

Executive

18 July 2019

Report of the Corporate Director of Children, Education and Communities
Portfolio of the Executive Member for Children, Young People and Education

Children in Care Residential Commissioning Plan

Summary

1. This report provides recommendations to develop the city's residential provision for children in care, creating nurturing environments informed by evidence based therapeutic practice, supported by step down foster care, which will better meet the current and future needs of children and young people in care aged between 9-18 years of age.
2. The proposals will ensure the council meets the statutory sufficiency responsibility outlined in Securing Sufficient Accommodation for Looked After Children, Department for Education (DfE) 2010, which places a duty on the local councils to have sufficient placements for children in care.
3. Cost and quality of placements are a significant challenge in an area of increasing demand, increasing complexity and increasing budgetary pressure. A lack of sufficiency within York's internal provision is leading to increasing usage of high cost private fostering and spot purchased out of area (OOA) residential placements. This is particularly prevalent within those more difficult to place cohorts such as teenagers and children and young people with more complex needs.
4. This report provides three options for the future of the council's residential provision for children in care.

5. The recommended option requires a capital investment and seeks to use and remodel existing budgets to improve outcomes. It is intended to respond to the current and future challenges of supporting children in care across the city, achieving better outcomes for them and stabilising Children's Social Care placement budgets.
6. At the heart of the recommended option is a systemic model that places children and young people at the centre and recognises their individual needs. The recommended option is intended to provide stable, child focused, family oriented and relationship based provision. This will result in fewer placement disruptions, increased stability which will improve outcomes for specific cohorts of children in care outlined in the paper. Residential provision will only be used when needed which is why the proposal incorporates step down foster care and supported accommodation.
7. The recommended option proposes the council purchasing 3 new buildings which will be leased to external providers to deliver residential care. Leasing properties and funding partnerships have been considered but are less cost effective, see point 37.

Recommendations

8. The Executive is asked to:
 - a. Agree Option 3, which is within the existing revenue budget.
 - b. Recommend to Full Council a capital budget of £1.36m, funded from prudential borrowing, to purchase 3 new buildings for the delivery of residential provision for children in care in York. The revenue costs of the borrowing will be met from existing revenue budgets within Children's Services.
 - c. Agree that delegated authority is given to the Corporate Director, Children, Education and Communities (CEC) to purchase the individual properties required for service delivery within the agreed capital budget.
 - d. Agree to implement the procurement process in line with financial and procurement regulations and appoint selected external provider(s)

- e. Agree that delegated authority is given to the Corporate Director CEC to grant a lease and agree its terms, of any purchased properties to the council's appointed service providers.

Reason: In order to develop the city's residential provision for children in care and ensure the council meets its statutory sufficiency duty.

Background

9. The local council has a statutory sufficiency responsibility outlined in Securing Sufficient Accommodation for Looked After Children, DfE, 2010, which places a duty on all councils to have sufficient placements for children in care.
10. Placement sufficiency is a critical issue in York and across the country. All local councils are increasingly using out of area placements from external providers to supplement their internal residential provision. External providers are private organisations that offer spot purchased placements at a significantly higher cost than internal provision.
11. The placement budget provides the biggest cost pressure in the CEC Directorate. In 2018/19 the budget totalled £6.6m however the costs of placements in the year were £7.1m. This was an overspend of £0.5m at the year end (General fund (GF) +£0.6m and Dedicated School Grant (DSG) -£0.1m). There has been growth received in this area for 2019/20 and the placement budget is now £7.1m.
12. York's current residential provision is a contract provided by Hexagon at Wenlock Terrace (WT) which is a 6 bedded home. The contract which started on 7th June 2013 and ends on 7th December 2020, is for 4 beds, with 2 beds being sold by the provider to other local councils, and 2 additional beds outside of York in other Hexagon residential provision. The occupancy rate for 2018/19 on the 6 beds was 71%.

Current situation

13. Children in care figures in York have remained relatively stable in a context of a national increase. York has a strong, stable and experienced group of foster carers who look after the majority of the

children in care. 65% of placements were internal provision at the end of 2017/18, in comparison to statistical neighbouring councils of 53%. The use of private / external provision is 17% in York versus compared with 33% for statistical neighbours.

14. In York more than 60% of the care population is aged 10+ and the number of 10-15 year olds in care is increasing. This correlates with the national picture of a rise in the children in care population of older teenagers, as evidenced within the Care Crisis Review 2018.
15. There is an increased complexity of need which is, in part, caused by young people entering care later in their childhood. This complexity means these children and young people are less successful in foster care. The current residential offer is not suitable resulting in decreased placement stability and poorer educational and social outcomes.
16. Innovative work is being undertaken in York to maintain and reduce the numbers coming into care. A renewed focus on early permanence prioritises decision making to achieve swift journey for children through care into adoptive or family placements. A strengthening of the Edge of Care service to include Family Group Conferences, supports and challenges families to build resilience which reduces the likelihood of a child being looked after. And a strengthened early help offer prevents the need for statutory Children's Services intervention.
17. There is also established work focused on managing care leavers transitions to adulthood. Care leavers are able to access a range of suitable accommodation options including City of York Council (CYC) tenancy through taster and trainer flats, supported and assisted housing and resettlement. This is an example of positive practice delivered through effective partnership and cross Directorate working.
18. Association of Directors of Children Services are working with Mutual Ventures to explore a regional model of commissioning and market management. There is particular focus on how local councils can collectively use their purchasing power to increase placement

opportunities, whether local councils can extend existing in house provisions and how best practice can be shared across the region.

19. Despite this work the residential sufficiency challenges remain in York. A gap and need analysis has been completed and identified the following cohorts of children and young people whose needs are not being met.

9 to 11 years

- Children aged between 9 and 11 years who have experienced trauma, struggle with behaviours, attachment and outcomes at school. They have experienced significant placement moves and disruption, which has compounded the trauma.
- Currently there is no residential offer for children 9-11 years within York

12 to 16 years

- Young people aged 12 to 16 years who have experienced a number of placement breakdowns and who experience significant challenges living in a family setting and achieving positive outcomes.
- Currently this cohort of young people presents the greatest challenge to matching at Wenlock Terrace.
- A lack of a step down to foster care placements can result in these young people remaining in residential homes longer than they need to.

16+ years

- Young people aged 16 plus, who have 'out grown' foster placements or residential provision and are ready to be supported into independence with a flexible and individual package.
- Currently these young people are often placed at Wenlock Terrace which presents a barrier to placing 13-15 years old young people.

Options

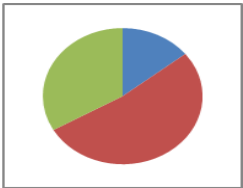
20. The sufficiency options have been developed following
- Analysis of sufficiency data contained within the updated Statutory Sufficiency Strategy

- Mapping of need of hard to place children and young people resulting in a gap analysis
- Predicted future placement demand based on current children in care data
- Market engagement through stakeholder event and follow up structured conversations with providers
- Collation of best practice from other councils
- Internal discussions with Procurement, Legal, Finance, Housing and Children’s Services.

Option One

Current position – No change

- Wenlock Terrace (WT) 6 beds delivered by an external provider
- Spot purchase Independent Fostering Agency (IFA)
- Spot purchase out of area (OOA) residential placements

Placement capacity	Beds	
– Wenlock Terrace (blue)	6	
– Spot purchase IFA (red)	22	
– Spot purchase OOA residential (green)	14	
– Total	42	

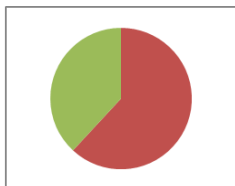
Revenue	
Annual revenue costs - General Fund (GF)	4 320 000
Dedicated School Grant (DSG)	
Capital repayments	0
Total Revenue costs	4 320 000
Annual variance to current budget	+151 000
5 year variance to current budget	+755 000

Capital	
Capital required	0
Capital receipts	0
Borrowing requirement	0
Annual repayment – 30 years	0

Option two

No City of York Council residential provision, spot purchase only.

- Sell Wenlock Terrace and have no internal residential provision
- Spot purchase IFA
- Spot purchase all residential placements

Placement capacity	Beds	
– Spot purchase IFA (red)	26	
– Spot purchase OOA residential (green)	16	
– Total	42	

Revenue	
Annual revenue costs (GF +DSG)	4 231 000
Capital repayments	0
Total Revenue costs	4 231 000
Annual variance to current budget	+62 000
5 year variance to current budget	+310 000

Capital	
Capital required	0
Capital receipts (Wenlock Terrace)	(825 000)
Borrowing requirement	0
Annual repayment – 30 years	0

Option three

Purchase 3 new buildings, adapt Wenlock Terrace and procure new external providers to deliver services. Step Down Foster Care

- 1x 2 bed therapeutic time limited residential provision (9-11yrs)
- 2x 3 bed therapeutic medium term residential provision (12-16yrs)
- Adapt WT to a 6 bed Supported Accommodation (16 -18 yrs)
- Step down Fostering offer
- Spot purchased IFA
- Spot purchased residential

Placement capacity breakdown	Beds	
– 1x 2 bed residential (9-11yrs) (Blue)	2	
– 2x 3 bed residential (12-16yrs) (Blue)	6	
– 6 bed Supported Acc (16-18yrs) (Blue)	6	
– Step down Fostering offer (Blue)	4	
– Spot purchased IFA (Red)	14	
– Spot purchased residential (Green)	10	
– Total	42	

Revenue	
Annual revenue costs (GF +DSG)	4 112 000
Capital repayments	55 000
Total Revenue costs	4 167 000
Annual variance to current budget	(2 000)
5 year variance to current budget	(10 000)

Capital	
Capital required	1.36m
Capital receipts	0
Borrowing requirement	1.36m
Annual repayment – 30 years	55 000

21. Consideration has been given to option 3 being delivered internally. The model relies on successful mobilisation / recruitment of residential workers and Registered Managers and will require additional management resources. The council would need to take on responsibility for this regulated the provision, which presents further risk in the context of outcomes and Ofsted.
22. There is no current internal residential unit cost for comparison but financial modelling work would suggest that a likely figure will be an additional £890 000 per year which equates to £4.5m over 5 years.
23. The following cost and budget assumptions were made in order to develop the cost analysis above

- The budget for CYC foster care (mainstream, connected and short break carers) was **not** included.
- Value of Wenlock Terrace is based on an external valuation of £825K
- Capital repayment is incorporated into revenue costs based on repayment over 30 years
- Capital budgets include fees, adaptation, Project Management, inflation and risk contingency costs
- Capital budgets are based on purchasing properties at market value and do not factor any rental income from external providers
- Revenue costs assume a continued use of DSG money.

Analysis - Options appraisal

Option One

Current position – No change

This option does not resolve current gaps nor improve future sufficiency

24. There will be continued matching challenges which will result in the increased numbers of children and young people being placed in Out of Area placements.
25. The option does not provide improved flexibility or required bed capacity in York.
26. The option does not address the gap around 16+ provision.
27. Matching challenges will continue to generate empty bed costs through a low occupancy rate.

Option two

No City of York Council residential provision, spot purchase only.

This option does not take a planned approach to meeting sufficiency needs, leaving the City of York Council vulnerable to market forces.

28. The lack of a contracted provision will mean that commissioning arrangements are not robust which will limit flexibility and control. The market is supply, not demand, led and is currently not meeting the flexibility and diverse sufficiency needs across a range of local councils. Without a block contract arrangement the risk of being unable to provide timely, quality and cost competitive placements increases.
29. Additional time, pressure and risk will be put on the procurement process to arrange and agree each spot purchase.
30. There would be no on-going revenue costs for running an internal provision however the risk of increased costs is significant due to market demand and inflation.

Option three

Purchase 3 new buildings, adapt Wenlock Terrace. Procure new external providers to deliver services. Step down Foster Care

This option increases sufficiency within the city by offering smaller homes for a wider age range and will improve outcomes for children in care.

31. The increased flexibility will result in less challenge in placing children and young people together which will increase bed occupancy and outcomes.
32. A systemic, therapeutic approach to residential provision will improve placement stability and outcomes for individual children in care.
33. Children and young people will not have to remain in a residential home longer than they need because of the provision of linked step down fostering placements.
34. There will be a reduction in the use of external placements for young people under 16 as this option offers more capacity.

35. The Supported Accommodation will provide an appropriate provision for young people aged 16+. It will offer better transitions to independence within York ensuring older young people in care, and care leavers, remain within the city.
36. This option enables a varied approach to meeting the sufficiency need which enables flexibility to respond to an increase or reduction in children in care figures.
37. City of York Council offering buildings at a reduced lease cost enables new providers to bid for service contracts which should increase the market interest and response. Alternative options have been explored including leasing properties or partnerships with Housing Developers and Social Finance. The purchase option provides the lowest revenue cost.

Recommended option

38. The recommended option is option 3 because it will deliver
 - Better outcomes for children in care , by enabling more children and young people with complex needs to be cared for in the city
 - Better outcomes for children in care due to a systemic, therapeutic approach focused on stability and maintaining familial relationship
 - Flexibility of provision will ensure children in care are placed in the home most suited to their needs, resulting in stability of placement and educational outcomes
 - Flexibility of provision which will increased bed utilisation providing better value for money
 - Enhanced future proof provision within the existing budget.

Implementation

39. A project programme using the council's 'All About Projects' methodology been developed that covers the 18 months from Executive approval. The project implementation will need to be complete by December 2020 when the existing residential service contract expires.

40. Decisions relating to the locations of potential new properties will need to consider the following areas / criteria
 - a. **Safeguarding** – properties will need to avoid proximity to crime hotspots and areas of safeguarding risk
 - b. **Connectivity** – properties will need to have good access to public transport
 - c. **Local assets** – properties will need to have good access to local services, schools, parks, leisure centres and sport facilities’
 - d. **Cost** – properties will need to demonstrate value for money in terms of accommodation and price
41. Property specifications have been developed and potential options have been mapped across the city in partnership with colleagues in Property services.
42. Procurement timeline has been drafted by the council’s procurement team to deliver service providers for new service specifications.
43. Registration of new buildings and provision with Ofsted has also been factored into the project programme.

Council Plan

44. Proposals directly relate to following council priority
 - A focus on frontline services - to ensure all residents, particularly the least advantaged, can access reliable services and community facilities

Consultation

45. Early discussions have taken place with children and young people through ‘Show Me That I Matter’ and ‘I Still Matter’. Consultation and engagement will continue following agreement to implement the recommendations. Conversations are taking place with residents at the current residential provision through their social workers, to ensure they are aware of future potential plans and changes.

46. Professionals and key partner agencies have been briefed and initial feedback collated in order to inform options proposed. Again consultation and engagement will continue following agreement to implement.
47. Market engagement has taken place with external providers to explore options, delivery approaches and the ability and capacity of the market to respond to what York requires. This engagement involved an information event and structured conversations with individual providers.
48. Leeds City Council as Lead Commissioners for the White Rose Framework have been consulted on plans and potential procurement routes.

Implications

Financial

49. The financial implications of different options are set out elsewhere in the report. The recommended option will require capital funding of £1.36m, with the borrowing for this being financed from within the service.
50. The expenditure incurred in supporting the current cohort of children and young people requiring a placement exceeded budget by £545k in 2018/19. The expectation is that, as numbers are likely to continue to rise in future years, this overspend will continue to increase. If more cost effective placement options are not developed then these additional placements will have to be made in more expensive IFA or OOA residential settings.
51. General Fund budget growth was provided as part of the council budget strategy 2019/20 into Children's Social Care and this additional funding will mean the recommended option can proceed within budget, and mitigate against future cost pressures in future years

Property

52. Children's Services will work in partnership with the Asset and Property Management Team to identify and acquire the properties needed. The stages are envisaged as follows;
- Identification of the specification of the number, type and location of those assets to be acquired to fulfil the service area need.
 - Property services will search for suitable properties which meet the specification falling within the budget parameters
 - Planning matters will need to be considered and along with the legal title of any properties identified (to ensure no restrictive covenants)
53. It is the Asset and Property Management Team's view that freehold purchase is the preferred route given;
- The council will have greater control over the existing and any future use of the property. This will also provide flexibility of any contracts to third parties, whilst proposed changes to the property will not necessitate any landlords' consents which could restrict use and incur additional costs
 - If the property became surplus to requirements in the future it could then be re-used for other council service needs or sold.
 - Future utilisation levels for the properties would be recommended to be monitored to ensure the right number of properties are purchased to prevent low utilisation and void costs.
54. The proposed capital budget is considered sufficient to purchase the new properties in Option 3. Inflation and risk have been priced into capital budget.

Human Resources

55. There are no staffing implications associated with the proposals set out in this paper, and specifically in relation to the recommended option put forward.

Legal Procurement

56. Legal Services have been made aware of the report and the proposals are within CYC powers.
57. The procurement method for any new service provision will be open and fair, through a transparent competitive process in line with both CYC constitution and UK / EU Law.

Legal Planning

58. Council planning legal advice has been sought to ascertain whether the use of a new property as a small children's home constitutes a change of use from C3 Dwelling House to a C2 residential institution classification. The legal advice has suggested that each new property would require a Certificate of Lawfulness for the proposed use.

Equalities

None at this stage specific to this paper

Crime and Disorder / Police

None at this stage specific to this paper

Information Technology (IT)

None at this stage specific to this paper

Risk Management

59. The following risks have been identified

Operational

- Doing nothing presents a risk to meeting outcomes for children in care
- Agreed option does not meet current or future sufficiency need or challenges
- Children in care numbers increase putting further pressure on placement sufficiency
- Lack of interest from the market resulting in no provider

- New providers do not deliver the required quality and outcomes for children in care

Finance

- Agreed option does not reduce cost pressure on placement budget
- Agreed option is not delivered within agreed capital and revenue budgets
- It cannot be guaranteed that the DSG budget can continue to be used for either CYC or OOA residential placements

Deliverability

- New option is not in place at end of current contract, therefore presenting a gap in internal provision
- Appropriate planning permission may not be granted for new residential homes
- Ofsted registration is not delivered in timescale delaying implementation
- Local community react negatively to new children's homes in their community

Reputational

- Lack of provision will result in the City of York Council not meeting its statutory sufficiency duty
- No new provision in place and the number of residential placements continues to rise. This present a reputational risk to CYC Children's Service with Ofsted.

Annexes

Annex A Better Decision Making Tool

Contact Details

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Implication Officers					
HR – Claire Waind / Lisa Pannitt Finance – Richard Hartle / David Mountain Legal – Procurement Walter Burns Legal – Planning Glen Sharpe Property – Nick Collins / Philip Callow					
Wards Affected: <i>List wards or tick box to indicate all</i>					All
					<input checked="" type="checkbox"/>
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