

APPENDIX A

Heading: Adoption West Proposals and Engagement – FULL REPORT	
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Recommendations

1. Note the progress on the project to form a Regional Adoption Agency (Adoption West) in line with national policy directives.
2. Approve proposals for the establishment of the Adoption West Regional Adoption Agency (RAA) (as a company limited by guarantee) as outlined in this report subject to receipt, scrutiny and endorsement of the fully costed business case.
3. Delegate authority for approving the detailed implementation plans, including financial, contractual and legal agreements to the Strategic Director People and Section 151 Officer in consultation with the cabinet member for Children and Young People.

Purpose of Report

1. To provide an update on the progress to date and seek approval of the proposals for the establishment of the Adoption West Regional Adoption Agency (RAA) as outlined in this report, subject to the Director for Children Service, Section 151 Officer, Monitoring Officer, and Cabinet member for Children and Young People, sign off of a fully costed business case, members' agreement, articles of association, commissioning contract, support services agreement, and licenses for premises.
2. The purpose for requesting approval at this stage is due to the timescales for achieving commitment from multiple local authorities, to provide certainty regarding each local authority's commitment prior to formal staff consultation and committing substantial project resources on drafting legal documentation and initiating support service commissioning.

Policy

3. The development of Regional Adoption Agency proposals is part of the national regionalising adoption agenda as set out in 'Regionalising Adoption' (July 2015), and further developed in 'Adoption; A Vision for Change' (March 2016). Proposals are also informed by the Education and Adoption Act 2016, as outlined in the 'legal implications' section of this report.

Background

4. The Adoption West project has developed from a steering group that formed in July 2013 to consider the possibility of more collaborative working to improve adoption and permanence service delivery across potentially eight local authorities. The remaining six local authorities are Bath & North East Somerset, Bristol, Gloucestershire, North Somerset, South Gloucestershire, and Wiltshire. Somerset and Swindon have joined other regional agencies during the process. Initial work was undertaken by commissioning leads from

Gloucestershire and Wiltshire before engaging the Institute of Public Care (IPC) to complete more detailed work. IPC presented a commissioning plan to the Directors of Children's Services for the Adoption West area and on the 18th July 2014 it was agreed that work should be undertaken to move towards a collaborative model of providing adoption services. Work began in April 2015 on activity to concentrate on and jointly commission a number of adoption service functions regionally.

5. Following the general election in May 2015 the context within which the Adoption West project was operating changed with the publication of 'Regionalising Adoption' (July 2015). In which, the government set out their proposals to move to Regional Adoption Agencies by the end of the Parliament in 2020 and invited expressions of interest from local partnerships. The paper included an emphasis on getting adoption/permanence right for harder to place children whilst ensuring adoption support is available and accessible to these adoptive families and set out three key aims:

- To speed up matching and improve the life chances of neglected children
- To improve adopter recruitment and adoption support
- To reduce costs (through quicker placements for looked after children)

It is also clear that the Department for Education (DfE) expect to see Voluntary Adoption Agencies (VAAs) and Adoption Support Agencies (ASAs) actively included in future delivery models and are 'particularly keen to consider models that have an element of cross-sector collaboration'.

6. Following market testing, an engagement event with voluntary sector providers and expressions of interest, it was agreed that 6 VAA / ASAs would be contributors to the design and development of Adoption West. The Voluntary Adoption Agencies and Adoption Support Agencies that have supported the development of Adoption West include:

- Action for Children
- Adoption UK
- After Adoption
- Barnardo's
- CCS Adoption
- PAC UK

Following consideration of their national commitments to other regional agencies, Barnardo's and PAC UK withdrew from formal involvement in the Adoption West project in July 2016.

7. The Adoption West expression of interest was submitted in September 2015 and DfE agreed funding to begin in November 2015. Funding was agreed for resources to support the project including project management, professional leadership and independent specialist legal, financial and technical advice. Support and challenge to the project is also provided through an allocated coach offering guidance and acting as a link with the DfE. The project is required to provide progress reports to the DfE on milestone delivery and spending, subsequent phases of funding are contingent upon meeting DfE reporting and project gateway requirements.

Phase 1 – project initiation, scope and define

8. During November 2015 to March 2016 the project formed the mobilisation team and governance arrangements, agreed the vision and key outcomes, defined the scope and gathered service data to inform proposals. An options appraisal process was undertaken of

the delivery models below and a preference for option 2 agreed, following detailed consideration and legal advice.

- Option 1 - Hosted by a single LA on behalf of a number of LAs (Single LA)
- Option 2 - Joint Venture between LAs – a new public sector owned entity (e.g. Local Authority Company Limited by Guarantee)
- Option 3 - Creation of a new VAA – possibly a joint venture (e.g. Flexibility for public & third sector ownership)

Phase 2 – project development and RAA design

9. The successful completion of phase 1 work resulted in the subsequent approval of plans and further funding from DfE. Following the completion of phase 1 each local authority cabinet or committee approved the proposed delivery model option of creating a new jointly owned local authority company at meetings during June to September 2016. This option was agreed as it was considered at the time to best enable us to deliver better outcomes for children, affording us greater flexibility and independence to pursue innovation and enterprise in how we deliver efficiencies in service delivery. The option is further supported by legal advice evidencing the feasibility and advantageous procurement position of such a model. Within this model there is scope to include VAA / ASAs on the Board arrangements while maintaining local authority control.
10. In summary, this option was agreed by each local authority based on the following key strengths as outlined in **Appendix 1**:
 - A corporate joint venture between the participating authorities creates a new entity which offers a neutral platform which affords all participating authorities equal status within the arrangements and avoids the perception of control which the required role of a "lead authority" can create.
 - The structure allows governance arrangements to be straightforward with all partners represented on the Board of Directors (although the VAA / ASAs would have limited voting rights).
 - It will be easier to establish a new identity and brand distinct from the local authorities, providing a better platform to engage adopters, build trust and innovate while maintaining effective connections with LA children services teams
 - The procurement position is more favourable as certain exemptions are afforded if the RAA is local authority controlled and the essential part of the RAA activities is with the controlling local authorities
 - Innovation and growth are better facilitated by this model. This may range from experimenting with new practice methodologies and trialling alternative evidence based practice models and programmes, through to embracing new technology and improving working practices such as team and service user communications.
11. In parallel with political decision making on the corporate delivery model, working groups of representatives from local authorities and VAAs continued to focus on practice development. Significant work has been completed to define processes and agree standardised regional ways of working under each of these work streams. Further details on the following work stream practice development themes is provided in **Appendix 2**.
 - Front door, marketing and adopter recruitment
 - The child's journey and early permanence
 - Adopter assessment and matching

- Adoption support and lifelong links
 - Special guardianship (Not proposed to transfer from 2018)
 - Adoption Panels, health and education services
 - Performance, quality assurance, workforce and business administration
12. Key stakeholders including council elected members, adopters, and staff have been engaged in the development of proposals. A wide ranging survey of adopters and subsequent adopter forums have highlighted key priorities, concerns and issues to be addressed in developing a regional adoption service and are summarised in **Appendix 3**. The views of adopters are integral to the future service design and will continue to be central to the operation of regional adoption services.
13. The implementation of the new RAA would follow substantial project work undertaken since October 2015. Funding of £241,774 has been provided by the DfE to develop our proposals, in particular to enable us to “scope and define” the operational model and organisational structure of the new RAA. In December 2016, the project was successful in obtaining commitment to a further £470,000 to implement the RAA.

Governance and accountability

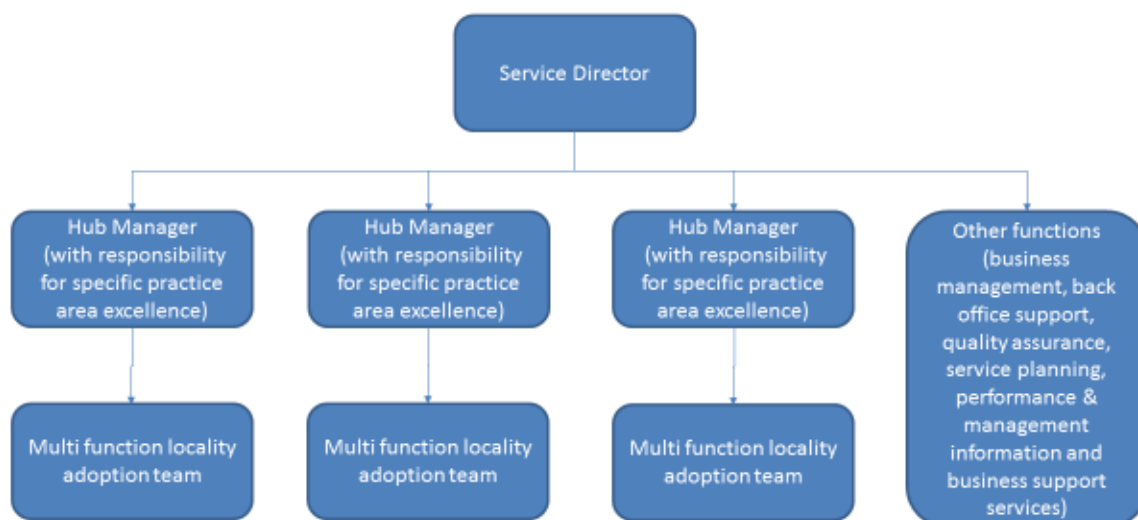
14. The participating authorities will enter into a Members’ Agreement which clearly sets out the purpose of the collaboration and assigns roles and responsibilities to each of the participating authorities. It also deals with governance and issues such as dispute resolution.
15. In addition to the Members’ Agreement each of the participating authorities will need to commission services from the RAA and this will require a further Commissioning Agreement to be entered into jointly between the participating authorities and the corporate RAA or singularly between each participating authority and the corporate RAA. Draft heads of terms for the members’ agreement and commissioning agreement are included as **Appendix 4**.
16. Each of the participating authorities will have a role to play in the Board of Directors of the Corporate RAA. Statutory company directors are required to have the necessary skills and experience to carry out their duties effectively and to do so in good faith and in a way that would be most likely to promote the success of the Corporate RAA for the benefit of its members as a whole. All members or officers of an LA expected to act as statutory directors will receive detailed and appropriate training and support.
17. Adoption is regulated by statutory provisions and administered through the courts in line with these principles. Adoption services are administered through agencies approved by the secretary of state and are subject to inspection by OFSTED. Proposals will consider the potential impact of the inspection requirements, acknowledging that DfE and OFSTED are working together to agree the best approach for new delivery models. The Adoption Leadership Board and Regional Adoption Boards provide leadership to the adoption system, improve its performance and tackle the key challenges it currently faces by supporting the collection, analysis and dissemination of timely performance data and the sharing of best practice.

Proposed RAA governance arrangements – see Appendix 5

Human resources implications (staffing, organisational structure, employee transfer and pensions)

18. The proposed organisation structure operating model (**Appendix 6**) has been developed in collaboration with current employees and stakeholders during the engagement and development phase. The model proposes 3 geographic hubs in Gloucester, Bristol and Trowbridge based on the current office locations of the largest adoption services within the region. The hubs will be supplemented by remote and home working and flexible access to office accommodation in the other councils to enable locality working and avoid unnecessary travel.
19. The management of the regional adoption agency will be headed by a service director with overall responsibility for operations and strategic leadership and will be supported by hub managers that each hold responsibility for the consistent and effective embedding of a specific area of practice excellence as summarised in the 'outline organisational structure' below.
20. Staff equality data has been gathered and is analysed as part of a detailed equality impact assessment (**Appendix 7**) that will be maintained during development and delivery of proposals.
21. Advice has been taken regarding staffing implications relating to the transfer of staff and pensions. HR from all local authorities meet regularly to consider staffing implications and will enact the detailed workforce change plans subject to councils approving proposals. A dedicated HR professional has been recruited on a temporary basis to lead on workforce change and to coordinate the activities of each local authority in this area.
22. It has been agreed that current employees of the LAs (**Appendix 8**) will transfer to the new agency under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 to the regional adoption agency as responsibility for the delivery of all aspects of the Adoption Services are transferred. A due diligence review of the T&Cs which currently apply to employees has been undertaken to identify what T&Cs the regional adoption agency would inherit upon the TUPE transfer. The regional adoption agency will consider how the variety of terms would fit in with its structure of T&Cs and identify potential issues and/or conflicts which may arise.
23. The transferring employees from the Local Authorities to the LA owned Agency are likely to be members of or entitled to join the LGPS under TUPE Regulations.
24. All the LAs are obliged to ensure that when their employment transfers to the LA owned agency, appropriate 'pension protection' is provided for them. Discussions have started with each of the three applicable LGPS Pension Funds (Avon Pension Fund, Gloucestershire Pension Fund and Wiltshire Pension Fund) regarding the RAA also participating in the LGPS to allow the transferring employees to continue with their membership or entitlement to join following the transfer. The actuaries of the applicable LGPS Pension Funds will continue to be consulted as to the basis of any such transfers. The LAs will ensure that any potential negative effects on them and their participation in the relevant LGPS Pension Fund are minimised.
25. An HR Adviser has now been allocated this TUPE Transfer and will continue to work closely with our partners going forward into implementation.

Outline organisational structure



Financial principles, modelling and funding

26. Funding for the new RAA will be provided by the partner LAs and the mechanism for agreeing funding is outlined below. This initial agreement has been reached following analysis of the approaches taken by other prospective regional adoption agencies, DfE commissioned independent advice and due consideration of a number of potential models. The criteria considered for agreeing a funding formula included:
- historic and projected budgets and actual spend
 - historic and projected numbers of children looked after and number of adoptions and permanence solutions;
 - historic and projected volume of activity to be delivered;
 - inter-agency fixed fee per adoption;
 - a combination of the above
27. It is recognised that at the stage of compiling the data these were indicative figures and both actual 2016/17 expenditure and net income targets achieved will need to be independently verified prior to establishing the baseline, constituent authority contribution and % risk share.
28. Indicative spend by local authorities on the services in scope of the proposed new agency is approximately £2.6m. Further detail on the breakdown of 2016/17 budgets and indicative spend is provided in **Appendix 9**.

The budget includes a net income target for inter-agency placements, but has a number of associated risks. The national market for inter-agency placements has been subject to significant interference in recent years with grant funding and other incentives potentially affecting performance and providing an uncertain basis for future modelling. Inter-agency placement income and expenditure will be monitored during 2017/18 to ensure the projected levels for future years remain realistic. Reflecting this risk, the funding agreement includes provision to review arrangements based on experience of operating.

29. The high level draft projected budget for the new agency is included as **Appendix 10**.

30. As outlined in the draft Heads of Terms (**Appendix 4**) each commissioning authority will pay for the provision of the services during the Term in advance in the following percentages set out in the Table below. These financial contributions will be in proportion to 2016/17 actual spending (to be verified) on the services as set out in a specification in the members' agreement.

Proportional indicative spend & proposed contribution to future regional services in scope:

B&NES	Bristol	Gloucestershire	N.Somerset	South Glos	Wiltshire
6.81%	33.96%	18.96%	11.52%	5.56%	23.20%

31. This formula will be reviewed based on operational experience with a view to transitioning away from a funding model based on historic spend and towards a stronger emphasis on local authority demand levels. During the first year of operations partners will work on an agreed formula for funding from 2020. Partners will track implications for the RAA and each LA, based on the latest activity level data and related performance information, throughout the operational life of the RAA. This initial funding model agreement is designed to promote stability for services and will be reviewed on this basis. A specific review may be triggered by a material change in liability based on demand fluctuations outside of tolerances defined within the members' agreement and commissioning contract.
32. Following verification of the budgets and rebaselining the funding model any future anticipated deficits resulting from not generating targeted income or from unforeseen costs not budgeted for will be reported to the management and member boards according to contract monitoring arrangements defined in the commissioning contract. The level of deficit apportionment will be capped in distribution, under the formula at transfer, by 5% of net spend of the company (c. £130,000). Above this the reason for increase will be assessed and where demonstrable steps to mitigate the pressure for example a re-prioritisation of financial commitment and commissions, has been taken and these costs cannot be contained within the budget, then a voluntary contribution will be requested from the council(s) giving rise to those costs.
33. Any net surplus generated from operating efficiencies and inter-agency fee income and expenditure will be retained within the company to a maximum cap of 10% and constituent authorities will be consulted on either investment into future services or used to reduce subsequent charges paid by the local authorities to commission the services.
34. The plans for Adoption West RAA should not increase overall service delivery costs and will seek to deliver efficiencies and service improvements. These proposals will hopefully result in a projected net neutral cost position compared to current spend for all councils for the initial contractual period. Budget and service delivery performance will be regularly reported to member local authorities as set out in the commissioning contract and reviewed with regard to local authority demand requirements. The level of risk related to demand fluctuations and operational performance is broadly comparable to the current level of risk for each local authority. To mitigate potential exposure to demand fluctuations in other local authorities, tolerances will be defined within the members' agreement and commissioning contract as set out in paragraph 31 above. Wider potential liabilities are mitigated by insurances included within the business case costings.
35. Tax advice received suggests the new agency will benefit from similar VAT exemptions to local authorities due to being public sector controlled. VAT may be payable on procured organisational support service costs depending on the mechanism for securing these services and budget contingency has been identified to cover this potential additional cost.

Further advice is being received regarding VAT recovery and the business case includes contingency for estimated potential costs. Legal advice to date has highlighted that given the nature of the services and the status of the RAA, VAT and state aid issues are not likely to be a significant obstacle. The member's agreement and commissioning contract will be structured to ensure the arrangements are VAT efficient.

36. Working capital will be provided through initial funding previously provided by partner local authorities, payments in advance and a facility agreement for working capital should the RAA require temporary access to additional contingency funds under control of local authority members. The level of working capital and terms under which it may be accessed will be defined in the member's agreement for approval by member local authorities' Director of finance.
37. Insurances will be subject to further specialist advice and will be confirmed in finalising the regional adoption agency budget. Figures are based on initial quotes determined by the projected size of the organisation and the nature of services to be provided.
38. Any initial potential redundancy liabilities will be estimated and considered with local authorities and will be underwritten on a shared basis by the partner LAs according to the proportions to be agreed and set out in the Members' agreement so as not to expose the new entity or any individual local authority to an unaffordable level of risk.
39. Local authorities have agreed to provide the regional hub office accommodation at no additional charge for the first transition year. This agreement is subject to the required space being limited to the existing footprint utilised by adoption services and reciprocal arrangements with local authorities that are not providing hub accommodation to allow staff to access office space on a flexible basis. This will be subject to review and where a reciprocal costs / benefit are not being achieved an appropriate charge for the facilities may need to be incorporated within the budget. The details relating to locations have been informed by analysis of service volumes and input from service users, staff and other stakeholders.

Phase 3 – project delivery

40. There are a number of key areas that require ongoing work to enable a successful transition. A detailed project plan is in place to enable delivery of the approved corporate model and embed redesigned service processes and working practices for the proposed implementation date of April 2018 (**Appendix 11**). This covers activity related to workforce change processes, infrastructure set up and other implementation activity. It is anticipated that some service improvements identified may be implemented during the transition period to achieve incremental change and trial new ways of working ahead of a formal implementation date. A transition and change management plan is being developed to take the project into the next phase and to ensure maintenance and improvement in existing services during the change process. Related underpinning plans relating to risk management and communication are in place.

Summary plan

Milestone	Date
Detailed service design and preparation for workforce change process	Jan-Apr 2017
Local Authority political decision making and VAA decision making on implementation of preferred model including outline service specification, budget and organisational structure	Mar-May 2017
Staff HR consultation, ongoing staff involvement and early	May-Sep 2017

implementation of process changes , build organisation infrastructure	
Implementation – workforce change process, launch organisational infrastructure	Sep-Dec 2017
Transition and change management	Dec-Apr 2018
Implement new delivery model	April 2018

Voluntary Adoption Agency and Adoption Support Agency (VAA / ASA) roles and considerations

41. VAA / ASAs will form an integral part of new regional working arrangements. Further work will be undertaken to clarify the specific nature and extent of involvement of different agencies but partners are committed to engaging positively with VAA / ASAs and incorporating VAA / ASAs fully within any future RAA and as part of the wider permanence service mix. Partners anticipate thriving VAA / ASAs to be an essential part of the mixed local market of adoption service provision in the future and voluntary agencies will play a central part in defining their future role in further detail. Detailed consideration of the anticipated capacity and capability of a future RAA and other adoption service providers will be analysed in coordination with VAA / ASA partners and options considered that will ensure the continued strength of commissioned provision. Opportunities for expansion and diversification in the voluntary sector will be explored to address potential capacity gaps and growth areas by providing greater certainty and encouraging more collaborative working within regional arrangements to enable providers to develop new services and engage in longer term planning.

Service delivery and focus on operational practice excellence (Appendix 2)

42. The new RAA will focus on excellent practice and improved outcomes for children through ensuring that new processes, activities and structures reflect the objectives and enable the planned benefits of the new entity. Service excellence will be supported through effective governance and commissioning arrangements to ensure consistently high standards in operational processes and working practices. This will be sustained through appropriate governance and performance management arrangements. Service excellence will be central to all aspects of the next phase of developing proposals and the fundamental criteria against which decisions will be made. The development and delivery of proposals will continue to benefit from detailed input of adopters, the voice of the child and voluntary sector partners.
43. The project continues to look across all partners and beyond to ensure the best practice of current services provide a baseline from which to develop new practices. The preferred delivery model will provide further continuous improvement opportunities through:
- greater freedom and flexibility to involve staff in governance and decisions
 - being a single purpose organisation that will not have to focus on other local authority priorities
 - create lean processes and removal of duplicated functions
 - the potential to develop tailored back of house functions appropriate specifically to the business of adoption / permanence
 - the ability to develop a culture and practices that focus purely around adoption and permanence support and the needs of the child / adopters.

Special Guardianship

44. The project governance group has agreed that there are clear benefits to the RAA providing functions relating to special guardianship assessment and support. Following thorough consideration of the scope and phasing of the services proposed to transfer, a number of risks and further considerations relating to special guardianship services have been identified. Consequently it is proposed that transfer of special guardianship services follow further analysis and collaborative work with each local authority to understand the current variations in service provision and organisation with a view to transfer services from 2019. The local authority partners remain committed to the inclusion of special guardianship within a regional service and will develop plans for transferring these services in line with the planned timeframes for making further decisions about the future funding and commissioning arrangements for the regional agency.

Health provision

45. Initial engagement with Health service commissioners from the 6 Clinical Commissioning Groups has identified opportunities for more joined up working. However, current commissioning cycles and the complexity of disaggregating adoption and permanence related health services from wider children's services health provision may limit the potential for regional commissioning. Options are being discussed collaboratively to enable greater consistency of health provision across the region. Processes will also be established to coordinate demand, and manage the administrative and financial implications of more flexible health services regionally.

Education services

46. Links have been established with the Virtual Schools in each Local Authority to include them in the planning process for the RAA. Virtual School head teachers are keenly aware of their responsibilities to children who are adopted, which is a recent increase in workload and expectations for their services. As with health provision there are potential opportunities for joined up working which could provide better co-ordinated and more timely education services to adopted children. Initial work is now underway to collate information across the six Local Authority Virtual Schools to better understand the current picture of educational provision and to identify opportunities to work together and develop joint processes. It is anticipated that there will be some cross authority collaboration between the Virtual Schools, including the RAA, that will ensure more consistent services to children and adoptive parents, and make more effective use of available resources.

Adoption Panel Arrangements

47. Outline proposals have been agreed to rationalise existing panel arrangements to ensure the process is as efficient as possible and resources are used most effectively on a regional basis. This will involve changes to local authority panels to combine resources and ensure administration, structures and timing reflect and support the outcomes to be achieved by regionalising adoption and permanence services.

ICT options and considerations

48. No decisions have been reached regarding who will provide the new agency's IT systems.

Options will be considered regarding the relative strengths and weaknesses of existing systems in use by partner agencies or alternative systems based on an assessment of services, associated technical requirements and best value.

49. The new agency will require access to service user records from the 6 local authorities. Decisions will need to be made regarding how this access is achieved with options including a feed into a new system or links into each of the 6 systems.

Decisions will also need to be made regarding other business and IT services required and who will supply them including email, storage, finance, payroll, HR, provision of hardware. To support value for money and efficiency of delivery it is anticipated that constituent councils will be providing these services in which case they could be accessed via remote desktop protocol (RDP) or similar, providing a user with a graphical interface to connect to another computer over a network connection.

Service user engagement (Appendix 3)

50. Significant service user engagement with adopters has been undertaken working with Adoption UK to facilitate surveys, focus groups and various forums to ensure proposals are informed by service users. Work is ongoing and will be embedded within the processes of the new organisation to ensure engagement of the principal stakeholders including:
- Adopted children / adults
 - Adopters / Adoptive families
 - Birth families
 - Local Authority, Voluntary Adoption Agency and Adoption Support Agency Staff
 - Health service commissioners and providers
 - Adoption panel members
 - Education services

Consultation

51. Staff have supported the process through an initial engagement event in November 2015, ongoing communication with service managers and the project team through operational team meetings, focused working group involvement and a further all stakeholder event in November 2016. Trade Unions have been informed of outline proposals and arrangements are in place for ongoing consultation as proposals are developed further. The adopter voice is provided through adopter champion representation within the governance structures and plans are in place for ongoing structured involvement of service users, including the voice of the child.

Financial Implications

52. The wider financial implications are summarised under the 'Financial principles, modelling and funding' section above. The outline budget detailing projected costs (**Appendix 10**) and member agreement heads of terms (**Appendix 4**) settings out funding arrangements are fundamental to the next stage of the project and to informing decision making. As highlighted in the options appraisal, as the corporate RAA only has local authority members (shareholders), it will be a local authority company as such "controlled" by each of the participating authorities. Each local authority has a fiduciary duty to look after the funds entrusted to it and to ensure that the taxpayer's money is spent appropriately. For that reason, a local authority must carefully consider any trading venture that it embarks on. The

2009 Trading Order England requires the local authority to prepare a business case. The participating authorities (or their executives) should approve the business plan before trading starts.

53. The business plan will need to be underpinned by an agreed financial model that provides for an appropriate and sustainable resource; to enable the continued progress and development of Adoption West and its delivery of its key functions and responsibilities.
54. The budget established for the new entity (**Appendix 9**) is based on 2016/17 Budgets and whilst the estimates are produced with reasonable assumptions they reflect a point in time and potentially inconsistent principles. The figures establish the baseline upon which the entity will build and the accuracy / integrity of the available resources is paramount in its success.

BCC Revenue Resource Implication

55. The proposed cost of the RAA for Bristol in year 1 is estimated in the appended model to be £862,071, broken down as follows £916,071 gross cost less £54,000 net inter-agency income. The service 2017/18 budget allocation is £825,000, which leaves an indicative shortfall of £37,000 should the position stated be progressed. In addition an earmarked risk reserve will need to be established and maintained at a value not less than 5% of net spend of the company (c. £130,000).

The costs will be finalised in the business planning and any additional costs in excess of the budget for the respective financial year of implementation will be contained within the Directorates service allocation.

56. For the purposes of the applicable VAT legislation, the corporate RAA will be providing "welfare services". This would bring the RAA within a VAT exemption.

The consequences of the VAT exemption are twofold:

- The RAA will not be required to charge VAT to the participating authorities in respect of the welfare services it provides.
- Since it will be making exempt supplies, the RAA may not be able to recover the VAT it incurs in procuring support services from third parties, such as finance, human resources advice and ICT. As such the potential costs of these services to the RAA should be factored into the full business case as part of the final decision making process.

BCC Capital Resource Implication

57. There are no specific capitals implications attributed to constituent councils.

Legal Implications

58. The report and specifically (**Appendix 4**) deals with the legal implications of the establishment of a local authority joint venture. The proposal is that the body will be a company limited by guarantee. A number of agreements and related company documents are yet to be produced and agreed (as detailed in Appendix 4) in order to put the proposal into effect, and until these are settled and executed the Council is not legally bound to proceed. Authority to approve and enter into these arrangements is sought in favour of the Strategic Director People and S151 Officer, in consultation with the Cabinet Member for Children and Young People

59. Transfer of Special Guardianship arrangements is noted as a commitment but not a recommendation at this stage.

Human Resources Implications

60. HR implications are summarised under the 'Human resources implications (staffing, organisational structure, employee transfer and pensions)' section above.
61. If the decision is made to set up a Local Authority Trading Company then appropriate staff consultation and application of the workforce change procedure will follow. There are clear potential Human Resources implications for staff in relation to their employer, location and type of work, which will be addressed in future reports and processes as the project progresses. Relevant staff members who perform adoption duties may transfer to the employment of that entity under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations. It is also possible to agree a secondment of staff to the new organisation and retain them on their existing terms and conditions, employed directly by their current Local Authority. If TUPE applies, appropriate advice will need to be sought by the new entity in relation to pension scheme considerations.
62. As the transferring employees who would transfer under TUPE from the LAs to the Local Authority Trading Company are going to be members of or entitled to join the LGPS, the LAs will be obliged to ensure that when their employment transfers to the Local Authority Trading Company, appropriate 'pension protection' is provided for them. It is anticipated that this would therefore be a case of the Local Authority Trading Company also participating in the LGPS to allow the transferring employees to continue with their membership of entitlement to join following the transfer. Issues which the LAs would need to consider include:
- whether the Local Authority Trading Company would participate in only one of the relevant LGPS Pension Funds or whether it participated in all of the relevant LGPS Pension Funds;
 - whether future staff employed by the Local Authority Trading Company were:
 - going to be provided with membership of the LGPS; or
 - going to be provided with membership of an alternative pension arrangement which satisfies the requirements to be a 'qualifying scheme' in order to comply with auto enrolment requirements.
 - where future staff employed by the Local Authority Trading Company are to be provided with membership of the LGPS, depending on the Local Authority Trading Company's participation arrangements in the LGPS, which of the relevant LGPS Pension Funds those future staff participate in.

Environmental Implications

63. The proposals are intended to provide sustainable long term solutions and environmental considerations will be factored into specific proposals relating to service delivery changes. There are no perceived explicitly environmental implications arising directly from this report.

Social Implications

64. There are significant social implications arising from the successful implementation of the Regional Adoption Agency. Positive outcomes for looked after children, and specifically

improvements in adoption and permanence services, are more likely to result in positive contributions to society. Timely and successful adoption / permanence solutions are important and can have far reaching consequences particularly in terms of the social impact on the lives of children, young people and their families.

Economic Implications

65. Whilst there are no direct economic implications arising from this report or its recommendation, a thriving local market of voluntary adoption service providers is central to the development of the regional adoption agency and improved outcomes for service users.

Equality Impact Assessment

66. Actions included in this report target support for the most vulnerable young people and therefore will have a positive impact on equalities. Research and data analysis has been undertaken to identify and agree actions to address potential equality impacts for service users and staff and the project will continue to explore and address equality impacts throughout the life of the project.
67. The implementation plans specifically aim to ensure that the requirements of the Equality Act 2010 are complied with and all public bodies involved in the project are subject to the public sector equality duties, as will the new organisation. The project will continue to consider how the equality duties will be actioned by the new organisation.
68. Equalities considerations and monitoring is an integrated part of our Joint Strategic Needs Assessment and Joint Health & Wellbeing Strategy process to help promote equality and discharge our responsibilities under the Public Sector Equality Duty. Relevant information from these strategic processes informs the equality impact assessment (**Appendix 7**) for this project which is shared with decision makers to ensure they have adequate information prior to the final decision.
69. The data analysis includes results by protected characteristics to ensure that the actions outlined in this report are targeted to those areas that require it the most. Ongoing service user consultation and monitoring of equality impacts will inform the design of the project and result in specific actions to address any identified issues.
70. Overall, this work has the potential to significantly progress equality of opportunity and advance equality for all groups of vulnerable young people across the region through the identification of inequalities and clear action planning to address these, thus advancing equality of opportunity for all.

Privacy Impact Assessment

71. An initial Privacy Impact Assessment has been conducted and will be developed as part of a process which assists the council in identifying, minimising and addressing the privacy and information risks associated with any new initiative.

Risks, Mitigations & Opportunities

72. A risk register is maintained as part of regular project management practice with mitigating actions identified to ensure the likelihood and impact of risks is managed proactively. Key

risks identified include

- **Risk:** There is a risk that if the council fails to join a regional agency within the timescale specified nationally. This could include central government directing how these services would be delivered.
Mitigation: partnership meeting to agree the final adjustments, and project and business plans produced.
- **Risk:** Disruption during the period of transition and managers/staff becoming focussed on the change process rather than service delivery may lead to delays in plans for children.
Mitigation: Thorough and effective transition planning agreed with service managers and flexibility to enable service delivery priorities to be managed. Plans to temporarily reduce the workload on adoption managers and staff, thereby enabling them to maintain direct service provision while in transition.
- **Risk:** Adopters may lose confidence during the change process resulting in the potential for fractured relationships and breakdown in service delivery
Mitigation: Communications planning and involvement of adopters throughout the process. Adopter forums and newsletters disseminating information and gathering feedback. Service monitoring during transition to ensure no impact on service delivery.
- **Risk:** ICT system change may impact on service information, governance and records. Potential impacts include loss of personal information, delays in processes, safeguarding risk and cost of information security failures, undermining confidence in the new service and reputational damage.
Mitigation: ICT lead officers' involvement and collaboration in planning and developing appropriate solutions. Detailed information gathering and analysis prior to service implementation will reduce potential confusion and error. Privacy Impact Assessment process to identify, minimise and address the privacy risks associated with the transition and any changes to information governance.
- **Risk:** Potential for fragmentation and loss of good working relationships with child care teams in authorities and disrupted links with health, education and other services.
Mitigation: Engagement of child care teams in the project and specific input into service specification and process changes to ensure links are maintained. Engagement with all partner agencies, service providers and child care services will be needed to include them in the service plans and ensure robust systems are in place to maintain ongoing relationships into the future.
- **Risk:** Set up and running costs may be underestimated leading to unforeseen liabilities for partners and/or the new RAA.
Mitigation: Financial analysis and modelling involving expert advice is included in the financial and transition plans. Sufficient time will be allocated to these activities and engagement of all partners in agreeing proposals to ensure estimates are understood by all and are as accurate as possible.

Background Papers

1. Adoption West [Committee/Cabinet] Report ([June/July/September 2016])
2. Regionalising Adoption (June 2015) DfE
3. Adoption: A vision for change (March 2016) DfE
4. The Education and Adoption Act 2016
5. Adoption and Children Act 2002

Appendices

1. Summary options appraisal and approved delivery model option
2. Outline service specification and practice definition
3. Service user engagement feedback summary
4. Draft Heads of Terms for the Members' Agreement and Commissioning Agreement
5. Governance arrangements
6. Service design model
7. Equality Impact Assessment
8. Staff establishment summary
9. Outline current combined budget for LAs services in scope
10. Outline future RAA budget
11. Adoption West Project plan