

From: *Christine McInnes – Interim Corporate Director Children Young People and Education*

To: *Chris Palmer Cabinet Member for Integrated Children Services*

Subject: *In-House Provision- DfE Grant Funding*

Decision no: 25/00100

Key Decision : *Yes, under the following criteria:*

- *Savings or expenditure of more than £1m*
- *Affects two or more Electoral Divisions*

Classification: *Unrestricted*

Past Pathway of report: *None*

Future Pathway of report: *Cabinet Member Decision*

Electoral Division: *The project is still scoping where in the County in-house provisions will be located so at this time could affect all divisions.*

Is the decision eligible for call-in? *Yes*

Summary: The increasing costs of children placements was identified as a critical area within the council's strategic statement. In 2024, the Placement Sustainability programme was developed to progress the key activities that are needed to strengthen financial sustainability over the MTFP period, which included exploring in-house provision.

Earlier this year the DfE advertised grant funding for local authorities to match any capital funding (put forward by the local authority) to create additional children's homes for children with complex needs and challenging behaviour. KCC was notified this summer of their successful bid and that match funding totalling up to **£2,765,719** would be awarded subject to the terms and conditions of the grant.

The proposed decision will allow for the deployment of the additional funding secured from DfE to support the already in development Inhouse Service model being worked on under Key Decision 24/00105 and increase its scope.

Recommendation(s):

That the Cabinet member for Integrated Children's Services agree to:

- a) **APPROVE** the updating and expanding of the Inhouse Provision programme scope to make best use of the additional match funding secured,

in accordance with the associated grant conditions and the strategic objectives confirmed in Key Decision 24/00105.

- b) APPROVE the increase in total maximum capital budget to £6,605,000, incorporating the additional £2.7m DfE funding.
- c) DELEGATE authority to the Corporate Director of CYPE in consultation with the Cabinet Member for Integrated Children's Services and the S151 Officer for Finance to accept and deploy any further grants and other external uplift funding to support the delivery of the in-house provision model, providing funding is given on similar terms or matches the approved strategic policy objectives of the in-house programme
- d) DELEGATE authority to the Corporate Director of CYPE to take other necessary actions, including but not limited to finalising the terms of and entering into required contracts or other legal agreements, as necessary to implement the decision.
- e) DELEGATE authority to the Director of Infrastructure to progress relevant property management and development activity as required to implement this decision.

1. Introduction

In February 2025 a proposal was endorsed at CYPE Cabinet Committee (under key Decision 24/00105) to develop a short/medium term service (emergency provision) within a **£3,840,000** envelope (along with a further £0.025m for feasibility studies & surveys), to support stabilisation of the child's complex behaviours and step down their needs whilst suitable longer-term provision in more 'home like' settings is secured to achieve better long-term outcomes. This project is progressing at pace, meeting the critical milestones agreed.

Earlier this year the DfE advertised grant funding for local authorities to match any capital funding (put forward by the local authority) to create additional children's homes for children with complex needs and challenging behaviour. KCC was notified this summer of their successful bid and that match funding totalling up to **£2,765,719** would be awarded subject to the terms and conditions of the grant.

This brings the overall maximum project total to **£6,605,000 from the original £3,840,000 envelope (along with a further £0.025m for feasibility studies & surveys) as agreed via key decision 25/00105 earlier in the year.**

It is anticipated the proposed maximum budget of £6,605,000, formed from £2,765,719 match funding from the DfE and up to £3,840,000 KCC funding, may deliver savings from the original bid approved as it contains a 20% contingency. Any savings or underspend will be confirmed once final costings of the project are known.

2. Key Considerations

The key areas which the proposed decision aims to address includes:

- What the match funding has been set up for and the eligibility and compliancy required to enable KCC to claim monies
- Understand the financial impact of accepting and utilising the funding
- Impacts and dependencies on the existing in-house provision project

The proposed decision aims to achieve best value for the Council, including financial viability, cost-effectiveness, whether sustainable outcomes for children are likely to be enhanced and to increase quality of life and everyday independence, skills, choice, control and personal agency.

3. Background

The increasing costs of children placements was identified as a critical area within the council's strategic statement. In 2024, the Placement Sustainability programme was developed to progress the key activities that are needed to strengthen financial sustainability over the MTFP period, which included exploring in-house provision.

The match funding opportunity was advertised to local authorities earlier this year with successful candidates notified in summer 2025. The grant aims to support this project by matched capital funding between April 2025 and March 2029 to create additional provision in children's homes for children with complex needs and challenging behaviour, recognised to be a response to complex and ongoing trauma.

The grant aligns and supports the strategic aims of the in-house provision project to develop and offer its own Ofsted registered children's residential homes to address high-cost placements. An application was submitted with adherence to the organisational governance process for grant approvals.

This funding will be available to local authorities to help create accommodation which will:

- ensure there is sufficient provision in the right places for children with complex needs;
- ensure local health and social care teams work together to provide care which meets all of a child's needs; and
- reduce the number of children and young people with complex needs and behaviours being accommodated in unregistered provision.

Strategy Dependencies

In-house provision in Kent could support the Kent economy to be resilient with market changes as part of a long-term strategy with providers, whilst using preventative approaches to improve outcomes for children and young people in Kent.

It could also support some of the most complex and vulnerable children and young people within Kent whilst enhancing commissioning practice, using innovative and alternative methods to deliver care and building on partnerships to deliver best outcomes.

The proposal sets out a strong case for investment to create in-house provision as part of a longer-term financial sustainability strategy of mixed provision supporting the council in achieving its strategic objectives.

Achieving best value from in-house provision is both about financial viability and cost-effectiveness and considering whether sustainable outcomes for children are likely to be enhanced increasing; quality of life; everyday independence skills; choice; control; and personal agency.

The grant monies will align to several organisational strategies as part of the in-house provision project:

- **Sufficiency Strategy** - Kent County Council (KCC) has high aspirations for children, young adults and their families/carers and are committed to achieving permanency and stability for all children and young adults through our services and those of our partners.
- **'Keeping Children Safe, helping families thrive' government strategy**- The strategy sets out plans to reset the children's social care system including delivering a whole system and child centred approach to reform, resetting how national government works in collaboration with local government and local partners. This seeks to achieve:
 - Greater transparency on the costs of placements to support local authorities in commissioning and national government in oversight of the market
 - A new financial oversight scheme, led by the Department for Education, which will include development of a criteria for "difficult to replace" providers, new requirements on cash reserves to support transition to new ownership or closure and reduce the impact on children
 - Backstop power for the Secretary of State to set profit caps if the above measures do not have the desired effect
 - Introduction of a regulation making power for future use to govern local authority use of agency social workers within children's social care, building on recent work in this area.
 - Introduction to a new provision to meet complex needs of children with challenging behaviour.

4. Options considered and dismissed, and associated risk

The project team considered two options with this appraised and informed by key stakeholders and subject matter experts.

This included consideration of best value, the opportunities (e.g. potential benefits and ability to deliver critical success factors) and risks, impacts and potential challenges for each option. The two options reviewed was 1) do nothing and continue to progress the in-house provision project without DfE grant funding monies or 2) accept grant funding monies to support the aims and objectives of the in-house provision project.

The proposed recommended option is an update to the Inhouse Provision programme to make best use of the additional funding from DfE.

5. Financial Implications

KCC was notified this summer of their successful bid in acquiring match funding up to **£2,765,719 (using 50:50 claims methodology)**.

The total cost of project submitted for the DfE bid (at least £5.5m), was higher than the original estimate of £3.8m agreed by Key Decision 24/00105. This reflects an enhanced specification required to each property to comply with the DfE output specification and increased requirement of c200m² properties from an original 120m².

Utilising the grant funding will require KCC to meet the specifications set out in the bid. This is outlined within the legal implications section. Complying to the DfE's output specification is likely to further reduce the lifecycle costs incurred by KCC as premises may have new Mechanical, Electrical and Plumbing services (MEP) delivered which will in turn bring a lower lifecycle cost to KCC's operational and maintenance costs, reducing KCC's overall lifecycle costs to maintain the provisions.

The proposed maximum revised budget of £6,605,000 is formed from £2,765,719 match funding from the DfE and up to £3,840,000 of KCC funding approved by the Cabinet Member for Integrated Children's Services earlier this year under key decision 24/00105. Whilst the total maximum capital cost of the project has increased, due to the match funding from the DfE, this could still result in a total saving of up to £1,074,281 for KCC from the original £3,840,000 envelope (along with a further £0.025m for feasibility studies & surveys). Final costings are still subject to confirmation, therefore at this stage, it is proposed to retain this potential saving for the project to enhance the contingency (up to 20%) for any unforeseen costs. KCC was expecting to fund this project mainly from prudential borrowing therefore if this contingency is not required this will result in a revenue saving from reduced interest payments. Financial progress updates (including reporting of savings) will be made periodically to the Capital Officer Group (internal governance) to ensure ongoing cost effectiveness and delivery of revenue savings as set out in the original key decision.

The grant conditions require the provision to remain operational for at least 5 years, the previous key decision on the implementation of the in-house provision (key Decision 24/00105) outlined the intention to invest in residential care provision on a long-term basis. Therefore, whilst the previous decision considered the associated risks of investing in in-house provision, this new requirement means KCC will have to continue to operate children's homes, even if it becomes inefficient to do so, during the first 5 years of operation. The home will only become inefficient if there is insufficient number of occupants or difficulties in recruitment. The former is unlikely, given the growing complexities experienced by children, and the service are putting in safeguards through workforce development strategy to prevent the latter.

Whilst the risks of this option were robustly considered, the benefits for adding grant funding to the existing in-house provision project outweigh the negatives.

6. Legal Implications

The children's homes capital funding can only be used for the specific 'Funded Activities' set out in the grant agreement and the project must be delivered as described in KCC's bid documentation. Any changes to a project's scope must be agreed in advance by the Department for Education (DfE) and the project may be liable to cancellation and/or clawback of funding if a change of scope is not agreed and/or subsequently taken forward by the LA.

Funding will be provided via a grant issued under Section 14 of the Education Act 2002, which means funding will be paid in arrears upon satisfactory evidence of work completed. It is the expectation grant funding will be awarded in relation to activity beginning in Summer 2025 (from the point the grant was awarded), with work starting on the projects as soon as possible after the award is given, and in line with committed milestones, project plans and required KPIs that will be included in all grant offer letters.

KCC is required to enter into a legally binding Grant Funding Agreement which comprises DfE's standard Grant Terms and Conditions. These conditions include provisions regarding the funding management including clawback provision, DfE controls over additional 3rd party funding. There is a capital build deadline of 2029 and a minimum operation timeframe of the service for 5 years after the placements commence. The conditions also include reporting arrangements for KCC to keep DfE apprised of the project progress.

The project team must ensure monthly reporting is submitted and compliance with the terms and conditions of the grant is met.

7. Equalities implications

An Equality Impact Assessment was completed as part of the project and found low level negative impacts on the protected characteristics at this stage of the proposal. Positive impacts were identified for the protected characteristics of age, disability and sex. This will be reviewed and updated as the proposal progresses however, the supplementary decision doesn't change any equality implications.

8. Data Protection implications

A Data Protection Impact Assessment screening was undertaken and found to have low level negative impacts to data protection with a full DPIA not required at this time. The DPIA will be maintained and updated as a live document throughout the duration of the proposal. This will be reviewed and updated as the proposal progresses however, the supplementary decision doesn't change any data implications.

9. Governance

The appropriate governance processes of the council will be followed for the proposal.

If the decision is taken by the Cabinet member for Integrated Children's Services the Corporate Director of CYPE in consultation with the Cabinet Member for Integrated Children's Services and the S151 Officer for Finance will have delegated authority to

accept and deploy grants and other external uplift funding to support the delivery of the in-house provision model.

The Director for Infrastructure will have delegated authority to deliver the necessary acquisitions and capital works. Infrastructure will ensure compliance with constitutional requirements in respect of property transactions and agreements and KCC's procurement strategy and formal process.

The Corporate Director of CYPE will have delegated authority, to take other necessary actions, including but not limited to finalising the terms of and entering into required contracts or other legal agreements, as necessary to implement the decision.

Progress on the In-House Provision project is overseen by the In-House Provision Project Steering Group and will be reported into the Placement Sustainability Programme Board which is within scope of the Strategic Reset Programme, with regular updates and exception reporting to the Strategic Reset Programme Board. Along with capital updated to the Capital Officers Group.

10. Conclusions

The proposed decision will allow for the deployment of the additional funding secured from DfE to support the already in development Inhouse Service model being worked on under Key Decision 24/00105 and increase its scope. This could result in a total saving of up to £1,074,281 for KCC from the original £3,840,000 envelope (along with a further £0.025m for feasibility studies & surveys) agreed at CYPE Cabinet Committee earlier this year, if the contingency is not required. Whilst the risks of this option were robustly considered, the benefits for adding grant funding to the existing in-house provision project outweigh the negatives.

The DfE funding terms and conditions stipulate any provisions will need to operate for a minimum of 5 years from when the first placement began. It is important to note the service need will subsist post the Local Government Reorganisation (LGR). The requirement for these homes is not anticipated to change within the next 5 years, however the geographic split and therefore financial responsibility for provisions could therefore be impacted by LGR and should be considered. On this basis, KCC will await the government's decision in relation to LGR by the Spring 2026 and evaluate the situation accordingly as to what this will mean for both KCC and any new unitary authorities.

11. Recommendation(s):

That the Cabinet member for Integrated Children's Services agree to:

- a) APPROVE the updating and expanding of the Inhouse Provision programme scope to make best use of the additional match funding secured, in accordance with the associated grant conditions and the strategic objectives confirmed in Key Decision 24/00105.
- b) APPROVE the increase in total maximum capital budget to £6,605,000, incorporating the additional £2.7m DfE funding.

- c) DELEGATE authority to the Corporate Director of CYPE in consultation with the Cabinet Member for Integrated Children's Services and the S151 Officer for Finance to accept and deploy any further grants and other external uplift funding to support the delivery of the in-house provision model, providing funding is given on similar terms or matches the approved strategic policy objectives of the in-house programme
- d) DELEGATE authority to the Corporate Director of CYPE to take other necessary actions, including but not limited to finalising the terms of and entering into required contracts or other legal agreements, as necessary to implement the decision.
- e) DELEGATE authority to the Director of Infrastructure to progress relevant property management and development activity as required to implement this decision.
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12. Background Documents

- [Care Standards Act](#)
- [Keeping Children Safe, Helping Families Thrive](#)
- [The Children Act 1989](#)

13. Appendices

- EQIA
- DPIA
- Key Decision 24/00105
- Record of Decision

14. Contact details

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