

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

10 NOVEMBER 2016

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET DECISION

**Leader of the Council – Lead Cabinet Member - Cllr Bob Cook
Children and Young People – Lead Cabinet Member – Councillor Mrs McCoy**

SPARK OF GENIUS NORTH EAST LLP: JOINT VENTURE – PROGRESS UPDATE

1. Summary

This report sets out an update of progress in implementing the Joint Venture arrangement with Spark of Genius. It provides information on the business model, the residential homes and the independent special school established as part of the Joint Venture and seeks approval for further proposals to be taken forward.

2. Recommendations

Members are requested to

1. Note the update;
2. Endorse the principle of locating the fourth home in a neighbouring authority area;
3. Delegate decisions on further developments to the Director of Finance and Business Services and the Director of Children's Services in consultation with the Leader of the Council and the Cabinet Member for Children and Young People.

3. Reasons for the Recommendations/Decision(s)

To provide a report on progress with the joint venture, seek endorsement for the approach for the fourth home to be outside Stockton and to delegate future decisions on future developments.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

AGENDA ITEM

REPORT TO CABINET

10 NOVEMBER 2016

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET DECISION

SPARK OF GENIUS JOINT VENTURE: PROGRESS UPDATE

SUMMARY

This report sets out an update of progress in implementing the Joint Venture arrangement with Spark of Genius. It provides information on the business model, the residential homes and the independent special school established as part of the Joint Venture and seeks approval for further proposals to be taken forward.

RECOMMENDATIONS

1. Members are requested to:
 - a. Note the update
 - b. Endorse the principle of locating the fourth home in a neighbouring authority area.
 - c. Delegate decisions on further developments to the Director of Finance and Business Services and the Director of Children's Services in consultation with the Leader of the Council and the Cabinet Member for Children and Young People.

BACKGROUND

2. Cabinet approved the establishment of a joint venture partnership with Spark of Genius to deliver care and education to children with complex needs in March 2013. The following set out the basis of the proposal:
 - a. A joint venture will be established between SBC and Spark of Genius with 50:50 share.
 - b. SBC will purchase and own a number of children's homes within/close to the Borough.
 - c. SBC will renovate and own the former King Edwin site which will be used for education provision.
 - d. SBC will receive market rent for the King Edwin site and Children's homes from the joint venture.
 - e. Spark of Genius will provide care and education services, manage and operate the school and be paid a management fee.
 - f. SBC will be charged a market rate for placements but will benefit from 50% 'profit' from the partnership.
 - g. Surplus places will be 'sold' to other local authorities.
3. At the time of the Cabinet decision, Stockton Council had 37 children placed in residential social care at a cost of around £4.6 million per year. The business case for the joint venture partnership with Spark of Genius was based on accommodating 20 children currently in out of Borough placements. The cost of supporting these children was estimated at approximately £3.5 million per year.

4. The partnership was designed to enable looked after children with complex needs to live and be educated within the Borough. The cost of acquiring suitable properties and bringing the former King Edwin School back into use was estimated at just over £2 million but the new arrangements were expected to save the Council more than £400,000 per year.
5. Spark of Genius provides education, residential care, autism services, community support and post-16 programmes for children and young people throughout the UK. The company has considerable experience and expertise in caring for looked after children and takes great pride in being a good neighbour. Its well-trained staff will look after the young people on a 24-hour basis so that they are appropriately supervised, cared for and attend school.
6. Stockton Council and Spark of Genius have established a joint venture partnership called "Spark of Genius North East". Under the terms of the partnership, Stockton Council own the children's homes and the school, whilst Spark of Genius provide care and education services by managing and operating the homes and the school.

DETAIL

The partnership

7. The partnership is governed by a Board which serves to steer the partnership, review the business model and the progress in both residential home and school implementation.
8. The Council is represented on the Board by the Director of Finance and Resources and the Assistant Directors for Schools and Special Educational Needs, Safeguarding and Looked After Children and, more recently, Early Help, Partnership and Planning. Given recent management changes within the Council, the membership of the Board is now under review.
9. Board meetings review progress in the implementation of the JV partnership and business model; the delivery of the key areas of business i.e. the residential homes and the school provision and providing a forum for updating on operational issues. The Board receives updates on the performance of each of the homes and the school, with challenge and support provided by the relevant Assistant Director representative on the Board. The analysis and challenge framework includes the following elements:
 - a. Outcomes and progress for children in the homes and school;
 - b. Financial performance of the Joint Venture
 - c. Business 'health check' measures including staffing capacity and turnover; efficiency; business improvement and management of risk.
10. Spark of Genius NE remain responsible for the operational management of the homes and the school. This includes the management of relationships in the communities in which the facilities are located.
11. The Council continues to monitor and challenge on the progress and outcomes for children and young people in the same way as it undertakes this role for all providers of services.
12. The development of the partnership and the establishment of the residential homes and the school has required considerable involvement and input from Council officers, including the Director of Children's Services, including at one point the secondment of a member of staff to support the establishment of the residential homes. As the model has matured, there has been less direct involvement in providing this type of support, with the Council's role being to provide support and challenge through the Board.
13. The Council's external auditors, Mazars, undertook an assessment of the Spark of Genius NE Limited Liability Partnership as part of its audit of 2013/14 financial year. This assessment concluded that:

Based on our assessment of the Spark of Genius NE LLP project, in seeking new and innovative ways to deliver services the Council has arrangements that:

- a. seek to safeguard public money;*
- b. consider the needs of citizens; and*
- c. aim to comply with laws and regulations.*

Our work found evidence of a controlled and innovative process in procuring a new way of providing statutory services. The reconfiguration of the services can, when operational, lead to financial savings for the Council whilst providing better care and education to some of the Borough's most vulnerable people.

Residential homes

14. The initial business model envisaged the establishment of four residential homes on the basis of the Council purchasing and owning the homes, with Spark of Genius providing management.
15. The Joint Venture envisaged the establishment of four homes. To date three homes have been completed and opened.
16. The current status of the three homes is as below:

Name / location	Date of registration	Capacity	Current placements	Ofsted rating
Fairview	24/06/14	5	5	Good
Red Plains	17/02/15	5	4	Good
Old Vicarage	21/03/16	5	4	Good

17. The current pattern of outcomes from inspection represents a significant improvement over time, as initial outcomes from inspection were not as positive. Aspects of leadership and management, such as systems for reporting have been a theme raised in inspection reports and remain a key focus for Spark of Genius as the operational manager of the homes, and is an issue which the JV Board has addressed. However, this has not prevented the overall judgements from being categorised as 'Good'.
18. It is recognised that there were some issues both in terms of the capacity of staffing, and in the appropriateness of placements which impacted negatively in the early stages on the effectiveness of the homes, and on the confidence to place further children. These have now been addressed, and the homes have been operating near capacity since the summer.
19. As with all children's homes, the Council retains the responsibility as 'placing' authority for care planning, progress and outcomes. The day to day responsibility for support and safeguarding rests with the registered managers of the homes.
20. The role of the JV homes in supporting placement sufficiency was referenced in the recent Ofsted Single Inspection Framework report:

A recent joint venture with a private company has begun to reduce the number of external residential placements. This is an innovative project which is still developing, resulting in three new children's homes in Stockton-on-Tees and another in the planning stage.

King Edwin School

21. King Edwin School is an independent special day school for boys and girls aged six to 16 years. It is located in a building previously used as a local authority special school. The school opened in October 2013 as part of the Joint Venture arrangement.
22. The school is registered for up to 50 students and provides full time education for them. Currently, there are 27 secondary-aged students on roll with plans to increase to 35.
23. All students have a statement of special educational needs in relation to behavioural, emotional and social difficulties. The school aims to ensure that students can return to full time education, gain recognised qualifications and succeed through therapeutic and supportive processes.
24. A new Headteacher was appointed on 1 April. There has been a significant turnover in staff over the period of establishment which has been an issue of concern for the Board, but there are now increasing signs of stability.
25. The last Ofsted inspection in October 2014 graded the school as 'Good'.
26. In recognition of the challenges associated with developing and maintaining such provision, the Council's Education Improvement Service continues to work closely with the school on leadership, management, curriculum and teaching.

The fourth residential home

27. The Joint Venture Board has reviewed the basis on which a fourth home would be provided based on the intelligence provided through the Children's Multi Agency Panel (CMAP) chaired by the Director of Children's Services which oversees need and demand and approves out of borough placements.
28. The most significant issue which has created additional demand for placements over the past 2 years has been where children's care plans suggest that they should be located away from their immediate environment because of a number of risks related in some cases to child sexual exploitation, and where there is therefore a need to ensure children are safeguarded away from immediate risks, but with the ability to maintain contact with family members.
29. The proposal for the fourth home is therefore that this should be located externally to Stockton, though ideally in a neighbouring authority, to ensure that the young people are protected from harm and the risks posed by their current environment. The corporate parenting responsibility for these young people would still rest with the Council, and all other safeguards would be in place to support them in a stable placement.
30. Spark of Genius have commenced an initial search process for new premises in neighbouring authorities, and proposals will be considered at a future Board meeting prior to implementation. There are a number of options to fund this further facility.

Further developments

31. As the business model matures further, there are opportunities to consider additional elements of service provision which could be delivered through the joint venture.
32. This may include additional residential children's homes or other specialist provision such as 'edge of care' provision which could prevent children and young people from becoming looked after through the provision of intensive support, therapeutic interventions or other support to help children remain at home where it is safe to do so. Opportunities to develop this type of provision are currently being examined as part of the Medium Term Financial Plan and the Big Picture programme.

33. The report is therefore seeking delegated authority to progress additional proposals through the Board, in consultation with relevant Cabinet members.

COMMUNITY IMPACT IMPLICATIONS

34. This report does not propose a new strategy or policy direction and as such an assessment of community impact has not been undertaken in detail. Proposals for future developments will be considered and assessed in terms of their likely impact,

FINANCIAL IMPLICATIONS

35. The proposal was based on an invest-to-save model with income to the Council based on a rental income for the properties and a share of the profit. The estimated financial benefit was originally estimated at £400,000 per year. Performance in 2016/17 is currently on target to achieve the £400,000 saving. The estimated saving when all four planned homes are operational is £600,000 per year. The Medium Term Financial Plan has outlined significant financial pressures in this area which would be much worse if the Joint Venture had not been established.

LEGAL IMPLICATIONS

36. There are no new legal implications from this Report.

RISK ASSESSMENT

37. There are no new risks associated with this report. Any risks associated with the location of a fourth home will be considered in detail at that stage, as will be the base with any additional proposals.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

38. The approach has clear benefits for:

- a. Protecting the most vulnerable children and young people by supporting their placement in high quality residential care where this is the most suitable placement to meet their needs.

CORPORATE PARENTING IMPLICATIONS

39. The statutory guidance on securing sufficient accommodation for looked after children (LAC) requires local authorities to secure, as far as reasonably practicable, sufficiency accommodation within the local authority area to meet the needs of its LAC.

40. The Council's commitment to fulfilling this duty led to the establishment of the Joint Venture vehicle, which remains a key element in the Council's approach. The establishment of a fourth home further reinforces the priority to secure the best provision for looked after children and young people.

CONSULTATION INCLUDING WARD/COUNCILLORS

41. The Leader of the Council and Cabinet Member for Children and Young People have been consulted.

Name of Contact Officer: Martin Gray
Post Title: Assistant Director, Early Help, Partnership and Planning
Telephone No: 01642 527043
Email Address: martin.gray@stockton.gov.uk

Background Papers

None

Ward(s) and Ward Councillors:

Not applicable

Property

The joint venture model is based on the Council acquiring further properties. This will be progressed in line with standard practice