



## Report to Policy Committee

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**Report of:** Joe Horobin, Director of Integrated Commissioning and Sally Williams Interim Director, Children's Services

**Report to:** Strategy and Resources Committee

**Date of Decision:** 30<sup>th</sup> August 2022

**Subject:** Decision to approve an application to the Department for Education (DfE) Children's Home Capital Fund to develop a children's home and approval to provide 50% match funding of the capital costs

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 160822				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
<small>*note a climate impact assessment will be completed as part of the full feasibility of the building works.</small>				
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				

### Purpose of Report:

To notify the Strategy and Resources Policy Committee of the intention to submit a bid to the DfE Children's Home Capital Fund and to seek approval for the Council to be the Accountable Body for the grant if the bid is successful.

**Recommendations:**

The Strategy and Resources Policy Committee is recommended to:

- 1) endorse the submission of a bid to the Department for Education Children’s Home Capital Fund for 50% of the capital costs of building a new children’s home.
- 2) approve the Council being the Accountable Body for the grant if the bid is successful including agreeing to meet the requirement that the Council provide 50% match funding of the capital costs, noting that this equates to a capital commitment to fund £68,000 (initial estimation based on feasibility to date) to be allocated from the Corporate Investment Fund plus the cost of the land valued at £300,000.
- 3) note that if the bid is successful from 2024 the revenue budget will be diverted from the Children’s external placement budget to cover the establishment and running costs of the new children’s home.

**Background Papers:**

*Placement Sufficiency Strategy for Looked After Children and Care Leavers 2021-23.*

*Sheffield City Council’s Corporate Parenting Strategy 2021 to 2023.*

*OCH application guidance Wave 2 Final*

*Children’s social care market study final report - Competition and Markets Authority*

*The independent review of children’s social care – Josh MacAlister*

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Kayleigh Inman</i>
	Legal: <i>Sarah Bennett and Henry Watmough-Cownie</i>
	Equalities & Consultation: <i>Bashir Khan</i>
	Climate: <i>Jessica Rick</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	

2	<b>SLB member who approved submission:</b>	<i>Andrew Jones, Director for Children's Services</i>
3	<b>Committee Chair consulted:</b>	<p><i>Councillor Terry Fox, Chair of Strategy and Resources Committee 24<sup>th</sup> August 2022.</i></p> <p><i>Councillor Mick Rooney, Chair of Education, Children and Families Committee, via the People Capital and Growth briefing update on 28<sup>th</sup> July 2022.</i></p> <p><i>The proposal also forms part of Sheffield City Council's Corporate Parenting Strategy and the Sufficiency Strategy approved by the Corporate Parenting Board Chaired by Cllr Dunn presented to board 25<sup>th</sup> January 2022.</i></p>
4	<p>I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</p>	
<p><b>Lead Officer Name:</b></p> <p><b>Victoria Gibbs and Paul Johnson</b></p>		<p><b>Job Title:</b></p> <p><i>Head of Children's Commissioning and Assistant Director, Provider Services</i></p>
<p><b>Date:</b> <i>15<sup>th</sup> August 2022</i></p>		

## 1. PROPOSAL

- 1.1 This report seeks the endorsement to submit a bid to the DfE Children's Home Capital Fund, to build a new two to three bedroom children's home on Council land. The new children's home will provide a smaller group living environment with a trauma informed therapeutic model to meet the needs of young people with additional complexity and vulnerability.
- 1.2 The terms of the bid require the Council to commit to match fund the capital funding.
- 1.3 The bid has to be submitted by 9<sup>th</sup> September 2022. The bid requires the Council to match fund 50% of the capital costs with the expectation that the capital / construction work should begin in 2023 and be complete by March 2025.
- 1.4 The proposal meets two of the DfE Children's Home Capital Programme strategic priorities;
- it will increase sufficiency for children with the most complex needs and vulnerabilities who are best suited to be cared for in a smaller environment
  - it addresses current shortfalls in the local area. Sheffield does not currently operate any smaller children's homes and over the last 18 months Sheffield has experienced increasing challenge in sourcing and providing placements for young people who present with a higher level of need and who require a smaller residential home environment
- 1.5 This report outlines the 50% match funding capital requirement and also the ongoing revenue requirements for service delivery, should the bid be successful.
- 1.6 This bid forms part of the council's strategy to meet the demand for placements for looked after children as set out in the Sheffield City Council Placement Sufficiency Strategy for Looked After Children, and Care Leavers 2021 – 2023 and The Corporate Parenting Strategy 2021-23; both of which detail the council's approach and ambition to meet the Sufficiency duty under (Section 22G, The Children Act 1989.)
- 1.7 This duty requires that local authorities should provide *'so far as reasonably practical, sufficient accommodation for looked after children [in their local authority area] in order to enable a child to stay at the same school and near to family where contact can easily take place.'*
- 1.8 The Children's Residential Service in Sheffield provides support and

care for some of our most vulnerable children and young people. Sheffield currently operates five of its own children's homes offering nineteen mainstream placements and six placements for looked after children with disabilities. Sheffield City Council also directly provides a further four homes offering overnight residential short breaks to children with disabilities.

1.9 Sheffield has experienced an increase in the number and complexity of our looked after children population. The number of looked after children has increased significantly, from 628 in March 2020 to 675 at the end of March 22. In addition, more young people are being looked after in external residential provision from 16 in March 2020 to 31 in March 22.

1.10 The market for independent residential placements does not provide sufficient placements for the combined needs of local authorities in Sheffield, the Yorkshire and Humber region or nationally, with demand outstripping supply. This results in the potential for more Looked After Children to be placed outside of the City, in independent provisions often at a distance.

1.11 The Competition and Markets Authority (CMA) report, March 22, concluded that the market in care placements has become increasingly 'broken'. It found:

- a shortage of appropriate places in children's homes and with Foster Carers,
- children are not getting the right care from their placement,
- children being placed too far away from where they previously lived,
- children placed in placements that require them to be separated from their siblings,
- placement shortage means that high prices are often being paid by local authorities.
- risk of financial failure with larger providers who carry large levels of debt and the consequence of having to re-provide care
- that currently 83% of the children's residential care market is owned and operated by the private sector.

1.12 The recently published Independent Review of Children's Social Care May 2022 highlights that the market in care placements has become increasingly 'broken', identifying:

- **Weak Oversight** - the Competition and Markets Authority (CMA) has expressed concern about the risk of unmanaged exit by large children's home providers due to their levels of debt and dominance of the market.
- **High cost and Profiteering** - the average operating profit made by private residential children's home providers has increased over time. The CMA found that profits in the children's residential home sector increased from £702 to £910 per child per week, between

2016 and 2020 averaging 22.6%.

- 1.13 Currently, our larger homes do not match the needs of young people with more complex needs and vulnerability. Therefore, the existing children's homes have operated at a reduced capacity to provide a placement that is suitable to meet need.
- 1.14 This proposal will enable the Council to increase its residential provision releasing residential sufficiency in other children's homes.
- 1.15 Over the past eighteen months two out of five of Sheffield City Council's 5-bedroomed homes have operated on a reduced capacity to accommodate a small number of young people in line with their needs. Occupancy levels have fallen from 84% in March 2020 to 58% in March 2022. This has resulted in a reduction in local sufficiency and an increase in unit costs in these homes to £7,000 per week.
- 1.16 The DfE Open Children's Homes fund offers an opportunity to bid for 50% match funding of the capital costs of the build. To provide the match funding, it is proposed that Sheffield City Council invest the land value of £300,000, together with an initial estimated cost of £68,000 based on the feasibility reports undertaken to date from the Corporate Investment Fund.
- 1.17 The bid outlines the total cost of the build including the land value of a total capital cost of £736,000 with a request of £368,000 from the DfE.
- 1.18 The conditions of the funding, stipulate the build must be completed by March 2025, any delays beyond this date are unfunded and will become the responsibility of Sheffield City Council.
- 1.19 A detailed delivery timescale will be developed and overseen by a project management board to ensure that the build will be complete by March 2025, initial indicative timeline indicates completion will be early 2024.

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The project supports the priority commitment in the Sheffield One Year Plan 'to be an exemplar in children's services and support our Children Looked After to achieve their full potential and *'be an exemplar Corporate Parent by taking a whole organisation approach to giving our Children Looked After the opportunities to reach their potential'*
- 2.2 This proposal will deliver the following:-
- **it will increase in-city children's homes placements where there is insufficient provision**

Placement analysis shows that Sheffield makes an average of 21 new placements in mainstream residential settings each year. It is expected that this trend will continue and/or see demand increase with 9 placements already made between April and June 22/23.

- **it will increase sufficiency for children with the most complex needs**

A 2-3 bedroomed children's home will meet the needs of some of our most complex and vulnerable young people, often these young people demonstrate response to trauma that is not compatible to larger group living and one that requires a high level of support and enhanced staffing.

- 2.3 It is anticipated that the children's home will care for two young people at a time but will be able to scale up to three young people with careful matching in line with the young people's needs.

### **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 As part of the implementation plan and at the relevant stage in the build, young people will be engaged through the Children in Care Council and Sheffield Care Leavers Union to inform the internal design and appearance of the home.

- 3.2 As part of the location risk assessment local bodies including the police will be consulted in line with the Children's Homes regulations amendments 2014 and the Children's Homes Regulations 2001.

- 3.3 The detailed delivery plan for the build includes a Stakeholder Management Plan which will be developed should the bid be successful. The Plan will identify future engagement and consultation.

### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality Implications**

- 4.1.1 Decisions need to take into account the requirements of the Public Sector Equality Duty contained in Section 149 of the Equality Act 2010. This is the duty to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- advance equality of opportunity between persons who share a

- relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

4.1.2 The Equality Act 2010 identifies the following groups as a protected characteristic: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

4.1.3 An Equality Impact Assessment has been carried out which highlights that the proposed creation of placements for children with complex needs will provide more placement choice and increase local sufficiency.

4.1.4 This will help to better meet the needs of vulnerable young people locally and support young people to maintain contact and links with their extended family and community in line with the young person's care plan.

4.1.5 In addition, services can respond flexibly to meet the needs of young people to ensure positive transition to independent living.

## 4.2 Financial and Commercial Implications

4.2.1 The estimated capital costs to build the children's home are £736,000 inclusive of the land and build costs.

4.2.2 The bid to the DfE will therefore be for £368,000.

4.2.3 The 50% capital match funding to be provided by Sheffield City Council is;

- Provision of the land/site valued at £300,000
- Corporate Investment Fund funding £68,000 (initial estimated cost based on the feasibility reports undertaken to date)

4.2.4 The desktop feasibility study for build costs includes a provision for a contingency. The cost of any unforeseen issues arising as the project progresses will be borne by the Council in addition to the existing envisaged contribution. A contingency provision of up to £176,000 will be set aside from the Corporate Investment Fund balances which reflects the early stage of the project development. Any remaining balance at the end of the project will be released back to the CIF.

4.2.5 Should the bid be successful the project and build costs will be overseen by the People Portfolio Capital and Growth Outcome Programme Group.



- 4.2.6 The home will be operational following the completion of the build expected to be early 2024. The anticipated revenue running costs have been calculated based on a model staffing structure which is sufficient to accommodate the needs of complex and vulnerable young people. This will be funded from the Children and Families placement budget.
- 4.2.7 Non-staffing running costs have been incorporated based on the costs incurred by Sheffield City Council's existing children's homes.
- 4.2.8 The total anticipated Year 1 revenue requirement based on current costs is £ 818,309. This is inclusive of overlapping revenue costs likely incurred during the initial set up and operation of the home, Children's Services estimate this cost to be £57,400.

Expenditure	Year 1 £	Ongoing £
Staffing Costs	£688,810	£688,810
Year 1 Revenue Overlap	£57,400	N/A
Non-staffing Costs	£72,100	£72,100
Total Budget	£818, 309	£760,910
Unit weekly cost (2 bed 100% occupancy)	£7,868	£7,316
Unit weekly cost (2 bed 90% occupancy)	£8,742	£8129
Unit weekly cost (3 bed 100% occupancy)	£5,245	£4,877
Unit weekly cost (3 bed 85% occupancy)	£6,171	£5,738

- 4.2.9 Analysis of placements over the last eighteen months shows that on average children presenting with higher level needs have a unit cost £8,311 per week.
- 4.2.10 As a result, the development of in-house provision is likely to operate a cost similar to that of the open market with the potential to create a small budget saving, however, it should be noted that this is reliant on achieving between 90% and 100% occupancy.
- 4.2.11 The children's home will divert a level of spend away from external provision and will mitigate some of the volatility associated with relying on an external market, whilst releasing in house capacity within the larger children's homes that are caring for a small number of young people at a reduced occupancy level.

### 4.3 Legal Implications

4.3.1 The decision whether or not to submit a bid for grant funding is reserved to officers by the Constitution. However, a decision to be the Accountable Body for a grant of this size is reserved to the Strategy and Resources Policy Committee. The commitment of capital funding is also a decision for this Committee. Given the terms of the grant process and the timescales for acceptance of the grant, it is desirable for the Committee to decide if the Council will become the Accountable Body for this funding and will provide the necessary match funding, if the bid is successful, before the bid is submitted.

4.3.2 The Council needs to note and be satisfied that there will be ongoing expenses (running costs), that will need to be met. It also needs to be aware that, as per the Department of Education Guidance, conditions under any agreement will include:

- agree to match-fund the proposed work.
- agree that if the project runs past March 2025, any additional costs for overruns will be at the expense of the local authority/consortium.
- report the progress of the project throughout its lifecycle by completing monthly project monitoring reports; and
- inform DfE of any changes/delays to planned project milestones and of any project overspends/underspends.
- agree conditions of claw back, payment suspension and early termination clauses in circumstances where monies are not spent for the purposes as set out in the grant or if the programme is unable to be completed.

4.3.3 Sections 22A to 22D of the Children Act 1989 make provision for the accommodation and maintenance of a looked after child. They provide the framework within which decisions about the most appropriate way to accommodate and maintain the child must be considered. The duties and powers of local authorities to provide accommodation under sections 20 and 21 of the 1989 Act are not affected by these provisions.

4.3.4 Section 22G, of the Children Act 1989, the sufficiency duty. This duty requires that local authorities should provide '*so far as reasonably*

*practical, sufficient accommodation for looked after children [in their local authority area] in order to enable a child to stay at the same school and near to family where contact can easily take place.*

4.3.5 Where accommodation is provided and there is an element of care being given, the provision must be registered and therefore regulated by Ofsted; this is irrespective of the length of the provision provided.

#### 4.4 Climate Implications

4.4.1 The main climate impacts in the project are the building construction specification, including energy efficient design and impact of materials used.

4.4.2 It is proposed to take a fabric first approach to ensure the building envelope is as efficient as possible.

4.4.3 Gas will not be used in the building, instead Air Source Heat Pumps will be used for heating, which will have a significant impact on carbon emissions, especially as grid electricity decarbonises more and more over time.

4.4.4 The embodied carbon of materials used in construction will be investigated further as the design develops and lower embodied carbon materials will be used where possible.

4.4.5 Should the bid to the DfE be successful a more detailed, full assessment specifying suitable mitigation measures will be conducted as the project moves into a more detailed business case and design stage to ensure specific carbon reduction measures and targets are carried through into project delivery.

#### 4.5 Other Implications

4.5.1 This report has detailed the capital and revenue funding required to submit a bid to the DfE Children's Home Capital Fund. There are no other implications arising as a result of the report.

### **5. ALTERNATIVE OPTIONS CONSIDERED**

5.1 This proposal is identified as a strong candidate to put forward as a bid to the DfE Children's Home Capital Fund.

5.2 Alternative options that have been considered but are not recommended for progression at this time include;

- refurbishment of an existing council property to provide a 2-bedroom home to meet complex need. This proposal is not recommended at this time as the timescales for the submission of the bid have not enabled a suitable property to be identified with the necessary feasibility undertaken.
- build of a 2-bedroom home for young people with complex disabilities and learning disabilities. This proposal is not recommended due to the revenue model being more expensive than private and independent provision.
- development of a larger children's home offering 4 bedrooms, this proposal has been considered but not progressed as the development of 2- 3 bedroomed home will support the Council in providing care for young people who need a smaller home environment. This will also positively impact on releasing capacity within Sheffield's larger children's homes enabling the larger homes to operate and care for 4-5 young people in line with their Statements of Purpose.

## **6. REASONS FOR RECOMMENDATIONS**

- 6.1 This proposal offers the Council a strong opportunity to bid to the DfE for capital match funding by utilising land value and identified capital funding via the Corporate Investment Fund.
- 6.2 The proposal will enable Sheffield City Council to increase its in-house sufficiency to care for young people with a complexity of need and vulnerability in a smaller group living environment.
- 6.3 The proposal is to deliver a 2 bedroomed property however the design is such that it would allow scaling up to care for three young people subject to careful matching in line with assessed need, creating greater economies of scale for the future.
- 6.4 Delivery of this project will enable capacity to be unlocked in the larger children's homes increasing in-house capacity to provide homes for children and young people in Sheffield.
- 6.5 The proposal is in line with the Council's Sufficiency and Corporate Parenting Strategies.