

Report for: Cabinet

Date of Meeting:	19 th January 2023
Subject:	Secure Children's Home for London and Pan London Commissioning Vehicle
Key Decision:	Yes
Responsible Officer:	Peter Tolley - Director Children Services
Portfolio Holder:	Councillor Hitesh Karia - Portfolio Holder for Children's Services
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 - Legal Structures and Governance Appendix 2 - Financial Modelling Appendix 3 - Cover note for Cabinet

Section 1 – Summary and Recommendations

This report sets out a proposal for Harrow Council to become a member of a company, known as the Pan-London Vehicle (“PLV”), owned by London local authorities, established to oversee the development and operation of the new secure children’s home provision and, that overtime the company’s remit extends to include other key pan-London commissioning arrangements that will improve the lives of London’s children and young people.

Recommendations:

Cabinet is requested to

1. Approve in principle that Harrow Council becomes a member of a not-for-profit company, limited by guarantee, provisionally to be known as the Pan London Vehicle, to:
 - 1.1 develop and then oversee the running of London’s secure children’s home (SCH) provision for a five-year period from 1st April 2023 to 31st March 2028, with a break-point after three years once the refreshed business case has been developed as well as the service pricing structure, commissioning approach, operating model, practice model and the SCH’s location is confirmed. Once the provision has launched, membership will be at a fixed annual cost of £20K (subject to inflation adjustment), unless an alternative model for funding the PLV, that does not require annual subscription, is agreed by members during the development phase and
 - 1.2 collaborate with other PLV members on future joint commissioning programmes.
2. Commits in principle to joint oversight and risk/benefit sharing of the secure children’s home provision, through the PLV, for a five-year period to 31st March 2028 (with three-year break point), that includes the build, service development and service commissioning phases, subject to ratification after the revision of the SCH business case, and renewable on a ten yearly cycle thereafter, with break-point after five years.
3. Refer the decision to appoint directors to the company and make any appointments to an external Joint Committee (should it be required), to Council
4. Authorise the Director of Children Services, following consultation with the Portfolio Holder for Children’s Services, the Portfolio Holder Finance & Human Resources, the Director of Finance and the Council’s Monitoring Officer, to:
 - 4.1 finalise the legal documents required to set up, join and run the PLV and

- 4.2. make the final determination on the Council's membership of the PLV, following completion of the revised SCH business case and, if appropriate, enter into all the legal agreements, contracts and other documents on behalf of the Council required to implement and run any aspect of the PLV arrangements.

Reason (for recommendations): The proposals in this report will ensure that Harrow has access to secure children's home provision and is a member of the PVL that will commission the provision and overtime expand their commissioning functions to improve the outcome for vulnerable children and young people.

Section 2 – Report

Introductory paragraph

1. Children with particularly complex needs, including those who are at significant risk of causing harm to themselves or others, including risk to life, can be placed in a secure children's home when no other type of placement would keep them safe. There is a significant shortage of national secure children's home provision, as highlighted by OfSTED, and London has no provision.
2. The proposals in this report will secure appropriate accommodation for Harrow and will enable the Council to participate in pan-London commissioning of service for vulnerable children over time as a member of the Pan London Vehicle, a company established to commission this provision. The proposals will contribute to the Council's priority a place where those in need are supported by securing access to specialist accommodation for vulnerable children.

Options considered

3. The following options have been considered:

Option A: 'Do Nothing'

Although this is an option and to continue to procure specialist places as required, this would not necessarily secure quality provision at a value for money price. The Council would not have access to the Pan London Commissioned accommodation and would not be able to benefit from the potentially extended commissioning function that the PVL is expected to fulfil.

Option B: Agree to join the Pan-London Vehicle

This option would enable Harrow to access quality and value for money secure accommodation and benefit from extended commissioning activities across the Pan London Vehicle.

Option C: To consider Harrow's own procurement options

Harrow would not have sufficient demand or economies of scale to secure this specialist accommodation and would need to continue to spot purchase

4. The preferred option is to join the PVL, **Option B**.

Background

5. The numbers of children placed in secure accommodation are small, but the placements expensive. Further, where places are not available, the alternatives, often requiring multiple ratios of staff for each child, are amongst the costliest placements for children's services. For example, the Association of Directors of Children's Services (ADCS) recently highlighted more than twenty local authorities paying over £20K per week (equivalent to £1 million per year) and one case of £49,680 per week (equivalent to over £2 million per year).
6. There are few children requiring secure welfare provision and in the eight months to July 2022 the numbers per local authority in London ranged from zero to three, with further children being referred but unable to be placed as a result of lack of capacity. There is an opportunity now to develop and establish secure children's home (SCH) provision in London to bring additional capacity to the market, with capital provided by the Department for Education, but this requires a pan-London approach.
7. It is proposed that a company, owned by London local authorities, should be established to oversee the development and running of the new secure children's home provision. In the long term, it is intended that the PLV's remit will include other key pan-London commissioning arrangements that will improve the lives of London's children and young people. This company is referred to in the rest of this report as a 'Pan-London Vehicle ("PLV")'.
8. A Pan-London Vehicle (PLV), jointly owned by London local authorities, will initially oversee the build and contribute to the development of the operating model for the new SCH provision, as well as the commissioning arrangements to run the service. The PLV will be a means to share the risks and benefits associated with developing and running the SCH, with a key benefit being that places at the new provision will be prioritised for the London local authorities who opt in to join the PLV.

Proposal for Secure Welfare Provision

9. Children with particularly complex needs, including those who are at significant risk of causing harm to themselves or others, including risk to life, can be placed in a secure children's home when no other type of placement would keep them safe. Children placed in SCHs are likely to have experienced a number of placements that have broken down,

missed a lot of education, have unmet emotional and physical health needs and have suffered a great deal of trauma in their lives. SCHs provide a safe place where these very vulnerable children can receive the care, education and support that they need. A secure children's home is a locked environment, where their liberty is restricted, and they are supported through trauma aware and psychologically informed integrated care, health and educational services.

10. Across London, a relatively small number of children require a secure welfare placement, which is very high-cost provision and despite their complex needs, these children are often placed the furthest from their home local authorities, an average distance of 192 miles, which impacts detrimentally on children who lose contact with family and the community. Additionally, the loss of local contacts and pathways in education, training and employment has a negative impact on their development post-placement.
11. Further, there is a national shortage of provision and places are often not available when referrals are made so children are then placed in less suitable but higher cost alternatives. This shortfall in provision is particularly acute in London where there is not any Secure Provision – over three years London referred 295 children to Secure Provision but only 159 received places. The majority of requests (72%) are for children from Black and Minority Ethnic groups, well in excess of the London comparable profile of 41%. The current arrangements are exacerbating poorer outcomes for this group and racial disparities.
12. Pan-London analysis pre-Covid (eight-month period October 2017 to May 2018) highlighted that an average of 21 London children were in Secure Welfare provision at any one time.
13. Snapshot data taken at the end of each month, in the period between December 2021 and September 2022 shows that there is, on average, 12 of London's children in a secure welfare placement at the end of each month – this includes 3 children each month who are living in a secure welfare provision in Scotland - over 450 miles away. Although this looks like a fall in numbers compared to pre-Covid, in the same period, the data shows that 29 referrals were made but a placement was not offered. In a September 2022 survey, London local authorities reported that due to the known shortage of provision, they often do not make a formal referral at all. This indicates that the national shortage of provision is impacting even more of London's children than the data suggests.
14. Of a sample of 50 'alternative to secure' placements reported in a September 2022 survey, 17 related to children with a deprivation of liberty order in place. Instead of being placed in a secure children's home, as required by the court order, these children were placed in settings that are not specifically designed to keep them safe and 10 of these placements were in unregulated settings or in provisions that are not legally registered to operate as a children's home. This means these

vulnerable children would be at risk of not receiving the care, education and support that they needed.

15. Financial data provided by London local authorities in the September 22 survey shows that the average cost of a secure welfare placement has increased; the average being £7K per week in 2019, rising to £10.5K per week in 2022 and some local authorities have paid up to £25K per week for secure welfare placements in that period. In the same period, local authorities have also paid up to £30K per week for placements made as an alternative to secure.
16. The numbers of children are too small and the investment required too great for any one local authority to run its own provision, but there is potential for a pan-London approach, which would enable the benefits to be shared whilst also jointly managing the risks of developing such provision. A pan-London approach also fits with recent reports from the Competition and Markets Authority (<https://www.gov.uk/government/publications/childrens-social-care-market-study-final-report/final-report>) and the Independent Review of Children's Social Care (<https://childrensocialcare.independent-review.uk/>) which recommended multi-authority approaches to develop greater understanding of need, engage with the market and stimulate new provision.
17. The need for provision was also highlighted through Her Majesty's Chief Inspector's Annual Report to Parliament (2020) which stated –

The national capacity of Secure Children's Homes remains a significant concern, with approximately 20 children awaiting a placement on any given day and the same number are placed in Scottish secure units. This increases pressure to use unregulated provision. Provision is not always in the right place, so that some children are placed a long way from their home and family.
18. The Association of London Directors of Children's Services (ALDCS), working with NHS England and the Mayor's Office for Policing and Crime (MOPAC) commissioned a review in 2018 of the use of Secure Children's Homes by London's children and young people. This review provided detailed evidence of the need for provision in London, which has informed this report.
19. There is also a shortfall of high-cost low incidence provision in London, estimated as at least 225 places, which drives up costs resulting in overspends across London local authorities which exceed £100 million. The Competition and Markets Authority highlighted the lack of suitable local provision nationally, but particularly in London citing – *'lack of placements of the right kind, in the right place...materially higher prices...and providers carrying very high levels of debt.'*

The proposed provision

20. The Association of London Directors of Children's Services (ALDCS), London Councils, NHS and London Innovation and Improvement Alliance (LIIA) have expressed unanimous support for the development of secure children's home provision and developed a business case for secure children's home provision in London. This business case, which is available on request, has formed the basis of a successful bid to Department for Education and funding has been allocated to develop the required provision for London children.
21. As well as ALDCS members, a range of stakeholders were engaged throughout the development of the business case including:
 - London Councils' Executive, Leaders' Committee and Lead Members;
 - Society of London Treasurers;
 - Local authorities (children's social care and youth offending teams);
 - Central government (Department for Education, the Mayor's Office for Policing and Crime, OFSTED, Ministry of Justice);
 - Clinical experts and practitioners within the field of children's services and health;
 - Third sector organisations delivering children's services and
 - Children and young people with lived experience of SCH.
22. The proposed provision will be designed specifically for London, with purpose-built accommodation. This will reduce the risk of beds needing to be held vacant after a high-risk child is placed there in order to maintain a safe environment. The provision is being designed with co-located step-down facilities with wrap-around support, which is an innovative approach to supporting the children post-placement. This will enable a smoother transition and a return to the family or to the most appropriate long-term placement that will meet the child's needs. This will also prevent use of emergency placements following a 72-hour placement in secure, when the local authority may not have enough time to identify best next placement or prepare child and family for safe return home. This can lead to placement breakdowns or return to care, which incur avoidable costs and impact detrimentally on outcomes for the child.
23. The business case to address the need for Secure Welfare Provision, considered a range of options as listed below –
 - i. Do nothing
 - ii. One small Secure Children's Home (8-12 places)
 - iii. One large Secure Children's Home (20-24 places)
 - iv. Two small Secure Children's Homes (8-12 places each)
 - v. Enhancing existing resource
 - vi. Specialised community team
 - vii. Step-down facility
 - viii. Specialised open facility
24. These were evaluated through stakeholder engagement and assessment against the following criteria –
 - a. Impact on early intervention and prevention
 - b. Accessibility of a secure placement

- c. Continuity of care and relationships
 - d. Care and education in the placement
 - e. Transition from secure to community
 - f. Value for money
 - g. Initial investment
 - h. Deliverability
25. This options analysis has led to the recommendation for Secure Welfare Children's Homes provision for London with capacity for 24 placements, alongside facilities for step-down accommodation and support to support the children after placement. The key reasons are summarised below –
- i. Provision for 24 places would meet the demand in London
 - ii. Step-down provision would enable better exit planning and work to take place to support children and young people within the community, reducing the likelihood of repeat placements in secure welfare
 - iii. Step-down facilities will enable more holistic support to be provided to prevent unnecessary transitions into secure provision for children and young people on the edge of a secure placement
26. The following options were rejected for the reasons given:
- i. Enhancing existing resource - rejected due to the complexity of allocating resource to disparate CAMHS, social care and YOT teams across London and the lack of a joined-up approach across London.
 - ii. Specialised community team - rejected due to the risk of duplicating the role of Community Forensic CAMHS teams and fragmenting care pathways.
27. In February 2022, DfE confirmed the funding to take a proposal forward for Secure Children's Home provision in London with 24 places, alongside step-down provision. The step-down provision will provide for much improved transition after placement. Over £3 million has been allocated for development, with capital of over £50+ million expected subject to completion of the development phase. The development funding is currently being held by the London Borough of Barnet on behalf of all London local authorities. DfE is reviewing progress against gateway milestones, one of which is the commitment of local authorities in London. This report seeks that commitment.
28. The DfE development grant will cover the PLV's costs during the development period, therefore local authorities will not be required to make a financial contribution to the running of the PLV until the SCH provision launches. During this development phase, PLV members will work collaboratively to agree how the SCH provision will be run and managed. This includes:
- I. developing and approving the pricing strategy and revenue model for generating financial income;

- II. developing the practice model and operating model including but not limited to:
 - the approach to working with children, young people and their families,
 - safeguarding and risk management arrangements,
 - quality assurance arrangements,
 - the commissioning approach / staffing model,
 - the process for managing referrals and placement allocation.
 - III. Inputting into and approving a refreshed business case which will
 - revisit and update the 'case for change',
 - provide up to date and well-developed costings, informed by the final model of practice and operating model,
 - identify the benefits that will be delivered by the new model (financial and non-financial),
 - consider the most suitable route for appointing a service provider.
29. During the development period, member local authorities will also explore alternative models for covering the cost of running the PLV that does not require annual subscription.

Proposed legal vehicle to share risks and benefits

30. The following models were assessed to determine the best approach for risk-sharing, commissioning and oversight of the new provision:
- A lead London local authority
 - An existing pan-London entity
 - A new pan-London entity
 - Joint venture with a third party
31. Following analysis and evaluation of the risks and challenges of each option it is recommended that the Pan-London Vehicle is structured as a new legal entity allowing the new provision to be jointly owned and managed by London local authorities as the risk of investment and operating costs is too great for any one local authority. This new Pan-London Vehicle will manage the commissioning and oversight of the new provision, so the benefits and risks are shared across local authorities. It also means that all member local authorities will be on an equal or close to equal footing in decision making. The following options have been considered as the legal basis for setting up an running the PLV:
- Company Limited by Shares
 - Company Limited by Guarantee
 - Limited Liability Partnership
 - Charitable Status
 - Community Interest Company

32. Following expert legal analysis of these options, their recommendation is that the PLV should be established as a Company Limited by Guarantee. This enables joint ownership, with limited liability and any profits being held within the Company for future provision.
33. The PLV will be hosted in a larger organisation as it will comprise a small number of staff. The key options are for it to be hosted in the London Borough of Barnet as the current fund-holding body or to be hosted in the local authority where the new Secure Children's Home is located, which is yet to be finalised. The location of the PLV will be agreed after the location of the Secure Children's Home has been finalised.
34. Tax implications for the agreed structure will need to be fully understood, so as to avoid unnecessary VAT consequences.
35. The legal basis, membership and decision-making processes are set out in more detail in Appendix 1.

Finance and Resource Considerations of the PLV Model and Operation

36. The development costs (c£3 million) and the capital costs (c£50+ million) will be provided by Department for Education, subject to completion of agreed project milestones. This is a significant investment in provision for London's most vulnerable children which will be secured for London with the commitment of London local authorities
37. The total annual of cost of placements at Secure Children's Homes that the new provision would replace was estimated in the original business case (2019 figures) as £7.8 million per annum. The new provision overseen by the PLV has an estimated cost of £7.5 million (2019 figures), based on the original business case – note that these costs have not been adjusted for inflation. See Appendix 2 for inflation adjusted financial modelling.
38. Further, there are additional financial benefits as outlined below –
 - Reduction in staff travel time to out of region Secure Children's Homes
 - Reduction in staff time sourcing placements
 - Reduction in secure transportation costs
 - Reduction in use and cost of unregulated/bespoke provision, often sourced at short notice and at extremely high costs (over £12,000 per week)
 - Potential for the PLV to gain a share of any margin achieved and consequently reduce the cost of membership
 - Potential further savings through other joint commissioning projects
39. The full business case will be revised and updated following site confirmation and local authority confirmation of participation. In the meanwhile, the costs have been updated using the Consumer Price

Index (CPI) and evidence from London local authorities, with summary modelling in Appendix 2.

40. The financial commitment by each local authority is £20K per year (payable only once the provision has launched) from 1st April 2023 to 31st March 2028 for the operating costs of the PLV, with an opt-out facility after three years, informed by the revised business case, detailed model and confirmed location. Additionally, each participating local authority will share in the risk and benefits of operating the Secure Children's Home provision estimated to be £8 million per year (adjusted from 2019 for inflation). As demand for provision exceeds the capacity of the new London Secure Children's Home provision, the risks are minimal and the benefits across London are significant. A range of scenarios are modelled in Appendix 2, setting out the financial impact in each case.
41. Provision at Secure Children's Homes costs between £7k and £10.5K per week, based on sample London data. Where Secure Children's Home provision is not available, alternative provision is very costly, typically £12k+. Nationally, the Association of Directors of Children's Services (ADCS) has highlighted more than twenty local authorities paying £20K+ per week (equivalent to £1m per year) and one example of a local authority paying just under £50k per week (equivalent to over £2m per year). Some London local authorities have no children on Secure places currently, but these are very significant costs even if only experienced once every few years.
42. For this report, the operating costs of the new Secure Children's Home, plus transport costs and the running costs of the PLV are compared for a range of occupancy levels and placement fees. The modelling is conducted for a three-year period as initially commitment is sought from local authorities for five years, two years of which are planned as set-up and three years as the initial operating period. Commitment will then be sought for each subsequent five-year period. Four scenarios for occupancy levels are considered:
 - 100% occupancy
 - 90% occupancy
 - 85% occupancy
 - 50% occupancy in Year 1 followed by 85% in Years 2 and 3
43. Three levels of placement charges are considered based on the sample London data referred to in section 4.6: £8250 per week as the mid-point of current Secure Children's Home Charges; £10,000 per week; and £12,000 per week, with the latter recognising this provision will replace some very costly alternatives.
44. The modelling also considers via a graph the placement charge for a variety of occupancy levels, enabling implications of the full range of occupancy to be viewed from 100% down to 60%. All modelling allows a 10% margin for the provider, although provider costs would be expected to be determined competitively through procurement.

45. The modelling demonstrates most scenarios generate a surplus to support future provision. The risk of the lower occupancy scenarios being realised is low as there is a shortfall of provision nationally so places could be taken up from outside London if agreed. It is proposed that provision would be prioritised for the London local authorities which have opted into membership.
46. Placement costs will be funded by individual local authorities using budgets currently deployed on children's placements and from the modelling are expected to be less than current costs. Placements for London local authorities which opt to be members will be charged at cost, whereas other London local authorities will be charged a higher fee, for example to cover the cost of voids, with all surplus income supporting future provision.
47. As owner of the provision, the PLV (and thus member local authorities) will have more control over the pricing structure and will be able to reduce the wide variation in charges that can arise within very short timeframes. This will significantly provide more transparency in costs and pricing.
48. The PLV member local authorities will lead the strategic development of the provision and have scrutiny over the quality of the service delivery through the quality assurance part of the commissioning arrangements. Improved quality of provision will lead to better outcomes for children and reduced future costs from repeat placements and other support.
49. The PLV will also be developed with the potential for wider joint commissioning in future. This will enable collective action to address significant financial pressures and shortfalls in provision for children, particularly those needing high-cost low incidence provision. Further the PLV will enable joint pan-London market intelligence and market shaping, including developing new private, voluntary, independent and local authority provision.

Operating Model Benefits

50. There are clear benefits for London local authorities joining the PLV for commissioning and the joint development of Secure Children's Home provision for London. The key advantages are highlighted below:
 - Development of secure provision in London increasing capacity locally and reducing the overall national shortfall in provision
 - Local provision for children with accompanying step-down arrangements will improve outcomes and reduce cost of future provision
 - Reduced staff travel time to meetings and visits and reduced transport costs
 - Reduced reliance on private care placement market and high-cost provision
 - Priority access to the provision

- Access to provision at cost, whereas others will be charged a higher fee, to include cost of voids etc.
- Opportunity to shape the future Secure Children's Home and step-down provision and be part of ongoing governance
- Opportunity to be part of wider joint commissioning through the PLV in future such as addressing the shortfall in high-cost low incidence provision

Progress to date

51. The business case for new provision has been developed, including evidence of need, by London local authorities, with Health and the Mayor's Office for Policing and Crime (MOPAC).
52. In response to the business case developed for an SCH in London, the Department for Education has allocated c£3m of development funds, with c£50m+ of capital funding subject to progress in against key milestones.
53. A Secure Children's Home and Community Project Steering Group has been established, comprising London Directors of Children's Services, together with Health, Mayor's Office for Policing and Crime (MOPAC) and the Department for Education. This group is providing oversight until the formation of the proposed Pan-London Vehicle.
54. A site search has been conducted, based on the statutory criteria for a Secure Children's Home. From a long list of over 400 sites initially considered, two preferred options have been identified, one of which is being taken forward first for more detailed assessment.
55. A practice model for the provision is being developed by a multi-agency group which will provide an innovative approach to working with children, young people and their families / networks.

Commitment sought

56. The support of London local authorities is required in order to secure the capital funding from Department for Education, which is estimated at £50+ million.
57. Commitment is sought for a five-year period, 1 April 2023 to 31 March 2028, with a breakpoint after three years after the refreshed business case has been developed, as well as the service pricing structure, commissioning approach, operating model, practice model and the SCH's location is confirmed. Thereafter, commitment will be sought for ten-year periods, with breakpoints every five-years.
58. To cover the running costs of the PLV, the financial commitment from each local authority is £20k per year, subject to inflation adjustment and payable only once the provision has launched. This is unless an

alternative model for funding the PLV, that does not require an annual subscription, is agreed by members during the development phase.

59. Commitment is sought to participate in joint commissioning arrangements.
60. It is recommended that the decision to proceed after the expiry of the initial three years is delegated as appropriate within the local authority and in consultation with the Director of Finance and Council's Monitoring Officer.

Next steps

61. Following decisions by London local authority Cabinets or equivalent decision-making bodies across London, the Pan-London Vehicle will be formed as a legal entity with members from the London local authorities who have agreed to opt in.
62. Subject to a sufficiently large number of London local authorities opting in, then the development of the London Secure Children's Home will proceed, with planned opening between 2025 and 2026.
63. Following revision of the business case, local authorities will be asked to confirm their commitment for the remainder of the five-year period based on the commitment in principle sought in this paper. At this stage, it will be possible for local authorities to opt out, but this is considered unlikely as risks are low given the demand for provision.

Ward Councillors' comments

64. This proposal effects all Wards and no comments have been requested.

Performance Issues

65. Alongside the clear financial case for the joint provision of secure accommodation, the availability of appropriate placements for children with some of the most complex needs should have a positive effect on outcomes for these children. Local placements, rather than the current situation of children being placed all over the UK, will enable better access for key professionals working with the children, and should lead to greater stability for the young person. Improved secure placement options will impact on a small number of children who are looked after (CLA), so the impact on Harrow's stability performance indicators will be limited, but should be positive nevertheless. The relevant indicators are:
 - [Insert short term stability and long-term stability with latest performance and target level.]
 - In addition, the provision is likely to have a small but positive effect on other outcomes for CLA, measured via the following indicators:
 - Educational achievement of CLA
 - School absence of CLA

- CLA who offend?

And in the longer term:

- Outcomes for care leavers including suitable accommodation and employment

Risk Management Implications

Risks included on corporate or directorate risk register? Yes

Separate risk register in place? Yes in the Children and Families Directorate Register.

The relevant risks contained in the register are attached/summarised below.
n/a

There are risks associated with joining the vehicle and oversight of the London Secure Children's Home. The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Reputational damage to the Council if this opportunity is not taken.	Proceed with the proposal to join the PLV	Green
Adverse financial impact on the Council if this opportunity is not taken.	The direct financial benefit to the Council is limited due to the historical low use of secure placements and a historical lower weekly cost than other local authorities.	Green
Lack of affordability of £20k annual subscription	Subscription costs included within the Children's budget	Green
Financial/legal risk to the Council from being part of a company limited by guarantee	The Council is signing up as an early member authority and will be part of the three year development phase enabling the Council to input to the developing PVL and better understand to risk around the separate legal entity. After the three-year development period, there is an exit clause after a further 12 months	Red

Once the provision is launched after the three year development period, when the Council requires a secure placement, the provision is full and the Council needs to commission elsewhere	<p>The Council is a member authority and will therefore be able to influence the allocation of places.</p> <p>The Council is free to spot purchase elsewhere.</p>	Red
Poor governance within the company particularly around decision making leading to poor/inappropriate decisions being made	Governance arrangements in place as defined by Government grant funding	Amber
Inability to find a suitable site/lack of affordability of a suitable site	Feasibility studies and site searches underway	Amber
Build risks e.g. around procurement of a suitable contractor/Contract Management	The PLV will manage the Procurement for contractor and the delivery of the building programme. The Governance will include representatives from local authorities.	Amber
Service development e.g. the service developed does not meet the needs of the participating Councils	Local authority representatives are included in the PLV Governance arrangements and will be involved in the development of the service specification	Amber
Legal documentation for the PLV do not protect the Council from inappropriate legal challenge or financial loss	<p>There is a three-year development period prior to the launch of the provision providing time for the PLV operating model to be fully explored.</p> <p>During and after the three-year development period, there is an exit clause after a further 12 months</p>	Amber
Tax implications for the agreed structure are not fully understood, leading to unnecessary VAT consequences	There is a three-year development period prior to the launch of the provision providing time for tax issues to be fully explored, understood and	Amber

	<p>build into the final business case</p> <p>The provision cannot be launched without a workable business case</p>	
<p>Failure to achieve expected occupancy levels leading to significant revenue loss</p>	<p>The shortfall in provision in London and nationally makes this a very unlikely risk, although it could be experienced temporarily such as in the initial operating period or other scenarios highlighted below. Lower occupancy in the initial operating period has been modelled. Governance, management oversight, and adequate levels of experienced staff will be key to ensuring good occupancy and these are built into current plans. The PLV and London provision will work closely with the central SCH co-ordination unit to proactively sell places to UK local authorities at a cost that will recover the loss / potential loss of revenue.</p>	Green
<p>Unsatisfactory outcome from statutory inspections</p>	<p>Recruitment of experienced Registered Manager and other managers with experience of managing a similar provision. Regular monitoring and quality reviews will reduce this risk. Robust management and swift turnaround would be required if an inspection was less than satisfactory.</p>	Amber
<p>Child serious injury or death</p>	<p>Robust risk management policies, procedures and training. Strong practice model, safeguards, rigorous performance reviews and effective</p>	Amber

	oversight, with experienced managers and staff who will be in place to minimise this risk.	
Temporary closure of the provision or changes to its registration conditions that limit the full use of places – in response to safeguarding or child protection concerns	<p>Ofsted use enforcement powers proportionately and there are a range of options open to them before the closure of a provision. Closure happens only in exceptional circumstances.</p> <p>Mitigation actions include robust safeguarding and child protection arrangements, policies, and training; recruitment of suitably qualified staff and robust quality assurance and monitoring arrangements.</p>	Amber
Permanent closure of the provision	<p>Ofsted use enforcement powers proportionately and there are a range of options open to them before the closure of a provision. Closure happens only in exceptional circumstances.</p> <p>Mitigation actions include: robust safeguarding and child protection arrangements, policies, and training; recruitment of suitably qualified staff and robust quality assurance and monitoring arrangements.</p> <p>In the unfortunate and unlikely event that permanent closure happens robust business continuity arrangements will outline the steps to be followed with regards to</p>	Amber

	<p>children placed at the provision.</p> <p>Should the PLV be wound up: PLV members will agree to be liable for the debts of the PLV up to a nominal amount e.g., £1. Prior to the launch of the PLV, members will agree, with legal advice, what will happen to the SCH and other related assets and this will be included in the articles of association.</p>	
Adverse publicity/Reputational damage from failure of the centre linked to the above or other factors	Proactive communications, strong practice model, safeguards, rigorous performance reviews and effective oversight, management and staffing will be implemented to minimise this risk.	Amber

Procurement Implications

66. Any procurement implications arising from the recommendations of this report will be supported by the procurement team to ensure compliance with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

Legal Implications

66. Please see paragraphs 31 to 35 above for legal implications.
67. The legal appendix sets out the governance structure for the arrangement. It is understood that there will be a formal Joint Committee and a Company. The Councils will be members of the Company and will appoint Directors to the board of the Company.
68. Pursuant to the Council's constitution, Part 3 (Responsibility for functions), *Matters Reserved to Full Council*, includes "To review and make appointments to external organisation" therefore becoming a member of the company and appointing directors to the company and elected members to the external Joint Committee, are decisions for Council and a separate report will be put to Council on these matters.
69. The Councils' main relevant functions in relation to the setup and

operation of a company are:

- The General Power of Competence (**GPOC**) – section 1, Localism Act 2011 (“LA11”);
- The **Incidental Power** – section 111, Local Government Act 1972;

70. The Incidental Power authorises the local authorities to “*to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions*”. The Incidental Power combined with the Council’s functions under the Children Act 1989 authorises the establishment of a joint company to facilitate the delivery of those functions.

- i. Those appointed as directors to the company will have several core statutory duties in addition to those owed elsewhere in statute and at common law and in equity. Directors are generally not personally liable for debts but they can become liable if they give personal guarantees. Directors might also incur direct liability where there is fraudulent trading, wrongful trading, misfeasance or breach of fiduciary duty to the company. Directors also will have liabilities such as health and safety liabilities.
- ii. As per paragraph 2.14 of the Legal Appendix 1, in order to ensure that the delivery of the service does not trigger the requirement for a competitive tendering exercise, the Council will be relying on Regulation 12 of the Public Contracts Regulation 2015 (PCR). The PLV will need to be structured so that the various conditions set out in Regulation 12 of the PCR are met, namely; (a) exercises jointly with other participating councils a control over the vehicle which is similar to that which they exercise over their own departments; (b) more than 80% of the activities of the vehicle are carried out in the performance of tasks entrusted to it by the participating councils; and (c) there is no direct private capital participation in the vehicle. Furthermore, the participating council’s will be required to (i) jointly exercise a decisive influence over the strategic objectives and significant decisions of the vehicle; (ii) the board of directors comprises representatives of the entity’s participating councils; and (iii) the vehicle does not pursue any interest’s contrary to those of the participating councils.

71. The participating councils will need to consider the position regarding subsidy control. Whilst advice was previously sought in relation to the implications of ‘state aid’, post Brexit the legal position no longer applies. The UK Subsidy Control Act 2022 (SCA) will come into force on 04

January 2023. Any subsidy provided after the 04 January 2023 will be subject to the SCA. The definition of subsidy in SCA includes ‘financial assistance’ which effects ‘competition or investment’ in the UK or between the UK and other countries. The service is not one that is necessarily commercial in nature and is unlikely to affect competition. However, this will need further consideration by participating council’s once the SCA is in force.

Financial Implications

This report covers the first five years of the initiative to develop a 24 place Secure Children’s Home provision in London, the five years covering April 2023 to March 2028.

The first three years will be the development phase and DfE have allocated £3m of development funding. During these three years Local Authorities will continue to commission and fund their own secure provision arrangements. DfE have also committed to providing circa £50m of capital to build the secure home which is subject to the development phase.

The 3-year development period will inform the future operating model for the PLV, including the financial structure and its charging mechanism to both member authorities and potentially non-member authorities.

After the three years and once the provision is launched Harrow, as a member authority, will be committed to a £20k annual membership fee (subject to inflationary increases) and the cost of any placements they commission from the secure provision.

The secure provision, including the costs of running the PLV and transport costs, is currently estimated at £8.6m. The current financial modelling, based on various occupancy rates, is detailed below:

Occupancy	Break Even Placement Price
10%	£68,870
20%	£34,440
30%	£22,960
40%	£17,220
50%	£13,770
60%	£11,480
70%	£9,840
80%	£8,610
90%	£7,650
100%	£6,890

In the last three years, Harrow Council has commissioned very limited secure accommodation provision with one young person in secure accommodation for 5 months at a cost of £7,637 per week. This weekly rate is clearly a lot less

than those quoted for other local authorities in this report and, per the occupancy modelling above, the new unit would have to be running at an occupancy of 90% to make its chargeable weekly rate in line with that previously paid by Harrow Council. All costs remain subject to the development of the final business case.

Taking account of Harrow's low usage of secure accommodation, it would be prudent for the Council to review the final business case at the point of launch and assess whether continuing to be a member of the PLV remains the best way forward for the Council for both financial and non-financial reasons. As this report recommends the Council becoming a member of the PLV, if the Council chose to exercise the exit clause arrangements, the Council is committed for a period of 12 months after the date of launch. The costs of exiting the arrangement are not quantifiable at this stage.

Equalities implications / Public Sector Equality Duty

72. These proposals are aimed at improving a range of outcomes for Harrow's most vulnerable children and young people, including health and education. The current arrangements for secure welfare provision are exacerbating poorer outcomes and disproportionality based on Pan-London analysis.
73. As well as securing better outcomes for Harrow's children and young people, a new London based SCH provision will help address the racial disparities and issues relating to their overrepresentation in secure welfare provision.
74. In partnership with other London local authorities, the Council will design the SCH provision, and any other services developed and managed through the PLV, to ensure the specific needs of Harrow's children and young people are taken into consideration.
75. As part of the work to develop the new SCH provision and other PLV services, an Equalities Impact Assessment will be undertaken to consider the impact of these services on children, young people and their families, in terms of protected characteristics.
76. Any consultation responses received as part of the EIA that raise matters related to equalities, diversity and inclusion will be addressed in the final service delivery model and kept under review, this includes any impacts to staff

Council Priorities

77. The proposals will contribute to the Council's priorities to put residents first and a place where those in need are supported by securing access to specialist accommodation for vulnerable children.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 11th January 2023

Statutory Officer: Patricia Davila

Signed on behalf of the Monitoring Officer

Date: 20 December 2022

Chief Officer: Peter Tolley

Signed by the Director of Children's Services

Date: 11th January 2023

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 8th December 2023

Head of Internal Audit: Susan Dixson

Signed by the Head of Internal Audit

Date: 11th January 2023

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqlA carried out: NO, Pan London arrangement

Section 4 - Contact Details and Background Papers

Contact: Johanna Morgan, Director of Strategy and Commissioning, email: Johanna.morgan@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO