

Options Paper - Children's Residential Placements August 2023

Contributors:

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Overview:

Document Purpose

- To consider a range of options aimed at tackling the high level of spend on residential care for children.
- To identify and evaluate options, financial implications, and potential risks.
- To provide recommendations for consideration by Staffordshire County Council's (SCC).

Background

Overview

Our Legal responsibility

There is a legal duty for the Local Authority to understand if we have sufficient provision for children who need our care.

We are required to work with the market to shape it so that our children's needs are met.

We know that for some children a residential setting will meet their needs and we are required to ensure that children and young people can access the appropriate care in a home setting and it is compliant with appropriate requirements as outlined in guidance, regulation, and legislation, including those set out in the Children Act 1989, Working Together to Safeguarding Children (2013), the Children & Families Act 2014.

National and Local Context

Nationally, there has been an increase of 8.3% of children in care from 2020/21-2021/22 year, in Staffordshire's we have had a 20% increase.

There are 1401 children in our care up 110 from the previous 12 months.

This rise correlates with the increase in UASC.

Equates to 80 children per 10,000 of the population as opposed to the national average of 70. This is because children often stay in our care for too long.

We know that many children placed in residential care do not need this type of place but end up being placed there as there are insufficient foster carers.

Staffordshire has a budget of £18.1m for residential spend (non-disability), with a projected spend of £24.2m approximate overspend of £6.1m for financial year 2023/2024, which is not sustainable.

External providers are astute they know that the pressures in the market mean that they can charge a higher price and choose the children who they perceive will be easier to manage. Therefore costs for external residential care are rising.

Staffordshire has had an independent review by the LGA which considered the costs paid on residential provision and we are slightly below the average costs charged to other Local Authorities across our statistical neighbours. However, we are lower than the West Midlands.

Current Approach

SCC currently has limited in-house provision (5 units) and a reliance on the mainly private independent sector.

We have two In-house provisions for residential care and two homes to support short breaks.

These homes are 4 bed in-house short break disability homes, one 4 bed edge of care provision, one 4 bed short to long-term home (The Alders) and one 3 bed medium to long term home (The Firs).

On average 122 children are in independent residential placements, 24 of which have a disability. Only 88 needed residential provision therefore 10 are in these homes as there were insufficient foster care places.

The majority of placements are commissioned as part of the West Midlands Regional Flexible Framework Contract or through spot purchases if a framework provider is not available.

For more complex children this sometimes has not always been possible, so the Council is left with using more expensive residential placements or expensive unregulated placements.

Proposed Approach

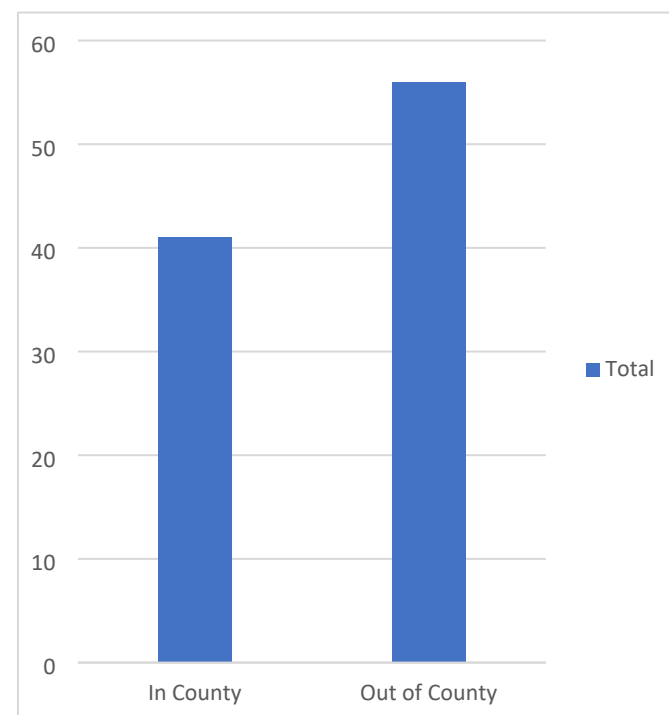
Intervene in the market to develop a more balanced mixed market economy offer, which reduces the reliance on the more expensive independent sector placements and eradicates the use of unregulated placements.

A focus initially on those 15 complex most expensive placements, with a plan to access smaller more cost-effective clustered properties initially in the key locations of Newcastle and Stafford.

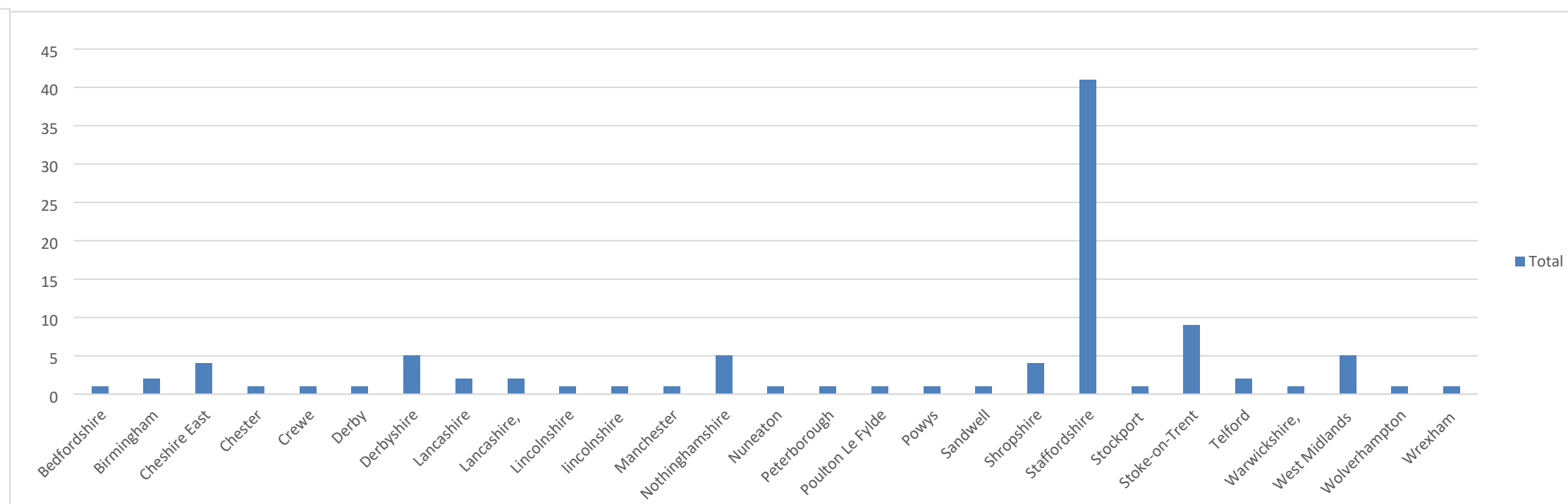
Overview of Children in Staffordshire

- Currently 1401 children in care, with approximately 8.7% (122 children) in residential provision. This is down from 10% over the previous years.
- Across Staffordshire there are over 500 independent sector residential beds excluding Stoke-on-Trent and market intelligence is indicating this will continue to increase.
- SCC is frequently competing with other authorities for placements and with children’s homes having a huge choice, finding a placement for a complex child becomes challenging resulting in the search widening further afield. This has resulted in approximately 57% of our children being placed outside of Staffordshire.
- Below table illustrates the locations where children are placed. Our ambition is for all children to be placed close to home.

Placements Inside and Outside of Staffordshire



Residential Placement Locations



Key Challenges

- There are insufficient smaller 1, 2 and 3 bed children’s homes. With demand outstripping supply there has been an over reliance on the independent sector; enabling providers to be more selective as to the children they will accept; SCC is often competing for places in Staffordshire with other LAs, which leads to providers increasing the price.
- 57% of our children are in out of county placements, despite the volume of independent residential beds in Staffordshire.
- Sourcing placements for the most complex children and young people, approximately 15 at any one time has become an increasing challenge in recent years. Settings have not kept pace and/or been able to recruit and retain people with the skills required to effectively care for these children.
- The children and young people that are harder to find homes for typically display aggression, violence, cause property damage, go missing, involved in criminal behaviour and/or drug taking and those children that have risks around self-harm, sexual harmful behaviour, and sexual exploitation.
- In 2022/2023, 32 placement breakdowns occurred which often increases costs as providers will expect higher payments to offer placements for these children.
- Providers are acutely aware of the risk of complexity and how this might impact OFSTED inspections adding to their reluctance to offer our children their homes.
- Occupancy of in-house provision has been limited due to staff skills, knowledge and understanding of these children. A new management structure has recently reviewed in-house provision and has already taken action to reduce staffing costs, improve the matching of children to these placements, to address previous issues relating to operating at full occupancy, and to deliver an improved in-house service.

Overview of Current Commissioning Arrangements

- In-house homes – The Alders – 4 bed (Tamworth)/ The Firs (new) 3 bed (Stafford)
- Residential Flexible Framework (129 providers) – expires Dec 2024
- Re-tendering the residential framework (Coventry leading West Midlands)
- Block Contract – commenced 2023.
 Mulberry Care – 3 Bed Home (Stafford) 2 bed occupied of the 3 currently.
 Beacon Care – 3 Bed Home (Rugeley) due to commence late-August.
- Usage - Framework Providers 70%, Spot Providers 30%
- Spot arrangements are considered once the above have been considered first. Average price variance of 46% more expensive for a spot.
- The current commissioning arrangements do not effectively address the needs of more complex children, leading to expensive alternatives or unregulated placements being used.

Current In-House Provision



Brunswick Place	The Alders	Hawthorns Resource Centre	Cannock Resource Centre	The Firs
<p>Edge of Care Service – providing short breaks support for young people on the edge of care and those with plans for reunification home or to kinship care.</p> <p>The home provides four beds for young people 11-17years.</p> <p>The property is a PFI building set in a suburban area near Stafford town centre.</p>	<p>Short to medium term provision to support an assessment process for young people with a view to have an exit plan to return home or foster care.</p> <p>The home is registered for 4 beds and plans to have an emergency provision with set criteria for admission.</p> <p>The property is in Tamworth, it is a semi-detached large, listed building.</p>	<p>Hawthorns provides short breaks for children and young people with learning disabilities.</p> <p>The service supports the LA in meeting its duties in line with the Short Breaks Regulations for young people with additional needs.</p> <p>The building is a PFI large ten bedded property adapted to meet the needs of the young people with additional physical needs. Located in Burton on Trent.</p> <p>The centre is registered for four beds for children and young people 8-17 years.</p>	<p>The purpose of CRC is aligned with Hawthorns. Located in the Cannock area.</p> <p>The service is currently suspended, we have requested the lifting of the suspension to resume operation at the end of December.</p> <p>The building mirrors Hawthorns in size and facilities, a PFI building.</p>	<p>The Firs is a four bedded property located on Newport Road, Stafford.</p> <p>The proposals are for the home to provide three long term placements for young people aged 11- 17 years.</p> <p>The property provides a family home setting the staff establishment compliment provides managers and residential workers with no cook or domestic staff.</p>

- The Firs is new children’s home which has recently been registered. recent review has proposed the sale of The Alders and the purchase of a smaller property.
- Hawthorn, Cannock, and Brunswick Place were PFI (private finance initiative) funded with leases due to expire in 2027, when SCC will take on full ownership.
- SLT paper taken agree the efficiency to reduce costs and improve the occupancy rates of homes

Financial Overview

- The current budget is £18.1m for residential spend (non-disability)
- There is a projected overspend of £6.1m for the financial year 2023/2024, so an overall budget requirement of approximately £24.2m.
- Due to the poor market conditions, cost of living, inflationary pressures unit prices have continue to increase, this is more noticeable for the more complex children.
- Despite residential numbers decreasing, this has not reduced the effect in the overall spend.
- This spend is not sustainable, and therefore alternative options to reduce this expenditure, especially for high-cost placements, have been considered in this paper.
- In August 2023, the top 15 highest residential costs range from £5,944.50 per week to £11,283 per week (p/w), with an average of £8,501 p/w.
- Unregulated costs can range from £9,995k to £19,404 p/w. Average fee for 23/24 is £13,560 p/w

Potential Options

Therefore, six options have been considered to address the challenges described above. The six options are outlined directly below, followed by the associated financial modelling. The below options can be implemented based a combinations of options, such as part in-house and part LATCO.

1. Expand the In-House provision.
2. Creation of a LA Trading Company
3. Block Contracting
4. Collaborative partnership with Registered Social Landlords
5. Collaborative partnership a private provider/voluntary sector provider
6. Acquisition of existing children’s home organisation

Options

Options	Strengths	Challenges/Weaknesses	Risks
1. Expand In-House Provision	<ul style="list-style-type: none"> • Direct control over the placements. • Priority to address the most complex cases and stop the use of unregulated and reduce out of county placements. • Cost effective as efficiencies have been identified that also allow for recruitment of specialist psychology services. • Can be attractive to some to work for a local authority. • Not for profit • Young people will have access to wider Children Services. • New management team will maximise occupancy and be persistent in preventing placement breakdowns. • Develop and grow own staff expertise. • Local provision based on the specific needs of the Council, and clustered to maximise use of registered managers. • Meets the desired mixed market approach. • Possible sale of surplus places if required. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Pay is comparable with the independent sector but overall SCC staff costs are higher. • Costs of delivery is higher than a LATCO in the longer term. <p>Challenges</p> <ul style="list-style-type: none"> • To ensure full occupancy, as this has been a challenge previously. • Timescales to become operational. Historically C&F purchasing/renovating new properties has taken time. • Staff skills, knowledge and practice needs to be improved. • Attracting and recruiting staff in a competitive and overstretched market although this has not been an issue recently. • SCC has previously struggled to recruit to in-house homes; however, this has not been the case recently. • Meeting Ofsted registration requirements. • Void costs awaiting Ofsted Registration. 	<ul style="list-style-type: none"> • Inability to recruit right staff. • Delays with acquiring properties and making them fit for purpose. • Community objections.

Options	Strengths	Challenges/Weaknesses	Risks
<p>2. Set up an LA Trading Company (LATC)</p>	<ul style="list-style-type: none"> • SCC owned company: 80% of all activity must be for the County Council. • C&F Service Level Agreement to direct the work of the LATC. • Governance arrangements include SCC SLT/Cabinet Members. • Commercially orientated but not for profit. • Commercial approach to managing void spaces. • Potential future income stream from 20% of its activity if not required by SCC SLA, sale of surplus places. • Lower staff costs in relation to superannuation. • Future SLAs with the LATC could deliver other C&F services e.g., fostering services. • Could be part of a mixed market economy model working alongside in-house provision, within in-house dealing with the most complex cases and the LATC working with other children. <p>Local provision based on the specific needs of the Council, and clustered to maximise use of registered managers.</p>	<ul style="list-style-type: none"> • Initial set up costs and then running costs. • Timescale to establish and recruit the right commercially orientated staff to a LATC. • A significant concern is around attracting and recruiting staff in a very competitive and overstretched market with less favourable pension scheme. • Staff skills, knowledge and practice needs to be improved. • TUPE implications, different T&C's for staff. • Staff costs potentially could increase later to attract staff therefore reducing overall benefits. • SCC would need to purchase properties. • Ofsted registration requirements. • Void costs while awaiting Ofsted Registration 	<ul style="list-style-type: none"> • Inability to recruit the right staff. • Timescale to establish a new LATC. • Potential redundancies as a result of changes.
<p>3. Solo block contract.</p>	<ul style="list-style-type: none"> • New providers now joining the market to offer solo provisions. • Matching issues would be removed. • Fixed prices for the duration of the contract which is likely to be lower than the general market due to guarantee of usage. • No competition for placements from other LA's. • Local provision based on the specific needs of the Council as opposed to a generic provision i.e., emergency. • Allow the development of a specification for a therapeutic approach. • Increased partnership working. • Previously went to cabinet previously for a block contract for the value of £5,957,120 but only awarded £1,255,800 which left £4,701,320 un-utilised. 	<ul style="list-style-type: none"> • The Council went to market last year with little interest. • Ongoing cost of vacant beds, as there is no guarantee the provider will accept. • Possible over reliance on the provision, leading to less engagement with external market. • Potential conflict between in-house and block arrangements as one may impinge on another in terms of usage. • Less leverage – Home may not be willing to take complex children as reliant on the registered manager who has the final decision to either accept a placement or not. 	<ul style="list-style-type: none"> • Little interest in the current market • Payment of void beds if placement is not made. • Not effectively accessing it for our most complex children may result in the SCC paying a premium for the placement.

		<ul style="list-style-type: none"> • Less leverage – Provider may not be willing to take complex children as reliant on the registered manager to make the ultimate decision. • Children already placed may not be from SCC and cannot be removed. 	<ul style="list-style-type: none"> • Provider may not have the same values. • May inherit poor quality staff, which may not be known until being operational. • Reliant on the skills/experience of staff that have been recruited.
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Financial modelling of the options

The following modelling outlines the comparative costs of the five of the options. The cheapest options are not in fact reasonable options as the market is not bidding for these within the external market.

Options	Capital Costs 3 x 2 bed homes	Revenue Costs	Total Costs (Year 1)	Revenue Costs 1 low to 6 high
1. In-House provision.	£1,290,000	£1,752,000	£3,042,000	2
2. Use of a Trading Company	£1,290,000	£1,757,000	£3,047,000	3
3. Collaborative Partnership model with a registered social Landlord	Rental Costs	£1,687,581	£1,687,581	1
4. Collaborative Partnership model with Independent/third sector Provider Est. £12k per home	£1,290,000	£1,872,000	£3,162,000	5
5. Solo Block Contract Est. £12.5k per placement	Zero	£1,950,000	£1,950,000	6
6. Acquisition of going concern (eg 7 solo homes)	£1,500,000 initial purchase	£1,800,000	£3,300,000	4

Please note:

- Options 1-4 financial analysis is based on 2 bed homes.
- Options 5-6 financial analysis is based on 1 bed homes.
- SCC would purchase the properties and lease to an SLA to the LATC.
- In-house model costs – is based on registered manager (RM) being shared over three properties.

	Run In House by SCC			Run by LATCO		
			Total			Total
Capital						
Acquisition of premises (3*2 place property)	3	£350,000	£1,050,000	3	£350,000	£1,050,000
Adaptations/Fittings	3	£40,000	£120,000	3	£40,000	£120,000
Furniture	3	£25,000	£75,000	3	£25,000	£75,000
Fees - legal/stamp duty/other contingency	3	£15,000	£45,000	3	£15,000	£45,000
			£1,290,000			£1,290,000
Funded						
Borrowing			£1,290,000			£1,290,000

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

70,100

70,100

	Occupancy	
	85%	100%
Revenue		
Running cost of 2 place home		
- Employees	0.473	0.473
- Premises	0.008	0.008
- Transport	0.018	0.018
- Supplies & Services	0.028	0.031
- Transfer Payments	0.002	0.002
- Fees	0.006	0.006
Sub Total £m	0.535	0.538
x No of Properties	3	3
Sub Total £m	1.604	1.613
- Registered Manager (shared across 3 properties)	0.078	0.078
- Capital Charge*	0.070	0.070
Total Cost £m	1.752	1.761

	Occupancy	
	85%	100%
	0.390	0.390
	0.008	0.008
	0.018	0.018
	0.028	0.031
	0.002	0.002
	0.096	0.096
	0.541	0.544
	3	3
	1.623	1.632
	0.064	0.064
	0.070	0.070
	1.757	1.766

	Occupancy	
	85%	100%
Estimated external residential cost		
No. of placements (2 children * 3 properties)	6	6
Estimated weekly placement cost	7500	7500
No of weeks	52	52
	2.346	2.346
Occupancy	85%	100%
Total £m	1.994	2.346

	Occupancy	
	85%	100%
	6	6
	7500	7500
	52	52
	2.346	2.346
	85%	100%
	1.994	2.346

Estimated Saving

0.243 0.585

0.238 0.580

Conclusion

The report highlights the current challenges facing the Council and it is evident that there needs to intervene in the children's homes market. Data clearly shows that Staffordshire does have the sufficiency within the County, however, accessing these placements has proven more problematic, with several factors influencing this, one being the high demand on placements often from outside of the County. This is more acute for the more complex children where providers can choose fewer complex children leaving our more vulnerable children with limited suitable placements. The paper has explored different options to weigh up the strengths and weaknesses of each one.

The report has also outlined the cost implications of six options but has split this into 2 bed homes and solo homes. It has considered the strengths and weaknesses of each option.

The Financial modelling shows the in-house vs LATCO model are similar in cost, however, there are concerns around being able to attract a workforce on less favourable conditions around pensions than local authority run homes within the current labour market. Recent examples of challenges in the market are the closing by Outcomes First Group of around 20 children's homes. We have also seen several smaller well-established homes either closing or not operating homes due to staff shortages. Therefore, with workforce shortages across the sector, having less favourable terms would be subject to difficulties in terms of recruitment but also ensuring that the appropriate skilled staff are able to be employed. In this sector a good workforce is imperative in order to manage our most complex children and it is not felt that this would be possible in the current climate.

In summary the expansion of the in-house provides the best possibility of meeting our needs in the short-term but also ensuring SCC meets all of our children needs regardless of their complexity and thus avoiding unregulated placements.

Recommendations and Projected Budget Requirement

The In-House option is the quickest way to increase capacity for placing the most complex children. This also supports the actions already taken by the new management team to tackle costs and improve the service. SCC will need to purchase properties for this cohort, but with the intention of buying smaller more modern homes that require less capital outlay than previous approaches.

The following illustrates the potential annual running costs and capital requirement for 6 in-house residential homes. It is based on 2 Registered Managers for 6 x 2 bed homes for a maximum of 12 children. Please note the in-house figure assumes 85% occupancy. The below table shows the capital needed and the running costs and potential savings.

	Run In House by SCC	
		Total
Capital		
Acquisition of premises (6*2 place property)	6 £350,000	£2,100,000
Adaptations/Fittings	6 £40,000	£240,000
Furniture	6 £25,000	£150,000
Fees - legal/stamp duty/other contingency	6 £15,000	£90,000
		£2,580,000
Funded		
Borrowing		£2,580,000

* Annual revenue borrowing costs (40 years @ 4.5%) 140,200

	Occupancy	
	85%	100%
Revenue		
Running cost of 2 place home		
- Employees	0.473	0.473
- Premises	0.008	0.008
- Transport	0.018	0.018
- Supplies & Services	0.028	0.031
- Transfer Payments	0.002	0.002
- Fees	0.006	0.006
Sub Total £m	0.535	0.538
x No of Properties	6	6
Sub Total £m	3.207	3.226
- 2 * Registered Managers (shared across 6 properties)	0.156	0.156
- Capital Charge*	0.140	0.140
Total Cost £m	3.504	3.523

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%
Total £m	3.989	4.693

Estimated Saving **0.485** **1.170**