
REGIONAL ADOPTION AGENCY

**Responsible Cabinet Member -
Councillor Cyndi Hughes, Children and Young People Portfolio**

**Responsible Director -
Suzanne Joyner, Director of Children and Adults Services**

SUMMARY REPORT

Purpose of the Report

1. To ask Members to approve the Full Business Case to establish a shared Adoption Service for the Tees Valley and approval of delegated powers to Stockton Borough Council who will host the Service on behalf of the five Local Authorities involved.

Summary

2. 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. Enacted as the Education and Adoption Act 2016, it advised authorities and voluntary adoption agencies to join together to form Regional Adoption Agencies (RAA) with an expectation by 2020, that all local authorities must be part of a Regional Adoption Agency (RAA).
3. 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.
4. 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.
5. An Outline Business Case was developed in early 2017. Following a review of the governance model, the review concluded that for practical reasons there will initially be a shared service hosted by Stockton-on-Tees Borough Council. The hosted service will be designed and governed in a way that has the benefits of a separate legal entity whereby, the Service will have autonomy in operational day to day functions in service delivery yet will be held to account by the Regional Adoption Agency Board, comprising of the Directors of the Five Local Authorities involved.

Recommendation

6. It is recommended that Cabinet:-

- (a) Is asked to approve the Adoption Tees Valley Full Business Case as attached at **Appendix 1** to Council
- (b) Set aside £80,000 to cover the potential budget gap in the first year, dependent on support costs and interagency fees.
- (c) Is asked to delegate to Stockton Borough Council its duties set out in the draft section 101 agreement at **Appendix 2**.
- (d) Authorises the Director, Children's and Adult Services in consultation with the Director of Neighbourhood Services and Resources, Assistant Director, Law and Governance, and portfolio holder for Children and Young People, to agree the final details of the draft section 101 agreement subject to there being no substantial changes to the Full Business Case and draft section 101 agreement as it appears in Appendix 2.
- (e) That, subject to the execution of the section 101 agreement once it has been finalised in accordance with the authorisation in paragraph 6(d) above, Darlington Borough Council agrees that Stockton Borough Council will exercise delegated functions on its behalf with regard to the recruitment and assessment of adopters, adoption panels, family finding and adoption support.

Reasons

- 7. To progress the creation of a Tees Valley Regional Adoption Agency – Adoption Tees Valley.

**Suzanne Joyner,
Director of Children and Adults Services**

Background Papers

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

Jane Kochanowski - Extension: 5820

S17 Crime and Disorder	There are no issues
Health and Well Being	There are no issues
Carbon Impact	There is no impact on this report
Diversity	There are no issues
Wards Affected	No wards are affected by this report
Groups Affected	Children who are matched or placed for Adoption and Adults who wish to become adopters will be affected by the proposals in this report as they will be assessed in a timely manner thereby reducing any drift and delay in the adoption process.
Budget and Policy Framework	This decision does represent a change to the budget and policy framework'.
Key Decision	This is a Key Decision
Urgent Decision	This is not an Urgent Decision
One Darlington: Perfectly Placed	This report has implications for the 'Healthy Darlington' and 'Children and Young People's Plan.
Efficiency	There are measures of success that aim to deliver better outcomes for children and families, deliver improved value for money establish a strong and sustainable service
Impact on Looked After Children and Care Leavers	Children who are matched or placed for adoption and children who are hard to place, older young people and children from minority ethnic backgrounds will be impacted by the proposals in this report in a positive way as the scope for widening the field of adopters will be enhanced.

MAIN REPORT

8. 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.
9. 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.

10. 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 has fulfilled the lead authority role.
11. 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.
12. This report provided an outline of the work to date, shared the Outline Business Case (OBC) and noted the need for further key decisions to be taken by local authorities during 2017.
13. 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.
14. The governance structure remained in place for the next phase of the programme headed by the RAA Management Board made up of the Directors of Children's Services and senior managers from local VAA's (Voluntary Adoption Agencies) 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.
15. A number of work streams were established to progress key themes for the FBC. Each work stream had representation from all five local authorities which included a lead officer/chair. The groups were:
 - (a) Practice and organisational design;
 - (b) Commercial, legal and governance;
 - (c) Human Resources;
 - (d) Finance;
 - (e) ICT;
 - (f) Performance and Information Governance; and
 - (g) Property.
16. The outcomes from of the above workstreams is fully documented within the attached FBC, however, a summary of the key issues and decisions is set out below.

FULL BUSINESS CASE

Governance

17. Since the approval of the OBC a review of the governance model for the proposed RAA has been undertaken. It proposes there will be a shared service hosted by Stockton-on-Tees Borough Council initially. The hosted service will be designed and governed in a way that has the benefits of a separate legal entity. The service will have autonomy in operational day to day functions of service delivery yet will be held to account by the Regional Adoption Agency Board. 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) ATV would have its own identity, branding, and discrete location. This will set it aside from services managed under the corporate landlord function of Local Authorities. The proposed venue is a stand-alone building in Stockton with no links to the Local Authority and is scoped into the proposed financial arrangements set out in this report.
 - (c) A review will be undertaken after 18-24 months to consider whether moving to a separate legal entity would be appropriate.
18. The Authorities will enter joint arrangements under Section 101 of the Local Government Act 1972. 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. Under the National Minimum Standards for Adoption, there is a requirement that the executive side of the local authority receives six monthly reports.
19. Bi-annual meetings will be held with lead members/portfolio holders of all five Local Authorities to ensure strategic direction and oversight of performance management, outcomes for children and functioning of the adoption Tees Valley service.
20. 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.
21. Due to the value of the services being provided and to comply with European Union procurement law, Darlington Borough Council need to delegate Adoption hosting powers to Stockton Council. The formal delegation of powers from Darlington to Stockton will take place following approval this Council and with subsequent approval from Stockton's Cabinet.

Service Design/Staffing

22. 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.
23. Services included 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	

24. The RAA Board recommends the new service be known as Adoption Tees Valley (ATV).
25. The appointment of the Service Manager is key to the implementation phase, and this is planned as soon as possible.

Finance

26. 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.
27. 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%

28. An overriding principle of the business case development is that ATV can cost no more than current baseline costs.
29. 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 27 and in summary results in the following contributions.

Darlington	£226k (15.8%)
Hartlepool	£188k (13.1%)
Middlesbrough	£450k (31.5%)
Redcar and Cleveland	£260k (18.2%)
Stockton	£307k (21.4%)

30. 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.
31. **Inter-agency fees** from the Inter-Agency Fee Fund (IAFF) provide reimbursement to Local Authorities working with adoption agencies to place deemed 'harder to place children' and as such the 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.
32. 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:
- (a) ATV will not be provided with the resource for inter-agency fees, the funding will stay with each Council.
 - (b) ATV will be set a target spend in year one of no more than £500k (net).
 - (c) 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.
 - (d) 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 (i.e. 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%

33. **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.
34. **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 HBC until this is exhausted and only if this insufficient should any remaining costs be shared between the five councils.
35. **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

36. The current phase of the project has seen the formulation of this Full Business



Case document.

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

Implementation – the establishment of Adoption Tees Valley.

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.

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.

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.

38. 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:

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

Risk Implications

39. There are risks associated with any significant change management programme such as this. The full business case appendix A 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 Regional Adoption Agency Board and governance arrangements using mitigation and escalation processes.

40. 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.

41. There is a risk that additional funding from Darlington may be required over the expected amount agreed due to a fluid rate in interagency fees as set out in paragraph 30 of this report. Following a lean review of a Darlington Fostering Service, post ATV implementation, extra funding will be required for marketing and development of a new service.

Financial Considerations

42. The financial considerations are set out in paragraphs 26 to 35 of this report. At present there are a number of costs that are still to be finalised as the service is developed (see para 32 – 35). Based on the current estimates there is the potential that the current Darlington budget will be up to £80,000 less than the contribution required for ATV.
43. Within this £80,000 is an estimated £21,000 for inter-agency fees. Although this is a pressure on the budget set, the volatile nature of inter-agency fees means that this contribution may actually result in a saving as in some years the Darlington budget has overspent by more than £21,000 where additional placements have been required to be made through other agencies. ATV is expected to reduce the amount of inter-agency placements in the future with specific savings targets being set for inter-agency placements in the future, these will bring the budget back in line and produce savings in future years.
44. At present ATV has been set a budget at the current cost of all five authorities combined. It is expected that in future years ATV will deliver savings or increased adoptions. These savings will reduce Darlington's contribution bringing the total in line with current budget allocations. If savings are not made, but instead increased adoptions are delivered this will produce higher savings as the Council will save the high costs of a residential or fostering placement.
45. The costs of ATV will be managed through the governance arrangements, with specific focus on the cost of the service. It is expected that there will be some increased costs in the early years of ATV as the service is embedded, however these will be offset by higher savings in future years.

Legal Considerations

46. 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.
47. 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 Darlington Borough Council's executive to formally delegate this function to Stockton-on-Tees Borough Council under Section 9EA of the Local Government Act 2000 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012. Stockton Borough Council is then required to formally accept the delegation from Darlington Borough Council and the other three TV authorities.
48. 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.

Quality and Diversity Considerations

49. The key objectives of Adoption Tees Valley (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.
50. In terms of recruitment and assessment of new adopters, ATV will seek to include and target potential adopters from all sections of society including marginalised groups.
51. 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.
52. ATV model of working will ensure greater consistency of working across the 5 local areas in relation to issues affecting marginalised groups.

Staff Considerations

53. The principles of TUPE regulations will be applied and a management of change policy is being developed to reflect this. This HR workstream has also worked closely with the Practice and organisational design workstream on staffing structures and job descriptions. This workstream will continue beyond the approval of the FBC to oversee staff consultation and the filling of posts.
54. In order for the TUPE protection of employment to apply, employees must be identified as being assigned to an organised grouping of employees associated with the transfer of work to Adoption Tees Valley. Darlington Placements and Adoption team does not comprise of any employees solely assigned to adoption work which will transfer, therefore no Darlington employees are deemed to be eligible to automatically transfer to Adoption Tees Valley and as such it is expected that the team will initially remain in the employment of Darlington Council.
55. A review of the fostering service is currently taking place to design the shape of the service delivering the functions remaining within the sole remit of the Council.

Asset Management Considerations

56. 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. This will have a negligible impact on the HBC property portfolio.