

# Report to Cabinet

**5 February 2025**

<b>Subject:</b>	Opening of 'in-house' children's residential care provision
<b>Cabinet Member:</b>	Cabinet Member for Children and Education, Councillor Jalal Uddin
<b>Director:</b>	Director of Children and Education, Sally Giles
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Sally Giles, Director of Children and Education <a href="mailto:Sally_giles@sandwell.gov.uk">Sally_giles@sandwell.gov.uk</a>  Mandip S. Chahal, Interim AD for Commissioning, Partnerships and Improvement <a href="mailto:Mandip1_chahal@sandwell.gov.uk">Mandip1_chahal@sandwell.gov.uk</a>

## 1. Recommendations

For the reasons set out in the report, it is recommended that Cabinet:

- 1.1 approve up to £130,000 to be provided to Sandwell Children's Trust, as part of the Contract Sum, recruit a dedicated project manager for a period of up to 20 months whose sole responsibility will be to lead on the creation of two children's homes in partnership with the Council and a third-party provider;
- 1.2 approve the purchase and refurbishment of two properties to be used as children's homes subject to a satisfactory Capital Appraisal being agreed by the Executive Director - Finance and Transformation and demonstrating best value supported by an independent valuation / Homebuyer's report;

- 1.3 explore the feasibility of opening additional homes beyond the initial two noted in 1.2 above, as well as short-term provision that would provide overnight short breaks to children to help prevent them requiring full time care;
- 1.4 delegate authority to the Assistant Director – Legal and Assurance to make any variations to the Service Delivery Contract between the Council and Sandwell Children’s Trust required to allow the above course of action;
- 1.5 delegate authority to the Assistant Director – Legal and Assurance in consultation with the Executive Director of Place to simultaneously enter into a lease and service agreement with a third-party provider, as identified via open procurement led by Sandwell Children’s Trust, for the use of the properties purchased and refurbished to be used as children’s homes.

## **2. Reasons for Recommendations**

- 2.1 Local Authorities have a duty to place children close to home. The Children Act 1989 22C (7) to (9) places a duty on local authorities to ensure, as far as reasonably practicable.
- 2.2 Research highlights that the current market for children's homes is not benefiting local authorities, providers, or children due to a mismatch between demand and supply, and a lack of flexible, responsive residential options.
- 2.3 By owning and managing our own children’s homes, the Council and SCT can ensure higher standards of care and better oversight, leading to improved outcomes for children. This approach can be more cost-effective compared to placing children in private homes, where demand led pricing can occur.

2.4 Submitting a bid for capital funding from the Department of Education may secure additional financial resources, reducing the financial burden on the Council.

### 3 How does this deliver objectives of the Council Plan

Growing Up in Sandwell	<p>SCT works with families, foster carers, schools, statutory and voluntary providers to support the achievements of vulnerable children and those in the care of the council.</p> <p>SCT works to ensure that children in the care of the Council receive the support and opportunities that any parent would give their child.</p>
Living in Sandwell	<p>SCT ensures coordination between social care and the NHS to better protect vulnerable children.</p> <p>SCT supports families to improve children's life chances.</p> <p>SCT works closely with the police to ensure that children are protected from the impact of crime, domestic violence, and all forms of exploitation.</p>

### 4. Context and Key Issues

4.1. The Children Act 1989, section 22(3), mandates local authorities to safeguard and promote the welfare of children in their care, a responsibility known as 'corporate parenting.' This involves Sandwell Council, its members, employees, and partner agencies collectively ensuring the best possible care and safeguarding for these children.

4.2. Section 22C(7) to (9) of the Act requires local authorities place children in care as close to home as possible, ensuring:

- 4.2.1. Placement is within the local authority's area (Sufficiency Duty).
- 4.2.2. Their education is not disrupted, especially during Key Stage 3 as they transition to secondary education, and Key Stage 4 as they prepare for their GCSE exams.
- 4.2.3. Siblings in care are placed together.
- 4.2.4. Accommodation is suitable for disabled children.

**4.3.** In January 2024, OFSTED published a report on the need for stability and permanence for children with complex needs. The report, aligned with the Nuffield Family Justice Observatory study, defining 'complex needs' as children with multiple, overlapping needs requiring a collective response from multiple agencies. It emphasises that the combined impact of these needs, rather than the severity of any single need, increases children's vulnerability. These needs include:

- 4.3.1. Mental health needs just below the threshold for specialised services.
- 4.3.2. Behavioural needs leading to safeguarding concerns, such as aggressive or sexualised behaviour and risk of exploitation.
- 4.3.3. Behavioural needs connected to learning difficulties, including communication and sensory needs in children with ASD and ADHD.
- 4.3.4. Physical health needs requiring specialist equipment or nursing care.

**4.4.** A survey conducted by the Local Government Association (LGA) in late 2023 revealed significant findings about the costs and challenges of children's social care placements in England:

4.4.1. **Overspending:** Local authorities spent approximately £4.7 billion on children's social care placements in 2022/23, exceeding the budgeted figure by nearly £670 million. The expenditure for 2023/24 was projected to be even higher, at £5.4 billion, with an expected overspend of around £680 million.

4.4.2. **High-Cost Placements:** The number of placements costing £10,000 per week or more has increased dramatically, from 120 in 2018/19 to over 1,500 in 2022/23, driven by a lack of provider choice, challenging behaviours, and complex mental health needs of children.

**4.5.** In 2022, Ofsted investigated how local authorities fulfil their sufficiency duty to provide homes for children in care, highlighting challenges and barriers. The Local Government Association's commissioned research by Newgate identified that the market is not benefiting local authorities, providers, or children, with a mismatch between demand and supply, and a lack of flexible, responsive residential provision.

**4.6.** As of March 2023, the top 10 children's home providers accounted for 30% of all homes. Half of the top 20 providers are owned by private equity or sovereign wealth funds. The combined fee income of 19 of these 20 providers was £1.63 billion, with an average growth of 6.5% over the previous year. We do not have figures for the largest provider as they are wholly privately owned and do not publish this information.

**4.7.** An independent review of children's social care, led by Josh Macalister and reported in May 2022, found that private providers often build residential homes in areas with the cheapest property and land prices. This strategy lowers costs and increases profits but results in some local authorities having an oversupply of unsuitable homes, while others have no local provision at all.

- 4.8. The proposal to develop internal residential provision outlined in this report is part of a wider programme of activities undertaken by the Children's Partnership to safeguard young people and support them and their families to achieve positive outcomes. These activities focus on prevention, building on family strengths and networks to enable children to remain safely at home within their communities. The approach is personalised, emphasising a deep understanding of each child's needs and creating high-quality support plans tailored to their circumstances. Wherever possible, Partners prioritise keeping children within their local communities to maintain vital relationships and ensure they live in homes that meet their diverse needs. For care-experienced young people, we strive to provide them with choices of home and support as they transition into adulthood, equipping them for independent and fulfilling futures.
- 4.9. The delivery and development of all of the activities outlined in the previous paragraph are informed by the Government's Policy Statement – Keeping Children Safe, Helping Families Thrive (November 2024), which outlines the government's commitment to whole system reform of the children's social care system.
- 4.10. For the past 6 years, Sandwell has gradually reduced the number of children we care for, from a high of 890 in April 2018 to 833 in April 2024.
- 4.11. Sandwell's use of residential children's homes is lower than the national average, 7.6% of all children in care (63) as of April 2024 compared to 11% nationally.
- 4.12. The average cost of a placement in 2023/24 was £6,400 per week, per child in residential care, this does not reflect how widely the cost of a placement can vary. In 2023/24 Sandwell had 13 children whose care placement cost more than £10,000 per week.

- 4.13. Taking a snapshot in April 2024 the weekly cost of residential care was approx. £403,200 (63 children x £6,400).
- 4.14 When a home is sought for a child or young person we care for, consideration must be given as to how the home would be able to meet their needs, alongside the needs of any other children that live in the home. As the size of home increases this matching of need becomes more difficult. Given that Sandwell is seeking provision for children with complex needs this makes sourcing a home more difficult.
- 4.15 The majority of homes in Sandwell are for three or more children. The supply of smaller homes is limited. While discussions have taken place with providers to encourage them to open smaller homes this has not translated into smaller homes being created. Smaller homes will tend to cost more per child to operate and therefore potentially have smaller profit margins.
- 4.16 Following soft market testing and analysis of fees paid across the West Midlands for 2-bed provision it is estimated that the weekly cost per placement in each home would be between £6,000 and £7,000.
- 4.17 The estimated weekly cost is higher than the average price currently paid across the entire cohort of children living in children's homes however, on the basis that we would seek to utilise the homes for children with complex needs it is expected we would see fewer children in the costliest placements.

## Estimated cost based on internal structured model and existing profile of spend

	Annual Cost of a 2 Bed Home
Estimated Annual Cost – in house	£6,900* x 2 beds x 52 weeks = £717,600 per annum
Estimated Annual Cost – Third-party provider	£6,500** x 2 beds x 52 weeks = £676,000 per annum
Estimated Annual Cost external provider	£9,000*** x 2 beds x 52 weeks = £936,000 per annum

\*estimate cost based on modelling of the cost of a 2-bed provision

\*\*the estimated cost for a third-party provider is based on the soft market testing undertaken and their current fee levels for 2 bed provision

\*\*\*The approximate cost currently being paid for a young person with complex needs

4.18. Aside from the financial benefit of opening homes in Sandwell, that are available for our exclusive use, there are other benefits which are significant:

- Children can stay connected with their family, friends, school, and community, minimising disruption to their support network and sense of belonging.
- Staying in the local area allows children to continue their education in familiar schools, reducing academic disruption and providing a sense of normalcy.
- Children can access familiar healthcare providers, therapists, and other support services, ensuring continuity of care and easier coordination.
- There is better oversight of children placed within their area, allowing for more regular monitoring and support.



- 4.19 Following analysis of the market and an assessment of the skills set required to successfully develop residential homes it is proposed that an experienced third-party organisation will be procured to operate the homes.
- 4.20 The Council, or SCT, has not directly operated a children's home provision since the last Council-owned home was closed in 2013. Therefore, both organisations have limited experience in successfully managing such a provision. For this reason, a third-party organisation will be procured to operate the homes.
- 4.21 The in-house delivery by Sandwell Council and Sandwell Children's Trust, in partnership with a third-party provider, has been costed at £130,000. This will cover three phases: procurement, mobilisation and operationalisation with an experienced project manager recruited by Sandwell Children's Trust to oversee and lead each phase.
- 4.22 It is aimed that two properties are purchased and refurbished to be used as children's homes. This process involves sourcing suitable properties, obtaining any necessary planning permissions if required, and refurbishing the properties to meet required standards. According to Rightmove, the average price for a detached house in Sandwell was £395,093 in 2023.
- 4.23 These homes will be detached properties, designed to comfortably accommodate two children, with additional space for staff accommodation, an office, and outdoor areas.

- 4.24 Each property will require some level of refurbishment, ranging from simple decoration and fire protection upgrades to full-scale renovations. The refurbishment costs are estimated at up to £1,200/sqm. For a home of approximately 115 sqm, the maximum refurbishment cost would be £143,750. A further £25,000 would be required for design and other associated fees.
- 4.25 The total estimated capital cost for each home would be £600,000. This figure includes a 10% contingency.
- 4.26 On 5 November, The Department for Education (DfE) announced the complex Needs Open Children's Homes Capital Investment grant. This is a competitive grant that is open to Local Authorities to fund up to 50% of the capital costs of creating new residential care placements for children with complex needs and challenging behaviour.
- 4.27 The Strategic Investment Unit will undertake an appraisal of the capital bid, once drafted, with the intention being for the Council to seek up to £600,000 from DfE towards the creation of two homes. If the Council were successful in securing funding it would reduce the capital requirement from the Council's capital funding.

## **5. Alternative Options**

- 5.1. Sandwell Council could do nothing and allow the sector to continue to develop independently. Purchasing placements for children as the need arose via the regional framework agreement or spot purchase. The national average cost of a residential care placement has risen by 14% over the last 12 months, there is no indication that this rate of increase will reduce, therefore a do-nothing approach will likely lead to further budget pressures.

- 5.2. As an alternative to purchasing and refurbishing two properties the Council could build the homes, however there would be a longer lead in time for this as land in suitable locations would need to be sought, design work would need to be undertaken, planning permission would need to be gained before building work could commence. None of this work could commence until a third-party provider is appointed as the location and design would need to be done in consultation with them to ensure the homes are suitable for use as children’s homes. that meets the needs of young people. The lead in time for building would be significantly longer than purchasing and refurbishing properties.
- 5.3. The availability of land would be a limiting factor as any plots identified would need to be in residential areas to ensure that OFSTED would consider them for registration.
- 5.4 Sandwell Children’s Trust could independently develop and manage the children’s residential homes. Following a needs assessment, it is felt that the specialised skills set required to successfully deliver this project are more effectively accessed through a strategic partnership with an experienced provider residential children’s home.

**6. Implications**

<b>Resources:</b>	<p>Sandwell Children’s Trust received an annual contract sum to deliver the Council’s statutory responsibilities for children’s social care, and to provide targeted early help services in 2024/25. This is a revenue budget and does not include an allowance for significant capital spend.</p> <p>The funding required, £130,000 for the project lead, to deliver the residential care project will be provided through the conversion of capital receipts. This is due to the proposed activity being transformational in</p>
-------------------	--

	<p>nature. The Council has not operated a children's home, either directly or via a partnership arrangement for over ten years.</p> <p>The Council's Capital programme includes an allocation of £1.2m for the purchase of properties to be used as children's homes.</p>
<p><b>Legal and Governance:</b></p>	<p>A children's residential care home run by Sandwell Metropolitan Borough Council either directly or via a commissioned provider supports the LA in delivering a range of statutory duties as laid down the Children Act 1989, the Children Act 2004, the Children Leaving Care Act 2000 and the Children and Social Work Act 2017.</p> <p>The development of a children's residential care home in accordance with this report would require the procurement of a range of construction and consultancy services contracts, all to be procured in compliance with the Council's Constitution and the procurement legislation in force at the time the procurement process begins. If procurement activity takes place on or after 24 February 2025, the Council will be required to comply with the requirements of the Procurement Act 2023.</p> <p>As the intention is for Sandwell Childrens Trust to assume responsibility for the appointment of a third-party provider to operate the care home, this activity will similarly be subject to such procurement requirements set out in the relevant legislation.</p> <p>It is noted that the Council would retain ownership of any property purchased to be used as a children's home. Consequently, service and lease arrangements</p>

	<p>will be drafted to ensure that they are capable of being entered into and terminated simultaneously.</p>
<b>Risk:</b>	<p>The Corporate Risk Management Strategy (CRMS) has been complied with – to identify and assess the significant risks associated with this decision / project. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks.</p> <p>Based on the information provided, it is the officers' opinion that for the risks that have been identified, arrangements are in place to manage and mitigate these effectively.</p> <p>If this report is not agreed, then the council will risk increasing costs from placement providers to ensure our children are accommodated in safe provision that meets their needs which may be outside of Sandwell.</p> <p>The council's directorate risk register currently includes an amber risk in respect of the local community where the properties will be located. The recommendations above if approved, will assist in the continued mitigation of this risk.</p> <p>Sufficient mitigation measures are being managed to ensure that the transition to the new children's residential homes is smooth, while minimising any adverse impacts on the local community and maintaining the highest standards of care for the children.</p> <p>A project risk register will continue to be managed during the lifetime of the project to ensure that time, cost and quality are continually monitored to mitigate any risk to the council once the project is finalised. There are currently no significant risks identified.</p>

<b>Equality:</b>	The children's home will provide a safe and familiar environment for children with complex needs. It will be inclusive, catering for children regardless of background, ethnicity, gender, or disability. The home will be fully accessible, and staff will be trained in cultural competence and sensitivity to ensure non-discriminatory support.
<b>Health and Wellbeing:</b>	<p>The children's homes to be created would be for children who have complex needs. This would include children and young people who may otherwise be subject of a Deprivation of Liberty order or access to a tier-4 mental health provision.</p> <p>Children that will live in these homes will be able to access direct support from CAMHS should they need it as well as indirect support though support being provided to staff who will care for them.</p> <p>The provision would potentially reduce the need to place children in unregulated placements where they are less safe.</p>
<b>Social Value</b>	Opening local children's homes will increase opportunities for local employment, the procurement of the third-party provider will include social value requirements.
<b>Climate Change:</b>	As part of the property refurbishments, we will use low carbon emission equipment and eco-friendly, sustainable building materials, along with energy-efficient items.
<b>Corporate Parenting</b>	Ensuring that children we care for, and care experienced young people are able to live in homes that provide high quality care that is close to their wider support networks will support the Council in delivering its corporate parenting responsibilities.

## 9. Appendices

Residential feasibility report

## 10. Background Papers

How local authorities plan for sufficiency of accommodation that meets the needs of children in care and care leavers, Ofsted, 18 November 2022

LGA Children's Home Research, Newgate Research, January 2021

<https://www.revolution-consulting.org/wp-content/uploads/2023/09/Alt-Profit-Making-and-Risk-in-Independent-Childrens-Social-Care-Placement-Providers-final-2023.pdf>

CMA Children's Social Care Study, March 2022, [Final report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/final-report-cma-social-care-study-march-2022.pdf)

Independent Review of Children's Social Care, Joshua MacAllister, May 2022,

[https://assets.publishing.service.gov.uk/media/640a17f28fa8f5560820da4b/Independent review of children s social care - Final report.pdf](https://assets.publishing.service.gov.uk/media/640a17f28fa8f5560820da4b/Independent_review_of_children_s_social_care_-_Final_report.pdf)

High-cost childrens social care placements survey:

<https://www.local.gov.uk/publications/high-cost-childrens-social-care-placements-survey>