

# Consolidated Market Research Report: Crisis Placements for Children and Young People in England

**Introduction:** This report synthesizes key findings from a suite of Children's Commissioner and Ofsted reports to provide a comprehensive, evidence-based answer to critical market research questions concerning the provision of crisis placements for vulnerable children and young people.

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## 1. Demand and Demographics

### Market Research Questions:

- What are the common types of crises leading to placement needs?
- Who are the primary referrers? What are the referral processes?
- How many children are being referred? Is this number trending up or down?
- What are the typical age ranges? Are specific groups underserved?
- Where is the highest concentration of need?
- Are particular demographic groups disproportionately represented?
- What is the average length of stay? Are children "getting stuck"?

### Analysis of Findings:

- **Prevalence of Crises:** Crises are severe and multi-faceted. They include mental health emergencies (anxiety, "in crisis" referrals), complex trauma, family breakdown, risk of exploitation (including modern slavery), and self-harm. A significant portion of these children are subject to Deprivation of Liberty (DoL) court orders for their own safety. [Children's mental health services 2023-24, Illegal Children's Homes]
- **Referral Pathways:** Primary referrers for CYPMHS are local authority services (26%), primary healthcare (23%), and self-referral (13%). For placements, local authorities are the key decision-makers and funders. [Children's mental health services 2023-24]
- **Volume of Referrals:** The scale of need is immense. On a single day, 775 children were identified in illegal placements, while Ofsted conducted 571 investigations into suspected unregistered settings in the year to March 2024, demonstrating persistent, high demand outside the regulated system. [Illegal Children's Homes, Ofsted Unregistered Homes Report]
- **Age Ranges:** The cohort is predominantly adolescent (53% in illegal homes are 16-17), but shockingly includes children of pre-school age. [Illegal Children's Homes]

- **Geographic Distribution:** There are distinct regional hotspots. Unregistered placements are most common in **Inner London and the East of England**. Children entering the secure justice system are disproportionately from the **West Midlands**. [Illegal Children's Homes, The educational journeys of children in secure settings]
- **Demographic Factors:** The children are overwhelmingly from disadvantaged backgrounds. This includes high levels of poverty, Special Educational Needs (57% in illegal homes have an EHCP), and a significant overrepresentation of Black and Mixed-ethnicity children in secure settings. [The educational journeys of children in secure settings, Illegal Children's Homes]
- **Length of Stay:** Stays are often long and unstable. The mean length of stay in an illegal home was over six months (185 days). [Illegal Children's Homes]

### Underlying Reasons for Demand Profile:

- **Failure of Early Intervention:** The system is reactive and waits for a "devastating crisis point" before acting. Needs that could be met early are left to escalate, systematically creating a larger cohort of children with acute and complex problems.
  - **Pathway from Educational Failure:** The education system is a direct feeder into crisis services. A combination of unmet Special Educational Needs (SEND), high rates of school exclusion, and persistent absence creates a clear pathway for vulnerable children to disengage and enter the care or justice system.
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## 2. Existing Provision and Capacity

### Market Research Questions:

- What kinds of crisis placements are currently available?
- Is there sufficient capacity to meet demand? What are occupancy rates?
- What are the staffing levels and expertise? Are there shortages?
- How are placements funded? What are the costs?
- What are the quality frameworks and outcomes?
- How well do services integrate with step-down/step-up provision?

### Analysis of Findings:

- **Types of Current Placements:** As of March 2024, there were **3,213 registered children's homes** in England. However, the market is failing to meet demand, evidenced by the

significant use of unregistered settings like rented flats and holiday homes. [Ofsted Regulatory Activity Report, 2024]

- **Quality and Outcomes:** Quality is a systemic issue. As of March 2024, only **79% of all children's homes were rated 'Good' or 'Outstanding'**. This means one in five registered homes are failing to provide adequate care, with 16% rated 'Requires Improvement' and 5% 'Inadequate'. [Ofsted Regulatory Activity Report, 2024]
- **Market Domination:** The market is increasingly dominated by large entities. The **10 largest private and voluntary providers now run approximately 30% of all children's homes** in England. [Ofsted Largest Providers Report, 2024]
- **Quality of Large Providers:** Crucially, the quality delivered by these large providers is often **lower** than that of smaller providers. Homes run by the 10 largest providers are less likely to be judged 'Good' or 'Outstanding' compared to the national average. [Ofsted Largest Providers Report, 2024]
- **Funding and Costs:** The system is incredibly expensive. The estimated annual cost of illegal unregistered placements is almost **£440 million**, with average daily costs far exceeding those in the regulated sector for poorer quality care. [Illegal Children's Homes]

### Underlying Reasons for Poor Provision:

- **Dominance of Lower-Quality Large Providers:** The market is highly consolidated, with the largest (often private equity-backed) providers delivering, on average, lower quality care. Ofsted data confirms their homes are less likely to be 'Good' or 'Outstanding', suggesting that the profit motive in these large entities does not consistently align with investment in high-quality, child-centred care.
- **Market Failure and Insufficiency:** The formal registered market, despite having over 3,000 homes, is insufficient to meet the complex needs of all children. This forces desperate local authorities to use unregistered, unregulated providers, creating a dangerous and high-cost shadow market.
- **Workforce Crisis:** The system is unable to recruit, train, and retain a stable, specialist workforce. This is a key factor in poor Ofsted ratings and placement breakdowns.

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## 3. Gaps and Unmet Needs

### Market Research Questions:

- Are there specific types of placements or interventions that are missing?
- What are the barriers to accessing placements (waiting lists, criteria, etc.)?

- What are the views of stakeholders (children, parents, professionals)?
- How many children are in out-of-area placements? What are the costs and reasons?

#### Analysis of Findings:

- **Service Gaps:** The most critical gap is the **lack of high-quality, therapeutic, registered placements** that can meet combined mental health and social needs. The Ofsted reports show that even the registered sector is struggling with quality, compounding this gap.
- **Accessibility Barriers:** Barriers remain systemic. They include long waiting lists for health services, high rates of school exclusion, and an absolute national shortage of suitable, high-quality local placements.
- **Out-of-Area Placements:** This is standard practice due to local insufficiency. **62% of children in illegal homes are placed out-of-area**, severing their links to family and support networks. [Illegal Children's Homes]

#### Underlying Reasons for Gaps:

- **Fragmented Systems:** Services for children—health, education, social care—operate in "silos," failing to share information or accountability. This means children's needs are not seen holistically and they fall through the gaps.
- **High Threshold for Access:** Support is often crisis-led. This systematically withholds help from children with emerging needs, ensuring their problems worsen until they are severe enough to meet the high threshold for intervention.

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## 4. Best Practice and Innovation

#### Market Research Questions:

- What are examples of successful or innovative models?
- What are best-practice interventions?
- How are successful services integrated with broader children's services?
- What preventative services are in place or could be strengthened?

#### Analysis of Findings:

- **Best Practice Models:** The reports call for an entirely new model of care that is **therapeutic, child-centred, and community-based**.

- **Contrasting Reality:** This vision clashes with the current market reality, where one in five homes are sub-standard and large providers who dominate the market deliver lower average quality. Real innovation is being stifled by market dynamics.
- **Integrated Care:** This is the most consistent recommendation. Success requires a "**single child's plan**" that integrates all services.
- **Preventative Measures:** Early intervention is paramount, such as **Mental Health Support Teams (MHSTs)** in schools.

#### Underlying Reasons for Lack of Innovation:

- **Misaligned Incentives:** The current market structure does not sufficiently incentivize therapeutic innovation. Large providers can operate at scale with a "good enough" model that is profitable but not excellent, while the desperation for any bed means commissioners have weak purchasing power to demand higher quality.
  - **Lack of National Strategy and Funding:** There is no single, coherent national strategy for this cohort, nor the dedicated, ring-fenced funding to implement a therapeutic model at scale.
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## 5. Regulatory and Policy Environment

#### Market Research Questions:

- What relevant legislation and guidance governs crisis placements?
- What are the future commissioning plans of local authorities and ICBs?

#### Analysis of Findings:

- **Relevant Legislation:** Key frameworks like the Children Act and Care Standards Act 2000 are in place. The latter makes it an offence to run an unregistered children's home.
- **Enforcement Activity:** Ofsted is actively trying to tackle the problem. In the year to March 2024, it completed **571 investigations** into suspected unregistered homes and issued **254 warning letters**. [Ofsted Unregistered Homes Report]
- **Commissioning Intentions:** Policy is shifting towards demanding reform. The Children's Commissioner is pushing for a strategy to end illegal placements, for the Department for Education to take primary responsibility for youth justice, and for stronger enforcement.

#### Underlying Reasons for Regulatory Failure:

- **Significant Enforcement Gap:** Despite hundreds of investigations and warning letters from Ofsted, the practice of using unregistered settings remains widespread. This proves that current penalties are an **insufficient deterrent** for providers and do not solve the capacity crisis for commissioners.
- **Reactive vs. Proactive Regulation:** The regulatory system is largely reactive. Ofsted can only act once a home is failing or an unregistered setting is identified. There is not a strong enough framework to proactively build and commission the high-quality homes needed to prevent these failures from occurring.

## Feasibility Analysis: Short-Term (Sub-28-Day) Crisis Service

Based on the evidence, a short-term (less than 28 days) crisis service could address a critical, immediate need for local authorities, but it carries significant risks if not implemented correctly.

### Potential to Address Unmet Needs (The Opportunity):

- **Immediate Safety:** Such a service would provide an immediate, safe, and regulated alternative to the illegal and dangerous placements (e.g., caravans, AirBnBs) currently being used by desperate local authorities.
- **Bridging the Capacity Gap:** It could act as a temporary "bridge," offering a placement while the local authority urgently sources a suitable, long-term therapeutic home, thus avoiding an immediate placement breakdown or illegal arrangement.
- **Intensive Assessment Hub:** The short-term window could be used exclusively for intensive, multi-disciplinary assessment (health, education, trauma) to create a comprehensive "single child's plan" that informs the subsequent long-term placement, addressing a key system failure.

### Significant Risks and Feasibility Concerns:

- **The "Temporary Becomes Permanent" Trap:** The single greatest risk, evidenced in the reports, is that children get "stuck." A "28-day" placement can easily turn into a 300-day stay when no suitable step-down option is available, creating yet another unstable environment for the child.

- **Therapeutic Limitations:** Meaningful therapeutic relationships, which are central to healing complex trauma, cannot be built in under 28 days. The service would risk being a "holding pen" rather than a genuinely therapeutic intervention.
- **Treating the Symptom, Not the Cause:** A short-term service does not solve the fundamental problem: the national shortage of long-term therapeutic homes. It could inadvertently reduce the pressure on commissioners to develop the sustainable, long-term solutions that are actually needed.
- **Increased Transitions:** For an already traumatised child, adding another placement, even a short one, means another disruptive transition, which can cause further harm.

### **Conclusion & Feasibility Conditions:**

A sub-28-day crisis service is **only feasible and ethical under very strict conditions**. It cannot be a standalone solution. To be a viable part of the system, any such service must:

1. **Have a Guaranteed and Pre-Arranged Step-Down Placement:** No child should be admitted without a clear, contractually agreed-upon therapeutic placement to move into at the end of the term.
2. **Operate with an Enforceable Time Limit:** The 28-day limit must be a legally or contractually binding "cliff-edge" to prevent children from getting stuck.
3. **Focus on Assessment, Not Containment:** The service's primary function must be intensive, holistic assessment that produces a robust plan for the child's long-term care.
4. **Supplement, Not Supplant:** It must be commissioned as an additional, specialist resource and must not divert funds or focus away from the urgent need to build long-term, high-quality therapeutic homes.

Without these safeguards, such a service risks becoming another failing layer in a fragmented system, perpetuating the cycle of instability for vulnerable children.

## **Feasibility Analysis (Revised): A Strategic Crisis Service as a Pathway to Long-Term Care**

**Proposition:** A sub-28-day crisis service designed as a strategic bridge to the provider's own long-term, Ofsted-registered residential placements. The primary goal is to provide immediate safety while building a trusted relationship with commissioners and external agencies, ensuring a seamless and successful transition for the child.

## Why This Model is Significantly More Feasible

This approach becomes more viable because it positions the service as a solution to deeper systemic problems, not just an emergency bed.

- **It Moves from a Transactional Service to a Strategic Partnership:** Local authorities are not just buying a bed for a few weeks; they are entering into a partnership with a provider who offers an **end-to-end solution**. This addresses their dual problem of immediate need and long-term planning.
- **It Builds Trust and Demonstrates Value:** The crisis placement acts as a real-world, low-risk "audition." You can prove the effectiveness of your therapeutic model, staffing, and understanding of complex needs in a controlled, short-term environment. A successful stabilisation and assessment builds immense trust, making the local authority more confident in commissioning your long-term placements.
- **It Creates a "Trusted Assessor" Role:** The reports highlight the chaos of fragmented assessments. By offering a robust, holistic assessment during the crisis stay, your service becomes the **single point of reliable information**. Local authorities will see immense value in a partner who can provide a comprehensive plan that health, education, and social care can work from.
- **It Solves the "Step-Down" Problem:** The primary risk of short-term placements is the lack of a suitable place for the child to go next. In this model, the step-down provision is **built-in**. This is a powerful value proposition for a commissioner struggling to navigate a broken market.
- **It De-risks the Long-Term Placement:** Placement breakdowns are incredibly costly and traumatic. This model de-risks the long-term placement for both the child and the commissioner. The child is already familiar with the organization's culture and staff, and the placement plan is based on a deep assessment, dramatically increasing the likelihood of long-term stability and success.

## How to Operationalize This as a Feasible Strategy

To succeed, this model must be more than an idea; it must be a rigorously implemented process.

1. **Formal Partnership Agreements:** Establish clear Service Level Agreements (SLAs) with local authorities. These agreements should codify the pathway from the crisis service to the long-term home, defining timelines, decision-making processes, and funding streams.
2. **The Key Worker Transition Model:** Assign a key worker to the child upon entry to the crisis service. This same key worker should then **transition with the child** into the long-term



placement, providing the relational continuity and stability that the reports show is critically absent.

3. **Proactive Inter-Agency Hub:** Use the 28-day window to be the **convener of the "team around the child."** Proactively schedule and host meetings with the child's social worker, school (or virtual school head), CAMHS contact, and any youth justice workers. Your service becomes the central point for creating a truly integrated plan.
4. **The "Living Assessment" Document:** The primary output of the crisis placement should be a comprehensive, "living" assessment document that is shared with the local authority and all agencies. This document is the evidence of the value you have provided and forms the bedrock of the long-term placement plan.

## Revised Risk Analysis

The risks do not disappear, but they are mitigated and changed by the strategic approach.

- **Risk:** The "getting stuck" trap remains the primary concern.
  - **Mitigation:** This is directly addressed by the formal partnership agreements and the built-in step-down pathway to your own long-term home. The risk shifts from "there is nowhere to go" to ensuring the long-term home is always ready and that the LA honours the agreement.
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- **Risk:** Higher upfront operational costs for a service that must be both a home and an assessment hub.
  - **Mitigation:** The business case must focus on **long-term value and cost-effectiveness**. You are not selling a cheap bed; you are selling reduced long-term costs by preventing future placement breakdowns, reducing the use of illegal high-cost providers, and improving life outcomes.
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- **Risk:** Reputational damage if the pathway fails.
  - **Mitigation:** Flawless execution is paramount. The long-term residential home must be of an exceptionally high standard and ready to accept children on schedule. Any failure in the second stage of the pathway will undermine the credibility of the entire model.
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## Conclusion: A Highly Feasible Proposition

By positioning a short-term crisis service as the strategic front door to a high-quality, long-term residential offering, the proposition becomes **significantly more feasible and attractive**.

It directly responds to the evidence by offering an integrated, relationship-focused solution to the system's fragmentation and lack of trust. It allows a new provider to build a powerful reputation as a reliable partner who understands the deep-seated problems and can deliver a genuine pathway to stability for the most vulnerable children. This is a far more compelling proposition than simply offering another temporary bed in a broken system.

## Revised Feasibility Analysis: Holiday Park Model with No Guaranteed Step-Down

This model proposes using temporary accommodation like holiday parks and homes for sub-28-day crisis placements, with the intention of working with the LA to find an external step-down placement until the provider's own registered home is operational in six months.

## Analysis of Feasibility and Major Risks

This proposition is **significantly less feasible** due to four critical risks that align with the very worst practices identified in the source documents.

### 1. Extreme Regulatory and Reputational Risk:

- **The Problem:** The use of "holiday camps, activity centres or caravans" and "holiday rental properties like AirBnBs" is the *defining characteristic* of the illegal, unregistered placements the Children's Commissioner's "Illegal Children's Homes" report explicitly condemns.
- **The Consequence:** By adopting this model, your company would not be seen as a solution to the problem; it would be seen as **part of the problem**. You risk being immediately categorised as an "unregistered provider" offering inappropriate settings. This could lead to regulatory action from Ofsted and irreparable damage to your brand before your permanent home even opens.

### 2. The Step-Down "Guarantee" is Lost:

- **The Problem:** The core strength of the previous model was that it solved the LA's biggest headache: finding a suitable long-term placement. By stating you will simply "work with the

LA to find an external provider," you are not offering a solution. You are merely offering to share the LA's existing, often impossible, task of finding a bed in a broken market.

- **The Consequence:** The value proposition collapses. The LA has no guarantee the child won't get stuck with you, creating the exact "cliff-edge" scenario they are desperate to avoid. This makes your service far less attractive and perpetuates the cycle of instability for the child.

### 3. The Environment is Not Therapeutic:

- **The Problem:** Holiday parks are public-facing, leisure-oriented environments. They are fundamentally unsuitable for children in acute crisis who require a secure, contained, and trauma-informed setting. Staffing, safeguarding, and creating a therapeutic milieu would be practically impossible.
- **The Consequence:** It would be extremely difficult to deliver the promised "intensive assessment" in such a setting. The focus would inevitably shift from therapy and assessment to basic containment and risk management, undermining the service's stated purpose.

### 4. Building the Wrong Kind of Partnerships:

- **The Problem:** Instead of building a reputation with LAs and agencies as a high-quality therapeutic provider, you risk building a reputation as a short-term, last-resort option that uses unconventional (and inappropriate) settings.
- **The Consequence:** This initial reputation could harm your ability to attract referrals to your high-quality registered home when it eventually opens. LAs may associate your brand with the temporary, high-risk model, not the long-term, therapeutic one.

## Path to Marginal Feasibility (Requires Significant Adaptation)

To make this model even remotely viable, you would have to fundamentally change its structure and language away from the "holiday park" concept.

1. **Secure Sole-Use Residential Properties:** You must not use accommodation in a public holiday park. Instead, you would need to lease or purchase a standalone residential house that can be staffed 24/7. This is the only way to begin to meet the "children's home" standard, even on a temporary basis.
2. **Establish Formal Downstream Partnerships in Advance:** Before launching, you must do the work the LA finds difficult. You need to build a network of other high-quality, Ofsted-registered providers and secure formal Memorandums of Understanding (MOUs) with

them, guaranteeing they will accept referrals from your service. You would be selling yourself as a "specialist assessment and brokerage" service.

3. **Engage Ofsted from Day One:** You must be completely transparent with Ofsted about your long-term plan. You should begin the registration process for your permanent home *before* launching the crisis service and communicate this timeline clearly to commissioners to show your commitment to becoming a regulated provider.
4. **Create a "Bridge Team":** The staff hired for the crisis service should be the core team intended for the permanent home. This maintains the "relational continuity" benefit and ensures the team is building expertise together from the start.

## Overall Conclusion and Recommendation

This revised plan to use holiday parks without a guaranteed internal step-down is **not a feasible or advisable strategy**. It exposes your company to severe regulatory, reputational, and ethical risks by replicating the most criticised elements of the current failing system.

Even with the adaptations listed above, the model remains high-risk.

**The most feasible and strategically sound recommendation is to delay the launch of the crisis service until your own Ofsted-registered children's home is within weeks of being operational.** This allows you to enter the market with a single, clear, high-quality, and defensible proposition that genuinely solves commissioners' problems rather than temporarily contributing to them. Building a reputation for quality and stability from day one is far more valuable than generating short-term revenue through a high-risk, inappropriate model.

## Part 1: Feasibility of the "Registered Home First" Model

Yes, this revised strategy is **substantially more feasible and strategically superior** for several compelling reasons. It directly addresses the critical failures of the current system and positions your service as a genuine, high-quality solution provider.

### Why This Model Works:

1. **Regulatory Compliance and Trust from Day One:**
  - By waiting to open until you have a fully registered Ofsted Children's Home, you enter the market as a **legitimate, compliant, and trustworthy provider**. You completely avoid the immense reputational and legal risks of being labelled an "unregistered" or "illegal" setting. This is the single most important factor for building relationships with Local Authorities and Ofsted.

2.

3. **You Are Selling a Solution, Not a Stopgap:**

- The core value proposition is now incredibly strong. You are not just offering a temporary crisis bed; you are offering a **complete, end-to-end pathway to stability**. You solve the LA's biggest problem: not just "what do we do tonight?", but "what do we do for the next six months?". This makes your service exponentially more attractive.

4.

5. **It Creates an Integrated Assessment and Transition Pathway:**

- The "crisis service" is no longer a separate, risky entity. It becomes the **"Assessment and Acclimatisation Phase"** of a single, continuous placement. This allows your team to:
  - Build a real relationship with the child in a safe, stable environment.
  - Conduct a thorough, unhurried assessment of their needs.
  - Smoothly transition them into the main home without the trauma of another move to a new provider.
  - This model de-risks the long-term placement, massively increasing the chances of success and stability.

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7. **It Provides a Stronger, More Sustainable Business Model:**

- While you have an initial period with no income while waiting for registration, your long-term financial viability is much stronger. You are building a business based on stable, long-term placement fees rather than unpredictable, short-term crisis contracts, and you have a clear, defensible pipeline for filling your home.

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## Part 2: Addressing the Critical Ofsted Registration Question

This is the most important legal point, and the answer is unambiguous.

**Question:** "Would I then need to wait for Ofsted registration even if the initial service provision would be less than 28 days?"

**Answer:** Yes, you absolutely must wait for full Ofsted registration to be complete before a single child stays overnight.

Here's why the "less than 28 days" idea is a dangerous misconception in this context:

- **The Definition of a Children's Home:** Under the Care Standards Act 2000, an establishment is defined as a children's home if it provides **care and accommodation** "wholly or mainly for children." The duration of the stay is not the primary factor. If you are providing 24/7 care and a place to live for a looked-after child in crisis, you are operating as a children's home from the moment they arrive.
- **The "28-Day Rule" is Not an Exemption:** There is a common misunderstanding about exemptions for short-term care. These are extremely narrow and specific (e.g., for holiday schemes, hospitals, or schools providing accommodation for their own pupils) and **do not apply** to providing crisis accommodation for looked-after children. Attempting to use this as a loophole would be viewed as a serious breach of regulations.
- **The "Single Placement" Principle:** The safest and most compliant way to structure your service is to consider the child's entire stay, from Day 1, as **one single placement within your registered children's home**. The first 28 days are simply an intensive phase of that placement. The child must be formally admitted to the *registered* home. There is no separate "unregistered crisis service."

## Final Recommendation and Strategy

Your revised plan is the correct one. The optimal and only legally sound strategy is:

1. **Focus all initial efforts on achieving full Ofsted registration** for your permanent children's home. Engage with Ofsted early in your planning to ensure your model and property will meet all required standards.
2. **Do not offer any crisis placements until your registration certificate is granted.** The financial pressure to launch early is understandable, but the regulatory and reputational cost of getting it wrong is too high.
3. **Market your service as a complete pathway.** Once registered, your offer to Local Authorities should be: "We provide a stable, long-term therapeutic placement. Our process begins with a 28-day intensive assessment and acclimatisation period to ensure we fully understand the child's needs and can guarantee a successful, stable placement for them with us."

This approach is not only feasible; it is the **gold standard**. It demonstrates a commitment to quality, legality, and the child's best interests, making you the exact type of provider that the system desperately needs.