

**AGENDA ITEM**

**REPORT TO CABINET**

**8 DECEMBER 2022**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION**

**Lead Cabinet Member - Leader of the Council – Councillor Bob Cook**  
**Lead Cabinet Member - Children and Young People - Councillor Lisa Evans**

**A CAPITAL INVESTMENT STRATEGY FOR CHILDREN IN OUR CARE AND WITH  
ADDITIONAL NEEDS – UPDATE**

**SUMMARY**

The previous capital investment strategy for children in our care and with additional needs was reported to Cabinet in February 2022. This outlined the proposed capital allocations for investment in provision to ensure we can continue to meet the care and additional needs of children in the Borough. This report provides an update on those proposals and recommends the new allocation of resources for incorporation into the Council's Capital Programme.

**REASONS FOR RECOMMENDATIONS/DECISIONS**

To continue to ensure that children in our care and with additional needs continue to benefit from high quality provision.

**RECOMMENDATIONS**

1. Cabinet approve the revised capital programme outlined in this report.
2. Cabinet approve the drawdown of £1.2m of prudential borrowing to deliver the schemes for children in our care provision referenced in paragraphs 10-20.
3. Cabinet approve the earmarking of the residual £4.8m of the initial £6.0m borrowing approval for the proposed King Edwin School expansion until the full costs of the revised proposal are known.
4. Cabinet delegate variations caused by cost movements within the approved programme to the Director of Finance, Development and Business Services and the Director of Children's Services in consultation with the Leader of the Council and the Cabinet Member for Children's and Young People.

**DETAIL**

**Background**

1. Children in care in Stockton-on-Tees are currently cared for in a range of provision, including:
  - a. Connected carers (and in some cases living with parents)
  - b. In-house fostering
  - c. Independent fostering
  - d. In-house residential
  - e. External residential

- f. Supported accommodation (16-17 year olds)
2. There are a number of key challenges for the Council in meeting its statutory duty to secure, as far as is possible, sufficient provision for children in care based on our own experience:
  - a. Demand for places currently significantly outstrips supply
  - b. The market is currently provider led
  - c. The market is increasingly becoming dominated by similar types of provision, driven by financial considerations and the impact of regulation
  - d. Securing the right provision for the right price
  - e. There are emerging challenges for both public and private sectors around finding sufficiency quality staff to support provision
  - f. Community opposition to new development
3. In addition, the Competition and Markets Authority (CMA) have completed a market study into children's social care provision. The CMA final report, published in March 2022, highlighted significant problems in how this market is functioning, particularly:
  - a. 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
  - b. the largest private providers of placements are making materially higher profits, and charging materially higher prices, than we would expect if this market were functioning effectively
  - c. some of the largest private providers are carrying very high levels of debt, creating a risk that disorderly failure of highly leveraged firms could disrupt the placements of children in care
  - d. The CMA concluded that the children's social care provision market is not working well and that it will not improve without focused policy reform as part of large-scale national policy programmes, and made recommendations to all 3 national governments to improve commissioning, reduce barriers to providers creating and maintaining provision, and reduce the risk of children experiencing negative effects from children's home providers exiting the market in a disorderly way
4. The impact of these issues is that there are still considerable ongoing pressures on Children's Services, particularly relating to the costs of children in our care which is an issue facing the majority of local authorities. It has been necessary to place more children in external residential care (from 62 to 82 over the past 12 months, though this does include placements in the Spark of Genius joint venture), and such placements are now considerably more expensive due to the various factors outlined above. However, the number of children in care has reduced slightly (from 569 to 559 over the last 12 months), and it should be noted that we now have 22 unaccompanied asylum seeking children in our care and that there would have been a more significant reduction in the overall numbers of children in our care without this more recent issue. This is all leading to greater financial strain on the Council's Medium Term Financial Plan (MTFP).
5. As part of ongoing work on the Council's MTFP and to address the challenges of increasing costs in placements for children in care which makes up almost all of the projected overspend we have developed a strategy with 6 key elements:
  - a. A new investment strategy for provision for residential care and with additional needs, the purpose of this report to Cabinet, detailed proposals in the section below
  - b. A new dynamic system for tracking and managing cost of placements with a linked financial model
  - c. More family placements (i.e. connected care and foster care)
  - d. Preventing family breakdown and placement breakdown
  - e. Enabling more children and young people to leave care
  - f. Reviewing financial contributions from education and health to the cost of complex placements

6. Members will be aware from previous capital reports that there are significant inflationary pressures that are currently having a financial impact on the Council. These are also impacting on capital developments and as a consequence it has been necessary to review allocations to schemes.

### **Capital resources available**

7. This report brings together a number of existing approvals of capital resources in the MTFP but aligns them with the latest proposed schemes. These include £0.2m for internal children's homes, a residual £0.5m from the original Spark of Genius joint venture schemes and £0.3m for future Spark of Genius joint venture development. These total £1.0m.
8. In the previous report to Cabinet in February 2022 it was recommended that prudential borrowing of £6.0m to support developments in provision for children in our care and with additional needs was included in the MTFP, which was subsequently approved at the meeting of Council on 23rd February 22. It was also approved that the drawdown of this borrowing was on the basis that the cost of the borrowing repayments will be fully covered in the MTFP.
9. The total available capital resources of £7.0m is made up of the £1.0m existing approvals and £6.0m prudential borrowing.

### **Proposals for children in our care – in-house residential**

10. As part of the Council's work on sufficiency planning a number of specific needs have been identified where the market cannot meet our requirements. These include more short term placements where the intention is to rebuild family or foster care placements; provision which needs more intensive therapeutic interventions and provision which can deliver support to children with complex care and health needs.
11. To address these needs we propose to remodel our in-house provision and create two new children's homes. This will be enabled by a new internal staffing structure to develop the capacity to expand our provision and to support the recruitment and retention of staff.
12. This requires a significant capital investment in buying two houses in the Borough and adapting them into children's homes. Preliminary work has been undertaken to explore the costs associated with acquiring properties and the work subsequently required to ensure they are suitable to deliver the best outcomes for some of our most vulnerable children. This work has informed the allocations identified in the paragraphs below. Modelling has also taken place to understand the ongoing revenue costs associated with running these homes using our existing children's homes as a gauge. These running costs, a total of £0.9m per annum for the two homes, are offset by the avoidance of expensive external placement costs, of approximately £1.5m per annum, that would be incurred if we did not have the in-house provision. The financial implications have been included in the Council's MTFP.
13. The first new children's home will provide capacity for up to 3 placements for children or young people with complex therapeutic or emotional wellbeing / mental health needs. The home will be developed as part of a multi-home Ofsted registration with an existing children's home, with the two homes operated by one manager. Taking a multidisciplinary, co-production approach, the new home will develop an intensive support, therapeutic focused provision primarily for teenagers (14-17 year olds). The new provision will be developed working in partnership with experts by experience, Tees Esk and Wear Valley Trust, North Tees and Hartlepool Foundation Trust and North East and North Cumbria Integrated Care Board. It is recommended that £0.4m of capital funding is allocated for this.
14. The second new children's home will provide up to 3 placements for children who need a period of time in residential care to stabilise family orientated placements, or to support permanent reunification with their birth family. The home will be operated and managed as an extension of

an existing children's home. The new provision will aim to prevent children and young people coming into care for the long term and prevent breakdown of fragile family orientated care through an intensive support model wrapped around the home that will provide interventions to both the child and family. It is recommended that £0.4m of capital funding is allocated for this.

15. There will also be a need to re-model the fabric of some of our existing children's homes. Included in this is the creation of two new bedrooms plus two new staying close flats to enable older young people to live independently for a short period of time before they return home. It is recommended that £0.2m of capital funding is allocated for this.

### **Proposals for children in our care – Spark of Genius (SoG) joint venture**

16. The joint venture partnership with Spark of Genius (SoG) to deliver care and education to children has been a successful model both in terms of the quality of the provision established, and in terms of financial returns.
17. Within the current approved capital programme we have a scheme to purchase a 4<sup>th</sup> home for SoG. Although a number of potential properties have been identified for the fourth home, it has not been possible to conclude a deal for purchase to date.
18. As part of ongoing work with Spark of Genius and in the context of the latest plans for our in-house residential homes described in the previous section it is proposed that we remodel the Council's provision to focus on the needs which are driving the most significant financial pressures and where the market does not appear to be able to respond. It is proposed that SoG would continue to focus on long term care for children with additional needs, but to move towards 3 or 4 bed provision rather than the current 5 bed home model, given the difficulty in sourcing suitable properties.
19. The homes being proposed would operate under the same principles as the current model, namely that the Council acquire the buildings and the costs associated with this. The SoG joint venture will then pay a rent for the use of these. The running of the homes and consequently the ongoing revenue costs reside with the JV, with the Council, as a partner receiving a share of subsequent profits. The additional rent and profit share would be approximately £0.1m per annum per children's home.
20. The proposal currently being developed is for 3 new 3 or 4 bed children's homes within the Borough, purchased and owned by the Council and managed by SoG under the terms of the existing joint venture arrangement. The financial implications have been included in the Council's MTFP. It is recommended that £1.2m of capital funding is allocated for this.

### **Drawdown of borrowing**

21. The schemes referenced in paragraphs 10-20 cost a total of £2.2m, funded by £1.0m of existing capital resources plus £1.2m of prudential borrowing. There is therefore a requirement to drawdown £1.2m of the previously approved £6.0m prudential borrowing for this.
22. Financial modelling has been undertaken as part of the ongoing work on the MTFP and shows that the costs associated with the aforementioned borrowing will be around £70k per annum. The business case shows that these are covered by a combination of both additional income and cost avoidance.
23. Capital funding bids have been submitted for the two aforementioned new in-house residential children's homes referred to in paragraphs 10-14. This capital funding is through the DfE Children's Homes Capital Fund, equating to up to 50% funding for each if successful. We have, at the time of writing, been notified by the DfE that both bids have been successful. However we will have to wait a few weeks until formal written confirmation notifies us of the exact amount and the full grant conditions are released and understood. This additional funding will not change the

proposed capital programme but will mean we will be required to borrow less to fund it. We will revise the capital programme and the associated funding in a future report to Cabinet when these capital grants are confirmed.

### **Proposals for children with additional needs – Spark of Genius joint venture, King Edwin School**

24. Consideration has also been given to the opportunity to develop further provision for pupils with additional educational needs. There is an equivalent set of market issues in terms of special school placements, with an active private sector market, including the development of new provision in the Borough. Despite this, demand outstrips supply.
25. We have successfully invested in provision over the last few years including development of more early years provision, creation of an extra 32 places at Abbey Hill Academy Trust, the development of an independent special school provision in the old Kiora Hall building, and the Tees Valley Free School located in Redcar and Cleveland.
26. In a report in October 2022 about investment in schools, Cabinet also approved significant further capital investment in an Ash Trees Academy satellite provision at Billingham South Primary School, an Abbey Hill satellite provision and new Enhanced Mainstream School at Northshore Academy.
27. An additional key strand is to secure the expansion of King Edwin School. Members will recall that King Edwin school, opened in 2013 as part of the SoG joint venture, provides specialist educational provision for children with special educational needs. Such an expansion plan would allow for more children to receive a high quality specialist education within the Borough.
28. The initial outline business case for expansion, reported to Cabinet in February 2022, was based on an extension to the current school building to create more places, to expand the capacity of the school to 120. The school was initially constructed for 50 pupils but has been able to accommodate 90 without significant additional investment. Another aspect of the business case was to improve and increase communal space to improve pupil experience and circulation in the buildings together with additional building enhancements to enable King Edwin to effectively compete with other local provision.
29. The initial outline business case anticipated a capital cost of up to £4.2m funded by prudential borrowing, with the additional income generated more than offsetting the borrowing repayment costs. Ongoing development work with SoG has concluded that expansion on the current school site is not feasible or financially viable owing to the physical limitations of the site and the associated expensive cost of adding to or adapting the existing building.
30. The latest proposal is to continue to explore the expansion of the King Edwin educational provision, but on a separate site at a new location in the Borough creating a new 40 or 80 place school. This would be combined with maintaining the existing King Edwin school as a 90 place provision but with works to improve the site and building as originally planned. It is recommended that the residual £4.8m of the initial £6.0m borrowing approval is earmarked for this.
31. A revised proposal for this scheme will need to be supported by a business case which is clear about the benefits and financial implications. Work to develop this is underway and will be brought back to Cabinet when complete. It should be noted that the prudential borrowing required when the revised proposal is completed may be more than the £4.8m proposed to be earmarked. Any increase in the prudential borrowing requirement would require both Cabinet and Council approval so earmarking the residual £4.8m from the original £6.0m borrowing approval is an interim position until the full costs of the revised proposal are known.

## Summary of capital programme

32. The recommended capital programme can be summarised as follows:

<b>Proposals</b>	<b>£m</b>
New in house children's home for children with complex needs	<b>0.4</b>
New in house children's home for children at the edge of care	<b>0.4</b>
Adaptations to existing children's homes	<b>0.2</b>
New Spark of Genius children's homes	<b>1.2</b>
Spark of Genius King Edwin expansion	<b>4.8</b>
	<b>7.0</b>

<b>Resources available</b>	<b>£000</b>
Capital funding	<b>1.0</b>
Prudential borrowing drawn down	<b>1.2</b>
Prudential borrowing earmarked for King Edwin expansion but not yet drawn down	<b>4.8</b>
	<b>7.0</b>

### COMMUNITY IMPACT IMPLICATIONS

33. This will benefit children in our care and with additional needs through increasing capacity to keep children in the Borough.

### CORPORATE PARENTING IMPLICATIONS

34. The proposals outlined will continue to ensure that all children and young people in the Borough continue to benefit from care and education in high quality environments.

### FINANCIAL IMPLICATIONS

35. The capital funding of £7.0m is all within the Council's approved MTFP. The residual £4.8m of the previously approved prudential borrowing can only be drawn down subject to a further report to Cabinet or, if the borrowing requirement increases, a further report to Cabinet and Council.

### LEGAL IMPLICATIONS

36. None

### RISK ASSESSMENT

37. This (subject matter of report) is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

### WARDS AFFECTED AND CONSULTATION WITH WARD/COUNCILLORS

38. Given this report is an update on the overall investing in children capital programme it is not specific to an individual ward and no individual consultation has taken place.

### BACKGROUND PAPERS

39. Cabinet report 22-Feb-22 'Investing in children – proposals to develop further high quality provision to meet the needs of children in care and with additional needs'

**Name of Contact Officer:** Martin Gray  
**Post Title:** Director of Children's Services  
**Telephone No:** 01642 527043  
**Email Address:** martin.gray@stockton.gov.uk