



DERBY CITY COUNCIL

COUNCIL CABINET 27 November 2007

ITEM 12

Report of the Cabinet Member for Children and
Young People

Development of a Specialist Children's Home for Autistic Children

SUMMARY

- 1.1 The proposed development of a five-bedded children's home, specifically to meet the needs of autistic children aged 11 to 17 years, arises in the context of the 2007 – 2010 budget proposals.
- 1.2 Currently learning-disabled autistic children who need such placements are placed out of authority in residential agency placements. Care Matters indicate that the performance requirements for looked after children will be to place within a 20 mile radius.

RECOMMENDATION

- 2.1 To approve the development of a children's home for autistic children.
- 2.2 To authorise an application for prudential borrowing as the preferred funding route to deliver this project.
- 2.3 To request a further progress report on the funding and partnership arrangements as the work proceeds.

REASON FOR RECOMMENDATIONS

- 3.1 The development of a local children's home for autistic children will provide improved quality of care at a reduced cost to the Council and meet the new Performance Assessment Framework (PAF) requirement of accommodating children within 20 miles of their family home.
- 3.2 There are two options for delivery.
 1. Through the Council's own prudential borrowing arrangements and normal tendering once a site is identified.
 2. Discussions with the Local Improvement Finance Trust (LIFT) have indicated a keen interest in delivering the project. The LIFT team takes responsibility for finding a suitable site and for the design and build.

- 3.3 The savings realised from both options are very similar to each other. With the LIFT option the building does not come into Council ownership. (see 4.10) This weights the financial benefits clearly in favour for the use of prudential borrowing as the preferred means of procurement.

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COUNCIL CABINET
15 November 2007

Report of the Corporate Director for Children
and Young People

ITEM 11

Development of a Specialist Children's Home for Autistic Children

SUPPORTING INFORMATION

- 1.1 In Derby we currently have no long term residential provision for disabled children and specifically for children with a severe learning disability due to autism. In circumstances where the need arises for a child to live away from home, and where a residential placement is required, we have no option but to seek expensive external provision.
- 1.2 There are at least four young people whose educational needs were being appropriately met locally but who had to be placed externally due to breakdown of their home placements. The total cost of these placements ranges from £175,000 per year to over £200,000 per year split between the City Council and the Primary Care Trust. The projected demand arising from this need is projected to increase over the next 10 years and we do not anticipate any difficulty in achieving full occupancy of a 5 bed home.
- 1.3 The development of our own local home will enable our local education provision to be maintained and will also achieve costs efficiencies. There will also be benefits for children and families in keeping the provision local and also benefits to Adult Social Care for the transitional arrangements
- 1.4 Initial discussions with the PCT have indicated that they would be interested in this as a joint initiative. If the PCT do not chose the joint initiative they have already accepted a financial responsibility for the individual children through the Complex Needs Panel and fund accordingly. There is no additional financial risk to the Council if the PCT decide not to become a full partner. Current indications are that they will and the quality of partnership working in this particular area is very good.
- 1.5 The benefit of this is that the facility could be incorporated into the Integrated Disabled Children's Service as part of the Section 31 agreement. The necessary governance arrangements are all in place, management of the home would be through the Integrated Disabled Children's Service (IDCS) and this would be a logical positive addition to the service.

- 1.6 It is proposed that the likely financial basis for the new facility therefore would be on a two thirds/one third basis between the Council and the PCT although the Complex Needs Panel process enables negotiation between the partners should costs rise significantly from a young person's specific needs. Further work will be required here when the actual partnership arrangements are being drawn up and will be reported back to Cabinet in due course.
- 1.7 The development has financial benefits but also has substantial potential benefit for disabled children who require residential care. A local facility will enable them to remain close to their families and maintain continuity of their education and social links. The development will also have similar financial and qualitative benefits for adult social care services as young people who are placed away from home seldom return to their home city as adults.
- 1.8 Recruitment of staff to this specialist children's home and subsequent training and induction prior to bringing children back from agency placements will be required to meet OfSTED requirements. £90,000 would be required to enable recruitment and training to take place before opening. This funding will be required prior to savings being realised although it is likely that the facility will be opened during the financial year 2009 and the pump priming costs could be funded from the first part year savings.
- 1.9 The Light House was developed and delivered under a LIFT scheme. The partnership has been particularly successful both for staff and customers using the facility.
- 1.10 Some of the benefits in delivering the building through the LIFT option.
No capital funding is required prior to handover, there are therefore no upfront development costs or the staged capital payments required of a typical build required prior to realising the savings from bringing young people back to Derby based accommodation.
- LIFT has guaranteed that the building would be delivered within our timeframe.
 - The LIFT lease plus costs incorporate 20% year on year for maintenance, repair and replacement costs, £19, 755 p.a. on this option.
 - Accommodation for the young people we are targeting will have considerable wear and tear. The maintenance costs will be significant and increase year on year as the building ages. A LIFT building, have furnishings and fittings will be available throughout the 25 year lease period at the same condition throughout. It is fully life-cycled.
 - LIFT provides a maintenance person as part of the operational team and on-site regularly, ensuring that small maintenance tasks and requirements (e.g. shelves / water testing) are met promptly.
 - The LIFT lease costs include full maintenance, gardening, repair, replacement and decoration as the agreement retains the building at the same state as on handover (of building, equipment & furniture supplied at handover).
 - The Authority will not incur cost until the day of handover when the lease commences.
 - Some risks of the project are transferred from the City Council

- 1.11 Using Prudential borrowing has other benefits. In particular at the end of a 25 year repayment period the building is fully owned by the Council. There is also a greater flexibility in terms of being able to change the use of the building or to dispose of the building should conditions dictate. In order to balance the cost comparison an additional sum has been added to the prudential borrowing option which equates to the repair and maintenance element of the lease plus cost within LIFT. With such funding, an equivalent level of facilities management could be provided.
- 1.12 The ownership of the building at the end of either the lease arrangement under LIFT or at the end of the repayment period under prudential borrowing is critical in making a recommendation for the financing of the project. Under the LIFT option there is an option to purchase the building at the end of the lease at market value and this must be deducted from any realisable savings over the period. For the purpose of this report £1m has been deducted from the savings under the LIFT option. This is only an estimate at this stage and is there to demonstrate a reduction in the savings. It is highly likely that this figure is understated.

OTHER OPTIONS CONSIDERED

2. An options appraisal based on the current position is illustrated under Financial Implications

For more information contact:	e-mail: Jacqui.jensen@derby.gov.uk
Background papers:	development of a children's home: options appraisal
List of appendices:	Appendix 1 Implications

IMPLICATIONS

Financial

- 1.1 Derby City Council currently has a commitment of approximately £600,000 within its 2007/08 revenue budget for 5 places purchased from the independent sector to provide residential provision for learning disabled autistic children.
- 1.2 There are two options to consider for funding the development of the in-house provision, to build using traditional methods using in-house professionals and funding through Prudential Borrowing or by using the LIFT scheme.
- 1.3 Costs for a capital build using Prudential Borrowing have been estimated at £792,000 excluding the purchase of land. Land purchase for both options has been valued at £264,000. The LIFT scheme operates on a lease plus arrangement for 25 years and includes full maintenance and repairs of the building. The department has experience of delivering services through the LIFT scheme as the Light House Integrated Children's Disabled Service currently operates under this model.
- 1.4 Table 1 illustrates the financial implications of the two options over a 25 year basis. The cost of borrowing under the Prudential Scheme is £114,000 per year based on current interest rates of 6% compared to those of £90,072 under the LIFT option (RPI linked for future increases). 20% of the £90,072 LIFT cost is ring-fenced for maintenance, repair and replacement. Revenue costs are almost identical apart from the costs of maintenance and repairs which are included within the LIFT lease payments. All revenue costs would be incurred by the City Council as they would be the employer of the staff and responsible for the running of the building.
- 1.5 There are no likely revenue savings if contributions from the PCT are not generated although this is very unlikely. With PCT contributions at the current levels the total annual savings are in the region of £271,000 under the Prudential Scheme increasing to £314,000 under the LIFT option. These savings would be split between the City Council and the PCT on two thirds: one third basis under the partnership agreement.
- 1.6 In Table 1, the prudential option is based on loan repayments over 15 years and LIFT is based on a lease over 25 years. The 25 year savings have been calculated by assuming that the cost of borrowing on the prudential option will drop out after 15 years and all future savings have been discounted at a rate of 5%.
- 1.7 Current prudential regulations state that the maximum period for loan repayments is 15 years. This is likely to change with effect from April 08 with the loan repayment period reflecting the reasonable life of the asset. This would in effect mean that under the prudential option we could extend the repayment period to 50 years. In the event if this happening the projects have also been costed out over a 50 year basis. Table 2 illustrates the savings over a 50 year period.

- 1.8 The prudential option realises the greatest savings. This is primarily because within the LIFT option the purchase of the building at the end of the lease has been factored in. Savings do vary depending on the regulations around prudential borrowing but despite this they will be significant, in the region of £2.9 to £3.9 million over the life of the financing period.

Table 1 – 25 years savings, prudential borrowing over 15 years

	Option 1 – Prudential Borrowing	Option2 – LIFT
	£000	£000
Build design and development costs	843	799
Site / land costs (approx) ¹	264	264
Capital Costs (total)	1,107	1,063
Revenue Costs		
Staffing, Premises and other operational costs	524	524
Maintenance	19	0 ²
Cost of Capital / lease	114	90
Total Revenue Costs	657	614
Total Savings on CYP revenue budgets (cost of current placements)	600	600
Additional PCT contributions at current rates	328	328
Total annual revenue Savings	271	314
Total revenue savings over 25 years adjusted for net present value	4,455	4,253
Derby City element of savings (2/3rds)	2,970	2,835
Less Pump Priming Costs of £90,000	2,880	2,745
Less cost of purchase of building		(1,000)
Total savings	2,880	1,745

¹ The land cost is estimated at £264,000 to allow comparisons between the 2 build options, obviously is the land is more expensive the total cost will increase for both LIFT and Prudential borrowing options.

² £19.7 has been included in cost of capital for maintenance and replacement Group 2 equipment

Table 2 – 50 years savings, prudential borrowing over 50 years

	Option 1 – Prudential Borrowing	Option2 – LIFT
	£000	£000
Build design and development costs	843	799
Site / land costs (approx)	264	264
Capital Costs (total)	1,107	1,063
Revenue Costs		
Staffing, Premises and other operational costs	524	524
Maintenance	19	3
Cost of Capital / lease	68.5	90
Total Revenue Costs	611.5	614
Total Savings on CYP revenue budgets (cost of current placements)	600	600
Additional PCT contributions at current rates	328	328
Total annual revenue Savings	316.5	314
Total revenue savings over 50 years adjusted for net present value	6,067	6,019
Derby City element of savings (2/3rds)	4,045	4,013
Less Pump Priming Costs of £90,000	3,955	3,923
Less cost of purchase of building		1,000
Total savings	3,955	2,923

- 1.10 Pump priming costs for a 0.5 wte administrator of £14,000 are required to co-ordinate and support project management of the build. This will be funded from CYP existing budgets.
- 1.11 Pump priming costs in the region of £90,000 would be required to recruit and train staff before savings would be realised. These will be funded by the first part year savings as the home will be scheduled for opening during 2008/09.
- 1.12 Using prudential borrowing will require the early use of funds for the purchase of a suitable site. The issue of site identification is similar for either option and site complications could affect the delivery timetable for the project.

3 £ 19.7has been included in cost of capital for maintenance and replacement Group 2 equipment

Legal

- 2.1 The City Council entered into a Strategic Partnership Agreement (SPA) with LIFT and this can be used as a vehicle to procure new schemes without the need for competition. The LIFT co have an obligation to demonstrate VFM to the strategic Partnering Board (of which Derby CC is a member) before any contracts can be signed.
- 2.2 The Southern Derbyshire LIFT Company Ltd is a Public Private Partnership established by ExcellCare Ltd, local Primary Care Trust's and Partnerships for Health, to design, build, finance and maintain new primary and social care facilities in South Derbyshire. The Company has been formed specifically to participate in the Government's LIFT initiative aimed at stimulating investment and modernisation in the local health economy.
- 2.3 New facilities developed via the LIFT initiative will be owned by LIFTCo, with the public sector bodies paying rent to the LIFTCo for their occupation. The rental basis for the major occupier in each scheme is agreed through a Lease Plus Agreement (LPA). The Lease Plus payment provides the tenant with high quality serviced accommodation, fit for purpose and without the burden of backlog maintenance. At the end of the 25 year LPA the building could transfer to the City Council at market value or the LPA could be extended.
- 2.4 Under the prudential borrowing option the building is owned by the Council and there is an increased flexibility for potential change of use or disposal than within the LIFT lease plus arrangement.
- 2.5 The project will be subject to the normal competitive tendering requirements under EU regulations.

Personnel

- 3.1 Administrative support to assist the Head of Service with the project management of the children's home build is required, through the recruitment of a 0.5 project administrator for a maximum of 2 years.
- 3.2 Recruitment of a Registered Manager and staff team is required in the 10 months period prior to opening to enable safe recruitment, induction and training.

Equalities impact

- 4.1 This proposal, if accepted will allow the Authority to provide an improved quality of life and care experience for vulnerable disabled young people and their families.

Corporate objectives and priorities for change

- 5.1 This supports the corporate priority of **raising the quality of social care, improve the health and well being of communities and respond quickly and effectively to the needs of children, young people and their parents and carers.**