

1.0 Introduction

This business case identifies the opportunity to develop two specialist children's homes in Havering, utilising capital funding from the Department for Education, joint funded with the North East London Integrated Commissioning Board and London Borough of Havering.

The intention will be for the council to purchase two domestic properties and adapt them into a 2 bed and 4 bed children's homes. The children's homes will offer specialist care for six children who have highly complex emotional disorders, and who have either spent time living in a psychiatric hospital or would require one if this resource did not exist.

Havering does not own or operate children's homes, and when these services are required, there is a need to buy them from the private sector. Havering's use of children's home care has increased over the last five years, and at the end of November 2025 there were 35 children with social and emotional needs living in a children's home.

The 35 children have an average weekly care fee of £8,411. However, 8 of these children would be the cohort for this project. Their weekly fees range between £11,040 and £18,500, with an average of £13,797 per week.

There have been two significant Governmental reports which have focused upon the children's home sector. This focus has occurred because of councils reporting the significant rise in the unit cost of children's home care, national sufficiency issues, the emergence of new and untested care companies into the market and the greater use of unregulated children's homes.

The result of this focus has been for the DFE to increase the capital grant funding to councils to build new provision and for OFSTED to gain greater powers to investigate companies making excessive profits and force them to reduce these to a more acceptable level.

The stimulus for Havering to apply for a DFE grant was the discharge of four young people from psychiatric units early in 2024. These four young people had significant mental health histories and exceptional needs. The transition from hospital for these young people was complicated and lengthy, causing for some a delay of discharge, but for all they ended up moving to specialist children's homes outside of Havering, specifically in Suffolk, Essex and Kent. This move out of area also resulted in a change of clinical responsibility and in two young people's situations significant health issues not being addressed in a timely manner. .

The cost of these services ranged from £14,000 to £24,000 per week, with an average fee of £18,000. The full year cost of this care was £3.74m in 2025/26.

Havering Children's Services Sufficiency Needs Assessment and Strategy 2025-2028¹ identified a need for additional facilities for children with complex need within the borough.

¹ [9.1 SufficiencyStrategy.final.pdf](#)

This business case outlines the rationale behind the project, evidencing the current level of need, the benefits to children and the local authority, the financial modelling of the costs and potential cost avoidance/savings.

2.0 Evidence of Need

2.1 Legal Duty to Provide Care

The proposed project enables the council to deliver its legal responsibility to provide sufficient homes for children in care in their locality under the Children Act 1989².

2.2 Current Demand and Local Capacity for Residential Care

On 30th November 2025 45 children (16%) out of the 280 children in care were living in Children's Homes. The percentage of children living in such accommodation has increased steadily from 7.6% in 2018 to 16% in 2025.

Of the 45 children, 35 were children with a variety of complex emotional needs. All of these children were placed outside of Havering in high-cost residential homes.

The 35 children had an average age of 15, but the range was between 8.7 years and 17.9 years.

The children's history of being in care ranged between 5 weeks to 9 years. The average length of stay in their current children's home was 470 days, however that hides a range of 38 days to 1,662 days (4.6 years). The median length of stay is 305 days.

There were 17 females and 18 males in these homes.

The 35 children were dispersed across the country, with some placed as far away as Merseyside. 12 of the 35 children were placed in neighbouring local authority areas.

There are 18 children's homes which operate in Havering, offering homes to 73 children. Six of these homes are for children with disabilities. Of the remaining twelve homes eight of them have opened over the last two years and are operated by companies which have limited experience of this industry. Havering places no children in these twelve homes and therefore purchases care further away from the borough.

Havering has recently joined the Newham DPS for children's homes. The DPS covers the whole of England and does not provide greater access to local services.

2.3 Proposed Service Model

Havering does not operate any children's homes, so these proposed homes would be the first local-authority owned properties available locally, however the model will be to tender the care services to an experienced residential care provider.

The intention is to competitively tender for a high quality children's home provider who have experience of working to a therapeutic model, which provides secure care for children with complex emotional needs.

² [Children Act 1989 \(legislation.gov.uk\)](https://legislation.gov.uk)

The service specification will identify the level of needs required to be met and set out the requirements for therapeutic services. It is expected that alongside the required care staff there will be a core group of health clinicians, who will work alongside the care staff and children in the homes. These clinicians will include psychiatrists, psychologists and therapists. There will also be an educational lead professional, which recognises the need to address the disrupted education histories the children have experienced.

The care staffing model will be a minimum of 1:1 during daytimes, with the potential for overnight staff to be awake rather than asleep.

Each child will have a clinically informed care plan, which will be reviewed alongside the child's local authority plan.

The intention will be to stabilise, develop relationships with the young people and identify the best home setting for their long-term needs. The homes are not designed to be a home that the child remains in until they reach adulthood. They will however, support the development of the children's skills and abilities to move into adulthood.

3. Evidence of Other Councils Providing This Type of Service

In the introduction to the capital grant application process the DfE identified two children's homes which had been created by Hertfordshire and Surrey councils. These homes were caring for children with complex emotional needs and showed how social care could work with health to provide therapeutic care. We also reviewed the cross regional contract sighted by the DfE as a piece of good commissioning.

Hertfordshire

The Hertfordshire home, Cherry Tree Cottage, is operated by the council, and they have commissioned Hertfordshire Partnership University NHS Foundation Trust (HPFT) to supply the in-reach health professionals. The health professionals include psychiatry and psychology specialists. The home is an adapted building, which had previously been used by the council to provide services for children with disabilities.

The four bed children's home opened in 2024, with an initial annual operating cost of £1.33m.

Surrey

Surrey County Council and Surrey & Borders Partnership NHS Trust operate Hope, the emotional wellbeing service for young people. In 2022 they created Extended Hope, a 2 bed registered children's home. The home offers crisis intervention for a maximum of seven days. The home is rated Outstanding by OFSTED.

The home's aims are to prevent admission to Tier 4 CAMHS or to enable step down into the community. Demand for the two beds is significant with 6 children/ young people being referred weekly.

Cross Regional Project- Oxfordshire, Hertfordshire, Reading, Buckinghamshire and Milton Keynes

The Cross Regional Project is a partnership tendered children's home project, provided by Keys Childcare. The contract was originally tendered in 2008 which became operational in 2009. The project has expanded from 20 children's home beds and one registered school to 36 beds and two schools.

The project is aimed at children who require therapeutic care but children being discharged from hospital are likely to require a different provision before being admitted to this project.

Operating costs and occupancy data is included in the confidential paper, as the information is not in the public arena.

4. The Homes

To meet the needs of the children, the proposal is to purchase and adapt two domestic properties.

The properties will be large family homes, with sufficient space to support group living, a large rear garden, off-street parking and in more rural areas of Havering. The homes need to be close to good schools and communication networks.

The homes will have a large kitchen, separate dining and living rooms, along with secure spaces for meetings and staff rooms. Each child's bedroom will be large enough to provide a space to do schoolwork and for their belongings.

The homes will meet the principles outlined in the DfE's Regulations and Quality Standards for provision of residential care³:

- Children in residential care should be loved, happy, healthy, safe from harm and able to develop, thrive and fulfil their potential.
- Residential care should value and nurture each child and young person as an individual with talents, strengths and capabilities that can develop over time.
- Residential care should build positive relationships; establishing strong bonds with children and young people on the basis of jointly undertaken activities, shared daily life, domestic and non-domestic routines and established boundaries of acceptable behaviour.
- Residential care should be ambitious, nurturing young people's school learning and out-of-school learning and ambitions for their future.
- Residential care should be attentive to need, attending to young people's emotional, mental and physical health needs, such as repairing earlier damage to self-esteem and supporting friendships.
- Residential care should be outward facing, working with the wider system of professionals for each child, and with children and young people's families and communities of origin to sustain links and understand past problems.
- Residential care homes should have high expectations of staff as committed members of a team, as decision makers, as activity leaders, and engaged in on-going learning about their role and the children, young people and families they work with.

³ [DfE \(2014\) Guide to the children's homes regulations including the quality standards \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

- Residential care should provide a safe and stimulating environment in high-quality buildings, spaces that support nurture and privacy as well as common spaces, and spaces to be active.

5. Financial Modelling of Capital Costs

The capital budget required to cover the cost of the project is £2.06m.

The capital distribution is as follows

DFE- 50%

LBH- 25%

ICB- 25%

The capital is to be used for the purchase of two homes, the required adaptations and the furnishings of the properties.

The DFE application identified the following areas of capital expenditure:

- £1.7m to purchase two properties, with associated stamp duty and legal fees
- £250,000 to adapt the two properties to meet the requirements of a children's home standards and Secure by Design
- £25,000 contingency
- £50,000 white goods, furnishings
- £35,000 professional fees and services (architects and engineering)

Estimated property adaptation costs have been sought from an LBH Development Surveyor.

6. Estimated Financial Modelling of Operating Costs

The properties will be owned by the council and leased to the contracted care provider as part of their contract. The costs associated with leasing the property will therefore also need to be taken into consideration when looking at the cost of delivering the service.

6.1 Staff Modelling

The care provider will employ a registered manager and a deputy manager to operate both children's homes. These two senior staff will be overseeing the two homes.

The care provider will employ a Responsible Individual, who is likely to be an existing senior manager within the company and already have this role over other homes.

The manager and the deputy will not form part of the standard staffing rota.

The specification will identify the need to provide the following clinical staff.

Clinical Psychiatrist
 Clinical Psychologist
 Psychology Assistant
 Occupational Therapist

Additionally, there will be an education lead, co-ordinating access to education.

The managers, clinical team and education lead will operate across both homes.

The two children's home will operate every day of the year.

6.2

Two Bed Home

The home will be available every day of the year.

It is assumed that children should be in education but given their emotional needs this may be achieved through tutoring. Therefore, staffing will need to be 24 hours a day and there is no differential between term-time and school holiday time care.

The care staff requirement will be a minimum of two staff per shift, providing 1:1 care.

The staffing model allows for staff to be paid as a waking night rather than sleeping-in allowances. The shift pattern will be 8am to 8.30pm and 8pm to 8.30am, this allows for a 30-minute handover between shifts.

It is estimated that 11.5 FTE care staff are required to provide the service annually. This includes cover for annual leave, bank holidays and training.

6.3

Four Bed Home

The four-bed home will operate the same as the two bed home, with a staff ratio of 1:1, therefore there will be four staff on duty during the daytime shift and two staff on duty overnight. This model allows the care provider to deploy the fourth member of staff in either home, depending upon the needs of the children.

It is estimated that 14.5 FTE care staff are required to deliver the service annually.

6.4

Total Staffing Requirement

It is estimated that to deliver the specification the provider will need to employ the following;

1 Registered Manager

1 Deputy Manager

26 FTE Care Staff

0.2 FTE Psychiatrist

0.5 FTE Psychologist

1 Psychology Assistant

0.5 OT

1 Education Lead/Teacher

The estimated cost of the staff team is detailed in the confidential report.

7. Modelling of Contract Value against Current Care Fees

This project is aimed at looking after children with the most complex care needs, who have had periods of time living in psychiatric units or being subject to deprivation of liberty orders (DOLs). Therefore, the following modelling is based upon these young people.

However, on 1st December 2025 Havering had 35 children, who have social and emotional needs, living in children’s home care. The average cost per week for their care was £8,411 per week.

Of the 35 children there are 8 who fall into the cohort that would be eligible for the proposed service. Their weekly fees ranged between £11,040 and £18,500 per week, with an average of £13,797.

Placement Type	Average Weekly Fee	Average Annual Fee
All Children’s Homes (35 children)	£8,411	£437,372
Most Complex (8 children)	£13,797	£717,444

The contract will identify a target price to deliver the whole contract. It is estimated the weekly unit cost will be between £6,000 and £7,000 less than the average weekly fee for the 8 most complex children, shown in the table above.

Fuller detail is given in the confidential report.

7. Options Explored

Option 1: Do Nothing – continue with existing spot purchasing arrangements.

Strengths	Weaknesses
<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> There is currently no commercial relationships with providers and Havering children have no priority of the services Children move out of borough Children lose contact with family and friends Commercial companies are likely to aim for 20-25% profit margins
Opportunities	Threats
<ul style="list-style-type: none"> Opportunity to develop the provider market to meet local need 	<ul style="list-style-type: none"> Lack of control of the provider market Costs increase above natural inflation

Option 2: Build New Children’s Homes and Employ Staff In-House

Strengths	Weaknesses
<ul style="list-style-type: none"> Homes operated by Havering and fall under the statutory Director of children’s Services (DCS) DCS has more control over the operation of the homes Potential for local recruitment, providing jobs for local people A local asset owned and run by the local authority 	<ul style="list-style-type: none"> Requires significant capital investment to develop a local asset Availability of sites to develop Potentially the homes look more institutional rather than family properties In the longer term may not be viable to sell as a domestic property There may not be sufficient staff to operate the home

	<ul style="list-style-type: none"> The pay of staff may be greater in the public sector, including pension liabilities and future redundancy costs Increased management posts would be required
Opportunities	Threats
<ul style="list-style-type: none"> Improvement management of expenditure Improved quality of care delivered to young people 	<ul style="list-style-type: none"> Potentially riskier in terms of in-house management of a care facility for children OFSTED inspection responsibilities would fall on the council Staff employment responsibilities fall on the council Care staff may seek other agencies with more favourable terms and conditions for employment

Option 3: Purchase Homes and Contract an External Provider to Operate Care Services

Strengths	Weaknesses
<ul style="list-style-type: none"> External commercial company has the skills and expertise to run the facility A local asset owned and contract managed by the local authority Management of the unit cost through block contracting 	<ul style="list-style-type: none"> Quality control and continual improvement will require regular monitoring and additional management resource
Opportunities	Threats
<ul style="list-style-type: none"> Opportunity to employ local people Develop a strategic partnership with the provider to create more local provision Mitigate risks by opening vacancies to neighbouring councils. 	<ul style="list-style-type: none"> The provider may not be able to employ sufficient staff to maximise occupancy The demand reduces, leading to voids

7.1 Preferred Option

Option 3 is the preferred route and the option agreed by the DFE. This is to purchase and adapt family properties. The council has no previous experience of operating a children's home and at this point requires a subject matter expert with capacity to deliver the care.

8. Risks and Mitigating Factors

Description of Risk	Impact	Likelihood	Total	Mitigation
Cost of purchase and adapting the homes may be more than what has been estimated	4	2	6	Work with housing and architects to develop new designs based on the new model
Planned savings are not realised – providers tender at a higher rate than we are expecting	4	2	8	Robust financial analysis and value for money gained through procurement. Exit strategies planned
The business case is not developed sufficiently to accurately demonstrate potential savings	4	2	8	Financial modelling to be shared with finance
Project is not delivered within time frame	4	1	4	DFE funding to be utilised by March 2029
The care model is not appropriate to meet the needs of Children with complex needs	3	2	6	Co design with TCTC and NCCERC
Demand may change and the need for the provision may no longer be there	3	4	12	Regional partnership with NELCP to sell beds. Develop a comprehensive exit strategy
Availability of accurate data on the client group to inform project design and specifications	2	2	4	Work with operational teams, and performance team to gather the data that is needed from various sources

