trust model voluntarily, such as Birmingham and Sunderland, whereas others, including Doncaster, Slough and Sandwell, have had the change forced upon them by successive ‘Inadequate’ Ofsted judgements.

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<sup>60</sup> Education Committee, *Fostering*, HC 681, [FOS0101](#), [FOS0051](#), [FOS0076](#)

<sup>61</sup> [“Major foster care firm scraps ‘golden hello’ incentives”](#), *Children & Young People Now*, 9 September 2016

<sup>62</sup> HM Government, [Press release: Fostering services merger faces in-depth investigation](#), 30 January 2017

<sup>63</sup> HM Government, [Residential Care in England](#), July 2016, p24

<sup>64</sup> Education Committee, *Fostering*, HC 681, [FOS0101](#), [FOS0051](#), [FOS0076](#)

<sup>65</sup> Education Committee, *Fostering*, HC 681, [FOS0079](#), [FOS0051](#), [FOS0063](#)

<sup>66</sup> Education Committee, *Fostering*, HC 681, [FOS0051](#)

<sup>67</sup> HM Government, [Press release – PM: We will not stand by – failing children’s services will be taken over](#), 14 December 2015

The reasoning behind the trust model is that moving responsibility away from the local authority and into a new organisation offers a clean break and a dedicated focus on children's services, which can often be hard to achieve in a local authority, due to competing priorities and responsibilities. However, many have raised issue with this practice, highlighting the fact that those services that have undergone the change have not seen major improvements and that any improvements seen may not be directly attributable to the change in management structure, while also pointing out the disruption and cost involved in conversion. Others have voiced fears that these changes may lead to the growth of a marketplace or increasing privatisation in the sector, equivalent to the Government's controversial school academisation programme.<sup>68</sup>

There have been other arrangements set up recently, involving independent agencies collaborating with local authorities. In April 2017 the charity The Adolescent and Children's Trust (TACT) took over the running of Peterborough City Council's fostering and adoption services in the first partnership of its kind in England. The arrangement, which will last for 10 years and is worth £126 million, will see staff based at city council offices and the management board will include staff from both the council and TACT. The aim of the new Permanency Service is to improve outcomes for children and young people in care, reduce reliance on more expensive independent fostering and residential placements, and provide improved training and support for carers. Some believe other councils may look to set up similar arrangements if that in Peterborough proves successful.

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<sup>68</sup> ["The new service models shaking up children's social work"](#), *Community Care*, 19 January 2017 ; ["Are independent children's trusts really the answer to struggling services?"](#), *Community Care*, 8 June 2016

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