From: **Paul Webb, Cabinet Member for Children's Services**

Christine McInnes, Corporate Director of Children, Young People and Education

To: **Children, Young People and Education Cabinet Committee – 26 November 2026**

Subject: **Commissioning a Contract for the Provision of Privately Owned Children's Residential Homes**

Decision No: 26/00067

Key Decision: It involves expenditure of more than £1m

Classification: **Unrestricted**

Past Pathway of report:

Future Pathway of report: Cabinet Member Decision

Electoral Division: All
https://democracy.kent.gov.uk/mgMemberIndex.aspx?bcr=1

Is the decision eligible for call-in? *Yes*

Summary: This report provides the Children, Young People and Education Cabinet Committee with the background and rationale for the proposed procurement of a contractual arrangement for placements in privately owned Children's Residential Homes for Children in Care.

The proposed contract represents a significant change from the current placement purchasing model. Whilst placements will continue to be individually matched to children's assessed needs, the contract will move the Council from spot purchasing to a commissioned contractual arrangement compliant with the Procurement Act 2023.

Recommendation:

The Children, Young People and Education Cabinet Committee is asked to CONSIDER and ENDORSE or MAKE RECOMMENDATIONS to the Cabinet Member for Children's Services in relation to the proposed decision as detailed in the attached Proposed Record of Decision document (Appendix A), to approve the procurement and establishment of a contractual arrangement for privately owned children's residential home placements.

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1 Introduction

1.1 Kent County Council (KCC) has a high demand for privately owned Children's Residential Home placements, which is increasing. In order to improve purchasing leverage and increase KCC's ability to procure suitable local provision for children with complex needs, this report proposes to establish a contractual arrangement for Children's Residential Home provision in Kent and Medway.

1.2 A contractual arrangement is required to improve sufficiency, placement planning, quality oversight, cost consistency and value for money, while supporting KCC's statutory duties to looked-after children. Further, the proposed arrangements have been designed to provide flexibility should future local government reorganisation be implemented across Kent and Medway. The proposed four-year contract term, with options to extend for up to a further four years, would provide continuity and stability for both existing and any successor authorities, as well as providers. The arrangements would retain flexibility through zero guaranteed spend for call-off placements, alongside the option to utilise block arrangements where appropriate.

2 Key Considerations

2.1 The proposed decision is to establish a contractual arrangement for Children's Residential Home provision. The arrangement is intended to improve local sufficiency, support greater use of suitable Kent-based provision and reduce reliance on high-cost reactive purchasing.

2.2 Under the current spot-purchasing approach, provider checks, pricing and contractual arrangements are addressed for each placement, limiting the Council's ability to influence the market and monitor performance consistently. The proposed contract will create a network of providers approved in advance, with transparent pricing, common contractual standards and consistent monitoring of quality, performance and outcomes. Demand and market intelligence will also inform activity to address identified gaps in provision.

2.3 The key issues informing this proposal include:

- Increasing demand for residential placements and rising complexity of children's needs, resulting in significant budget pressures and growing reliance on expensive placements.
- The need to reduce use of out-of-county placements and improve opportunities for children to remain close to their families, communities, education and support networks.
- The requirement to meet the Council's statutory sufficiency duty by securing sufficient, high-quality accommodation that meets the needs of Children in Care.
- The opportunity to improve market influence through transparent pricing, stronger provider relationships and targeted commissioning of specialist provision, including disability, therapeutic and crisis placements.

- The opportunity to actively shape the Children's Residential Home market through demand forecasting, provider engagement, transparent pricing expectations and targeted commissioning activity to address identified local sufficiency gaps.
- Alignment with national policy reforms, including the Children's Wellbeing and Schools Act 2026, and preparation for future Local Government Reorganisation and Regional Care Cooperative arrangements.

2.4 The recommended approach is considered the most effective means of improving placement stability, quality, sufficiency and value for money, whilst providing a flexible commissioning model that can adapt to future organisational and national policy changes

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3 Background

3.1 KCC (and all Authorities with responsibilities for Children's Social Care) is responsible for securing sufficient, suitable accommodation for children in care, while safeguarding and promoting their welfare. Children's Residential Homes form an essential part of the placement continuum for children whose assessed needs cannot appropriately be met through foster care, supported accommodation or other family-based provision.

3.2 The approach to commissioning and procuring Children's Residential Homes responds to rising demand, increasingly complex needs, significant placement cost pressures and ongoing difficulties in securing suitable provision. Sufficiency pressures are particularly acute for disabled children and those requiring therapeutic care, regulated education, crisis or solo placements. These challenges are compounded by the uneven distribution of provision across Kent, especially in West and South Kent.

3.3 At 29 July 2026, 204 children were placed in Children's Residential Homes. Kent had 121 Ofsted-registered children's homes with 505 registered beds. However, registered capacity does not necessarily represent provision that is available, affordable or suitable for an individual child's assessed needs.

3.4 Data from June 2026 shows that 48.4% of children in Children's Residential Homes were placed in Kent, 6.4% in Medway and 45.2% in other local authority areas. More than half of disabled children in Children's Residential Homes are outside Kent or Medway. This can increase costs and make it more difficult for children to maintain relationships with their families, schools, communities and existing professional support networks.

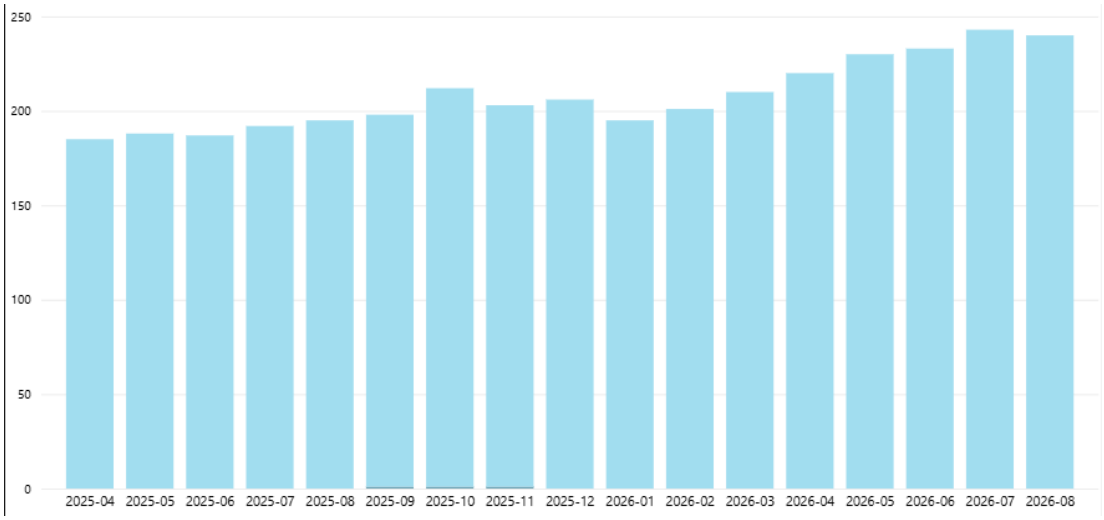
3.5 The proposal is therefore to procure a contract which would provide a structured route for commissioning planned and same-day provision, crisis and solo placements, homes with regulated education, residential parenting assessments, therapeutic care, provision for disabled children and transitional residential accommodation for children approaching adulthood. Secure accommodation is outside the scope of the arrangement.

4 The report

4.1 The establishment of a contractual arrangement is looking to address the issues mentioned in Section 2.2. The Children's Wellbeing and Schools Act (2026) has

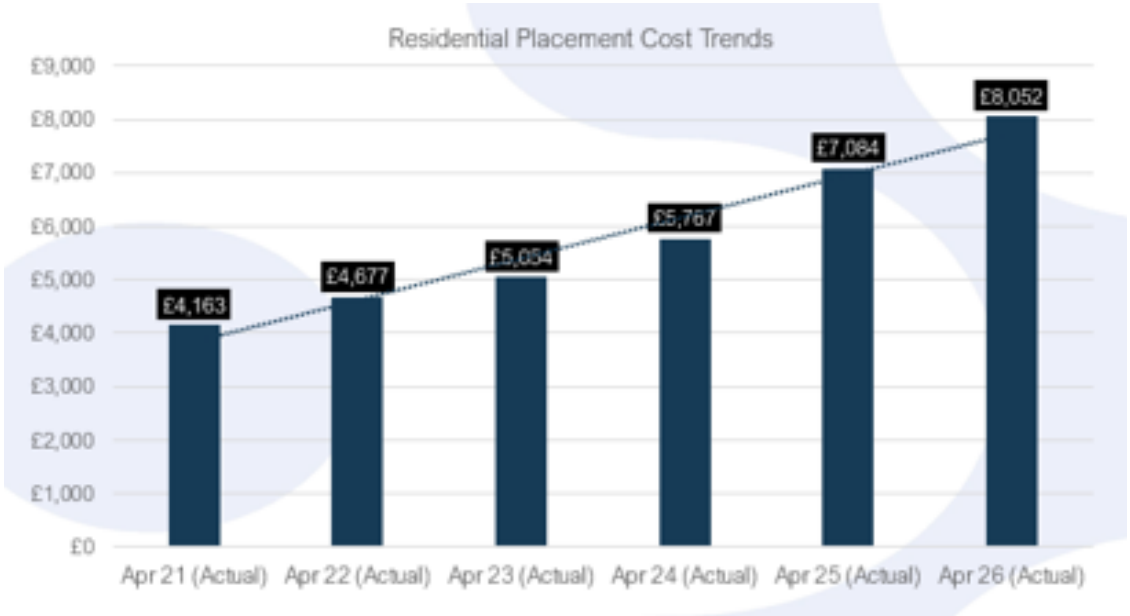
enabled the Council to have a different approach to pricing under the endeavours of transparency. Since April, purchasing conversations have been able to change and as such, there has been a marked reduction in average weekly fees.

4.2 The combined budget line for spend on Children's Residential Homes is £82.5m for disabled children and non-disabled children. There were 185 children living in these provisions in April 2025 increasing to 220 in April 2026, further increasing to 240 in August 2026.



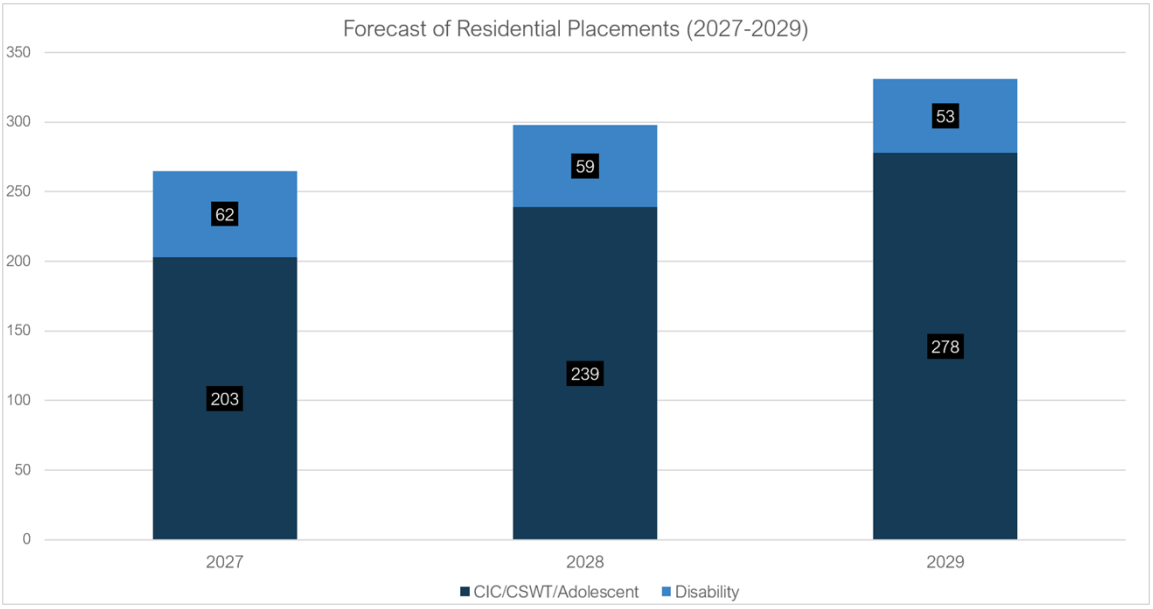
PowerBI – Month End Trend, Children's Homes, Residential and Residential Family Centres

4.3 Kent Analytics monitors the trends as part of the reporting to the Strategic Priorities Board and reports that the average weekly cost of residential placements for children in care almost doubled in the five years from April 2021 to April 2026. Further it states that, should this increased rate continue in 2026/27, the average weekly cost could increase to over £10k per week by March 2027.



4.4 Kent Analytics use a range of indicators to forecast demand for children's services. The impact of the numbers of children in care increasing at a standard

flat rate average weekly fee with no assumed infaltion could see a financial impact of £53.3m by 2029.



4.5 The proposed commissioning approach would introduce a contractual framework for KCC and successor authorities, should future local government reorganisation be implemented across Kent and Medway, to rely on to move away from fragmented arrangements towards a more efficient and strategically managed system with clear pricing structures.

4.6 Commissioners have designed an approach with a pricing model that is clear and transparent and meets the needs of a range of children.

4.7 Commissioning activity to date includes pre-market engagement, understanding the appetite of the sector and the local Kent providers, engaging with children with experience of Children's Residential Homes and learning from other local authorities. The information collected has been used to develop the Service Specification for each of the Lots proposed in the contract. The Lots include:

- Planned and same day residential care
- Crisis care and solo placements
- Residential care with regulated education
- Residential parenting assessments
- Therapeutic residential care
- Disabled children
- Transition towards adulthood

4.8 Whilst this is the intended structure of the contract, there may be opportunities through the design with Commercial and Procurement colleagues to add or change the Lots as appropriate. This could include other Ofsted regisitered provision as part of the continuum of care for Supported Accommodation that is currently spot-purchased and can be used as a step down for children as they age through to transition.

4.9 The engagement from children has identified what is important to them in this service, therefore the Service Specification and Key Performance Indicators will require providers to demonstrate:

- how children are involved in placement planning, reviews and decisions affecting daily life;
- whether children feel safe, listened to and supported by trusted adults;
- continuity of education, family relationships and community connections where this is consistent with the care plan;
- placement stability, including the reasons for unplanned endings;
- progress in health, emotional wellbeing, independence and preparation for adulthood; and
- how feedback and complaints from children result in service improvement.

4.10 The contractual arrangement would be for an initial four years with up to a further four years of extensions, should the contract be performing well. It will have a call-off arrangement with zero guaranteed spend to any particular organisation and an option to enter into block contracts for particular types of provision. This will provide easier and more predictable access to KCC opportunities; however, it will not guarantee business.

4.11 An outline procurement timetable, should the Key Decision be taken could be:

Activity	**Timeline**
Publish Tender	January 2027
Tender Period	February to April 2027
Tender Evaluation	April to June 2027
Contract Award	July 2027
Mobilisation	August 2027
Contract Start	October 2027

4.12 The contractual arrangement would be opened periodically, allowing new providers and services to join as the market, Ofsted registration, local capacity and children's needs change. Providers would be required to submit transparent core placement prices, with child-specific additional support costs identified separately.

4.13 The proposed model is intended to strengthen KCC's influence over the Children's Residential Home market, improve the consistency of quality assurance and contract management, support more effective forecasting and budget management, and encourage the development of suitable local provision. It also provides a mechanism for reducing avoidable reliance on out-of-county placements and improving placement stability, while retaining sufficient flexibility to respond to each child's individual needs. The approach complements KCC's developing in-house provision, including Project Athena, as part of a mixed economy of provision rather than replacing external commissioning of services.

4.14 The contractual arrangement will reduce repeated due diligence and negotiation, provide clearer pricing and call-off arrangements, strengthen quality

and performance oversight, and improve information on demand, costs and market gaps.

4.15 The benefits depend on strong provider participation and consistent use by staff. Providers will be supported through proportionate tender requirements, transparent pricing and reviews, clear referral arrangements, regular market engagement and periodic opportunities to join. Internally, the contract will become the standard external purchasing route, supported by clear guidance, training, named leads and monitoring of use and outcomes.

5. Options Considered and Discarded

5.1 The following options have been considered and discarded:

Option 1 - Continue with current commissioning arrangement - discarded as it maintains weak market influence, inconsistent pricing and reactive placement sourcing.
Option 2 - Large-scale in-house delivery – not viable as the sole solution as it would require substantial capital investment, workforce capacity and operational infrastructure. Existing in-house developments will continue as part of a mixed economy.
Option 3 - Closed framework - not preferred as the provider market and Ofsted registration landscape change over time.
Option 4 - Dynamic Market - not preferred as continuous supplier admissions and separate competitions would create disproportionate administration and delay urgent placements.

6. Strategic Context

6.1 The proposal supports Reforming Kent 2025-2028, Aim 3: support residents who need help. It supports KCC's role as Corporate Parent by improving access to safe, high-quality and suitable local homes, helping children remain close to families, schools and communities where appropriate, and promoting stability, wellbeing and preparation for adulthood.

7. Financial Implications

7.1 The contract would be for an initial four years with up to a further four years of extensions, comprising two additional two-year periods, should the contract be performing well. The contract will have zero guaranteed spend to any provider. Based on 2025/26 expenditure of £69.9m for the relevant services, the estimated maximum contract value is £279.6m over the initial four-year term and £559.2m if both extension options are used, excluding inflation and demand growth. This is existing spend in the budget and is to direct placements through the established contract.

7.2 Funding would be met from existing CYPE placement base budgets for Operational Integrated Children's Services and the Strengthening Independence Service. The commissioning model is intended to deliver cost avoidance, cost containment and greater price consistency. Cashable savings would be achieved through carefully moving children closer to home alongside Social Worker recommendations. This approach estimates an ongoing potential saving of approximately £1.4m to £1.8m once fully implemented, subject to provider participation, contract utilisation, placement suitability, demand and child-specific costs.

7.3 The financial benefits will not arise from the existence of the contract alone. They will arise from provider participation, consistent contract use, transparent core pricing, control and review of child-specific additions, greater use of suitable local provision and selective use of block arrangements where demand is sufficiently predictable.

7.4 In addition to placement-cost benefits, the contract is expected to reduce inefficiencies associated with repeated due diligence, negotiation of individual commercial terms, fragmented pricing information and duplicated quality and contract-management activity. These efficiencies have not yet been assigned a cashable saving and will be measured during mobilisation and contract delivery.

7.5 Key financial risks include increasing demand, placement complexity, inflation, provider pricing, limited suitable capacity and, uncertain NHS contributions.

8. Risks and Mitigations

8.1 The risks and mitigations identified include the following:

Risk	Mitigations
Providers do not engage with the contractual opportunity	Early market engagement; periodic re-opening; targeted engagement for gaps.
Contract membership does not translate into usable placements	Monitor offers, refusals, vacancies, matching outcomes, contract utilisation and exception reasons by Lot.
Prices continue to rise	Transparent core pricing; separately agreed additions; standard hourly rates; review and step-down of enhanced staffing where safe.
Block capacity creates void costs or poor matching	Use blocks selectively; portfolio-based flexibility; clear activation, review and de-activation provisions.
Quality or safeguarding deteriorates	Regulatory requirements; due diligence; contract monitoring; incident escalation; children's feedback; improvement and suspension mechanisms.
Local capacity remains uneven	Target market activity using district and demand intelligence
Forecast benefits are overstated	Treat savings as indicative; distinguish cashable savings, cost avoidance and containment.
LGR or regional changes	Include break, variation, novation, transfer and disaggregation provisions; maintain clear contract and performance records.

9. Legal Implications

9.1 Sections 22 and 22G of the Children Act 1989 require the Council to safeguard and promote the welfare of looked-after children and, so far as reasonably practicable, secure sufficient accommodation within its area that meets their needs. The procurement must comply with the requirements set out in the Procurement Act 2023.

9.2 Key legal and contractual risks will be mitigated through readiness for Local Government Reorganisation or Regional Commissioning changes, such as the Regional Care Cooperatives with appropriate break, variation and novation provisions, and contract design capable of disaggregation or transfer.

10. Equalities Implications

10.1 An Equality Impact Assessment (EqIA) screening has been completed. Overall positive equality impact, with targeted action to address the greater challenges faced by disabled children through specialist commissioning, market shaping and improved local provision. This will be kept under constant review as this project continues.

11. Data Protection Implications

11.1 A Data Protection Implications Assessment (DPIA) screening has been completed. The commissioning model will involve the controlled sharing and processing of personal and special category information needed to match, place and support children. Safeguards will be incorporated to support compliance with UK GDPR and the Data Protection Act 2018.

12. Other Corporate Implications

12.1 This approach requires support from the Commercial and Procurement Division, Finance, Health and Safety and practitioners across the Children, Young People and Education directorate.

13. Governance

13.1 This report sets out the proposal for the Cabinet Member for Children's Services to approve the procurement of a contract for the provision of privately owned children's residential home placements

13.2 Subject to the decision being taken, authority will be delegated to the Corporate Director of Children, Young People and Education **or other Officer authorised by the Corporate Director,** to take relevant actions, including but not limited to, awarding and implementing the contract and any subsequent call-off contracts; managing the resulting contractual arrangements; exercising any permitted contract extensions; undertaking contract re-openings; agreeing any variation, novation and disaggregation arrangements permitted under the terms of the contract and associated contracts; and finalising the terms of and entering into any necessary contracts or other legal agreements, as necessary to implement the decision.

14. Conclusion

14.1 Establishing a compliant contractual arrangement for privately owned Children's Residential Homes will provide a flexible and transparent route to secure planned, specialist and urgent placements, while enabling the provider market to develop as needs change.

14.2 The proposed action will strengthen quality assurance and market oversight, improve pricing consistency and value for money, support more effective placement and budget planning, and increase opportunities for children to live safely closer to their families, communities, education and support networks.

14.3 The contract will replace reactive spot purchasing with a more consistent, transparent and strategic approach through an approved provider network, common standards, clear pricing and call-off arrangements, and stronger performance oversight.

14.4 It will give providers clearer access to opportunities and demand information, while helping the Council to improve placement sourcing and develop local and specialist capacity. These benefits will be achieved through provider participation and consistent staff use, supported by market engagement. Where the contract cannot meet an individual child's needs, placements may still be made through a recorded exception process that informs future commissioning.

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15. Recommendation:

The Children, Young People and Education Cabinet Committee is asked to CONSIDER and ENDORSE, or MAKE RECOMMENDATIONS to the Cabinet Member for Integrated Children's Services in relation to the proposed decision as detailed in the attached Proposed Record of Decision document (Appendix A), to approve the procurement and establishment of a contractual arrangement for privately owned children's residential home placements.

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16. Background Documents

16.1 The legal requirements around every local authority's "sufficiency duty" are set out in section 22 of The Children Act 1989 https://www.legislation.gov.uk/ukpga/1989/41/section/22G

17. Appendices

17.1 Equality Impact Assessment

18. Contact details

Christy Holden
Head of Children's Commissioning
03000 415356
christy.holden@kent.gov.uk

Kevin Kasaven
Director of Children's Countywide Services
03000 416334
kevin.kasaven@kent.gov.uk

Ingrid Crisan
Director of Operational Integrated Children's Services
03000 412795
Ingrid.Crisan@kent.gov.uk