

**SUBJECT:** Development of a Residential Children's Home

**MEETING:** Cabinet

**DATE:** 6<sup>th</sup> March

**DIVISION/WARDS AFFECTED:** Monmouth

## **NON-PUBLICATION**

Appendix 2 to this report is exempt by virtue of the Local Government Act 1972, Schedule 12A, Part 4, paragraphs 12 and 21 in that it is information relating to a particular individual and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **1. PURPOSE:**

To provide details and seek approval for the acquisition and refurbishment of a property in Monmouth for the purpose of developing an in-house residential children's home, using existing borrowing headroom that is available to Children's Services. Approval is sought based on a Business Case that is attached as Appendix 1.

### **2. RECOMMENDATIONS:**

**2.1** To acquire and refurbish the relevant property through drawing down up to £1,175,500 from the £1,865,000 existing borrowing headroom established at a Full Council meeting of 27th January 2022 under a 25-year term, for the purpose of developing an in-house a residential children's home.

**2.2** For officers to continue to work in partnership with Welsh Government, the Aneurin Bevan Health Board, and the Regional Partnership Board to secure funding that would look to mitigate or avoid the need for the borrowing headroom to be drawn upon.

**2.3** Should the business cases be approved, that the outcomes are reported into the next available meeting of the People Scrutiny Committee.

**2.4** That Cabinet agrees that the decision is urgent and that any delay likely to be caused by the call-in process would seriously prejudice the Council's or other public interests, and therefore it is not subject to call-in in accordance with paragraph 31.15.1 of the Council's constitution.

### **3. KEY ISSUES:**

**3.1** Children's Services has identified a property in Monmouth which is suitable to be developed into a registered residential children's home for up to 4 children.

**3.2** In order to meet the needs of children who are looked after and the regulatory standards required for registration under RISCA regulations, the property will require refurbishment.

**3.3** The residential service developed will be designed to create a homely environment for up to 4 well-matched children. The placement will allow for children to be placed closer to their homes and families and given its proximity to Monmouth town centre children placed there will have good access to community-based resources and local amenities.

**3.4** Alongside the development of the property, the intention is to develop an in-house residential service whereby the Council would register the provision with Care Inspectorate Wales (CIW) and become the regulated provider. A residential workforce, management structure and RI (Responsible Individual) function would be put in place to ensure that quality standards are maintained and that children are provided with the personalised care and support they require.

**3.5** This business case is set out within the context of the decisions made at full Council on 27th January 2022 which allowed for £2m borrowing head room to enable specific property acquisition and remodelling to take place where the Council is unable to identify suitable supply in the provider market for children and young people with very complex needs.

**3.6** The Local Authority has a legal duty to provide sufficient and appropriate placements for children who are looked after. However, at present, the Local Authority has insufficient suitable placements and is over-reliant on independent fostering agencies and spot-purchased residential placements from profit making organisations.

**3.7** The current over reliance on the external market in the context of high demand and competition for placements is creating numerous pressure and risks for the Council including:

- Financial pressure because of the cost of spot-purchased placements
- Children being placed away from their home, communities and support networks
- Variable quality in terms of achieving good outcomes for children
- Risks of not being able to find a placement for a child
- Workforce pressure.

**3.8** The current ambition, as set out in the report presented to the People Scrutiny Committee on 6th February 2024, is to significantly increase the number of all in-house placement types both fostering and residential over the next 1 – 3 years. This will ensure that Monmouthshire's Looked After Children's needs are consistently met with increased opportunity to be placed closer to their homes and communities; and will enable increased stability and certainty in our wider care planning for children.

**3.9** As at the end of December 2023 there were 204 children looked after by Monmouthshire County Council, of which 49 were placed with independent fostering agency carers and 20 were placed in residential placements. Our commissioning data and analysis confirms that to ensure sufficiency of appropriate placements for children we must significantly increase the number of all placement types. Specifically, the service has identified that at least 12 further standard residential children's homes placements are needed based on current placements, 4 of which would be achieved through the proposed acquisition and refurbishment of the property in Monmouth.

**3.10** The key objectives for this business case are:

- To provide a homely children's residential setting that is designed to meet the needs of children who are looked after by Monmouthshire County Council.
- To improve services for children who are looked after through ensuring that more children can be placed close to their homes and communities in a way that meets their personal outcomes and care planning needs.
- To allow the Council to meet legal and regulatory requirements under SSWBA and RISCA regulations.

- To secure better value for money and the potential to reduce revenue costs associated with the current arrangements.
- To allow the Council increased autonomy in care planning and matching decisions for all children who are looked after.
- To improve welfare considerations and efficiencies for the children’s services workforce due to reduced travel time.
- By bringing the residential service fully in-house to increase opportunities for integrated working to ensure good outcomes for children who are looked after.

**3.11** Acquisition of the property is through the open market from a private buyer. It is not anticipated that there will be a requirement for a Change of Use (COU), so long as there are no more than six people residing at the property at any given time. There are some property related risks identified within the business case, resulting in a number of necessary conditions being attached to the offer including:

- Legal due diligence (satisfactory searches etc)
- Independent external valuation
- Subject to contract
- Subject to Cabinet consent
- Satisfactory EPC
- Subject to condition survey.

**3.12** Implementation risks and wider risks to the Local Authority in running a residential children’s home are set out in the tables below.

Service (Implementation) Related Risks

<b>Risk</b>	<b>Mitigation</b>
<p>Regulatory process – delays in the refurbishment or difficulties in achieving registration.</p> <p>This would mean some uncertainty in the care planning for specific children and the potential to extend the time when we would be ‘double-running’ [i.e. covering start-up costs and the costs of children’s current placements prior to a move].</p>	<p>The refurbishment will be expedited and prioritised by the council working with known contractors.</p> <p>Children’s Services is seeking to employ a Service Manager to oversee the project and work closely with CIW to achieve registration as expediently as possible.</p> <p>The service has some knowledge and experience in meeting regulatory requirements associated with residential placements.</p>
<p>Regulatory process – delays / inability to recruit a suitable service manager to develop the provision and act as Responsible Officer</p>	<p>A full recruitment campaign will be run with promotional activity.</p> <p>The service currently has a [relatively] stable workforce and a good reputation as an employer within social care. The post will be advertised on a permanent basis and the salary is competitive.</p>

	The contingency plan would be to absorb the work into current leadership structure until the post can be recruited to.
Regulatory process – delays / inability to recruit a residential care workforce	<p>A full recruitment campaign will be run with promotional activity.</p> <p>The service currently has a [relatively] stable workforce and a good reputation as an employer within social care.</p> <p>Posts would be advertised on a permanent basis.</p> <p>The LA salary for residential care workers is competitive comparatively to for-profit employers.</p>
Delays / inability to identify and match suitable children who need the placement	<p>The service has an in-depth knowledge of individual children and how they might match.</p> <p>Work is currently taking place to consider the whole cohort of children who are looked after to consider potential candidates.</p> <p>MCC will work with the region to offer up a potential placement to achieve a good match / avoid voids.</p>
Refurbishment costs exceed what is currently provided for	There is a contingency for unexpected works in the costs.

### Wider Service-Related Risks

<b>Risk</b>	<b>Mitigation</b>
The property is not required as a placement in the future	The property could be re-purposed or sold.
<p>Risks associated with service delivery of a residential children's home placement including failure to meet regulatory requirements; poor inspection outcomes; children not safeguarded.</p> <p>This could represent reputational risk for the Council.</p>	<p>The service is seeking to employ a service manager to act as Responsible Individual</p> <p>There is some experience and knowledge about working with CIW in a direct setting within the council and within the region.</p>
Costs of providing the service outstrips what is allocated because of voids or agency staffing costs	<p>A 25% void rate has been built into the illustrative business plan. A 25% void rate retains a very small saving.</p> <p>There is a small contingency built into the running costs.</p>

	There is opportunity to 'sell' placements to other Local Authorities
Inability to sustain an in-house residential provision	<p>The care and support element would be tendered to a not-for-profit organisation [at a future point the not-for-profit market may be sufficiently developed to allow for this].</p> <p>The council would look to exercise its right to dispose of the property [albeit that this would lead to grant payments needing to be returned].</p>

#### **4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):**

**4.1** The business case seeks to increase the sufficiency of appropriate placements closer to home for children who are looked after and supports the repatriation of Monmouthshire children back into the county. For children and young people this enables better access to local education, play and youth services will support their social and emotional development and increase their social networks and economic mobility.

**4.2** The money currently being spent on private care companies out of county will be redirected to a local in- house residential children's home, which will provide new jobs and training / career opportunities for the social care workforce.

**4.3** Planning is required in order to ensure the Welsh language is encouraged within the home and community engagement will need to be at the forefront of the development moving forward.

#### **5. OPTIONS APPRAISAL**

**5.1** A full options appraisal is set out in the business case. In summary the council could chose to **do nothing** and refrain from moving ahead with establishing in-house children's residential homes. This would avoid any of the implementation or wider risks identified at 3.12. This option is not recommended in that i) it would leave the council entirely dependent on the external market to provide residential placements and ii) that the council would lose the potential to generate any savings against the current approximate spend of £1,166,000.

**5.2** Two **minimal options** are identified the first being to withdraw from the current property and wait for an alternative property to become available that costs less or requires less refurbishment. This would avoid any property risks specific to this purchase but is discounted on the basis that i) further delay would compromise the Council's ability to secure a capital grant for the acquisition and refurbishment and because ii) suitable properties for development do not come onto the market frequently.

**5.3** The second minimal is to proceed with the current acquisition and development and to seek a not-for-profit organisation to partner with the Local Authority and become the registered provider. This option is discounted because i) it is felt that currently the not-for-profit provider market for children's residential care is not sufficiently developed to generate a competitive response to a tender, and ii) that this would prove to be a more costly option.

**5.4** The option as set out within the business case, for the Council to acquire and develop the property and to become the registered care provider, is the preferred option.

## **6. EVALUATION CRITERIA**

Success criteria for the business case have been identified as follows:

- Property acquired and refurbished
- Capital grant received to reduce the amount of borrowing strain on the Council
- Management structure and workforce established
- Provision successfully registered with Care Inspectorate Wales (CIW)
- The first cohort of children successfully matched and in-situ
- Children achieve good outcomes through their placement in the residential children's home.

## **7. REASONS:**

**7.1** In summary business case represents an important step in the Council's ambition to respond to the current external context and challenges associated with the provision of children's social care and to reduce the Council's dependency on an uncertain provider market.

**7.2** The proposed acquisition and development of the property will meet the wellbeing and safeguarding needs of children and young people and provide an affordable means by which the Council can deliver against children's care set against the costs of securing provision through the provider market.

**7.3** The business case supports the Council to fulfil its statutory duty to provide sufficient and suitable placements for children who are looked after and is in keeping with national and local policy direction.

## **8. RESOURCE IMPLICATIONS:**

### Capital Costs

**Specific details of costs are included at appendix 2 which is exempt from publication.**

**8.1** The capital cost of acquisition and refurbishment will be met either through a combination of borrowing and Welsh Government Grant (Housing with Care Fund) or wholly through grant money.

**8.2** The Local Authority has applied to the Housing with Care Fund (HCF) for £1,175,500 spread over two years – up to £875,500 (2023/24 for the acquisition) and up to £300,000 (2024/25 for the refurbishment). The HCF will provide for the cost of the acquisition (up to an independent market valuation), together with land transaction fees and associated costs only if we are able to complete the purchase before year end.

**8.3** Authorisation for draw down against the £875,500 was approved at the Welsh Government panel on 22nd March 2024 pending Ministerial approval. The second part of the grant application - £300,000 for the refurbishment costs in year 2024/25 – will need to go through a second stage technical approval process next year.

**8.4** The outcome of the independent market valuation was that the property was valued at £35,000 less than the offer that has been accepted. We now have an opportunity to challenge this valuation; however, it potentially creates a £50,000 shortfall in our ability to draw down against the HFC. It is proposed that this shortfall will be covered by borrowing against existing headroom.

**8.5** Given the uncertainties in respect of the final market valuation and given that the £300,000 must go through a second approval stage, capital modelling has been based on 4 scenarios. These illustrate that at best, the council will have no borrowing strain, and that at worst, the council will incur borrowing strain of £350,000.

**8.6 Scenario 3** is the most likely option on the basis that:

- It is unlikely the independent market valuation is going to improve.
- It is likely that HCF ministerial approval for draw down against £875,500 in 2023/24 is achieved because the application has been approved by the Welsh Government panel and aligns entirely with current Welsh Government policy direction and with HCF criteria.
- It is likely that if there is HCF approval for the acquisition then approval for refurbishment costs will follow (the application is submitted as a whole scheme over two years).

### Revenue

**8.7** For the purposes of business modelling, we used the average annual current cost of a representative group of children which gave us £1,166,000 as a comparator revenue budget.

**8.8** The revenue cost of running a residential children’s home is calculated at £849,690 (based on other similar Local Authority schemes). Taking into account the varying cost impact of the 4 potential borrowing scenarios as above, we have modelled the revenue costs against an 100% occupancy rate (illustration 1) and a 75% occupancy rate (illustration 2).

**8.9** 75% occupancy is a cautious approach which we have adopted given the importance of matching children and allowing appropriate time for transitions particularly during the early period of the residential home. Other models use an 80 – 85% occupancy rate.

**8.10** These tables are illustrative because the identified savings / or the impact on savings arising from a void cannot be easily identified due to the variability of existing package of care. Equally, there may be situations where placements result in cost avoidance.

### **ILLUSTRATION 1 – 100% occupancy**

<b>ANNUAL REVENUE COSTS</b>	<b>Based on SCENARIO 1 £</b>	<b>Based on SCENARIO 2 £</b>	<b>Based on SCENARIO 3 £</b>	<b>Based on SCENARIO 4 £</b>
50% Service Manager being the Registered Individual (RI)	42,500	42,500	42,500	42,500
Employee (up to Assistant Manager)	670,000	670,000	670,000	670,000
Premises	14,100	14,100	14,100	14,100
Transport	5,000	5,000	5,000	5,000
Supplies and Services	43,000	43,000	43,000	43,000
Direct Payments	1,700	1,700	1,700	1,700
Management costs	73,380	73,380	73,380	73,380
Annual repayment costs (over a 25 year period) set at rates on 21/02/2024	0	21,580	3,597	25,176

<b>TOTAL ANNUAL REVENUE COSTS</b>	<b>849,680</b>	<b>871,260</b>	<b>853,277</b>	<b>874,856</b>
<b>ANNUAL REVENUE PACKAGES TO FUND COSTS</b>				
Average cost of identified current care packages paid through the Children's budget	(1,166,432)	(1,166,432)	(1,166,432)	(1,166,432)
<b>Based on 100% occupancy POTENTIAL ANNUAL REVENUE SAVINGS</b>	<b>(316,752)</b>	<b>(295,172)</b>	<b>(313,155)</b>	<b>(291,576)</b>

## ILLUSTRATION 2 – 75% occupancy

	Based on SCENARIO 1 £	Based on SCENARIO 2 £	Based on SCENARIO 3 £	Based on SCENARIO 4 £
<b>TOTAL ANNUAL REVENUE COSTS</b>	849,680	871,260	853,277	874,856
<b>ANNUAL REVENUE PACKAGES TO FUND COSTS</b>				
Average cost of identified current care packages paid through the Children's budget (@75% of the value)	(874,824)	(874,824)	(874,824)	(874,824)
<b>Based on 75% occupancy POTENTIAL ANNUAL REVENUE SAVINGS</b>	<b>(25,144)</b>	<b>(3,546)</b>	<b>(21,547)</b>	<b>32</b>

Based on scenario 3, an empty bed (void) reduces the savings by £291K over a full year effect.

## 9. CONSULTEES:

- Councillor Ian Chandler, Cabinet Member for Social Care, Safeguarding and Accessible Health Services
- Councillor Ben Callard, Cabinet Member for Resources
- Peter Davies, Deputy Chief Executive / Chief Officer for Resources and Section 151 Officer
- Nicholas Keyes, Head of Property Services
- Tyrone Stokes, Finance Manager
- Diane Corrister, Head of Children's Services
- Sam Mills, Regional Project Manager
- Kevin Fortey, Housing with Care Fund Project Manager, Regional Partnership Board



**10. BACKGROUND PAPERS:**

Appendix 1 - Business Case

Appendix 2 – Exempt Information

Appendix 3 – Developing Children’s Residential and 16+ Supported Accommodation Placements, People Scrutiny Committee, 6<sup>th</sup> February 2024

**11. AUTHOR:**

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