

New Children's Residential Provision Phase 2

Date: October 2024

Report of: Chief Officer, Corporate Parenting

Report to: Director of Children & Families and the Asst Interim Chief Exec:
Financial, Traded and Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

As a child-friendly city we have high ambitions for our children and young people; we want to create and support the right conditions for them to be happy, healthy, achieve and thrive throughout their lives. However, for some children and young people the local authority needs to provide care, with residential accommodation being through a number of routes, including fostering, in-house provision or external placements.

There is evidence that whilst those children and young people in external placements can have good outcomes, the council's in-house provision is better able to meet complex social, emotional, mental health and behaviour needs due to integration with Leeds services. Although the existing in-house provision meets the needs of some young people, there are a small number who would be more suited to living in smaller homes where their complex needs would be better met. As a result, we have already begun expanding our in-house provision by acquiring 8 new homes for small group living. This was approved in the previous DDR. It is proposed that we continue to diversify our existing children's residential accommodation by acquiring 1 new home immediately. Additionally, we propose securing the capital for 5 more homes over the next year, should the demand arise and regular appraisals of need will decide this. This would initially increase our small home provision to 9, with the possibility of reaching 14, including the 8 homes previously acquired, if we choose to take that path. This will better meet the needs of this small cohort of young people which we are already seeing the benefits in the first phase of the project. The homes will be acquired through the standard residential sales market, looking and feeling as close to a typical family home as possible.

The business case for this investment assumes not only a social value in improving outcomes for these young people, but also that, through increasing in-house provision there will be an aligned reduction in the need for external placements, which are more costly than internal provision, delivering a net saving against current placement costs.

The case for investment also includes the creation of a range of new staffing posts to support safe and effective management of the homes on a 24/7 basis.

Recommendations

- a) Note the content of the report and invest to save proposition for new capacity within the children's residential portfolio;
- b) Approve the overall business case as described in this report;
- c) Approve the revenue expenditure necessary for the operation of the proposed new homes;
- d) Approve the establishment of new posts, as detailed, to support the proposed new homes;
- e) Note the financial implications and give authority to spend budgets (revenue and capital) as identified in this report; and
- f) Note, as per the Scheme of Delegation, that the Chief Officer, Asset Management & Regeneration, will be required to approve the acquisitions, as and when properties are identified.

The Chief Officer, Financial Services is recommended to:

- g) Note the content of the report and invest to save proposition for new capacity with the children's residential portfolio; and
- h) Approve the necessary injection into the capital programme to enable property acquisitions.

What is this report about?

1. Between 2012 and 2021 Leeds successfully, and safely, reduced the number of children in care, unlike most other local authorities who saw numbers increase. Since 2021, as society emerges out of the Coronavirus pandemic & other economic factors, the city has begun to see an increase in the number of children looked after, with a 107 rise between December 2021 and September 2022. This trend has continued with the increase in children entering care over the course of the next few years, with numbers rising by 95 between April 2023 (1,457) and August 2024 (1,552).
2. Unquestionably children do best when they live in family-based care, through arrangements such as fostering. However, for some young people this is not always right, or manageable given their complexity of need. In these circumstances children are looked after in residential care.
3. As of 04/09/2024, the council currently has 10 residential homes plus 1 short break home for children and young people.
4. Despite this in-house provision and the recent intention to increase the portfolio with the 8 new small group living homes, the requirement for residential care still outstrips capacity, resulting in a reliance on external, private sector provision, either locally within Leeds, or in some instances further afield. Generally, external placements are considerably higher in cost than those the council can provide in-house and do not deliver the best outcomes for young people. For both these reasons external placements, whilst a source of capacity, do not provide value for money in terms of both finance and outcomes.

5. In September 2021, as part of the council's financial challenge response, a proposal was put to Executive Board for investment in increased in-house residential provision, enabling reduced reliance on external providers. The proposal put forward the requirement for four new small group living hubs, each hub comprising two homes. This project is underway, and we are on track to have all these homes open and operational by July 2025. We are proposing a further 1 home immediately with the possibility of further 5 homes by the end of Q4 2025/2026 should these further homes be required. This is due to the ongoing financial challenges and need for in-house provision was originally identified as part of the sufficiency strategy which was put to Executive Board early 2024. Further discussion around the detail of the proposal has taken place at Children & Families Delivery Board on a continuing basis.
6. The first hubs from phase 1 are becoming operational and are beginning to generate significant savings and improve the lives of children in Leeds. The new hubs will continue to diversify the current children's residential portfolio, providing a range of options to meet the specific requirements of young people in care, in-particular those with more complex social, emotional, mental health and behaviour needs who may be better suited to living in smaller homes and generate savings during the current financial challenge.
7. This proposal is seeking to deliver that diversification of the children's residential home portfolio, providing more suitable and cost-effective options for children looked after (CLA). Based on the identified need in 2021 & and the continued need in 2024, the proposal seeks to acquire 1 property immediately with the possibility of 5 further properties if required, each providing 2 bedspaces for CLA. Properties if possible will form together to form small group living hubs (two homes per hub). Work to forecast ongoing demand into future years anticipates a continued need to at least this level.
8. At the same time as seeking approval for this increase in in-house provision the Directorate is also considering alternative delivery modes of provision, based upon the same capacity as set out in the agreed sufficiency strategy, as we move into the future. This alternative provision may include provision by external providers either on a regular commissioned basis but also potentially based upon a model which is based upon a shared risk/reward model with third sector providers. The consideration of alternative models of delivery do not bring forward any potential issues which should delay the matters being approved in this report and any future alternative models will need to consider the issue of asset ownership/stewardship, including the potential for LCC assets to be held in trust in a potential partnership approach.

What impact will this proposal have?

1. The expected outcome, once the proposal is delivered, is that as a corporate parent, the council is better able to meet the needs of young people in our care, especially those with complex needs. Longer term this will result in improved outcomes and better overall life chances for those young people.
2. Wider social value delivered through the proposal will come from improving outcomes and future opportunities for those young people in the council's care. Having a more suitable and stable home will provide better foundations from which to be healthy, happy and thrive.

3. The main aim of the proposal is to create homes for CLA that as closely as possible mirror a 'normal' family home (domestic kitchen, dining and lounge area, good sized bedroom, as well as, ideally, some outdoor space), providing a living environment to support young people to achieve better outcomes. Each property will be able to provide a home for up to 2 young people, with a third bedroom providing a workspace and/or overnight accommodation for staff.
4. It is intended to acquire the properties through open market purchase, ideally within areas with strong communities, schools that work well with CLA, as well as those with good transport links and leisure opportunities. The properties within a 'hub' will need to be within approximately 2-3 miles of each other as they will be overseen by a single registered manager.
5. In-house homes run at a lower unit cost per bed than the equivalent costs for provision in the private sector, therefore in the immediate term there would be savings realised for each placement withdrawn from the private sector, estimated for the purpose of the business case at c.£348,000 per placement per year.
6. The group of young people identified as best suited to live in a small group living home, such as those proposed, are currently either in high-cost external placements, or in existing in-house residential homes blocking beds from being used by others and therefore reducing the overall capacity of in-house provision.
7. In addition, in-house homes are integrated within Leeds services and manage a higher level of risk and challenge than is seen in the private sector. The benefit of this is better prevention and intervention either before, or as these risks or challenges emerge.
8. The proposal will have minimum impact on other areas of the council, however as the new homes will be owned assets the ongoing maintenance of them will need to be internally commissioned through Leeds Building Services (the council's in-house provider).
9. Asset Management & Regeneration has a role to play in the strategic management of the council's real estate portfolio, and therefore the new homes will need to be added to the property register, and be reviewed through established mechanisms from time to time, i.e. Children & Families Asset Management Board.
10. Asset Management & Regeneration, along with colleagues from Leeds Building Services, are actively involved in the project's management and delivery arrangements.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

Health and Wellbeing

1. The health and wellbeing of those young people who will eventually live in the small group living homes will be improved, due to the greater suitability of the living and care arrangements to meet their more complex needs. This in turn will have an impact on the future outcomes for those young people, which may include greater educational attainment,

continued engagement with learning and/or training, improved employment opportunities, and better life circumstances to stay healthy and well for longer.

Inclusive Growth

1. Better outcomes for young people will also impact on inclusive growth, with the right support and stability there will be improved opportunity for educational attainment, skills development and therefore future employability and economic activity.

Zero Carbon

1. A widened in-house residential offer will mean reduced reliance on external provision which is often away from young people's family and friends, in some cases placements being necessary many miles away.
2. The need to place young people out of area generally necessitates longer journeys for those young people, their families and social work teams to undertake contact sessions, access education, healthcare appointments and provide required support. By being able to provide living arrangements within the city this will reduce the number and length of vehicle movements.
3. The new homes acquired will undergo refurbishment ahead of occupation, to what level will be dependent on the condition of each property purchased. The work will seek to minimise waste, make use of sustainable materials wherever possible, and create homes that are as energy efficient as possible within cost limitations.
4. Further to this, the proposal will also reduce the number of void beds across the council's residential portfolio, as smaller homes offer more appropriate living arrangements for those young people whose complexity of needs means they cannot live alongside others. In terms of climate emergency this will mean that energy consumption per child looked after is lowered given improved levels of occupancy across the residential portfolio.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

1. The proposal was originally identified as part of the sufficiency strategy which was put to Executive Board early 2024. Further discussion around the detail of the proposal has taken place at Children & Families Delivery Board on a continuing basis. Director of Children & Families would be the final decision maker.
2. The Executive Member, Children and Families has been consulted at various stages throughout the proposition's development and remains supportive.

3. As the proposal is not pre-determining the exact communities where the homes should be located consultation and engagement, with ward members and local neighbours, will take place as and when suitable properties are identified.
4. Further to this, consultation will take place with key partners, e.g. the police, to ensure any local sensitivities or known challenges form part of the process for considering suitability of properties.
5. Trade Unions have been consulted on the new staffing posts and are supportive
6. Internally, both HR and Finance have been party to the development of this proposal and are supportive of it being put forward at this time.

What are the resource implications?

Gross Savings

1. The children looked after services' allocated budget for 2024/25 was £105.59m, spend to the end of P4 was £116.99m, an in-year overspend of £11.39m. The overspend, in some part, can be attributed to the increase in children entering care over the course of the year. Due to constraints of in-house capacity, there is reliance on high-cost emergency placements to meet the accommodation and support needs of some of these young people
2. For this business case an annual average cost per external placement has been assumed at £348,000. With the possible additional 12 bed capacity, assuming full occupation (best case scenario), this would result in a reduced need for 12 external placements giving a gross annual saving (based on average cost) of £4.176m. Initially with the 2 bed capacity from the first home, this would generate an annual saving of 696k saving and if the decision is taken to move forward with a further 5 homes increasing the bed capacity by 10, an annual saving of £3.480M would be generated.
3. Above gives the 'best case scenario' based on full occupation, however the business case has been developed assuming a more realistic, yet achievable 75% occupancy rate, which would avoid c.£2.9m of gross external placement costs if the option was taken to secure initial 1 property plus 5 further properties and all 12 beds were available. This allows for periods between a young person exiting the hub provision and new one entering, as well as for instances where a young person requires to be in single occupancy due to challenges in living alongside others. Officers believe that the 75% rate would be easily achievable, and that there is a good likelihood that a higher rate will be realised of up to 80%, which would result in increased savings should all other factors remain as per the business case, e.g. capital expenditure, inflation, staffing costs etc.

Costs

1. There is a significant staffing requirement that comes with the proposal, the majority being essential for the safe and effect running of the homes on a 24/7 basis. The onboarding of staff has been profiled to run in advance of the homes being ready for occupation, avoiding delay in moving young people in.
2. Detail of the proposed new posts is shown at appendix 1. In summary, if all 6 homes were operational this is:

Role:	No.
Registered Manager	3 (1 per hub)
Deputy Manager	6 (2 per hub)
Residential Practitioner	36 (6 per hub)
Senior Residential Practitioner	6 (2 per hub)

3. All those listed above are existing job roles within the service, therefore this proposal will see more of the same posts created.
- The annual staffing costs for all 6 homes if the full proposal is taken forward are shown in the table below, these figures assume that:
Acquisition and occupation of all 6 homes is achieved by the end Q1 2026/2027.

	2024/25	2025/26	2026/27	2027/28	2028/29
Cost (£000s)	0	1,026	2,198	2,242	2,287

4. Other assumptions made in the business case relate to the following variable factors:
- Inflation – pay (3.5% in 2024/25, 2% thereafter), running and external placement costs are based on the forecast CPI as per the OBR.
 - Capital cost - £500k per property plus £50k refurbishment (Phase 1 of the SGL project capital cost was £400k per property plus £50k, due to rising costs of property, further capital is needed for phase 2)
 - Staffing – phased recruitment in line with property purchase,
 - Timeline – acquisition of 2 homes in Q3 2024/2025 and possible 4 remaining by Q1 of 2025/2026
5. Given the current nature of the housing market and the need to act fast in making an offer, the project is seeking to secure a capital envelope within which to deliver the first home and the possibility of 5 further homes based on what is thought to be a generous average purchase price of £500k (including all costs associated with conveyancing/acquisition), plus £40k capital for immediate improvement works and £10k for purchase of items to make the home ready for occupation, e.g. kitchen appliances, curtains, carpets, beds etc.
6. On the above basis the upper limit of capital expenditure being sought is £.3.3m.
7. Further to the initial capital investment a provision for annual maintenance has been made, however given the acquisition timeline it is not anticipated that spend against this will be required until 2025/26 when the first hubs have been operational for 12 months. At this point the annual budget allowance is £144k but with a predicted spend of only £37k in 2025/26 assuming 4 properties will be subject to maintenance requirements for only part year in 25/26, with the remaining 2 being phased not to require maintenance until 26/27.

Net savings

1. The investment and savings profile has provided a programme for delivery, this aims to have acquisition of the first two properties of the possible six (forming one hub) in Q3 2024/2025 and

being operational in Q3 2025/26. If the decision is made to acquire each additional property (5 properties), this will be completed by the end of Q4 of 2025/26 and will be operational by the end of Q1 of 2026/27. As previously mentioned, the recruitment programme will run in advance of the acquisitions to ensure that we have the capacity to staff the homes as soon as they are ready for occupation.

Table 1: Indicative costs / savings	Projected savings / £000 over the Medium-Term Financial Strategy					
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Employees	0	1,027	1,172	44	45	2,288
Other costs	22	101	234	7	7	372
New costs	22	1,128	1,407	51	52	2,659
Cost savings	0	-528	-2,691	-61	-66	-3,346
Total savings	22	600	-1,284	-10	-13	-687
Cost of capital required for savings to happen	53	158	0	0	0	211
Total savings less implementation costs & cost of capital	75	758	-1,284	-10	-13	-475

- Due to the need to invest both in property and staffing up front within this scheme, net savings aren't seen until 2026/27 should the proposal be taken forward for all 6 properties to be occupied. The savings derived won't be achieved until occupation, at which point the corresponding external placements will cease and savings realised.
- Should the average property acquisition cost be lower than £500k, and/or an occupancy level of more than 75% realised then the net savings will increase.

What are the key risks and how are they being managed?

- The key risks of the proposal are:
 - Failure to secure and deliver these further homes will lead to savings not being realised, resulting in continued pressure within the Children & Families budget.
 - Suitable properties within proximity to create the 'hub' model are not available or able to be acquired leading to single homes being operated resulting in ineffective use of resources e.g. cost of one registered manager for one home, rather than two homes.
 - Delays in implementation (homes being secured and operational) will lead to savings not being realised as per the financial business case resulting in continued in-year pressure within the Children & Families budget.
 - Challenges in recruitment of new staff to the service, to enable safe and effective running of the new homes, is delayed/not successful leading to the need to use agency staff resulting in higher costs and a negative impact on projected savings.
 - Interest rates may increase ahead of the capital monies being drawn down which will impact on borrowing costs, resulting in realisation of reduced savings.

2. Risks are being identified and managed by a multi-service project team which has been established to move forward, effectively and at pace, with the proposal. Where appropriate mitigating actions are in place and are actively being monitored.

What are the legal implications?

1. The new homes will provide additional in-house capacity through which the council will fulfil its statutory corporate parenting duty to children and young people in care.
2. Each hub will be required to have a Registered Manager to comply with the Children's Home (England) Regulations 2015.
3. Each home will need to be registered with Ofsted, which is responsible for regulation of Children's Homes under the Care Standards Act 2000.
4. Legal support will be required in the trans-actioning of property acquisitions, this will be co-ordinated through the work of Asset Management & Regeneration in identifying, securing and undertaking of due diligence prior to purchase. Legal costs have been factored within the acquisition budget.
5. At this stage there are no further known legal implications.

What other options were considered?

1. Following identification of the benefits associated with increasing the council's in-house children's residential portfolio a number of options were considered:
 - i. Do nothing – not an option when considering the high cost of, and lower outcomes for children and young people in external placements;
 - ii. Development of 4+ bed homes mirroring those already within the council's portfolio. Whilst this would increase overall capacity it would not address some of the challenges experienced, for instance where young people with specific behavioural needs cannot be placed alongside others resulting in 'bed blocking', meaning only 1 bed in 4 can be occupied therefore 3 young people in external placements. For this reason, it was considered critical to diversify the residential portfolio to offer a greater range of housing options for young people, enabling their needs to be better met; and
 - iii. Capacity through larger homes – a model previously used but moved away from in recent years due to challenges of managing larger numbers of young people with complex needs together, and poorer outcomes experienced by those young people. For all the reasons this model was moved away from, this option was dismissed as an appropriate solution to delivering increased capacity.

How will success be measured?

1. Success will be measured against 3 factors: time, cost and outcomes.
2. An ambitious, yet realistic, implementation timetable has been developed. The timetable is critical to realising savings and better outcomes for young people, delays in acquiring and

getting the new homes operational will mean continued placements within, and expenditure on external residential placements, and therefore delays in realising the outcomes and financial benefits of the proposal.

3. This invest to save proposition has been developed using a median assumed acquisition cost. Should costs be incurred above this level there will be a reduction in the profiled savings across future years. Alternatively, should the costs be less than assumed within the business case greater savings will be achieved.
4. Once delivered the new homes will mean that the council, as corporate parent, is better able to meet the needs of young people in care, especially those with complex social, emotional, mental health and behaviour needs. Longer term this will result in improved outcomes and better overall life chances for those young people.

What is the timetable and who will be responsible for implementation?

1. The proposal has 2 essential and inter-dependent strands: staff recruitment and property acquisition. Activities on both strands will commence immediately following business case approval, with the first home programmed to be operational by Q3 2025/26. Thereafter, 5 further new homes are programmed to become operational by the end of Q1 2026/27 if the decision is taken to acquire these properties.
2. The Head of Corporate Parenting will be responsible for implementation of the decision.
3. Further decisions necessary for implementation of the business case which will be taken as Significant Operational Decisions (if not administrative), as a direct consequence of this decision.

Appendices

Appendix 1 – Proposed new posts

Appendix 2 – EDCI screening

Background papers

None