APPENDIX 1: BUSINESS CASE FOR THE ACQUISITION OF A PROPERTY IN MONMOUTH TO PROVIDE A REGISTERED RESIDENTIAL CHILDREN'S HOME

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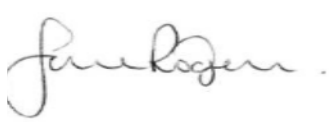

Date 22nd February 2024

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

1. INTRODUCTION

Children's Services seek approval to acquire a property in Monmouth to provide a registered residential children's home for up to 4 children. The property is a substantial detached property which is currently used as an ordinary residential property. It is located near the town centre close to Monmouth Comprehensive School.

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.

The residential service 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.

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

This business case therefore seeks approval to:

- To acquire and refurbish the 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.

- 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.

This business case is set out within the context of the decisions made at full Council on 27th January 2022 and in line with the report presented at the People Scrutiny Committee on 6th February 2024 regarding proposals for the overall development of children's residential and 16+ supported accommodation placements. This report is now listed on the forward plan for full Council on 18th April 2023 with proposals to include further extending the use of borrowing headroom to acquire and refurbish properties suitable for residential children's homes, subject to appropriate business cases and cabinet approval.

2. STRATEGIC CASE

2.1 <u>Context</u>

There is a national shortage of residential placements, which is exacerbated by an insufficiency of foster placements, and more recently by the instability of the provider market following the Welsh Government policy initiative to drive profit out of children's care.

Aligned to its Corporate Parenting responsibilities, under Section 75 of the Social Services and Wellbeing Wales Act the Local Authority has a legal duty to ensure that there are sufficient and appropriate placements for children who are Looked After.

At present, there are insufficient suitable placements for Monmouthshire children who are looked after with an over-reliance on independent fostering agencies and spot-purchased residential placements from profit making organisations.

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 and the need to enter into placement arrangements that our outside Welsh Regulations (OWRs).
- Workforce pressure because of children being placed in numerous different locations; the time it takes to source external placements; and the psychological impact of working in a context where placement insufficiency is a day-to-day risk factor.

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; as well as providing increased stability and certainty in our wider care planning for children.

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 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 acquisition and refurbishment of the property.

2.2 <u>Case for Change</u>

2.2.1 Spending objectives

The development of the property as a residential children's home is in keeping with the Council's objective to support placements closer to home and is aligned to the current Welsh Government commitment to eliminate profit from children's social care.

The acquisition and refurbishment of the property is required in order to provide safe and appropriate accommodation for up to 4 children who are looked after in accordance with statutory frameworks. The development of the property will enable us to support children appropriately to achieve their personal outcomes and wellbeing over the longer-term in accordance with their individual care plans.

The property has been assessed as suitable to develop into a residential children's home set against the range of criteria outlined within the Regulated Services (Service Providers and Responsible Individuals) (Wales) Regulations 2017 Version 2 (April 2019). There is sufficient space to provide four children's bedrooms (at 12 square metres of useable floor space) together with adequate provision for sleeping-in arrangements for residential care staff. There is sufficient space for communal areas for recreational activity and there is accessible outdoor space. The building is situated close to the town centre and within walking distance of a range of local amenities and schools.

The primary objective of the Business Case is for up to 4 children (at any one time) to be suitably matched and to be enabled to live comfortably and well in the property for as long as it meets their individual care planning needs. Whilst the aim is to create stability, we would naturally expect some children to move on before others resulting in changes within the make-up of the household over time. Each change or move would be carefully planned through matching followed by managed introductions and transition; and children would only be placed in the property if it was the right placement for them.

To develop a prospective business case an initial group of 6 children have been identified who would benefit from a planned move into the property upon it being registered and available for occupation. These children are currently in placements that are not best suited to their needs, primarily because of location.

We have used the costs associated with these children to provide a model business case.

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 MCC.

- 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.

2.2.2 Existing Arrangements

All children who are looked after have an allocated social worker and a care plan which sets out their individual outcomes within the context of i) why the child needed to come into care; ii) the primary purpose and objective for the time that they are in care; iii) how their family and community relationships will be maintained and developed; iv) their educational arrangements; and v) their pathway plan to leave care.

Based on an understanding of their individual care plans, the service has identified 6 children who would potentially benefit from a placement in the property. The age range is between 8 – 13 years and the children are currently placed in for-profit residential placements located in:- Rhondda Cynon Taff (£4,841*), Swansea (£6,036), Neath (£5,000), Herefordshire (£6,250), Torfaen (£4,200) and Wrexham (£7,140). These costs are currently met through Children's Services revenue budget. (*Currently Weekly Cost).

To develop the business case for 4 potential placements at the property, we have taken the average annual cost of the 6 current placements and recalibrated for 4 placements. This means that the current annual comparator costs associated with 4 placements is £1,166,000 for a full year.

We have used a group of 6 children because, given the project development time, and as the wider cohort of children who are looked after changes, it is unfeasible to accurately pin-down the exact 4 children identified for the placement until more detailed work is undertaken. The group of 6 provides a reasonably accurate illustration of such children as might benefit from a future placement at the property and their current associated costs.

2.2.3 Business Needs

Where we are now	ESSENTIAL Objectives of Business Case
Monmouthshire does not have any standard in-house residential children's placements	To develop a standard in-house residential placement for up to 4 children
At risk of having to establish temporary OWR placements because of lack of ability to source placements from the external market	To increase our overall placement sufficiency and decrease risk of having to make OWR placements

Monmouthshire does not have an in-house residential workforce [the workforce for in-house bespoke children's homes has been procured from the external market]	To establish an in-house residential workforce to become the registered care provider at the home
Children are in spot-purchased for profit providers	Use the revenue money associated with existing placements (£1,166,000) to develop an in-house residential children's home provision
Provider fees are negotiated on an annual basis	To reduce dependency on external provision and external fee-setting [in the context where a national lack of placement sufficiency is driving costs]
Children are not placed near to their home and communities [being placed away from Monmouthshire leads to disrupted support and family relationships]	To increase opportunities to place children closer to their homes and communities
The Council is reliant on external placements to agree matching for children and there is little opportunity for forward care planning across the cohort of children who are looked after	To increase the ability to forward plan and have greater control on matching and placement decisions
Social care workers are required to travel to different parts of the country to visit individual children	To reduce the amount of travel time for the social care workforce
Children are placed in a range of different organisations which do not support fully integrated working.	To increase opportunities for integrated working to ensure good outcomes for children

2.2.4 Additional Benefits

The development would support the overall regional position in terms of placement sufficiency, in keeping with the aims of the Regional Partnership Board.

The business case is in-keeping with the objectives of the Welsh Government and the Regional Integration Fund Capital programme. This means that there is a high likelihood of the Council being successful in its application for a grant to support the acquisition costs (in-year) and for a subsequent grant to support the refurbishment costs (in year 2024/25).

2.2.5 Risks

The risks for this proposal fall into two main areas – property related risks and service-related risks.

Property related risks are exempt and are set out in Appendix 2.

Service (Implementation) Related Risks

Risk	**Mitigation**

Regulatory process – delays in the refurbishment or difficulties in achieving registration. 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 of the new home and the costs of children's current placements prior to a move].	The refurbishment will be expedited and prioritised by the council working with known contractors. 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. The service has some knowledge and experience in meeting regulatory requirements associated with residential placements.
Regulatory process – delays / inability to recruit a suitable service manager to develop the provision and act as Responsible Officer	A full recruitment campaign will be run with promotional activity. 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. 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	A full recruitment campaign will be run with promotional activity. The service currently has a [relatively] stable workforce and a good reputation as an employer within social care. Posts would be advertised on a permanent basis. The LA salary for residential care workers is competitive comparatively to for-profit employers.
Delays / inability to identify and match suitable children who need the placement	The service has an in-depth knowledge of individual children and how they might match. Work is currently taking place to consider the whole cohort of children who are looked after to consider potential candidates for the home. MCC will work with the region to offer up a potential placement to achieve a good match / avoid voids.

Refurbishment costs exceed what is currently provided for	There is a contingency for unexpected works in the costs

Wider Service-Related Risks

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

2.2.6 Constraints

If capital costs are supported or fully met through the Housing with Care capital grant (or any other capital grant) this will considerably reduce the borrowing costs for the Council.

However, there will be constraints around the use of the property going forward (ie to provide a service in keeping with the provision of children who are looked after / with complex needs) and a requirement to pay back in the event of the property being sold. The term for these constraints is 10 years. These constraints do not outweigh the benefits of securing a capital grant to support the proposal.

2.2.7 Dependencies

The project is dependent on the property being successfully registered with CIW and continuing to meet the standards under RISCA regulation in subsequent inspections.

3. OPTIONS ANALYSIS

3.1 Critical Success Factors (timeframes to be confirmed)

- Property acquired and refurbished.
- Capital grant received to reduce any borrowing strain on the Council.
- Management structure and workforce established.
- Provision successfully registered with CIW.
- The first cohort of children successfully matched and in-situ.
- Children achieve good outcomes through their placement in the new home.

3.2 Main Options

Summary of Options Appraisals

OPTION 1	**Do Nothing**
Description	The Local Authority does not develop any in-house residential placements and continues to spot-purchase from the external market
Net Costs	£0 however, the council would lose the potential to generate any savings against the current approximate spend of £1,166,000 (based on illustrative cohort of children currently in spot-purchased residential provision)
Advantages	The Council will avoid any of the implementation or wider risks identified above.
Disadvantages	Leaves the Council entirely dependent on the external market to provide residential placements for children.
Conclusion	Not recommended
OPTION 2	**Do Minimal**
Description	Do not proceed with the acquisition of this property and wait for alternative property to become available that is on the market for less or requires less refurbishment
Net Costs	£0 however, the council would lose the potential to generate any savings against the current approximate spend of £1,166,000 (based on illustrative cohort of children currently in spot-purchased residential provision)
Advantages	The council would not reduce its current borrowing headroom, which would then be retained for an alternative, potentially more suitable / less costly property.

	The offer for the property is made at £35,00 more that the independent valuation – not pursuing the purchase would reduce risk of purchasing a property at higher price than the evaluation.
Disadvantages	On-going searches for potentially suitable properties within Monmouthshire have been undertaken and are on-going. Only one alternative property has been identified to date, which after initial inquiries was deemed unsuitable because of health and safety issues. Suitable properties for development do not come onto the market frequently. Delay in pursuing a suitable property such as this would delay the opportunity to develop a residential provision by an indefinite, potentially extended, period. Not purchasing this property will compromise the Council's ability to secure a capital grant this year (2023 – 2024).
OPTION 3	**Do Minimal**
Description	The Local Authority proceeds with the development of the property but seeks to commission a not-for-profit partner to provide the care and support
Net Costs	The weekly associated costings for a third party not for profit delivery would be £6,000* per week per bed, equating to an annual revenue cost of £1,248,000 which exceeds the current cost of placements. [*Based on recent tendering exercise of neighbouring council]
Advantages	This would mean that the delivery and implementation risks are shared with another organisation who would become the registered provider with CIW.
Disadvantages	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. A partnership arrangement would reduce the level of autonomy that the council has in terms of care planning and matching. This option does not fully support the wider strategic aims of the council in terms of developing in-house / regional sufficiency.
Conclusion	Not recommended
OPTION 4	**Purchase and refurbish this property and develop an in-house residential service to provide a registered residential 4-bed home to meet the needs of Monmouthshire Children who are Looked After**
Description	This property is purchased and Monmouthshire becomes the registered care provider
Net Costs	Capital Costs (covered through a combination of grant and borrowing) Estimated Annual Revenue Cost at 100% occupancy = £849,680 (covered through existing revenue costs of placements)
Advantages*	This represents good value for money in terms of being able to support Monmouthshire children who are looked after to be placed closer to home and communities and achieve good outcomes, within the existing budget envelope. It accords with the strategic intention of increasing the Council's sufficiency of in-house placements and reduces reliance on the external market.
Disadvantages*	This will continue to draw heavily on the council's resources in terms of time and effort required to implement this development. It requires the council to manage the asset going forward.

	There are associated risks and challenges (as per **2.2.5**)

3.3 Recommended option

Option 4 is the recommended option.

4. PROCUREMENT ROUTE

Acquisition of property is through the open market with a private buyer and subject to planning permission for change of use.

Sales process outlined along with the subsequent work and process needed to make the property fit for purpose as a registered setting.

For HOTs – Refer to 'Memorandum of Sale'

The following conditions are attached to the offer:

- Legal due diligence (satisfactory searches etc)
- Independent external valuation
- Subject to contract
- Subject to Cabinet consent
- Satisfactory EPC
- Subject to condition survey
- A long stop date of 31 March 2024, with exchange at the earliest opportunity.
- Property to be cleared of all belongings prior to completion.

Works for the refurbishment will be procured through normal council arrangements.

5. FUNDING and AFFORDABILITY

CAPITAL Costs of Acquisition

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

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.

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.

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.

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 shortfall in our ability to draw down against the HFC. It is proposed that this shortfall will be covered by borrowing against existing headroom.

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.

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 be-cause 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).

Annual Care Costs

Currently, the cost of providing the care that could be replaced through the development of this property is approximately £1,166,000 over 4 children (based on illustrative cohort of 6 children currently in spot-purchased residential provision).

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).

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.

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 in the new home result in cost avoidance.

REVENUE COSTS ILLUSTRATION 1 – 100% occupancy

ANNUAL REVENUE COSTS	**Based on SCENARIO 1** **£**	**Based on SCENARIO 2** **£**	**Based on SCENARIO 3** **£**	**Based on SCENARIO 4** **£**
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
TOTAL ANNUAL REVENUE COSTS	**849,680**	**871,260**	**853,277**	**874,856**
ANNUAL REVENUE PACKAGES TO FUND COSTS				
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)
Based on 100% occupancy POTENTIAL ANNUAL REVENUE SAVINGS	**(316,752)**	**(295,172)**	**(313,155)**	**(291,576)**

REVENUE COSTS ILLUSTRATION 2 – 75% occupancy

	Based on SCENARIO 1 £	Based on SCENARIO 2 £	Based on SCENARIO 3 £	Based on SCENARIO 4 £
TOTAL ANNUAL REVENUE COSTS	849,680	871,260	853,277	874,856
ANNUAL REVENUE PACKAGES TO FUND COSTS				
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)
Based on 75% occupancy POTENTIAL ANNUAL REVENUE SAVINGS	**(25,144)**	**(3,546)**	**(21,547)**	**32**

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

Revenue Generation (if applicable)

If voids arise, and there are no children identified within Monmouthshire who will need the placement in the short-term, there is potential to 'sell' the placement to another Local Authority. Standard practice for inter Local Authority purchasing of placements is to charge a mark-up of 20% of the weekly cost which would equate to £4,922 per bed per week (based on scenario 3).

6. DELIVERY ARRANGEMENTS

Task	Person Responsible	Timeframe	Reports to
Purchase of the property	Nicholas Keyes	End of March 2024	Peter Davies
Appointment of Service Manager	Diane Corrister	End of April 2024	Jane Rodgers

Development of service specification and statement of purpose	Residential Services Manager	End of July 2024	Diane Corrister
Project management for refurbishment and improvement	Property services	End of July 2024	Nicholas Keyse
Liaison with CIW to ensure prompt registration of the provision	Diane Corrister	End of Aug 2024	Jane Rodgers
Financial arrangements	Tyrone Stokes		Jane Rodgers / Peter Davies
Care planning and transition arrangements for children who are identified as suitable to be placed in the new home	Lupupa Nshimbi	End of Aug 2024	Diane Corrister
Target completion date		Sept 2024	

Monitoring and review of progress towards the objectives of the business case will be provided by Children's Services leadership team, reporting into Social Care and Health Directorate Leadership Team and Chief Officer. Regular updates will be provided into the Council's Senior Leadership Team and a project plan and risk register will be maintained.

7. CONTINGENCY PLAN

The need for a contingency might arise if it becomes clear that registration of the new home won't be achieved, or no suitable children are identified to move in. In this case contingency options will be considered follows:

- The council will draw up a specification and initiate a procurement process in order to seek a not-for-profit organisation to become the registered provider.
- The council will seek to sell individual residential placements to neighbouring Local Authorities.
- The council will liaise with the regional partnership board to seek a change of use for the property in keeping with the overall objectives of the capital programme (to avoid claw back).
- 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 (if within 10 years).