

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION	25th January 2023	
REPORT TITLE:	Secure Children’s Home for London and Pan-London Commissioning Vehicle Part A	
CORPORATE DIRECTOR / DIRECTOR:	Debbie Jones- Interim Corporate Director Children, Young People & Education	
LEAD OFFICER:	Kerry Crichlow - Director Quality, Commissioning & Performance Improvement (Deputy DCS)	
LEAD MEMBER:	COUNCILLOR MARIA GATLAND, CHILDREN YOUNG PEOPLE AND EDUCATION	
KEY DECISION?	Yes	<p style="text-align: right;">REASON:</p> <p style="text-align: center;">Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards</p> <p style="text-align: right;">8322EM</p>
CONTAINS EXEMPT INFORMATION?	YES	<p style="text-align: center;">Public with exempt confidential legal advice and options appraisal reproduced in Part B – provided by Anthony Collins solicitors on behalf of London Councils.</p> <p style="text-align: center;">Exempt under paragraph 5 of Schedule 12A of the Local Government Act 1972 and the public interest in withholding disclosure outweighs the public interest in disclosure</p>
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** The placements market, and a number of other markets across children’s social care and education have been noted as being too large and problematic for the spending power of one local authority alone to address. There are several sub-regional solutions in London that are working towards addressing these issues, however there is a need to try and further unify approaches to the various markets across London.
- 1.2** To this end, one solution currently proposed is a non-profit company set up and contributed to by London Local Authorities the remit of which will be pan-London

commissioning arrangements that will improve the lives of London's children and young people. This company is referred to as a 'Pan-London Vehicle ("PLV")' The future of what this collaboration may look like in totality is at the early stage of development at present, however the PLV's first aim will be to develop Secure Children's Home (SCH) in London, where there is a current lack of provision.

- 1.3** This paper and its recommendations will be presented to all Councils in London in some form. It seeks permission in principle for Croydon Council to join the PLV at the developmental stage, acknowledging limited liability to the Council for any debts incurred by the PLV to a maximum of £1 and to delegate a decision about the financial aspect to the interim Corporate Director for Children, Young People and Education.
- 1.4** Part B of this report contains the attached confidential legal advice and options appraisal referred to in Part A – provided by Anthony Collins solicitors on behalf of London Councils. This attached report contains exempt information as defined in paragraph no. 5 of Schedule 12a to the Local Government Act 1972 (as amended): Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. In all the circumstances, the public interest in maintaining the exemptions outweigh the public interest in disclosing the information.
- 1.5** Please also note the following appendices listed:
Appendix 1: PLV legal structure and membership
Appendix 2: Financial Modelling for the Secure Children's Home Project and PLV

2 RECOMMENDATIONS

For the reasons set out in the report and its appendices, The Executive Mayor in Cabinet is recommended to agree that the council:

- 2.1** Becomes a member of a not-for-profit company, limited by guarantee, provisionally to be known as the Pan London Vehicle, to:
 - develop and then oversee the running of London's secure children's home 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 to include service pricing structure, commissioning approach, practice model and location. Once the provision has launched – which will be after the break-point – membership will be at a fixed annual cost of £20,000 (subject to inflation adjustment), unless an alternative model for funding the PLV is agreed by members during the development phase and
 - collaborate with other PLV members on future joint commissioning programmes
- 2.2** Delegate authority to the interim Corporate Director Children, Young People & Education, in consultation with the Cabinet Member for Children, Young People and Education, the S151 Officer & Corporate Director of Resources and the Director of Legal Services & Monitoring Officer to:

- finalise the legal documents required to set up, join and run the PLV alongside the other London boroughs;
- approve any operational arrangements
- decide whether or not to exercise the break option at year 3 of the Council's membership of the PLV, following completion of the revised SCH business case; and
- Approve the appointment of the Interim Corporate Director of Children, Young People & Education as:
 - I. the Council's Member Representative of the PLV; and
 - II. the Director of the PLV on a rotation basis for a period of 5 years, when required

2.3 Note that a decision on whether to continue the PLV Membership at the third-year break point, and all subsequent forthcoming break points, will be reported back to the Executive Mayor unless otherwise delegated.

2.4 Note that the Croydon Companies Supervision & Monitoring Panel (CCSMP) has been consulted on this proposal and the Council's group company supervision arrangements will apply to the PLV.

3 REASONS FOR RECOMMENDATIONS

3.1 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 in London and supported the development of a business case which is available on request. This has formed the basis of a successful bid to Department for Education and funding has been allocated to develop the provision for London children.

3.2 As well as ALDCS members, a range of stakeholders were engaged throughout the development of the business case including:

- Children and young people with lived experience of a secure children's home (SCH);
- 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

3.3 The proposed provision will be designed specifically for London, with purpose-built, child-appropriate 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.

3.4 The business case to address the need for Secure Welfare Provision considered a range of options as listed below –

- Impact on early intervention and prevention
- Accessibility of a secure placement
- Continuity of care and relationships
- Care and education in the placement
- Transition from secure to community
- Value for money
- Initial investment
- Deliverability

3.5 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. Details are provided in Part B of this report as it contains exempt information as defined in paragraph no. 5 of Schedule 12a to the Local Government Act 1972 (as amended): Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings. In all the circumstances, the public interest in maintaining the exemptions outweigh the public interest in disclosing the information. The key reasons are summarised below:

- Provision for 24 places would meet the demand in London
- 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
- 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

3.6 It is important to note at this point that a location for the Secure Children's Home is not yet finalised. Through the Council's membership of the PLV we would be better positioned to influence where we would like a Secure Children's Home to be located, or alternatively voice objections to proposals that might not meet residents' needs.

3.7 The DfE development grant outlined in the Financial Implications section below will cover the PLV's costs during the development period, including the costs of external legal advice, 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:

- developing and approving the pricing strategy and revenue model for generating income;
- developing the practice and operating models 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.
- 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.

3.8 During the development period, member local authorities will also explore alternative models for covering the cost of running the PLV that do not require annual subscription fees.

4 BACKGROUND AND DETAILS

4.1 A secure children's home is a locked and restricted environment, where children's liberty is restricted (under Section 25 of the Children Act) and they are supported through trauma aware and psychologically informed integrated care, health and educational services.

4.2 Across London, a relatively small number of children require a secure welfare placement, which is very high-cost provision to meet complex needs. These children are often placed the furthest from their home local authorities, an average distance of 192 miles, which can have a detrimental impact on children who lose contact with family and the community. Additionally, the loss of local contacts and pathways in education, training and employment can have a negative impact on their development post-placement.

4.3 Further, there is a national shortage of provision and places are often not available when referrals are made. Waiting lists have regularly exceeded 55 children for the whole of the UK. Children are then placed in less suitable but higher cost alternatives to ensure an appropriate level of safety. 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 the Global Majority, well in excess of the London comparable profile of 41%. The current arrangements are exacerbating poorer outcomes for this group and increasing racial disparities.

4.4 Croydon's usage of secure homes is currently low, we rarely place more than one or two children a year – often instead utilising enhanced community support in other regulated settings. When we do place them however, we often have to use provision in Scotland as we struggle to find closer provision, meaning contact with family members will be more challenging and links with local services (particularly mental health services) can be challenging to build. There have been a significant number of children on delayed discharge from hospital A&E, or in danger of Criminal Exploitation

who could potentially have benefitted from this type of provision and been made safer sooner.

- 4.5** 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.
- 4.6** 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. This indicates that the national shortage of provision is impacting even more of London's children than the data suggests.
- 4.7** 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, costing up to £30,000 per week. This means these vulnerable children would be at risk of not receiving the care, education and support that they needed
- 4.8** Financial data provided by London local authorities in the September 2022 survey shows that the average cost of a secure welfare placement has increased; the average being £7,000 per week in 2019, rising to £10,500 per week in 2022 and some local authorities have paid up to £25,000 per week for secure welfare placements in that period. While Croydon's use of secure placements is small, recent fees for 'alternative to secure' placements have been quoted in excess of £13,000 per week.
- 4.9** 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.
- 4.10** 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. Her Majesty's Chief Inspector's Annual Report

to Parliament (2020) (<https://www.gov.uk/government/publications/ofsted-annual-report-202021-education-childrens-services-and-skills/the-annual-report-of-her-majestys-chief-inspector-of-education-childrens-services-and-skills-202021>) came to similar conclusions.

Progress to Date

- 4.11** A Secure Children's Home and Community Project Steering Group has been established, including ALDCS together with representatives from Health, MOPAC and the Department for Education. This group is providing oversight until the formation of the proposed Pan-London Vehicle.
- 4.12** 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.
- 4.13** 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.
- 4.14** For Croydon Council, Officers have engaged with London Councils and the PLV team at Director level, Member level and Officer level extensively over the last year to shape the proposals and advocate for Croydon's position. Officers have taken this decision for scrutiny via the Croydon Companies' Supervision and Monitoring Panel on the 17th November 2022, where the decision to pursue membership of the PLV was supported, and then to the Children, Young People and Education Directorate Management Team on the 23rd November 2022 where the recommendations were also supported.

Commitment sought

- 4.15** The support of Croydon Council in joining the PLV in order to begin the SCH project is required along with other London local authorities in order to secure the capital funding from Department for Education, which is estimated at £50+ million.
- 4.16** Commitment from Croydon Council is sought for a five-year period, 1 April 2023 to 31 March 2028, with a break-point after three years once the refreshed business case has been developed to include service pricing structure, commissioning approach, practice model and location. Thereafter, commitment will be sought for ten-year periods, with break-points every five-years. At each break point, it is envisaged (unless otherwise delegated) that a report will be submitted to the Executive Mayor for further scrutiny of this membership.
- 4.17** While the current financial contribution is nil, at the three-year break point it is envisaged that the Council will be asked to both commit to the commisioning of the SCH, and a funding contribution of around £20,000 per annum to cover the running

costs of the PLV. 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.

- 4.18** Commitment is sought to participate in joint commissioning arrangements. It is recommended that the decision to proceed after three years will be referred back to the Executive Mayor unless otherwise delegated.

Next Steps

- 4.19** Following decisions by 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.
- 4.20** Subject to a sufficiently large number of London local authorities opting in the development of the London Secure Children's Home will proceed, with planned opening between 2025 and 2026.
- 4.21** 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.

Risks and Benefits of proposed legal vehicle

- 4.22** 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
- 4.23** 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.
- 4.24** 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

4.25 Following expert legal analysis of these options, the recommendation is that the PLV should be established as a 'not for profit' Company Limited by Guarantee. This enables joint ownership, with limited liability and any profits being held within the Company for future provision.

4.26 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.

4.27 Tax implications for the agreed structure will need to be fully understood, so as to avoid unnecessary VAT and other tax consequences.

4.28 The legal basis, membership and decision-making processes are set out in more detail in Appendix 1. It will include a limited liability to member authorities of a nominal amount such as £1 to contribute to any debts accrued by the delivery of the SCH.

4.29 There are clear benefits for vulnerable children and young people, Croydon Council and 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

4.30 There are risks associated with joining the vehicle and oversight of the London Secure Children’s Home, which are highlighted alongside mitigating actions in the table below.

Risk	Mitigating action
Failure to achieve expected occupancy levels leading to significant revenue loss	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.
Unsatisfactory outcome from statutory inspections	<p>Due to the high levels of need of the children who will be admitted to this unit, there is a likelihood that maintaining a Good or Outstanding OFSTED rating will be a challenge unless the unit is selective about who it admits.</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> <p>The risk of not meeting this need however having a child or children who come to harm in the community due to not being able to access this provision would constitute a more significant risk.</p>
Child serious injury or death	<p>Due to the high levels of need of the children who will be admitted to this unit, and the prevalence of extreme aggression, suicidal ideation and self-harm in this cohort, there is a higher than usual likelihood that a child may attempt serious injury to themselves or another young person in this provision than in other provisions we might run or commission.</p> <p>Risks will be managed by robust risk management policies, procedures and training, as well as the physical security of the provision which is built specifically to manage these risks. This will be supported by a strong practice model, safeguards, rigorous performance reviews and effective oversight, with experienced managers and staff who will be in place to minimise this risk.</p> <p>The risk of not meeting this need however having a child or children who come to harm in the community due to not being able to access this provision would constitute a more significant risk.</p>

<p>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>	<p>Due to the high levels of need of the children who will be admitted to this unit, there is a likelihood that OFSTED may issue a temporary limit to accommodation, or a temporary closure unless the unit is selective about who it admits.</p> <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>The risk of not meeting this need however and having a child or children who come to harm in the community due to not being able to access this provision would constitute a more significant risk.</p>
<p>Permanent closure of the provision</p>	<p>Ofsted use enforcement powers proportionately and there are a range of options open to them before the closure of a provision. Permanent closure happens only in exceptional circumstances.</p> <p>While the children admitted to this unit will have very high needs, we currently assess the ‘full closure’ option as being low as long as all the mitigations above and below are in place.</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 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>
<p>Adverse publicity/Reputational damage from failure of the centre linked to the above or other factors</p>	<p>Due to the high levels of need of the children who will be admitted to this unit, and the challenges in meeting the needs of this cohort, there is a medium/high likelihood that there may be some incidents that affect the reputation of member boroughs.</p>

	<p>The risk of not meeting this need however, and having a child or children who come to harm in the community due to not being able to access this provision would constitute a more significant risk.</p> <p>Proactive communications, a strong practice model, safeguards, rigorous performance reviews and effective oversight, management and staffing will be implemented to minimise this risk.</p>
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5 ALTERNATIVE OPTIONS CONSIDERED

5.1 The following options were rejected for the reasons given:

- 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.
- Specialised community team - rejected due to the risk of duplicating the role of Community Forensic CAMHS teams and fragmenting care pathways.
- Do Nothing – The situation for young people with this level of need is becoming increasingly desperate across the capital.

6 CONSULTATION

6.1 Consultation activity undertaken by London Councils is briefly summarised in paragraph 3.2 above, and legal advice further describing the options open is summarised both above and in Part B of this report.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 The Executive Mayor set out his initial priorities in a report to Cabinet on 22nd June 2022. These included keeping vulnerable children and young people safe from harm and getting a grip on the Council's finances in order to make the Council financially sustainable.

7.2 Joining the Pan London Vehicle to develop secure welfare provision in London will support better outcomes for some of the most vulnerable children in Croydon's care and provide better value for money for the council.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 The financial commitment by each local authority is currently nil, however there are proposals to develop a funding model with local authority partners over the next three years. This contribution is likely to be £20,000 a year. When this funding model is developed, it will coincide with the opt-out clause, which will be informed by a revised

business case, detailed modelling and confirmed location. The Council will have the choice at this point to opt in or opt out, depending on whether or not the finally agreed model fits with our commissioning needs. There is money in the budget currently for a £20,000 Per annum contribution should this be needed.

- 8.1.2** The development costs for the SCH (c£3 million) and the capital costs (c£50+ million) will be borne by Department for Education, subject to completion of agreed project milestones. Therefore, there will be a no cost to the Council associated with the developmental stage. This is a significant investment in provision for London's most vulnerable children which will be secured with the commitment of London local authorities
- 8.1.3** Under Limited Liability, PLV Members will only guarantee the PLV's debts – if it is wound up – up to a limit of £1 or a similarly nominal amount. In the wider sense however, Croydon Council 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 likely to be significant. A range of scenarios are modelled in Appendix 2, including the financial impact of each option.
- 8.1.4** 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. Please refer to Appendix 2 for inflation adjusted financial modelling.
- 8.1.5** Comments approved by Maiyani Henry-Hercules, Acting Head of Finance, Children Young People and Education on behalf of the Interim Director of Finance on 1/12/22

8.2 LEGAL IMPLICATIONS

- 8.2.1** This report recommends that the Council becomes a Member of a 'not for profit' company limited by guarantee alongside other London authorities, the Pan London Vehicle (PLV). As set out at Appendix 1, the Council has the power to participate as a Member/ Shareholder of a company under the general power of competence (Localism Act 2011), which gives local authorities the power to do anything that individuals generally may do.
- 8.2.2** The PLV will be a distinct legal entity to the Council with its own governance arrangements. In becoming a Member of the PLV, the Council will be required to sign a Member/Governance Agreement and comply with its terms. The outline of the proposed governance arrangements is set out at Appendix 1. In particular, the proposed terms include 'locking in' London authorities to Membership of the PLV for a minimum number of years with possible breaks i.e. initially 5 years with a break at the third year, and thereafter 10 years with a break at the fifth year. Leaving the PLV outside of the 'break' points will incur liability. This report recommends delegating authority to finalise the terms of such an agreement and other legal documents to the Corporate Director of Children, Young People & Education.

- 8.2.3** As a Member of the PLV, the Council will need to participate in voting on Member decisions and attend any required meetings, such as Annual General Meetings. The Council will therefore require a representative and this report recommends appointing the Corporate Director of Children, Young People & Education to make decisions on behalf of the Council as a Member of the PLV. Additionally, the Council will be required to nominate a Director of the PLV on a rotation basis to serve for a period of 5 years. This report recommends that the Corporate Director of Children, Young People & Education be appointed as a Director of the PLV, when the required. The Council will need to ensure that appropriate training and support is provided, which can be facilitated via the Croydon Companies Supervision and Monitoring Panel.
- 8.2.4** The liability of the Council in joining as a Member of the PLV, is proposed to be limited to a guarantee of a nominal amount, such as £1. This means, if the PLV becomes insolvent or is wound up, then the Council's contribution to the PLV's debts will be of a nominal amount only.
- 8.2.5** At this stage, the recommendations in this report relate to the formation of the PLV. Any commissioning decisions will require separate decision making in accordance with the Council's Tenders and Contracts Regulations (as amended or updated from time to time). The PLV is recommended to be a "Teckal" company in accordance with Regulation 12 of the Public Contracts Regulations. This means that the Council could lawfully commission services from the PLV without undertaking a competitive procurement process under the Public Contracts Regulations 2015.
- 8.2.6** The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000 and has the power to delegate those functions. This report seeks relevant delegations to exercise executive functions.
- 8.2.7** Advice in relation to the options for structuring the joint venture was commissioned by London Councils and is included in the Part B report. This advice should be updated in light of the Subsidy Control Act (commencing January 2023) and the proposed Procurement Bill (still draft, likely to commence late 2023), including the Teckal exemption (explained below and at Appendix 1). As the PLV progresses to the next stage, the Council will need to ensure that it jointly commissions external legal advice with the other London authorities.
- 8.2.8** Approved by Kiri Bailey, Head of Commercial & Property Law on behalf of the Director of Legal Services & Monitoring Officer on 7/12/22

8.3 EQUALITIES IMPLICATIONS

- 8.3.1** The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, "have due regard to" the need to comply with the three aims of the general equality duty. These are to
- 8.3.2** The proposal looked after children in the borough in being able to achieve the same outcomes as non-looked after children. Children being located in the city where

they reside, making contact from loved one's easier supports children's mental health and well-being.

- 8.3.3** The proposal will benefit children from the Global Majority who Pan London analysis evidence states are more likely to be looked after children, thus improving their lived experience. The current arrangements for secure welfare provision are exacerbating poorer outcomes for this group,
- 8.3.4** Children with disabilities, either physical, mental or neurodiverse may be treated more favourably in relation to this proposal which will not amount to discrimination in relation to the Equality Act 2010
- 8.3.5** An initial Equality analysis has been carried out, this will be a live document and will be updated should the proposal be agreed, and further data and evidence will be provided to demonstrate potential impact. The work is at too early a stage at present to present a meaningful analysis.
- 8.3.6** Comments approved by: Denise McCausland – Equality Programme Manager on 24/11/22

OTHER IMPLICATIONS

8.4 CRIME AND DISORDER REDUCTION IMPACT

- 8.4.1** This provision will specifically serve young people who under Section 25 of the Children Act are at risk of serious harm from absconding (often towards perpetrators who have groomed them for criminal or sexual exploitation), or who are likely to injure themselves or other people due to their high levels of need (Children Act 1989, S.25). This has very clear crime and disorder implications as it both keeps the individual young people and the community safe from harm while intensive work is done to safeguard that young person.
- 8.4.2** Approved by: Kerry Crichlow, Director of Quality, Commissioning and Performance Improvement, on behalf of the Corporate Director of Children, Young People and Education

8.5 DATA PROTECTION IMPLICATIONS

- 8.5.1** There are no Data Protection or sharing implications associated with this decision, however as and when the home is approaching usage, a Data Protection Impact Assessment will be completed.
- 8.5.2** Approved by: Kerry Crichlow, Director of Quality, Commissioning and Performance Improvement, on behalf of the Corporate Director of Children, Young People and Education

8.6 ENVIRONMENTAL IMPLICATIONS

8.6.1 Council officers involved in the project will ensure that in the construction of the project, the highest energy efficiency and environmental standards are observed, and wherever possible responsibly sourced materials are used.

8.6.2 Approved by: Kerry Crichlow, Director of Quality, Commissioning and Performance Improvement, on behalf of the Corporate Director of Children, Young People and Education

CONTACT OFFICER: Kerry Crichlow, Director of Quality, Commissioning and Performance Improvement, on behalf of the Interim Corporate Director of Children, Young People and Education; Kerry.crichlow@croydon.gov.uk

APPENDICES TO THIS REPORT:

Appendix 1 - PLV legal structure and membership

Appendix 2 – Financial Modelling for the Secure Children’s Home Project and PLV

Appendix 1

PLV legal structure and membership

1. Powers and Duties

There are a number of statutory provisions that local authorities can rely upon when setting up the PLV. The Council's main relevant functions in relation to the setup and operation of a company are:

- i) The General Power of Competence (GPOC) – section 1, Localism Act 2011 (“LA11”);
 - (1) Section 1 The GPOC authorises the Councils to do anything that an individual with full capacity may do. This can include setting up and participating (including borrowing/investment/provision of loans) in a company this would, prima facie, provide the powers for the Councils to do likewise.
 - (2) GPOC can be used even if there is another power that overlaps with it. However, GPOC is limited by any limitations on the powers of the Councils that existed prior to GPOC coming into force and by any new limitations that are stated to apply specifically to GPOC or to all Councils' powers (unless GPOC is specifically excluded).
 - (3) GPOC can be used for commercial purposes.
 - (4) See also the additional restrictions in the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009/2393 that apply by virtue of the overlap with Section 95, Local Government Act 2003.
 - (5) Section 5 - 7 The use of GPOC can be restricted by the Secretary of State but to date no restrictions relevant to the establishment and operation of the company have been put in place.
- ii) The Incidental Power – Section 111, Local Government Act 1972
 - (1) This 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 Councils' functions under the Children Act 1989 potentially authorises the establishment of a joint company to facilitate the delivery of those functions. The Council's functions here would be those under Section 25 of the Children Act. Further, Part III of the Children Act 1989, Section 27, supports collaborative approaches between local authorities for the benefit of discharging their responsibilities for children
 - (2) The Councils' functions in relation to placing children in a secure Children's Home
- iii) Further, the use of a company to build, develop and operate the Secure Children's Homes does not amount to trading or acting for commercial purpose because any such company will be focused on providing services and goods to the vehicle's members, especially if a way can be established for that company to operate principally for the London Boroughs to meet their statutory responsibilities.

1. Legal form of the PLV

- 2.1 The Pan-London Vehicle (“PLV”) will be a company limited by guarantee (“CLG”) and owned by the London local authorities. The PLV will not be focussed on profit

generation and it is intended that any surplus generated by the PLV will be reinvested into its activities.

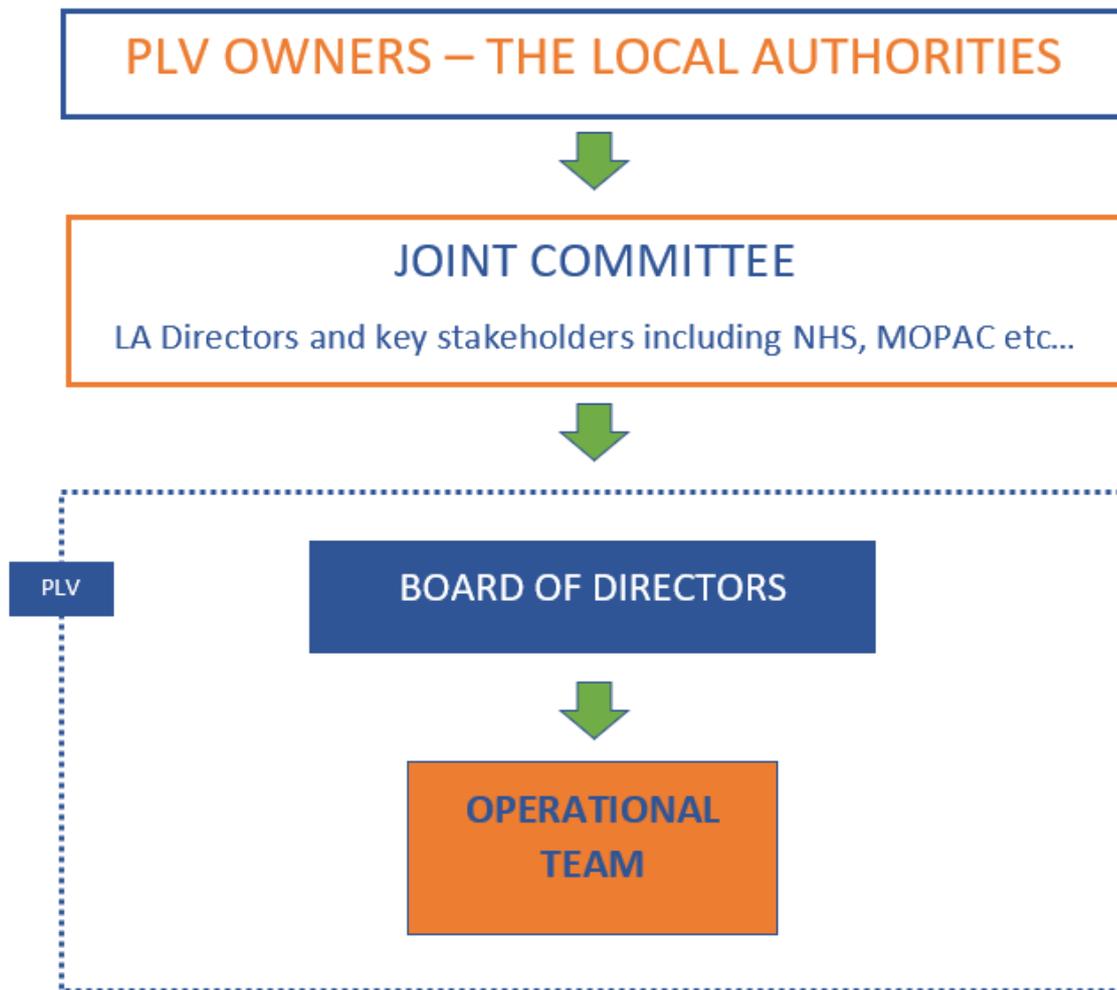
2.2 The CLG structure will –

- a. Enable Teckal compliance and as such will enable the PLV member LAs to contract freely with the PLV for its services without a competitive public procurement process being undertaken;
- b. Provide for London LAs to join and become members of the PLV, and
- c. subsequently leave if they desire. The process for joining and leaving the PLV will be set out in the company's Articles of Association ("Articles") and governance agreement to cover issues such as notice periods, the treatment of on-going costs and liabilities etc;
- d. For the first five years of the PLV's existence, "lock in" the PLV member local authorities (including any local authority who joins the PLV during this period) for a term of five years with a break clause at after three years and at the the end of the term, and from year six onwards, "lock in" the PLV members (including any LA who joins the PLV during this period) for a term of ten years with a break clause at the end of the fifth year of the ten-year term (see 'onboarding and exiting arrangements');
- e. Provide sufficient flexibility for the PLV to extend to activities provided in other areas related to children and young people, subject to agreement of the local authorities.

2.3 As a CLG, the PLV will be registered at Companies House and will be subject to the Companies Act 2006. The PLV member LAs will be the equivalent of the shareholders of a company limited by shares and as such will in effect 'own' the PLV. In turn, the PLV will own its assets (i.e. the SCHs). The PLV member local authorities will only guarantee the PLV's debts if it is wound up, up to a limit usually of £1 or a similarly nominal amount (this is separate from any specific guarantees on liabilities that may arise for specific arrangements). The PLV member local authorities will appoint the PLV's directors who will then hold to account the officer team of the PLV, which will have delegated responsibility for the PLV's day to day operations.

2.4 How the PLV will be governed

2.4.1 An organogram showing the proposed structure is set out below. The rest of this section explains the different components.



2.4.2 The PLV's governance arrangements will be set out in:

- 2.4.2.1 Bespoke Articles which will be filed at Companies House and as such will be publicly available;
 - 2.4.2.2 An additional, parallel PLV member local authority governance agreement setting out collaboration arrangements between local authorities; and
 - 2.4.2.3 Any other agreement which may be appropriate or necessary for the effective governance of the PLV (Such as a funding agreement, information sharing protocols etc).
- 2.4.3 The PLV members'/governance agreement and any additional agreements will remain confidential to the parties concerned but will be subject to the Freedom of Information Act 2000 and the Environmental Information Reporting Regulations 2004 as any company wholly owned by a local authority is subject to the same regime as applies to the local authority which owns it.
- 2.4.4 The PLV will also be required to operate in accordance with its business plan and operational plan which will be reviewed in accordance with the PLV member LA/governance agreement.

- 2.4.5 The PLV's constitution will seek to ensure that its board directors are provided with sufficient freedom to achieve the PLV's objectives, while providing for the PLV member LAs to have sufficient control over, and involvement in, the PLV, its delivery of the SCHs and commissioning of services provided by a third-party operator.
- 2.4.6 Legal documents to establish the PLV (and not confined to its governance) will include, but are not limited to
- Memorandum of Association and Articles of Association;
 - Governance Agreement;
 - PLV Member Committee and Stakeholders' Board Terms of Reference (see below for discussion) – please note this is intended to be an officer level committee or panel;
 - Funding Agreement(s);
 - Support Services Agreement/Service Level Agreements;
 - Access to Information/Information Sharing Agreement (including as pertains to the Freedom of Information Act 2000 and Environmental Information Reporting Regulations 2004
 - Data Protection Act protocol
 - New member joining agreement

2.5 The Member Local Authorities and their roles

- 2.5.1 There will be a single class of membership for the PLV, rather than different classes split between initial local authority members and any others subsequently joining. Between them, the PLV member LAs will appoint six "representative" directors to the PLV board of directors (out of a total of eleven PLV directors – see The Board of Directors section below). All these directors will be non-executive directors. A lead officer on the PLV operational team (e.g. the "Senior Lead") will not be appointed as a PLV board director, but may be invited to join with observer status, in order to give the PLV board of directors the space to develop a strong forum for holding the operational team to account.
- 2.5.2 The constitution of the PLV will be drafted to provide for the rotation of the PLV directors. The directors will serve a term of five years. In relation to the six PLV member local authority representative directors, should a director leave their post at their employing LA during the five-year term of their PLV directorship, their incumbent will take on the role of PLV director for the remainder of the term. At the end of the first five-year term, two directors will stand down, with a further two directors standing down each year thereafter.
- 2.5.3 Financial contributions to the working capital of the PLV will be provided for in specific funding agreements. Following the initial 5 year year period, the financial contribution required of the PLV member local authorities to the working capital (to ensure cash flow) will be dependent upon the number of member local authorities at any time.

2.6 On-boarding and exiting arrangements

- 2.6.1 The initial PLV member local authorities will have to obtain the requisite internal authority to establish the PLV and contribute financially to its working capital. Those London local authorities which join the PLV subsequently will need to obtain the requisite internal authority to do so and also to incur the ensuing costs of membership (a financial contribution to the working capital).

- 2.6.2 The PLV Articles and members'/governance agreement will be drafted to provide for non-member London local authorities to subsequently join the PLV by way of written application to the board of directors of the existing members, with no such application being unreasonably refused. Membership will be contingent upon an agreed financial contribution to the working capital, which will recognise previous contributions made by existing member local authorities.
- 2.6.3 To ensure operational and financial stability for the PLV, during the first five years of the PLV's existence, PLV member local authorities (including any local authority who joins the PLV during this period) will be 'locked in' as financially contributing PLV member local authorities for a term of five years with a break clause at the end of this term. From year six onwards, the PLV member local authorities (including any local authority who joins the PLV during this period) will be 'locked in' for a term of 10 years, with a break clause at the end of the fifth year of the 10-year term.
- 2.6.4 The Articles and governance agreement will be drafted to provide for a membership 'application window' whereby those non-PLV member LAs wishing to join the PLV are able to apply to do so in the September of each year, with their membership commencing on the 1st April of the following year (if the application is approved) to coincide with the commencement of the local authority financial year. This is assuming the applying LA will have completed its internal decision-making and governance processes prior to applying to join the PLV.
- 2.6.5 The Articles and governance agreement will also provide for PLV member LAs wishing to terminate their membership of the PLV to serve 18 months' notice, with their membership terminating on the 31st March in a year to coincide with the end of the local authority financial year (subject to the fixed minimum membership period). This gives the PLV the opportunity to agree a transition plan and adjust its budgets with adequate notice.
- 2.6.6 The Articles, governance and finance agreement(s) will provide for the PLV member LAs to provide a contribution to the working capital of the PLV to coincide with the local authority financial year.
- 2.6.7 Exit arrangements will need to provide for settlement of outstanding and/or any on-going financial contributions and liabilities of PLV member LAs which have terminated their membership of the PLV.

2.7 Decision-making

- 2.7.1 The Articles and the governance agreement will be drafted to reserve certain activities and key decisions to the PLV member LAs. Such an arrangement would ensure the PLV member LAs retain control and influence over the PLV. The 'reserved matters' will be limited to:
- Adopting the initial and subsequent business plans and approving any material changes to them, including which decisions are to be reserved decisions
 - Appointing and removing directors;
 - Borrowing capital outside of the business plan; and
 - Approving material changes to the nature of the PLV's business.
 - The reserved matters will be subject to a simple majority of all those members who vote (to enable decision-making on an effective basis). The responsibility

to vote within the relevant time period for each decision will be with the voting LA. The PLV member LAs, by 75% majority of those that vote, can also direct the board to take, or refrain from taking, a specified action (this is common with a company that is structured to enable “Teckal” treatment). All other non-operational decisions in relation to the PLV will be made by the PLV directors, or if appropriate for certain decisions, the PLV operational team.

2.7.2 The reserved matters will not include decisions which are otherwise covered by company law e.g. amendment of the Articles by special resolution (75% of those voting at a general meeting or entitled to vote if by written resolution).

2.8 PLV Joint Committee

2.8.1 The governance arrangements will provide for a joint committee of the PLV member LAs to comprise the Directors of Children’s Services or similarly senior and appropriately skilled officers of the members’ local authorities. The members of the joint committee will each act as a representative of their respective local authority at “shareholder/owner” level. The joint committee will be involved in approving the PLV’s business plan, budget and the other reserved matters to be decided on behalf of the PLV member local authorities as listed in paragraph 2.7.1 (not including matters covered by company law e.g. amendment of the Articles which requires a special resolution), without the conflicts of interest that board directors can face.

2.8.2 The joint committee will operate under agreed terms of reference. The PLV board’s regular reporting to the joint committee will be provided for in the governance agreement, which will also provide for directors or officers of the PLV (e.g. the operational team), in exceptional circumstances, to attend and answer questions at appropriate meetings of the PLV member local authorities, their executive and committees.

2.9 Additional public bodies involved in the project, such as NHS bodies and the Mayor’s Office for Policing And Crime, will be able to sit on the joint committee as observers. The observers’ role will be subject to the Terms of Reference and governance agreement and the observers will be able to attend and participate in meetings of the joint committee but will not be able to vote. It is intended that the facilitation of the observers in this way will provide for the engagement and involvement in the project of relevant public bodies, while ensuring the PLV has the freedom it needs to achieve its objectives and marking a distinction between the LAs, as owners of the PLV and the legitimate interests of the other stakeholders.

2.10 The Board of Directors

2.10.1 The board will be comprised of 11 directors:

2.10.1.1 A chairperson - to provide for political ownership, the board’s chairperson will be the London Councils’ Lead Executive Member for Schools and Children’s Services at any given time. The chairperson will have a casting vote to guard against deadlock in board decisions.

2.10.1.2 Six representative directors, these will comprise senior officers of the PLV member local authorities appointed to bring oversight, experience and particular skills which would be advantageous to the PLV. They would not be full time, not remunerated or employed by the PLV and, as detailed above, will serve a fixed term of up to five

years. The directorship shall be automatically terminated upon the cessation of their employment with the PLV member local authority and their incumbent will take on the role of PLV director for the remainder of the five-year term. An officer placed on the board can be provided with an indemnity pursuant to the Local Authorities (Indemnities for Members and Officers) Order 2004 for their actions in the role as long as their actions are taken legally, honestly and in good faith.

- 2.10.1.3 Three independent directors shall be appointed following a recruitment process. They will not be full-time, not remunerated (beyond reasonable expenses) or employed by the PLV and they will serve for a fixed term for up to five years. The PLV will have to take out indemnity insurance for them; and
- 2.10.1.4 A director appointed from the members of the London Society of Treasurers. This is to provide for the financial oversight of the board.

2.11 Public Procurement

2.11.1 Ordinarily the services that are commissioned in relation to a child might be reasonably categorised as “Social work services with accommodation” (CPV Code 85311000-2) – these are subject to what is known as “the light touch regime” (“LTR”). LTR services benefit from a significantly higher competitive tendering threshold (£663,540) than for other services and greater flexibility in the design and operation of public procurement processes.

2.11.2 However, it is worth exploring the establishment of a joint vehicle that will not be subject to the competitive tendering requirements that councils would otherwise be subject to.

2.11.3 There are two exceptions in PCR 2015 to the requirement for competitive tendering that enable the commissioning of services directly from either one or more lead authority or a jointly owned vehicle. These are set out in Regulation 12 PCR 2015

- public services co-operation arrangement;
- a “Teckal” vehicle

2.12 It is perfectly possible for the participating councils to establish an administrative arrangement under which one of the authorities undertakes the lead role in delivering the Secure Children’s Homes, using mechanisms under the Local Government Act 1972, section 101 in particular. These would be outside the EU procurement rules as these arrangements are not public contracts that are subject to their competitive tendering requirements.

2.13 One arrangement that does allow for councils and other contracting authorities to have delivered to each other services that are subject to the tendering requirements of the EU procurement regime is the public service co-operation arrangement (in large measure now defined in regulation 12(7) PCR 2015). The key test (of the 3) for our purposes is that the contract creates a co-operation between them with the aim of ensuring that the public services they have to perform are provided with a view to achieving objectives that they have in common. In order for such an arrangement to be effective there has to be genuine reciprocity between participating public bodies – however, with 32 London Boroughs potentially participating, a public service co-operation arrangement between them is likely to be unwieldy, with risk and management falling predominantly on the London Borough(s) hosting the new Secure Children’s Home provision, resulting in unnecessarily complex arrangements.

2.14 This leaves us with the other option for delivering and sharing services between the Councils without triggering competitive tendering requirements of the EU procurement rules – the “Teckal” vehicle now governed by Regulation 12 PCR 2015 (except Regulation 12(7)). It would accommodate direct placements by all its member councils but will need to leave open potential adjustment to its structure if the Centralised Commissioning Framework is established and a single national commissioner is in place.

2.15 Participating councils and other public bodies should be able to establish a single vehicle that meets the relevant tests i.e. in particular it is established so that:

- they jointly exercise a decisive influence over the strategic objectives and significant decisions of the vehicle;
- the board of directors comprises representatives of the entity’s member authorities; and
- the vehicle does not pursue any interest’s contrary to those of the Member authorities.

Appendix 2

Financial Modelling for the Secure Children’s Home Project and PLV

There is a clear need to create more Secure Children’s Home provision for London. Detailed analysis supports the creation of 24 secure welfare beds. These beds will allow London children to be placed within London, which will give these vulnerable young people better outcomes at a lower cost. The funding commitment from the Department for Education of £50+ million offers London an opportunity to invest significantly in improving outcomes for our most vulnerable children and young people.

Even with this additional funding, the financial, operational, and reputational risk required to take on this project is more than any single LA could manage. The case for creating this provision relies on collaboration between London LAs, and to this end, the establishment of the PLV will allow London LAs to share both the risks and benefits of the project. The PLV is required infrastructure for the project to succeed.

This financial modelling outlines the predicted cost and benefits for London local authorities. In compiling these numbers, we have used recent survey data and detailed modelling in 2019/20. The figures for 2019-20 have been inflated to 2022 prices using the Consumer Price Index (CPI).

1. Annual Running Costs for the Secure Children’s Home and Pan-London Vehicle

The costings in the tables below are taken from the NEL business case. These final totals are then updated to 2022 prices using the CPI.

1.1: Secure Children’s Home

The current plan is for the proposed Secure Children’s Home provision to contain 24 beds, in one or two sites. The below table from the business case shows the estimated annual running costs of various sizes of SCH in 2019/20 prices.

Table 1	Indicative annual running costs 2019
Accommodation Size	
1 x 12 bed	£3.63m
1 x 18 bed	£5.11m
2 x 12 bed	£7.26m
2 x 18 bed	£10.22m

Shows indicative annual running costs for various sizes of SCHs.

Taking the proposal for 2 x 12 bed homes, and updating this figure to 2022 prices, the current annual running cost for the Secure Children’s Home proposed is **£8.06m**.

1.2: Pan-London Vehicle

PLV operational costs	Year 1 – start-up costs	Ongoing costs	
Staff costs	£286,000	£286,000	The assumption is that hosting costs and start-up costs are likely to be lower if a London LA hosts the PLV
Hosting costs	£133,000	£133,000	
Start-up costs	£79,000	-	
Total	£498,000	£419,000	

Shows estimated costs of running the PLV annually and in the first year in 2019/20

Note: figures are rounded to the nearest £1k

PLV operational costs in 2022	Year 1	Ongoing
Total	£553,000	£465,000

1.3: Transport Costs

Current transport costs (with no London SCH) in 2019/20 were estimated in the NEL business case to be £126,000. Updated to 2022 prices, this is £140,000.

The NEL business case suggested that LAs could expect the current transport costs to be halved by the creation of a London SCH. On this basis, transport costs in 2022, with the creation of a Secure Children's Home in London, would be: **£70,000**.

1.4: Total Indicative Cost to London

	Estimated costs for 2022
Running cost for 24 beds including provider profit margin	8060000
PLV Annual Cost	465000
Secure Transport Cost	70000
Total	£8,595,000

2. Costs and Benefits to Participating Local Authorities

The next section of the report compares a variety of scenarios to suggest estimated surplus or loss for different weekly costs of placement. Three sample costs of placements are used: £8.25k as mid-point of current Secure children's Home provision; £10k; and £12k, the latter recognising the often very high cost of alternative provision when Secure Children's Home places are not available. The outcomes of each scenario are compared at varying levels of occupancy and the effect of different numbers of local authorities signing up. The scenarios consider occupancy at: 100%; 90%; 85%; and a final scenario (A4, B4, and C4) with occupancy of 50% in year 1 followed by 85% in each of years 2 and 3.

2.1: Scenario A

In these scenarios, the weekly placement cost which the SCH charges the LAs is £8250 across all years (no inflation factored in)

Scenario A	A1	A2	A3	A4			
				Year 1	Year 2	Year3	Over 3 years
Occupancy Rate	100%	90%	85%	50%	85%	85%	
Annual Revenue Raised	£10,296,000	£9266400	£8751600	£5,148,000	£8,751,600	£8,751,600	
Running Cost	£8,595,000	£8,595,000	£8,595,000	£8,683,000	£8,595,000	£8,595,000	
Surplus/Loss	£1,701,000	£671,400	£156,600	£-3,535,000	£156,600	£156,600	£-1,073,930
Surplus/Loss per LA with 33 members	£51,550	£20350	£4,750	£-107,120	£4,750	£4,750	£-32,540
Surplus/Loss per LA with 25 members	£68,040	£26856	£6,264	£-141,400	£6,264	£6,264	£-42,960
Surplus/Loss per LA with 16 members	£106,310	£41960	£9,790	£-220,940	£9,790	£9,790	£-67,120
Surplus/Loss per LA with 8 members	£212,625	£83925	£19,575	£-441,875	£19,575	£19,575	£-134,240

2.2: Scenario B

In this scenario, the weekly placement cost is £10,000 across all years (no inflation factored in).

Scenario B	B1	B2	B3	B4			
				Year 1	Year 2	Year3	Over 3 years
Occupancy Rate	100%	90%	85%	5%	85%	85%	
Annual Revenue Raised	£12,480,000	£11,232,000	£10,608,000	£6,240,000	£10,608,000	£10,608,000	
Running cost	£8,595,000	£8,595,000	£8,595,000	£8,683,000	£8,595,000	£8,595,000	
Surplus/Loss	£3,885,000	£2,637,000	£2,013,000	£-2,443,000	£2,013,000	£2,013,000	£527,670
Surplus/Loss per LA with 33 members	£117,730	£79,910	£61,000	£-74,030	£61,000	£61,000	£15,990
Surplus/Loss per LA with 25 members	£155,400	£105,480	£80,520	£-97720	£80,520	£80,520	£21,110
Surplus/Loss per LA with 16 members	£242,810	£164,810	£125,810	£-152,690	£125,810	£125,810	£32,980

Surplus/Loss per LA with 8 members	£485,625	£329,625	£251,625	-£305,375	£251,625	£251,625	£65,960
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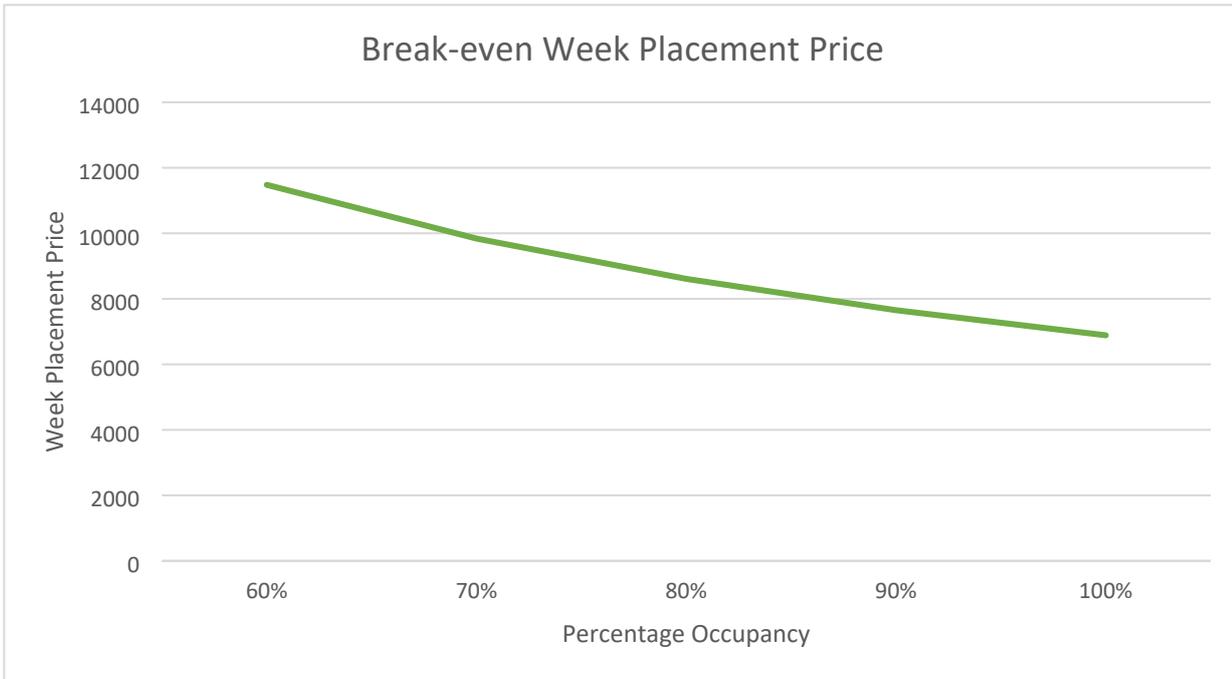
2.3: Scenario C

In this scenario, the weekly placement cost is £12,000 across all years (no inflation factored in).

Scenario C	C1	C2	C3	C4			
				Year 1	Year 2	Year 3	Over 3 years
Occupancy Rate	100%	90%	85%	50%	85%	85%	
Annual Revenue Raised	£14,976,000	£13,478,400	£12,729,600	£7,488,000	£12,729,600	£12,729,600	
Running Cost	£8,595,000	£8,595,000	£8,595,000	£8,683,000	£8,595,000	£8,595,000	
Surplus/Loss	£6,381,000	£4,883,400	£4,134,600	-£1,195,000	£4,134,600	£4,134,600	£2,358,070
Surplus/Loss per LA with 33 members	£193,360	£147,980	£125,290	-£36210	£125,290	£125,290	£71,460
Surplus/Loss per LA with 25 members	£255,240	£195,336	£165,384	-£47,800	£165,384	£165,384	£94,320
Surplus/Loss per LA with 16 members	£398,810	£305,210	£258,410	-£74690	£258,410	£258,410	£147,380
Surplus/Loss per LA with 8 members	£797,625	£610,425	£516,825	-£149,375	£516,825	£516,825	£294,760

3. Break Even Costs

The below graph demonstrates the weekly placement price the SCH would have to charge to break even at different levels of occupancy. This includes covering the costs of the PLV and secure transport. We can see that at below roughly 70% occupancy, the cost of a week placement in the secure children's home needed for the home to break even rises above £10,000. Of course, the running costs of the SCH will change with the number of children who are housed there, as staffing and food costs will vary. Therefore, we can expect that this model significantly overestimates the week-placement costs needed to break even at lower rates of occupancy.



The exact break-even weekly placement prices are shown in the table below, rounded to the nearest £10.

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

Cost of PLV

These estimates are taken from the NEL business case. We have included an updated cost for 2022.

Estimated Year 1 PLV Costs

The following Table shows the estimated costs of the PLV in Year 1 of operation based upon the assumption the PLV would be a standalone organisation. These costs have been separated out into set-up (A) and on-going (B) costs.

Expenditure	A: Year 1 set-up	B: Year 1 on-going	C=A+B: Total Year 1 costs
Staff Costs: Management	£0	£285,795	£285,795
Professional Fees	£9,203	£24,961	£34,164
Office rent, rates and service charges	£0	£58,286	£58,286
Contracts	£0	£18,108	£18,108
Fit-out and Furniture	£51,240	£0	£51,240
IT and Hardware	£18,995	£9,030	£28,025
Sundries and Supplies	£0	£3,422	£3,422
Training	£0	£10,500	£10,500
Other	£0	£8,418	£8,418
Total	£79,438	£418,520	£497,958

Totals in 2022 (CPI)	£81,187	£433,00	£514,819
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