



Report sponsor: Andy Smith, Director for People Services
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Childrens Accommodation Strategy: Delivery of Small Children's Residential Homes

Purpose

- 1.1 The Cabinet report of 10 March 2021 'Provision of Accommodation for use by Children's Services', detailed next steps for refurbishing and managing two domestic properties within Derby City, to accommodate Looked After children and young people where a larger residential care setting would be unsuitable due to their complex specialist needs (formerly referred to as Cluster Homes). This report provides an update and variation in terms of this project.
- 1.2 This report requests approval to proceed with a compliant procurement process to secure an external Service Provider to refurbish these two properties, in addition to manage and operate the two new children's residential homes on behalf of the Council. This is part of developing strategic partnerships with Service Provider(s), as outlined in the Council's Children's Accommodation Strategy.
- 1.3 Maintenance of the properties will form part of the lease agreements including a full repairing and insuring lease to the successful Service Provider, outlining responsibility for on-going repairs and maintenance liability will be the responsibility of the external Service Provider.
- 1.4 To note the variation to the original proposal within the Cabinet report of 10 March 2021 is to procure an external Service Provider to undertake this project rather than to continue to develop this project in house.

Recommendations

- 2.1 To approve variation to the Cabinet report of 10 March 2021, and to therefore approve the commencement of a compliant procurement process to appoint an external Service Provider for the operational management of two small Children's residential homes, including undertaking the refurbishment work and on-going maintenance, as a proof of concept.
- 2.2 To approve the proposal to incorporate within the tender procurement process, capacity expand to a maximum of four additional properties, increasing to a maximum of six for the identified purpose within the procurement tender once the concept is proved effective, as determined by the Strategic Directors as set out in 2.5.

- 2.3 To note, effectiveness will be determined through robust contract monitoring of key performance indicators and compliance with the contract terms and conditions, including specification.
- 2.4 To note the Council's ambition to work in partnership with an external Children in Care residential Service Provider to test and deliver the model of an external Service Provider operating Derby City Council owned or leased premises for the purposes of a children's residential home.
- 2.5 To delegate approval to authorise the extension on successful proof of concept, to the Strategic Director of People Services, Strategic Director of Resources, and Strategic Director of Communities and Place, in consultation with the relevant Cabinet Member, to approve entering into contracts and/or agreements associated with the procurement of an external Service Provider to refurbish and operate children's residential homes.

Reasons

- 3.1 Following the March 2021 Cabinet Report, delivering this provision at these two properties in house has not been possible due to a number of factors, critically recruitment and staffing retention which has been a challenge within existing children's homes within the Council's Residential Service. For this reason, it is now proposed and recommended to deliver the service using a procured external Service Provider, as pressures within sufficiency of provision within Derby City are increasing. In addition, the Children's Accommodation Strategy contains recommendations to facilitate this approach as outlined within this report.
- 3.2 Increasing residential provision should increase our ability to meet our sufficiency duty.
- 3.3 A key aim outlined in our Children in Care (CiC) Placements Commissioning and Sufficiency Strategy 2020 – 2023¹ is for 75% of all CiC to be placed locally where appropriate. As of the 31 March 2021, of all Children in Care, 60% were placed within 20 miles of Derby (384 out of 642).

Supporting information

- 4.1 A children's residential home is considered small when it has the capacity for one to two placements.

¹ [children-in-care-placement-sufficiency-strategy-2020-23.pdf \(derby.gov.uk\)](https://www.derby.gov.uk/children-in-care-placement-sufficiency-strategy-2020-23.pdf)

- 4.2 The original Cluster Homes project began as a working proof of concept with the aim to acquire and refurbish two domestic properties that could accommodate one to two young people where a larger residential care setting would be unsuitable. The objective was to increase Derby City Council's internal placement availability to help meet the Council's sufficiency requirements and reduce placement costs. One property was purchased and the other is an appropriation. The Council has Secretary of State approval to transfer this one property from the Housing Revenue Account (HRA) to Housing General Fund (HGF).
- 4.3 Two properties have been sourced which have been incorporated into the Council's overall Children's Accommodation Strategy (Appendix A). This is to ensure a joined up strategic corporate approach and robust governance arrangements. Oversight of this programme of work will be maintained within the Corporate Delivery Group (Children's Accommodation).
- 4.4 Two placements have already been identified to transfer from external residential placements to these proposed smaller children's homes.
- 4.5 As of January 2022, the Council had 50 children and young people placed in residential homes, 12 placed internally and 38 placed in external residential settings. This is a reduction of four residential placements compared to 12 months ago.
- 4.6 After seeing significant increases in the number of children in care over the past few years, the numbers have now begun to reduce from a high of 671 in August 2021 to 625 in Jan 2022. Current projections suggest the demand for residential placements could remain fairly static over the next 12 months. Should the initial two properties not evidence scaling up, this would mean alternative provision would need to be sourced to meet demand.
- 4.7 There are currently four operational internal children's residential homes that have a maximum capacity to provide 20 accommodation places. These two additional properties will provide a further two placements for young people with complex needs (one placement per property). The Council and the Service Provider will work in close partnership to match the two placements for these homes, and work in partnership to provide wrap around services.
- 4.8 A compliant procurement process will secure a Service Provider to both refurbish and complete Ofsted registration for these homes, and to operate / manage the service and maintain the properties on behalf of the Council. This will include Council Heads of Terms to provide clarity on roles and responsibilities in relation to the properties. On-going maintenance will be the responsibility of the Service Provider.
- 4.9 The procurement process will be future proofed and will include the option for the Service Provider to operate an additional four smaller children's homes in the future, as part of developing further opportunities over the next 12 to 24 months. The procurement process will be to appoint a Service Provider to operate a maximum of six smaller children's homes. The procurement will provide an opportunity for Service Providers to deliver the additional units of accommodation utilising properties they bring forward themselves.

- 4.10 Subject to Council Cabinet approval, the procurement process, time for the Service Provider to mobilise, recruit staffing, undertake necessary building works, and progress Ofsted registration, the earliest that these homes are likely to operational is January 2023.

Public/stakeholder engagement

- 5.1 Soft market engagement has taken place, with two Service Providers responding during October to November 2021 to gauge the market interest for this arrangement to refurbish and operate Derby City Council owned or leased properties. There is interest from Service Providers as this approach currently operates in other Local Authorities.
- 5.2 Social value consultation will be undertaken prior to procurement and incorporated into the specification.
- 5.3 The Corporate Delivery Group which includes Council stakeholders for the Children's Accommodation strategy will oversee this project. A project group will be set up to oversee the detailed procurement process and operational delivery.

Other options

- 6.1 Sell the properties or appropriate them into the Housing Revenue Account (HRA). Due to the demand for affordable homes within the city a sale to the open market would not be recommended.
- 6.2 If this project does not progress, it is unlikely savings on existing external placements could be made, and outcomes for young people will be impacted. This option has been discounted as it is not in line with our strategic aims to develop residential provision within Derby and the Council's Children's Accommodation Strategy.
- 6.3 Progress the refurbishment work within the Local Authority and procure an external Service Provider to operate the homes.

Financial and value for money issues current costs

- 7.1 It is expected that the project will begin part way through the financial year 2022/23 therefore the maximum revenue budget envelope is £0.500m (part year effect) for financial year 2022/23, and a further £0.500m in 2023/24, giving a total annual budget from 2023/24 of £1m across the two initial homes identified. This budget provision is included the Council's MTFP for 2022/23 and 2023/24, and spend is subject to Cabinet approval of this report.
- 7.2 Two young people with complex needs have been identified to move to these proposed small residential homes.

- 7.3 The Council's corporate capital programme includes provision for £1.3m capital funding for the Council's Children's Homes Accommodation Strategy, which includes provision to refurbish these two properties. Funding available on the Council's capital programme to realise the Council's Children's Accommodation Strategy is detailed as follows:

Financial Year	£ per annum
2022/23	£250,000
2023/24	£450,000
2024/25	£600,000
Total	£1,300,000

- 7.4 A risk pot will be set aside from the capital provision to mitigate for contingencies and fluctuation in building costs.

Legal implications

- 8.1 The Local Authority has a duty to provide sufficient local accommodation (Sufficiency duty – Children's Act 1989).
- 8.2 A compliant procurement process will progress to appoint an external Service Provider to refurbish, operate and maintain the homes.
- 8.3 The period of the contract will be for an initial two small children's residential homes, increasing to a maximum of four additional small children's residential homes; therefore a maximum of six in total. The initial contract term will be up to a maximum of seven years with a possible extension period(s) of up to a maximum of three additional years, including appropriate break clauses; to allow all contracts to end simultaneously as new properties are brought into the contract. The contract value will be up to a maximum of £500k for 2022/23 for the initial two properties, and up to a maximum of £1m per annum revenue thereafter for the contract duration, in relation to the management, operation and service delivery in line with Ofsted Children's Residential Homes registration.

Climate implications

- 9.1 The refurbishment works will be carried out in line with the latest Building Regulations and approved documents on environmental performance.

Other significant implications

- 10.1 There are no HR implications in relation to this report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	17.2.22
Finance	Janice Hadfield, Head of Finance	17.2.22
	Toni Nash, Head of Finance and Organisation	16.2.22
Service Director(s)	Gurmail Nizzer, Director of Children's Integrated Commissioning	16.2.22
Report sponsor	Andy Smith, Director for People Services	03/03/22
Other(s)	Suanne Lim, Director of Early Help and Children's Social Care	23.2.22
	Linda Spiby, Head of Procurement	17.2.22
	Jayne Sowerby-Warrington, Head of Estates & Property Review	23.2.22
	Steve Caplan, Director of Property	23.2.22
	Karen Brierley, Principal Housing Development Manager	17.2.22
	Maria Murphy, Managing Director, Derby Homes	15.2.22

Background papers:	
List of appendices:	Appendix A – Children's Residential Accommodation Strategy

Childrens Residential Accommodation Strategy

Aims	Right placement, right time, right child	Value for money, good quality provision	Voice of the child	Best use of resource	Local sufficiency – 65% in Derby/75% <20miles	Maximise occupancy & stability – 80% occupancy
Principles	Mix of provision from public, independent and third sector providers	Mitigate risk & maximise occupancy through a mix of provision which is able to meet a range of needs	Market & cost management through being a local yet single commissioner	Leverage capital and value through hybrid/ partnership models and opportunities	Maximize use of existing local providers where feasible (rather than attract new)	Use of data to inform timely decision making and planning across the range of placements and provision
How	<p>Deliver planned internal specialist provision - Cluster and Annex</p> <p>Extend the Transition Homes pilot, considering recommendations</p> <p>Deliver planned UASC homes pilot</p>	<p>Review the size/mix of internal mainstream Childrens Homes estate to increase occupancy % informing future planning</p> <p>Consider:</p> <ul style="list-style-type: none"> • Optimal size • Costs of small homes/ multiple dimensions of care • Refurbishment/ changes timelines for internal provision 	<p>Establish Derby block contracts with D2N2 link, moving towards risk sharing and single commissioner arrangements</p> <p>Establish emergency, specialist, mainstream and flexible provision</p>	<p>Start small, with multiple flexible arrangements allowing scale up</p>	<p>Explore Partnership & hybrid model opportunities</p> <p>Review Support & Accommodation housing options for YP 16/17 yrs</p> <p>Deliver the planned Collaborative Specialist home (via DFE Capital)</p> <p>Test and deliver a hybrid model - 3rd party provider operating Derby-leased premises</p>	<p>Deliver Data Dashboard covering all placement types, finances and Preventative Impact</p> <p>Review budgets to consider split between internal and agency, and up to date child need</p>