

Title of report: Report to seek decision on recommended route to deliver registered residential children home provision in county for children and young people 11-18

Meeting:	Cabinet
Meeting date:	Thursday 23 November 2023
Cabinet member:	Ivan Powell, Children and Young People
Report by:	Corporate Director, Children and Young People
Report author:	Senior Commissioning Officer, Integrated and Direct Care Services

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Purpose

The purpose of the report is to agree the option to commission a single Supplier, through a competitive tender exercise, to deliver two, two bedded children's residential homes within Herefordshire to increase local sufficiency in line with Herefordshire Council's Placement Sufficiency Strategy for Children and Young people.

Recommendation(s)

That Cabinet:

- a) Approve the commissioning of two, two bedroomed children's residential homes within Herefordshire, through a procurement exercise up the maximum projected value of £1.3 million annually and £6.3million over a maximum of five years (3yrs with potential extension of 1 year + 1 year) which will provide local placements to four children aged 11-18);**
- b) Delegate authority to the Corporate Director - Children and Young People to approve all tender documentation;**
- c) Delegate authority to the Corporate Director – Children and Young People, in consultation with the Cabinet Member Children and Young People, to enter into a contract with the preferred Supplier following the tender exercise;**
- d) Following Political Group Consultation, approve officers to undertake work to also consider the option to develop an in house provision to further increase local sufficiency for children's placements. This will require sourcing accommodation via a capital bid, a report will come back to Cabinet at a later date.**

Alternative options

1. Do nothing. This is not recommended as it fails to address the identified need to manage arrangements more effectively and to meet the sufficiency requirements.
2. Ongoing work with Suppliers is considered business as usual and does not require specific action. There is no reasonable expectation from other Local Authorities to undertake work within our borders within the required timescale.
3. Options to purchase properties and run a Council owned Children's Residential Home, manage the market through local engagement or work in partnership with neighbouring LA were considered. At this stage, these options are not recommended as being viable or sufficiently impactful and use of capital funds will delay implementation. As per Councillor political briefing and CLT feedback phase 1 should focus solely on procurement and consideration as to capital projects should follow as phase 2.

Key considerations

4. As part of the ongoing working group, operational managers have consistently stated that in their experience the potential to match children and meet their complex needs is best undertaken within a smaller home. As part of ongoing market engagement all seven of the Suppliers asked indicated a strong preference for either a two or three bedroomed home. This model allows for consistency of staffing across the working week, for children to build relationships and to mirror

as closely as is possible a family based experience. Options to expand the contract and build additional capacity or deliver in-house provision will be explored as part of ongoing review of this contract and sufficiency.

5. A recent needs analysis undertaken for the period December 2022 to June 2023, indicated the demand residential placements for Looked after Children had declined from 14.9% to 10.9% however, the number of bed nights required has remained stable. Refreshed analysis undertaken October 2023 (Sufficiency report template Q2) reports both a reduction in residential placements made and % of placements made over 20 miles.

	Total number of children in care	Total number of residential placements recorded	Total number of placements over 20 miles	% of residential placements over 20 miles
Q1 2023/24	411	49 (11.9%)	33	67%
Q2 2023/24	412	44 (10.6%)	27	61%

6. In understanding this further, it is necessary to determine the location of homes and the purpose for placement. It is recognised that some children and young people need to be placed in specialist provision that may only be available out of area. For others there are sufficient local homes supporting disabled children. The demand for homes with a remit to support complex emotional, social needs and trauma will always be smaller than the total and will flex according to both individual need and market conditions. Therefore when considering the demand for residential placements it is also important to consider the type of placement required to meet the needs of the individual child. Whilst the aim would be for children to be as close to home as possible, this may not always be achievable in order to meet individual needs.
7. Herefordshire Council's Placement Sufficiency Strategy outlines plans to also increase sufficiency through foster care and other family based arrangements, it is therefore envisaged that children will increasingly be placed with either their family networks or within alternative family based arrangements. As local sufficiency for foster care and short breaks increases the demand for residential may reduce, this will reduce the demand for residential placements. Therefore the recommendation is to procure two 2x beds with flexibility within the contract to expand provision if needed. This approach will mitigate risks of voids and allow sufficient flexibility should strategic plans not deliver current expectations. The potential to build foster care capacity is particularly challenged by recruitment and retention issues locally, regionally and nationally.

Delivery of two x two bed homes is considered to be the most viable size to deliver occupancy at over 80%. Effective matching of children living in the home is essential to ensure the best outcomes for the children and achieve maximum occupancy of the properties. The children who will live in these homes may have needs that are hard to match such as risks of sexual exploitation and the complexity of matching increases with increased numbers of children to be placed. Thus, it is likely that if a third bed was available this could be routinely empty, incurring additional cost as full staffing will need to be in place at all times. Herefordshire Council are also seeking to normalise the experience of accommodation and are specifying that homes will look like any other in the community, to ensure that children have as close to a family environment as possible.

Senior operational staff have committed to the delivery of robust oversight of care planning to reduce any avoidable vacancies, with an emphasis on good care planning and effective matching. Once live this project will be reviewed routinely within existing care planning meetings led by the Service Director Safeguarding and Families and within contract monitoring.

8. The provision within county is expected to deliver improved outcomes, promote placement stability through effective matching, control costs and allow for effective collaborative working across partner agencies. As such, the recommendations deliver provision in the most advantageous manner.

Background

9. The regional hub reports that in 2021 Herefordshire had within the county 21 Ofsted registered Suppliers totalling 116 beds including Autistic Spectrum Disorder/Learning Disability (ASD/LD) capability. Ofsted reports that the North West of England accounted for the highest number of newly registered children's homes in 2020/21. The number of new registrations (199) and closures (67) within W Midlands indicates the lack of stability for children placed even when well matched. Members of the West Midland region Regional Authorities also report an increase in demand for bespoke packages for children and young people to include same day emergency placements, solo placements for complex cases, and children and young people subject to Deprivation of Liberty Safeguards orders.
10. The options report attached as appendix 1 relies on historical regional data but this is considered sufficient to indicate a direction of travel for further review. A detailed analysis was developed with partners alongside regional and national data sets and indicates a clear current need for residential Social, Emotional & Mental Health (SEMH) provision in area. Demand will be impacted by strategic plans to promote family based care and effective transition planning into adulthood. Review of progress and demand over the next five years will inform future requirements.
11. Commissioners have undertaken a range of market engagement activities, this has allowed the Authority to gain a clear picture of the market position and articulate to the market Herefordshire Council's vision for placement sufficiency. The aims of the market engagement have been;
 - a. To ensure Suppliers have a shared value of children being at the heart of all we do especially when it comes to placement decisions and good permanency planning
 - b. To ensure the market is clear that the Council wish to ensure residential provision is utilised effectively and that it supports appropriate care planning and supports reunification plans where appropriate
 - c. To ensure strong partnership and trust can be developed through the early conversations at engagement sessions
 - d. To assess current market conditions, the quality and sustainability of the market and explore the appetite of Suppliers to bid for a block contract with the Authority
 - e. To understand the budget envelope that provides value for money whilst reflecting market conditions.
12. Further to the request by CLT (Corporate Leadership Team) to undertake further market engagement and test the viability of our working assumptions, an open invite to engage in 1:1 conversations was published on the procurement portal. Meetings were set up with all interested parties (9) and a series of questions were provided. Questions covered implementation, expectations around costing, length of contract, barriers to effective procurement and appetite to work with Herefordshire. Feedback from 7 Suppliers who attended meetings can be seen in Appendix 3.

13. All Suppliers were asked to comment on their experience of managing block contracts for residential homes. All had experience and most stated that costs would be lower than spots. Potential weekly cost for 1:1 ranged from circa £4,500 to £7,000 but all stressed the need to clarify our expectations within the specification for training, experience, therapeutic intervention etc. to ensure comparing like for like. Suppliers indicated that this may bring down the costs. The Supplier quoting £7,000 said this was spot and couldn't comment on what reduction could be achieved. Most proposals were in the £4,500-£6,000 range.
14. Any procurement process undertaken will be in accordance with the council's contract procedure rules. The following timeline is indicative and aligns to both the market engagement feedback and officer guidance. Considerable work has been undertaken to draft the specification, however the indicative timeline is subject to the ongoing engagement work on the service specification.

Indicative Tender period	Early December 2023-Mid-January 2024 -6 weeks
Evaluation	Mid-January 2024-Mid-February 2024- 4 weeks
Intention to award and standstill	Mid-February –End of March 2024 -2 weeks
Award and contract signature	March 2024
Mobilisation	April 2024-March 2025 allowing a maximum of 12 month to first placement

Community Impact

15. Options explored within both the initial document and the subsequent business case indicate that the preferred recommendation is for the development of 2x2 bed homes in Herefordshire through a procurement process. The specification will be developed in collaboration with key partners include police, youth justice, public health, Integrated Commissioning Board (ICB) and education.
16. The homes will ideally be located near to public transport to facilitate access to school, family time and for other appointments.
17. The procurement exercise will explore options for social value and will seek to maximise the potential to engage with community networks. A key deliverable for this project will be that children see this as their home and invest energy into making it a safe and positive space whilst they live there.

Environmental Impact

18. The environmental impact of this proposal will be considered through the service specification, which includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management.
19. The specification will reflect Herefordshire commitment as outlined within the environmental policy.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

21. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our Suppliers will be made aware of their contractual requirements in regards to equality legislation.
22. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.
23. An Equality Impact Assessment has been prepared which is attached at appendix 2.

Resource implications

24. The Authority is already paying significant costs for a range of placements from various Suppliers, purchasing either through the Regional framework or on a spot basis. The recommended option gives the Authority the opportunity to develop an exclusive arrangement with a Supplier and control cost through the life of the contract. The option provides four placement opportunities meaning the Authority will not have to purchase these placements through other means. The budget for the contract will be funded from existing budgets. The aim is to achieve cost avoidance from the current spend incurred.
25. In order to provide assurance as to the viability of this project and specifically the potential to achieve occupancy at 80% or above and to achieve cost avoidance a review of young people requiring provision has been undertaken using the data as of 24/10/23.
26. The cohort who would be placed are more closely aligned to those featuring on the high cost log. Using the current spend profile of children within high cost residential provision, the Service Director undertook a point in time review and considered whether any child or young person aged 11+ could have been placed in the proposed provision had it been available and the potential to match between this cohort. From these findings the potential cost avoidance based on a projected bed charge of £6,000 against current spend was extrapolated. Appendix 4.

27. Having undertaken this review the following analysis and recommendations can be made.

- The specific children identified come up with the average weekly cost of £7,500 which on the basis of a £6,000 block bed price would mean a breakeven point of 79.6% occupancy.
- If the cap price within tender was reduced to £5,500 this would mean a breakeven point of 73% occupancy.
- Indirect costs associated with travel to include officer time, mileage, family time costs and transport costs to and from school are also higher when a child is placed out of county. Reduced costs will achieve further cost avoidance and mitigate existing budget pressures.

Modelling of costs associated with block arrangements at £6,000 and £5,500 per bed per week against an average current spend of £7,500 per bed per week indicate the potential efficiencies and risks associated with occupancy levels at 100% through 50%.

Occupancy	Cost at current rate (£7,500 per bed per week)	Cost at proposed rate (£6,000 per bed per week)	Annual Savings (Loss) (per bed per year)	Total Savings (Loss) (4 beds per year)
100%	£392,000	£312,000	£80,000	£320,000
80%	£313,000	£312,000	£1,000 (near breakeven point)	£6,000
50%	£196,000	£312,000	(£116,000)	(£464,000)

Occupancy	Cost at current rate (£7,500 per bed per week)	Cost at proposed rate (£5,500 per bed per week)	Annual Savings (Loss) (per bed per year)	Total Savings (Loss) (4 beds per year)
100%	£392,000	£286,000	£106,000	£424,000
80%	£313,000	£286,000	£27,000	£108,000
50%	£196,000	£286,000	(£90,000)	(£360,000)

28. Therefore using a bed price per week of £6,000 cost avoidance against average current spot price will be achieved at 100% through to 79.6% at which point costs are incurred. At 50% occupancy the cost to Herefordshire Council would be a total of £465,000 per annum.

29. Using a bed price per week of £5,500 cost avoidance against an average current spot price will be achieved at 100% through to 73% at which point costs are incurred. At 50% occupancy the cost to Herefordshire Council would be a total of £360,000 per annum.

30. Modelling of occupancy at 50% highlights a potential risk however this can be mitigated by having control over referrals through effective care planning, robust communication and risk management alongside robust contract management. This resource should not be used as a one-bed unit unless in extremis as this would be a false economy.
31. Financial analysis of the impact of sourcing 2x 3 beds indicates that the average cost to social care only across 9 children is £7,500 per week. If £6,000 per bed per week is block funded (£36,000) this equates to a breakeven point if we place at an occupancy of 79.6%
32. Modelling of travel costs associated with social care placements has not been available at point of writing however initial analysis of spend associated with SEND travel costs indicates that average costs for out of county commissioned placements are £7,500 annually against £5,000 for in county. Routes to out of county settings account for 24% of the service's current spend on third party Supplier. This is despite only 9% of CYP using SEN transport attending these settings. (PWC analysis in April 2023). One setting costs the Council £226k per annum for 8 students to be transported, averaging £28,250 per rider. For transparency this is a LD/ASD autism setting and students would not be suitable for the proposed provision, it does however evidence the potential financial risk associated with out of county arrangements. It is expected that the cost per out of county child will rise by the end of this year.
33. Opportunities exist to review current mechanisms for booking/commissioning of transport which may further reduce in county costs. Ongoing SEND sufficiency planning should allow children to be offered a school place locally, where this meets their needs, which in turn promotes outcomes and reduces spend. However, for out of county placements especially those commissioned with social care as 38/52 weeks where there is a requirement to transport children to school and for family time the potential to control cost is vastly reduced.
34. Where children are able to remain within a Herefordshire based school their EHC plan is retained and this ensures improved oversight through statutory meetings and routine engagement with schools. The potential to review need and ensure transition back into mainstream provision for children who have more complex SEMH needs is improved. SEND officers are actively engaged in the proposed project to deliver a residential home in county and will review any bid to ensure that the model delivers in line with statutory guidance and the SEN sufficiency plan.
35. Officer capacity will be required to undertake the initial procurement and ongoing monitoring.
36. Funds in the region of £500 will be required to support engagement of young people during initial procurement and ongoing oversight should this be approved.
37. The tender exercise will ensure that the best value for money solution is put in place. This will focus on the most effective model to block contract four residential placements to meet the needs of cared for children. The final financial implications will only be evident when the tender is complete and comparison to the reduced use of the external agency market is clear.

Legal implications

38. The Council needs to ensure that there is sufficient accommodation for looked after children and young people. This is delivered in the Council's [Sufficiency Strategy](#).
39. The duty on the Council under s22G of the Children Act 1989 is to take steps to secure, as far as reasonably practicable, sufficient accommodation within the authority's area.
40. The outcomes described in this report aims to deliver to those duties and the Strategy.

Risk management

41. This project depends on the:
- Appetite of Council and Members to support this project.
 - Availability of suitable houses and the local property market
 - Planning permissions if required.
 - Involvement of partners agencies
 - Experience and expertise to undertake required procurement and/or delivery
 - Occupancy levels being achieved
42. The risks associated with moving forward are well understood in terms of delay in achieving appropriate accommodation, achieving stable competent workforce, management of voids, procurement etc. However, the risk of not doing anything and being dependant on a chaotic market that benefits suppliers and is volatile are equally understood. It should be noted that any financial risk will sit with the Council if the breakeven occupancy is not achieved. Further detail and mitigation can be found in Appendix 5.
43. Currently children are being placed into accommodation that does not fully meet their needs and is often out of area. Placement stability is fragile and matching cannot be managed fully. Costs are rising and quality cannot always be guaranteed. Placing children out of county creates challenges for maintaining family contact, local networks and disrupts education.
44. Developing our own block arrangement will mitigate many of these risks however officer capacity and arrangements to monitor spend and outcomes for children will be needed.
45. Opportunities to reduce time and money spent on travelling to see children will mean better use of financial resources and officer time.
46. If approved, the Programme Board with identified Senior Responsible Officer (SRO) will continue to monitor the progress of any option selected and review identified risks.

Consultees

47. Engagement with young people has not been undertaken locally however the lead for corporate parenting has been able to reflect the feedback made available throughout consultation and engagement events. National feedback from Children in Care has been reviewed and is reflected in the core documents.
48. Further engagement is planned to seek out children and young people 11+ to work with officers to inform the following:
- 1) Development of specification to include staffing, training, physical requirements, performance indicators and programmes to support preparation for next steps
 - 2) Development of Invitation to Tender (ITT) questions to help shape our understanding of the proposal
 - 3) Interview – panel membership with support and preparation
 - 4) Engagement in ongoing review and monitoring

- 5) Young people who are offered a home within the provision will be enabled to be part of ongoing `home` management and will be encouraged to develop protocols for living within the home. It is expected that young people will be engaged to furnish their rooms and communal areas.
49. As part of the proposed procurement, officers would seek engagement from relevant local community networks and the police to inform any specification and location. Questions within ITT will seek to explore considerations for neighbourhood engagement, environmental impact and social value.
50. Political group consultation was undertaken on 5 September 2023. Members wanted to strengthen text describing the negative effects of placement out of area such as isolation and the potential for Herefordshire, as the corporate parent to raise standards for our children. Members suggested that a further option for consideration would be delivery of in-house provision with Herefordshire owned property and our own employees as stage two. Members wanted to explore opportunities for capital funding 2024-25 and agreed that this should be a separate and distinct business case. They supported progression with a procured option via business case to Cabinet in the first instance to avoid delay.
51. The full list of consultees is included in Appendix 6.

Appendices

Appendix 1 Options Appraisal
 Appendix 2 Supplementary Market Engagement October 2023
 Appendix 3 Equality Impact Assessment
 Appendix 4 Point in Time Review 24th October 2023
 Appendix 5 Risk
 Appendix 6 Stakeholders

Background papers

None identified.

Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	John Coleman	Date 27/10/2023
Finance	Sue Alexander	Date 25/10/2023
Legal	Sean O'Connor	Date 16/10/2023
Communications	Luenne Featherstone	Date 19/10/2023
Equality Duty	Harriet Yellin	Date 19/10/2023
Procurement	Lee Robertson	Date 13/10/2023
Risk	Chris Jones	Date 11/10/2023

Approved by

Darryl Freeman

Date 10/11/2023