

Executive Decision Report

Proposed Expansion of Children's Residential Homes

Capital Budget allocation for the development
of two new children's residential homes

Decision to be taken by:

City Mayor

Decision to be taken on: 21 October 2026

Lead Director: Laurence Mackie-Jones

Useful information

- Ward affected: Evington
- Report author: David Thrussell, Head of Corporate Parenting
- Author contact details: david.thrussell@leicester.gov.uk, 0116 454 4501
- Report version number: V4

1. Summary

- 1.1** This report seeks approval to expand our in-house children's residential home provision, in support of our Placement Sufficiency duty and our strategic aim, to reduce our use of out of area and privately owned children's residential homes and to reduce unlawful placements unregulated by Ofsted.
- 1.2** The report proposes developing two new homes, one being the conversion of an existing council property in Evington (Home 1), and the second being the construction of a home located in Enderby (Home 2).
- 1.3** These homes will provide total additional capacity for 7 children, which would give us a total sufficiency of 47 local children's residential home placements.
- 1.4** The homes will be for young people with complex needs, who are typically the most difficult to place externally and are also the highest cost to the council.
- 1.5** Adding to our residential placement sufficiency will enable us to reduce the costs of placements by shifting our reliance on more expensive, private providers.
- 1.6** Addition of the two new homes could reduce annualised costs, for 7 children, by 20% at commencement (based on CMA projections for external placement costs increasing at RPI plus 3.5%).

1.7 The total capital project costs have been calculated at £4.16m, £1.30m being for the development of Home 1, and £2.86m being for Home 2. Department for Education funding has been secured, from the Children's Homes (Provision for Children with Complex Mental Health Needs and Challenging Behaviour) capital funding programme for 2025 / 29, to give a total contribution from the DfE of £1.9m.

2. Recommended actions/decision

The City Mayor is asked:

2.1 To approve the addition of £4.16m to the capital programme for the expansion of our in-house residential provision, to be funded from Department for Education grant funding and prudential borrowing.

3. Background and further details

3.1 The purpose for each home will be to increase our capacity for providing high quality support for children and young people with complex needs, particularly those at risk of deprivation of liberty/ safeguarding orders (DOLS) and / or living in unlawful accommodation unregulated by Ofsted. This is in line with the guidance given by DfE in support of grant funding.

3.2 Whilst most children who are looked after by the council live locally in foster care households, the ratio of children looked after and living in residential children's homes has increased both locally and nationally. This in part reflects the increased complexity of needs of some of the children entering care often in later adolescence, with complex health, education and social care needs. (Appendix 1b)

3.3 A small but growing number of these children require additional levels of support and supervision to ensure their safety, and the council has often been unable to meet these needs locally requiring these children to be placed in more costly privately operated children's residential homes outside of the city. (Appendix 1c)

- 3.4** Due to their complex needs these children are also more likely to experience a breakdown in their placement leading to more than one accommodation move and contributing significantly to escalation of cost to the council. (Appendix 1d)
- 3.5** Independent sector residential home placement prices are increasing locally and nationally because of growing demand, and there is also significant price volatility within the market. The Competition & Markets Authority (CMA) study into children's social care (utilising data from 2016 to 2020, published 22nd March 2022) identified that average price increases for private children home placements have tracked at inflation plus 3.5%.
- 3.6** The council has a strong track record of managing high quality children's residential homes that are increasingly supporting children with more complex needs. The service currently operates seven children's residential homes that are rated either good or outstanding by Ofsted.
- 3.7** The number of children's residential placements has increased steadily in recent years, with a total of 105 in Financial Year 2024/ 25. Our current in-house capacity is 35 placements (excluding places for respite). The recently completed Hillview children's residential home is on course for becoming operational in September 2026, and will add capacity for a further 5 placements, giving a total of 40 placements.
- 3.8** Our proposed approach is to develop an existing city council property in Evington (Home 1), and the construction of a home in Enderby, via an agreement with Cornerstone (Home 2).
- 3.9** The council has an established track record of supporting children with more complex needs subject to Deprivation of Liberty Safeguarding (DOLS) orders at an average cost of £5,820 per week. This compares to children with similar levels of needs and supervision placed with commissioned private sector providers at an average cost of £8,060 per week. The tables in Appendix 1 summarise these

placements from FY 2024 / 25. This includes provisions for children requiring comprehensive care, where DOLS was not in place, but was a potential outcome.

- 3.10** Placement breakdowns involving children and young people with complex support requirements typically result in more expensive placements whilst increasing the risk of needing to place young people in unlawful placements due to the lack of suitable provision.
- 3.11** The average weekly cost per external residential placement for children in the target cohort was £8,060 which could increase to circa £10,786 by FY 29 / 30. If we assume annual RPI increases of 2.5%, the weekly cost per child for inhouse placements would be £6,585 by FY 29 / 30.
- 3.12** Addition of the two new homes could reduce annualised costs, for 7 children, by circa 20% at commencement.
- 3.13** The addition of two homes, with a capacity for 3 and 4 placements, would give us a total sufficiency of 47 placements, which would further reduce the risk of exposure to future private sector placement price increases.
- 3.14 Home 1, Evington**
- 3.15** The property is a vacant 2-storey detached house with integral double garage. The house has a lounge, two further sitting rooms and a large kitchen to the ground floor, 3 bedrooms and a bathroom to the first floor, a driveway to the front and enclosed garden to the rear which comprises a lawn and shrubs and trees to the perimeter. The external areas are overgrown and require remediation.
- 3.16** The Council purchased the property in 1992 due to its inclusion in the highway's development zone for the Eastern District Distributor Road (EDDR). This

designation could impact on the Council's ability to dispose of the site. However, there are no current proposals to progress the EDDR, so it is expected the property will not be affected for at least 10 years.

3.17 The location is favourable, being embedded in an established local community with local amenities, a good support network and transport links. The potential use of this site as a Children's Home would reduce the Council's shortfall in provision and significant costs of accessing services outside of the city.

3.18 It is anticipated that there could be objections from residents to the proposal, a pre-Planning application was submitted in February 2025 and response received on 18 March 2025. This stated that, "whilst the change of use would result in the loss of a potential family home, the proposed managed care home would be in accordance with CS06 policy that supports the provision of supported housing for those with other needs".

3.19 The summary from the Planning Officer was:

"Overall, the site is likely to be suitable for change of use from Class C3 to Class C2 Children's Residential Home. I am satisfied that the application would be an acceptable use of land within a Residential Area, as proposed living conditions, impact on neighbouring amenity, Noise and Highways impacts are likely to be acceptable. However, more information is needed to determine whether the physical alterations that are alluded to within the application would be acceptable. Whilst the site is not a heritage asset or within a conservation area, it holds reasonable architectural value, making a positive contribution to the surrounding area. I would recommend another pre-app with full elevations to ensure the best design guidance possible can be given, before any full application is received".

- 3.20** The property is in a fair condition with some cracking to ceilings, springing to floorboards and evidence of pigeon ingress. Having been empty for some time, it is anticipated that it will need a re-wire and new heating system along with new decorations and floor coverings throughout.
- 3.21** On the basis that the property is used for residential purposes the internal freehold open market value of the property is in the region of £250,000 - £275,000. However, the property is on a highway improvement scheme and therefore the value of the property on the open market would likely be much lower.
- 3.22** The proposal involves the redevelopment of the house into a three-bedroom children's home that will provide additional placements for 3 looked after children and young people, with emotional and behavioural support needs due to their experiences of abuse and neglect.
- 3.23** Procurement of the redevelopment works will be carried out within construction framework, PAN 2916.
- 3.24 Home 2, Enderby**
- 3.25** In mid-2024, Cornerstone shared their development approach and a current option on a site in Enderby. Cornerstone have agreed the purchase of the site from the current owners, Enderby Life Church, who have confirmed their support for the use of the site for a project of this nature. An overview of Cornerstone can be found in the Background Information section.
- 3.26** Indicative project costs, including land purchase and all duties, are £2.86m. These costs will be finalised during the agreement process and negotiations with Cornerstone. Given the local and regional shortage of suitable accommodation for children looked after with complex needs requiring children's residential homes, there is a risk of private sector providers seeking to purchase

the new children's home if the council were not to enter this agreement, which would add significantly to the cost of the council's children's placement budget.

- 3.27** To meet funding requirements, the DfE stipulated to be in scope for this funding, LA ownership of the property will be required prior to the project start.
- 3.28** The proposal involves the demolition of the existing house and the build of a four-bedroom children's home that will provide additional placements for 4 looked after children and young people.
- 3.29** The total project costs of £2.86m include construction costs of £1.9m, land purchase costs of £0.48m and the balance being for design and programme management. The project costs also include an allowance for EBS support and oversight of the project, including certification of the finished development so that it can be seamlessly transitioned to council ownership and maintenance.
- 3.30** The Home 2 proposal is expected to be completed by the Council's purchase of the land and subsequent direct award of a works contract to Cornerstone.

4. Financial, legal, equalities, climate emergency and other implications

4.1 Financial Implications

- 4.1.1** An important part of our financial strategy is to mitigate cost, particularly in social care. This report proposes to support this part of the strategy by investing in our internal residential home provision and therefore avoiding costs related to placing children in external expensive residential provision.
- 4.1.2** Children's services are seeking to expand their in-house residential provision by an additional two new children's homes. One being an LCC property in Evington (Home 1) at a total cost of £1.30m and the second being through a development agreement with Cornerstone for a project in Enderby (Home 2) at a total cost of £2.86m (including the property purchase and stamp duty). The

Department of Education are providing grant funding of £1.9m, with the remaining £2.26m funding to come from prudential borrowing. A breakdown for the capital costs for the individual schemes is provided below:

	Evington (Home 1)	Enderby (Home 2)	Total
	£m	£m	£m
Total project budget	1.30	2.86	4.16
DfE funding	(0.65)	(1.25)	(1.90)
Total cost to council i.e amount to be borrowed	0.65	1.61	2.26

4.1.3 We will look to use some capital receipts where available to alleviate the need to borrow in turn reducing the revenue pressures placed from the increase in borrowing.

4.1.4 The cost of providing the in-house provision is lower than the cost of similar external residential provision. Below we provide details of the revenue implications and the costs avoided through taking this option. Based on the estimated of the costs avoided the borrowing will be repaid by year 4. It should be noted that if prudential borrowing is not undertaken then the cost avoidance will be higher. The costs avoided will be factored into future years budgetary growth requirements once the homes are operational.

Home 1 – Evington	2027/28	2028/29	2029/30	2030/31	4-year Total
	£m	£m	£m	£m	£m
Annual operating costs from October 2027	0.54	1.10	1.13	1.16	
Borrowing costs	0	0.04	0.04	0.04	
External placements avoided at 85% occupancy i.e. 44 weeks	0	(1.34)	(1.42)	(1.50)	
Costs avoided	0.54	(0.20)	(0.25)	(0.30)	(0.21)

Home 2 – Enderby	2027/28	2028/29	2029/30	2030/31	4-year Total
	£m	£m	£m	£m	£m
Annual operating costs from October 2027	0.55	1.12	1.14	1.17	
Borrowing costs	0.00	0.05	0.05	0.05	
External placements avoided at 85% occupancy i.e. 44 weeks	(0.84)	(1.78)	(1.89)	(2.00)	
Costs avoided	(0.29)	(0.62)	(0.70)	(0.79)	(2.40)

4.1.5 The operating costs of both new homes will be funded within existing budgets due to the reduction in providing the service compared to if it was provided by an external provider. Borrowing costs will be funded from the council's budget for capital financing charges.

Signed: Mohammed Irfan, Head of Finance

Dated: 7 September 2026

4.2 Legal implications

4.2.1 Legal implications – Childcare

4.2.2 The Children Act 1989 s22C sets out the duty upon a local authority when accommodating children. The duty requires authorities to make arrangements

for a child to live with a parent, someone with parental responsibility or someone who has previously had a child arrangement order in the first instance. If, however, none of these options are available or are not consistent with a child's welfare, an authority is obliged to place 'in the most appropriate placement available

- 4.2.3 A children's home is defined within the Care Standards Act 2000 s1(2) as an establishment that 'provides care and accommodation wholly or mainly for children'.
- 4.2.4 To be a children's home, there is a requirement for registration with OFSTED as set out within Care Standards Act 2000 s11. If the establishment does not register with OFSTED, it is an unregistered placement and it is committing a criminal offence.
- 4.2.5 It used to be the case that establishments which provided accommodation only and not care, usually supporting living arrangements, did not require registration with OFSTED as a children's home. The Supported Accommodation (England) Regulations 2023, however, now require any establishment that is providing accommodation to children or care leavers up to the age of 18, to register with OFSTED. If such placements do not register, they will therefore also be committing a criminal offence for which OFSTED can prosecute.
- 4.2.6 If this project does not proceed, the limited internal resource will increase the authorities' reliance upon external providers. This reliance will increase as it is well reported in recent cases before the courts that the demand for placements has increased significantly alongside the number of applications for Deprivations of Liberty orders.
- 4.2.7 The Nuffield Family Justice Observatory has noted that:

"There is some evidence that there is a cohort of children with particularly complex needs who are seen as too 'challenging' to be suitable for a secure children's home. This includes children with very complex mental health needs, but who do not meet criteria for detention under the Mental Health Act. This has led to a significant increase in the use of the inherent jurisdiction of the high court to deprive children of their liberty in alternative placements. In 2020/21, 579 applications were made under the inherent jurisdiction in England – a 462

per cent increase from 2017/18 (data provided by Cafcass). In 2020/21, for the first time, applications made under the inherent jurisdiction outnumbered applications under s.25 of the Children Act 1989.”

- 4.2.8 A court can authorise a deprivation of liberty in respect of a child placed in an unregulated placement. The revised Practice Guidance on the Courts Approach to Unregistered placements 2023 makes it clear that a court makes it clear that the court will wish the authority to detail why the authority considers it in the best interests of the child. The authorisation of the deprivation of liberty, however, does not make the placement itself legal, only the deprivation.

Signed: Susan Holmes, Head of Law, Social Care & Safeguarding

Dated: 29 September 2026

4.2.1.1 Legal Implications - Grant Funding and Procurement

- 4.2.1.2 **Grant Funding** The Council has secured grant funding from the Department for Education (DfE) towards the cost of each Home. The funding is subject to compliance with funding conditions and on the basis that the Council provides match funding. Failure to comply with any condition may result in some or all of the funding being withdrawn or recovered.
- 4.2.1.3 **Home 1** The Council proposes to redevelop a property which it already owns in order to create the first Home. Procurement of redevelopment works will be undertaken using an established internal framework in compliance with the Procurement Act 2023 and the Council’s Contract Procedure Rules.
- 4.2.1.4 **Home 2** The site intended for Home 2 is currently owned by a third party with an option over it held by Cornerstone Partnership Limited. It is noted that the DfE requires the Council to take ownership of the site prior to any development works. The Council, therefore, proposes to purchase the land in order to meet the DfE funding requirements, followed by an award of a works contract to Cornerstone.

- 4.2.1.5 In complying with the DfE condition, the Council's proposed purchase of the site falls outside of the scope of Procurement Act 2023. The associated works contract is valued below the relevant statutory threshold for the purposes of the Procurement Act 2023, therefore in entering into a works contract the Council must be satisfied that this is in compliance with internal governance and any regulated below threshold conditions in accordance with the Procurement Act 2023. Legal Services and Procurement are supporting the project and will continue to advise as it progresses.

Signed: Mannah Begum, Principal Solicitor, Commercial and Contracts

Dated: 03 September 2026

4.2.2.1 Legal implications – Property and Highways

4.2.2.2 Home 1

- 4.2.2.3 The Home 1 site was acquired for highway improvements in 1992 and currently therefore may only be used for highway purposes, even though there are no imminent plans to instigate the EDDR proposal. It is noted that Highways have advised that, should the EDDR be implemented, the property may require demolition.

- 4.2.2.4 For the site to be used as a children's home, Highways would either have to agree a short-term, temporary internal arrangement or agree that the site (or an appropriate part) could be appropriated from Highways to Social Care. Were the former option chosen, it is likely that would affect the grant funding obtained. Therefore, the site (or the relevant part) would require to be appropriated from Highways to Social Care. Internal appropriations are treated as a disposal and, as the site was acquired for a statutory purpose, the Crichel Down Rules apply. The Crichel Down Rules provide that local authorities first have to offer the property back to the original owner. However, that Rule only applies for 25 years from the date of original acquisition.

4.2.2.5 **Home 2**

4.2.2.6 While there is no specific legislative power to acquire property for a children's home, the general power to acquire property under Section 120 of the Local Government Act 1972 applies. Home 2 is located in Enderby, i.e. outside the current City boundary. Acquisition outside a local authority area is permitted under S120. Should the funding be approved and initial approval to progress the acquisition be obtained, the Director of Estates will need to instigate detailed negotiations. A subsequent Executive Decision detailing those agreed terms would be required in view of the likely sums involved in the acquisition. It should be noted that S120 makes reference to acquisitions "for money or money's worth". Disposal of local authority property is of course subject to the "best consideration in all the circumstances" duty within S123, but acquisitions must be for "money or money's worth".

Signed: Zoe Iliffe, Principal Lawyer (Property Highways & Planning)

Date: 06 October 2026

4.3 **Equalities implications**

4.3.1 When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not.

4.3.2 Decision makers need to be clear about any equality's implications of the proposed changes. In order to consider the likely impact on those likely to be affected by the recommendation and their protected characteristics.

4.3.3. Protected groups under the Equality Act are age, disability, gender re-assignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

4.3.4 The recommendations in this report to convert and build two new children's homes will lead to significant positive outcomes for young people from across a range of protected characteristics, particularly for those with disabilities and complex needs by ensuring they are placed within the city and close to family. It will also help the council to meet its Placement Sufficiency duty and as part of our Social Care Placement Sufficiency Strategy will expand our own city residential provision and increase the opportunity to provide appropriate local care for young people. The proposed should meet the needs of children with complex mental health and/or challenging behaviour, many of whom are disabled under the Equality Act 2010. By providing specialist in-house capacity, the Council directly addresses the systemic disadvantage faced by this group. Placing children and young people locally, rather than in distant out-of-area provision, is important for maintaining their community, cultural, and religious ties. It is important that inclusive design principles are adhered to in any redevelopment of the property.

Signed: Surinder Singh, Equalities Officer

Dated: 29 September 2026

4.4 Climate Emergency implications

4.4.1 Housing is responsible for a third of Leicester's overall carbon emissions. Following the city council's declaration of a Climate Emergency its aim to achieve net zero carbon emissions for the city and council addressing these emissions is vital to meeting our ambition, particularly through the council's own development of housing, where it has the highest level of influence and control.

- 4.4.2 Bringing Home 1 into the Operational Estate will add slightly to the council's carbon footprint, however its refurbishment and repurposing proposed in this report provides an opportunity to improve its energy efficiency, to replace gas boilers with heat pumps and possibly to fit PV panels.
- 4.4.3 As well as ensuring it becomes net zero in operation when the electricity grid reaches net zero, the energy efficiency measures would reduce its running costs and increase its comfort. If a decision is taken to convert the property into a new residential children's home as proposed, the options to minimise carbon emissions and energy bills need to be looked at further and considered as part of establishing the capital budget and estimating the running costs.
- 4.4.4 Whilst construction of a single home (Home 2) has a relatively small impact, opportunities should be taken to make the property as energy efficient and low carbon as possible. Measures should include fitting high levels of insulation, low carbon heating and lighting, renewable energy sources and sustainable construction methods.
- 4.4.5 Alongside minimising carbon emissions, these measures would also significantly reduce energy costs for accommodation and should increase comfort levels for occupants. Along with ensuring it becomes net zero in operation when the electricity grid reaches net zero, the energy efficiency measures would reduce its running costs and increase comfort.

Signed: Phil Ball, Sustainability Officer

Dated: 29 September 2026

4.5 Other implications

N/A

5 Background information and other papers:

5.1 Cornerstone - Overview



Mission

To help transform lives by providing access to high quality sustainable and affordable homes in partnership with local authorities and charities

 **cornerstone**

Our Solutions



Affordable Developments

Building new homes and repurposing existing community buildings and land into social housing that are 100% affordable.



Temporary Accommodation

1 bedroom to 4 bedroom high quality homes across the West Midlands and South west for families in emergency housing need.



Long-term Affordable Housing

"Move On" homes for families transitioning from Temporary accommodation to long term tenancies



Residential Childrens Homes

4 bedroom rural children's homes with specialist education provision in the South West

Us in Numbers

Temporary Accommodation

Since 2018

+180 Properties

Full or Partial Property Management

Long-term Affordable Housing

Since 2020

+80 Properties

Fully Tenancy Managed as PRSHousing

Affordable Developments

4 Schemes Since 2020

83 New Homes

Value between £4.9m to £6.8m

Average Price per unit: £240k

Residential Childrens Homes

Operating Since 2012

5 Homes & 1 School

14 Places

Girls only provision

 **cornerstone**

Appendix 1

1a Total Number of Children Looked After by Leicester City Council, As At:

31 st March 2021	31 st March 2022	31 st March 2023	31 st March 2024	31 st October 2025
615	612	628	599	623

1b Number and percentage of Children placed in Children's Homes as percentage of all placements of Children Looked After by Leicester City Council

FY 20 / 21	FY 21 / 22	FY 22 / 23	FY 23 / 24	FY 24 / 25
69	74	72	90	105
11%	12%	11%	15%	18%

1c Number of Children Looked After placed in internal city council children's homes and external private sector homes. Ratio of children in residential home living in private sector homes.

	FY 20 / 21	FY 21 / 22	FY 22 / 23	FY 23 / 24	FY 24 / 25
Internal	26	27	24	25	28
External	43	47	48	65	77
External %	62%	64%	67%	72%	73%

1d Numbers and percentage of Children Looked After experiencing three or more Placements.

During Year:	THREE OR MORE PLACEMENTS DURING YEAR				
	FY 20 / 21	FY 21 / 22	FY 22 / 23	FY 23 / 24	FY 24 / 25
CLA, 3 OR MORE PLACEMENTS	40	57	34	34	53
PERCENT OF CLA	7%	9%	5%	6%	9%