

TRAFFORD COUNCIL

Report to: Executive
Date: 26th June 2017
Report for: Key Decision
Report of: Executive Member for Children and Families

Report Title

Regional Adoption Agency (RAA) proposal (Adoption Counts).

Summary

This paper outlines changes to the previous proposal and recommendations relating to Trafford's involvement with the Regional Adoption Agency (RAA).

A report was presented to the Executive on 23rd January 2017 where it was subsequently agreed, amongst other things that the Corporate Director, Children, Families and Well-being in consultation with the Director of Legal and Democratic Services, the Director of Finance and the Executive Member would have delegated authority to agree the final details of the arrangements for the establishment of the RAA as detailed in the report, subject to there being no substantial changes to the current plan. The financial implications contained in the report stated that

“Trafford has made it clear that they will only accept a resource requirement that results in no financial deficit to the Authority for the first 3 years of the RAA”

The first year of operation will commence on the 3rd July 2017 and will be a transitional year for the Regional Adoption Agency. The RAA has worked with each participating authority to develop and agree a Partnership Agreement prior to the 3rd July 2017 and to identify and incorporate into that Partnership Agreement an agreed amount of funding for the three years of operation which incorporates the participating authority's current budget plus any known operational changes. In line with the original report, Trafford has managed to secure a financial settlement for year 1 of the RAA that is within its current budget but advantageous in view of the increased adoptions projected for 2017/18.

However, the RAA has decided to move to an activity based funding formula for years two and three of the RAA, which means that the amount of funding for years two and three of operation cannot be agreed or incorporated into the Partnership Agreement at this time. The funding formulas for years two and three will be informed by the learning from the first months of its operations in year one based on the actual levels of activity. This is a complex piece of work that has a number of variables and so it is proving difficult to obtain definitive year two and three costing implications for Trafford at this time.

As a result of the change in formula models, the financial plan outlined in the original report has now changed. The current calculations suggest the cost to Trafford will rise in years two and three, although unlikely, it is possible that such a rise will result in a financial deficit to the authority. The current financial implications for Trafford are as follows:

- a. The new Regional Adoption Agency will cost less than the combined costs of all the 5 existing local authority arrangements.
- b. The current information suggests that the RAA can deliver the level of adoption activity for Trafford at a lower cost than can be achieved on its own, and at a faster pace, thus reducing our foster care costs for these children.
- c. A financial settlement that results in no financial deficit to the Trafford has been agreed for year 1. The financial commitments expected from Trafford for years 2 and 3 cannot be determined at this point. Further detail is contained in the report.
- d. The host authority (Stockport) will endeavour to ensure that the Regional Adoption Agency will remain within the budget set and approved by members of the board. However, if a budget deficit arises at the year-end then each participating authority will provide a contribution to cover the deficit position. If a deficit arises and is directly attributable to one of the participating authorities then that authority will be expected to fully fund the attributable deficit. If the year-end deficit position is not directly attributable to one participating authority then the deficit position will be shared between all the participating authorities. The contribution to the deficit position will be calculated based on the percentage contribution of funding in the year which for Trafford is proposed to be 5% in year 1. This potential contribution will be reviewed and confirmed to participating authorities throughout the first year of operation.
- e. While the move to an activity based model in years 2 & 3 may still be within the budget available, there remains a level of uncertainty because this is still to be set based on the experience of year 1 operations and activity. In addition, the requirement to assist in covering any deficit will continue to exist.

The RAA approach will enhance adoption services in Trafford by increasing the number of children adopted, reducing the length of time children wait to be adopted, improving post adoption support services to families who have adopted children from care and improving efficiencies and effectiveness of adoptions services by reducing the number of agencies delivering such services. While there are now financial risks in agreeing to the RAA board proposals, the risks (including those financial risks) associated with not going ahead at this stage are greater, and also carry their own uncertainties. These risks are detailed within the report below.

It remains the case that By 2020 all local authorities must be part of a Regional Adoption Agency (RAA) under Section 16 of the Education and Adoption Act 2016. Where Local Authorities have not managed to link themselves with an RAA by 2018, the DfE will intervene and allocate the adoption service to an RAA that is not of its choosing, with potentially less beneficial outcomes, and a financial settlement that is disadvantageous.

Trafford have fully supported the early development of the RAA for Trafford, Stockport, Salford, Cheshire East and Manchester (known as 'Adoption Counts') since the Government published its paper 'Regionalising Adoption' in June 2015. Adoption Counts is now the only RAA in the north of England to achieve Demonstrator Site status from the Department of Education and will be the first fully functioning RAA in the north of the country if the proposals go ahead.

There are key benefits to Trafford in being part of an RAA approach. We are helping to shape the future model of adoption as it will apply throughout the country, we can learn from the other local authorities who have better performance in terms of the number and pace of children adopted and we can support the other authorities to improve their performance on recruiting adult adopters.

It is the view of all the Officers responsible for Adoption performance in Trafford that full engagement with the Regional Adoption Agency at this stage remains in the best interests of Trafford Council, and for children for whom Adoption is the best care plan. Involvement in the RAA will significantly improve Trafford's adoption performance.

Recommendation(s)

1. That the Executive notes the changes made to the financial model and that it reaffirms its support of the establishment of a Regional Adoption Agency between Stockport, Manchester, Trafford, Salford and Cheshire East local authorities as outlined in the report dated 23rd January 2017.
2. That the agreement of the terms of the proposed Partnership Agreement as outlined in the report be delegated to the Corporate Director, Children, Families and Well-being in consultation with the Director of Legal and Democratic Services and that the Corporate Director, Children, Families and Well-being be authorised to enter into the Agreement on behalf of the Council.
3. That this decision be deemed to be urgent, for the reasons set out in paragraph 5.0 of the report, and not subject to call-in.

Contact person for access to background papers and further information:

Name: Cathy Rooney

Extension: x 5167

Background Papers: None

Implications:

<p>Relationship to Policy Framework/Corporate Priorities</p>	<p>Key Priorities:</p> <ul style="list-style-type: none">a) Safely reducing the numbers of children in care through the use of adoption as one means of achieving this goal.b) Ensuring that all children who come into the care system achieve permanence in a timely and appropriate way in light of their age and assessed needs. <p>The key functions of adoption recruitment, assessment and placement finding as contained within Trafford’s policies and procedures manual to be transferred to the Regional Adoption Agency.</p> <p>Policies and procedures relating to formulation of children’s plans for adoption and “should be placed for adoption” decisions to remain with Trafford.</p>
<p>Financial</p>	<p>The financial implications are as follows:</p> <ul style="list-style-type: none">a. The new Regional Adoption Agency will cost less than the combined costs of all the 5 existing local authority arrangements.b. The current information suggests that the RAA can deliver the level of adoption activity for Trafford at a lower cost than can be achieved on its own, and at a faster pace, thus reducing our foster care costs for these children.c. A financial settlement that results in no financial deficit to the Trafford has been agreed for year 1. The financial commitments expected from Trafford for years 2 and 3 cannot be determined at this point. Further detail is contained in the report.d. The host authority (Stockport) will endeavour to ensure that the Regional Adoption Agency will remain within the budget set and approved by members of the board. However, if a budget deficit arises at the year-end then each participating authority will provide a contribution to cover the deficit position. If a deficit arises and is directly attributable to one of the participating authorities then that authority will be expected to fully fund the attributable deficit. If the year-end deficit position is not directly attributable to one participating authority then the deficit position will be shared between all the participating authorities. The contribution to the deficit position will be calculated based on the percentage contribution of funding in the year which for Trafford is proposed to be 5% in year 1. This potential contribution will be reviewed and confirmed to participating authorities throughout the first year of operation. Potential sources of attributable costs are detailed in the report.e. While the move to an activity based model in years 2 & 3 may still be within the budget available, there remains a level of uncertainty because this is still to be set based on the experience of year 1 operations and activity. In addition, the requirement to assist in covering any deficit will continue to exist.

<p>Legal Implications:</p>	<p>Compliance with the Education and Adoption Act 2016 that compels all Local Authority Adoption services to be part of an RAA by 2020</p> <p>The powers to undertake the regionalisation of Adoption Services are contained in Section 16 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.</p> <p>Section 101, 111, 112 and 113 of the Local Government Act 1972. S.113 also allow a local authority to enter into an agreement with another authority to place its officers at the disposal of the other authority, subject to consultation with the staff concerned and negotiation about any changes to terms and conditions, and</p> <p>Section 1 of the Local Authorities (Goods and Services Act) 1970 enables a local authority to enter into an agreement to provide another local authority with goods and services, including administrative, professional or technical services.</p>
<p>Equality/Diversity Implications</p>	<p>The key objectives of the RAA, 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. The RAA 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.</p> <p>In terms of recruitment & assessment of new adopters, the RAA will seek to include and target potential adopters from all sections of society including marginalised groups.</p> <p>Establishment of the RAA 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.</p> <p>The RAA model of working will ensure greater consistency of working across the 5 local areas in relation to issues affecting marginalised groups.</p>
<p>Sustainability Implications</p>	<p>Not applicable</p>
<p>Resource Implications e.g. Staffing / ICT / Assets</p>	<p>The majority of staff currently working in Trafford’s Adoption Service will transfer to the RAA under a secondment arrangement. Some will remain with Trafford to carry out</p>

committed to finding	adoption functions in relation to children's cases. A small number of posts will be deleted (subject to consultation arrangements), and opportunities for alternative employment sought.
Risk Management Implications	A risk register is in operation which Stockport's internal audit section has been involved in developing. A meeting has taken place with insurers to assess risk. The insurers have provided advice on dealing with key liability issues which would be taken into account in formulating Stockport's insurance cover.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

1.0 Background

1.1 In May 2015 the government announced changes to the delivery of adoption services; by proposing that all adoption work would need to be delivered on a regional basis by 2020. The premise for this was that RAA's would be better able to:

- Increase the number of children adopted.
- Reduce the length of time children wait to be adopted.
- Improve post adoption support services to families who have adopted children from care.
- Improving efficiency and effectiveness by reducing the number of agencies delivering adoption services.

These proposals have since been included in the Education and Adoption Act 2016.

Over the last 2 years Trafford has worked closely with Stockport, Manchester, Cheshire East and Salford to develop a Regional Adoption Model. This has since become the only RAA in the North of England to achieve Demonstrator status from the Department of England and is one of only 5 sites to achieve this across England. Plans to deliver the RAA (now known as 'Adoption Counts') are well developed. Staff from the five Local Authorities have been consulted, models of delivery have been designed and agreed, IT processes are being brought together and new working bases are being developed.

Further background and the detailed proposals were included in the Key Decision document presented to the Executive on 23rd January 2017.

Funding & costs

One of the key areas the RAA has been working on has been the funding model for the new Agency. The funding model is based on the following factors for each local authority:

- a) Past performance in relation to recruitment and assessment of adopters by each authority.
- b) Previous income generation from inter-agency fees (adoptive placements sold to other agencies).
- c) Previous costs relating to purchase of adoptive placements from other agencies.
- d) The number of adopters currently requiring adoption support services.
- e) Previous numbers of children adopted.
- f) Projections of children likely to have a plan for adoption.

One of the key variables the RAA have had to consider in developing the funding formula as it applies to Trafford is the fact that we have decided to significantly increase our target for children adopted in Trafford from 3 achieved in year 16/17 to requiring the new agency to achieve 18 in partnership with Trafford in 17/18, 14 in 18/19 and 14 in 19/20. This has meant they have had to consider the actual cost of this increased activity and what needs to be charged to Trafford.

Trafford's strength in relation to adoption work lies in its historical record of recruiting and assessing large volumes of adopters, and consequent capacity for income generation to offset adoption costs. The projected increased numbers of adoptions during future financial years means that there will be a reduced capacity for income generation within the RAA.

Where Trafford children are adopted, it is more often the case that adopters have to be sourced from outside the borough and this attracts an "inter-agency fee". This alone is usually £27,500, before taking into account the on costs associated with running an adoption service i.e. staffing, adopter recruitment including marketing, and adoption panel costs. While in previous years many of these costs have been offset by our own level of adopter recruitment, the level of performance anticipated in relation to child adoptions will mean the current level of adopter recruitment is simply not sustainable.

The first year of operation will be a transitional year for the Regional Adoption Agency. The RAA has worked with each participating authority to identify an agreed amount of funding for the first year of

operation which incorporates the participating authority's current budget plus any known operational changes. Trafford has managed to secure a financial settlement for year 1 of the RAA that is within its current budget but advantageous in view of the increased adoptions projected for 2017/18.

The host authority (Stockport) will endeavour to ensure that the Regional Adoption Agency will remain within the budget set and approved by members of the board. However, if a budget deficit arises at the year-end then each participating authority will provide a contribution to cover the deficit position. If a deficit arises and is directly attributable to one of the participating authorities then that authority will be expected to fully fund the attributable deficit. If the year end deficit position is not directly attributable to one participating authority then the deficit position will be shared between all the participating authorities. The contribution to the deficit position will be calculated based on the percentage contribution of funding in the year which for Trafford is proposed to be 5% in year 1. This potential contribution will be reviewed and confirmed to participating authorities throughout the first year of operation.

The quarterly monitoring information will be prepared by the host authority and will be reported at the board for agreement. This will highlight significant variations and remedial actions where appropriate to reduce the risks of a budget overspend.

Situations that could result in attributable costs might be in relation to seconded employees being subject to long term absence (for example long term sickness and maternity leave) where the individual employing participating authority will be required to continue to pay for the employee. The need for cover and the associated cost will be determined on a case by case basis by the employing participating authority and the RAA. While it would not be possible to achieve a full listing of all circumstances where costs may be attributable, we are working with the RAA to clarify what foreseeable circumstances might arise that would lead to such additional costs. A paper is in the process of being developed that will specify attributable costs and shared risks, and this will be signed off by the RAA board in due course.

As stated above, year 1 of the RAA's operation will be a transitional period and while the project board has agreed a funding formula for year 1, they have decided to move to an activity based formula for years 2 & 3 of the RAA. This of course will be informed by the learning from the first months of its operations in year 1 that will give a clearer indication of levels of activity and required funding. This is a complex piece of work that has a number of variables and so it is proving difficult to determine definitive year two and three costing implications for Trafford at this time. The current calculations suggest the cost to Trafford rise in years 2 & 3, although it is not likely that such a rise will be beyond levels that will result in a financial deficit to the authority. However, the calculations are subject to further work, based on the experience of the RAA operations during its first year of activity. It is therefore possible that the financial contributions in years 2 & 3 will rise still further, and although unlikely, it is still possible that it will be at a level that would result in a financial deficit compared to our current funding arrangements for the existing adoption service.

The other 4 local authorities have signed up to this principle and are happy to carry the risk of uncertainty moving forward. In order to mitigate the financial risks Trafford have already agreed to reduce its projected numbers of adoption in years 2 & 3 from 18 to 14.

This uncertain situation for Trafford is exacerbated primarily because of Trafford's relatively low numbers of children adopted in previous years, and the high numbers of adopters recruited, that have subsequently been available at an inter-agency fee to other local authorities as an income generation mechanism. The low numbers of children adopted by Trafford in recent years is one of the root causes of our current relatively high rate of children in long-term care. Adoption is recognised, and this view is emphasised by government policy, as a key means of reducing pressure on the care population. Adoption reduces the need for ongoing costs over very many years in relation to foster placement fees, and the general overheads of maintaining children in the care system. These costs increase as the child becomes older and stays in the care system longer. Additionally, in circumstances where it is right to do so adoption is by far a better route to achieving overall permanence and securing better outcomes for certain children.

There are potential savings arising from the RAA approach that could lead to medium term financial savings for Trafford. This would be achieved by the RAA speeding up Adoptions so that children spend a significantly shorter time in Foster Care and being subject to Fostering Allowances. In addition, there is a developing plan to standardise adoption allowance payments across the 5 authorities to the current lowest level (paid by Stockport), and this in turn is likely to lead to further savings for Trafford.

Key risks:

1. Failure to enter into an agreement with other local authorities, and within the framework set out in Adoption: a vision for change; and within the framework set out in the Education and Adoption Act, 2016.

This will lead to DfE intervention and allocation of Trafford's adoption service to an RAA that is not of its choosing and with less beneficial outcomes for children. In such circumstances there is a high likelihood that our financial negotiating position will be significantly weakened and result in a less favourable financial settlement.

2. The development of a funding formula acceptable to all partners.

Unless and until the principles of a funding formula can be agreed the RAA cannot become fully operational. Delay in reaching agreement compromises the implementation date, now set for 3rd July. This means there will be a high likelihood of the RAA going ahead without Trafford out of pure necessity, and brings into play the risks highlighted in 1 above. Furthermore, Trafford will be placed in the unenviable position of having to make a choice between:

- a) Continuing to run its own adoption service but at a considerably higher cost than it currently does in order to achieve 18 adoptions, and which may be more than the costs currently projected by the RAA ; or
- b) Not pursuing plans for adoption for children currently identified as "should be Placed for Adoption", thus running the risk of:
 - i) Adverse performance in relation to adoption and criticism from inspectors,
 - ii) risks to the council's reputation,
 - iii) risks of future legal claims against the authority,
 - iv) children remaining in care long term with an average annual cost in the region of £40k per child per year, that is likely to increase still further over time,
 - v) it impacting on the achievement of the savings programme for 2017/18 if children are not adopted.
- c) Financial Risks
As set out above in relation to RAA budget deficit, attributable costs, and the funding formula for years 2 & 3.

2.0 Other Options

1. Do nothing: The Government have made it clear that there is no option for local authority adoption services to remain as they currently are. If Trafford delays making its own arrangements then the government will select an adoption partnership for us to be part of. (See above risks)
2. Other partnership options: These were considered during the bid stage but the strength of established arrangements in 'Four4adoption' offered the greatest potential for success. Again, there is no guarantee, and it is less likely that this would result in a better financial settlement.
3. Delaying joining the RAA until year 2 when there is a better understanding of costs. While in principle this could be considered, it fails to acknowledge the increased costs associated

with Trafford delivering its planned 18 adoptions during 2017/18 that would be significantly more (circa £276K) than being delivered via the RAA. Such an option also reduces our ability to influence the further development of the RAA, including the funding formula going forward.

3.0 Consultation

As highlighted above consultation has already taken place with affected staff who remain positive about the proposed move.

4.0 Recommendations

- a) That the Executive notes the changes made to the financial model and that it reaffirms its support of the establishment of a Regional Adoption Agency between Stockport, Manchester, Trafford, Salford and Cheshire East local authorities as outlined in the report dated 23rd January 2017.
- b) That the agreement of the terms of the proposed Partnership Agreement as outlined in the report be delegated to the Corporate Director, Children, Families and Well-being in consultation with the Director of Legal and Democratic Services and that the Corporate Director, Children, Families and Wellbeing be authorised to enter into the Agreement on behalf of the Council.
- c) That this decision be deemed to be urgent, for the reasons set out in paragraph 5.0 of the report, and not subject to call-in.

4.1 Reasons for Recommendation

In May 2015 the government announced changes to the delivery of adoption services; by proposing that all adoption work would need to be delivered on a regional basis by 2020 by each Local Authority joining a Regional Adoption Agency (RAA).

The premise for this was that RAA's would be better able to:

- Increase the number of children adopted.
- Reduce the length of time children wait to be adopted.
- Improve post adoption support services to families who have adopted children from care.
- Improving efficiency and effectiveness by reducing the number of agencies delivering adoption services.

Trafford have fully supported the early development of the RAA for Trafford, Stockport, Salford, Cheshire East and Manchester (known as 'Adoption Counts') since the Government published its paper 'Regionalising Adoption' in June 2015. Adoption Counts is now the only RAA in the north of England to achieve Demonstrator Site status from the Department of Education and will be the first fully functioning RAA in the north of the Country.

There are key benefits to Trafford in being part of an RAA approach. We are helping to shape the future model of adoption as it will apply throughout the country, we can learn from the other Local Authorities who have better performance in terms of the number and pace of children adopted and we can support the other authorities to improve their performance on recruiting adult adopters.

There is strong research evidence to support the general principle that outcomes for adopted children are generally better than those who remain in long term public care. The RAA approach will enhance adoption in Trafford. It will increase the number of children we have adopted and speed up the process for them. While there are now financial risks in agreeing to the RAA board proposals for

a financial settlement, due to the uncertainties, it would seem that the risks (including financial risks) associated with not going ahead at this stage are greater, and also carry their own uncertainties.

- 1. The cost of keeping children in long term public care is considerable. Foster placement costs alone range from £7,500 a year at the lower end for the youngest children and can rise to £50,000 a year for older children with more complex needs. The cost of residential placements can rise to as much as £250,000 a year. National research suggests that the average cost of keeping a child in public care is in the region of £40,000 a year. Clearly adoption is not a cost neutral option but the financial and other benefits over time far outweigh the initial outlay in achieving a real sense of permanence for children.
- 2. The costs of Trafford undertaking 18 adoptions outside the RAA in the current financial year, taking into account the reduced income capacity is estimated to be in the region of £276,00 above our existing budget.
- 3. The costs of meeting our adoption targets for 2018/19 & 2019/20 of 14 adoptions are estimated to add an additional £176,000 to our current budget. It is unlikely that any additional contributions to the RAA would be close to these additional costs.

Therefore, despite the financial risks outlined in this paper, joining the RAA at this point in time is likely to be a sounder financial model, and provide the best opportunity for securing improved outcomes for the children concerned. It is therefore recommended that Trafford continues to engage with the establishment of the RAA, and that the DCS and Executive are given delegated authority to agree the final financial arrangements for years 2 & 3

5.0 Urgency of Decision

The original Executive Report contained a 'go live' date of 1st April 2017. That date has not been achieved as the work required to develop and agree the finance model has taken longer than anticipated. Unfortunately that has created a delay that will impact on all related timescales hence the urgency of the making this decision.

This report should be considered as 'urgent business' and the decision exempted from the 'call-in' process for the following reason(s):

- a) There is a need to co-ordinate the timetable for implementation across 5 separate local authorities, and this has already been subject to delay.
- b) Further delay in the process will compromise timescales in relation to implementation and go live now planned for 3rd July 2017.
- c) Any delay that results in the service not being operational by 3rd July 2017 will impact on and compromise service and budget planning for the current financial year, and is likely to have a detrimental impact on performance in relation to existing adoption projections, and budgets.

Key Decision (as defined in the Constitution): Yes
If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance (type in initials).....NB.....
Legal Officer Clearance (type in initials).....JLF.....



[CORPORATE] DIRECTOR'S SIGNATURE (electronic).....
To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.