Benefits Proposal

Opportunity Name:	CFS – Commissioning for the Future		
Opportunity Description	a. Increasing sufficiency for high need regulated provision, reducing reliance or duration of use of unregulated provision (and as such evidencing LCC are meeting the regulatory duty: b. Reducing unit costs by commissioning a new provision/s able to support children and young people with complex needs, typically being placed in solo provision, have escalated support/care costs and/or in an alternative to activity/unregistered placement. c. If temporary accommodation is needed in the future, to reduce the duration needed.		
Existing MTFS lines relating to opportunity	Existing savings within Smarter Commissioning (CF4) will have an overlapping impact of unit cost of residential placements and have been accounted for through usage of the mitigated growth assumption within the profile and a baseline value from the mitigated mix.		
Quantified opportunity over MTFS Financial Value (net of ongoing costs and net of existing MTFS value)	£1.03m	**Confidence level of value**	*Medium*
Further benefit beyond the MTFS	Full run rate achieved within the MTFS		

Evidence behind opportunity, local levers and proposed solutions:

National Context:

Across the UK, spend on children's residential care is increasing:

- From 2020 to 2024, the number of children and young people looked after in residential placements increased 10%
- In the same period, the average spend on a child in a children's home increased by nearly £80,000, to £318,400

With worsening youth mental health and increasing child poverty, there is a more acute level of need present for children coming into care. However, this increased spend does not necessarily mean that the quality of care is improving and the provider market is predominantly set up for children with less complex needs. Children's residential care has reached market failure nationwide – 1 in 10 children in residential care are in an unregistered placement which is known to often be of reduced quality and without proper oversight but is often the only option LAs have to meet a young person's needs. Reliance on unregistered provision is unlawful and a risk to any local authority placing CYP there.

Leicestershire Context:

The number of residential placements in LCC has increased by 57% between 2020 and 2025 (compared with a 50% average increase across all statistical neighbours over the same period) and the average residential weekly unit cost has increased from £3904 in 2020 to £6058 in 2025.

The typical costs (based on providers used by LCC in 2025/6) for an activity placement (based on the core offer) is £10k a week per child, keeping in mind that these provisions are not regulated and do not offer the range of care underpinned by the children's care plan.

Over the period 2020 to 2025, the number of children in residential care rose from 11% to 15%. Similar increases can be seen in most regional local authorities (of 9, 5 responded to a request for information in October 2025) with % in residential care being 17-23% for all but one (11.6%).

We are also seeing growth particularly in high needs placements and social workers believe that need is increasing:

- On average over the last 12 months, we have had at least one CYP in a multi bed EBD placement being used as solo provision. In March 2025, this cohort has increased to 4 active cases, at an average cost of £16,700 per week.
- In 25/26, we have seen an increased average of 3.8 activity placement starts per month compared to a previous average of 1 per month throughout FY22/23 to FY24/25.
- The first quarter of 2025 has seen a reduction in starts and duration in activity placement in 2025/26. This is being closely monitored, and the use of activity placements has the Director's oversight.

Evidence from case review workshops

We reviewed 10 children/young people with social worker teams to understand the needs young people, and what their ideal placement and support would look like. All open cases were reviewed that were in either:

- An activity placement (2 children), which is typically solo provision
- An unregistered placement (3 children)
- A solo placement in a multi-bed EBD home (4children)
- A dedicated solo provision (1 children)

Of the 10 children reviewed, it was identified that 80% of children and young people (8) could be in a placement that would better meet their needs if that provision was available, with the appropriate level of care and environment (these children often needing what is called 'sanitised' environments to reduce risk to self and others). The required minimum and core offer for this level of need is 2:1 care 24/7.

For these 8 CYP, the following themes were identified:

- Young people were often in crisis when placed in these placements. 63% were expected to be able to step down into a less intensive provision if their crisis could be stabilised.
- Young people had often previously been in an EBD and had had notice serve requiring them to move. This happened in 6 of 8 children.
- Young people often were highlighted as having very challenging behaviours, making supporting them complex, causing the notice to be served. 7 in 8 were identified as benefiting from input from behaviour specialists.
- Young people often had one or more of a learning difficulty, a physical disability, and mental health needs. This was highlighted in all cases.

Existing strategy and plans

Existing MTFS savings as part of Strand 1 of Smarter Commissioning are relevant to the negotiation of a provider for this placement, and so are complimentary to this work, ensuring that value is achieved through the commissioning process.

Strand 2 of Smarter Commissioning will be focussed on ensuring appropriate additionality and targeted reviews - this would also be complimentary to a flexible provision where reviews can be actioned quickly and effectively while maintaining a complex need child in a placement they are stable in. In reviews, the children and young people in this cohort were not suitable for step down in a standard way and would require support from specialists to be able to be effectively stepped down in care.

Strand 3 of Smarter Commissioning's market development work does not address this very high needs cohort, who are unlikely to be suitable for step downs outside of residential care or placement in a more standard residential provision (particularly living with other children), but this work will be complimentary to it, allowing a holistic redesign of the offerings available for children and young people.

Proposed Solutions

To be able to better support these children and young people, we need a provision that can match their level of need in a way that provides high quality care, meets regulatory requirements and at value for money for the council. There is currently difficulty in successfully placing these high needs young people, with providers not being able to support their care and so serving notice, driving a lack of stability in placements.

A view of existing provisions elsewhere in the market provides a view of what a more ideal model of care could look like, centred around principles that match well with the findings of the case reviews. These are provisions that are:

- Flexible – allowing the management of crises through a provision that can support people in solo provisions and high staffing (min core staffing of 2:1)
- Robust – having the physical space, activity-based model and staffing to allow workers to manage the highest needs children, preventing them from having notice served
- Specialist supported – having appropriate input from behaviour and mental health specialists early on in the placement, to help support with managing behaviours and building a route to step down or reduced staffing/care needs
- Activity based – flexibility to provide children with a wide range of activities with a 'youth' services approach.
- Education – flexible education delivered 'on-site'.
- Able to take in an emergency situation

There are several ways this change could be delivered, for which there is a preliminary options appraisal, below.

	In house delivery	Partnership Delivery	Commissioned provider
Description	LCC sources property, applies for planning, renovates properties to appropriate standards, and then recruits staff and registers as a provider. No long-term private provider involvement	LCC sources property in conjunction with an external delivery partner and then collaborate on renovations and licensing. Provider then delivers service from the properties	A service is commissioned and a third party is contracted for end-to-end delivery of the service, from set up to operation
Procurement Timelines	c. 21-24 months (Specialist property specification likely to impact on timeline)	c.21-24 months (Specialist property specification likely to impact on timeline)	c. 12-18months if repurposing existing property, recruitment and training of staff and Ofsted registration. (Specialist property specification likely to impact on timeline, however there are a small

			number of established local providers who may be interested in a contract with LCC).
Operating Costs	Theoretically lowest as not paying provider margin, but may be impacted by diseconomies of scale and set up costs	Middle - as minimising margin taken on property cost, but paying provider margin on operations; Margin can be reduced if awarded to a charity (non profit). However, a charity is not likely to have the established expertise to meet these children's needs.	Highest – lowest upfront investment likely to drive higher monthly costs/charge per child. Overall charge can be partially mitigated by LA carrying cost of 'natural' under utilisation.
Risk held by council	High - no third-party provider assuming any risks High – LCC do not have an established in-service residential team or services (low resilience for staffing issues).	Medium - risks associated with property but delivery risk held by provider High – risks associated with payment of staffing costs during mobilisation period.	Low – provider holds both property and delivery risks
Capital Cost	Option 1 - LCC fully funded scheme: £ 2 - 3 million to procure and renovate properties. Option 2- Public-private partnership: No upfront capital investment for LCC.	Option 1- LCC fully funded scheme: £ 2 - 3 million in house delivery Option 2 - Public-private partnership: No upfront capital investment for LCC	None Risk: relies on provider having investor to cover significant capital costs over a long mobilisation period. Whist can be mitigated if tender attracts a provider which has an established high need offer. Can be mitigated by public-private partnership.

The lease-lease capital options, allow us to support development by a private provider, reducing capital demand to zero, and revenue costs due to reduced cost of capital borrowing.

Impact of proposed changes

To assess the potential savings available from an improved placement type, a should cost model has been developed. The costs are in the table below:

Type	Cost/week
2:1 waking/sleeping night (further modelling required).	£11,665

Our should-cost model includes

a. A core offer of 2:1 residential staff rota (which includes 2 night staff – further modelling required to determine if both are sleep in or sleep-in/waking night combination
b. A **75% utilisation**. Assumptions have mostly been taken from the care cubed costing for a single solo provision, meaning that this costing is conservative, and does not account for further economy of scale savings.

Utilisation could be higher if the property specification and model is centred on reducing managing matching risks (risk to self and others) e.g. through a hub and spoke model where:

- The spokes are the solo activity provisions
- The hub is the children's home that has an extended team *(e.g. activity officer, education offer/officer and clinical input).

*Further modelling required.

Delivery approach and timelines

A phased delivery approach is suggested, with an 8-week concept design phase involving engagement with the market and an options appraisal to determine which care model and delivery model are most appropriate. This is then followed by an 8-week detailed design phase, involving outlining the contracting with any partners, and detailed design of both care and delivery models.

If a commissioned provider has a property with registration, timelines are shortened significantly, however without this there is then an approximately 19-24 month process to set up the provision.

Design Phase

Concept design

Through a process of market engagement, develop an understanding of what providers are able and willing to provide, and what capital contributions from the council are necessary. Develop the should-cost model further to refine assumptions to give an expected operational cost for each of the delivery models possible. Use this understanding to develop a detailed options appraisal to determine which care models and delivery models are the most desirable. This will allow the construction of a clear case for investment and allow for refining of the benefit targets.

Detailed Design

Detailed design will involve the development of a clear operating model, and the determination of a desired partner organisation if needed. This will allow for a confident benefit number, allowing for a go-no go decision on investment and progressing into the set-up phase.

Timeline will need to be extended to take into procurement timelines (estimated, additional year).

Set up

The exact structure of this phase is dependent on the operating model selected during design, but will consist of:

- **Procurement:** Provider engagement, developing a specification, identifying and selecting providers or partners to work with

- **Partner organisation contracting:** Ensuring the right contractual framework for us to be confident that we can deliver high quality care cost-effectively, with either a partner organisation or a commissioned provider
- **Property selection and purchase:** Finding and purchasing suitable property to deliver this service from, or developing suitable guidance for a commissioned provider to do the same
- **Planning application:** Getting planning permission for this provision, to enable the conversion from a residential property to a care facility (if required)
- **Renovation to establish a safe environment for high needs children:** install of fixtures and fittings that are suitable for the complex needs of the children that will be placed in these provisions
- **Recruitment and training of staff and a registered manager:** Building the staffing base to successfully provide this care, and demonstrate to Ofsted that we can meet these staffing requirements for licensing
- **OFSTED Licensing:** Application and approval of licenses for this provision to operate
- **Adventures Activities Licensing:** required for outward bound based activity.

Rollout
After a successful setup phase, rollout is the movement of children and young people into this provision from their existing care provisions. This is predicted to run at a rate of 2 young people/quarter to allow for ramp up, settling of the children, and notice to be served on existing contracts.

Benefits profile over the MTFS (net of ongoing investment)

	In-year spend reduction	Cumulative benefit
FY 26/27	-£0.21m	-£0.21m
FY 27/28	-£0.07m	-£0.28m
FY 28/29	£1.02m	£0.74m
FY 29/30	£0.29m	£1.03m

Benefit profile assumptions

Based on MTFS assumptions growth in average unit cost is 4%.

Impact is seen against a baseline of 8 CYP in Activity/Unregulated placements and 1 CYP in bed-blocking EBD placements, with no growth in # of CYP over the MTFS.

Current net average unit cost for an EBD bed-blocking or unregulated/activity placement is £13,429 per week.

Proposed cost of alternative provision is £11,665 per week based on should-cost model.

Assumptions for timelines:

Date of project start: 1st August 2026

Alternative provision will become available from January 2028

2 CYP can be moved into alternative provision every 3 months.

Initial view of investment required to realise opportunity

Highly dependent on delivery model chosen. If property is directly procured by the council, then an estimated £2.5 – £3.5 million to procure the required properties. This value assumes median cost for detached properties in Leicestershire, with procurement of provision for 8-9 young people forecast at a 75% average occupancy. Profile accounts for cost of 3 months of new provision with no CYP to account for registration period.	
Risks & Dependencies (Known today) Approvals from planning and OFSTED: to set up a new provision, we will require both planning and OFSTED approval. The council has some ability to fast track OFSTED approvals for the most needed provisions, which will help mitigate this Market engagement with this provision: If we require partners, we are relying on the market to be willing to partner with us in this venture without charging margins that eliminate the financial benefits of this proposal. Capacity in the commissioning team: Supporting a provider with their application or carrying out one internally within the council will require resource from the children's commissioning team to successfully implement. Availability of provision staff: Sourcing staff within the proposed new provision Capacity from business partners: such as property services.	
Expected impact	
CYP and family impact	CYP and families experience more stable placements, with better delivery of progression to enable building of skills and future independence
Staffing impact	Staff benefit from a dedicated pathway, reducing the need for last minute procurement of new placements.
Service levels impact	Service quality improves as we mitigate the need to place children and young people into activity or unregistered placements. Service sustainability improves due to reduced financial pressure from increasing unit costs.
How would LGR impact this opportunity?	Combining of team structures, processes and support services would need to be considered upper tier LAs
Officer Recommendation for next steps	This is a key area of development for LCC. The cost of residential care is ever increasing, and we need to increase sufficiency to meet need and demand. The aim must be to have no child in an unregulated/unregistered provision.
Newton Recommendation for next steps	We propose a phased approach with the first 4 months for concept and detailed design, then a period of set up to deliver this new placement type

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