



WEST NORTHAMPTONSHIRE COUNCIL CABINET

10 October 2023

Cabinet Member for Finance: Cllr Malcolm Longley

Report Title	Purchase of a property for a new children's home
Report Author	Lauren Humber, Property Strategy Manager Lauren.Humber@westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	4 October 2023
West S151	Martin Henry	3 October 2023
Other Director/SME	Stuart Timmiss – Executive Director Place, Economy & Environment	3 October 2023
	Simon Bowers – Assistant Director Assets & Environment	3 October 2023
Deputy Head of Communications	Craig Forsyth	3 October 2023

List of Appendices

None.

1. Purpose of Report

- 1.1 To seek approval for the purchase of a property in Northampton to provide additional children's home capacity.

2. Executive Summary

- 2.1 Northamptonshire Children's Trust has identified in its Sufficiency Strategy a need for more 'in house' children's home provision. Providing more such property would help it avoid the use of unsuitable accommodation and offer significant savings, totalling slightly less than £1m pa (split between WNC and North Northamptonshire Council, with WNC benefiting from £515k pa).
- 2.2 A suitable property has been identified and Cabinet authority is required to proceed with the purchase.
- 2.3 Given the significant operational and financial benefits it appears highly worthwhile proceeding with a purchase. No other options deliver similar level of benefits. There is one material risk, which is around the need for planning permission for a change of use. It is considered this risk can be managed. In the worst case, the property could be resold, which may involve a loss.
- 2.4 In case this purchase proves impractical (for example if the property was withdrawn from the market), it is suggested authority is given to purchase an alternative property delivering similar benefits, with the approved budget thus enabling the Council to act swiftly to secure an opportunity.

3. Recommendations

- 3.1 It is recommended that the Cabinet:
 - 3.1.1 Authorises the Assistant Director Assets & Environment to purchase the property in question, or if that should prove impractical, another property which delivers similar outcomes, in each case within the approved budget.

4. Reason for Recommendations

- 4.1 To increase sufficiency of placements for children in line with the NCT Sufficiency Strategy.
- 4.2 To help control the costs of providing suitable places for children.
- 4.3 To help prevent the use of unregulated provision for children.
- 4.4 To ensure the Council can act swiftly if required to secure the desired benefits.

5. Report Background

- 5.1 As part of its Sufficiency Strategy Northamptonshire Children's Trust (NCT) has identified a need for additional children's home capacity, specifically for children with complex needs. This should deliver savings whilst providing more suitable accommodation. In particular, following legal changes in 2021, the Councils and NCT should not be using accommodation not regulated by the Office for Standards in Education (Ofsted).

- 5.2 This is reflected within the Council’s capital programme, where there is a budget of £1.142m for a new residential four-bedroom children’s home. The scheme is described as “Purchase and refurb[ish] a property to create a new internal children's home for 4 children to increase sufficiency of placements for children who are at risk of hospitalisation that have existing complex needs and / or during an episode of poor mental health.” The scheme is jointly funded by WNC and North Northamptonshire Council, with the resulting home being managed by NCT.
- 5.3 As NCT has considered the issues, it has concluded that it would make most sense to use the new home to take children who would otherwise be accommodated at Arnold House, allowing Arnold House to be used for children with higher-level needs. Arnold House is in Moulton. It is a five bedded residential home housing young people with autistic spectrum disorder and learning disabilities.
- 5.4 A suitable property has been identified in Northampton, around 5km from Arnold House. An offer for £780k, subject to Cabinet approval, has been accepted. This would incur a stamp duty land tax (SDLT) liability of £50k. Together with legal fees the total transaction costs would be likely to be around £840k.
- 5.5 It is also proposing to refurbish the property and make adaptation suitable for children with disabilities. The refurbishment works and adaptations, including planning costs, would be approximately £200k, with a sensible contingency. A total budget of £1.040m would therefore be required include stamp duty and legal fees. As this is within the budget, this appears an acceptable position. The works are expected to take 3-6 months to deliver from receipt of planning permission
- 5.6 The initial annual saving has been modelled as shown in Table 1.

Table 1: Expected initial annual savings

Item	£
Cost per child per week of proposed children's home	4,906
Current average residential complex needs placement cost (based on the 13 most complex needs placements between April and August 2021)	(10,511)
Saving per child per week	5,605
Initial saving for four children per year, 85% occupation assumed	991k
Cost of capital (taken on an annuity basis over 60 years at 5.85%, the applicable PWLB rate as of 2 October 2023)	(63k)
Annual maintenance costs	(9k)
Net annual saving	919k

- 5.7 This would give a payback period of 1.24 years from completion of purchase and works.
- 5.8 This initiative would contribute to the ‘Robust and Effective Resource Management’ priority of the Northamptonshire Children’s Trust’s Business Plan.

5.9 In case this purchase does not proceed for any reason, it is proposed Cabinet authorises purchase of an alternative property which achieves similar outcomes within the approved budget. This should help the Council act swiftly to secure the desired benefits.

6. Issues and Choices

6.1 The Council has the following options.

6.2 **Option 1:** Do nothing. The Council could leave the current situation as is. This would mean that the children in Arnold House stay where they are, and more complex children may have to be accommodated in unregistered accommodation if no other provision was available. This option would not help control costs.

6.3 **Option 2:** Care provider purchases alternative property. The Council could work with a care provider, and they could provide the property. As shown in Table 1, this is typically a much more expensive solution. It has also been concluded that developing a service that belongs to NCT is the best way to ensure more responsive and cost-effective provision and will lead to better outcomes for children. It allows NCT to change provider without having to change property as well.

6.4 **Option 3:** Leasing alternative property. The Council could lease a property from the open market from a private landlord. There are currently not many larger properties available for rent. Additionally, the property would need to be adapted to allow children with high support needs to live there safely. This may be difficult to achieve with a limited term lease. It would be achievable under a long lease, but a long lease would restrict the Council's options if the property was no longer required for this purpose.

6.5 **Option 4:** Purchase the identified property. This would enable better provision for children, help avoid risk of the use of unregistered accommodation, and reduce overall costs as detailed in this report. Additionally, over time, growth in the capital value of the property would accrue to the benefit of the Council (and NNC).

6.6 **Option 5:** Look for an alternative property to purchase. There is no obvious reason to do this. Suitable properties are relatively rare and accordingly, it is likely to take some time for one to come to the market. It is unlikely a materially cheaper property would perform the intended function.

6.7 It is suggested that Option 4 is clearly the preferable option. It delivers identified savings, provides better options for children, and helps avoid use of unregistered accommodation.

7. Implications (including financial implications)

7.1 Resources and Financial

7.1.1 The capital budget for the proposed purchase is already within the Council's approved capital programme. The total budget of £1.142m is made up of WNC and NNC contributions in the usual 56:44 proportions, making the cost to WNC £0.640m. The part of the budget not required for the

purchase and refit of the proposed property (£0.102m) is likely to be required to fund refurbishment of Arnold House to support its revised functions.

7.1.2 Making allowance for capital financing costs and maintenance, as shown in Table 1, results in a net annual saving of £919k. In accordance with the usual proportions, slightly over half of this benefit (£515k) would accrue to WNC. The £9k pa for maintenance should be added to the budget NCT provides to WNC to maintain properties used by NCT.

7.2 Legal

7.2.1 If the purchase proceeds, the Council would acquire the legal freehold interest in the property. It is proposed to document the arrangement with NNC formally to avoid doubt later. It should be assumed that NNC's share would need to be repaid when the property was sold and whilst it was owned NNC would be entitled to an appropriate share of benefit, as well as contributing an appropriate share of cost. Whilst the property is managed by NCT this would happen as part of NCT arrangements.

7.2.2 The purchase would otherwise be subject to the usual purchase contract formalities for such transactions.

7.3 Risk

7.3.1 There are a number of risks involved in pursuing the proposed course of action. The main ones are set out below.

7.3.2 Planning permission for a change of use will be required. Whilst a children's home is a residential use, it falls in class C3, whereas housing is generally within class C2. It is possible there may be objections arising from concerns about the proposed use. However, the site is expansive and offers potential to contain e.g., parking within the curtilage; see also 7.4.3. A planning application would explain the measures which would be taken to ensure there were no adverse impacts on neighbours. In the event that planning permission could not be secured, the property could be disposed of. A loss or profit may be made depending on the market circumstances at the time of sale.

7.3.3 It might not be possible to complete the purchase, for example if the property was withdrawn from the market or a higher bid was successful. This risk is proposed to be mitigated by Cabinet granting authority to purchase an alternative property delivering similar outcomes within the approved budget (see 5.9).

7.3.4 If the demand for such places fell significantly, the property might cease to be required. However, in such a case the issue could be resolved by disposing of the property if other alternative appropriate uses are not identified at the time.

7.3.5 The savings might not be delivered for other reasons, such as poor operational management. It is considered these risks can be managed through the normal processes of managing the NCT arrangement. (It should be noted that if demand for places rise further, it might appear the saving

has not been delivered, but that would be the wrong conclusion: the property would still be enabling savings, as without it, costs would be even higher.)

7.4 Consultation and communication

7.4.1 The managers of Arnold House have been consulted about the property and are supportive of the purchase.

7.4.2 Current customers and their families have been consulted about the proposals and are very supportive of them.

7.4.3 Ward Members and local residents would be engaged with prior to application for planning permission, to ensure any concerns were understood and, as applicable, addressed. As noted below, the existing provision generates very few complaints.

7.5 Consideration by Overview and Scrutiny

7.5.1 None.

7.6 Climate impact

7.6.1 The recommendation is not considered to have any material impact on climate change. The property already exists, and the emissions would not change as a result of a change of ownership. Where practical, refurbishment works would improve energy efficiency and use low-carbon materials.

7.7 Community impact

7.7.1 The property would provide a home to four children and be staffed at all times. This should not cause any adverse effects on the community. The existing provision at Arnold House has generated very few complaints.

8. Background Papers

8.1 Business plan for Northamptonshire Children's Trust 2021/22.