

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

12 OCTOBER 2017

**REPORT OF SENIOR
MANAGEMENT TEAM**

CABINET DECISION

Cabinet Member for Children and Young People – Cllr Mrs McCoy

ADOPTION TEES VALLEY – FULL BUSINESS CASE

1. Summary

This report seeks approval for the Adoption Tees Valley Business Case. It outlines the background the establishment of ATV as a new regional adoption agency, to meet the requirements of the Education and Adoption Act 2016. It sets out the basis for the new organisation, which will be hosted by Stockton-on-Tees Borough Council, which will officially go live on 1 April 2018

2. Recommendations

1. Cabinet is asked to approve the ATV Full Business Case as attached at **Appendix 1**.
2. Cabinet is asked to note the draft section 101 agreement at Appendix 2.
3. Cabinet authorises the Director of Children's Services in consultation with the Director of HR, Legal & Communications, Director of Finance & Business Services and Cabinet member for Children's Services, to agree the final details of the partnership agreement subject to there being no substantial changes to the Full Business Case and draft section 101 agreement.
4. Cabinet agrees to receive a further report in December to formally accept the delegated authority for the ATV from the other four Councils.

3. Reasons for the Recommendation(s)/Decision(s)

To enable the Council; to fulfil the requirements of the Education and Adoption Act 2016, and to support better outcomes and performance for children where adoption is the agreed permanence plan.

4. Members

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)

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SUMMARY

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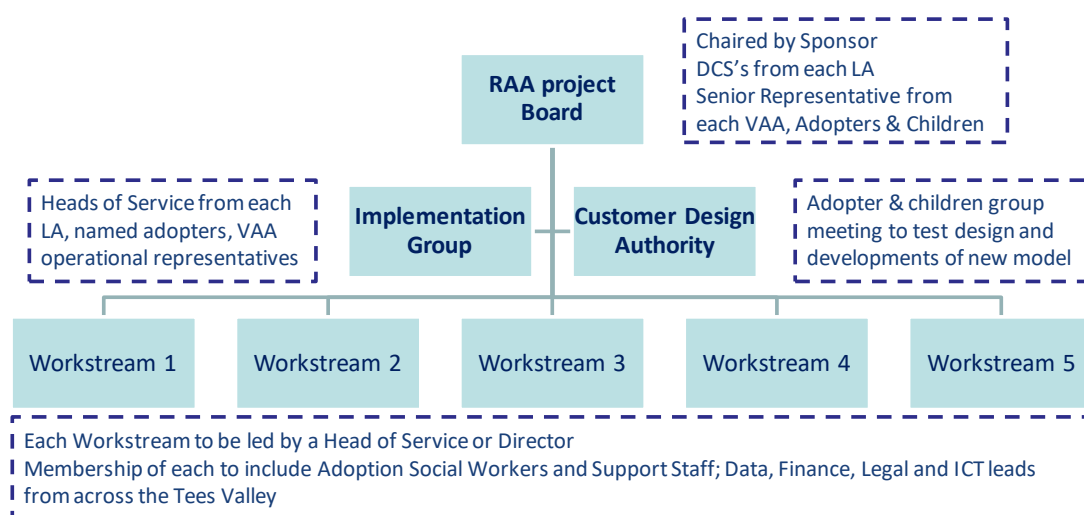
RECOMMENDATIONS

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2. Cabinet is asked to note the draft section 101 agreement at Appendix 2.
3. Cabinet authorises the Director of Children's Services in consultation with the Director of HR, Legal & Communications, Director of Finance & Business Services and Cabinet member for Children's Services, to agree the final details of the partnership agreement subject to there being no substantial changes to the Full Business Case and draft section 101 agreement.
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DETAIL

1. In June 2015, the Department for Education (DfE) published 'Regionalising Adoption' and asked all adoption agencies in England to consider how to work much more closely together on a regional basis. This was enacted as the Education and Adoption Act 2016 which advised authorities and voluntary adoption agencies to join together to form Regional Adoption Agencies (RAA). The Act also gives the Secretary of State a new power to direct one or more named local authorities to make arrangements for any or all of their adoption functions to be carried out on their behalf by one of the local authorities named, or by another agency. By 2020, all local authorities must be part of a Regional Adoption Agency (RAA) under Section 16 of the Education and Adoption Act 2016.
2. The Government's view is that structural change will improve the process for children and adopters leading to improved numbers of children being adopted, an improved experience for adopters and improved timeliness overall. The DfE expects the RAA programme to deliver consistently good and innovative adoption practice that ensures improved life chances for children.
3. In October 2015, the Tees Valley local authorities submitted an expression of interest to the Department for Education for an adoption reform grant to scope the development of a Tees Valley Adoption Service. Initially this project was being led by Middlesbrough Borough Council, however, since January 2016, Hartlepool Borough Council has fulfilled the lead authority role.

4. In April 2016, the Tees Valley Regional Adoption Agency (TVRAA) submitted a transition plan to DfE providing outline proposals, work completed to date and a high-level implementation plan for the forthcoming year. This was a requirement for accessing DfE grant funding to support the development and implementation of the RAAs nationally.
5. An update report for information was presented to Cabinet on 21 April 2017. This report provided an outline of the work to date, shared the Outline Business Case and noted the need for further key decisions to be taken by local authorities during 2017.
6. Throughout 2017 work has focused on the development of the Full Business Case (FBC) which is appended to this report at **Appendix 1**. The FBC builds on the foundations laid by the OBC, but notably includes all key decisions required before moving into the implementation phase.
7. The governance structure remained in place for the programme headed by the RAA Management Board made up of the Directors of Children's Services and senior managers from local VAAs and key partner agencies. Beneath this sits an implementation group of managers leading adoption work across the Tees Valley and a 'Customer Design Authority' which is made up of adopters and adoption experienced individuals.



8. Workstreams were established to progress key themes for the FBC. Each workstream had representation from all five local authorities which included a lead officer/chair. The groups were:
 - Practice and organisational design;
 - Commercial, legal and governance;
 - Human Resources;
 - Finance;
 - ICT;
 - Performance & Information Governance; and
 - Property.
9. The outcomes from of the above workstreams is fully documented within the attached FBC, however, a summary of the key decisions is provided section 4 of this report.

Governance

10. Since the approval of the OBC a review of the governance model has been undertaken. The initial model was to have been a separate legal entity such as a Local Authority Trading Company. However, the review concluded that for practical reasons there will initially be a shared service hosted by Stockton Borough Council. The hosted service will be designed and

governed in a way that has the benefits of a separate legal entity. Service design principles include:

- a. Stockton will be the host for 'pay and rations' only and a governance model will be developed to allow all five TV authorities to have an equal say in the running and future development of the RAA.
- b. The RAA will have its own identity, branding, and discrete location.
- c. A review will be undertaken after 18-24 months to consider whether moving to a separate legal entity would be appropriate.
- d. The Authorities will enter joint arrangements under Section 101 of the Local Government Act 1972.

- 11. The Director of Children's Services (DCS) for each Local Authority will be responsible for ensuring that the requirements of local authority democratic processes are met through reporting to Elected Members/Portfolio Holders. There will be an opportunity for Lead Members to meet on a regular basis to receive updates on the RAA and visit the service. Under the National Minimum Standards for Adoption, there is a requirement that the executive side of the local authority receives six monthly report detailing the management outcomes and functioning of the adoption service.
- 12. The DCS will appraise Members and Directors of Finance, of any financial or budget implications for Adoption Tees Valley which has an impact on the Local Authority, seeking authority to proceed with any changes which are recommended by the Board. This recognises that financial decisions outside the normal / agreed budget, will need to be approved by all five Local Authorities.
- 13. Due to the value of the services being provided and to comply with European Union procurement law, each local authority will need to delegate Adoption hosting powers to Stockton on Tees Borough Council. The formal delegation of powers from Hartlepool to Stockton will take place following approval of a similar report to each Council and with subsequent approval from Stockton-on-Tees Council to accept the delegation. This will be the subject of a further report in December.

Service Design/Staffing

- 14. A structure and operating model has been designed to reflect the ideal experience for each key stage of the journey to adoption, from the perspective of children and adopters.
- 15. Services included in ATV are listed below:

What is in scope	What is not in scope
Adopter marketing and recruitment	Fostering
Adopter assessment and training	Special Guardianship Order function
Adopter and child matching	Connected persons
Family finding	
Post adoption support	

- 16. The RAA Board recommend the new service be known as Adoption Tees Valley.
- 17. The appointment of the Service Manager is key to the implementation phase, and this is planned as soon as possible.

Finance

18. Baseline financial information has been collected for the five local authorities. The purpose of collecting base line data is to provide a comparator to the proposed budget for ATV, allowing the proposed budget to be compared against the cost of current arrangements. The base line information also allows comparison to the proposed split of the cost of ATV budget between the five Councils to allow each authority to consider their resource position.
19. The collection of baseline data has involved the investigation of spend at each Council on the work areas that are included within scope for ATV. Not all of the five Councils have a separate team for adoption services (there are Family placement teams at a number of the Councils that cover both fostering and adoption) therefore an estimation of the split of costs between the services has had to be taken.

Baseline	D'ton	H'pool	M'bro	Redcar	S'ton	TOTAL
Staffing baseline cost (2017-18 Budget)	£153,549	£157,948	£402,337	£237,658	£250,713	£1,202,205
Running Costs (3 year average)	£72,147	£29,725	£47,686	£22,650	£55,992	£228,200
Baseline Cost (excluding Inter-agency Fees)	£225,696	£187,673	£450,023	£260,308	£306,705	£1,430,405
Baseline Cost (excluding Inter-agency Fees)	15.8%	13.1%	31.5%	18.2%	21.4%	100%
Net Inter-agency Fees (3 year average)	£90,038	£37,305	£228,893	£58,774	£195,054	£610,064
Total Baseline Cost	£315,734	£224,978	£678,916	£319,082	£501,759	£2,040,469
Total Baseline Proportion	15.5%	11.0%	33.3%	15.6%	24.6%	100%

20. An overriding principle of the business case development is that ATV can cost no more than current baseline costs.
21. There are many methods that can be used to allocate a share of the costs to each partner Council. These include allocating the shares based on one or more of a number of metrics. It is the preference of the contributing councils that the method should be as simple as possible whilst also being fair and equitable and minimising financial turbulence. The Tees Valley Directors of Finance who concluded that these costs will be split on the basis of the current budgets. The budget allocation of £1.43m being split as detailed in paragraph 4.11 and in summary results in the following contributions:
- Darlington £226k (15.8%)
 - Hartlepool £188k (13.1%)
 - Middlesbrough £450k (31.5%)
 - Redcar & Cleveland £260k (18.2%)
 - Stockton £307k (21.4%)
22. The above funding formula will be fixed for future years to provide a stable financial base for the RAA and the five local authorities. Any savings/overspends will be split between the five Councils on the same percentage basis as they have put in. No savings target is set for year one, however future savings / increased adoptions will be expected as the service benefits from efficiencies/economies of scale.
23. **Inter-agency fees** can vary significantly year on year based on demand, the level of in-house capacity to meet that demand, and the specific matching requirements of children being placed for adoption. Over the last three years spend has been fairly consistent across the

Tees Valley, not varying too widely from the three-year average of £610k. However, there are fluctuations within this position for individual councils. A three-year average has been used to provide a more 'typical' level of spend rather than capture a year where expenditure was particularly high or low for any council(s). The Tees Valley Directors of Finance have concluded that:

- ATV will not be provided with the resource for inter-agency fees, the funding will stay with each Council.
- ATV will be set a target spend in year one of no more than £500k (net).
- It is expected that spend on inter-agency fees will decrease with a view to a nil net spend in future years. Year two onwards targets to be set at a future date.
- Any spend in year one will be charged to the five Councils on a split based on their share of the total average number of adoptions (ie the total number of adoptions being the sum of both inter-agency and non inter-agency adoptions) over the last three year period. This element of the funding formula will also be fixed for future years and will reflect the following percentage contributions:

	Percentage contributions (based on average annual adoption numbers 2014/15 to 2016/17)
Darlington	20.2%
Hartlepool	14.0%
Middlesbrough	27.2%
Redcar and Cleveland	14.0%
Stockton	24.7%
Total	100.0%

24. **Support Services** are to be provided by Stockton Council. These have not been finalised as yet, but an upper working estimate of £0.180m is being used. This is made up of Premises (£0.080m), ICT (£0.070m), and Finance/HR/Legal (£0.030m). These costs have not been included in baseline costs. Once the actual budget is agreed, this will be split between each Council on an equal share basis.
25. **Set-up Costs** - ATV will have some one off set up costs, in particular for the premises, ICT and project management requirement. These are yet to be fully quantified as some of these are dependent on decisions around working practices. Set-up costs will be funded by the grant held by Hartlepool Borough Council until this is exhausted and only if this insufficient should any remaining costs be shared between the five councils.
26. **Redundancy Costs** - The position regarding redundancies will not be known until the final structure has been agreed and TUPE arrangements completed. The ATV budget has no provision for redundancy costs incurred upon set up. It is expected that an effective management of change process will minimise redundancies. However, it is proposed that any redundancy costs that are incurred upon set up will be shared equally amongst the five Councils. No provision has been built into the ATV budget for any future redundancies that may arise within ATV after inception. It is expected that any redundancies would occur either from a reduction in service requirement (i.e. less demand) or as a result of efficiencies within working practices. Both of these situations would create a saving within the ATV budget, therefore it is proposed that future redundancies would be picked up with the ATV budget, pre- the return of any savings to the contributors.

PLAN AND NEXT STEPS

27. The current phase of the project has seen the formulation of this Full Business Case document.



28. Once the Full Business Case is approved the project will move into the implementation phases.

- a. **Implementation** – the establishment of Adoption Tees Valley.
- b. **Transition – Local Authorities** – looks at the reorganisation of the Local Authority services. This is particularly important for those LA's where Fostering and Adoption are currently combined services.
- c. **Infrastructure Live** – this is the milestone in January which needs to be achieved to ensure a go live for the full service in April 2018.
- d. **Transition to Adoption Tees Valley** – this will be the period from January to April 2018 when the work of the new organisation takes over from the existing local authority arrangements. It also takes account of all the workforce development / team building and culture issues.

29. It is proposed that the initial work for Transition and Implementation commence as soon as possible to ensure a timely implementation. The impact of change on the local authorities cannot be underestimated. Additionally, go live is fully dependent upon a number of critical milestones being met:

- Service Manager recruited and in post
- Accommodation identified and made ready
- ICT system purchased and installed
- ICT networks established
- Staffing structure in place and recruitment completed
- Information governance issues resolved, including Data Protection registration and Information Sharing Agreements all signed off by the Caldicott Guardians
- Memorandum of Understanding/S101 agreement signed off by all five local authorities

COMMUNITY IMPACT IMPLICATIONS

30. The key objectives of ATV, and a significant part of the governments rationale in moving to a new delivery model for adoption services is to widen the availability and options for hard to place children. Children who are “hard to place” tend to be those who are older, from minority ethnic groups, and/or who have additional needs that often arise as a result of disability. ATV proposal will have positive benefits for these groups of children, while at the same time not affecting the possibility of adoptive placements being found for less hard to place children, who are usually younger and of white/British heritage.

31. In terms of recruitment & assessment of new adopters, ATV will seek to include and target potential adopters from all sections of society including marginalised groups.

32. Establishment of ATV will therefore benefit children who have a plan for adoption, and prospective adopters who previously may not have felt that adoption was an option for starting or growing their family unit.

33. ATV model of working will ensure greater consistency of working across the 5 local areas in relation to issues affecting marginalised groups.

FINANCIAL IMPLICATIONS

34. The financial considerations are set out in paragraphs 19-27 of this report. There are not expected to be any additional costs.

LEGAL IMPLICATIONS

35. The powers to undertake the regionalisation of adoption services are contained in Section 15 of the Education and Adoption Act 2016 which allows local authorities to cease provision of their adoption service and gives the Secretary of State powers to direct that local authority adoption services be provided by another local authority or adoption agency.
36. The Adoption services described in this report comprise executive functions for the purposes of the Local Government Act 2000 and the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and therefore it is necessary for each of the Tees Valley authorities to formally delegate their respective adoption functions to Stockton Council under Section 9EA of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012. Stockton Council is then required to formally accept the delegation from the other Tees Valley authorities.
37. The proposed arrangement is deemed to constitute a contract which establishes or implements co-operation between contracting authorities pursuant to Regulation 12 (7) of the Public Contracts Regulations 2015 and is excluded from the requirements of competition.

RISK ASSESSMENT

38. There are risks associated with any significant change management programme such as this. The full business case has identified potential risks within the project and provides a risk matrix detailing a risk rating and mitigating actions. Going forward, the risks will be effectively managed through the Management Board and governance arrangements.
39. If the Tees Valley local authorities decides not continue with the development of the TVRAA there is a risk that the Government will use its powers under the Education and Adoption Act 2016 to require the local authorities to make joint arrangements for the provision of adoption services without the benefit of a grant to support this process.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

40. These proposals in this report are concerned with the policy priority of protecting the vulnerable through targeted intervention. The principle of ATV is that it will improve the effectiveness and timeliness of adoption services.

CORPORATE PARENTING IMPLICATIONS

41. The proposals in this paper are entirely focused on improving adoption performance and outcomes for those children in our care, for whom adoption is the agreed permanence plan.

CONSULTATION INCLUDING WARD/COUNCILLORS

42. The Cabinet Member for Children and Young people has been consulted. Formal consultation with affected staff will commence following the agreement of the business case by all five Councils.

Name of Contact Officer: Martin Gray
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Education related? No

Background Papers

Department for Education, Adoption: A Vision for Change March 2016

Ward(s) and Ward Councillors:

Property

The preferred location for a property is in Stockton. This is due to its central location within the Tees Valley, proximity to Stockton support services and ICT connectivity. A specification has been developed and a search for an appropriate property is being conducted within a review of all property with the Stockton Borough Council portfolio.