



Exempt Appendix B to this Report is not available for public inspection as they contain or relate to exempt information within the meaning of Paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972.

CABINET	
Subject Heading:	DFE Capital Funding for Children's Homes
Cabinet Member:	Councillor Oscar Ford – Cabinet Member for Children and Young People.
ELT Lead:	Tara Geere – Director of Starting Well
Report Author and contact details:	Simon Brown Simon.brown@havering.gov.uk
Policy context:	This proposal sits within Children's Services and is aligned with Havering Council's Happy, Healthy Lives agenda within the Corporate Plan. The plan is structured around our WISH, for children and young people to be Well, Inspired, Safe, Heard and treated fairly. It also falls within the Council's statutory duties to provide sufficient children's care placements within the borough.
Financial summary:	The capital requirement from the Council is £515,000. The total capital budget is £2.1m.
Is this a Key Decision?	Yes, total capital expenditure is £2.06m
When should this matter be reviewed?	30/11/2027
Reviewing OSC:	People Overview & Scrutiny Committee

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well X

Place - A great place to live, work and enjoy X
Resources - Enabling a resident-focused and resilient Council

SUMMARY

In February 2025 the Council made a formal bid to the Department for Education (DFE) for a capital grant to create two children's homes. The Council was notified of its successful bid at the end of the summer 2025.

Havering's proposal is to purchase and adapt two family homes in the borough. The intention is to purchase a five or six bedroomed property and a four bedroomed property with the plan to provide a four bed and a two bed children's home.

The grant application identified three capital financial partners and the proportion of their capital commitment;

DFE- £1.03m (50%)

LBH- £0.515m (25%)

NEL ICB- £0.515m (25%)

The DFE wants to support councils to create new local authority owned children's homes for three purposes:

- To provide an alternative care pathway for children who may require in-patient mental health care.
- To provide a step-down from in-patient mental health care to prevent delays of discharge from hospital; and
- To prevent children from being placed in high-cost unregulated care homes.

Havering's application identified cohorts of children this service would be appropriate for. At the point of making the application Havering had experienced four young people being discharged from in-patient hospital treatment, their average weekly care costs in children's homes were £16,000 each, which equates to an annual cost of £3.33m. All four of these children needed specialist provision which was only available outside of Havering. The transition from hospital to out of authority care placements also ceased the involvement of NELFT's CAMHS service.

The application estimated that the creation of Havering owned children's homes would reduce the care costs of these four young people. The estimated annual cost avoidance of £1m is based upon an estimated targeted unit cost per child per week which will be published when the contract for the care provider is tendered for.

Since the application was submitted the complexity of some of the children in care has resulted in the Council needing to use services that could not meet the needs of the young people. Four young people were placed with OFSTED Registered Supported Accommodation providers, but they required registered children's homes rather than support providers.

Their packages of support included 2:1 or 3:1 staffing ratios and at times the use of Deprivation of Liberty Orders. The average cost of these children's packages was £10,993 per week, and they were also all placed outside of Havering.

Therefore, the Council has greater evidence that by providing a local registered children's home service more children can be cared for within the borough, close to their families and friends, will be able to maintain their schooling and continue to access mental health services provided by NELFT's CAMHS service. The Council will also be able to reduce expenditure and place fewer children in unsuitable provision.

The new homes will also enable the planning to return children from high cost out of borough care provision back into their local communities, close to family and friends, as well as support services who know them. This transition planning will be managed through the Havering Access to Resources Panel (HARP). This is chaired by the Assistant Director for Safeguarding, and ensures that resources are managed appropriately, and offer best value.

RECOMMENDATIONS

This report proposes that the Council purchases two residential properties and converts them into two registered children's homes, one of which will house two children and the other four children.

The homes will provide Havering's Starting Well service with two specialist homes that reduces the need for children to be an in-patient in a mental health hospital, or in unsuitable services.

Cabinet is asked to agree to:

1. Accept the £1.03m capital grant from the DfE and enter into the grant agreement with DfE.
2. Commit £0.515m in capital funding to the total capital requirement of £2.06m to purchase and develop the homes.
3. Delegate authority to the Strategic Director for Place to select and agree to the purchase of the two homes on behalf of the Council.
4. The procurement of a care provider via an open tendering process.
5. The waiver of the standard weightings of 70% price and 30% quality for the procurement of the care provider to 40% price and 60% quality (including social value) for the reasons set out below.
6. Delegate authority to the Lead Member of Children's Services to make the decision to award the care contract to the successful bidder following the competitive tender process.

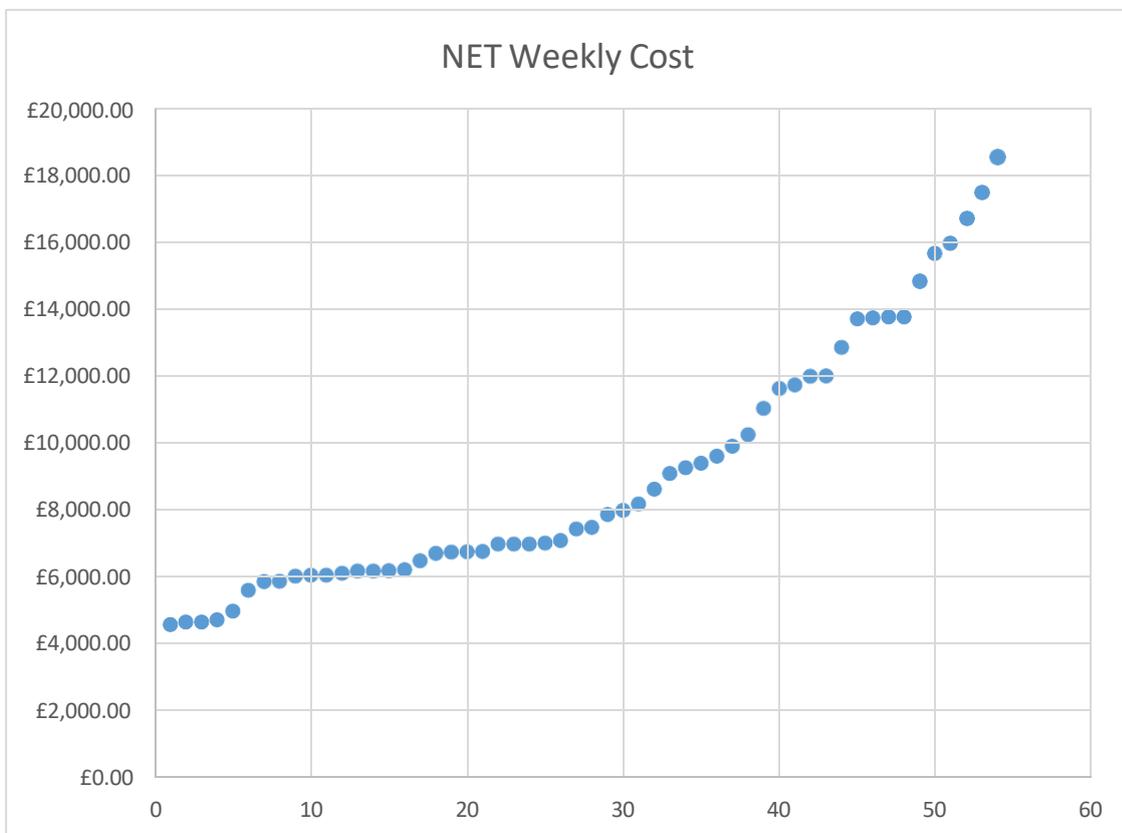
REPORT DETAIL

Cabinet, 11 March 2026

Between April 2025 to 30th September 2025 Havering had 43 children living in children’s homes. This group of children are classified as having Social, Emotional and Mental Health needs (SEMH). This group of children does not include children with learning or physical disabilities.

The 43 children lived in a range of provision depending upon their assessed needs and on the availability of the homes.

At the 30th September the forecasted spend for these children was £16.5m per annum. The weekly unit costs ranged from £4,595 to £18,495. The median cost was £7,439 per week, but for the 29 placements which cost more than the median, the average fee was £11,937 per week.



At the 30th September 2025 there were 39 children living in these homes at an average weekly cost of £8,483.

None of the 39 children were living in Havering.

The plan is to create two specialist children’s homes, a two bed and a four bed home to meet the needs of children with complex emotional needs. These children will not be identified as having a learning or physical disability.

The Council will purchase the two properties and adapt them to meet the requirements of the Children’s Homes (England) Regulations 2015. The homes will

be current family properties with either four, five or six bedrooms. The homes will need at least two bathrooms and a downstairs cloakroom. The properties will be detached, with off-street parking. There will be good sized rear gardens.

The commissioning team along with the operational social work managers will discuss the potential homes with the local ward councillors and cabinet prior to making offers on the homes, and prior to completion there will be meetings with the local communities. It is essential that the homes start with a positive view from the neighbours.

Once the home is chosen officers will complete a further governance report to approve the selection and purchase of those homes. The total estimated purchase and adaptation cost is £1.9m. This does not include any legal costs or stamp duty that may be payable.

Officers will also complete a further governance report for authority to procure a contractor to undertake the works to adapt the properties to the required standard. It is anticipated that the works will cost in the region of £250k.

In parallel to the property search the service specification for the care provision will be developed utilising subject matter experts. This will form the basis of the required service, and the Council will start a procurement for this provider.

Procurement of a Care Provider

The Council's intention is to competitively tender for a single contract for both homes with an OFSTED registered company that has experience of delivering high quality children's home care. The value is estimated to be £8m over 5 years.

The contract will be tendered through an advertised route. The tenders will be evaluated by officers in commissioning, children's social care and will also have the voice of children.

There will be a financial evaluation of the received tenders, alongside an evaluation of the quality and social value. The proposed weighting is 50% quality, 40% price and 10% social value to ensure that the Council receives a good level of service that is value for money.

The financial evaluation will be based upon a target weekly unit price to provide the children's home service. The unit price will be fixed for the first three years of the contract and will be based upon delivering the requirements of the service specification.

The care provider tender will run in parallel to the adaptation of the homes, with the intention of the selected provider being in place six months before the completion of the works. This will enable them to start the recruitment of the Registered

Manager, staff team and the initiate application to register with OFSTED. They can also start to develop relationships in the community.

The contracted company will deliver the care within the home and there will be a leasing arrangement in place for the duration of the contract.

The ongoing day to day operation of the homes will be subject to monthly performance management meetings between the provider, children's social care, commissioning and quality assurance. The Council would like to maximise the utilisation of the two homes, minimising voids, but would also offer any vacancies Havering are unable to fill to our North East London ICB area neighbouring councils at cost plus a management fee, thus reducing the financial operating risks.

The Council is aware that there will be fluctuations in demand so we will be working alongside colleagues in the North-East London Commissioning Partnership (NELCP) to offer any vacancies at cost plus a management fee, thus reducing the financial operating risks to the Council and maximising occupancy.

The revenue costs for operating the homes will be met through existing budgets in for Children in Care. Some revenue costs may be offset through the Multi Agency Resource Panel (MARP) which identifies exceptional support for children with complex needs. As some of these children will be discharging from Section 3 Mental Health Act they will be entitled to S117 Aftercare support. This is another funding stream which will reduce the Council's revenue commitment.

Summary of the business case

This is in an invest to save scheme. We estimate (details to be found in the appended exempt business case) that the cost avoidance generated from this scheme will be in the region of £1m Per Annum, which considering a net initial (capital) investment of £0.515m, indicates a ROI of less than one year, after which the saving will be accrued by the Authority.

REASONS AND OPTIONS

Other options considered:

The DFE capital grant is the preferred option to support the Council to develop its own local services but there are other options;

1. The Council continues to purchase care from providers who are in the national market to provide the services required. This option does not allow Havering to place with local children's home provision, so for children being discharged from hospital there is no continuity of care, and the unit cost remains much higher than the estimated unit cost of the primary option

2. The Council commissions a local care provider to deliver the specification to meet high level needs.

There are currently 13 children's homes in Havering, which are registered with OFSTED to provide care for children with SEMH needs. They are operated by 11 different companies, and 48 children can live within these homes. None of these providers have the experience required to meet the Council's expectation and specification. Currently Havering does not place any children within these homes. Eight of these homes have opened in the last two years and all of these companies are new to the care market. It is unlikely the providers would be able to pass any financial viability test.

Reasons for the decision:

The preferred option is to accept the DFE grant and pursue the options identified above in order to ensure children with the most complex needs can be looked after within Havering and to reduce the expected expenditure by £1m annually.

IMPLICATIONS AND RISKS

Financial implications and risks:

This report seeks Cabinet approval for a set of the decisions required to enable the Council to develop two residential homes for children with highly complex emotional and mental health needs.

The report asks for approval for capital expenditure of £2.06m to purchase and adapt/refurbish two suitable properties within the borough. A successful bid has been made to the DfE for 50% of the project costs and approval is sort to accept this capital grant. Finance and Legal advice should be sort before finally accepting the funding especially around timescales for delivery and restrictions on the future use of the asset.

Funding is also being sought from Health partners for a further 25%. It is essential that this be confirmed before the Council commits to the expenditure.

Approval is sought to fund the remaining 25% or £0.515m expenditure from the Council's resources. This will be through prudential borrowing and as such will incur MRP and interest costs of around £0.035m per annum.

The homes once acquired will be the property of the Council. However, it is envisaged that they will be operated by an independent or voluntary sector provider and a procurement exercise will be carried out for a five-year block contract to run the homes and provide care for up to six children with complex needs. The provider will lease the properties from the Council, and this income will

at least partly offset the MRP and capital costs and also be responsible for day-to-day repairs and maintenance as part of the running cost. However, as the care contract and lease are for a relatively short period of five years compared to the asset life then separate arrangements may need to be made for the longer-term maintenance of the building. For example, the creation of a sinking fund of around 2% of the asset value would be a further cost of £0.04m.

The expectation is that through the procurement exercise it will be possible to enter into a contract at a significantly lower cost per child per night than is currently being achieved by spot purchasing on an adhoc basis. If this is the case, then this will provide very significant savings to the Council – possibly as much as £1m to £2m per year. (See exempt financial implications.)

The cost of the contract will be taken from the Children in Care Residential Placements budget which is currently £14.8m a year. There is currently an overspend against this budget line of £2m (offset by underspends elsewhere in Children's Services). The growth in the number and cost of residential homes for children has been the largest single financial pressure for Children's services both here and across the country. Further growth is built into the MTFS for future years and the potential savings from this new provision have been also built in as a saving or cost avoidance measure to offset this growth. The saving in the MTFS is set at £0.35m in year one rising to £1.4m in year two. If growth funding would otherwise be added to the budget this amount will be deducted from that or the residential budget will be reduced by these amounts in the appropriate years.

It is also possible that by allowing children to remain within the borough there could be avoidance of other costs – for example the cost of education alternative provision or home to school transport. These however will depend on the circumstances of individual children and given the complexity of needs for this group of children are not likely so have not been estimated at this stage.

The biggest single risk is the willingness of providers to accept a contract at the price point assumed in the business case and so it is important that there is good market engagement before the procurement process. If the price point is not achieved, then the saving will be reduced. In the worst instance there may need to be exploration of other options such as in house provision or a partnership arrangement.

Secondarily if the children placed in the home would otherwise have gone into similar or even lower cost provision then it would not be possible to make a saving.

A further risk is the potential for voids. As this will be a specialist provision there is a risk that there may be times when there are no children for whom it can offer a suitable home, but the Council will still be paying the full block cost. This risk can be mitigated by good care planning and partnership with the provider or by offering the provision to other Local Authorities, but strong systems need to be in place to ensure this. These risks are quantified in more detail in the exempt appendix.

As the provider will be engaged before the provision opens there are likely to be some additional costs for this period which will mean the full saving is not achieved in the full year. However, this should support the successful opening and so is in the best interests of the service although it is important to ensure that there is robust negotiation and the costs relating to this period are reasonable.

Legal implications and risks:

The Council has a number of statutory duties primarily detailed under the Children Act 1989, the Children Leaving Care Act 2000, Children Act 2004 and Children and Social Work Act 2017 as to its obligations with respect to safeguarding of young persons. That may include the acquisition and maintaining of children homes. Further, section 111 of the Local Government Act 1972, which allows the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The Council also has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual can do, subject to any statutory constraints on the Council's powers. None of the constraints on the Council's Section 1 power are engaged by this decision as to the bid and acceptance of grant funding.

Section 120 of the Local Government Act 1972 permits that the Council may acquire any land for the benefit, improvement or development of their area. A detailed governance decision as to any acquisition would need to be arranged when suitable assets are ready to be acquired.

It is anticipated that planning consents, regulatory registrations and works will need to be undertaken to arrange aspects of the programme to bring the homes into fruition. Such consents and decisions will be subject to separate governance including meeting the Councils Contract Procedure Rules contained in the Constitution.

All procurement activity must comply with the Procurement Act 2023 and the Council's own Contract Procedure Rules, including appropriate justification for any deviation from standard evaluation weightings.

Human Resources implications and risks:

There are no direct HR implications arising from this decision. The project will seek to tender a care provider to deliver the service.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

The funding set out in this report would benefit local residents by providing suitable accommodation for the most vulnerable, particularly to those with additional support needs.

Health and Wellbeing implications and Risks

This will enable the Council and health partners to create local provision that better meets the needs of some of our most vulnerable children and young people and at lower cost to the public purse. The children themselves would benefit directly, in that they will be more likely to be discharged from hospital as soon as clinically appropriate to a more suitable, local facility; better preserving links to and support from family and friends. Similar, if not better outcomes will be achieved at considerably lower cost, allowing monies to be redirected to benefit a wider group of children in the borough.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

<https://onesourceict.sharepoint.com/sites/SustIntranet/SitePages/Committee-Guidance.aspx>

BACKGROUND PAPERS

- 1. DFE.Childrenshomes.BusinessCase**
- 2. Confidential Development of two children's homes**