



POLICY AND RESOURCES COMMITTEE

7 October 2021

REPORT TITLE:	CHILDREN'S RESIDENTIAL TRANSFORMATION PROGRAMME
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE

REPORT SUMMARY

The report provides for consideration of the recommendations of the Children, Young People and Education Committee in respect of Children's Residential Transformation Programme. The full minute of the Children, Young People and Education Committee and associated Report of the Director of Children, Families and Education is attached.

RECOMMENDATION/S

The Children, Young People and Education Committee held on Monday, 4 October 2021 resolved to recommend that the Policy and Resources Committee:

- 1) approves the issue of a commercial loan facility to We Are Juno CIC, in terms approved by the Director of Resources, in consultation with the Director of Law and Governance, as set out in section 5 of this report, in the sum of up to £1,000,000;
- 2) authorises the Director of Resources, in consultation with the Director of Law and Governance, to:
 - (a) settle and perfect such security for the performance of the borrower's obligations under the commercial loan facility as is offered by We Are Juno CIC to the Council; and
 - (b) agree such minor variations in the terms of the commercial loan facility as are necessary to reflect any changes in circumstances arising during the term of any loan agreed, including any security pursuant to recommendation 2(a) above.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The external due diligence has now been completed: The Children, Young People and Education Committee gave an in-principle agreement for the recommended investment, subject to due diligence being carried out. An external organisation, Camdor Global, was requested to complete the due diligence work, taking into account the business case and financial plans produced by the proposed borrower, We Are Juno CIC . A report was produced, as attached at Appendix A, which provides a balanced overview of the proposals and identifies a recommended loan interest rate for Wirral Council. Appendix A to this report contains exempt information as defined in Schedule 12 A of the Local Government Act 1972. It is in the public interest to exclude the press and public during consideration of this item under paragraph 3 (information relating to the financial and/or business affairs of any particular person including the authority holding the information). Given that the due diligence work is now complete, and a full report can be presented, it is anticipated that the Committee will be in a better position to make an informed decision on whether to recommend the proposal to Policy and Resources Committee.
- 1.2 To ensure there are local homes for Wirral Children Looked After as the numbers of children in care continues to rise: Across the Liverpool City Region (LCR), the number of Children Looked After has increased by 18% since April 2016. Wirral Council has implemented a rigorous programme to reduce numbers, however, the current number of children in care is 820, is still high. With 11% fewer independent foster carers than in 2016 and with in-house foster carers reducing across the region, the number of carers is failing to grow in line with increases in Children Looked After.
- 1.3 To help address the financial pressures for Wirral Council as the costs of placements continues to increase: With demand outstripping supply, there is no incentive for providers to be competitive in their pricing resulting in costs . Indeed the increase in costs shows little sign of slowing. The current average weekly cost of a residential placement in the North West is £4,196 per week with some placements for children presenting more complex needs, costing over £6,000 per week.
- 1.4 To provide high quality provision for the borough's most vulnerable children in a market where the quality of current provision is mixed: Whilst the Council tries to ensure Wirral children are placed in provision rated good or outstanding by Ofsted, the mixed position of quality in the market means that this is not always possible. To mitigate this, the Council has put measures in place to ensure regular quality monitoring and review of premises and organisations offering placements. There remains a need to drive up quality so that children have holistic environments which not only provide basic care requirements, but also provide support for emotional wellbeing and education outcomes.

- 1.5 To create more local placements and help reduce the number of children who must be placed out of the borough: Currently residential placements for Children Looked After are commissioned via an established procurement framework - the North West Flexible Purchasing Scheme. This framework offers competitive placement rates compared with other frameworks across the country. Many local authorities seek to reduce placement costs by commissioning via the North West Flexible Purchasing Scheme thereby reducing the number of local placements available in Wirral. This results in the Council having to place children in out of borough homes away from their families and local communities. It also has a significant financial impact on the Council, given that out of borough placement unit costs are higher and require additional resources to support the child e.g. travel and time required by key workers such as social workers, Independent Reviewing Officers and support workers.
- 1.6 To increase sufficiency within the current children's care sector: The Council has an average of 8% of Children Looked After in externally commissioned residential placements. As at the end of April 2021, 61 residential placements were commissioned with 26 children (42.6%) living in-borough and 35 children placed out of borough. Of the 35 children living out of borough, 27 live more than 20 miles away from the Wirral, some as far away as Scotland, Cumbria and Durham, rupturing ties with their local community, peers, schools and, at times, family. These 'at a distance' placements hinder the Council's ability to monitor value for money, quality standards and most importantly the progress and outcomes of the young person. Whilst in some circumstances it is in the child's best interest to be out of area, for safeguarding reasons and/or matching reasons, a proportion of out of area placements relate to lack of current local options.
- 1.7 To invest in an ethical provider to provide balance to a market dominated by private providers who use growth acquisition models to increase market share and encourage resilience in the supply of placement opportunities : It is evident that private equity companies have used growth acquisition models (where private companies buy other private companies) to increase their market share in the children's care sector. This means that a large proportion of the children's residential market is owned by small number of private companies. Within the North West, five private providers provide 30% of all residential placements. This risk is that should any of these companies enter significant financial difficulty and be unable to continue to provide homes for children, there would be a significant adverse effect on Wirral's most vulnerable children and young people. 1.8 The current model of growth by acquisition may possibly come to an end or be restricted as the Competition and Markets Authority starts to investigate sales and potentially intervene: This means the next tranche of private equity owners may not be able to rely on economies of scale and efficiency savings through growth by acquisition. The unavoidable consequence of this is that future profitability of these organisations may need to be gained through higher prices and/or lower service investment.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options have been considered as reported within the minutes of the Children, Young People and Education Committee and appended report.

3.0 BACKGROUND INFORMATION

- 3.1 In June 2021, the Children, Young People and Education Committee considered a report which requested approval for a financial investment of £1,000,000 by way of a commercial loan to support the development of up to four new children's homes in Wirral.
- 3.2 The Committee gave an in-principle agreement to the proposal subject to due diligence being carried out and requested that the Director for Children, Families and Education bring a further report back to the Committee at an appropriate date.
- 3.3 This report presents a summary of the external due diligence work carried out and outlines the proposed loan arrangements for the investment.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The report is before Policy and Resources Committee as the decision is deemed significant in terms of impact on the Council's revenue or capital.
- 4.2 Other financial implications are as set out in the appended report.

5.0 LEGAL IMPLICATIONS

- 5.1 In accordance with the Part 3B of Constitution (Committee Terms of Reference), the Policy and Resources Committee has two main areas of responsibility, which is to provide strategic direction to the operation of the Council, including making decisions on policies and co-ordinating spend not reserved to full Council, and to maintain a strategic overview of outcomes, performance, risk management and budgets.
- 5.2 the Policy & Resources Committee is charged by full Council to provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management. In particular, this includes specific responsibility for a decision which is deemed significant in terms of impact on the Council's revenue or capital (Section 1.2 (b) (vi) of the Constitution).

As part of the matter of business that was the subject of the report to Children, Young People and Education Committee falls under that responsibility reserved to the Policy and Resources Committee, the Children, Young People and Education Committee's resolution is presented as a recommendation.

- 5.3 As the decision in this matter is the subject of a recommendation from another Committee, the Policy and Resources Committee must take into account the resolution of that Committee and give due regard to the guidance and

comments made by its members. The Policy and Resources Committee must not, however, consider itself bound by that Committee's recommendations or otherwise fetter its discretion; its Members must come to their own decision. In doing so, the Committee must satisfy itself that it has been provided with all relevant information or a suitable précis to enable it to comply with its duties and make a lawful decision.

5.3 Other legal considerations are as set out in the appended report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 This report is for information only and does not contain any direct resource implications.

7.0 RELEVANT RISKS

7.1 The risks were covered in the original report submitted to the Committee.

8.0 ENGAGEMENT/CONSULTATION

8.1 Engagement and Consultation were covered in the original report submitted to the Committee.

9.0 OTHER IMPLICATIONS (EQUALITY, ENVIRONMENT, CLIMATE & COMMUNITY WEALTH BUILDING)

9.1 Other implications arising from the subject matter were considered as set out in the annexed report(s) and meeting minute.

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APPENDICES

Appendix 1 – Minute Extract from Children, Young People and Education Committee
4 October 2021

BACKGROUND PAPERS

Council Constitution

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Children, Young People and Education Committee	15 June 2021
	4 October 2021