

Appendix E: Regional Finance & Resources Formula

1. Document Overview:

Report Title:	Regional Finance & Resources Formula
Report Audience:	The Together4Children Regional Permanency Partnership
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Purpose:	Summary & Overview
Appendix Documents:	Appendix A: Regional Performance Framework Outline

2. Regional Financial & Resources Formula Overview:

- 2.1. The Regional Finance & Resources Formula for 2020/21 and 2021/22 is set on the basis that each Partner contributes 100% of “in scope” budgets (Adoption), as disaggregated from the 2019/20 budget. “It is recommended (subject to Cabinet consideration) that the Regional Financial Formula for 2020/21 and 2021/22 is set on the basis that each Partner contributes 100% of “in scope” budgets (Adoption), as disaggregated from the 2019/20 budget. The level of each Partner’s contribution will be calculated in accordance with the Regional Finance & Resources Formula Performance Framework. This framework ensures each Partner contributes the appropriate level of resource to the Partnership to meet their own sufficiency needs (which reflects the Partner’s Adoption demand). Each Partner will be obliged to provide the resource to meet any sufficiency deficit via their Inter-Agency Budget commitment for 2020-2021. This ensures no Partner is disadvantaged by funding the demand or care needs of children from another Partner, within the parameters set out in the framework.
- 2.2. The following budgets (including all associated costs) will be “in scope” of the Formula:

Local Authority Adoption Agency Staffing	Adoption Workforce Training & Development
Adoption Agency Administrative Support	Adoption Agency Infrastructure/Corporate Recharges
Adopter Recruitment	Adopter Assessment
Adoption Family Finding	Adoption Panel & ADM
Post Adoption Support/Permanency Support	Adoption Service Commissioning
Inter-Agency Placement	Adoption Support Fund (ASF)

- 2.3. There will be no further recourse to any Local Authority in the Partnership, in respect of services in scope of the Together4Children Regional Permanency Partnership. Partner Local Authorities will remain responsible for any additional cost pressures (through, for example, significant increases in predicted demand for services).
- 2.4. Partners will continue to provide Corporate Infrastructure for the Locality Permanency Hub to which the Local Authority is hosting.
- 2.5. Staffordshire County Council (SCC) will provide Corporate Infrastructure for the Central Permanency Hub, with appropriate costs charged at 25% per Partner. Local Authorities will continue to provide Employee Corporate Infrastructure (i.e. HR) to Staff seconded to the Central Regional Permanency Hub.
- 2.6. Partners will continue to provide Office Accommodation, in line with current arrangements.
- 2.7. If a Local Authority is unable to “match” a child and adopter within the Partnership, the Partnership will seek an external placement (through Inter-Agency Arrangements). The Inter-Agency Budget for each Local Authority will be ringfenced to the Local Authority but decisions in respect of this budget will be outlined in the Regional Finance & Resources Scheme of Delegation. If an individual Local Authority exceeds its allocated “Inter-Agency Placements” Budget, the associated costs will be incurred by the Child’s Local Authority.

Proposed Overspend & Underspend Arrangements:

- 2.8. Any overspends within the Central Regional Permanency Hub are mitigated against with a 25% contribution from each Partner (unless the overspend is evidenced to be specifically because of one Partner’s demand or actions).
- 2.9. Any overspends in Locality Permanency Hubs are mitigated against by the appropriate Local Authority which is hosting the identified Locality Permanency Hub (unless the overspend is evidenced to be specifically because of the wider Partnership).
- 2.10. Any underspends within the Central Regional Permanency Hub will be reinvested into the Partnership (with Management Board approval) or distributed with a 25% split across the Partnership (unless the underspend is evidenced to be specifically because of one Partners demand or actions, in which case a proportionate allocation of funds will be agreed at Board).
- 2.11. Any underspends in Locality Permanency Hubs remain as an underspend for the Local Authority to invest in the wider Children & Families System (with Management Board approval).

Medium- & Long-Term Finance & Resources Formula:

- 2.12. On the 01/04/2020, Local Authorities will have aligned reporting structures against “in scope” budgets (Adoption). This will ensure transparent oversight of all budgets in the ringfence of the Together4Children Regional Permanency Partnership to aid the future development of a Regional Finance & Resources Formula.
- 2.13. During 2020/21 and 2021/22, the Partnership will undertake detailed analysis of whole system demand (relating to Adoption) to inform the development of a medium- and long-term Regional Finance & Resources Formula. This will ensure the Local Authority’s contribution is consistent with current and projected whole system demand (relating to Adoption). This activity begins on the 01.04.2020. This will build upon the demand and sufficiency work that has been undertaken across the Partnership during 2018/19. This additional activity will not seek to increase financial risk to Partners.

3. Regional Finance & Resources Performance Framework:

Purpose of the Regional Performance Framework:

- 3.1. The Regional Performance Framework has been developed to compliment and support the Regional Finance & Resources Formula 2020/21 and 2021/22.

- 3.2. The Framework sets out the mechanisms for monitoring and reconciling the contribution to, and demand placed upon the Together4Children Regional Permanency Partnership by each of the Local Authority Partners in order to ensure that the following key principles are adhered to:
- Each Partner contributes 100% of “in scope” budgets (Adoption), as disaggregated from the 2019/20 budget.
 - No further recourse to any Local Authority in the Partnership, in respect of services in scope of the Phase One Together4Children Regional Permanency Partnership.
 - The only exception to this is where overspending against external/inter-agency placements occurs or in the case of other exceptional circumstances (which are managed through the Regional Governance System).
 - The Inter-Agency Fee is removed for Local Authorities within the Partnership where the following conditions are met:
 - Each Local Authority meets the Regional Sufficiency Targets (which will be set out in the Service Specification, underpinning the Legal Agreement)
 - Where the tolerance for in-region placements is not exceeded by an individual Local Authority
- 3.3. The Framework will provide the mechanism to ensure that the Partnership is able to effectively monitor the activity of each Local Authority Partner along with an overall view of the activity of the partnership as a whole.
- 3.4. The Framework will ensure that Regional Management Board are fully sighted on the Partnership’s in-year activity and alerted to potential financial risks and pressures in a timely way.
- 3.5. The Framework will provide the mechanism to review Performance activity relating to demand, sufficiency and overall financial stability. It will provide the means to review key elements of the financial formula after year 1 and inform the financial planning for year 2.
- 3.6. It is recognised that the Framework cannot predict or accommodate all potential eventualities. Whilst the financial arrangements set out below have been modelled to meet a range of potential outcomes, there are some less likely scenarios that would require in-year strategic planning/decision-making by the Programme & Management Board.
- 3.7. In these circumstances, The Framework provides a robust structure to understand activity across the Partnership. The performance reporting and predictive financial modelling set out in the Framework provides the Programme & Management Board with sufficient information to guide strategic decision-making for in-year activity; and, where required, agree non-standard reconciliation arrangements which are equitable and transparent.
- 3.8. A key aim of the Partnership is to ensure that there are sufficient Adopter Households to meet the needs of children in the region who have a plan of adoption. This aim aligns with factors that will ensure that the partnership’s financial foundations are secure, stable and viable over time.

Key Factors

There are 3 key factors which will determine both sufficiency for children and the financial viability of the partnership arrangement;

3.9. Resource

For the purposes of this framework resources to be considered are:

- a) Employees within Adoption Services undertaking activity in relation to adopter recruitment, assessment, panel and family finding.
- b) The Interagency Budget (or predicted spend) of each LA Partner.

3.10. Contribution

For the initial year of the Partnership this is defined as:

Number of adopter households approved by each LA partner + inter-agency budget commitment.

The expected contribution for each LA partner takes into account past and current performance and makes a reasonable prediction about the level of assessment activity each partner can deliver relative

to the level of resource committed.

Future analysis (to be undertaken during year 1) will require benchmarking the performance of each LA against the other partners, and against the performance of RAAs nationally, in order to evidence that resources allocated are effectively and efficiently managed, productivity and quality are comparable, and the Partnership is delivering value for money.

In future the performance of the central functions (Central Permanency Hub) will need to be factored in as there are key interdependencies between these functions (e.g. marketing and recruitment) and the performance of the locality hubs.

3.11. Demand

Demand is simply the number of children who require an adoptive placement in any given year.

Over recent years, the number of children each of the LA partners has placed for adoption has fluctuated due to a range of national and local factors including case law and changes in professional practice.

Demand analysis is currently based upon past and current activity, alongside some initial trend analysis including the demographic changes within each LA's looked after child populations.

Performance Formula Principles (excluding Inter-Agency Income)

3.12. LA partners will agree a provisional demand expectation i.e. how many children are likely to require an adoptive placement within the year 2020-2021. This will be agreed with relevant Service Heads, based on the following formula:

For the 12-month period including Q3 & Q4 2018-19 and Q1 & Q2 2019-2020;

No. of children becoming subject to a PO x % increase/decrease in LAC population (age 0-5).

3.13. Each Locality Permanency Hub (LPH) will agree a Sufficiency Target based on their capacity to assess and approve x number adopter households within the year 2020-2021.

This will be agreed with relevant Service Heads, based on the following:

- The required demand from the LAs hosting the LPH.
- The capacity of the LPH taking into account the number of FTE SW Practitioners undertaking assessments.
- The previous performance of the LPH, considering trends in, and barriers to adopter recruitment.

3.14. Telford & Wrekin and Shropshire jointly contribute to the assessment capacity within the Joint Adoption Service (JAS). Whilst Staffordshire and Stoke-on-Trent are individually responsible for their respective LPHs.

3.15. It will be assumed that each Approved Adopter Household provides placements for 1.4 children on average (based on national and regional data).

3.16. The sufficiency deficit for each LA will be calculated as the difference between Demand for children's placements and the Assessment Target for Approved Adopter Households (x 1.4).

3.17. Each LA partner will be expected to provide the resource to meet any sufficiency deficit via their Inter-Agency Budget commitment for 2020-2021 – based on an agreed average figure for Inter-Agency Placements. This commitment will be calculated at £29k per child's placement required (the average of the RAA/LA fee and VAA fees).

3.18. Sufficiency Targets will be set on the assumption that recruitment activity managed via the Central Permanency Hub is effective and that there is a fair allocation of household assessments across the 3 LPHs, making best use of the Partnership's total assessment capacity.

3.19. Where a LA partner has met their Sufficiency Target for the year, there will be no cost for their children placed with 'in-region' adopters (i.e. adopter households who have been assessed and approved via one of the 3 LPHs) providing this is within the 'tolerance' limit set out at 3.13 below.

3.20. Each LA who meets their Sufficiency Target but has an overall sufficiency deficit for the year may

place up to 4 children with 'in-region' households without cost. Once this tolerance is exceeded, the cost of placing further children in-region will be reconciled - with the placing LA contributing of £27k to the LA responsible for managing the LPH where the child's adopters were assessed and supported.

- 3.21 In the circumstances described above, no one LA shall be expected to provide more than 2 placements for children within the partnership. Where placing LAs exceed this number for a given LPH, the reconciliation fee of £27k will be applied.
- 3.22 Where an LA partner has not met their Sufficiency Target for the year, the cost of placing a child with in-region adopters will be reconciled - with the placing LA contributing £27k to the LA responsible for managing the LPH where the child's adopters were assessed and supported. Where two or more children are placed together the contribution will be adjusted in line with the nationally agreed inter-agency fee rates (<https://corambaaf.org.uk/sites/default/files/Interagency%20fees.pdf>.)

Inter-Agency Income

- 3.23 The national adoption system requires the opportunity for children to be placed with households across the country, particularly where there are no suitable families available locally.
- 3.24 Children placed by other LAs in households the Partnership's placements via the inter-agency arrangement will generate income for the Partnership whilst decreasing internal sufficiency. The net effect of this across the Partnership will need to be carefully monitored.
- 3.25 In year 1 a strict activity-based approach will be adopted in order to provide clarity and simplicity for all LA Partners.
- a) Any income generated by a LA placement will be offset against the Inter-Agency budget set for the LA (or LAs) which host the LPH where the assessment and support of the adopter household is delivered from.
 - b) Where a LA does not meet the sufficiency target for adopter household approvals, Inter-agency income will be utilised to off-set the 'gap' this contributes to, in terms of total regional sufficiency.
 - c) Where a LA meets or exceeds their sufficiency target for adopter household approvals and the demand from their own children's placement requirements, income generated through Inter-agency placements will be returned to the relevant LA via the financial reconciliation process.
 - d) In relation to Joint Adoption Service (Staffordshire County Council and Telford & Wrekin Council), income generated and returned would be split proportionately as per the agreed arrangement between Shropshire Council and Telford & Wrekin.

Quarterly Reporting and Financial Reconciliation

- 3.26 The Finance/Performance Framework will provide a transparent reporting system for the partnership. This will be aggregated and reported to Board members on a quarterly basis; providing accurate activity reports and financial forecasts against agreed targets and demand predictions for each LA partner.
- 3.27 The framework will report the following activities and outcomes:
- a) The level of overall recruitment activity
 - b) The number assessments allocated to each LPH
 - c) No. of Adopter Households in Stage 1 and Stage 2 Assessment in each LPH
 - d) No. of Adopters Approved via each LPH
 - e) No. of children referred with a plan of adoption from each LA
 - f) No. of children placed from each LA
 - g) Where each child within the partnership region is placed e.g. internal/other RAA/VAA
 - h) No. of children placed in region
 - i) Which LA each child placed originated from

- j) Which LPH assessed and supported the placement
 - k) No. of children from each LA placed inter-agency in VAA/RAA placement and the associated cost
 - l) No. of children placed (inter-agency) by other LAs in the Partnership placements
 - m) Which LPH assessed and supported the placement and the associated income generated
- 3.28 The Performance Framework will underpin the Service Specification and Legal Agreement) which will set out the conditions and terms for year-end financial reconciliation between LA Partners based on the principles set out above.

4. Proposal Justification:

- 4.1. Developing Regional Finance & Resources Formula's for Regional Adoption Agencies (RAA) is sighted by the Department of Education (DfE), stakeholders and other Local Authorities as one of the most significant challenges facing new and existing Regional Adoption Agencies (RAA) across the country. Many Finance & Resource Formulas have led to an increase in the financial contribution of Local Authorities to Adoption Services. Regional Adoption Agencies (RAA) which have taken the approach, proposed in this document, have not identified the same challenges. This is because the approach ensures Local Authorities remain financially responsible for their own children and service demand. Other arrangements have led to a situation where Local Authorities have incurred financial pressures because of the demand and children of partnering Local Authorities. The approach of this Partnership avoids such a scenario.
- 4.2. The proposed approach will ensure financial certainty for the Regional Adoption Agencies (RAA) in the short term, whilst ensuring that Local Authorities are insulated from potential financial risk as a result of the new arrangement. Adopting this proposed arrangement will allow the Partnership and the four Local Authorities to take informed financial decisions in the medium and long term, ensuring the Regional Permanency Arrangement will achieve financial sustainability to meet the changing needs of Looked After Children and the challenges facing the four Local Authorities.
- 4.3. The proposed model allows the Partnership to be able to adjust the Regional Finance & Resources Formula to take account of further functions coming into scope, as previously set out in the Regional Outline Business Case (OBC) in respect of Adoption Allowances, Fostering, Connected Carers and Special Guardianship.

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