

Item No. 10.	Classification: Open	Date: 18 October 2022	Meeting Name: Cabinet
Report title:		Gateway 1 Children's Residential Provision Procurement Strategy Approval	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Jasmine Ali, Deputy Leader and Cabinet Member for Children, Young People, Education and Refugees	

FOREWORD – COUNCILLOR JASMINE ALI, DEPUTY LEADER AND CABINET MEMBER FOR CHILDREN, YOUNG PEOPLE, EDUCATION AND REFUGEES

This gateway 1 paper is about children’s residential care homes in Southwark, which follows my gateway 0 which I presented earlier this year in February. The attached report sets out the options appraisal for the operational delivery of Children’s Residential Care Provision in Southwark. The report concludes that the option for delivery is through the establishment of an in-house residential care service.

As part of this work a detailed options appraisal has been completed which has explored four potential models of delivery. These range from a ‘do nothing’ approach and continue with the current purchasing arrangements, to an externally sourced provision, a joint venture with another local authority, a joint venture with a for profit or not for profit organisation and finally the option that we are proposing: an in house residential service.

Developing local residential care provision for children in the borough is in keeping with our Corporate Parenting Strategy. We have 439 children in our care and 578 more working towards independence having left our care. A minority of children in our care are placed over 20 miles away from Southwark. We are trying hard to support more children in care locally by recruiting local foster carers, and developing more local housing. While our preference is to place children in our care with foster families, this option isn’t the right one for all children. In fact the evidence overwhelmingly indicates that high quality attachment and therapeutic focused residential care offers significant benefits for children who need to be in these settings. With the children’s homes being based in Southwark, they will access social work teams and our Clinical Service, and those excellent services offered by education, health and other local partners.

As the Chair of the Corporate Parenting Committee, I am delighted to present this gateway 1 which will bring us closer to realising a new children’s home in Nunhead and plan for others in Southwark. These will provide homes able to care for children from the borough with the highest needs, enabling them to benefit from all that we as a council, as well as our committed local partners.

Being a corporate parent to children and young people in our care, is one of the most important roles that the council has. It is important that Cabinet take every opportunity to positively promote this work. With that in mind I ask Cabinet to agree this report and to thank the Children and Adults Department for their fantastic work on this. They've secured a £1.85 million winning bid from the DfE, carried out detailed work for the delivery of new children's residential care provision in the borough. They are working with ward councillors and the local communities to make this venture as positive as possible for children and young people in our care.

RECOMMENDATIONS

1. That the cabinet approve the procurement strategy for the provision of children's residential care in Southwark as an in-house service, under the Children and Families Division of the council from August 2024.
2. That the cabinet note the one off costs covering the whole mobilisation period necessary to operationalise the first children's home, estimated to be £436,331, which will be met from reserves earmarked for this purpose.
3. That the cabinet delegate authority to the strategic director of children's and adults' services to approve operational and resourcing decisions for the establishment of the first children's home and subsequent homes in line with the outline proposals set out in this report.
4. That the cabinet agree to receive a further report on the implementation of a Quality Assurance Framework for residential service delivery, to include specific reference to the quality of provision and safe and effective recruitment and retention arrangements.

BACKGROUND INFORMATION

Introduction

5. This report updates cabinet about progress with the development of children's residential care provision, (sometimes called children's homes) in the borough, for Southwark's children. This report presents analysis to show that children's residential care provision should be developed as an in-house service.
6. The report builds on the Gateway 0 Report presented at cabinet on 1 February 2022, where the need for local children's residential care provision was set out as part of a strategic options assessment. At that cabinet meeting the strategic options assessment was approved for *"opening up to three children's homes within the borough, so that our children in care, who deserve the best start in life, achieve better outcomes"*.
7. This report does not repeat the business case for the need for such provision as that is set out in full in the Gateway 0. Thus the background sections below are a summary of that set out in the Gateway 0 (see background documents) with some updated information where relevant.

Legal context

8. The functions of councils in relation to children in their care are set out in the Children Act 1989 and associated regulations and statutory guidance. Of particular importance is the duty on local authorities to ensure, as far as reasonably practicable, any placement for a child in their care:
 - Allows the child to live near their home;
 - Does not disrupt their education (particularly at Key Stage 4);
 - Enables the child and their sibling/s to live together, if the child has a sibling/s who are also looked after by the local authority;
 - Provides accommodation which is suitable to the child's needs if the child is disabled; and
 - Is within the local authority's area (sufficiency duty¹).
9. The Care Standards Act 2000² says that an establishment is a children's home 'if it provides care and accommodation wholly or mainly for children'. This is the context within which the term children's home is used within this report.

National context

10. The Gateway 0 shows in detail:
 - difficulties in predicting demand for children's residential care;
 - the substantial lack supply of suitable residential care placements for children;
 - the multiple challenges in running such provision;
 - the particularly high costs of doing so in London; and
 - the continuing necessity for out of area placements to safeguard some children.
11. Historically large numbers of children were placed in children's homes, more of which were operated by councils' directly. In recent years that market changed with greater emphasis placed on family-based (foster) care. Councils increasingly divested themselves of the responsibility for running children's homes in response to: pressures brought about by raised standards (Care Standards Act 2000 and Children's Homes Regulations 2001); an emphasis on outsourcing and perception this reduced costs; market supply outstripping demand leading to reduced costs; and for some councils because of the risk of harm to children in such settings, and consequent organisational risk, following high profile investigations into historic abuse and neglect.

¹ Sufficiency Statutory guidance on securing sufficient accommodation for looked after children (2010)

² Care Standards Act 2000

12. Following a number of years of declining figures³, there is more recent evidence of councils showing renewed interest in running their own children's homes. There was a 10% increase in local authority run children's homes in 2021 and a further 5% increase to March 2022⁴. An Local Government Association (LGA) commissioned study⁵ in 2021 suggests that this response is being driven by a number of factors including, significant increases in demand leading to supplier driven market conditions, the lack of control on placements this gives to authorities; and the high reliance on placements at long distance from children's home authority which are not in the best interests of the child.
13. Private (for profit) companies are the dominant providers of children's residential care. The number of homes has increased steadily over the last ten years (180 more homes in the last year alone), however this provision is not always in the right place, not always affordable and not always geared to the children's needs. London is the worst served area in the country in terms of a match between need and local provision, such that it has 14% of the country's children in care, but only 6% of the provision. This is in comparison to 25% of such provision is in the north west of England. The ten largest private companies own a third of all children's homes.
14. Ofsted describes the children's residential care "market" as problematic with local commissioning involving high prices and limited choice. This means "commissioners are rarely in a good position to negotiate best care and support for children."⁶
15. In March 2022 the Competition and Markets Authority (CMA) published a final report⁷ into children's residential care in England, 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 concluded there were significant problems in how the placement market 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.

³ Between 2015 -2017 there was a 10% fall in the number of LA operated children's homes Children's social care data in England 2017 to 2018 (2019)

⁴ Children's Social Care Data in England 2022 (2022)

⁵ Local Government Association Children's Homes Research, Newgate Research (2021)

⁶ Annual Report of Her Majesty's Chief Inspector, Ofsted (2021)

⁷ Children's social care market study, Competitions and Markets Authority (2022)

16. The CMA made a series of recommendations which fell into three categories: improved commissioning; reviewing regulatory requirements to reduce barriers to providers; and reducing risk to children by providers exiting the market in an unplanned manner.
17. In May 2022 the Independent Review of Children’s Social Care was published. The section entitled Transforming Care⁸ drew from the findings of the CMA report. It recommended the creation of Regional Care Co-operatives (RCCs), which all local authorities would have to join, that would plan and commission foster, residential and secure care, and run new public provision, across their areas. They would also take over councils’ current duty to take steps to secure enough suitable accommodation locally for children in care, consistent with their welfare (sufficiency duty).
18. The RCCs are designed to tackle the much-highlighted “crisis” in the sufficiency of placements for looked-after children, which has been linked to significant levels of out-of-area and inappropriate provision, and higher profits for providers. The review said there would be about 20 RCCs covering 152 local authorities.
19. The government has yet to formally respond to the Children’s Social Care Review and specifically this recommendation however it has set up an Implementation Board that has had its first meeting with the current Children’s Minister, Brendan Clarke-Smith MP.
20. In July 2022 the Children’s Commissioner published a policy plan focussed on the experiences of children living in children’s homes and to outline the basic expectations every child should be able to hold as to what a home will provide for them. Within a range of proposals the plan includes a core expectation that *Every child needing a home should find one is available for them as close to home as possible*, and that re-affirming the statutory duty to ensure sufficiency of homes within their local area.⁹
21. The Children’s Commissioner proposes extending the authority of the Department for Education to hold local authorities to account for delivering against their sufficiency duties by establishing an independent mechanism to assess local area sufficiency strategies, supported by the Secretary of State making directions if local authorities were not prioritising locally based accommodation for children.

Regionally

22. The London Association of Directors of Children’s Services (ALDCS) is coordinating the development of some placement resources across London through the London Innovation and Improvement Alliance. This is particularly in relation to secure accommodation through the creation of a Pan London Vehicle (PLV) for delivering secure accommodation. It is also coordinating

⁸ [Transforming-care.pdf \(childrensocialcare.independent-review.uk\)](#)

⁹ Reforming children’s homes: a policy plan of action, Children’s Commissioner (July 2022)

work to understand better how London placement resources are used for children.

23. The residential market in London has shifted in recent years with a 33% (36) increase in new children’s homes within London since 2019, including the fastest regional growth in England in 2022 at 18%. This was in contrast to a static position in the previous period 2017-2019. This recent increase is however from a low baseline and London, as stated previously, remains the region that accounts for the fewest children’s homes (6%) nationally (figure 1).

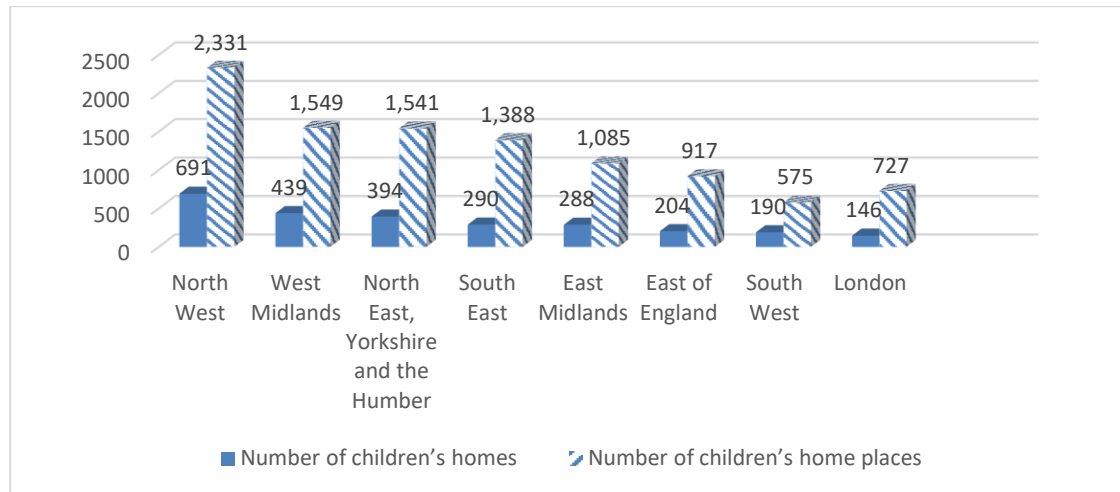


Figure 1: Children’s Homes & Places by Ofsted Region – as at March 2022

24. Despite these increases, children in the care of London Councils remain significantly disadvantaged in comparison to their peers nationally, for example, as indicated in the Gateway 0 Report, being placed on average three times further from their homes (60 miles) than their peers in the North West of England (21 miles).
25. The Adult Social Care residential sector has a history of shaping the care market. The council’s recent commissioning of nursing homes and impending commissioning of care homes suggests that local experiences and learning may be applied to the commissioning of a children’s home, however the adult and children’s markets are so different such application is very limited if at all.

Local context

26. Southwark is an inner London borough with 34 children in residential care (as at 31 July 2022). Despite the recent increase in residential care provision across London, it remains the case that there are no homes or places within Southwark (except for a residential respite unit for disabled children). Therefore all of Southwark’s children continue to be placed outside of the borough.
27. Of the 34 children in residential care, 65% are placed over 20 miles from their family home address with only 35% placed within a 20 mile radius of the borough boundary. Of those placed more than 20 miles away, eight (36%) are White British and 12 (55%) are from Black, Asian and Minority Ethnic

backgrounds, the remaining two children are from other white backgrounds. The average distance from home for our children placed in residential care is 66 miles, and eight children (24%) are placed over 100 miles from home.

28. Work was undertaken to understand the needs of children in residential care, which was presented in the Strategic Options Appraisal Gateway 0 report that was approved by cabinet on 1 February 2022. Since then the overall number of children in residential care has reduced by around 20% but updated consideration by officers extensively involved in this work shows the findings are still relevant. The report indicated as follows.
- There have been sufficient compatible children needing local placements over the past four years to fill at least three four- or five-bed homes.
 - Creating local provision for Southwark 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, Asian and Minority Ethnic backgrounds 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 the services within Southwark including partnerships with education and health.

KEY ISSUES FOR CONSIDERATION

Progress on developing children's residential care provision

29. On 1 February 2022 Cabinet agreed the strategic options assessment for up to three children's homes to be developed in the borough. Thus far work has progressed in relation to two children's homes. There are no plans to consider work in relation to a third children's home until the two currently being developed have been established.
30. In relation to function, what type of children's homes will be developed and what particular children's needs will be met, the in depth analysis that informed the Gateway 0 was used, alongside consultation with key officers, to develop the proposals.
31. In relation to the ethos of our proposed provision the council recognises that whilst foster care families are the preferred option for Southwark children, it is not the right care provision for all children. The evidence overwhelmingly indicates that high quality attachment and therapeutic focused residential care offers significant benefits for children who need to be in these settings. The

Council believes that Southwark children deserve the opportunity to have the right placement in the right place, which is in their best interests. The Council believes this is best achieved by ensuring that our children in residential care are able to directly access the high quality provision available in the borough from Social Work teams and Clinical Service, and those afforded by education, health and other local partners.

32. The Council further believes and evidence tells¹⁰ us that for some children maintaining their connections to family, peers, community networks and their stability in education are key factors in successful reunification to their birth families. The Council places this focus at the centre of our proposed delivery model for residential care in the borough.
33. The Council will use our existing and extensive in-house evidence based psychologically informed models to support our therapeutic care through our in-house Clinical Service. This will ensure a secure base of care and support for our children, that all of our 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.
34. In relation to property, the service has worked closely with corporate property colleagues from the Planning and Growth Directorate, embarked on a property search programme to identify more suitable locations. As a part of this process discussions have taken place with local partners to understand any potential location based risks to children. This includes the evaluation of Social Care and Police intelligence to ensure our proposed properties are not in areas with potential links to exploitation, gang activity or other safeguarding risks to children.
35. In relation to partnership support, discussions have commenced to consider wrap around support to create the potential developments. For example the inclusion of educational facilities and learning space within our new provision to allow Virtual School services to be provided directly to our children in their home.
36. The appointment of a Residential Services Manager is planned to support the development of future residential provision and other accommodation based services including, accommodation for young people aged 16+ and the development of the 'Southwark Homes for Southwark Children' strategy.

Children's Home One – St Mary's Road, SE15

37. The first children's home is planned to provide care for up to five children aged ten to 16 years old. This reflects the age profile of Southwark children needing

¹⁰ : Neil E, Gitsels L, Thoburn J. Returning children home from care: What can be learned from local authority data? Child & Family Social Work. 2019;1–9

residential care who are currently placed out of the borough, and mostly out of London. National research tells us that children's homes in both the public and private sectors budget to operate generally at 80% capacity. This allows for the natural turnover in children in placements. As such this first home will be considered as up to full operational status at the point four of the five beds are occupied.

38. The ethos developed is to be a traditional model of a children's homes. The home will focus on providing high quality care in a therapeutic community home environment that delivers stability for children and maintains their local networks. The home will deliver focused intervention aimed at supporting children to transition into foster care, family-based placements, or to return home to their families.
39. The site to be developed, subject to the granting of planning permission, will be a four to five bed children's home in St Marys Road SE15, in the Nunhead and Queens Road ward. The property is owned by the council and was formerly used as the operational base for a number of education support services. These services were relocated to the Queens Road Campus in November 2018, following the cabinet approval of a new Office Accommodation Strategy in 2017. The property requires substantial reconfiguration, refurbishment and an extension to be converted into a purposely designed children's home.
40. The funding for this development will utilise a Department for Education (DfE) Capital Grant of £1,851,979, awarded over two financial years (2021–2022 and 2022-2023) on a match-funded (50/50) basis. This funding for the capital project cannot be extended past 31 March 2023. The opportunity to bid for this money coincided with the review of local need and market analysis, which led to the development of the children's residential provision Gateway 0. The council portion of the match funding was the capital value of the property which was estimated at £2.5m.

Children's Home Two – location under consideration, to be confirmed

41. The second children's home is planned to provide longer term permanent care for adolescents (13-17) with more complex needs, where these needs can be fully assessed and properly met, giving them a stable and supportive home during their teenage years. Additionally, the proposed designs will incorporate a standalone assessment bed which will be used primarily for children with the most complex needs who would initially not be able to be cared for appropriately with other children. The assessment bed will provide the space for those children to be assessed individually and the right support put in place to support them to integrate with their peers safely and sustainably.
42. The ethos will follow the approach embedded throughout our provision. To provide a high-quality, therapeutic community home environment that delivers evidence-based individually tailored support to children and young people. That utilises collaborative planning and intervention to sustain and stabilise

children within their networks and communities, and where possible supports them to safely thrive in a family based environment.

43. The site to be developed has not been agreed but a feasibility study is being progressed on potential sites for the second and future homes.
44. The funding for this development is being sought by seeking to obtain matched funding for the capital investment from the second wave of the DfE Children's Home Capital Programme which opened in July 2022. The application was submitted in September 2022 and a decision is expected by December 2022. If the bid is successful the 50% contribution will be met from existing Children & Adults Departmental Capital Budgets. If the bid is unsuccessful the full capital cost of the second home will be met from the Children & Adults Capital Budget.

Market considerations

45. In order to understand the market the following work was undertaken to inform the options analysis:
 - Initial Market Insights sessions and questionnaires with providers (June 2021);
 - Further one-to-one meetings with providers (Nov 2021);
 - Further market engagement with providers to gain insight to the capacity of the market and range of models of provision (Feb 2022);
 - Engagement with London boroughs to gauge preliminary interest in partnership arrangements
 - Meetings with 13 councils (nine in London) who deliver residential care provision both in house and commissioned to understand in depth the pros and cons.
 - Meetings with the Crown Commercial Services lead for joint ventures (JVs) to better understand how the public sector was using Joint Ventures (JVs).

Options for delivery of children's residential care provision

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

46. The council could do nothing and allow the sector to continue to develop independently. This would not address the legal duties set out above (para 7) and not address issues related to outcomes set out in this report and the Gateway 0. It would be highly unlikely to lead to local provision being created given that despite the increased interest from the private sector in the London region, no children's homes have been opened in Southwark for over 20 years and that with high property prices it is not foreseeable that any non-public body would develop such provision.

Option 2: Provide in house

47. To understand in depth the pros and cons of providing children's residential care services in house, an exercise was undertaken to meet with the eight London councils who were identified as providing such services, and exploring this in depth with them.
48. In summary all were positive about the experience for the reasons set out in this section. Many were intending to open another children's home and their reasons for this, in addition to the stated benefits, related to better economies of scale from running more than one home, and better opportunities to match the needs of their children to the specific focus of the homes. Two of the eight councils had provided children's residential care in house for several decades and remained fully committed to this approach. None of the eight were intending to outsource the delivery of this provision.
49. The drivers for this common position are largely around: cost and thus efficiency; better choice of placements; and more control about both the type of units they believe meet the needs of their children and the type of children they can support in those units. Challenges were noted about staffing but these were all managed and overcome.

Cost

50. Most councils viewed providing children's residential care services in house as more cost effective than purchasing individual placements for children, often citing soaring costs within the independent market over which they had no control. These councils included those that were members of robust sub regional commissioning groups, which would be expected to be able to lever more value for money from the market. Those councils who believed they were a more cost-effective option had in some form or other market tested against the needs of specific children and were clear that their option was cheaper.
51. A review of available research and data has been undertaken to understand the relative cost implications of in-house provision (see financial implications below), including detailed modelling against a neighbouring authority, comparing with our own financial data which suggests that from a cost perspective alone there is little difference between this and individually purchasing such provision for children. Thus whilst providing children's residential care services in house *may* be more cost effective, the evidence is not conclusive and cost alone should not steer the decision.

Choice

52. There was a more consistent view among the eight councils that providing children's residential care services in-house gave them more choice around placement options for children with complex needs. It allowed them to rapidly mobilise local support for children who needed it, and whilst they were never

going to inappropriately pressure a Registered Manager¹¹ around the admission of a specific child, they did have greater ability to influence this, and address quickly any concerns, because of the potential to more quickly mobilise necessary local support.

53. Councils providing children's residential care services in more than one setting (e.g. two or three children's homes) reported increased choice and flexibility around the placement of children, especially when there were crises that required children to be moved at short notice. Having another setting locally allowed them to accommodate such a move with relative ease, which had significant benefits for the child in terms of continuity of education, family contact and health provision. This was an influencing factor for those councils who had recently expanded their provision or who were planning to do so.

Control

54. This aspect extended particularly to preparing children to safely and sustainably transition from residential care provision into other forms of less supported accommodation, be that home, foster care or semi-independence arrangements. Some councils felt that sometimes residential providers failed to support move on plans, preferring children to remain in their residential unit. 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.
55. The issue of control also impacted on the focus of the individual children's home, 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. This might also be termed flexibility. Several councils had been creative with their provision, for example using a very experienced Registered Manager across more than one children's home which was allowed for in a recent change of regulations, and also opening small satellite units attached to the larger children's home, that enabled them to meet the specific needs of a particular child.

Workforce

56. All eight councils had concerns about staffing, especially for the role of Registered Manager, due to a recognised national shortage. This was the single biggest issue to the successful running of a children's home. However, all had successfully managed this challenge and recruited staff groups with which they were happy. This included councils who had long established provision, and those that had developed this fairly recently. Those councils developing more provision were not put off by this challenge.
57. The ways councils managed their workforce challenges included recruiting from within their own workforce while others had been successful through

¹¹ A Registered Manager is legally responsible for the care of children in a children's home and thus makes the decision about which children live there.

external recruitment. What is key in this process appears to be the right remuneration and overall attractiveness of the package, for example the council would have an advantage as the development and opening of a new children's home would be an attractive proposition for an experienced Registered Manager.

Expertise

58. London councils have significant experience operating children's homes and wholly want to continue to develop this with five out of the eight either recently having opened further provision, or planning to do so.
59. Councils engaged in this exercise were very willing to share expertise in the form of knowledge and experience. Similarly, engagement with the Children's Homes Association has shown that it would be possible to utilise national knowledge and experience to develop expertise within the council, should an in-house service be developed.
60. Two councils opened children's homes in the last 18 months as in-house services. They managed the initial expertise deficit by recruiting their Registered Manager at the earliest opportunity and growing the team, knowledge and skills base around this role. Early recruitment of the team allowed for shared training and development around the agreed ethos and operating model. Authorities also benefited from existing social care staff with extensive experience of working in children's residential provision. A further approach that supported effective establishment of provision was to take a phased approach to achieving full occupancy of new homes. Allowing operational staff to develop in skills and confidence over the initial period.
61. There is limited recent experience within Southwark of developing and delivering children's residential care provision. It is of note however that there is great interest in this project across all services within the department. This includes many who have worked in children's residential care including in the position of Registered Manager, particularly at the Head of Service level that would be responsible for implementing this development. A specialist Residential Services Development Manager role has been agreed and is shortly to be recruited to, and there is sufficient capacity to recruit a Registered Manager, the appointment of which is critical at an early stage to develop the children's home and recruit the workforce.
62. Overall, in considering the council's position in relation to expertise, it currently lacks capacity for service design, recruitment and general service development and operation to develop and deliver this project but there is sufficient interest and plans in order to develop the expertise and follow the pathway of other councils who have done so. Although this would take an estimated six months to recruit to the roles and develop the sufficient momentum, this would be quicker than a procurement process for an external provider, the contract agreement and recruitment of their Registered Manager.

Option 3: Externally sourced provision via competitive tender for a strategic partner

63. A strategic partnership is the sharing of resources between two or more individuals or companies to help all involved succeed. Strategic partners are usually non-competing businesses and often share both the risks and rewards of the decisions of both companies.
64. There are three forms of strategic partnership: Joint Venture; Equity Strategic Alliance and Non-Equity Strategic Alliance. For this option, commissioning officers would recommend a Non-Equity Strategic Alliance as a best fit, if it were to be agreed.
65. A Non-Equity Strategic Alliance is where organisations create an agreement to share resources without creating a separate entity or sharing equity. Non-Equity Strategic Alliances are often more loose and informal than a partnership involving equity. As such they make up the vast majority of business alliances. Taking equity-sharing out of the equation can be a strategic advantage in research and development, provide resilience in delivery, recruitment and retention.
66. To understand in depth the pros and cons of providing children's residential care services through externally sourced provision in the form of a strategic partnership, an exercise was undertaken to meet with four councils who were identified as providing children's residential care services in such a way, and exploring this with them in depth. Of the four councils, one was a London council (the only London council that was known to deliver some children's residential care provision in this way), and three were outside London.
67. In contrast to the in-house section above, there was not a consensus about what might work well for councils with these joint venture arrangements. There was a mixture of experiences. Two of the arrangements were long standing but seemed to have different characteristics: one contracting a single children's home with a national charity for a long period of time after previously having run their own provision; the other a large council with well-established in house children's residential care provision that outsourced further children's homes to create a mix of provision. Two of the arrangements were relatively recent, within the last 12 months, with one of those experiencing significant challenges.

Cost

68. For the two long standing arrangements, both councils viewed the arrangements overall as cost effective. One council said they had not seen a big drop in costs, but felt it was no more expensive than other ways of delivering children's residential care provision. The other council said it was more cost effective than individually purchased placements.
69. For the two recent arrangements, one had yet to get going and little information to share, the other had significant challenges in relation to costs and the

provider, and under capacity during the lead in period to full capacity (which had yet to be reached), resulting in unanticipated extra cost.

70. Overall, the most that can be said about cost is that if outsourcing this provision works well it is likely to be more cost effective than individually purchased arrangements, but there is no good evidence to show how this compares with in-house service delivery.

Choice

71. For the two long standing arrangements, councils viewed these as working well. Both had good relationships with the providers. One council noted the need for more negotiation around changes and adjustments they wanted to see, and more work required in negotiating admissions and throughput in the unit. The other council noted no child has been refused, the providers know that they can count on the support from the local authority.
72. For the two recent arrangements, one is too early to inform this section, the other there are significant challenges but this relationship is in its first year and needs considerable development to get to the benefits of long standing arrangements.
73. Overall what should be concluded in relation to choice is that any such outsourcing arrangements with a strategic partner will take time to develop well to benefit children. It should be noted however that both councils who experienced this well had particular characteristics: one had their own children's residential care provision so were able to manage mixed provision; the other had run such provision themselves, prior to outsourcing this to a national charity. The council has neither of these characteristics and thus a strategic partnership will require significant work to be productive, including the development of capacity and expertise within the council to manage well. If progressed overtime the impact on choice might be limited, if at all in the long run.

Control

74. The two long standing arrangements did not note any issues with control in relation to effecting the care plans for children. It is assumed that the long standing nature of these arrangements and the internal capacity and expertise to manage them well greatly influenced this, although as one council noted in relation to choice, it may involve a lot of negotiation.
75. Where there was an issue of control was the model of operation of the children's home. One council with a long standing arrangement felt this did not align with the way that their children's social care services worked. The ethos and way of working of the provider was different to how they wanted to work and this caused some tension despite the good relationship.
76. This is a significant issue. 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. This does not build a seamless systems approach to working with children and their families.

77. For the two recent arrangements, one had yet to get going and little information to share, the other had significant challenges relating to control. They had commissioned an assessment unit predicated on reducing the need for children to be in residential care (promoting good assessment and hopefully reunification), and it was proving difficult to get agreement on the children who should be in the unit. The provider is an experienced national organisation with a good reputation in the sector.
78. Overall, what should be concluded in relation to control is that outsourcing this provision to an experienced children's residential care provider will unlikely eliminate challenges to the council in how the provider operates to meet the needs of children. There is evidence to support the view that outsourcing provision to an experienced children's residential care provider would likely mean the council would have little influence over ethos of the model of practice, aside, from at during the tendering exercise of such an arrangement.

Workforce

79. 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.
80. For the two long standing arrangements they did not report any concerns about workforce.
81. For the two more recent arrangements both had significant challenges in relation to workforce, both relying significantly on agency staff. Both are arrangements with national providers of children's residential care.
82. The reality is that workforce is an issue across all children's social care services, be it office or residential based staff. Larger independent providers may have more flexibility due to their size, but notwithstanding that, all will have to work continually to ensure they have the right staff, in the right place with the right skills.

Expertise

83. A strategic partner would bring sector expertise including detailed knowledge and extensive 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.

84. The project plan timeline from decision to contract award for a strategic partner would be around ten months with mobilisation expected to commence after a further month, anticipated opening for a procured model would be January 2024.

Option 4: Joint venture

85. A joint venture is where a separate legal entity is developed between the council and another organisation that then jointly develops and operates the residential provision in the borough. The development of a formal joint venture has been considered as a part of this process. Two forms of joint venture were considered:

Option 4a Joint venture with another local authority (Public/Public)

86. Procurement regulations allow for a relatively (compared to option 4b) quick approach to establishing a joint venture between public sector organisations because a procurement exercise is not required. An European Court of Justice (ECJ) judgement in 1999 (*Teckal* (C-10798) established an exemption from public procurement for the award of contracts by a public authority to a separate entity provided certain requirements were met. Those requirements were that: The contracting authority must exercise sufficient control over the new entity and, the legal entity must carry out the essential part of the contracting authority's activities
87. The appetite of other councils for partnering has been investigated as part of this process through direct informal discussions and through work undertaken by the pan-London consortium the Commissioning Alliance. While these discussions have been beneficial for learning purposes, the appetite for partnering has not been forthcoming especially in terms of alignment to the timetable, needs and aims of the council.
88. Other councils are open to the potential for reciprocal arrangements in terms of use of local provision which will be considered in the future when the council has embedded children's residential care provision to meet the needs of children in its care.

Option 4b – A Public/Private Joint venture with a for-profit or not-for-profit organisation

89. To develop a joint venture, a procurement exercise to identify a private partner has to be undertaken and following this the legal entity, which can take a variety of forms, is then created. Some research into this was undertaken as a part of the development of this work but the timescales for the development are prohibitive particularly given the requirements of the DfE for the grant funding.
90. To aid the consideration around partnerships, external specialist legal advice has been obtained in order to understand how the council may partner with an organisation that is not from the public sector or another local authority for the

purpose of developing children's home provision and the legal entities available to do so.

91. While there are successful examples of public/private joint venture approaches currently being delivered, these are not in the children's residential care sector.
92. For clarification, option three above aims to deliver upon the sourcing of a strategic partner through a procurement approach without the need to set up a separate legal entity.

Options analysis

93. This analysis has on balance concluded in favour of option two (in house) over option three (strategic partner). The analysis shows options one (do nothing) and four (joint venture) are clearly not viable.
94. The following table sets out a summary of the arguments for options two and three summarised from the sections above. For ease of comparison options one and four have been disregarded as they did not warrant more detailed consideration.

Option	For	Against
Option 2 In house	Some capacity to manage costs within provision Better choice of young people who can be placed in local provision in short and medium term Increased likelihood of local support Greater control over young people's care journey More flexibility in changing what needs provision meets Can more timely recruit a staff team enabling quicker operational commencement	Internal capacity to operate the provision would need to be developed Internal expertise to operate the provision would need to be developed
Option 3 Strategic partner	Some capacity to manage costs within contracted provision Ready to go expertise to manage the provision including knowledge and experience Organisational infrastructure to manage the provision	Less choice of young people who can be placed in local provision, in the short and medium term Less control over young people's care journey Less likelihood of local support Less flexibility in changing what needs provision meets

Option	For	Against
		Less timely route to recruiting a staff team, delaying operational commencement

Risk Assessment

95. 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 in due course. The table below identifies the key risks, highlighting the potential likelihood and impact in each case and setting out the potential mitigation and control measures for each risk.

Risk	Notes	Mitigation/Control Measures	Revised Impact
Staff Recruitment & Retention	Competition in the market for appropriately qualified staff	<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 occupancy implementation plan • Competitive recruitment and retention package for key management positions • Enhanced internally delivered supervision and learning and development programme 	Medium
Operational Performance	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 • Children's Residential Board Chaired by Director of Children Services to track implementation and ongoing performance • Enhanced Learning & Development Programme 	Low
Ofsted Registration	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 in place on requirements for successful registration application 	Low
Phased Occupancy	Delays in progress towards opening and full occupancy impact on	<ul style="list-style-type: none"> • Existing review of children in residential and pre-planning appropriate moves to in-house provision • Continuing rigorous oversight by senior managers of all 	Low

	continued external costs	children entering residential care to ensure appropriate placements are chosen	
Impact on associated services	Uncertainty on the potential impact on wider social care, administrative and corporate services	<ul style="list-style-type: none"> • General associated on-costs and corporate costs are factored into budget modelling for the in-house service • Early engagement with other council and partner services have evidenced a positive appetite for integrating and jointly delivering locally based services for our children 	Low
Financial Performance	Uncertainty in demand for residential care exposes the council to ongoing fixed costs of service delivery	<ul style="list-style-type: none"> • Detailed business case has been undertaken and identifies significant and ongoing demand for such provision amongst our children in care. • Opportunity to sell places to partner authorities in future if voids remain 	Low
Risk of harm to children and associated reputational damage to the local authority	Potential risks of harm to children from inappropriate placement area or care staff	<ul style="list-style-type: none"> • Detailed locality risks assessment undertaken in consultation with Police teams to understand the profile of risk on property selection • Safer recruitment policies completely under the control of the local authority to provide assurance on staff appointed • Operational policies completely under the control of the local authority 	Low
Inflationary pressures	Increased cost of operation exceeds the expected benefits from in-house provision	<ul style="list-style-type: none"> • Capital programme meets best industry standards for energy efficiency, therefore internal increased costs are likely to be lower than the market standard increases for private sector children's homes 	Low
Placement need	Uncertainty in demand for residential care leads to lower than expected occupancy in Southwark children's homes	<ul style="list-style-type: none"> • Detailed business case has been undertaken and identifies significant and ongoing demand for such provision amongst our children in care. • Opportunity to sell places to partner authorities in future if voids remain 	Low

96. The evidence is not overwhelmingly in favour of in house over outsourced provision, but the analysis does significantly lean in favour of the former.

97. There is a substantial body of evidence that councils can and do successfully run children's residential care provision in London. The evidence shows that councils can enter this sector and do so successfully. It shows that such councils want to continue to develop their provision in this way.

98. Outsourced arrangements through a strategic partnership are less common, certainly within London. Where these are in place they seem to be successful in the longer term, and problematic in the early stages. Considerable work is needed to build the relationship and key features assist with this, particularly in house expertise to manage this, and in one example, in house provision so a mixture of provision helps management of all the children's needs.
99. Workforce challenges are well known throughout the sector and there is no compelling evidence that outsourcing this provision will circumvent these concerns, other than transfer the responsibility for doing so. There is however an argument that making the council, as an employee of choice for a Registered Manager and their staff team, by aligning it with the benefits that the council can offer, will make this an attractive option for ambitious and talented staff.
100. All of the eight authorities spoken to (with one exception) had more than one children's home, albeit in two authorities those additional homes provided short breaks for disabled children. The one exception had a very small looked after children's population. Those running more than one children's home spoke of the benefits this brought which included, economies of scale, sharing of skills amongst staff and the increased flexibility this brought for managing individual children. This increased flexibility was significant as it meant that if there were a crisis for a child that required a short term move there was more likelihood that they could be accommodated locally, with all the benefits that brought. One authority with experience in this area advised specifically against just running a single home the view was that three homes was arguably the ideal. If the council had two or possibly three homes, this would create a critical mass of provision which would result in economies of scale, better choice for children and more flexibility of provision.
101. Costs related to the lead in to full occupancy will be significant. There will be significant costs accrued prior to opening during the first couple of years of operation, while the residential unit, recruits and trains its staff team, and gradually mobilises to full capacity. This needs to be fully estimated and factored into future planning. There is no evidence this can be avoided or will be any less through either in house provision or outsourcing.
102. There is a need for the council to take a long term perspective in relation to decision making about how it provides children's residential care. Sadly there will always be a need to provide such high quality care for a small number of children from the borough. The needs of these children are always complex and have many facets. The costs of providing such care will therefore always be high.
103. The council must therefore put itself in the strongest position it can to ensure the needs of these children are well met with the best quality care, and the costs for such are managed well. The Gateway 0 clearly makes the case for

developing such provision, this Gateway 1 argues that doing so is best undertaken as an in-house service, through the Children and Families Department of the council.

104. The pathway for this will not be easy. It will require considerable endeavour and commitment, and the council will need to relearn how to care for its children with the highest of needs. There is no evidence of another easier route, indeed alternative pathways have to traverse the same terrain, are less well trod by councils, and the evidence of this paper suggests are a little more precarious.

105. A draft programme plan for decision making and the establishment of the in-house service is included below, the high-level phased plan is:

Phase	Task/s	Timeframe
Phase 1: Pre-Occupation	<ul style="list-style-type: none"> • Establish and recruit to operational Service • Development of residential policy, procedure and operating protocols • Complete Ofsted Registration Process • St Marys Capital Programme Completed 	Oct 2022 – Jul 2023
Phase 2: Mobilisation	<ul style="list-style-type: none"> • Phased occupancy of St Marys Road 	Aug 2023 – Jun 2025
Phase 3	<ul style="list-style-type: none"> • Established full operating occupancy (80%) of St Marys Road 	Jun 2025 onwards

Key / Non Key decisions

106. This report deals with a key decision.

Policy Framework Implications

107. London Borough of Southwark has a duty under the Children Act 1989 (section 22c) to provide sufficient placements in the locality, as far as reasonably practical, to meet the accommodation needs of children looked after and of our care leavers.

108. The council's Children Looked After and Care Leavers Placement Sufficiency Strategy 2018-2022¹² sets out the Council's vision, values and principles to meet this duty on a local level:

- Be the champions our young people deserve
- Deliver high quality care, support and accommodation services
- Do our best to enable families to stay together
- Keep children and young people safe at all times
- Keep children and young people's needs and wishes central to our work
- Keep all children and young people in care and care leavers well informed about their rights and where to go for help

¹² Children Looked After and Care Leavers Placement Sufficiency Strategy 2018-2022

- Empower children and young people to take control of their own lives and realise their full potential
 - Deliver proactive support that secures the best long term outcomes for all children and young people
 - Ensure the views of children, young people and their families inform service improvement.
109. The Borough Plan 2020-22¹³ sets out the eight priority themes that demonstrate how the council will achieve the seven vision statements in the plan. The provision of this service will contribute to the delivery of the following commitments.
110. Vision five states that the council aims for ‘all children and young people in the borough to grow up in a safe, healthy and happy environment where they have the opportunity to reach their potential’.
111. In response to the impact of COVID-19 on Black, Asian and Minority Ethnic residents, the council embarked on a listening exercise with the communities of Southwark to gain an insight into the barriers and experiences of inequalities Black, Asian and Minority Ethnic communities face in their daily lives. Southwark Stands Together commits to root out inequalities by implementing the recommendation from the Southwark Stands Together work against racial inequalities and injustice.
112. The council has a preference for in house services wherever possible, as it enables services to be fully responsive to council priorities and provides opportunities for council and partner agencies to work closer together and deliver better outcomes for our children and young people.
113. In addition the Corporate Parenting Principles make it incumbent on the wider council *to help [our] children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners.*¹⁴ This is best achieved locally and by council run services.

¹³ Southwark’s Borough Plan 2020-22

¹⁴ Children & Social Work Act 2017

Next Stages of Programme Plan

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	01/07/2022
DCRB Review of Gateway 1	31/08/2022
CCRB Review of Gateway 1	15/09/2022
Cabinet Member Briefing	20/09/2022
Notification of forthcoming decision – Cabinet	10/10/2022
Cabinet consideration of Gateway 1: Procurement Strategy Report	18/10/2022
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	28/10/2022
Advertise for Registered Manager	28/10/2022
Registered Manager Appointed	02/12/2022
Registered Manager in post	06/02/2023
Ofsted Registration Process Initiated	07/04/2023
Full Staff Group in Post	27/05/2023
Staff Training & Development Programme Complete	15/07/2023
Construction works completed	28/07/2023
Ofsted Registration Complete	04/08/2023
St Marys Road Provision Operational	04/08/2023
St Marys Road First Occupancy	15/08/2023
St Marys Road Operating at 80% Occupancy	15/06/2025

Community, equalities (including socio-economic) and health impacts

Community impact statement

115. The services within this report will provide care and support to children from the borough in the care of the council, enabling them to continue to be part of the communities they have lived in.
116. It is believed that having in-borough children's residential care provision will have a positive impact in relation to the groups identified as having a "protected characteristic" under the Equality Act 2010 and the councils' equality agenda. An Equality Impact Assessment will be produced to further understand and quantify the impact.

Equalities (including socio-economic) impact statement

117. Officers are mindful of the need to have due regard to the Public Sector Equality Duty imposed by section 149 of the Equality Act 2010, which requires the Council to:
- Eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it and;
 - Foster good relations between persons who share a relevant protected characteristic and those who do not share it.
118. It is believed that having in-borough children's residential care provision will have a positive impact in relation to the groups identified as having a "protected characteristic" under the Equality Act 2010 and the councils' equality agenda.
119. Through the development of this strategy it has been identified that whilst there is a negative impact on all children and young people placed in residential care due to them being placed outside of the borough, there is a disproportionate impact on children from Black, Asian and Minority Ethnic backgrounds, see paragraph 26 of this report. An Equality Impact Assessment will be produced as a part of the co-production of the specification to further understand and quantify the impact and ensure that the new provision addresses these inequalities.
120. In line with the Southwark Stands Together Programme, the council pledges to:
- Promote an open and transparent culture where employees who experience/see racism or discrimination are able to raise it and expect the issue to be dealt with swiftly and fairly;
 - Listen to and amplify our diverse voices within our organisations on how we create an inclusive, fair and representative workplace at all levels;

- Work to address and prevent structural racial inequalities and structural racism within our organisation, the organisations we partner with and within the service the service we deliver;
 - Champion organisations that address racial injustice and organisations that promote equality and diversity and;
 - Ensure that people of all backgrounds can rise to the top of the organisation.
121. It is notable that children who were from Black, Asian and Minority Ethnic backgrounds face significant disadvantage which can impact on their self-esteem and educational outcomes when compared to their white counterparts. Having provision within the borough can help to address this imbalance and help children achieve their outcomes.

Health impact statement

122. The health and wellbeing of the council's children in care will be at the core of the work for this service as the council.
123. Key impacts that the provision will aim to address which predate the pandemic but now are even more prominent are for example:
- Nationally, school attainment for looked after children is much lower compared with non-looked after children at all key stages. Southwark has a higher than average percentage of good and outstanding rated schools.
 - Children in care are almost 10 times as likely to have a statement of special educational need or an education, health and care plan (EHC) than all children. The council's Special Educational Needs and Disability (SEND) service provision is rated as good , which supports the partnership working needed to secure the best outcomes for children in care who need to be placed in the residential homes being developed.
 - Children in care with a statement or EHC plan are more than twice as likely to have social, emotional and mental health needs. The council has invested in local mental wellbeing services and is partnering with South London and Maudsley (SLaM) to focus on prevention and early intervention to promote equity in access, outcomes and experience.

Climate change implications

124. Following council assembly on 14 July 2021, the council is committed to considering the climate change implications of any decisions through a Climate Change Strategy¹⁵.

¹⁵ Climate Change Strategy July 2021

125. All children requiring residential care provision are placed outside of the borough. Having children's residential care provision within Southwark will reduce the need in the future for some children to be placed at such a distance and is anticipated to reduce emissions due to decreased travel. Some children will however, due to safety reasons, still need to be placed outside of Southwark.
126. Having children placed in borough, closer to home, will also prevent unnecessary journeys for their families (including siblings) and help better form bonds for those children that have a sufficiency plan to return home.
127. In the development of properties for this provision climate change will be a key focus and careful consideration will be given to impact of buildings to ensure alignment to the Climate Change Strategy action plan around 'Greener Buildings'. The councils climate change agenda has been strongly factored in to the design proposals for the first home, St Marys Road including:
- Adopting fabric first passive design principles
 - Using materials with low embodied energy
 - Minimising energy use and waste through environmental systems, lighting will be LED low energy and be dimmable where required to create suitable lighting levels.

Social Value considerations

128. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.
129. The council, as part of the Fairer Futures Procurement Framework (FFPF) has incorporated the key area of social value commitments, into the commissioning and procurement of services, which includes:
- Apprenticeships and paid internships;
 - Job creation and local economy;
 - Local employment opportunities;
 - Work placement opportunities;
 - Payment of London Living Wage where appropriate;
 - Environmental and sustainability considerations; and
 - Health and wellbeing considerations.
130. Social value considerations have been included, through social value Themes Outcomes Measures (TOMs) and part of the quality assessment of each bid. These have been tailored to this provision and consider the requirements of the FFPF.

Economic considerations

131. The options considered within this report intend to support the local economy by providing jobs for local people. As per the council's commitment any workers will also be paid London Living Wage (LLW) as well as adhering to the requirements of the "Ethical Care Charter".

Social considerations

132. The establishment of in house and locally based children's homes is critical to supporting our most vulnerable children to remain connected to their communities and supporting the stability of their social relationships. This presents the opportunity to improve outcomes for those children as they move into independent adulthood and the likelihood of their future positive contribution to society.

Environmental/Sustainability considerations

133. All children currently in residential accommodation are placed outside of the borough. Having children's residential provision within Southwark will reduce the need in the future for some children to be placed at such a distance and have a positive environmental impact due to decreased travel by social care and health professionals. Some children will however, due to their needs, still need to be placed outside of Southwark.

Plans for the monitoring and management of the contract

134. Not applicable

Staffing/procurement implications

135. There are no procurement implications.

136. Operational staff involvement will be key to ensuring a clear strategy and service model that delivers high quality service provision, which complements and supports operational delivery.

Financial implications

137. Understanding the financial implications of the proposed delivery arrangements is a complicated undertaking with a mixed picture provided from different sources. Currently the Councils spends approximately £8m annually on residential placements for children in care, excluding those children in residential provision who are worked with through the All Age Disabilities Service.

138. The Personal Social Services Research Unit (PSSRU)¹⁶ provides an estimate of the operating cost per child for in house (£5,059 per week¹⁷) and private sector (£4,345 per week) residential provision. It must be noted that the PSSRU analysis uses top level national aggregate data on all residential provision, including Residential Schools, Secure Children's Units and provision for children with disabilities and complex educational needs, which is not directly comparable to the intended usage or associated costs of our proposed children's homes.
139. Profiling against PSSRU estimated in house costs (adjusting for capital) would give a monthly operating cost of £84,326 for 80% occupancy of a 5-bed unit. Based on the current cost of residential care paid by Southwark the average external monthly cost for the same number of children would be £83,598, giving a negligible difference of £728 per month.
140. In its 2022 analysis of the Children's Placement Market, the CMA identified *for children's homes, local authorities' operating costs were in aggregate approximately the same per child as the fees (as they also cover capital costs and profit) paid to providers...It therefore appears that the amount paid for a place in the private sector, even allowing for profits, is not higher than that paid by a local authority to provide an in-house place.*¹⁸
141. The CMA found that the whilst fees and in house costs were largely matched; adjusting for private sector profit margins the aggregate operating costs of in-house provision were higher (30%) than those of private providers, as the PSSRU identified. Unlike the PSSRU findings the CMA analysis looked in detail at the disparity in operating costs and attributed this gap to two issues; individual staff costs, and higher numbers of staff per child in local authority run homes. The CMA identified that local authorities were more likely to be supporting a higher proportion of those children with the most complex needs through their in-house provision. Coupled with the low proportion of in-house provision nationally this skewed the average figures for in house operating costs upwards.
142. Whilst firm assertions remain difficult from the available data, it is believed that the positive impact of our existing wider in-house resource such as the Clinical Service, and partner education and health services, afford the opportunity for the council to manage higher levels of complexity in our own provision at lower additional cost and staffing levels than comparable authorities. This *may* present an opportunity for savings on total placement costs.
143. Based on the above literature review, in order to profile more detailed operating costs, the following work has been undertaken to date:
- a. Review of the cost of current spot placements and the cohort of children most likely to be placed within the new provision.

¹⁶ PSSRU - Unit Costs of Health & Social Care 2021 (2021)

¹⁷ PSSRU in-house calculations including new build capital and land purchase costs

¹⁸ Children's social care market study, Competitions and Markets Authority (2022)

- b. Using the five-bed children’s home run by a similar London council as an in-house service as a benchmark for the cost of running an in-house service.
 - c. Costing the staff structure- provided by the Head of Service of Permanence and Resources- of a potential in house service.
144. There are many variables involved in calculating costs including the individual needs of a child or young person as costs are likely to increase where there are high needs of care or where the needs of the children placed mean that all placements are not filled, generally placements work at a maximum of 80% capacity – this occupancy rate is consistently factored into the PSSRU and CMA analysis of costs. The estimated costs shown below have tried to accommodate some of these variables and are also based on costs incurred now with private and voluntary providers.
145. Estimated cost based on internal structured model and existing profile of spend

	Cost based on (based on five placements) at 100% capacity (£)	Cost based on based on five placements at 80% capacity 80% placements (model seen most often) (£)
Estimated Annual Cost – in house	£1,062,615 excluding any additional costs for covering unplanned and extended absences	Between £850k and £900k, but dependent upon the specific needs of the children placed
Estimated Annual Cost external provider	£1,065,000 based on the cost of funding a placement for the service and the accommodation	Between £850k and £900k, but dependent upon the specific needs of the children placed

146. In line with the PSSRU and CMA findings our cost modelling above indicates that there is little difference financially between an in house or procured model although these are cost estimates.
147. As a consequence it is expected that the annual operating costs of the children’s home will be funded by the reduction in spot placement costs of those children moving into the home. As previously mentioned the initial one-off mobilisation costs will have to be funded via departmental reserves.

Investment implications

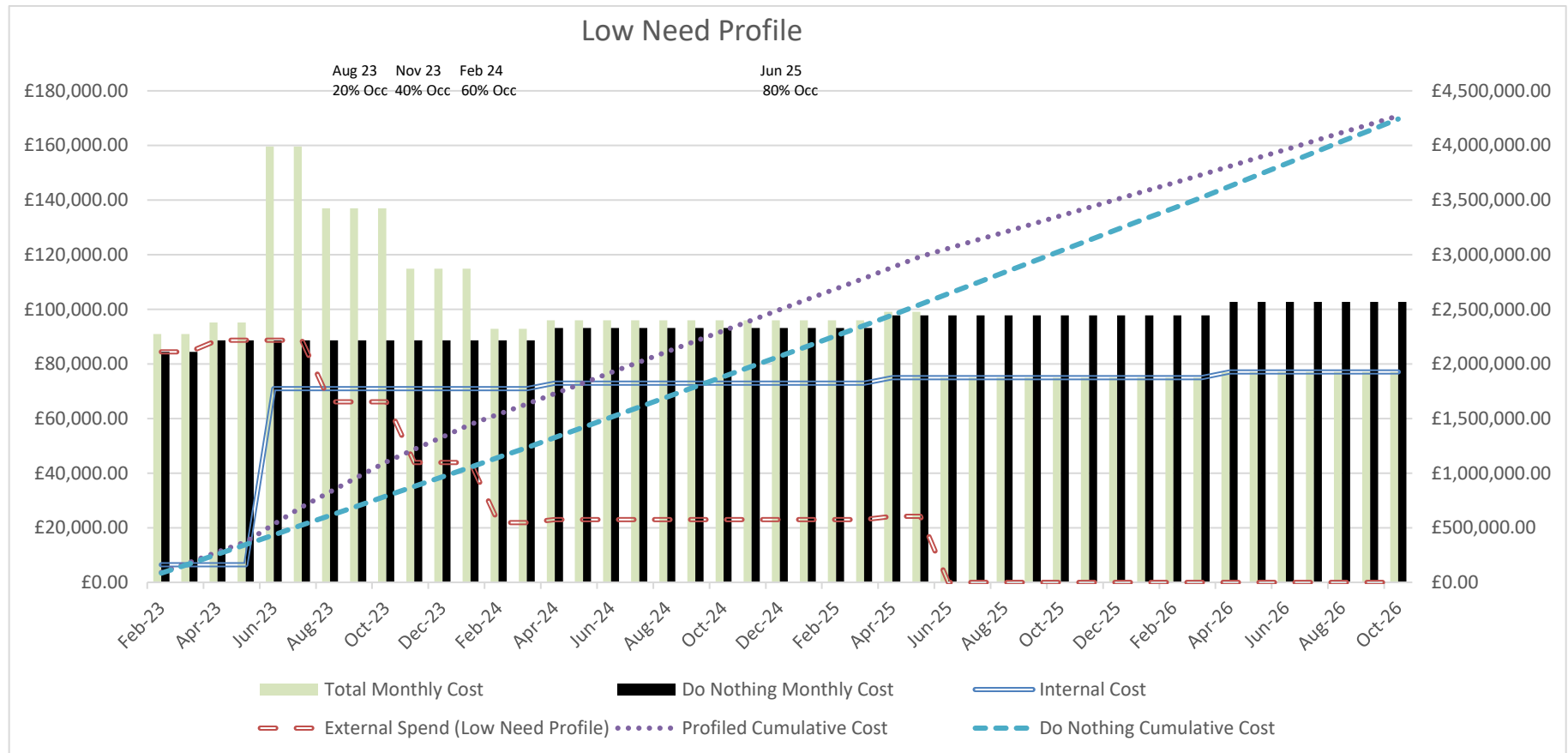
148. Alongside the costs above to deliver a service to children within the initial home, there will be capital requirements around maintenance of the home.

149. The funding secured from the DfE is a key dependency in the development of the first home. This will be managed within the wider programme as well as monthly funding meetings with the DfE.
150. As referenced in paragraph 43, subject to the second wave of DfE capital funding, the Children & Adults Services Capital Budget will be drawn upon to some degree to fund the development of the second and future homes.
151. As discussed in the options appraisal, successful establishment of a high quality and well managed children's home requires a phased approach to full occupancy, this includes requirements from Ofsted to have a staff already in place to operate a home at the time of registration and prior to the opening date. This will require upfront funding to establish the staff group and open the home whilst still utilising purchased placements from the market for a period of time.
152. Profiling undertaken utilising the costed model against existing spend shows that for children with low needs, phased occupancy of the in-house provision would require additional mobilisation investment of approximately £436k to be met from departmental reserves across the period Feb 23 – Jun 25. This is in line with findings from engagement with other authorities who identified 75% occupancy as the point at which costs broke even (figure 2).

Financial Year	Mobilisation Cost Item	Estimated Total Value
2022-23	Mobilisation Team Costs	£12,912
2023-24	Mobilisation Team & Facilities Costs - Additional Cost of Phased Occupancy	£386,816
2024-25 & 2025-26	Mobilisation Costs to 80% Occupancy (Jun 2025)	£36,602
Total Mobilisation Cost		£436,331

153. Feedback from peer authorities estimate an average 18 months to two year period to achieve occupancy rates of 80%. This would see total cumulative costs break even in October 2026. With the service achieving savings against a 'do nothing' model beyond that date.¹⁹

Figure 2: Cost Profile of Phased Occupancy of Low Needs Children



¹⁹ In-house based on costed model with for annual wage increases and inflation for oncosts. 'Do nothing' based on existing cohort with annual average uplift in private sector fees across the last 5 year period.

154. Whilst the primary decision on any child's placement is always *what is in their best interests and most likely to support successful outcomes for them*, intelligence and case review of our children already in externally provided residential care tells us that for a number of children it would absolutely be in their best interests and more likely to promote positive improvement in their outcomes if, through a carefully planned move, they were to return to live in a locally based children's home. Therefore the occupancy timelines used in the above profile are conservative and it is likely that the number of children in our in-house home would increase at a quicker rate, thus reducing external costs more rapidly.

Legal implications

155. Please see concurrent from the Director of Law and Governance.

TUPE Implications

156. It is noted that the likelihood of TUPE regulations being relevant to the establishment of the in-house service is low. However, further due diligence checks will be carried out in collaboration with HR and Legal advisors as the individual stages of the development of the service are progressed.

Consultation

157. Consultation has been undertaken with operational colleagues and partners in health and education to date. We know from discussions with operational colleagues that children and young people want to be closer to their local communities and school. Consultation with children and young people will be an integral part of the specification development and our work to develop our sufficiency strategy to ensure that the new home provision meets their needs and reduces the risk of placement breakdown.

158. Ongoing consultation will take place to co-produce the service specification.

Other implications or issues

159. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance REF: [17DK22-23]

160. The Strategic Director notes the contents of this report, with specific reference to the section titled *Financial implications*.

Head of Procurement

161. This report seeks approval from Cabinet for the procurement strategy for the provision of children's residential care in Southwark as an in-house service, under the Children and Families Division of the council from August 2024.

162. Cabinet notes that the options considered are detailed in paragraphs 45 to 93, the risks are detailed in paragraphs 94, the impact equalities, health and climate control are detailed in paragraphs 116 to 126, social value commitments are detailed in paragraphs 128 and confirmation of the payment of LLW is detailed in paragraph 130.

Director of Law and Governance

163. This report seeks approval of the procurement strategy for the provision of children's residential care in Southwark by way of in-house delivery, through the Children and Families Division from August 2024.

164. Contract Standing Order 3.3 requires that where it is proposed to bring a service which was previously externalised back in-house, approval of that procurement strategy is made through a Gateway 1 report, after consideration of that report by the Departmental and Corporate Contract Review Boards.

165. As noted in paragraph 155 it is considered unlikely that the establishment of an in-house service will be impacted by the TUPE regulations. However, this will be kept under review and officers should seek and obtain legal advice on a regular basis as the proposals for the new service are developed further.

166. The report further notes at paragraph 156 the nature and extent of the consultation which has taken place in relation to the proposed procurement strategy and explains how this is to continue.

167. In considering the recommendation Cabinet should have regard to the council's obligations to carry out its duties in accordance with the principles of best value - to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

168. Cabinet must also take account of the Public Sector Equality Duty (PSED General Duty) under the Equality Act 2010 ("EA"), which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant "protected characteristic" and those who do not share it. Cabinet is specifically referred to the community impact statement from paragraph 114 and the equalities impact statement from paragraph 116 which set out the consideration that has been given to equalities issues that should be considered when approving the recommendation in this report. The PSED General Duty is a continuing duty and paragraph 115 notes that an Equality Impact Assessment is to be produced for the purpose of measuring and understanding the likely effect and impact of the procurement strategy on those individuals having a protected characteristic as defined in the EA.

169. The Director of Law and Governance and her staff will continue to provide advice to officers on any legal and governance issues arising during the mobilisation of the service to in-house provision.

Director of Exchequer (For Housing contracts only)

170. Not applicable.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 0 Children's Residential Provision	Children's and Adults' Services, Commissioning Directorate 160 Tooley Street, London, SE1 2QH	Genette Laws 020 7525 5000
Link (please copy and paste into browser): https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?AllId=62781		
Southwark's Borough Plan	Children's and Adults' Services, Children and Families Directorate 160 Tooley Street, London, SE1 2QH	Michael Crowe 020 7525 5000
Link (please copy and paste into browser): https://www.southwark.gov.uk/council-and-democracy/fairer-future/council-plan		
The Children Act 1989	Children's and Adults' Services, Children and Families Directorate 160 Tooley Street, London, SE1 2QH	Michael Crowe 020 7525 5000
Link (please copy and paste into browser): https://www.legislation.gov.uk/ukpga/1989/41/contents		
Care Standards Act 2000	Children's and Adults' Services, Children and Families Directorate 160 Tooley Street, London, SE1 2QH	Michael Crowe 020 7525 5000
Link (please copy and paste into browser): Care Standards Act 2000 (legislation.gov.uk)		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Jasmine Ali, Deputy Leader and Cabinet Member for Children, Young People, Education and Refugees	
Lead Officer	David Quirke-Thornton, Strategic Director of Children's and Adults' Services	
Report Author	Michael Crowe, Service Development Manager – Children & Families	
Version	Final	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Governance	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		6 October 2022