

**Meeting of the Decision Session – Cabinet
Member for Education, Children and Young
People**

25 October 2012

Report of the Assistant Director, Children's Specialist Services

**Children's Home Provision: Proposed Changes to Model of
Delivery**

Summary

1. This paper proposes a transfer of children's home delivery in York from the local authority to an external provider. The proposal is based on a review of our local placement usage over the past five years and a growing need for more specialist and diverse provision for fewer young people. The proposal helps to achieve significant budget savings whilst improving the council's ability to match local need with greater placement choice.

Background

2. Wenlock Terrace is the only City of York run children's home for children looked after by the local authority. It is a six-bedded modern unit with high quality facilities. The statement of purpose of the home is to provide care for young people for periods between 6-12 months by which time they would be expected to be returning to the care of their families or have moved to foster care.
3. Historically, whilst we have seen increases in the numbers of children in care, the demand for residential care placements has reduced. This is in keeping with our commitment to provide family based care for looked after children wherever possible. The closure of Bismarck Street children's home in 2006 reflected this changing pattern.
4. Within the agreed budget savings for 2012-14 was a requirement for £200k to be removed from the base budget for children's residential care. This proposal seeks to deliver these savings.

5. The views of the market have been gauged through an engagement event attended by 15 leading providers from private, charitable and social enterprises across the region. The event confirmed strong interest from this group, in bidding to deliver children's home provision in York. All of these providers would have the ability to provide additional places out of York for children who could not be placed locally.
6. In summary, we are seeking to implement a model of delivery for children's homes which maintains the availability and quality of provision whilst reducing costs by £200k. We estimate that we will require a minimum of seven such placements split between local and out of city.

Project Scope

Links & Dependencies

7. Our early intervention and prevention strategy is designed to reduce the number of children requiring public care in York. The predicted impact of this strategy on the number of looked after children has been taken into consideration when calculating the future requirement for children's home beds.

Summary Analysis

8. The proposal seeks to ensure a high quality provision that meets the changing needs of the city whilst reducing unit cost.
9. Our current arrangements include a mix of local provision at Wenlock Terrace and some spot purchased residential placements from external providers. The average weekly unit cost across both types of provision is currently £2,640. A review of the market suggests that the procurement of such an arrangement with a single external provider will significantly reduce these costs.
10. National benchmarking suggests that such costs are typically significantly lower than the above. This gives confidence that a new delivery model with external providers could deliver at least the expected £200k saving from the base budget.

11. These reductions must also be seen in the context of an overall reduced demand. However, within this reduced demand there is likely to be a need for a limited number of more specialist placements.
12. To test this model further and the predicted cost reductions it is necessary to go through a formal tendering process and this paper seeks agreement to pursue this activity. Soft market testing would suggest there will be significant interest from independent care providers.

Known Risks

13. The key risks identified are as follows:
 - timescales – financial savings were required as part of the 2012-14 budget setting and any delay to implementation will impact on the council's financial position
 - reputational – whilst any options proposed will be fully considered in terms of the quality of care provided and the impact on young people and staff, any change to the nature of the service provision may bring strong views and publicity to the project

Ensuring Quality of Provision

14. Any proposal for a potential transfer of our children's home service to an external provider must ensure that the delivery of a high quality and responsive provision is of paramount consideration.

Ongoing Independent Monitoring and Scrutiny

15. In any tendering exercise our expectations on quality will be explicit and prominent.
16. Any newly provided service will continue to be regulated by national children's homes regulations. These require monthly independent inspections by a service manager from the local authority.

17. In addition Ofsted undertakes two in-depth unannounced inspections of all children's homes both council and privately managed. The national minimum standards of children's homes provision are the benchmark by which these monthly and bi annual inspections are undertaken. The major emphasis is upon the positive outcomes for looked after children, in relation to their safety, health, learning and overall emotional wellbeing. The LA will not enter into a partnership with any provider who is not rated by Ofsted as good or outstanding for the delivery of children's residential care in all of their existing homes.

Local Authority Oversight of Provision

18. Through formal contract monitoring, the department will continue to expect provision that is judged at least good or outstanding by Ofsted of the service.
19. Any instance of a diminution in the standard or quality of service will be addressed by contract monitoring as well as Ofsted scrutiny.
20. There will also be ongoing involvement of social workers and independent reviewing officers with all of the looked after young people placed in any new service provision.
21. Any newly provided home will in short be a place where significant number of key local authority officers will be regularly visiting to oversee the progress of individual children. These officers will set expectations about the unit's role with individual children and monitor progress against those plans. This will afford individual scrutiny of service quality and responsiveness to the departments stated expectations.
22. For all looked after young people, they will continue to enjoy links with the LA York based children's rights service to address any concerns on an ongoing basis.

Members Visits

23. There are regular quarterly visits from three elected members to Wenlock Terrace children's home these would be continued as a stipulation of the contract after the transfer.

Improved Placement Choice and Resilience

24. There will be significant benefits from seeking a block contract with a larger provider of children's homes places rather than the current spot contracts for out of authority placements. These include training opportunities, expertise, and succession planning for senior staff skilled in managing homes.

Consultation

25. Staff at the children's home have been fully consulted about the proposals for savings in 2012-14. A small working group has explored options to reduce costs without recourse to external providers. This group has concluded that it is not possible to reduce costs sufficiently especially in light of current terms and conditions of staff.

Trade Union

26. These proposals have been discussed with Unison.

Options

27. Option 1 - York continues with current local, council provided children's home.
28. Option 2 - Transfer of local provision AND external beds to one organisation through commissioning.
29. Option 3 - Cease to make local provision and source all placements externally.

Analysis

Option 1

30. Council provided children's home and spot purchasing externally as required.
31. This affords limited scope to achieve the savings required as data for occupancy and unit costs indicate that the underutilisation of bed spaces in the children's home increases the unit cost for occupied beds. In short the current local demand for placements makes the maintenance of a six-bedded home run by the local authority inefficient.
32. Occupancy in 2008-11 was consistently 66% ie four beds occupied and two unoccupied.
33. 2011-12 indicated five beds occupied on average, but partially due to 0.5 bed nights per annum being occupied by out of authority young people (hence valuable income generation). The market for income generation (0.5 beds) added to the increased York occupancy (4.5 beds) in 2011-12 still results in an uneconomic unit cost circa £2640 per week per bed.

Option 2

34. Transfer of local provision and our need for external beds to one organisation.
35. The unit cost per bed week is dependent upon the tendering exercise in two parts. The cost consists of commissioning four, five, or six beds from Wenlock Terrace with a new provider and the cost of externally purchased beds with a commissioned provider (instead of current spot purchase arrangement).
36. Any contract for the transfer of the service to another provider would be dependent upon the scope for the new provider to engage a significant proportion of the staff on their own terms and conditions, thus reducing the financial cost of TUPE on the transaction. This scope is dependent upon the level of current vacancies.

37. A tender document would require specific information about the staffing expected of the home, with clarity of the likely proportions of staff remaining on TUPE arrangements and the vacancy situation.
38. There is a significant number of current staff exploring VR under the current invitation from the council. The actual costs of VR for 50% of the staff will need to be considered in the “one off” costs to achieve long term efficiencies.
39. Research was undertaken in January 2012. It indicated that there are private providers, who would consider the running of a children’s home in York. Another Yorkshire local authority undertook a tendering exercise in 2011, resulting in 20 tenders. Initial soft market testing suggested that a provider would aim to make provision in a block purchase at a significantly reduced unit cost.

Option 3

40. Cease to make local provision and source all placements externally.
41. Any decision about maintaining local provision will accord with the benefits that are generally evident for locally placed children.
42. York’s local extensive fostering provision (180 beds) is supported by the smaller availability of children’s homes beds (up to six beds) the recent Ofsted inspection of services for looked after children complemented the sufficiency of local looked after placement provision.
43. If local children’s home provision was to cease there is limited capacity in the private and voluntary sector to commission children’s homes places in the York, North Yorkshire or East Riding area. Provision is currently purchased in Manchester, Cumbria, Lancashire and West Yorkshire. For looked after children placed out of York/North Yorkshire, the continuity of multi-agency service provision is a great challenge particularly with reference to education and CAMHS provision.

Reasons not to Consider Options

44. Option 1 will not achieve the savings requirement, as the scope for utilisation of spare capacity and income generation have proved to be limited.
45. Option 3 will not enable the council to continue to meet its sufficiency duty for looked after children's placements. It would fail to deliver access to the albeit limited number of local placements that we still require.

Council Plan

46. These proposals contribute to the Council Plan priority:
 - Protecting vulnerable people

Recommendation

47. It is recommended that the approach proposed in option two is progressed. A full tendering exercise would then proceed to scope a block contract with a provider to take over the running of the children's home and leasing of the building and the provision of a defined number of block purchased external placements.

Reason: This option affords the scope for savings without any reduction in the quality of placements

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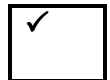
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Wards Affected:**All**

For further information please contact the author of the report

Background Papers

None

Annexes

None