

APPENDIX 1: BUSINESS CASE FOR THE DEVELOPMENT OF A REGISTERED RESIDENTIAL CHILDREN'S HOME IN PARTNERSHIP WITH POBL HOUSING ASSOCIATION

Author:

Jane Rodgers

Chief Officer, Social Care and Health



Date: 28th June 2024

Consultees:

- Councillor Ian Chandler, Cabinet Member for Social Care, Safeguarding and Accessible Health Services
- Andrew Ford, Head of Commercial Enterprise Pobl
- 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 work in partnership with Pobl to develop a registered residential children's home for up to 4 children. The property is a substantial detached property which has previously been used as an adult respite home. The property is located in Caldicot, near the town centre.

Pobl are a Welsh not-for-profit housing provider that offers quality affordable homes, care and support services that make a positive difference to people and communities. They offer housing solutions that cater to various needs and preferences ensuring individuals have a place they can call home.

In order to meet the needs of children who are looked after and the regulatory standards required for registration under the Regulation and Inspection of Social Care Wales Act 2016 (RISCA regulations), the property will require refurbishment. The refurbishment will be taken forward by Pobl in partnership with the Council.

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 Caldicot 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 provide an in-house residential service whereby the Council would register the provision with Care Inspectorate Wales (CIW) and become the registered 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.

This business case therefore seeks approval to:

- To enter into a leasehold agreement on the property in Caldicot with Pobl for a minimum of 10 years (as per conditions of grant). The property will be redeveloped to suit our needs by utilising Welsh Government and Pobl funding (30-35% of total redevelopment).
- To develop a Monmouthshire Children's Services residential operational team to provide the care and support for the scheme.

This business case is set out within the context of the decisions made at full Council 18th April 2024 regarding proposals for the overall development of children's residential and 16+ supported accommodation placements, subject to appropriate business cases and cabinet approval.

It was also agreed that progress against the decisions made by Council will be reported to the Performance and Oversight Scrutiny Committee on a 6-monthly basis.

STRATEGIC CASE

2.1 Context

Following the Welsh Government manifesto pledge to *eliminate* profit from children's care, the Health and Social Care Bill will provide the framework to restrict the providers of children's homes and fostering services from making a profit. The bill also includes a provision to require local authorities to submit a sufficiency plan in respect of accommodation for looked after children, and to take all reasonable steps to secure sufficient accommodation provided by not-for-profit entities. This is aligned to Section 75 of the Social Services and Wellbeing Wales Act whereby the Local Authority has a legal duty to ensure that there are sufficient and appropriate placements for children who are Looked After.

Monmouthshire is working collaboratively with the region to ensure sufficiency; however, there remains a national shortage of both residential and fostering placements. This has been exacerbated more recently by the instability of the provider market following the Welsh Government policy *eliminating profit* agenda.

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 is in the context of high demand and competition for placements and 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 Council report on 18th April 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 March 2024 there were 199 children looked after by Monmouthshire County Council, of which 45 were placed with independent fostering agency carers and 37 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 refurbishment of this property; and 4 of which are being achieved through the refurbishment of an acquired property in Monmouth.

2.2 Case for Change

2.2.1 *Spending objectives*

The development of the property in Caldicot 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 property was previously utilised within the Social Care and Health Directorate, in partnership with Pobl, to provide overnight respite for adults with learning disabilities. A Cabinet decision was made to cease this provision on 6th September 2023 and the building is currently unused, although it has maintained the lease with Pobl.

Pobl is a trusted partner with the council with similar values in terms of providing safe and secure homes to local people on a not-for-profit basis. This business case offers a way of retaining the property for the provision of social care and continuing the partnership with Pobl. Aligned with the Asset Management Strategy the proposed development of the property ensures that available assets are utilised in accordance with the Council's objectives.

The redevelopment 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 development of the property will enable up to 4 children (at any one time) to be suitably matched and 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 6 children have been identified who would benefit from a planned move into a property of this nature. 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 enter into a leasehold agreement with Pobl for a minimum of 10 years (as per conditions of grant) on the property in Caldicot. The property will be redeveloped to suit our needs by utilising Welsh Government and Pobl Funding (30-35% of total redevelopment).
- Seek approval to develop a Monmouthshire Children's Services residential operational team to provide the care and support for the scheme by a redistribution of revenue that is currently going into the private sector.
- 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 9 – 15 years and the children are currently placed in for-profit residential placements located in:- Ebbw Vale (£4,850), Port Talbot (4961.60), Neath (£4,995), Ebbw Vale (£5,290), Ross on Wye (£6,350), Aberdare (5,041.31) and Swansea (£6,247). These costs are currently met through Children’s Services revenue budget. (Costs shown are the 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 £1,121,395.60 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 to date 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 £1,121,395.60 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
The property is available to provide services to people but is at present unused.	Make good use of an available asset in line with the Council's objectives.

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 Housing with Care Fund Capital programme. This means that there is a high likelihood of Pobl, in partnership with the Council, being successful in its application for a grant to support the technical design element cost in 2024/25 and the refurbishment costs in year 2024/25 or 2025/26. Pobl colleagues are liaising with the capital programme team to establish the most appropriate grant funding stream, application and award timescales and match funding levels.

2.2.5 Risks

This is a relatively low risk opportunity for the Council as there is no requirement to draw on borrowing headroom either for acquiring the property or repurposing it. Such risks that exist are associated with implementation and wider service delivery.

Service (Implementation) Related Risks

Risk	Mitigation
Pobl being unsuccessful in their grant application.	<ol style="list-style-type: none"> 1) Withdraw from the project and seek alternative suitable properties to acquire from the open market and lead grant funding application ourselves OR 2) Consider a revised business case with an alternative funding mechanism to finance the refurbishment.
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].	<p>The refurbishment will be carried out by Pobl using trusted framework contractors.</p> <p>Children’s Services have recruited a Service Manager to oversee the project and work closely with Pobl and CIW to achieve registration as expediently as possible.</p>

	The service has significant knowledge and experience in meeting regulatory requirements associated with residential placements.
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 for the home.</p> <p>MCC will work with the region to offer up a potential placement to achieve a good match / avoid void.</p>
Refurbishment costs exceed what is currently provided for	The notification of events mechanism can be utilised to submit revised project costs in the event of the unexpected. A detailed specification and contract will be established. The financial element of this risk will primarily be borne by Pobl.

Wider Service-Related Risks

Risk	Mitigation
<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>Children's Services have recruited a Service Manager to oversee the project and act as the Responsible Individual (RI).</p> <p>The service has significant knowledge and experience in meeting regulatory requirements associated with residential placements.</p>
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 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 team 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]
Pobl seek to terminate the partnership at the end of the agreed lease period, leaving us with a placement shortfall for 4 children.	Ongoing partnership work with Pobl to regularly review leasehold conditions and seek clarity on the continuation/extension of agreement in a timely manner. Giving the authority ample time to develop an alternative provision if required.
Annual rent increases will impact overall revenue budget.	Prior to entering leasehold establish process for annual rental increases and build resilience into financial modelling.

2.2.6 Constraints

Primary constraint is that we will be entering into a long-term lease agreement with Pobl. Factoring in the conditions placed on the grant funding, this will likely be a minimum of ten years.

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)

- Application for capital grant to be submitted by Pobl. (Timeframe subject to ongoing dialogue between Pobl colleagues and capital grant team at ABuHB)
- Renegotiate lease hold agreement with Pobl.
- Property refurbished.
- 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 £1,121,395.60 (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 partnership with Pobl to redevelopment this property and wait for alternative property to become available to purchase on the open market
Net Costs	Average house price £700,000, the council would need to cover this initially prior to receiving the grant funding. Losing the potential to generate any savings against the current approximate spend of £1,121,395.60 (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. This option would not require us to enter into a lease hold arrangement and may offer more flexibility.
Disadvantages	The council would lose the opportunity to work in partnership with Pobl to develop an existing asset. Suitable properties for development rarely come onto the market. Delay in pursuing a suitable property such as this would delay the opportunity to develop a residential provision by an indefinite, potentially extended, period.
Conclusion	NOT recommended
OPTION 3	Do Minimal
Description	The Local Authority proceeds with the leasehold of the property but seeks to commission a not-for-profit partner to provide the care and support
Net Costs	At present the weekly associated costings with 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. Lack of not-for-profit provider availability may mean that a for profit provider will need to be used. Welsh Government are reluctant to award grant funding for developments where the service provider is a for profit organization. Failure to

	<p>develop internal operational care and support teams may prevent us from accessing future grant funding.</p> <p>A partnership arrangement would reduce the level of autonomy that the council has in terms of care planning and matching.</p> <p>This option does not fully support the wider strategic aims of the council in terms of developing in-house / regional sufficiency.</p>
Conclusion	Not recommended
OPTION 4	To renew the leasehold arrangement with Pobl and develop an in-house residential service to provide a registered 4-bed home to meet the needs of Monmouthshire Children who are Looked After
Description	The property is redeveloped in partnership with Pobl and Monmouthshire becomes the registered care provider
Net Costs	<p>Capital Costs will be covered through a combination of grant funding and Pobl private finance.</p> <p>No capital requirement from Monmouthshire County Council.</p> <p>Estimated Annual Revenue Cost = £786,519 (covered through existing revenue costs of placements)</p>
Advantages*	<p>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.</p> <p>The council are not required to reduce its current borrowing headroom, which would then be retained for an additional property.</p> <p>The development of core funded operational team will deliver a significant revenue saving. Based on the 4 children in scope for this provision, a cost comparison with their current placement could represent a saving of up to £334,876.60.</p> <p>There will be a clear economy of scale associated with the number of MCC homes we develop. Sharing resources across homes i.e. service manager and home manager posts will enable us to realize greater revenue savings.</p> <p>Utilising Pobl to lead on this refurbishment allows us to direct our limited internal resources to the development of our next authority acquisition. The Pobl development will be managed by their own project team and will run alongside our internal developments, with a minimal requirement for resource and oversight from MCC. This approach will enable us to maintain the pace of change required to meet our implementation plan by April 2027.</p>
Disadvantages	<p>It requires the council to manage the asset going forward as per conditions of lease (to be confirmed).</p> <p>There are associated risks and challenges (as per 2.2.5)</p>
Conclusion	Recommended

3.3 Recommended option

Option 4 is the recommended option.

4. PROCUREMENT ROUTE

Any procurement associated with the refurbishment of the property would be undertaken by Pobl in adherence to their procurement protocols.

5. FUNDING and AFFORDABILITY

Annual Care Costs

Currently, the cost of providing the care that could be replaced through the development of this provision is approximately £1,121,395.60 over 4 children (based on illustrative cohort of 6 children currently in spot-purchased residential provision).

The estimated revenue cost of running a residential children's home is calculated at £786,519 (based on other similar Local Authority schemes data).

We have modelled the revenue costs against an 100% occupancy rate and a 75% occupancy rate. 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.

Table A

(GBP)		
No of beds	4.0	
taking 75% occupancy factor into account	3.0	
Budget Group	Budget	
EMPLOYEES up to and incl Assistant Manager	£545,457.00	
REPLACEMENT PAY	£96,930.56	Based on 12% of total employee costs (including Home Manager) £73,570.56 2 x on call staff per day over a 12 month period @£32 per day each. £23360
LEASEHOLD	£18,000.00	This is based on a monthly fee of £1500. However indicative data across the region suggests this could be higher. An example of this would be a neighbouring authority paying an RSL £20,601 per annum for a 4 bedroom property. The revised leasehold amount is yet to be determined by Pobl and will form part of our negotiation with them once the scope of works has been finalised.
PREMISES	£20,000.00	
TRANSPORT	£8,500.00	
SUPPLIES & SERVICES	£30,000.00	
Total Direct Costs	£718,887.56	
Management Costs (Home Manager)	£67,631.00	Cost of Service Manager accounted for in Dixton Close and Woodview budgets.
Total Direct Costs (incl Mgmt)	£786,518.56	
Total Weekly Cost of Establishment	£15,125.36	
Annual Cost per Bed based on 100% occupancy	£196,629.64	
Weekly Cost per Bed based on 100% occupancy	£3,781.34	
Daily Cost per Bed based on 100% occupancy	£540.19	
Annual Cost per Bed based on 75% occupancy	£262,172.85	
Weekly Cost per Bed based on 75% occupancy	£5,041.79	
Daily Cost per Bed based on 75% occupancy	£720.26	
Annual saving per Bed based on 100% occupancy	£83,719.15	
Weekly saving per Bed based on 100% occupancy	£1,609.98	
Daily saving per Bed based on 100% occupancy	£229.99	
Annual saving per Bed based on 75% occupancy	£62,789.36	
Weekly saving per Bed based on 75% occupancy	£1,207.48	
Daily saving per Bed based on 75% occupancy	£172.49	

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 £4,537 per bed per week.

6. DELIVERY ARRANGEMENTS

Task	Person Responsible	Timeframe	Reports to
Development of service specification and statement of purpose	SM for placement development	August 2024 onwards	Diane Corrister

Project management for refurbishment and improvement	Pobl	Sarah Hodges (Pobl)	Andrew Ford (Pobl)
Liaison with CIW to ensure prompt registration of the provision	SM for placement development	August 2024 onwards	Diane Corrister
Financial arrangements	Tyrone Stokes	Ongoing	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	August 2024 onwards	Diane Corrister
Target completion date		March 2025 – September 2025	

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, Pobl’s grant application will not be approved, 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.
- In partnership with Pobl, 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 will seek an alternative suitable property and lead grant funding applications independently of Pobl.