



SUMMONS AND AGENDA

MAYOR AND CABINET

Supplementary Agenda:

Item 18: Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29

Date: WEDNESDAY, 29 JANUARY 2025 at 6.00 pm

**Civic Suite
Catford Road
London SE6 4RU**

**Enquiries to: committee@lewisham.gov.uk
Email: jasmine.kassim@lewisham.gov.uk**

MEMBERS

Mayor Brenda Dacres		Labour Co-op
Councillor Chris Barnham	Cabinet Member for Children and Young People	L
Councillor Paul Bell	Cabinet Member for Health and Adult Social Care	L
Councillor Will Cooper	Cabinet Member for Better Homes, Neighbourhoods and Homelessness	L
Councillor Amanda De Ryk	Cabinet Member for Finance, Resources and Performance	Labour Co-op
Councillor Edison Huynh	Cabinet Member for Communities and Culture	L
Councillor Louise Krupski	Deputy Mayor and Cabinet Member for Environment, Transport and Climate Action	Labour Co-op
Councillor Oana Olaru-Holmes	Cabinet Member for Refugees, Safer Lewisham and Equalities	L
Councillor Kim Powell	Cabinet Member for Business, Jobs and Skills	L
Councillor James-J Walsh	Cabinet Member for Inclusive Regeneration and Planning	Labour Co-op

Members are summoned to attend this meeting

**Jeremy Chambers, Monitoring Officer
Laurence House
Catford Road
London SE6 4RU
Date: Wednesday, 22 January 2025**

ORDER OF BUSINESS – PART 1 AGENDA

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Report for: Mayor and Cabinet	
Part 1	<input type="checkbox" value="Y"/>
Part 2	<input type="checkbox"/>
Key Decision	<input type="checkbox" value="Y"/>
Non-Key Decision	<input type="checkbox"/>

Date of Meeting	29/01/25	
Title of Report	DFE bid Residential home – Corporate Report	
Author	Donna Simeon	Ext. 0997

At the time of submission for the Agenda, I confirm that the report has:

Category	Yes	No
Financial Comments	Y	
Legal Comments	Y	
Cabinet Briefing consideration	Y	
EMT consideration	Y	

Signed: 

Cll Chris Barnham Cabinet Member for Children & Young People

Date: 16/01/25

Signed: 

Executive Director Executive Director Children Young People

Date: 16/01/25



Mayor and Cabinet

Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29.

Date: 29 January 2025

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors:

Donna Simeon, Head of Strategy & Improvement

Lucie Heyes, Director Children's Social Care

Pinaki Ghoshal, Executive Director Children & Young People's Services

Outline and recommendations

On the 18th September 2024, Mayor and Cabinet agreed to recommendations for the development of three residential homes in the borough and other associated permissions to allow the work to commence (see Appendix A).

Subsequent to this agreement, the Department for Education has announced their commitment to support children with complex mental health needs and provided the opportunity to bid for funding to support the development of residential spaces for this specific cohort of children.

The proposal from the Department of Education supports our ambitions to develop our in-house capacity for residential homes and accordingly Mayor and Cabinet is recommended to approve:

- 1.1. The decision to submit a bid for funding to the DfE Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29.
- 1.2. In the event the the bid is successful, previous agreed funds from the disposal of assests to be utilised to Phase two and three (as funds permit).

Timeline of engagement and decision-making

Indicative timeline for the children's homes capital programme:

Milestones	Dates
DfE Programme launch: Information for applicants circulated	1 November 2024
Deadline for all applications	28 February 2025
Notify applicants of outcome	From 24 April 2025
Grant letters issued to successful bidders	May 2025
DfE funding ends	31 March 2029

1. Summary

1.1. In September 2024, Mayor & Cabinet were informed (see Appendix A):

- i) 'Rising numbers of adolescents with acute and profound social, emotional and mental health needs require high intensity care placements, often in solo placements because of the risk of harm they pose to themselves and others. On average we have 12 children at any one time, who need to live on their own because of their complex needs. It has become increasingly difficult to source placements for these children and costs have significantly increased. Most of these placements are bespoke unregistered arrangements, although officers continue to seek a registered placement for such children.
- ii) 'We are currently entirely dependent on the external market to provide registered children's home placements and on occasion must procure an unregistered home when an Ofsted registered provision cannot be secured. Whilst these unregistered placements have robust management and family

court oversight, they are not legally permitted and they are significantly more costly. Furthermore residential care placements are mostly outside the Council boundary, creating further disruption to the child, making the provision of care and services to the child and transition back into the family and/or local community more challenging.

- iii) 'Local and Council run services create a more favourable, high-quality registered home and provide easier access for staff to meet the child's holistic needs alongside partner agencies, for example health and education. Currently none of the children in residential provision live in Lewisham _
- iv) 'It is proposed to develop a three staged incremental approach to creating an estate of 10 beds (with each stage taking on learning from the previous stage):

Unit	No. of homes	No. beds per unit	Total no. beds in estate	Phase of development
Unit 1, 2, 3	3	1-2	5	One
Unit 4, 5	2	2	4	Two
Unit 6	1	3	3	Three

1.2. Mayor and Cabinet approved the proposal to develop three separate residential children's homes in the borough, offering a maximum of 5 beds. The approved proposal included:

- i) Delegation of authority to the Executive Director for Children and Young People (in consultation with the Executive Director for Place) to award the refurbishment contract for the three proposed residential homes following the procurement process.
- ii) The commencement of the recruitment process for a Registered Manager to provide technical expertise to set up three children's homes and oversee the management of the three homes, submit a children's home registration application to Ofsted and draft policies and procedures required to run council owned childrens homes that meet regulatory requirements.
- iii) The commencement of the recruitment process to appoint the staff team for the three homes.

- iv) The addition of the refurbishment project for the three properties within the capital programme and the allocation of £307k of funding for this, funded by available capital receipts.
- 1.3. In November 2024, the Department for Education announced a new programme, 'Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29' (See Appendix B). This programme aims to develop provision which is designed to meet the specific needs of children i) with multiple, complex needs, ii) recognised to be a response to complex and ongoing trauma, iii) who have been, or are at risk of being, deprived of their liberty.
- 1.4. It is apparent that the DfE programme could support the current and emerging needs of the children in Lewisham and the earlier decision of Mayor and Cabinet to develop Council owned residential homes.
- 1.5. Applications to be part of the programme is open to all Local Authorities and the DfE will provide match funding to successful applicants up to a maximum of 50% i.e. DfE provides 50% and the local authority and/or consortium provides 50%. The DfE will accept current Local Authority owned property or land as part of this investment, however, Authorities will need to demonstrate clear evidence of the property's and/or land's value.
- 1.6. The DfE will accept application for projects that were already planned prior to the announcement of this potential funding, as well as application for new projects. In the case of projects which were already planned however, Local Authorities need to provide clear evidence of funding that has already been secured (as it is their assumption is that this funding will continue) and what the added funding and value would be if additional DfE funding was secured.
- 1.7. If a bid to the programme was submitted and successful, this would provide funding to Phase One on the Lewisham Children's Homes development project and allow the project to expand without delay into Phase Two, providing additional beds, using the funds from the disposal of assets as previously

agreed.

2. Recommendations

- 2.1. It is recommended that Mayor and Cabinet approve:
- i) The decision to submit a bid for funding to the DfE Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29.
 - ii) In the event the the bid is successful, previous agreed funds from the disposal of assests to be utilised by Phase two and three (as funds permit)

3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
- Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People
 - Safer Communities
 - Open Lewisham
 - Health and Wellbeing
- 3.2. In particular, this report is closely aligned to our priorities for Children and Young People.
- 3.3. This report supports our Corporate Parenting and care placement sufficiency duty. Under the Children's Act 1989 section 22G, the Council has a general duty to secure sufficient accommodation within the authority's area which meets the needs of children that the local authority looks after, and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area - 'the sufficiency duty'.
- 3.4. The provision of registered children's homes is consistent with the Council's

Corporate Parenting Strategy and Placement Sufficiency Strategy. One of the six key ambitions of our Corporate Parenting Strategy (2021 – 2024) is “This is my home”. We pledge that children in our care will know where they will grow up, they will receive good quality care, they will be supported to stay in the same place, and we will do everything we can to help them feel safe and secure. The Placement Sufficiency Strategy sets out what we will do to realise this ambition. It was developed in consultation with service leads, external providers, and importantly our care experienced children and young people.

4. Background

- 4.1. Children subject to a Deprivation of Liberty order (DoL) due to their mental health generally require high levels of care and supervision. A DoLs order can only be made by the Court of Protection. There are currently three Lewisham children who have a Deprivation of Liberty Order, that due to a lack of availability, are currently placed with an unregulated provider. None of the three placements are in Lewisham or London. The current highest cost of one of these placements is circa £17,500 per week.
- 4.2. Lewisham remains ambitious for our children and young people and has taken great strides to improve services and be at the forefront of change and development of services. Our success is evidenced in the recent Ofsted, HMIP and CQC inspections and also in the trust demonstrated to us by key stakeholders who wish to partner with us including the DfE in selecting us for the Families First Pathfinder Programme.
- 4.3. A successful bid for funding would allow the Authority to pick up the pace with some of the improvements we would like to design, develop and implement for our young people.

5. Financial implications

- 5.1. The Children and Young People’s directorate has been working towards creating in-house capacity for for high-cost children as part of a service

management action to reduce expenditure on Children's Social Care. The first scheme Amersham and Northover is expected to be ready for use from April 2025.

- 5.2. The Mayor and Cabinet report in September 2024 provided the business case behind the expansion of the council's in house provision. This report seeks permission to apply to the DfE for funding to pay Phase 1 of the programme and to transfer the previously agreed capital funding to phase 2 and 3 of the programme. The council will need to match the DfE's contribution which it can fund from capital receipts held by the council as agreed in the September 2024 report. Using the grant to fund part of these works is more advantageous to the council than using capital receipts, as there is much more flexibility on the use of capital receipts meaning this money can be freed up to be used in another area of strategic need.
- 5.3. The operational (including care) costs will be funded from the Children Social Care care costs budget. A comparison between the in house model and external care costs has identified a potential cost reduction of c£1.2m for a moderate/complex care provision over a 4 year period based on the estimates detailed in the September 2024 report.
- 5.4. If the grant bid is successful, the council will be bound to the condition set out in the grant determination letter. If the council were to break any of these conditions then there is a risk that the grant and any interest would have to be repaid to the DfE.

6. Legal implications

- 6.1. The Council has sufficient powers to apply for grant funding and enter into any resulting agreement as proposed in this report. Approval of any application for external funding which would either (i) require match funding from the Council in excess of £250,000, or (ii) have revenue implications in excess of that amount per annum, or (iii) exceed £1 million is a matter that is reserved to Mayor and Cabinet.

- 6.2. The DfE grant programme is open to local authorities to apply, to be eligible for funding the proposed scheme will need to comply with the eligibility criteria set out in the grant programme guidance.
- 6.3. The Council will be required to agree to and comply with the grant conditions if an application is successful. These conditions include the power of the DfE to clawback monies, suspend payments, and terminate the agreement early where grant monies have not been spent for the purposes set out in the grant, or if the project is unable to be completed within timescales. The grant conditions must be complied with to avoid the risk of grant funding being suspended or returned. Any terms and conditions of grant funding must be reviewed by Legal Services on behalf of the Director of Law and Corporate Governance prior to any agreement being entered into.

7. Equalities implications

- 7.1. If the proposal is agreed and the subsequent bid successful a full equalities impact assessment will be conducted as part of this programme.

8. Climate change and environmental implications

- 8.1. If the proposal is successful all building adaptations/improvements will consider the Building Research Establishment Environmental Assessment Method (BREEAM).

9. Crime and disorder implications

- 9.1. Council run homes based in the locality are anticipated to enable the service to better manage children and young people being engaged in criminal and sexual exploitation.

10. Report author(s) and contact

Donna Simeon, Head of Strategy & Improvement

Lucie Heyes, Director Children's Social Care

Pinaki Ghoshal, Executive Director Children & Young People's Services

11. Appendices

Appendix A: Proposed Development of Lewisham Residential Children's Homes

Appendix B: Guidance Document - Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29



Mayor and Cabinet

Proposed Development of Lewisham Residential Children's Homes.

Date: 18th September 2024

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors:

Vanessa Strang, Interim Head of Care Resources

Lucie Heyes, Director Children's Social Care.

Pinaki Ghoshal, Executive Director Children & Young People's Services.

Nick Penny, Finance Head of Service.

Outline and recommendations

To set out the rationale and value for Lewisham Children and Young People's Directorate to develop and operate residential children's homes in the borough and eventually provide up to 10 beds in the estate in the longer term.

Stage One of this programme, and the subject of this report involves developing three separate homes offering a maximum of 5 beds. Assuming we proceed with this proposal, and we are successful in delivering the provision we will explore the possibility of opening one or more larger homes that can take additional children and which can operate as move on accommodation for children who have been in a solo provision.

Mayor & Cabinet is recommended to approve:

- a) Delegation of authority to the Executive Director for Children and Young People (in consultation with the Executive Director for Place) to award the refurbishment contract for the three proposed residential homes following the procurement process.

- b) The commencement of the recruitment process for a Registered Manager to provide technical expertise to set up three children's homes and oversee the management of the three homes, submit a children's home registration application to Ofsted and draft policies and procedures required to run council owned children's homes that meet regulatory requirements.
- c) The commencement of the recruitment process to appoint the staff team for the three homes.
- d) The addition of the refurbishment project for the three properties within the capital programme and the allocation of £307k of funding for this, funded by available capital receipts.

Timeline of engagement and decision-making

This report should be read together with the report on the future use of school premises officer accommodation which is also being considered at Mayor & Cabinet. In addition there has been liaison and learning from other Authorities which have recently opened new residential accommodation for children in care.

1. Summary

- 1.1 The Children and Young People's Corporate Parenting Strategy (2021 – 2024) and Placement Sufficiency Strategy (2022-25) combined, set out the various ways in which Lewisham plans to be the best Corporate Parent it can be and ensure we have sufficient provision of placements for our children in care and our young people who have left care (care leavers).
- 1.2 This paper sets out one of the ways in which we propose to fulfil one of the aims in the Placement Sufficiency Strategy, that is to increase our in-house residential care placement provision and reduce Lewisham's dependence on externally procured high cost care placements from independent and private providers. This proposal also aims to contribute to eliminating the use of unregistered children's homes (used in exceptional circumstances).
- 1.3 Lewisham historically has a high rate of children in care, although new children entering care has fallen over the last 5 years. At the time of writing this report Lewisham has a net number of 445 children in care, who live in a range of different placements. Three quarters live in fostering and family based arrangements, 7% live in semi-independent/support accommodation (16-17 year olds) and 19% live in residential care. The proportion of children in residential care has grown by 8% since August 2022 (This includes Parent and Baby Residential Assessment Centres).
- 1.4 There are two reasons for the growth in use of residential care. The first is that there has been a 3% growth in the use of Parent & Baby residential assessment centres. This is due to a greater number of children under the age of 1 living in high risk homes and where parent(s) are being assessed as part of family court proceedings, with the safety of 24/7 supervision in place. The second and main reason for the increase is that 67% of Lewisham's children in care are now aged between 11-18 and

it is harder to find suitable foster care for older children and the needs of adolescents have become increasingly complex since the pandemic.

- 1.5 Rising numbers of adolescents with acute and profound social, emotional and mental health needs require high intensity care placements, often in solo placements because of the risk of harm they pose to themselves and others. On average we have 12 children at any one time, who need to live on their own because of their complex needs. It has become increasingly difficult to source placements for these children and costs have significantly increased. Most of these placements are bespoke unregistered arrangements, although officers continue to seek a registered placement for such children.
- 1.6 We are currently entirely dependent on the external market to provide registered children's home placements and on occasion must procure an unregistered home when an Ofsted registered provision cannot be secured. Whilst these unregistered placements have robust management and family court oversight, they are not legally permitted and they are significantly more costly. Furthermore residential care placements are mostly outside the Council boundary, creating further disruption to the child, making the provision of care and services to the child and transition back into the family and/or local community more challenging.
- 1.7 The proposal is to develop and run (initially in Stage One) three small children's homes which alongside a number of other actions aim to:
 - Reduce our reliance on the external market for placements and improve our control over where our children live and the care they receive,
 - Keep our children within the borough to enable them to remain connected with their family, community and local services. We want to provide greater stability for this highly vulnerable group of children, who too frequently move placements at short notice when placement providers decide to terminate contracts because of the challenging and risky behaviour presented by the children,
 - Reduce the use of unregistered provision,
 - Help to manage the high, spiralling costs associated with placing children in externally procured residential placements, which the Council has little to no control over.
- 1.8 Local and Council run services create a more favourable, high-quality registered home and provide easier access for staff to meet the child's holistic needs alongside partner agencies, for example health and education. Currently none of the children in residential provision live in Lewisham. The development of some local Council run provision in this sector will allow us as the Corporate Parent to have improved oversight of services in place, greater ability to secure better outcomes for our children and greater control over:
 - cost
 - monitoring the quality of accommodation
 - shape the type of care provided and numbers of support hours needed
 - oversee matching risk assessments
 - provide training and supervision of children's homes staff
 - better control of resident occupancy
 - easier access for local services and partner agencies to provide interventions

- and visit children more frequently.
 - Lewisham can continue to fulfil its statutory duty to provide sufficient accommodation locally for children in care, consistent with their welfare and contributing to our placement sufficiency challenges.
- 1.9 This report should be read alongside the School Premises Houses Asset Review report which is being considered at the same meeting. The plan to develop residential homes is contingent on the decision to agree to the recommendations set out in that report. It will also require Secretary of State approval to change the usage of the current accommodation.
- 1.10 If this proposal is agreed, officers will seek to appoint a suitably experienced project manager, with technical expertise to oversee the setting up of the homes in line with regulations. A Registered Manager will be appointed which is essential to make an Ofsted children's home registration application. The Registered Manager would oversee the three homes in scope in Stage One. Then we will seek to appoint suitably qualified and experienced staff as Lewisham employees, to care for the children in the three homes.
- 1.11 The Capital Programme Delivery Team will be responsible for leading the procurement of a Main Contractor to undertake conversion and refurbishment works at the three sites. The Children and Young People's Directorate in partnership with HR, will be responsible for recruiting and managing a staff group of Lewisham employees to set up and run the homes and ensure the service is delivered aligned to the statutory framework, including the Children's Homes Regulations 2015.

2. Recommendations

It is recommended that Mayor and Cabinet approve:

- Delegation of authority to the Executive Director for Children and Young People (in consultation with the Executive Director for Place) to award the refurbishment contract for the three proposed residential homes following the procurement process.
- The commencement of the recruitment process for a Registered Manager to provide technical expertise to set up three children's homes and oversee the management of the three homes, submit a children's home registration application to Ofsted and draft policies and procedures required to run council owned children's homes that meet regulatory requirements.
- The commencement of the recruitment process to appoint the staff team for the three homes.

3. Policy Context

3.1 This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- 1.1. Cleaner and Greener
- 1.2. A Strong Local Economy
- 1.3. Quality Housing
- 1.4. Children and Young People
- 1.5. Safer Communities
- 1.6. Open Lewisham
- 1.7. Health and Wellbeing

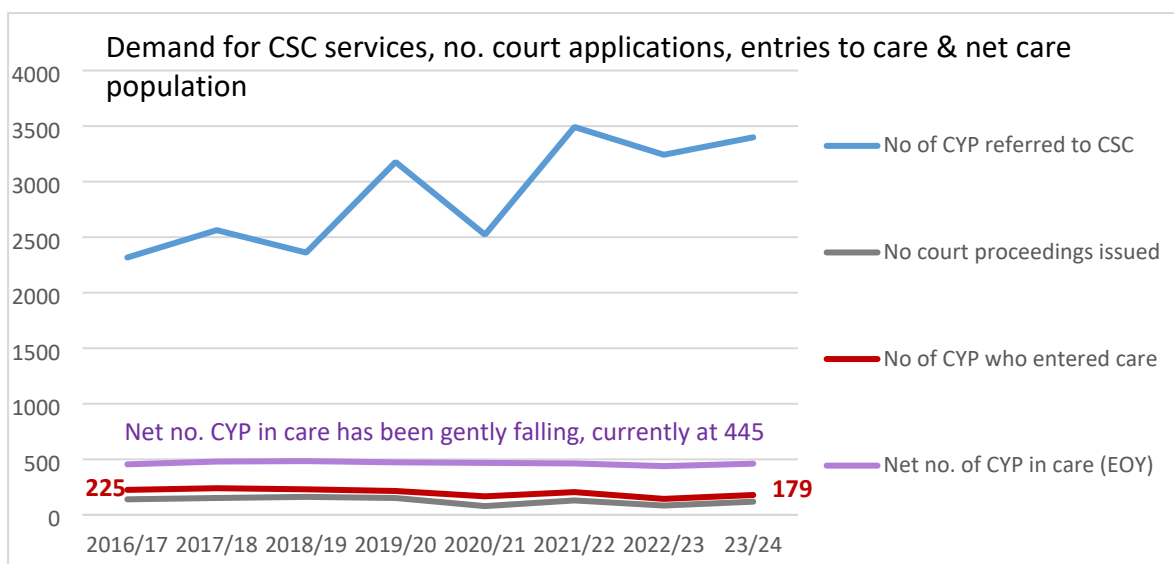
3.2 This report is closely aligned to our Corporate Parenting and care placement sufficiency duty. Under the Children's Act 1989 section 22G, the Council has a general duty to secure sufficient accommodation within the authority's area which meets the needs of children that the local authority looks after, and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area - 'the sufficiency duty'.

3.3 The provision of registered children's homes is consistent with the Council's Corporate Parenting Strategy and Placement Sufficiency Strategy. One of the six key ambitions of our Corporate Parenting Strategy (2021 – 2024) is "*This is my home*". We pledge that children in our care will know where they will grow up, they will receive good quality care, they will be supported to stay in the same place, and we will do everything we can to help them feel safe and secure. The Placement Sufficiency Strategy sets out what we will do to realise this ambition. It was developed in consultation with service leads, external providers, and importantly our care experienced children and young people.

4. Background context - placements for children in care

4.1 Lewisham currently has 445 children in care, 640 Care Leavers (18-25) and a further 290 children who were previously in care but are now being supported (financially and with services) under Special Guardianship Orders. Lewisham has a legacy of a high rate of children in care and care leavers, arising from high levels of need in the borough and the legacy of a lack of investment in prevention and historic practice that required improvement.

4.2 Despite increasing levels of demand for children's social care services, the net number of children in care has been gently falling since 2018/19 and new children entering care has been falling over a similar time period. This is in contrast to the national upward trend. More information on how the service has achieved this and the associated financial implications are in Section 6.



- 4.3 There is nothing significantly different about the characteristics of Lewisham’s 445 children in care population compared to the national profile. However, the age profile of our care population has shifted, there are now more older children in care. 67% of children in care are aged over 10 years old and Lewisham has 5% more 16/17 years olds in care than the national average.
- 4.4 Children in care live in a range of different placements, similar to other Boroughs, three quarters of our children live in alternative family-based arrangements, either with Connected Carers (Kinship fostering), Lewisham foster carers or foster carers commissioned through independent fostering agencies (IFAs). The remaining quarter live in either residential care and semi-independent placements. Approximately half of all our 16/17 year olds live in semi-independent housing.
- 4.5 As at July 2024 there were 59 children placed in residential or secure care, compared to 41 in June 2023 (excluding parent and baby provision).
- 4.6 The national market is responding to some degree to the increased demand for care placements, with an upward trend in the number of children’s homes. However the rising care population exceeds the rise in residential provision. Also, homes are not evenly distributed across England. The Northwest of England accounts for a quarter of all children’s homes and almost a quarter of all places. London had the fewest settings at 164, with only 7% of total children’s homes in London.

Nationally	March 2022	2023	Difference
No. children’s homes	2,642	2,880	9%
No. available places	10,133	10,818	7%

5. The costs associated with children in care placements

- 5.1 All of the care and post care populations have care related costs, but the key cost driver in care related costs is placements for our children in care. Care placement costs have significantly increased over the last 18 months. Additionally placement providers appetite for risk is low, because of the potential negative impact on their Ofsted registrations. Market forces, inflation and risk aversion have driven up the

cost and have left Local Authorities with very little, if any negotiating power. A recent LGA report noted that there has been a sharp increase in the number of placements costing at least £10,000 per week up from 120 in 2018/19 to 1,510 in 2022/23 with the most expensive recorded placement costing £63,000 per week.

5.2 In March 2022, The Competition and Marketing Authority conducted a national review of the care placements market, in response to concerns that councils were too often unable to access appropriate placements to meet the needs of children in their care, and the cost of such provision was too high. The CMA described the placement market as dysfunctional. It concluded there were significant problems in how it was functioning. Specifically, they found:

- a lack of placements of the right kind, in the right places, means that children are not consistently getting access to care and accommodation that meets their needs.
- the largest private providers of placements are making materially higher profits and charging materially higher prices than would be expected if the market were functioning effectively.
- some of the largest private providers are carrying very high levels of debt, creating a risk of disorderly failure.

[Children's social care market study final report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/106422/childrens-social-care-market-study-final-report.pdf)

5.3 The cost of care placements for adolescents tends to be higher than younger children in general but in addition the needs of some adolescents are increasingly complex. This presents in forms of self-harming, challenging behaviours arising from various forms of neurodivergence, missing episodes, serious violence, criminality and exploitation. These more complex adolescents require high intensity care, often in solo placements because of their needs and/or the risk of harm they pose to themselves and others and the high cost of their placements reflects higher risk and intensity of intervention and containment.

5.4 At present Lewisham has no Council run children's homes and a relatively small pool of in-house Foster Carers, internal placement sufficiency is limited, meaning the Council is heavily reliant on commissioned placements from care providers and IFA's for 60-65% of all our care placements.

5.5 The combined effects of Lewisham's high rate of children in care, an older care population, increasingly complex presentations and limited in-house placement sufficiency has made Lewisham particularly vulnerable to the spiralling cost of placements over the last 18 months.

5.6 The increased use of residential care and the cost of these placements in particular has increased significantly. The table below shows this change.

	July 2023	July 2024	Difference
Net no. CYP in care	440	443	+3
No in residential/secure placement	36	59	+23
Average weekly cost of residential care	c£5,200	c£7,200	+£2,000

Full year effect of average cost per child	c£270,000	c£374,400	+c£104,000
Full year effect of average cost for total cohort.	c£9.7m	c£22.1m	+c£12.4m

- 5.7 Actual spend on all residential placements at the end of the 2023/24 financial year was £14m, compared with £10m in 2022/23 financial year. It should also be noted that the average cost in the same period has increased from c£5.2k per week to c£7.2k per week, which equates to a 38% increase. There is no reason to believe that this increase in cost will not continue in the future given how the market is currently operating. It is therefore not unreasonable to expect that in the next two years the average cost of a residential placement costing between c£9k to c£10k per week.
- 5.8 The table above uses average costs, but there is a wide variation, currently the lowest costing residential placement is £1,000 per week and the most expensive is £17,200 per week. The full year effect of the highest cost placement is c£900,000 and typically every child placed in unregistered solo provision costs c£600k per year. One child can make a significant difference to a forecast and spend, which makes the spend in this area highly volatile.
- 5.9 There is a considerable financial impact from the increasingly complex needs of adolescents. We have seen an increase in the number of older children in a placements with a weekly cost of over £10k. This has risen from 2 at the end of the year in 2022/23 to 10 at the end of the year in 2023/24 and at the time of writing this report we have 14 children in placements costing over £10k per week.
- 5.10 For illustration, see table below which shows the weekly and annualised cost of our five highest cost placements.

Weekly cost	Annualised
£17,858	£931,157
£15,621	£814,517
£15,750	£821,250
£17,220	£897,900
£17,587	£917,036
TOTAL	£4,381,860

6 Measures being taken to reduce reliance on the external care market, to control and reduce costs.

- 6.1 There is no silver bullet or one activity that will make a significant difference to the overall placement position. The cumulative effect of a range of measures will over time improve placement sufficiency, quality and reduce overall spend on care. The proposal to build and run children’s homes should not be considered in isolation from the range of other measures that are being taken as part of the Placements Sufficiency Strategy. This section summarises what other measures are being taken alongside this proposal.



- 6.2 **Prevention** – For some children it is right for them to come into care for their protection. Care can provide safety, security and be transformational. But for most, they will have better outcomes remaining at home and/or within their extended family network, this is especially true for children who enter care late in childhood.
- 6.3 Through the Children’s Social Care (CSC) improvement programme which commenced in 2018/19, we have invested in prevention, upskilled and stabilised the workforce, improved practice, strengthened management oversight, embedded a practice framework (Signs of Safety) and changed risk management culture. Against the national rising trend of children in care and Lewisham facing increasing demand for social care services, the impact of the whole scale system reform is that over the last 5 years CSC has successfully reduced the proportion of children needing to come into care from 9.7% to 5.2% of all referrals.
- 6.4 In addition to the prevention work that has already taken place the most significant development for prevention is the next phase of the Integrated Adolescent Service (IAS). With the assistance of the DfE Family First Pathfinder grant funding, the directorate is creating an edge of care Family Help team, to target more support towards adolescents in order to reduce the need for their entry to care.
- 6.5 **Permanence planning** - Improving our practice and oversight has been enabling more children to transition out of care either back home or into other permanent options more quickly, for example into special guardianship (SG) arrangements. In 2023/24 the number of SG Orders granted increased from 19 to 36 and we are currently supporting a total of 290 children in SG arrangements who would have otherwise been in care. Whilst these children are no longer ‘in care’ they are not cost neutral, but the cost of supporting these arrangements is significantly lower than care.
- 6.6 **Family & friends care** - Expanding the support in place for connected carers, has supported more children to live with extended family instead of mainstream foster care. This provides better outcomes for children and is marginally less expensive

than mainstream foster care placements. More work is being done with this aspect of care, to further increase connected carer numbers.

- 6.7 **Fostering** – In 2022 we successfully bid for DfE innovation money to set up our Fostering Hub which is a small team of foster carers working as employees to recruit new carers. We have streamlined our onboarding processes to assess and approve carers more quickly and introduced emergency carers. In a highly competitive market we have continued to recruit reasonably well compared to other Boroughs, but there is much more that we are doing to increase our pool of carer's.
- 6.8 **Placement stability** - Strengthening practice to maintain good stability to reduce the number of breakdowns and moves children experience is critical to their outcomes in care and has cost implications. A lack of control over placement breakdown and providers ending contracts at short notice, is a key driver for reducing reliance on the external placement market and running our own children's homes.
- 6.9 **Commissioned placements** – We have reshaped how we search for, match, quality assure and manage commissioned placements over the last two years. By re-structuring the Placements Service with additional capacity, introducing care provider forums to build relationships and identify placements for hard to place children. We have supported providers to seek fast track Ofsted registration where appropriate.
- 6.10 **Care leaver and UASC accommodation** – We have diversified our housing pathway for care leavers, from care into semi-independent accommodation from 16, and into independent housing when they are ready. This includes a development underway for two units in Amersham and Northover. The Amersham unit is being repurposed to create an Ofsted registered semi-independent accommodation for 5 young people in care aged 16/17 who have moderate to high support needs. Northover is a unit for 8 care leavers which provides an extension for our housing pathway. Contracts have been issued to NACRO to run both units on our behalf and they are expected to be operationalised in October 2024
- 6.11 There is a significant amount of management oversight regularly scrutinising high-cost placements and exploring transitional arrangements into family-based care arrangements of lower intensity care as risks and needs reduce.

7 Building a children's home - Learning from other Local Authorities

- 7.1 Until the 1980's Local Authorities, including Lewisham, typically ran a number of large residential homes. Over time as more children entered foster care and following some high profile cases of child abuse in some of these homes, Councils have moved away from running such provision. Although there do continue to be some Local Authority residential homes still operating across the country which are smaller and provide for local children only.
- 7.2 In recent years a number of Councils have opened their own residential provisions and we are aware of others that are in the planning phase. All have done this because of concerns about both quality and cost of some privately run homes and in

order to have greater control of the placements of their children. As part of the preparation for this project, Lewisham contacted other local Councils who have recently opened their homes to learn from their experiences. Two councils in South London which have done this recently are Southwark and Sutton.

- 7.3 In Southwark a key driver was the number of children who they had placed at a distance from the borough and their increasing use of unregistered accommodation. They are opening two new homes with the first one already open. They decided to run the homes themselves as they assessed it would be difficult to find an external partner who would be interested in a public-private partnership. Financial savings was not their primary driver, but rather supporting children closer to home.
- 7.4 The main challenge Southwark faced was recruiting a Registered Manager, although they have now been successful with this. An interim Director of Children's Homes was appointed to provide support through the programme. They have created a staffing structure and rota with a Registered Manager, deputy managers, team leaders and children's home practitioners who each work three 12 hour shifts each week. Staff are also responsible for cooking and cleaning within the house. Southwark also report that they have a strong clinical offer which will be extended to working with staff and children in the homes.
- 7.5 In Sutton their project has been led by a Head of Service with oversight of residential children's homes who is also the Responsible Individual for the home. Their home was a consequence of having to initially set up a bespoke unregistered provision for a specific child with very complex needs and for whom they were unable to find a registered provision for. Sutton described how the home was set up and managed quickly in response to a crisis.
- 7.6 Sutton are planning on opening three homes under a single Registered Manager. Staff work on a ratio of 2:1 staffing at all times with staff working three days on, three days off with a complement of 35 staff across their current sites. Once again staff undertake all cooking and cleaning and a dedicated vehicle has been made available for journeys. They identified that the key advantage of the arrangement has been both an improvement in child outcomes and better control of spend.
- 7.7 Following initial set up costs, both Councils are assuming a broadly cost neutral position in running their own homes.
- 7.8 In Lewisham the current working assumption is that the provisions will be available for our children who have the most complex needs and who typically are placed, at least for a time, in an unregistered provision, which could be some distance from Lewisham. Further details on assumed running costs can be found below.
- 7.9 If each provision only supported a single child with 2:1 staffing cost then compared to current costs this would be broadly cost neutral. If for at least some points in the year a second child was placed in the two proposed homes with physical capacity then there would be a cost saving. If however a single child was placed in a home for an extended period with 3:1 support then there is the potential for increased costs. Further details about our plans are below.

8 Options appraisal

- 8.1 Option 1: Do nothing and continue purchasing all children’s residential placements in the external marketplace, through the Commissioning Alliance or spot purchased.
- 8.1 Option 2: Create in-house Lewisham homes, repurposing existing assets, owned and managed by Lewisham employed staff.
- 8.2 Option 3: Create partnership Lewisham homes, repurposing existing assets, to be managed and staffed externally via competitive tender, strategic operating partner.
- 8.3 Appendix A is a summary of the advantages, disadvantages and risks considered in the options appraisal. The options appraisal broadly seeks to understand the optimum arrangement for improving outcomes through placement provision for our children in care and maximising effective use of Council resources. This is done against 5 criteria: Cost, Choice, Control, Workforce and Expertise.
- 8.4 Based on the above criteria it is recommended that the Council chooses option 2, with an incremental staged approach. Starting with 3 units in Stage 1.

9 The proposal to develop three children’s homes in Stage 1

- 9.1 A business case was developed and approved by the Children & Young People’s Strategic Asset Board, linked to the opportunity to repurpose existing and vacant School Premises Officer housing. This has the advantage of requiring only limited capital costs which would be funded by the disposal of properties that are no longer required. It is proposed to develop a three staged incremental approach to creating an estate of 10 beds (with each stage taking on learning from the previous stage):

Unit	No. of homes	No. beds per unit	Total no. beds in estate	Phase of development
Unit 1, 2, 3	3	1-2	5	One
Unit 4, 5	2	2	4	Two
Unit 6	1	3	3	Three

- 9.2 The Council has undertaken an asset review and identified buildings and sites that can create greater value, through redevelopment, disposal, strategic service use or commercial use. The Asset Review identified the three potential sites as being suitable and available for refurbishment and development as children’s residential homes. An options appraisal was undertaken on each site to ensure all potential uses for the sites were considered. More detail is provided in the School Premises Officer Houses Asset Review report which is also being considered by Mayor and Cabinet.
- 9.3 The table below provides information about the three Council owned sites identified for the first stage of this programme. Site 1 and 2 is for the provision of a registered two bed children home, with the plan that they will initially be used for solo provision, with the option to use two beds if the needs of children meet the criteria. Site 3 is for the provision of a solo provision due to bedroom space available.

- 9.4 It is proposed that the three properties will be refurbished and remodelled to provide the accommodation needed for both cohorts, as well as the staffing support required for each site. If the proposal is approved, Secretary of State approval is required to reuse the identified assets for a different purpose.
- 9.5 Building refurbishments will ensure that all sites are fit for purpose, the service and support activities can run efficiently and effectively and will also ensure that the buildings meet current building, fire and energy efficient standards. The Capital Programme Delivery team are leading on these capital works.
- 9.6 The project will be governed by a Children’s Residential Board, as part of existing Sufficiency Board Chaired by the Executive Director to track implementation and ongoing performance.
- 9.7 An interim project lead will be appointed to design the specification of all three homes to meet Children Homes Regulations 2015 and provide the technical expertise required to set up and run the homes to meet these regulations. Work with HR Corporate partners in HR and finance will commence to draft and evaluate necessary job descriptions and secure the budget to run these homes in house, including the budget for staff and running costs.
- 9.8 The first stage for registration is to appoint a Registered Manager, required before any registration can be submitted to Ofsted. A Responsible Individual will be appointed within the current Head of Service group in the Children and Young People Directorate. Then we will seek to appoint suitably qualified and experienced staff as Lewisham employees, to care for the children in the three homes.
- 9.9 The properties identified for refurbishment are in locations considered to be lower risk within the borough. Any safeguarding risks in relation to children going missing and understanding local intelligence about risk can be better managed with local partners, rather than being dependent, for example, on other police forces. It is anticipated that having children closer to home and living in their communities is generally in their best interest as local services can mobilise protective factors including family and friends’ networks.

Site 1: 2 beds	<ul style="list-style-type: none"> • 2 bedrooms for children • Shared kitchen, living and laundry facilities • Bathroom for children • Staff on site 24 hours • Staff facilities and bedroom • Communal living/ dining area • Office
Site 2: 2 beds	<ul style="list-style-type: none"> • 2 bedrooms for children • Shared kitchen, living and laundry facilities • Bathroom for children • Staff on site 24 hours • Staff facilities and bedroom • Communal living/ dining area • Office

Site 3 : 1 bed	<ul style="list-style-type: none"> • 1 bedrooms for children • Shared kitchen, living and laundry facilities • Bathroom for children • Staff on site 24 hours • Staff facilities and bedroom • Communal living/ dining area • Office
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10. Proposed management of these homes and placements

- 10.1 Should agreement be given to progress with Lewisham owned and run children's homes, a Registered Manager will be appointed in Children and Young People Directorate to oversee all three sites under one Ofsted registration, in line with the approach in Sutton. The Children and Young People Directorate propose to directly manage the three homes once refurbished and will be responsible for employing the required staff, ensuring they receive appropriate training and supervision. In addition, early discussion has taken place with Health colleagues regarding a clinical offer for the children.
- 10.2 Staff in the homes will be trained alongside other Lewisham Children and Young Peoples Directorate workforce and will be part of the wider workforce with opportunities for career development. With the Family Pathfinder initiative the workforce development offer for social care staff is being extended to provide learning for non-social work staff. The residential care staff will be able to benefit from this resource building a strengthened workforce, resilience, and skills in house.
- 10.3 Management of the bed spaces in these homes will involve an internal referral process, followed by a careful matching of risk and needs assessment and clear placement planning, prior to entering placement which is then regularly reviewed to transition to another less intensive care arrangement.
- 10.4 Sites 1 and 2: Referrals to this provision will be for children looked after under 18 with a range high support needs who need to live in a solo placement, with the option that a second child may be placed, depending on matching their needs to ensure they can safely live alongside each other. There will be staff on-site 24 hours with waking night cover in place.
- 10.5 Site 3: Referrals to this provision will be for a child looked after under 18 with a range high support needs, who needs to live in a solo placement. There will be staff on-site 24 hours with waking night cover in place.
- 10.6 Once the homes have been opened there will be monitoring through the quarterly Children & Young People's Performance Board of how successful the homes are in supporting the target cohort of children into longer term placements that do not require such a high level of support. On-going financial monitoring will also take place to ensure that costs are tracked in relation to the assumptions set out in paragraph 11.2 below. The newly opened homes will also be subject to

regular inspection by Ofsted which will provide us with an external perspective on quality.

11.0 Financial implications

11.1 Set up costs (capital spend)

The total cost of the project will be £307k, which will be funded through capital receipts held by the council. This project will require a project initiation document (PID), which will need to be approved at the Regeneration & Capital Programme Delivery Board (RCPDB), before being added to the Capital Programme.

11.2 This project will be monitored as part of the wider budget monitoring of the Capital Programme & will be reported on at (RCPDB) as well as in the council's monthly budget monitoring reports.

11.3 Although the estimated costs to refurbish the properties are seen to be prudent, there is a risk that the costs are higher than estimated. This would increase the call on the council's capital receipts, which could otherwise be used for alternative capital projects.

11.4 Running costs (revenue) 3 children's homes – Stage 1

The report considers options relating to provision for high cost children and recommends Option 2 which is to "Create in-house Lewisham homes, repurposing existing assets, owned and managed by Lewisham employed staff".

11.5 The business case notes the establishment of 3 in-house provision with could accommodate between 3-5 children, depending on their needs, which will determine the associated cost, and therefore cost avoidance. The number of children that can be placed in the provisions will vary depending on their needs. It should be noted that the key cost driver is the ratio of carer to child.

11.6 The running costs of the 3 homes, with the capacity for 5 children in Stage 1 are modelled in three scenarios/routes depending on the degree of complexity of the children placed and the different staffing ratio's required. The tables below can only be used for exemplification as there are several variables e.g. enabling costs, actual need of the child, the anticipated increased cost in private sector etc.

Route 1 - STANDARD COMPLEX CARE ARRANGEMENT

Route 2 - MEDIUM COMPLEX CARE ARRANGEMENT

Route 3 - HIGH COMPLEX CARE ARRANGEMENT

11.7 The exemplification is based on current prices and therefore a prudent position. The expectation is that the cost of commissioned residential placements will continue to increase, which should see larger cost avoidances on the standard and medium options, with the high-complex also then potentially delivering cost reductions.

ROUTE 1 - STANDARD COMPLEX CARE	5 months	7 months	Total	12 months	12 months	12 months	Total
	on boarding	Sept start					over
	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	4 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
No.of children	0	5	5	5	5	5	
Staffing related cost	239	1,711	1,950	2,932	2,932	2,932	10,747
Operating Cost	15	50	65	85	85	85	321
Total Cost	254	1,760	2,014	3,018	3,018	3,018	11,068
Cost of children in externally commissioned placements £16k pw		2,433	2,433	4,171	4,171	4,171	14,948
Surplus /Deficit			419	1,154	1,154	1,154	3,880
ROUTE 2 - MODERATELY COMPLEX CARE	5 months	7 months	Total	12 months	12 months	12 months	Total
	on boarding	Sept start					over
	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	4 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Number of Children		3	3	3	3	3	
Staffing related cost	500	1372	1873	2352	2352	2352	8930
Operating Cost	21	50	70	85	85	85	327
Total Cost		1,422	1,422	2,438	2,438	2,438	8,735
Cost of children in externally commissioned placements £18k pw		1,512	1,512	2,816	2,816	2,816	9,959
Surplus /Deficit			90	378	378	378	1,224
ROUTE 3 - HIGH COMPLEX CARE	5 months	7 months	Total	12 months	12 months	12 months	Total
	on boarding	Sept start					over
	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	4 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Number of Children		3	3	3	3	3	
Staffing related cost	718	1,880	1,880	3,222	3,222	3,222	11,547
Operating Cost	21	50	70	85	85	85	327
Total Cost	739	1,930	2,668	3,308	3,308	3,308	12,591
Cost of children in externally commissioned placements £20k pw		1,825	1,825	3,129	3,129	3,129	11,211
Surplus /Deficit			-843	-179	-179	-179	-1,381

- 11.8 **Route 1 – Standard Complex Care Arrangement:** This is the most cost effective route, reducing the cost for the council by circa £3.9m over a 4 year period. In reality the saving is likely to be higher as the cost of placing children in private residential care is expected to continue to increase at levels much greater than inflation.
- 11.9 **Route 2 – Moderately Complex Care Arrangement:** This is the second most cost effective, reducing the cost for the council by circa £1.2m over a 4 year period.
- 11.10 **Route 3 – High Complex Care Arrangement:** This option currently shows a possible cost pressure of circa £1.3m based on the current cost of external placements and/or bespoke unregistered arrangements currently in place. However as stated above, we anticipate the cost of external placements costs to increase significantly.
- 11.11 It should be further noted the new homes initiative is a 3-stage process with Stage 1 being development of 3 homes with a maximum occupancy of 5 children. The report recognises the pressure in Children Social Care Budget arising from high-cost care placements made in externally commissioned residential homes. The report further notes the ongoing increase in price e.g. average cost increasing

from c£5.2k to c£7.2k, a 40% increase in cost. The price increases are a consequence of various reasons referenced earlier in the report.

11.12 The report further notes that the number of children requiring high-cost provision is also continuing to increase. As part of considering opportunities to reduce cost, the service is keen to develop as much in-house provision as they where it is more cost effective to do so, to meet increasingly complex presentations. This would enable the service to have some degree of control over price, mitigating the risks associated with future price increases.

11.13 Additional risks for consideration. It should be noted that the revenue financial implications have not been tested for the following areas:

- Level of voids – the forecasting is based on the children being in the provision for a full year. there are various reasons which could result in the property remaining “void”, during that period the service would incur market rates. Example of this could include refurbishment or transition time between end of existing placement to settlement at this provision, or managing turnover of children moving into and on from these placements. Based on the likely costs of the children placed at this provision it could range from circa £15k to £20k per week (based on current pricing).
- The sufficiency of some of the operating cost, e.g. repairs and maintenance. A provision has been suggested of between £10k - £20k (per property).

11.14 Finally, in the unlikely event that the new homes cannot be used for supporting children in care, the council would need to consider options for re-purposing the properties e.g housing stock etc

12.0 Equalities implications

If the proposal is agreed a full equalities impact assessment will be conducted as part of this programme.

13.0 Climate change and environmental implications

The reduction in transport required to support children who live some distance to Lewisham will have a positive impact.

14.0 Crime and disorder implications

Council run homes based in the locality are anticipated to enable the service to better manage children and young people being engaged in criminal and sexual exploitation.

15.0 Health and wellbeing implications

Council run homes based in the locality are anticipated to enable the service to meet the health and wellbeing needs of our children as their corporate parent as we will have better working arrangement with local partners.

16.0 Report Author and Contact

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17.0 Appendices

Appendix A: Options Appraisal & risk assessment from Business Case.
Appendix B: Running costs workings

APPENDIX A

Options appraisal & risk assessment for delivery of children's residential care provision Stage One

Option 1: Do nothing and continue with the current purchasing arrangements.

The council could do nothing and allow the sector to continue to develop independently. This would not address the legal duties and not address issues related to outcomes set out in this report. It would be highly unlikely to lead to local provision being created given that despite the increased number of children in care, interest from the private sector in the London region on developing additional provision has been low. Increased costs of provision are also highly likely given the inflationary pressures we have experienced in the last two years.

Option 2: Create in house / LBL owned, managed and staffed units.

The drivers for creating an in-house provision are:

- Better control of cost and thus efficiency.
- Better choice of placements.
- More control about both the type of units to meet the needs of their children and the type of children we can support in those units.
- Creating local provision for Lewisham children currently in residential placements, for most children, local placements offer clear benefits including better connections with family and local services to support their needs.
- Better outcomes are more likely for children from Black and ethnically diverse groups if placed in or nearer the borough. Children from these backgrounds faced significant disadvantage both in terms of their identity and their education associated with their placement at a distance when compared to their White counterparts. Having provision locally will help address this imbalance and improve outcomes for these children.
- An offer of wraparound/ reach-in support to meet the needs of children that links into existing the services within Lewisham, including partnerships with education and health with potential for joined up services with SLAM to consider how the mental and emotional health services can be delivered in partnership with Lewisham, and be mobilised and directed to these provisions, with potential to secure ICB funding contribution.
- Use of Lewisham's existing workforce development offer to provide training and development opportunities for residential care staff, including joint training with children's social work teams.
- This will ensure a secure base of care and support for our children, that staff are trained and skilled in being attuned, attentive, and sensitive to our children. Our care offer will be collaborative, with our children able to choose and work towards goals that are important and meaningful for them, and to have a say in the types of support and interventions that are used to achieve those goals. Importantly, our children are actively involved in tracking and evaluating how things are going for them. Potential to create closer partnership with Lewisham fostering service to provide step down into family settings.

Running our own home however does bring some potential financial and operating risks.

Cost: Providing children's residential care services for children with the highest levels of need in house may not be more cost effective than purchasing individual placements for children, based on current costs, but the cost of future provision is expected to rise further,

and we have experienced soaring costs over the last 18 months. Even though more homes are available within the independent market, we have no control on how the market may develop.

A review of data has been undertaken, to understand the relative cost implications of in-house provision. Comparing with our financial data suggests that from a cost perspective providing solo placements in house, based on current costs will cost more if they continue to operate solo placements with high staffing levels 24/7, but the costs would be reduced if two of the proposed placements can accept at least a second child. Cost alone should not steer the decision, other factors need consideration.

Choice: Providing some children's residential care services in-house will give us more choice around placement options for children with complex needs. It could allow us to rapidly mobilise local support for children who needed it. There is the potential to involve the ICB in developing homes and secure a contribution to staffing costs e.g., through employing a clinician as part of the staff team.

Whilst we would never inappropriately pressure a Registered Manager about the admission of a specific child, or terminating a placement, LBL run homes will give greater ability to influence this, and address quickly any concerns, because of the potential to mobilise necessary local support more quickly from partners and be more confident that the Registered Manager and staff are better trained and supervised to manage complexity.

This project includes the option to provide at least one emergency residential bed within the estate. Current residential care provision does not offer emergency bed provision. All our procurement of residential care placements is for planned placements. The current external provision does not offer an emergency response.

Control: This is particularly helpful in preparing children to transition from residential care provision safely and sustainably into other forms of less supported accommodation, be that home, foster care, or semi-independence arrangements.

We believe that sometimes residential providers fail to support move on plans, preferring children to remain in their residential unit and it is harder to influence day-to-day intervention from children's homes to undertake the necessary preparatory work with children to support a step-down move.

Providing children's residential care services in house would assist the council to ensure that children's plans can better adapt to reflect their growing maturity and readiness for greater independence.

The issue of control provides the opportunity such that if the needs of the local children in care population changed, the purpose of the home could be changed more easily with less third-party negotiations required.

We could be creative with our provision, amending the Statement of Purpose registration terms more easily and with a Registered Manager/s covering more than one child's home, could support change of regulations, and also provide opportunities to open satellite units attached to the larger children's home (phase 2&3)

Workforce: There are concerns about staffing, especially for the role of Registered Manager, due to a recognised national shortage. This can be the single biggest issue to the successful running of a children's home and a registered manager must be permanently employed to begin the setup and Ofsted registration process.

This challenge can most successfully be managed by offering a good remuneration package with local authority terms and conditions, supervision and training, an attractive proposition for an experienced Registered Manager and residential key workers who are in the private sector at present. There may be opportunities to recruit from our own workforce, but this would still require successful external recruitment.

Expertise: We would be able to engage with the Children's Homes Association to utilise national knowledge and experience to develop expertise within the council, should an in-house service be developed. In addition, with the increase in London council run residential homes there is discussion at present within the Association of London Directors of Children's Services to develop a pan-London workforce development offer. For Lewisham, recruiting a Registered Manager at the earliest opportunity and growing the teams, knowledge and skills base is paramount for success.

Early recruitment of the team allows for shared training and development around the agreed ethos and operating model and can be tailored to meet the needs of a particular child identified for the provision.

There is limited recent experience within Lewisham of developing and delivering children's residential care provision. There may be existing staff who have worked in children's residential care including in the position of Registered Manager.

Option 3: Lewisham owned homes / externally sourced provider via competitive tender for a strategic partner.

Cost: We anticipate it may be cheaper for a provider rather than the council to run the home, subject to commissioning calculations, assuming that the remuneration package of staff will be cheaper than Lewisham employed staff.

Providers will have an existing workforce who should be suitably trained and available to begin work and therefore assume need less time to develop a staff team in the pre operating / set up stage.

Budget control managed through contract award.

This would require investment from procurement and commissioning with robust contract management arrangements established.

Through having an existing suitably trained workforce, the time to set up and operationalize the project is assumed to be shorter, although it should be noted that the approach that we used at Northover and Amersham did include significant delays.

Choice: Careful work would be required in negotiating admissions and throughput in the unit, including notice to terminate placements in either a planned or an emergency way.

Overall, what should be concluded in relation to choice is that any such outsourcing arrangements with a strategic partner will take time to develop and benefit children.

A strategic partnership will require significant work to be productive, including the development of capacity and expertise within the council to manage this well. The impact on choice might be limited, although there is the distinct advantage of the property location and access to services.

Through a private / public partnership, this removes the additional resource burden across council to support staffing and the wider infrastructure, HR, IT and FM.

Control: Even with a carefully developed service specification, robust support and contract management, control with this model of operation in the children's home may not fully align with the way our children's social care services work. The ethos and way of working of the provider could be different and cause some tension despite any good relationships.

The council is about to embark on this model for the provision of 16 and 17 supported and care leaver accommodation. It is too early to assess the success of managing such an arrangement and managing a children's home is more complicated.

Workforce: The benefit of using an experienced provider is they bring expertise and experience to the task by using their own model which has been tailored in numerous other children's homes across the country.

Engagement work with children's residential care providers shows that they are aware of the challenges of attracting and retaining staff, and particularly the issues around recruitment of Registered Managers. Good providers have developed bespoke training and other continuous development programs. Some providers report they are of sufficient size to be able to draw on bank staff and/or move staff around to meet any staffing gaps.

Expertise: A strategic partner would bring sector expertise including detailed knowledge and experience to any arrangement, having run different models of care from different locations. They would have established policies, processes, procedures, and staffing structures that would in principle be easily adaptable to any new provision in the borough.

Other factors to consider

Control: Both options, in house, and a private /public partnership, should provide improved budget control. The costs of spot purchased placements are based on current costs and future costs are unknown. Our recent experience shows cost can change suddenly, and often by large increases due to providers insisting on a increasing a staff team to manage risk. The disadvantage of using an external provider is that ultimately it is their decision if a child is accepted and not ours.

In addition, given how the market currently operates and taking advice from Councils that have set up new residential provision recently, there is some doubt that a private provider would enter into an agreement with the Council on our terms. The sector already has the ability to open new homes, although this is mainly outside of London. From a profit perspective there is little incentive for a provider to enter into an agreement with the Council which would constrain in any way their choice on the children to be supported and

the charge they can make for this. If we were to attempt to set up a Public-Private initiative and this is unsuccessful there will be further delay before a new home can be opened.

Location and property: The advantage of using existing assets includes:

- Access to council owned properties and additional funds for purchasing new property in Stage One is not required.
- Identified properties are in good state of repair requiring some refurbishment without need for extensive redesign or build.
- Greater opportunities to secure planning permission
- Selected properties are in areas considered suitable and safe locations for vulnerable young people.
- Properties have outside space and are detached.
- Using existing assets presents a lower risk to start the residential care project. If the project is not successful, or demand changes, the asset remains with the council.
- Using existing assets provides a shorter timescale to complete refurbishment and have children's homes operating.
- Starting with solo provision means there is lower risk in having to manage voids, which can occur when there are matching considerations for children in group homes.
- Beginning the project with solo homes, offers the council the opportunity to develop its knowledge and skill in running in-house provision, or managing an externally sourced provider to do this, starting small to manage this significant programme of change.

Risk Assessment

The development of in-house children’s residential care provision is multi-faceted and complex. There are accordingly a range of risks which may arise both pre and post the operationalisation of our provision. Some of these are described in the review above, all will need to be monitored and managed. The table below identifies the key risks, highlighting the potential likelihood and impact in each case and setting out potential mitigation and control measures.

<u>Risk</u>		<u>Mitigation/ Control Measures</u>	<u>Impact</u>
Staff Recruitment & Retention	<ul style="list-style-type: none"> • Competition in the market for appropriately qualified staff • HR capacity to manage launch recruitment and on boarding off staff. • HR capacity to manage ongoing staff management. • Increase likelihood of managing allegations and impact on Lewisham LADO • Requirement and resource for senior management leadership 	<ul style="list-style-type: none"> • Early development of a fully costed and resilient staffing structure. • Extended timeline for mobilisation for recruitment to key posts. • Phased implementation plan, starting with x 3 solos. • Competitive recruitment and retention package for key management positions • Internally delivered supervision and learning and development programme 	High / Medium
Operational Performance	<ul style="list-style-type: none"> • Scope for poor or inconsistent operational performance leading to impact on staffing costs 	<ul style="list-style-type: none"> • Enhanced supervision and management oversight of staff team • Early engagement of ICB SLAM to contribute to staff team and provision of clinical services for CYP and staff group. • Set up Children’s Residential Board, as part of existing Sufficiency Board Chaired by Exec Director to track implementation and ongoing performance. • Joint learning & development programme for children’s social workers and residential staff • Fast mobilisation of education / employment / training offer • Partnership working with community-based services and police to manage any risks. 	Low
Ofsted Registration	<ul style="list-style-type: none"> • Delays or issues with registration leading to extended mobilisation period 	<ul style="list-style-type: none"> • Early engagement with Ofsted and DfE on plans for in-house delivery • Engagement with partner authorities on registration process • Detailed review and project plan on requirements for successful registration 	Low
Occupancy	<ul style="list-style-type: none"> • Phase One, providing solo provision removes management of voids and matching considerations 	<ul style="list-style-type: none"> • Existing review of children in residential and pre-planning appropriate moves to in-house provision • Rigorous oversight by senior managers of all children entering residential. 	Low

APPENDIX B – Running Costs possibilities of the 3 homes in stage 1.

	ROUTE 1 - STANDARD COMPLEX CARE Modelled on 5 occupants and 8 staff H1 & H2 has 2 children per home, with 3 staff H3 1 child with 2:1 staffing				ROUTE 2 - MODERATELY COMPLEX CARE Modelled on 3 occupants and 6 staff 1 child per home, each with 2:1 staffing.				ROUTE 3 - HIGH COMPLEX CARE Modelled on 3 occupants and 9 staff 1 child per home, 3:1 with only ONE resident at <u>each</u> home.			
Children's home	Home 1	Home 2	Home 3	TOTAL	Home 1	Home 2	Home 3	TOTAL	Home 1	Home 2	Home 3	TOTAL
No of beds	1-2	1-2	1	5	1-2	1-2	1	5	1-2	1-2	1	5
No.of children	2	2	1	5	1	1	1	3	1	1	1	3
Staffing related cost	1,081,457	1,081,457	769,416	2,932,330	791,457	791,457	769,416	2,352,330	1,081,457	1,081,457	1,059,416	3,222,330
Operating Cost	29,800	29,800	16,800	76,400	29,800	29,800	16,800	76,400	29,800	29,800	16,800	76,400
TOTAL RUNNING COSTS OF EACH ROUTE	£ 1,111,257	£ 1,111,257	£ 786,216	£ 3,008,730	£ 821,257	£ 821,257	£ 786,216	£ 2,428,730	£ 1,111,257	£ 1,111,257	£ 1,076,216	£ 3,298,730
COMPARISON COSTS AGAINST CURRENT TYPICAL COSTS OF EXTERNALLY COMMISSIONED RESIDENTIAL PLACEMENTS												
Current typical cost of a residential placement per week, per child				£16,000 Standard complex				£18,000 Moderately complex				£20,000 Highly complex
Current typical cost of a residential placement per year, per child				£ 834,286				£ 938,571				£ 1,042,857
TOTAL current typical cost of residential placements for the same number of occupants in each option.				£4,171,429 5 children/occupants				£2,815,714 3 children/occupants				£3,128,571 3 children/occupants
COST DIFFERENCE				£1,162,699				£386,985				-£170,158
ADDITIONAL NOTES	H1 and H2 is different to H3 because they are bigger than H3											
	H1-H3 same cost for chef because the no of children is ONE.staff may do the cooking.Also to note - main staff may do the cooking.											



Department
for Education

Capital investment to develop provision for children with complex mental health needs and challenging behaviour 2025-29

Information for applicants

November 2024

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1. About this guidance

This guidance is for local authorities (LAs) wishing to apply to the open application round for capital match funding to deliver additional provision for children with complex needs and challenging behaviour, recognised to be a response to complex and ongoing trauma. These children may have been, or are at risk of being, deprived of their liberty.

The autumn budget issued on 30 October confirmed our funding for 2025/26 enabling us to launch this competition. Future years funding for the remainder of this programme, scheduled to run from April 2025 until March 2029, will be confirmed in due course. This Government is committed to investing in children's homes capital to support LAs to create provision for vulnerable children and this programme builds on the £259 million announced at spending review 2021 that is being invested in both open and secure children's homes sectors.

LAs applying for funding should familiarise themselves with this guidance before completing the application form.

Only applications that demonstrate a high project need supported by evidence, and which align closely with our programme objectives (as set out in section 2) are likely to be successful.

2. About the children's homes capital programme 2025-29

In 2021, the Department for Education introduced a new £259 million capital funding programme designed to support LAs to establish new children's home provision via expansion, refurbishment, or new building work. While this programme has and will continue to help increase capacity across the open children's homes (OCH) sector, a combination of increasing need and inadequate specialist provision in the system means that we are still seeing children with highly complex needs accommodated in unsuitable, unregistered placements at a significant cost to LAs.

To ensure that the system is able to provide a safe home for these vulnerable children, the Government has committed to make further match funding available to LAs through this programme to create additional OCH placements for children with multiple, complex needs, recognised to be a response to complex and ongoing trauma, who have been, or are at risk of being, deprived of their liberty.

Who are the children this provision should be developed for?

This capital investment will support LAs to develop provision which can meet the needs of children with the most complex behavioural and emotional needs, who are, or at risk of, being deprived of their liberty to keep them safe. These children are often present across various settings, including in Tier 4 Mental Health wards and secure accommodation settings. They may have similar needs and are often the same children moving through multiple teams and professionals from different parts of the state's system.

Nuffield Family Justice Observatory conducted analysis¹ on the applications submitted to the national deprivation of liberty court over a 12-month period (July 2022 to June 2023) to better understand the number of children deprived of their liberty, their circumstances and the reasons an application was sought.

This analysis found that there were three broad groups of children deprived of their liberty, who have a high level of need and who are at risk of harm or harming themselves. These are:

1. **Children with multiple, complex needs, recognised to be a response to complex and ongoing trauma.**
2. Children with learning and physical disabilities needing support/supervision.
3. Children experiencing or at risk of external or extrafamilial risk factors such as sexual or criminal exploitation.

This capital investment is designed to provide funding for LAs to develop provision for children in cohort one only. Applications received for funding to create provision outside of this cohort will not be accepted.

There are significant gaps in the current system for these children, who often present with complex challenging behaviours that mean admission to hospital may not be appropriate, and a secure children's home cannot meet their needs.

This funding will be available to LAs to help create accommodation which will:

- ensure that there is sufficient provision in the right places for children with complex needs;
- ensure local health and social care teams work together to provide care which meets all of a child's needs; and
- reduce the number of children and young people with complex needs and behaviours being accommodated in unregistered provision.

Further details on criteria are available at section 6 of this guidance.

LAs may enter more than one project bid, which will be assessed separately and independently from each other. If the projects are linked, please refer to this in the application form. There is no guarantee that if one project is successful, the others will be too. You may want to consider whether a single combined application may be more appropriate.

This children's homes capital funding can only be used for the project for which it was awarded. Any changes to a project's scope must be agreed in advance by the Department

¹ <https://www.nuffieldfjo.org.uk/resource/children-subject-to-deprivation-of-liberty-orders>

for Education (DfE) and the project may be liable to cancellation and/or clawback of funding if a change of scope is not agreed and/or subsequently taken forward by the LA.

Funding will be provided via a grant issued under Section 14 of the Education Act 2002, which means that funding will be paid in arrears upon satisfactory evidence of work completed. It is the expectation that grant funding will be awarded in Spring 2025, with work starting on the projects as soon as possible after the award has been given, and in line with committed milestones, project plans and required KPIs that will be included in all grant offer letters. KPIs include:

- LA project team to complete and submit monthly progress reports in full to DfE. Progress reports must include progress against key delivery milestones including:
 - Property purchased (if appropriate),
 - Feasibility design completed,
 - Planning application submitted,
 - Planning application approved,
 - Tender of contractor launched,
 - Construction partner approved and started on site,
 - Recruitment of relevant staff for the home,
 - Practical completion,
 - Ofsted registration completed,
 - First young person placed in the home.
- In addition, LA project team maintain and amend budget forecasts to reflect accurate project progress and provide DfE with updated cashflow forecasts as part of monthly progress reports.
- LA project team to prioritise spending DfE match funding before the LA match funded contribution where possible and make regular claims in line with project delivery forecasts.
- LA project team to attend monthly (or other agreed frequency) meetings with DfE Project Lead and provide an overview of progress over that period of time and respond to any queries and clarification requests.
- LA project team agree to provide DfE with requested project benefit data at the appropriate time in the project lifecycle.

DfE funding cannot be extended past 31st March 2029. Applications must robustly demonstrate how they intend to complete capital works and claim DfE related match funding by this date or sooner. Any applications that demonstrate capital works will surpass this date will not be accepted.

Where any awarded projects throughout their lifetime face delays that could extend the milestones past 31st March 2029, DfE reserve the right to cancel and/or clawback funding.

DfE has a separate programme of capital funding for secure children’s homes (SCH). As such, bids for funding to carry out capital works to maintain, improve, extend or create new SCH placements are therefore out of scope for this programme and will not be accepted.

3. Indicative timeline for the children’s homes capital programme (Table 1)

Milestones	Dates
Programme launch: Information for applicants circulated	1 November 2024
Deadline for all applications	28 February 2025
Notify applicants of outcome	From 24 April 2025
Grant letters issued to successful bidders	May 2025
DfE funding ends	31 March 2029

4. Who can apply for funding?

This bidding round is open to all LAs, either bidding alone, as part of a consortium of LAs, or in partnership with the voluntary and community sector/ private sector providers. In the case of consortia bids, the lead bidder must be a single LA, and all capital assets created as part of this funding must remain in the ownership of the lead LA. The LAs/ consortium members will be solely responsible for all one-off and ongoing maintenance and running costs for the asset - these costs are out of scope of this capital programme and will not be provided. The Department will perform necessary checks as part of the bidding process to confirm LA financial stability and may reject bids if this is found not to be the case.

5. Grant conditions

If your application is successful, you will be expected to comply with our grant funding terms and conditions. Failure to comply with the terms and conditions will affect payment of the grant and may result in funding being withdrawn and/or clawed back. Key mandatory grant terms and conditions will include the requirements to:

- agree to match-fund the proposed work and prioritise spending DfE’s match funding first where possible;
- agree that the capital build element of the project will be complete, and all associated DfE match funding will be spent and claimed, on or before 31 March 2029;

- report the progress of the project throughout its lifecycle by completing monthly project monitoring reports;
- inform DfE of any changes/delays to planned project milestones and of any project overspends/underspends;
- agree conditions of clawback, 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 project is unable to be completed entirely or within the set timescales;
- commit to continue to operate the new provision created with the DfE funding for a minimum of 5-years from when placements begin; and
- once new provision is operational, agree to report regularly to DfE on operating costs (or placement fees if operated by a third party) and the demographics of the children placed in the provision (including details of previous placement and placing / accommodating local authority).

The grant funding terms can be found on the [GOV.UK website](#).

6. Types of projects which are eligible for funding.

The aim of this programme is to develop provision which is designed to meet the specific needs of children that are at risk of being, or are currently, deprived of their liberty due to their multiple, complex needs, which is recognised to be a response to complex and ongoing trauma.

DfE will aim to support projects which are designed to meet the specific needs of our target cohort (as defined on page 3 & 4) and that:

- Create additional provision by:
 - Extending or adapting existing provision to provide additional capacity i.e. an annex or pod.
 - Refurbishing a current LA owned asset that is not currently being used as a children's home.
 - Purchasing or building a new property/asset.
- Where a project is designed as multiple occupancy i.e. not solo provision, it provides communal living arrangements in the typical style of an open children's home but can be adapted to provide self-contained solo provision when required in order to maximise occupancy levels.
- Has fixtures and fittings that are designed to maximise safety in recognition of the additional needs of the children placed there e.g. anti-ligature features, underfloor heating etc.
- Provides a clear plan to ensure the care delivered in the setting will link community and in-house services e.g. education, healthcare, CAMHS etc.

- Has partnership commitments in place with local Integrate Care Boards (ICBs) to provide integrated health and social care within the home. Annex A provides two case studies of integrated healthcare services to meet the needs of this cohort of children in their local area.
- Has clear pathways to transition either into mainstream or other suitable provision.
- Is registrable as a children's home with Ofsted in compliance with the Children's Home Regulations (2015).

In contrast, funding is **not** available for:

- Building works to family homes or homes providing foster care services.
- Accommodation / services for care leavers or supported accommodation for children aged 16 and 17.
- Accommodation for children who are not looked after children.
- Refurbishing existing operational children's homes (unless the project is to expand the number of places specifically provided for this cohort of children within an existing home i.e. the creation of an annex or pod.)
- Transportation for staff
- Furnishings
- Routine maintenance works of existing or newly created provision.
- Provisions which are **not** registrable as a children's home with Ofsted in compliance with the Children's Home Regulations (2015).

Any bids, or elements of bids, that are deemed to be out of scope will be rejected and will not be evaluated.

We would expect to see commitment to continue to operate the new provision for an extended period of time of no less than a minimum of 5 years from when placements begin. In situations where the provision is deemed no longer required, consultation with DfE will be required to discuss how DfE funding will be reinvested into the local children services.

You will need to seek our prior written approval from the DfE if you wish to sell, dispose of or otherwise transfer or change the use of any building that was acquired, refurbished, developed and/or improved whether in whole or in part using the grant funding. Any approval may be subject to the satisfaction of certain conditions, including in relation to the application of any proceeds of sale. Where the grant is not used in line with the purposes for which it was awarded and according to the grant terms and conditions we will look to claim back the funding.

While the design of this provision will vary based on local need, **all provision must be capable of being operated as an Ofsted-registered children's home**, with health partners working together with LAs to deliver suitable packages of care and plans to support young people back into their community / mainstream provision where appropriate.

Ahead of submitting your bid, we strongly suggest contacting Ofsted via their policy mailbox (EYRegulatoryandSocialCare@ofsted.gov.uk) to discuss the project and any potential issues with registration. You can find more information on registering a children's homes here: [Registration guide for children's social care services - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/registration-guide-for-childrens-social-care-services)

We have not set a threshold on the number of properties or amount of funding that can be included in a single bid. However, we expect all bids to be achievable, reasonable, demonstrate best value for money and benchmark costs against similar projects where tender/work estimates are not available. Bids should clearly set out expected yearly spend between 1 April 2025 and 31 March 2029. All bids will be evaluated independently against the criteria and scores set out in Section 9.

We will accept applications for projects that were already planned prior to the announcement of this funding as well as applications for new projects. In the case of projects that were already planned, you will need to provide clear evidence of funding that has already been secured (our assumption is that this funding will continue) and what the added funding and value would be if you were to secure DfE funding. DfE will not accept applications that claim for any works that have been undertaken prior to the notification of the outcome of your bid.

7. Application Form

All applications for capital funding must be completed on the application form provided by DfE.

Applications must receive a satisfactory score on each and every question/criterion to be awarded funding. If an application receives less than 3 on any single question, then it will be judged as not having met the standard required and will not be eligible for funding.

The bid process will be conducted in a manner that ensures bids are evaluated against the criteria set out below in Section 9.

Our intention is to fund projects which meet DfE's strategic priorities, and where the proposed project is appropriately planned and presents best value for money.

The application form is designed for you to summarise the most important features and rationale behind a project. There are three key sections to complete: Project Need, Project Delivery and Project Cost. You may attach relevant and necessary key project

documentation as evidence to support the case being made; however, your entire applications should be no more than 15MB to ensure our IT system is able to accept these. If your application refers to a local strategy document, the relevant text should be transferred into the application to avoid large irrelevant files being attached.

If a LA wishes to submit a consortium bid, the following must be provided as part of the application:

- a) Who will be the lead LA – this will be the accountable body for the project if the bid is successful and to whom the funding will be provided.
- b) The proposed governance structure including the roles, responsibilities, capacity and resource of the consortium members to deliver the project.
- c) All delivery, task management and sub-contracting agreements between consortium members to ensure the project is able to deliver across organisations.

8. Match Funding agreements

The DfE will provide match funding to successful applicants up to a maximum of 50% i.e. DfE provides 50% and the local authority and/or consortium provides 50%. We expect applicants to be able to demonstrate that they can equally match fund DfE investment for the total capital cost of the project.

Definition of Capital Spend

Capital Spend is defined by accounting standards. IAS 16 sets out that capital costs include all costs necessary to bring the asset to working condition for its intended use. This includes not only the original purchase price of land and materials etc, but also any costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

Project management costs may be included under this definition if it is wholly/solely linked to the construction works.

We will accept current LA owned property or land as part of this investment. However, applications will need to demonstrate clear evidence of the property's and/or land's value.

Works to properties with long leases (for example 125-year leases) will be considered but details will be required about the nature of the lease and who owns the freehold (for example Homes England or another public body). Leases less than 125-years will not be accepted.

Revenue monies provided as part, or all of, the LA element of match funding will not be accepted. This is because it does not contribute to capital funding and would mean DfE is providing 100% capital funding for the bid and is therefore unfair to other bidders.

Grant funding from other government departments, as long as it is capital funding, can be used to support delivery of projects where the conditions of that grant funding allows it.

Successful bids should prioritise spending the DfE element of match funding first ahead of any LA match funding. However, there must be a clear commitment set out in the cost plans for how the LA match funding will be spent along with sources of this funding. It will be a condition of the grant funding that if an LA subsequently does not fulfil this commitment, DfE will have the right to clawback the capital grant funding that has been issued and spent.

9. Evaluation Process and Criteria

Your application will be evaluated via the following process.

Stage 1 – Receipt

Applications will be received by the deadline stated in Table 1.

Stage 2 – Eligibility reviews

The assessment panel will review each application to ensure it is within the scope of this bidding round. Any application not within scope will be rejected and not evaluated further. Examples of reasons for rejecting a bid may include but are not limited to the incorrect cohort benefitting from the bid proposal, the bid is not within the correct timescales for delivery, or the bid does not create additional capacity for the cohort, etc.

Stage 3 – Evaluation

The assessment panel will evaluate each application against the DfE's set requirements. The headings included within this section are listed below. The assessment panel may seek clarifications from the bidder on any part of the application, including Project Need, Planning or Cost.

Each question and section has been allocated a weighting to indicate its relative importance to the subject of this bidding round.

Applications must gain a score of 3 or higher for each question in order to be awarded funding. Bids scoring less than a 3 on any question will be disqualified from the process and will not be eligible for funding.

The apportioned weightings for each of the sections are outlined below.

Project Need 50%, Project Planning 30%, Project Cost 20% (Table 2)

Criteria	Question No.	Question weighting
Project Need	Q1	13%
Project Need	Q2	13%
Project Need	Q3	8%

Project Need	Q4	8%
Project Need	Q5	8%
Project Need Max Total		50%
Project Planning	Q1	6%
Project Planning	Q2	6%
Project Planning	Q3	6%
Project Planning	Q4	6%
Project Planning	Q5	6%
Project Planning Max Total		30%
Project Cost	Q1	5%
Project Cost	Q2	10%
Project Cost	Q3	5%
Project Cost Max Total		20%
Combined Max Total		100%

Responses to the questions set out within the criteria above will be **evaluated on a scale of zero to five**, as detailed below:

(Table 3)

Assessment	Interpretation	Score
Outstanding	The response and evidence provided fully meets the information request and provides demonstrable added value.	5
Good	The response and evidence provided fully meets the information request.	4
Satisfactory	The response and/or evidence provided meets the information request, but <u>minor reservations</u> exist about the quality, deliverability or extent of the evidence provided.	3
Poor	The response and/or evidence provided shows that the information request is met but <u>significant reservations</u> exist about the quality, deliverability or extent of the evidence provided.	2
Unacceptable	Fails to demonstrate and/or provide evidence/sufficient information of an ability to meet a specific requirement.	1
Non-Compliant	Fails to provide the required information and/or does not answer the question.	0

Any application that scores a 2 “Poor” or less on one or more of the questions will be rejected and their application will not be considered any further in the process.

The score awarded for each question/section will be multiplied by the weighting to arrive at a weighted score for that question. The weighted scores will then be added together to give a total weighted score. Final scores will be worked to one decimal place.

Worked example:

(Table 4)

Bid	Criteria	Question No.	Question weighting	Score received	Weighted score
A	Project Need	Q1	13%	5	13
B	Project Need	Q1	13%	3	7.8

Stage 4 – Moderation

In order to make a final selection for successful applications, a moderation meeting(s) will be carried out. The individual scores of the assessors will be considered and reviewed and a consensus score will be agreed by the assessment panel and an independent moderator.

If, upon final moderation, we have more successful applications than the funding available, we will be prioritising bids against the evidence of need. We will base ‘need’ on the proportion of children within a LA that have been, or are at risk of, being deprived of their liberty and have been placed in an unregistered children’s home in the last 12 months (we will ask for the individual numbers and calculate internally). Where a bid has been submitted as part of a consortium, we would expect bidders to provide this data from all the LA areas contained within the bid. An unregistered children’s home is an establishment that provides ‘care’ and accommodation and is not registered with Ofsted. LAs are responsible for obtaining this information and submitting it as part of their bid.

This ‘need’ will be ranked from highest to lowest and distributed into 3 groups: priority 1 (high), 2 (medium) and 3 (low).

Priority 1 applications will be considered first and reviewed in ranking order of their final score out of 100%. If all successful priority 1 projects can be awarded within the funding envelope, we will progress to priority 2 applications and finally onto priority 3.

Please see a worked example scenario with a funding envelope of £40m:

(Table 5)

Bid	Need Priority	Bid Score	Bid Cost	Awarded Y/N	Running £ total (max funding)
Bid A	1	94%	£5m	Y	£5m
Bid B	1	90%	£10m	Y	£15m
Bid C	1	80%	£3m	Y	£18m
Bid D	2	92%	£8m	Y	£26m
Bid E	2	84%	£4m	Y	£30m
Bid F	3	91%	£9m	Y	£39m
Bid G	3	82%	£5m	N	£44m
Bid H	3	78%	£1m	N	£45m

Please note all figures are examples for the purpose of the scenario.

Following the moderation meeting(s), a recommendation will be made on the basis of the consensus agreed by the evaluation team.

Stage 5 – Issue Outcome Letters

Successful and unsuccessful letters will be issued to each bidder.

Stage 6 – Grant Award

Grant determination letters will be drafted and issued for signature.

LA project teams shall prioritise completing and returning annexes required for grant offer letter(s), and subsequently signing and returning DfE grant offer letter(s) to enable timely delivery progress.

10 Project Need

In the ‘Project Need’ section, bidders should supply evidence of their need for this type of provision, and the perceived impact the project will have in addressing this need.

We expect a good bid to have clear written information, and evidence against the below questions. This should include:

- A brief overview of your local existing provision for children with complex needs, as defined in the guidance document, requiring residential care (if any) and an explanation

of why this provision is insufficient to meet this cohort's needs.

We would expect to see evidence of what your current arrangements are for meeting the needs of this cohort of children. This should include data on children deprived of their liberty and where they are placed, including if this is in secure and mental health settings, or unregistered placements (if applicable). We would also like to understand why these current arrangements are unable to meet the needs of this cohort of children.

- Evidence demonstrating how your proposal will enhance outcomes for, and meet the currently unmet needs of, the children in this cohort due to a lack of local provision.

We would expect to see evidence of how this provision will meet the specific needs of children in this cohort, including relevant details on how your provision will resolve local issues that these children face. For example, reducing the use of unregistered provision and/ or out of area placements, where applicable, in your local area.

- The current level of commitment, and plans that are in place, for working with your local health partner/ Integrated Care Board.

We would expect to see evidence of:

- Existing working level agreements between LAs and ICBs.
- How developed the existing relationship between the LA and ICB, and plans to improve this, if required.
- Any joint plans between LAs and ICBs on workforce delivery or other relevant areas.
- Anything else that provides evidence of good partnership working between LAs and ICBs in the local area.

We would expect to see bidders describe, in detail, the collaborative approach between LAs and ICBs which will enable delivery of the appropriate therapeutic care that children in this cohort require. Bidders should outline plans for how the LA and ICB will agree the right support to meet the specific needs of the children placed in the provision, and how the views of clinicians will be at both planning, and delivery stages of the project.

- Evidence of how you will ensure that you are able to recruit and retain in a timely manner the required staff to legally operate this provision in line with the Children's Home Regulations 2015 (England).

We would expect to see details of your workforce strategy, outlining a clear and structured plan for the recruitment and retention of the staff required to operate this

provision. This may include evidence of your staffing model, staff training opportunities, staff support, and how you intend on recruiting regulated roles, such as Registered Manager.

As noted above, in the case of projects that were already planned prior to the announcement of this funding, you will need to provide an outline of the current project, evidence of funding that has already been secured (our assumption is that this funding will continue) and an explanation of what would be different / additional if you were to secure DfE funding.

We encourage bids that plan to open placements as soon as possible but understand this may not be possible in all cases. Bids will not be prioritised by completion end date.

While we would expect any building/capital work to have completed by end March 2029 we are aware registration of staff etc may delay placements being open.

Bids should clearly set out the completion deadlines for a) capital work and b) provision opening for placements. DfE will expect monitoring of the project to continue up until placements begin alongside the required longer-term evaluation of the objectives of the project.

11 Project Planning

Each bid must demonstrate robust project management and regular, accurate reporting schedules. This will be essential throughout the entire grant agreement to monitor delivery, manage risks and issues, and fulfil governance reporting requirements to build and give confidence that the capital project will be completed within the specified time, to the approved cost, and to the required level of quality.

We expect a good bid to set out in the application form:

- How the proposal will comply with the applicable clauses of the [DfE design and quality standards](#), (with particular reference to the MEP standards applicable to residential accommodation set out in Technical [Annex 2F and 2G](#), and the spatial standards for residential accommodation set out in [annex SS1](#)), the [Children's Homes \(England\) Regulations 2015](#), and the [Guide to the children's homes regulations, including quality standards](#), and compliance with the [Building Safety Act \(BSA\) 2022](#).
- The scope and expected capital outcome of the project – this should include the equivalent project design to Feasibility Report and to RIBA Stage 2 Concept Design, demonstrating the number of beds/homes you intend to renovate/expand/build, apply for change of use etc.

- Accepting that the provision is for a residential children's home, how will you support children's safeguarding regarding any connectivity provided in the setting, aligned to the "Online Safety section of the DfE's Keep Children Safe in Education" (KCSIE) Guidance.
- A project plan outlining critical dates and activities to be undertaken to achieve this, the resource required to do so, and how they will work with others to achieve this.
- The project management and reporting arrangements that will be put in place and how often/when these will be updated/reviewed.
- How you will ensure that day-to-day operational management of the project will be of a high quality, conducted professionally against agreed ways of working.
- A risk register – defining specific risks or issues in delivering the proposal and describing the measures that would be put in place to mitigate them.
- How you will meet the Department for Education requirements of monthly management and performance information updates and submission of claims, including a named single point for day-to-day contact.
- For successful bids proposing to purchase a property, we expect to see detailed surveys of properties carried out prior to purchase to ensure that the property is of a sufficient quality and that any significant issues i.e., for example, foundation problems or rotting joists, that may delay projects and/or incur additional / higher costs can be avoided at the earliest possible point in the project.

12 Project Cost

The Department expects all successful projects to demonstrate value for money and provide evidence of cost certainty. Project costs should be within an appropriate cost range for the type of works proposed. Your evidence should include:

- A cost plan (a quantified breakdown of costs) appropriate to the design, size, and scale of the project from either:
 - reports/advice from professional cost consultants; or
 - copies of detailed quantified quotes aligning to project specification from a contractor(s);
- where available, a summary of any tender exercise(s) including a copy of the tender reconciliation; and
- details of procurement route(s) adopted including naming the form of building contract or other contract(s) to be used.

The Royal Institution of Chartered Surveyors defines abnormal costs as those which might be considered as project specific (that is, they are not a 'typical' construction cost) and are classified as such because they tend to have a notable consequence. Examples include asbestos removal, upgrade of services installations, and specialist substructure works. Abnormal costs must be clearly identified and justified. This will assist in the benchmarking of the overall costs.

You should be realistic about the level of risk, contingency and retention (following completion of the works) allowances included in your cost plan. This should be appropriate to the scale and type of the project and the level of work already undertaken to establish price certainty. For example, we expect risk/contingency between 5% and 10% of the total project value - if higher than this range these must be justified in your application. Also, you should take care to avoid duplication of costs i.e., having multiple risk cost allowances and/or including costs in both the cost plan and risk register for the same elements. We expect rigorous scrutiny and challenge of costs by LA project governance to ensure costs are accurate and well and appropriately managed.

Depending on the value of the project, progressional or technical advice may need to be competitively tendered. You should ensure that the fees charged represent good value for money and should not assume that fees at or below 10%, or any 'no-win-no-fee' arrangements, automatically offer good value for money.

You should be aware that if your project is approved in principle only, you cannot accept the Terms and Conditions, and the Department is under no obligation to make payments in those circumstances. Any expenses you, or a third party, have incurred prior to the acceptance of the Terms and Conditions will only be paid where approved for payment by the Department.

The applicant should consider a full total project budget to deliver an operational space ready to operate as a children's home for the purpose intended through this programme and know the project is affordable. The LA/consortium should undertake a stress test of the budget and project plan, assessing affordability if risks should materialise, and be aware of 'optimism bias' when critically analysing the project proposed.

Considering the above, the applicant should present a total fixed cost for their proposal. This should include an explanation of how the project costs and profile have been calculated, and in principle agreements across all parties/consortium members to match-fund at least 50% of the total project capital costs.

Any cost overruns will be at the expense of the LA/consortium

Applications should:

1. Clearly present a total fixed cost for the project.
2. Include explanations in their cost plans of how project costs and profile have been calculated.
3. Breakdown costs by individual lines appropriate to the size and scale of the project and include:
 - i. An outline of what a profile payment schedule will look like against milestones / critical tasks (see Annex B for examples of acceptable/expected profiles).
 - ii. Details of planned procurement route.

- iii. Details or evidence of any savings being made.
- iv. Details of any contingencies.
- v. How value for money will be achieved against the requirements set along with the rationale and clearly evidenced cost calculations.

13 Procurement

Applicants may choose their own procurement route to secure best value for money.

There is no obligation to complete a tender exercise before submitting a bid, but you should set out your planned procurement route and demonstrate how you plan to achieve value for money.

If, at the point of submitting your bid, you are aware of the supplier who will be undertaking the project work, you should provide details of the supplier organisation in section 4 question 3 of the application form. If you are yet to select a supplier and your bid is successful, we require you to inform the Department of the supplier(s) when this is known.

The Department will undertake light-touch due diligence checks on the aforementioned supplier(s) at the point of grant award, however it is expected that the applicant will undertake full due diligence checks (including financial stability, fraud, criminal conviction checks, conflicts of interest) on any supplier contracted to undertake the works.

14 Carbon Reduction Agenda

We will expect to see, where applicable, that projects have engaged with the Government's sustainability and carbon reduction agenda and how they aim to achieve net zero carbon emissions. We do not expect to see detailed plans at bidding stage and will not score this as part of the application, but you should consider as part of your plan:

- a. Formal carbon reduction plans and environmental accreditation standards that you have achieved.
- b. An explanation of how the project supports carbon reduction and/ or maintaining environmental accreditation standards.

Your project design should consider the Building Research Establishment Environmental Assessment Method (BREEAM). We expect both new build and refurbishment projects to be equal to BREEAM 'Very Good' as a minimum. This will be a requirement within grant letter agreements, where relevant.

15 VAT

It is the applicant's responsibility to seek advice on whether VAT is recoverable within the project. Where recoverable by the applicant, VAT should be excluded from the application. If unable to claim back VAT, they should include VAT on the application and provide the supporting evidence.

16 Exit Planning

We expect the bid to set out, at a high level, the exit plans the applicant will follow to complete all capital build elements and spend of all associated Departmental match funding for the project by 31 March 2029 – including updating DfE with completion notifications.

We would expect to see commitment to continue to operate the new provision for an extended period of time of no less than a minimum of 5 years from when placements begin. In situations where the provision is deemed no longer required, consultation with DfE will be required to discuss how DfE funding will be reinvested into the local children services.

You will need to seek our prior written approval from the DfE if you wish to sell, dispose of or otherwise transfer or change the use of any building that was acquired, refurbished, developed and/or improved whether in whole or in part using the grant funding. Any approval may be subject to the satisfaction of certain conditions, including in relation to the application of any proceeds of sale. Where the grant is not used in line with the purposes for which it was awarded and according to the grant terms and conditions we will look to claim back the funding.

17 Application Submission

LAs who wish to submit a bid to the Department should send their completed application to ComplexNeeds.CAPITAL-INVESTMENT@EDUCATION.GOV.UK by **11:59pm on 28 February 2025**.

No extensions to the deadline will be given.

Once you have submitted a bid to the Department you will receive confirmation of this within 1 working day. If you do not receive this, please contact the Department at ComplexNeeds.CAPITAL-INVESTMENT@EDUCATION.GOV.UK to confirm this has been received successfully.

18 Clarification Questions

Any queries or questions regarding the application process should be sent by email to ComplexNeeds.CAPITAL-INVESTMENT@EDUCATION.GOV.UK.

The deadline for questions to be submitted is 48 hours before the closing date: this will be **11.59pm on 26th February 2025**.

Queries and responses will be shared with all potential bidders where applicable unless deemed commercially sensitive (the sender's identity/and any other identifying data will be anonymised).

ANNEX A

Case study - Integrated Health Services: an open children's home delivering care jointly with health teams.

We know that children from this cohort benefit from placements including involvement from health services. We have seen this in provisions developed recently. Joint-funded Ofsted registered children's homes have been created which operate through an integrated health and social care staffing model to care for children from this cohort. This model involves psychiatric support, with health providing a percentage of the funding (between 40-50%) for the overall staffing costs and daily care at the home. One model has a full-time Band 7 Mental Health Registered Nurse (RN) as the deputy with other mental health nurses supporting the home, alongside weekly psychiatry sessions. Through the use of this model, the home avoids costly out of county placements, A&E presentations and the unnecessary use of Tier 4 Mental Health beds. This is because the young person's risk of harm is reduced due to the availability of more intensive integrated support, which seeks to contain and prepare the young person for ongoing therapeutic input from other teams.

Case study - An open children's home with joint health and social care teams and flexible building structure.

Joint working between the local ICB and the LAs can lead to a model of care that meets the needs of this cohort of children which is jointly funded. This can involve onsite psychological support as well as an in-reach community team to enable multi-agency working to plan care and treatment. Homes have successfully designed spaces that can operate as solo provision with the same staffing team or as a larger 2/3 bed home to ensure that children can interact. This flexibility allows for crisis periods to be managed without placement breakdown, reduces use of solo placements and reduces the risk of unused capacity in the home.

ANNEX B

Department for Education expectations on appropriate project lifecycle profiling

Capital delivery project profiles typically follow an 's' curve which provides an established and realistic representation of when and how project costs will materialise across the project lifecycle. Following this approach across the open children's homes capital programme enables us to accurately monitor and report programme performance and spend to HM Treasury to reassure them of progress and spend.

Similarly, we expect LA project teams to manage the project effectively and accurately, and to adjust and report project profiling to the Department in a timely and transparent manner. As such, we will not accept project proposals that include flatline profiles. Profiles that include one-off financial year end profiles will only be accepted with a clear and strong rationale; however, this is not our preference.

The following two case studies below are included for broad illustrative purposes only and do not represent actual projects. The cases studies show expected and acceptable s-curve profiles versus unacceptable flatline and single financial year end profiles.

Open children's home capital profiling example 1

Local Authority X is refurbishing a LA-owned 3-bed house to provide care for children with complex multiple needs. The total project cost is £2.2m and will run from April 2025 to March 2027. Table 6 shows the acceptable and expected s-curve profile for this project. Table 7 shows the unacceptable flatline profile for this project. The Local Authority's (50%) match funding contribution is the value of the property i.e. £1.1m, alongside DfE's 50% (£1.1m) capital match funding. Little, if any, spend will take place at the start of the project being awarded as the project team is being stood up and plans put in place to identify a contractor to take forward the refurbishment. Once the work is underway, spend occurs at a fairly steady rate. Spend will then flatten off as the project nears and reaches completion.

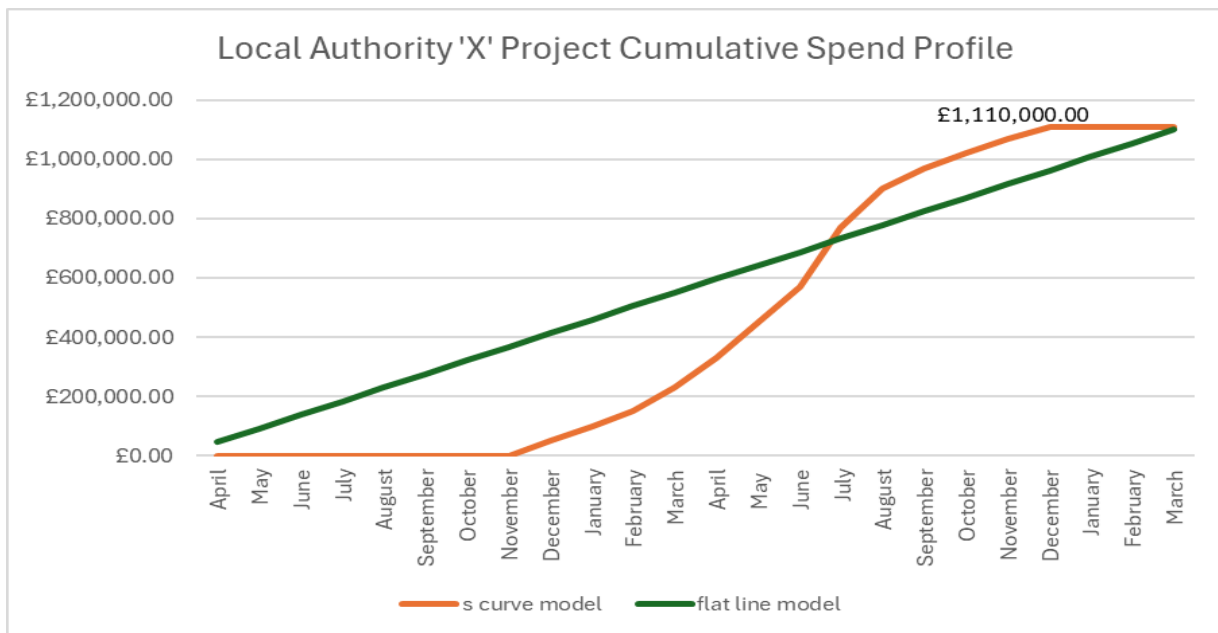


Table 6 – Acceptable s-curve profile

FY 25-26	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	0	0	0	0	0	0	0	0	50,000	50,000	50,000	80,000	230,000
FY 26-27	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	100,000	120,000	120,000	200,000	130,000	70,000	50,000	50,000	40,000	0	0	0	880,000

Table 7 – Unacceptable flatline profile

FY 25-26	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	45,833	549,996
FY 26-27	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	45,833	45,833	45,833	45,833	45,834	45,834	45,834	45,834	45,834	45,834	45,834	45,834	560,004

Open children’s home capital profiling example 2

Local Authority Y is purchasing a 4-bed property to refurbish to provide care for children and young people with mental health needs. The total project cost is £2.4m and will run from April 2025 to September 2028. The property purchase price is £700,000. Table 8 shows the acceptable and expected s-curve profile for this project. Table 9 shows the unacceptable flatline profile for this project. Local Authority Y are providing (50%) £1.2m as the match funding contribution alongside DfE’s 50% (£1.2m) match funding. Little spend takes place in the first 6-months after successfully being awarded DfE funding as the local authority work to identify a suitable property. Over the next several months,

relatively small spend takes place as property surveys costs, planning fees (where applicable) etc are incurred. The property purchase completes in June of the second year and there is a slight pause in delivery spend as the contractor undertaking the refurbishment work is brought on board. Refurbishment works then begin and related spend continues at a regular rate. Spend then flattens off as the project nears and reaches completion.

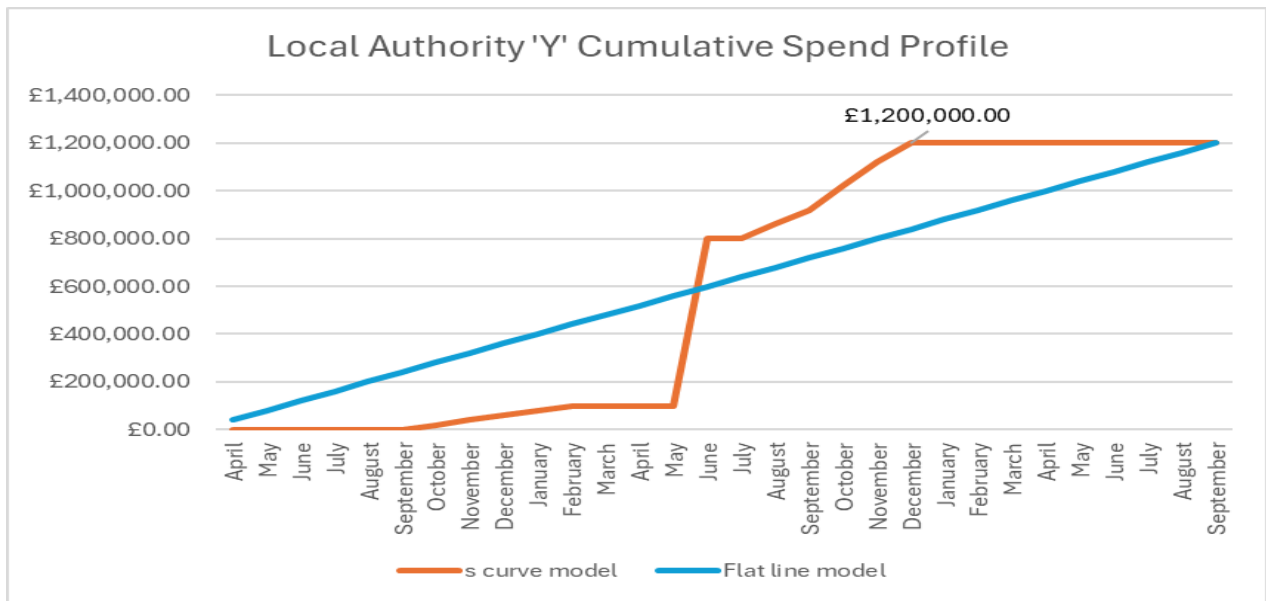


Table 8 – Acceptable s-curve profile

FY 25-26	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	0	0	0	0	0	0	20,000	20,000	20,000	20,000	20,000	0	100,000
FY 26-27	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	0	0	700,000	0	60,000	60,000	100,000	100,000	80,000	0	0	0	1,100,000
FY 28-29	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	0	0	0	0	0	0	0	0	0	0	0	0	0

Table 9 - Unacceptable flat line profile

FY 25-26	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
FY 26-27	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
FY 27-28	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total
	40,000	40,000	40,000	40,000	40,000	40,000	0	0	0	0	0	0	240,000



Department for Education

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