

## **Cabinet Meeting on Wednesday 21 February 2024**

### **Homes for Children in Our Care**



#### **Councillor Mark Sutton, Cabinet Member for Children and Young People said,**

“Providing a safe and nurturing environment for some of our most vulnerable children is a priority for us. It is clear that most local authorities are facing challenges in this area, which is why it is important we plan effectively to help meet their needs.

“By proposing to open six in-house children’s homes, we can ensure our vulnerable children will be taken care of in a home within the county, have better flexibility for those with multiple needs, and we can create more stability for children in our care to help them thrive.

“As well as this, by joining regional frameworks for the provision of residential homes and foster care, we can be sure to have vulnerable children and young people in the right home that meets their needs and increase the number of children and young people who return to the family home wherever possible.”

#### **Report Summary:**

Staffordshire County Council (SCC) has a duty to provide sufficient homes to meet the needs of children in its care.

Nationally all local authorities are facing challenges in meeting these duties, this is recognised in ‘Stable Homes Built on Love’ and the government’s commitment to develop alternative approaches to seek to tackle the national challenges faced through Regional Care Collaboratives will take time to develop and we are therefore seeking to develop local approaches to help us mitigate the impact.

Following the endorsement of the Homes for Our Children, Sufficiency Strategy work has been underway to deliver our plan including exploring a range of possible options which will support us to meet our statutory duty resulting in three recommendations to Cabinet.

### **Recommendations**

I recommend that Cabinet:

- a. Endorse the proposal to open six (6) in-house Local Authority run children's homes.
- b. Contribution of £0.3m in 24/25 from the Council's transformation fund to meet upfront costs incurred during the transition process (invest to save).
- c. Endorse Staffordshire County Council joining the new West Midlands Framework for the Provision of Residential Homes from October 2024.
- d. Endorse SCC joining the new West Midlands Foster Care Framework from April 2024.

## **Cabinet – Wednesday 17 January 2024**

### **Homes for Children in Our Care**

#### **Recommendations of the Cabinet Member for Children and Young People**

I recommend that Cabinet:

- a. Endorse the proposal to open six (6) in-house Local Authority run children's homes.
- b. Contribution of £0.3m in 24/25 from the Council's transformation fund to meet upfront costs incurred during the transition process (invest to save).
- c. Endorse Staffordshire County Council joining the West Midlands Framework for the Provision of Residential Homes from October 2024.
- d. Endorse SCC joining the West Midlands Foster Care Framework from April 2024.

#### **Local Member Interest:**

N/A

#### **Report of the Director for Children and Families**

#### **Reasons for Recommendations:**

1. We recommend that Staffordshire County Council endorses three proposed parallel approaches to help us secure the right type of homes for our children at the best price.
2. This will help us achieve our objectives set out in the Homes for Children Sufficiency Strategy, 2023,

- a. Homes that are closer to home,
- b. Reduce the number of times a child must move,
- c. Create better flexibility for children with multiple needs,
- d. Eliminate unregulated provision and
- e. More cost-effective options in an expensive market.

## **Homes for Children in our Care**

### **The current picture - National and Regional**

3. Nationally the government have recognised that the children's care market is a risk which needs a new approach. Within 'Stable Homes, Built on Love' they acknowledged that there was more that could be done, steps taken nationally to address this have been slow.
4. In 2023 the DfE launched several pathfinders to test new ways of working. The mechanism chosen to affect change for this market was the development of the Regional Care Collaboratives (RCC.) These RCC's would see Local Authorities working through a regional arrangement to enable greater buying power.
5. West Midlands has a developed regional commissioning hub however it is small (circa 4 staff) and has limited capacity to fulfil the suggested model of delivery offered by the DfE.
6. An application was submitted by the WM to develop the RCC and areas will be selected in January 2024. This could see circa £5 million invested in two regions nationally.
7. The urgency for Staffordshire means that we cannot wait for National changes, the pressure on budgets requires a proactive approach in the short term to help us address the financial overspends.
8. A recent report prepared by the LGA compared our level of spend to other local authorities and Staffordshire is a 'middle payer' compared with other local authorities. Some costs nationally have been reported to run to £63,000 per week.

### **Current Picture - Locally**

9. As at 9<sup>th</sup> December 2023, the number of Children in Care (CiC) was 1,360. These children live in a range of types of homes;
  - a. 353 children with independent foster carers

- b. 330 children with in-house foster carers.
  - c. 217 children with a Relative/friend foster carer.
  - d. 124 residential homes of which includes 21 children with disabilities.
10. Having developed the Homes for our children sufficiency strategy we sought to develop options which would support the aspirations, exploring options to tackle the rising costs and lack of the right type of care for our children.

## **Residential Homes**

11. Currently the percentage of children in residential homes is 8.6% which is down from around 10% in previous years and compares favourably to the West Midlands average, 12.4%.
12. SCC spends approximately £31.5m per year on residential homes with 124 independent places at any one time. The 20 high-cost place costs SCC £150k per week, which equates to £7.8m per year.
13. We do have unregulated/unregistered arrangements which can cost circa £13k/15k per week per child. We do not want children utilising these places but the existing residential market does not currently match some children leaving us without an alternative. This equates to approximately 2 or 3 children of the top 20.
14. The single most important step we can take in reducing the cost is securing a stable home. When we do not secure the stable home it often results in multiple moves. The 20 most complex children were moved 71 times in total.
15. Of the 124 children; 68 children (57%) are placed outside of Staffordshire (7% of which are in Stoke-on-Trent), ideally they would be placed within the county.
16. Based on the future modelling as part of the transformation we estimate circa 90 children will need to have a residential placement, of those we anticipate circa 15 will have multiple complex needs which would currently be unlikely to be met by the independent sector.
17. Staffordshire is no different to other local authorities in needing both internal and external provision to meet the needs of children. Internally we have capacity for 19 children at any one time (3 medium to long-term). Meaning circa 121 children are currently placed using the external market. Often it is cheaper to use the

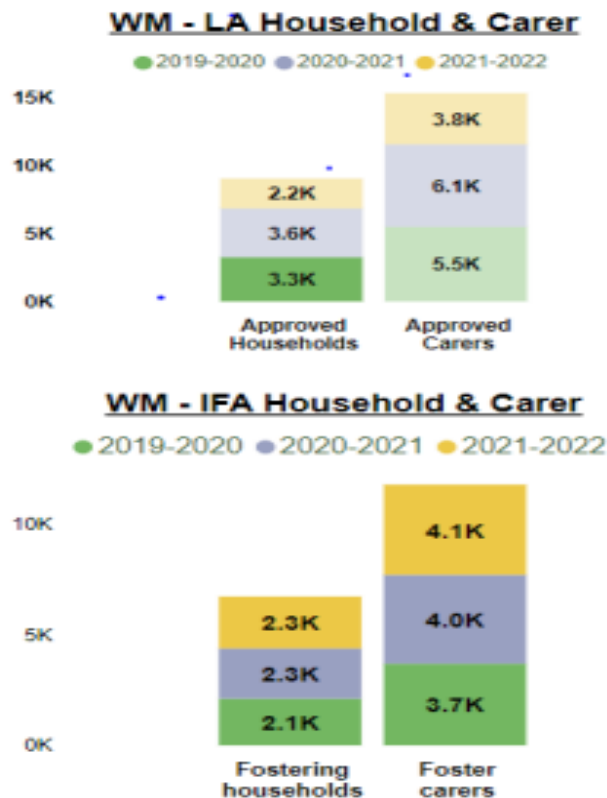
external market but as the complexity increases the cost externally is not sustainable.

18. Most local authorities are investing in internal provision to disrupt the market and provide care for children who would otherwise be difficult to place. SCC currently has the following internal provision:
  - a. 4 bed edge-of-care provision (Stafford Short Breaks).
  - b. 4 bed home (The Alders).
  - c. 3 bed home (The Firs).
  - d. 2 x 4 bed in-house short break disability homes (Cannock Resource Centre and Hawthorne's Resource Centre).
19. Stafford Short Breaks, Cannock Resource Centre and Hawthorne's Resource Centre are all Public Finance Initiative (PFI) buildings that are due to come back to SCC in the next 3 years. The plans for them are to continue to be used in the current form. These buildings have been ruled out for consideration as properties for children's homes on the basis that they are not conducive for offering a small, homely environment.
20. The other in-house home i.e. the Alders is a large 7 bed property which is registered for 4 children. This type of provision is also not appropriate for supporting C&YP with more complex needs such as emotional and behavioural difficulties (EBD) which we have seen an increase of post pandemic. Hence the new in-house LA home, The Firs, is a smaller setting (3 registered beds).
21. In addition to external provision, Staffordshire County Council currently accesses the West Midlands Flexible Framework Contract, which is a contract for providers who provide residential care. This has been developed and implemented on a regional basis to ensure we maximise the leverage with our collective buying power.
22. The framework is due to expire in December 2024. We know that we get better value using regional frameworks and a greater range of providers. The West Midlands region is seeking to widen access to more providers to increase competition to help control the market.
23. The new framework is intended to increase the number of providers, SCC currently purchase 56% of our homes for children from the framework and 44% off-contract for our children. The framework tends to be 41% cheaper than spot purchase.
24. The average cost on the framework is £4.4k per week and for off-contract is approximately £7.4k per week. SCC have always tended

to use more framework providers than non-framework providers and are keen to ensure access is increased further. Hence, why a collaborative approach with all West Midlands authorities/trusts, including the West Midlands Regional Commissioning Hub is key to ensure we achieve best value.

## Fostering

25. We know that foster carers are in short supply nationally and regionally, with the number of internal foster carers dropping in the West Midlands from 6,070 to 3,780 from 2021 to 2022 (with IFAs maintaining their number of carers at around 4,000, detailed in the table below).
26. Recruitment and retention of foster carers has been difficult with a noticeable decline in the number of foster carers made in the last year which has been identified in SCC Sufficiency Strategy of an area of action.



27. SCC always pursues in-house carers as the priority, however with a reduction overall in the number of foster carers available often SCC relies on the private sector to meet demand.

28. When SCC procures independent foster care via an agency we use the West Midlands Foster Care Framework. This expires on the 31<sup>st</sup> March 2024. SCC places approximately 160 children with external foster carers in per year via the independent sector. Staffordshire secures better value using these frameworks and therefore renewing the regional approach will ensure maximum value is secured. Average cost of framework placements is £840 per week compared to approximately £1,100 per week compared to off framework placements.

29. Although, in-house carers are much more cost effective than the private sector, SCC still currently needs the private sector to meet the demand to avoid higher residential costs.

30. The benefits of a regional framework are as follows:

- a. As the contract is used when needed, no need to pay for voids such a block contract.
- b. No pressure on the providers to accept inappropriate matches.
- c. Helps widen the market supply by accessing as many providers as possible.
- d. Standard service specification agreed by all local authorities will help encourage specialisms and deliver consistency.
- e. Provides regional buying power to influence and help control/cap costs.
- f. Helps monitor and maintain providers quality.

31. The new framework contract is to commence from April 2024. Tendering anticipated spring 2024. There are a number of proposed changes to attract more providers and to keep providers on the contract. They are as follows:

- a. Increased lots – to cater for more specialists foster carers. i.e. standard, enhanced and disability
- b. To re-set prices to help support the market to expand and encourage more providers.
- c. Capped fees to help control costs.
- d. Uplift process inbuilt into the contract to allow for inflationary increases at an agreed formula to manage the impact to encourage more providers to join.

## What are the current challenges?

### Residential Homes:

32. We know that Staffordshire has sufficient provision within Staffordshire to meet the current residential demand with circa 500 residential beds in the area. **57% of our C&YP are in homes which are out-of-county**, despite there being sufficient independent residential beds within Staffordshire.
33. The market is used on a national footprint and demand nationally is outstripping the supply meaning that providers can choose which children they match to – often this can be those with less complex needs.
34. A residential manager will carry the risk when matching children who live in their residential home. We have seen an increasing reluctance to match some children who have multiple needs due to the increased risk for the children and the negative impact this could have when they are inspected or on them personally.
35. This often leaves those who have faced significant trauma with the most challenging emotional and behavioural needs without a local residential option. The better option for these children is a smaller home where matching is less of a risk.
36. The challenges the homes face is around how to manage C&YP who display with one or more of the following behaviours / risks:
  - a. aggressive / violent behaviour.
  - b. go missing.
  - c. are involved in criminal behaviour.
  - d. have mental health issues.
  - e. Some diagnosed or undiagnosed SEND needs.
  - f. are involved with gangs / drug misuse.
  - g. self-harm
  - h. are exploited or cause significant damage.
37. With these complexities come the unintended consequences of arrangements breaking down. In 2022/2023 there were 32 children in residential homes which ended prematurely.
38. This often increases costs as providers increase their fees to cover extra resources particularly additional staffing and bed blocking to help manage the C&YP. The top 20 high cost placements average around £7,500 per week.



39. The Local Government Association (LGA) analysis of residential costs has seen a sharp increase in costs over the last 5 years, which has been highlighted in this report. Please see link, [Placement Costs \(LGA\)](#).
40. It can also make it extremely difficult to find a regulated option for some children leading to a small number of children living for a short time in unregistered provision.
41. The Competitions & Market Authority (CMA) report in March 2022, stated that the largest providers are making materially higher profits and therefore LAs need to address the balance by ensuring they are not forced to use these providers for our C&YP with the most complex needs.
42. Local Government Association acknowledged that whilst there are a small proportion who are making excessive profit, there are also a high number who are carrying significant financial challenge.

### **Foster Carers:**

43. Another sector where demand has outstripped supply is the availability of suitable foster carers. LA applications for foster carers have decreased by 22% since 2018 and for the private sector applications have decreased by 21% over the same period.
44. The unintended consequences of a lack of foster carers are some C&YP being placed in residential care when this is not the most suitable place and it comes at an increased cost.
45. SCC are currently reliant on the private sector to meet the demand for foster carers via the framework however as prices have not kept pace with increased costs several private sector providers have chosen to leave the framework.
46. The DfE recently commissioned research into market barriers around fostering recruitment in LA's and several barriers were identified:
  - a. Insufficient benefits / money to foster carers to cover cost of caring.
  - b. Cost of living impact.
  - c. The impact of Covid due to the increase of working from home.
  - d. LA's have less monies i.e., for marketing.
  - e. The process the LA takes can be longer.

## What do we propose to do & why?

47. The Homes for our children, Sufficiency Strategy, endorsed by Cabinet on 12<sup>th</sup> April 2023, aims to meet our sufficiency duty by creating an active and vibrant market delivered both internally and externally with the focus by the end of 2026. The expansion of the in-house homes aims not just to save money but will also contribute to ensuring SCC:
- have the right C/YP, in the right place at the right time.
  - have our C&YP living locally in the right 'home' to meet their needs.
  - eliminate the use of unregulated arrangements.
  - increase the number of C&YP who return home.
48. We recommend that cabinet take steps to increase the options available in the market through supporting three key developments,
- Endorsing the WM Residential Framework: This will see us sign up to the WM regional framework. This framework will ensure SCC continues to be procurement compliant and enable SCC to access a wider market to increase the number of foster carers.
  - Endorsing the WM Fostering Framework. This framework will ensure SCC continues to be procurement compliant and enable SCC to access a wider market to increase the number of fostering carers and eradicate the use of unregulated residential homes being used.
  - Invest in six internal homes to disrupt the market and provide a home for our most complex children.

## Disruptive Methods Considered

49. To address these challenges and to bring about improvements the following options have been considered (see Options Appraisal Appendix 1):
- RECOMMENDED OPTION - Expand the in-house children's home provision:** SCC currently lack smaller residential homes internally that meet the needs of our children in care whilst also promoting a nurturing, personable approach. Expanding our in-house provision with this in mind would enable us to gain more control over how our children are cared for and would allow for fluency depending on their need that we don't necessarily get with the external market e.g., to support a return to family, or a move into foster care.
  - Creation of a LA Trading Company to operate the in-house children's home:** This option was proposed as the operating costs such as superannuation would be significantly lower, it would reduce

the apparent risk to the Local Authority and provide greater influence in a market which is challenging. The key benefit is that it would be commercially oriented but not for profit. It is noted that the scale needed to be markedly cheaper may not be available within the children's market. Due to the small market this option did not present any better value for money compared to the internal delivery model.

- c. **Block contracting homes with the private sector:** Creation of a solo home block contract had been endorsed last year and tendered. With the home being solo it would remove the need of matching children and young people which we often see as a barrier when finding homes. However, our experience has demonstrated that this did not appeal to the market and has presented challenges in its use.
- d. **Collaborative partnership with Registered Social Landlords:** Due to affordable housing costing around £5-6K per annum this option was considered to reduce capital investment from SCC or a third-party provider with properties being readily available. Whilst this option could result in affordable accommodation it may be more suited to older children in supported accommodation or those leaving care.
- e. **Collaborative partnership with a private provider/voluntary sector to work with SCC to open up homes:** This could be in the form of a strategic partnership, seeing SCC and a provider sharing the risk. This has been used by some local areas such as Somerset. Having undertaken some soft market testing there was limited interest.
- f. **Acquisition of existing children's home organisation:** The acquisition of an existing children home was considered, as this was seen as the quickest way to address the demand and need for residential homes. This was tested with the market and enquiries were made around purchasing a going concern. The major barrier was the cost of purchasing a going concern which was more expensive than internal provision.

50. The detailed Options Appraisal is available in Appendix 1 showing the pros and cons of each option. This options paper led us to recommend the development of local authority run internal provision.

## Legal Implications

- 51. Commissioners have liaised with Legal colleagues regarding elements of this report such as the regional framework agreements and the 'in-house' homes.
- 52. Depending upon Cabinet's decision/s commissioners will continue to liaise with Legal colleagues to ensure legal obligations are adhered to and furthermore specific guidance is obtained at the appropriate time.

53. The recommendations within this report will help us to secure our statutory obligations to secure homes for children in our care.

## Risks

54. The table provides the risks associated with the proposed recommendations and the associated mitigation.

<b>Recommendations</b>	<b>Risk</b>	<b>Mitigation</b>
In-House LA Homes	Recruiting sufficient staff in a timely manner.	Robust recruitment campaign and promotion of investment by SCC.
	Having appropriate skilled staff	Comprehensive recruitment process and training delivered to all staff.
	Home(s) not admitting the most complex children.	Close monitoring and appropriate matching by commissioners in conjunction with the Placement Team.
West Midlands Regional Residential and Foster Care Framework Contracts	Not joining will leave SCC vulnerable to market forces. Resulting in increase in spot purchased placements, hence overall costs.	Regional framework to provide leverage across a wider footprint to help control costs.
	Will not be procurement compliant when the current ends in March 2024 and December 2024 respectively.	Robust tendering process to ensure quality and value of money is considered.

## **Legal Implications**

55. The Children Act 1989 places a general duty on Local Authorities (LAs) to secure sufficient accommodation for children in our care so far as reasonably practicable, accommodation that is within the authority's area and meets the needs of those children.
56. Commissioners have liaised with Legal colleagues regarding elements of this report such as the regional framework agreements and the 'in-house' homes.
57. Depending upon Cabinet's decision/s commissioners will continue to liaise with Legal colleagues to ensure legal obligations are adhered to and furthermore specific guidance is obtained at the appropriate time.
58. The recommendations within this report will help us to secure our statutory obligations to secure homes for children in our care.

## **Resource and Value for Money Implications**

59. The financial benefits of entering into the regional framework contracts (recommendation c & d) are detailed within this report. This is to ensure SCC obtains value for money, by entering into a tendering process that is based on a collaborative approach with the West Midlands region in order to help manage the market.
60. The cost of the in-house delivery option vs LATCO is shown within the options paper and demonstrates that the financial impact of using a LATCO is negligible. This is largely due to the LATCO requiring a larger portfolio of provisions to make it more cost effective to run. The proposal therefore is to further expand the local authority run internal residential provision through the acquisition of 6 additional (2 bed) homes to support and manage existing markets and pressures arising due to limited capacity and increasing costs.
61. The timescales will be approximately 8 months up to 12 months to ensure flexibility is built into the lead in times. See Appendix 2 (Timeline).
62. Operation of the six LA homes on this basis could save approximately £0.5m per annum. This is compared to the cost of placing 12 children

with external independent providers at an average cost per child of £7,500 per week. This is shown below and includes significantly:

- a. Capital funding for acquisition and refurbishment of 6 homes (each accommodating 2 children) will require an estimated outlay of £2.580m. This will be funded by borrowing and repaid by the service over 40 years.
- b. The estimated annual running costs for all six homes is £3.5 m per annum. This assumes an average occupancy level across the homes of 85% and two registered managers overseeing the operation of the homes. This annual cost also includes repayment of the capital expenditure mentioned above.



**Capital**

Acquisition of premises (6\*2 place property)  
Adaptations/Fittings  
Furniture  
Fees - legal/stamp duty/other contingency

Run In House by SCC		
		Total
6	£350,000	£2,100,000
6	£40,000	£240,000
6	£25,000	£150,000
6	£15,000	£90,000
		£2,580,000
		£2,580,000

**Funded**

Borrowing

\* Annual revenue borrowing costs (40 years @ 4.5%)

140,200

**Revenue**

Running cost of 2 place home

- Employees
- Premises
- Transport
- Supplies & Services
- Transfer Payments
- Fees

	Occupancy	
	85%	100%
	0.473	0.473
	0.008	0.008
	0.018	0.018
	0.028	0.031
	0.002	0.002
	0.006	0.006
<b>Sub Total £m</b>	<b>0.535</b>	<b>0.538</b>
x No of Properties	6	6
<b>Sub Total £m</b>	<b>3.207</b>	<b>3.226</b>
- 2 * Registered Managers (shared across 6 properties)	0.156	0.156
- Capital Charge*	0.140	0.140
<b>Total Cost £m</b>	<b>3.504</b>	<b>3.523</b>

Estimated external residential cost		
No. of placements (2 children * 6 properties)	12	12
Estimated weekly placement cost	7500	7500
No of weeks	52	52
	4.693	4.693
Occupancy	85%	100%
<b>Total £m</b>	<b>3.989</b>	<b>4.693</b>

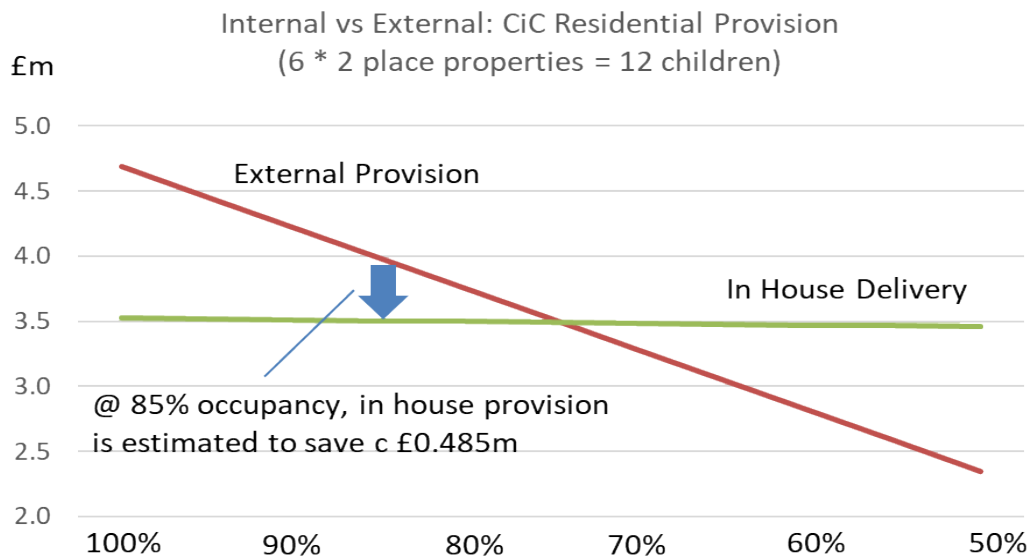
**Estimated Saving**

**0.485**

**1.170**

63. The 2 bed homes cost savings will range from £485k to £1.17m based on occupancy rate between 85% to 100%. There will be flexibility to operate on a solo basis, if appropriate, with the aim of preventing unregulated placements or alternative high-cost placements. Savings will still be achieved as solo placements/ unregulated placements can cost up to £14k/£15k per week.

64.SCC estimate that an average occupancy of 85% is deliverable and will provide a cost saving of circa £0.5m. If occupancy levels are higher then this could achieve additional cost savings; a minimum occupancy level of 75% must be achieved for the internal provision to be viable.



65. Whilst annual revenues circa £0.5m will be anticipated once the delivery model is fully operational, there will be some initial upfront costs for a period of time, prior to the children being placed, as there will be staff wages and running costs during the recruitment process and therefore the savings shown above will not be realised immediately. In 24/25 it is likely that the additional cost of £0.3m will be incurred in that initial transition year and the recommendation that this is funded from the Councils corporate transition monies.

£m	Yr1 24/25	Yr 2 25/26	Yr 3 26/27
<b>Capital</b>			
Acquisition and Refurbishment of 6 properties	2.4	0.1	
<b>Funded</b>			
Borrowing (PWL B)	2.4	0.1	
<b>Revenue</b>			
- Employees	0.7	2.7	3.0
- Other	0.1	0.4	0.5
	0.8	3.2	3.5
... versus			
Cost of external provision	0.5	3.2	4.0
<b>Net additional annual revenue cost / (saving)</b>	<b>0.3</b>	<b>0.0</b>	<b>-0.5</b>



### **Net Present Value (NPV) – Table (to be added)**

66. For any placements where there is an identified health need, SCC will be seeking funding from the Integrated Care Board (ICB). Continuing Health Care Funding would be sought where appropriate, which could provide an additional contribution to cover part of the placement costs. These would also include children who maybe stepping down from Tier 4 provisions or preventing them from admission.

### **Climate Change Implications**

67. Providing more residential homes in Staffordshire will align with the key principles of the Strategic Plan by reducing carbon emissions and business travel, as local authority practitioners (e.g. Social Workers/IROs) will spend less time travelling.

68. Carbon emissions will also be reduced when children have family time / school transport as they are closer to their home.

69. This proposal will add another property onto the Corporate property list, which will contribute to SCC's carbon footprint. Whilst refurbishing the property(s) it would be prudent to also consider the future energy efficiency and carbon footprint of the building and how these can be lowered/mitigated, so as not to impact negatively on our carbon emissions.

### **Conclusion**

70. Finding homes for children in our care is a priority. Whilst we recognise that work being undertaken nationally may assist the council in the medium to long term. Staffordshire County Council needs to act now to avoid further overspends by disrupting the market.

71. This report concludes that investing in internal provision will provide the quickest access to increased residential provision saving circa £0.5 million per year. As such we recommend work progresses establishing 6, 2 bed properties locally. In addition to committing to the WM regional frameworks which will supplement the capacity needed.

72. The development of the 6 internal homes together with work undertaken using the regional foster and residential frameworks will ensure a mixed market approach which is better able to:

- a. have the right C/YP, in the right place at the right time.
- b. have our C&YP living locally in the right 'home' to meet their needs.
- c. eliminate the use of unregulated arrangements.
- d. increase the number of C&YP who are able to return home.

## **List of Background Documents/Appendices:**

Appendix 1- Options Appraisal

Appendix 2- Time Line

## **Contact Details**

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