



Report of: **Executive Member for Children and Families**

Meeting of	Date	Ward(s)
Executive	9 February 2017	All

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SUBJECT: Regionalisation of adoption services

1. Synopsis

- 1.1.** This report seeks Executive approval for the Council to work collaboratively with other London boroughs to continue to develop the London Regional Adoption Agency with the intention of joining the agency, when it becomes operational; this is predicted to be 2017/18. Islington is already part of a successful 6 Borough North London Adoption Consortium, but this will need to become part of the wider London service. This request is for Islington to become part of the process to plan how adoption will be delivered across London. Adoption North London hopes to continue to deliver some adoption services in a new partnership with the London regional service. Other Consortium partners have taken this to their Cabinet for approval.
- 1.2.** The number of children adopted has fallen in London, and economies of scale are needed, as well as an improvement in the consistency of adoption support across London. This affects many of Islington's adopted children who are adopted outside the borough.
- 1.3.** The government has legislated about this matter and Islington must become part of a regional adoption agency by 2020. The adoption service recommends that the Executive agree this proposal to ensure that Islington and Adoption North London are able to

participate fully in planning adoption services across London for the benefit of our children.

2. Recommendations

- 2.1. To agree, in principle, to join a London Regional Adoption Agency, subject to detailed financial analysis and business case;
- 2.2. To authorise the Corporate Director of Children's Services, in consultation with the Executive Member for Children Young People and Families, to progress arrangements relating to the development and implementation of the London Regional Adoption Agency model.

3. Background

- 3.1. In order to improve outcomes for children in care, the Coalition Government introduced An Action Plan for Adoption: Tackling Delay with legislative changes to the monitoring of the adoption process through an Adoption Scorecard. This set targets for Local Authorities to speed up the adoption process. In many authorities, those targets have not been met and the speed of adoption remains a local corporate parent and central government concern.
- 3.2. The Department for Education (DfE) paper, Regionalising Adoption proposed the move to regional adoption agencies in order to:
 - Speed up matching
 - Improve adopter recruitment and adoption support
 - Reduce costs
 - Improve the life chances of vulnerable children.
- 3.3. The government has reinforced their policy ambition through provisions in the Education and Adoption Bill. The DfE's ambition is for all local authorities to be part of a regionalised service by 2020.
- 3.4. Through Adoption: a vision for change , the Department highlighted the need to draw on the best of both the statutory and voluntary sectors to ensure that systems are designed around the needs of children. It also reinforced the vision to ensure that the voice of children and adopters is at the heart of policy making and service delivery.
- 3.5. There has been no ministerial change following the changes in government during July 2016 and the DfE has, since those changes, reaffirmed a commitment to this policy. A communication from the DfE to DCSs on 15th September stated 'RAAs will make an enormous difference to some of our most vulnerable children... We and the team would welcome any further feedback on how we can best work together to deliver the great potential which RAAs have to offer...'

¹ An Action Plan for Adoption: tackling delay (DfE, 2012)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/180250/action_plan_for_adoption.pdf

¹ Regionalising Adoption (DfE, 2015)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/437128/Regionalising_adoption.pdf

¹ Adoption: a vision for change (DfE, 2016)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/512826/Adoption_Policy_Paper_30_March_2016.pdf

3.6. Working together to improve adoption services in London

London boroughs and VAAs have a history of working together to improve adoption services

3.7. Pan-London joint working

In 2013, the London Adoption Steering Group was set up to enable pan-London good practice sharing and development. This group transitioned to the London Adoption Board in 2014. The London Adoption Board includes London boroughs and voluntary adoption agencies (VAAs) and is sponsored by the Council of Voluntary Adoption Agencies. The London Adoption Board has supported the collection of adoption data, facilitated best practice showcase events, advocated with external groups on behalf of London, and enabled the development of standards for adoption services.

3.8 Consortia arrangements

All London boroughs belong to an adoption consortium. These consortia allow best practice sharing between local authorities and enable joint working on some aspects of the service. In some cases, services are carried out jointly between boroughs via these consortia arrangements. Examples of service areas that are carried out jointly include adopter training, recruitment activity, and joint subscriptions. There is a range of levels of integration within the different consortia. Figure 1 shows the current consortia regions.

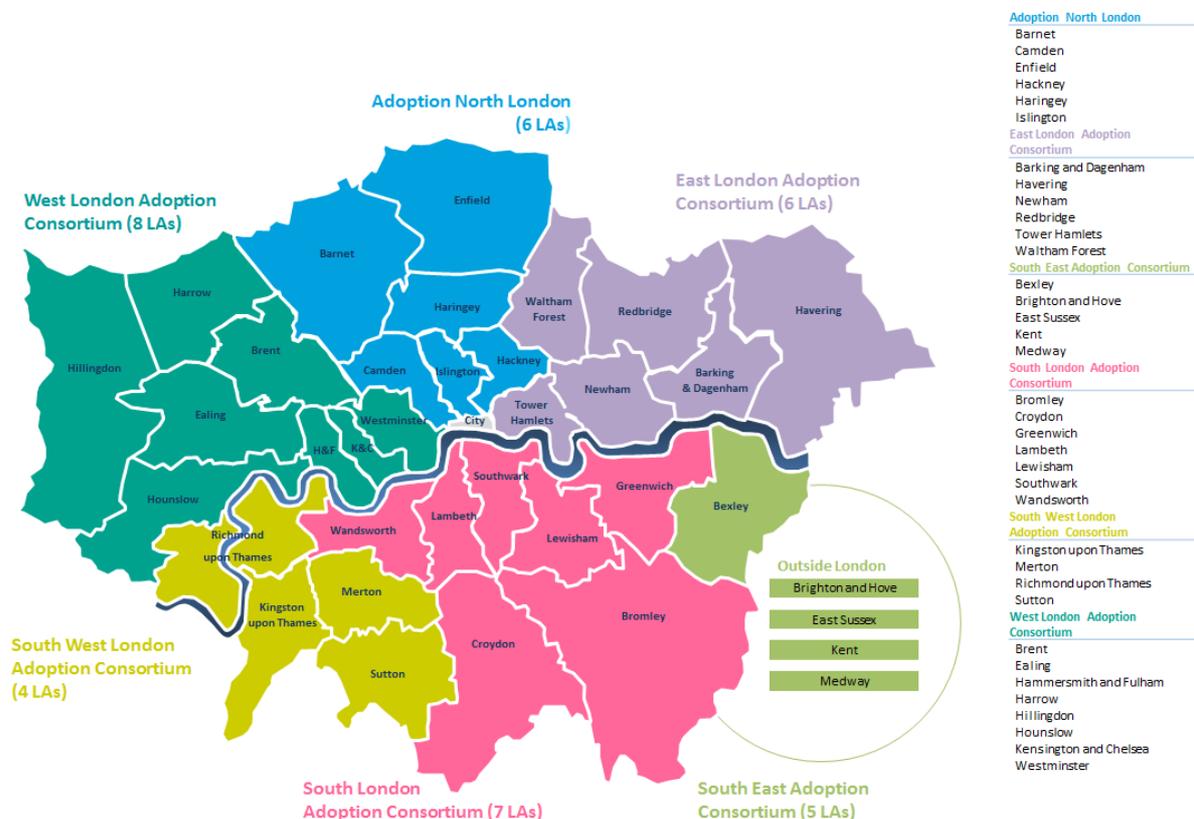


Figure 1. London adoption consortia arrangements

The engagement between boroughs and VAAs ranges from individual service contracts and spot purchase arrangements with VAAs to outsourcing the full adoption service. Many VAAs are involved in the consortia arrangements shown above.

3.9 The London Regionalised Adoption Project

Governance

Following the publication of this paper the Department invited councils and Voluntary Adoption Agencies to submit Expressions of Interest in becoming part of new regionalised arrangements. In response, the Association of London Directors of Children’s Services (ALDCS) submitted a London proposition in late 2015. The DfE subsequently approved the ALDCS proposition as a “scope and define” project.

ALDCS set up and chair a Regionalisation Project Steering Group that has driven the development of the initial recommendations outlined in this document. The Regionalisation Steering Group sits under the governance of ALDCS and makes operational decisions to drive the project forward. An ALDCS reference group (5 DCS members) has also been set up to support the Regionalisation Steering Group Chair with ensuring that the views of London as a whole are represented at a senior level. A diagram of the governance arrangements is shown in Figure 2.

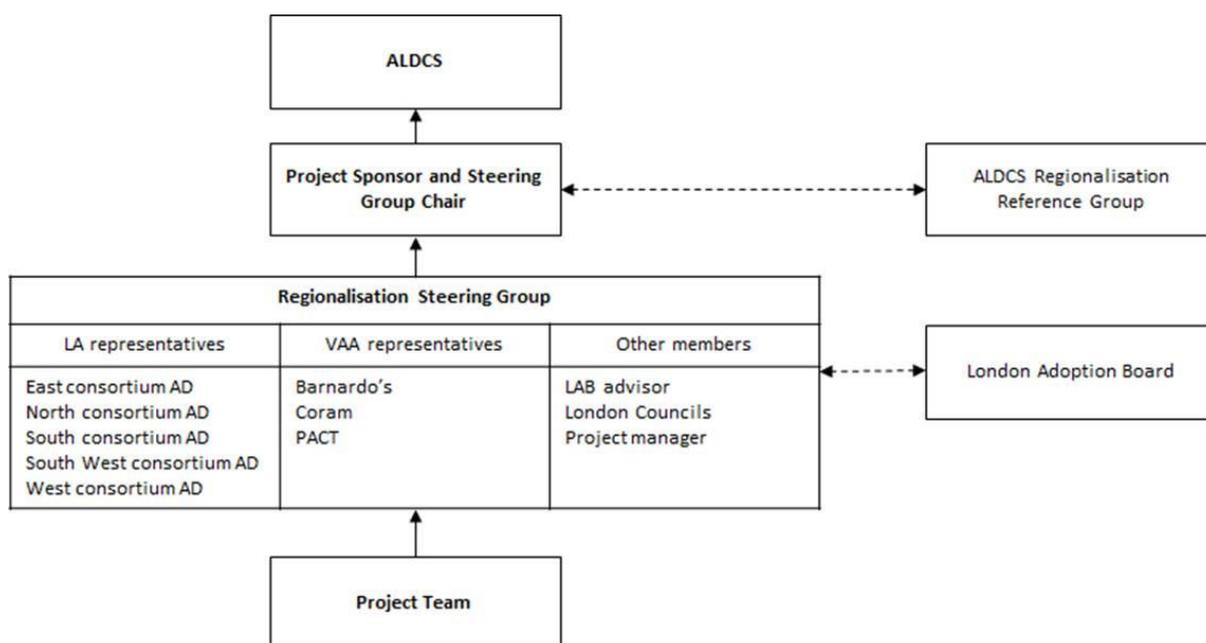


Figure 2. London Regional Adoption project governance and membership

3.10 The vision for London

The development and assessment of models for the London Regional Adoption Agency was preceded by the development of a vision for London. This vision was agreed by Directors and engaged upon with stakeholder groups.

The core of this vision is to ensure that all London’s children who require adoptive families receive excellent services that meet their needs leading to excellent outcomes for them and their adoptive family. See **appendix 1** for the vision statement.

3.11 Opportunity for London

The vision highlighted a focus on achieving the best outcomes for all London's children in need of an adoptive placement and reducing any current postcode lottery of provision across the capital.

3.12 Outcome performance for children and adoptive families

With regards to the current outcome performance, the majority of London boroughs do not achieve the national average waiting time from entry to care to moving in, and there is wide variation in performance on this metric and the timeline from placement order to matching.

An activity survey carried out in the first phase of the project showed variable practice regarding the use of adopters approved by other agencies (other LA or VAA), and variation in the use of the adoption support fund. These practice differences may influence the placement timelines.

Adopter focus groups reinforced the need to improve equality in service provision across London. In particular, they raised concerns that training availability was limited in some areas and there was inconsistent access to adoption support.

Within these performance metrics, there is some clustering of performance seen within some consortia groups. This suggests that there is opportunity to improve through closer integration, but may also be influenced by the cohorts of adopters and children in these regions.

3.14 Cost and efficiency performance

For local authorities, the vision cites a need to support cost efficient and effective delivery that enables future flexibility. Figure 3 shows the variation in adoption numbers by borough during 2015-16. This shows that adoption is a very small service within many boroughs, which may result in inefficiencies and may reduce focus on this area within staff training and development.



Figure 3. Number of children adopted from care Q1-3 2015/16, ALB data set (unrounded)

3.15 There is also significant variation in cost per adoption, which partially relates to the efficiency aspects described above, but also reflects savings opportunities. An economic analysis during the first phase of work estimated the average cost per adoption in local authorities was £58,900, based on submissions from 21 local authorities, compared to an interagency fee average spend of £33,300. This does not include indirect costs, adoption allowances, Adoption Support Fund spend, and third party payments. Further analysis is required to confirm the data and identify which tasks are carried out by local authorities and not by external agencies. This will provide an indication of the window of opportunity for efficiency improvement. Adoption North London has challenged the economic analysis because the comparison between the cost of local authority adoption services and voluntary adoption agency cost did not take into account the full extent of services delivered across children's services by local authority adoption services.

3.16 The greatest area of saving potential was identified within staffing, but the potential models are hypothetical and need further testing in the context of the service design. Further analysis is required of local authorities with low cost per adoption and good performance on timeliness and quality to identify whether these achievements are possible to extend to other areas. The London RAA will measure performance against Adoption Leadership Board statistics, quality metrics including breakdowns, process efficiency and satisfaction. Proactive tracking and problem solving processes will be a core function of the RAA.

3.17 Development of the Service and Delivery Model

The Regionalisation Steering Group considered a number of options for the delivery model, and recommended two for further investigation. In order to be able to advise Boroughs, ALDCS has sought legal advice regarding the proposed London scheme. In addition, there have been two events for elected members, as well as engagement with adopters, prospective adopters, and adopted young people.

3.18 Development of the high level service model

To create a London Regional Adoption Agency that best meets the needs of children and adopters in line with the expected Government guidance there was a need to consider the types of delivery vehicles and models that would make the difference in improving our specified outcomes. In January 2016, the project team held an options development workshop with LA, VAA and adopter representatives. Participants were provided with information collated from throughout the project engagement to date, and asked to identify the outcomes expected from each aspect of the adoption journey in order to achieve the vision. Groups then identified the commissioning and delivery scale required to achieve the outcomes. A diagram showing the outcomes identified in this workshop can be seen in **appendix 2**.

3.19 Options analysis on the delivery model

Building on this service design, the workshop participants were introduced to the potential delivery vehicles and structures. They agreed the desirability and feasibility criteria for scoring these vehicle/ structure combinations. These criteria were agreed by ALDCS.

3.20 Delivery vehicles considered

The following delivery vehicles were considered as part of the options appraisal process at either the pan-London level or the creation of multiple regional agencies:

- Single LA hosting on behalf of other LAs
- New LA owned entity
- LA-VAA joint venture
- Outsourcing to existing London VAAs

Within the above delivery models, a number of structures were considered:

- Fully centralised: a single London body
- Hub and spoke: central hub for London-wide co-ordination, commissioning and delivery, with sub-regional spokes for delivery and local commissioning under the same organisation.
- Tiered approach: top strategic tier, second strategic/ operational tier, third delivery tier.
- As-Is+: current arrangement with more formalised partnerships.

3.21 Recommendation on preferred models

The Regionalisation Steering Group carried out scoring of desirability and feasibility criteria and held a discussion of the available options based on engagement with stakeholders and other data captured. The group recommended the following options for further investigation:

- LA trading company delivery model with a strategic VAA partnership operating in a hub and spoke structure (Option 1)
- LA-VAA joint venture operating in a hub and spoke structure (Option 2).
- A summary of the assessment of the individual options can be found in **appendix 3**.

3.22 At the March meeting of ALDCS, Directors received a report of stakeholder engagement in respect of the potential delivery models which could form the model for a future regionalised offer. Those preferences, based on guidance from stakeholders including VAAs, were a local authority trading company and a joint venture. Directors supported this recommendation

3.23 Legal advice on the potential delivery models

On the direction of ALDCS, legal advisors were appointed to produce detailed advice on the two preferences.

3.24 Report coverage

The report is now complete and covers the following areas for the preferred models:

- Benefits and limitations of VAA involvement in the ownership and/or strategic partnership, with advice on the joint venture options.
- Governance implications with regard to the need for accountability to the LAs responsible for the child.
- Legal entities that would be appropriate for securing the optimum balance with non-statutory organisations.
- Income and tax implications of the models, including VAT treatment and the ability to trade with other regional agencies.
- Procurement implications of these models, with reference to Teckal exemption.
- Implications for registered charities including charitable assets and income.
- Potential staff transfer implications.

3.25 Recommended model

The report received from the legal advisors recommends that the Agency would be a not-for-profit community benefit society which is jointly owned by all of the LAs (Option 1) who wish to participate in the project from the outset (Founding Councils). The figure below shows the structure of the recommended model.

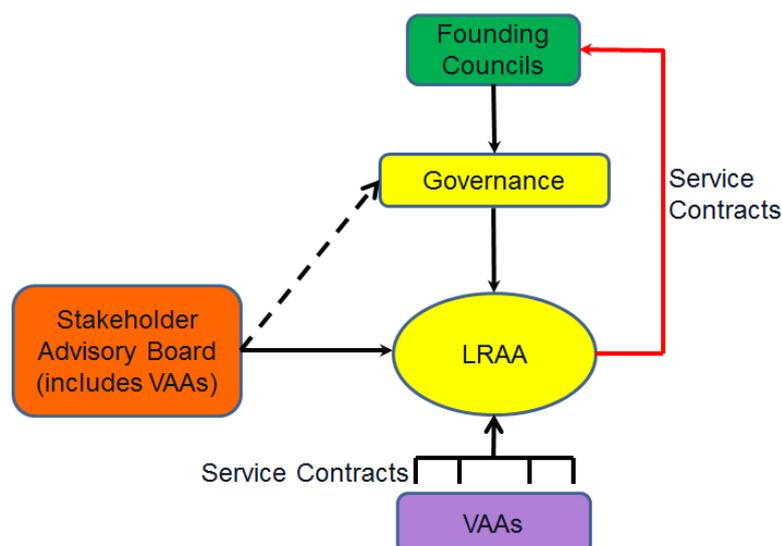


Figure 4. A multi-LA owned corporate entity working in partnership with VAAs to deliver adoption services

3.26 The Founding Councils' involvement in the Agency would be governed by a Members' Agreement. The Agency would be managed by a board of directors including officers of the Founding Councils, with places reserved for elected VAAs, and potential for other service user or stakeholder involvement. This model is quicker and cheaper to set up, and retains close VAA partnership working.

Further details on the distinctions between the two models can be seen in **appendix 4**.

4. Engagement and Consultation

4.1 London-level member engagement

In July 2015, London Councils published a Member Briefing¹ on the Department's regionalisation policy platform and informed members that ALDCS had submitted an Expression of Interest. This was followed by a report to London Councils' Executive in October 2015 setting out regionalisation project in high level terms and seeking Executive's in principle support, which was agreed.

In November 2015, a London Councils Member Event² was hosted by the project team. The feedback from members subsequently informed the project vision and detailed project plan. In July 2016, a further London Councils Member Event was held to share the initial options analysis and the report on legal implications of the potential models.

4.2 Other stakeholder engagement

The Project Development Group has engaged with voluntary adoption agencies, adopters and prospective adopters, and children and young people during the development of the recommendations. A list of these engagement sessions can be found in **appendix 5**.

5. Proposal

5.1 Proposal requiring local decision

Each London Borough is asked to reach their own decision on whether to join in principle the London Regional Adoption Agency.

Islington Council will need to formally agree

(i) Agree, in principle, to join a London Regional Adoption Agency, subject to detailed financial analysis; and

(ii) Authorise the Director of Children's Services, in consultation with the Executive Member for Children's Services, to progress arrangements relating to the development of the Agency model.

5.2 Alternatives to joining the ALDCS regional adoption arrangements

The London Regional Adoption Agency has been developed to meet the needs of London Boroughs. It would operate in a similar manner to the London Admissions and London Grid for Learning Teams, with governance through ALDCS and London Councils.

The DfE require all local authorities to join a regional agency by 2020, therefore 'do nothing' is not an available option within the current policy and political landscape.

Alternatives to the London option would be to join another developing regional agency or create a new model. Other developing regional agencies have not been developed with the involvement of London boroughs. No other regional agencies have proposed a model linked to the governance of London local authorities. The London model is being developed with the complexity of the borough and provider landscape in mind. Many of the models being developed in other regions e.g. single LA host, would not be appropriate to meet this complexity of need.

¹ <http://www.londoncouncils.gov.uk/members-area/member-briefings/children-and-young-people-member-briefing/regionalising-adoption>

² Reforming Adoption in London. Nov 6th 2015.

Any new agency being developed would have the same timescale requirements and would need to access development funding independently. ALDCS identified that using existing arrangements (e.g. consortia) would not remove the performance and service variation across London and most current consortia regions would not achieve the DfE aims for scale. A sub-divided London would lose the benefit of the wider pool of adopters and the standardisation of service offering.

Given the policy drive from the Government and examples of good joint working in other areas of children's services, an RAA as described in this paper is considered to be the only viable option at present.

6 Implications

6.1 Financial implications :

This paper seeks support for joining the future London Regional Adoption Agency subject to detailed financial analysis.

6.2 Legal Implications:

Cabinet is asked to support joining in the development of a London Regional Adoption Agency which aims to improve adoption services, and deliver all adopter recruitment, matching and support functions for all of the London Boroughs.

A legislative framework for the regionalisation of adoption services came into existence through the Education and Adoption Act 2016 (the Act) on 16 March 2016. The Council is required to join a regional adoption agency or can be forced by the Secretary of State to do so.

The Council has anticipated the implementation of the Act. It joined the Regional Adoption Agency Project for London. All London Boroughs and 10 Voluntary Adoption Agencies are included, and the continued involvement in the London RAA will best ensure an effective pan-London service. The approval of Cabinet is required to enable the Council to participate in negotiations about the delivery model for the adoption services through the London Regional Adoption Agency.

6.3 Equalities Impact Assessment

Adoption services meet the needs of the whole community, with particular emphasis on reducing the risk of delay for children of BME heritage, in particular boys, who statistically wait longer than white children. Islington and Adoption North London have a good reputation for placing children of all heritages for adoption.

6.4 Other Implications:

6.4.1 Risk management

The London Regional Adoption Project carries out risk assessment throughout the project with escalation via the Regionalisation Steering Group and ALDCS. The project plan includes expert advice on transition planning and change management. DfE funding to enable the implementation of the model is dependent on borough sign up.

Our staff have been and will be involved in shaping the development of the new

agency. The project team will work closely with staff from all founding councils to identify, mitigate and manage any risk. The final model design will be subject to consultation.

If the London Regional Adoption Agency does not progress there is a risk that Islington could be instructed to join another Regional Adoption Agency, and may have to join an RAA that it has not been part of developing.

6.4.2 Staffing issues

Adoption staff have been consulted on the proposal, which may affect up to 10 skilled and experienced Islington adoption staff. The London Regional Adoption Agency model recognises the need for local links with children and families, alongside a central team. As the model is developed staff will continue to be consulted. The final model is likely to involve current adoption teams being transferred over to the London Team via TUPE.

6.4.3 Safeguarding children

Adoption of the recommendations will contribute to the Council's objectives to improve the wellbeing of children in the Borough, reduce inequalities and ensure Looked After Children have the best opportunities to transition to a secure family environment permanently, where they are not able to return to their own family.

Practice expertise will be utilised in transition planning to ensure safeguarding children during transition to the new agency.

The London Regional Adoption Agency plans to improve collaboration with universal services for adopted children and their families through the development of the collective voice and through the increased scale of commissioning. This will support safeguarding links with universal services.

7 Conclusion and reasons for recommendations

As Islington will be required to join a Regional adoption agency, it is recommended that Islington participate in planning for this process, to ensure good adoption outcomes for Islington children.

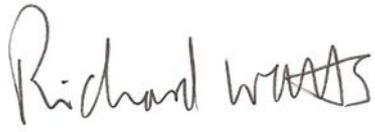
To agree, in principle, to join a London Regional Adoption Agency, subject to detailed financial analysis and business case; and to authorise the Corporate Director of Children's Services, in consultation with the Executive Member for Children, Young People and Families, to progress arrangements relating to the development and Implementation of the London Regional Adoption Agency model.

Appendices:

1. *ALDCS (Nov 2015) Regionalising Adoption: A vision for London Councils*
2. *Adoption journey outcome summary (Jan 2016)*
3. *ALDCS (March 2016) London Adoption Regionalisation – Project Update – Section 2*
4. *ALDCS (July 2016) London Adoption Regionalisation – Project Update – Section X*
5. *ALDCS (May 2016) London Adoption Regionalisation – Project Update – Section X*

Final Report Clearance

Signed by

A handwritten signature in black ink that reads "Richard Watts". The signature is written in a cursive style with a large initial 'R'.

30 January 2017

Leader of the Council

Date:

Appendix 1 – Vision for London

Regionalising Adoption Vision for London

Background

The DfE paper *Regionalising Adoption* proposes the move to regional adoption agencies in order to speed up matching, improve adopter recruitment and adoption support, reduce costs, and improve the life chances of London's most vulnerable children. London is committed to ensuring that regionalisation delivers the best, most timely outcomes and experiences for both children and adopters.

This paper sets out the vision for London based on extensive consultation.

Vision

Our vision is to ensure that all London's children who require adoptive families receive excellent services that meet their needs leading to excellent outcomes for them and their adoptive family.

For children where adoption is the best option, we will:

- Ensure that the child and the child's journey is foremost in the new service design.
- Maximise the opportunity to find a loving family as quickly as possible.
- Provide support from the start of their journey through to adulthood, with a proactive and flexible offer to meet their educational, health and emotional needs.
- Involve children and young people in the development of the regionalised service.

For prospective adopters and adopters, we will:

- Provide clear, realistic and welcoming communication from first enquiry to post-adoption.
- Ensure that they are equipped to meet their children's current and future needs through high quality training and guidance.
- Deliver evidence-based assessment and approval processes within a consistent timeframe.
- Reduce time taken from approval to matching.
- Provide consistent post-adoption support across the region.
- Increase the diversity of adoptive parents.
- Engage with potential adopters and adoptive parents in the design of the regionalised service.

For birth parents of children being adopted, we will:

- Provide consistent access to support throughout London e.g. counselling and contact.

For local authorities (LAs), we will:

- Share learning across the region, and between the local authority and voluntary sector.
- Achieve savings and cost efficiencies, making the best use of public money.
- Match the supply of adopters to the children awaiting adoption across the region.
- Minimise complexity and ensure that barriers are not created between organisations.
- Be adaptable and responsive to manage future changes e.g. demand, legislation.
- Develop a model that allows flexibility in the level of service for individual LAs.
- Engage with universal services to enable consistent provision of adoption support.
- Identify opportunities for regionalised services to support other routes to permanence.
- Involve practitioners working in adoption services in the development of the model.
- Engage with VAAs and ASAs throughout the development of the regionalised model.

For voluntary adoption agencies (VAAs) and adoption support agencies (ASAs), we will:

- Create an organisation that recognises and utilises the expertise within the voluntary sector.
- Recognise and respond to demand and funding challenges in the voluntary sector.
- Engage with VAAs, ASAs and LAs throughout the development of the regionalised service.

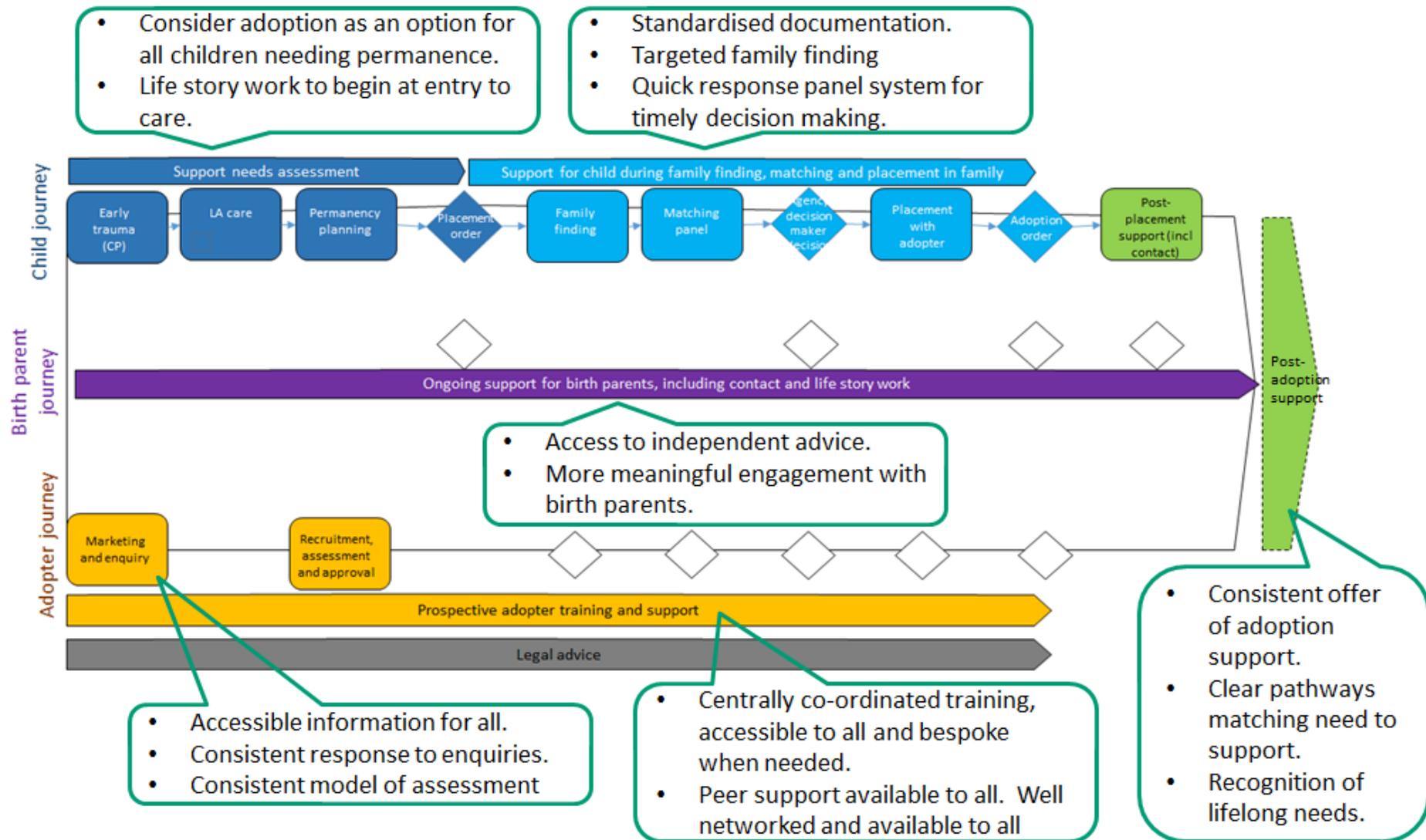
Key Design Criteria of model

- Child-centred, focussed on achieving the best outcomes for all London’s children in need of an adoptive placement.
- Pan-London solution ensuring sufficient numbers of children and reducing any “postcode lottery” of provision across the capital and improving support for adopters.
- Regional focus on capacity and sufficiency ensuring equality of provision.
- Effective and high quality delivery of all statutory duties in relation to adoption and adoption support across London, utilising “Freedoms and Flexibilities” available to local authorities enshrined in amendments to the Children and Young Persons Act 2008.
- Creates an ability to work flexibly around a new London offer.
- Encompasses aspects of other permanency options into the future.
- Commits to close collaboration between all stakeholders.
- Considers the options for pooling resources and sharing responsibilities, including the legal functions currently performed by individual boroughs.
- Maintains and builds a clear relationship with London boroughs who remain responsible for the journey of the child.
- Works closely with VAA partners.
- A cost efficient and effective delivery approach enabling local authorities to deliver significant cost savings in adoption services whilst maintain high quality provision to children and families.
- The majority of funding for the regionalised model will go towards direct work to increase stable, secure, adoptive families for London’s children.

Governance

Partners will work together under the strategic leadership of ALDCS, LAB as the multi-agency responsible body, and an executive steering group made up of representatives from LAs, VAAs and London Councils.

Appendix 2 – Adoption journey outcome summary



Appendix 3 – Assessment of potential delivery models

2. Preferred Delivery Models

The Regionalisation Steering Group meeting held on 24th February used scoring of the models and information collected throughout the phase to drive a discussion on the preferred models. The models were considered as combinations of delivery model (entity type) and structure (organisational configuration).

1. Delivery Models

The following delivery models were considered as part of the options appraisal process:

Model	Key points
Single LA hosting on behalf of other LAs	Steering group agreed that this option was not viable due to: <ul style="list-style-type: none"> <input type="checkbox"/> Scale and complexity is too large for a single LA to manage. <input type="checkbox"/> Organisational culture would be strongly influenced by the individual LA identified. <input type="checkbox"/> Likelihood of limiting membership of some LAs for political and geographical reasons.
LATC – a new LA owned entity	The steering group agreed that this model should be explored further. Key areas of discussion included: <ul style="list-style-type: none"> <input type="checkbox"/> Potential for strategic partnership with VAAs in a new LA-owned entity. <input type="checkbox"/> Lower procurement risk in this model.
LA-VAA joint venture	The steering group agreed that this model should be explored further. Key areas of discussion included: <ul style="list-style-type: none"> <input type="checkbox"/> VAAs would prefer to be around the table. <input type="checkbox"/> The commissioning income stream is vital to VAAs. <input type="checkbox"/> Greater potential for competition and income generation.
Outsource to existing London VAA	This was eliminated prior to scoring as VAAs attending stakeholder forum identified significant concerns with this model as indicated in the single LA host commentary.

2. Structures

Within the above delivery models, a number of structures were considered:

Structure	Key points
Fully centralised: single London body	Steering group agreed that this option was not viable due to: <ul style="list-style-type: none"> <input type="checkbox"/> Inability to deliver the adoption journey as mapped <input type="checkbox"/> Reduces benefit of local knowledge and relationships.

<p>Hub and spoke: Central hub for London-wide co-ordination, commissioning, and delivery. Sub-regional spokes for delivery and local commissioning under the same organisation (not necessarily using current consortia).</p>	<p>Steering group agreed preference for this structure. Key points of discussion were:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Local enough to maintain relationship with child and adopter at centre. <input type="checkbox"/> Good balance of delivery at scale while retaining clear organisational structure. <input type="checkbox"/> Configuration flexibility – elements to be commissioned or delivered in hubs or spokes <input type="checkbox"/> Long term contract options for providers servicing spokes.
<p>Tiered approach: top strategic tier, second strategic/ operational tier,</p>	<p>Steering group agreed that this option was not viable due to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Similarity to current arrangements likely to lead to continuation of postcode lottery. <input type="checkbox"/> Additional tiers adding complexity to management and funding arrangements.
<p>As-Is+: current arrangement with more formalised partnerships</p>	<p>This was eliminated prior to scoring as DfE learning events identified that this would be viewed as insufficient change.</p>

3. Recommendation

The steering group recommends the following preferred models for further investigation with regards to their governance, legal implications, procurement and financial implications:

- LA trading company delivery model with a strategic VAA partnership operating in a hub and spoke structure
- LA-VAA joint venture operating in a hub and spoke structure.

Please see appendix 1 for further summary regarding the identification of these models.

Appendix 4 – Summary of legal advice on two preferred models

3. Legal advice on the potential models

3.1 Introduction

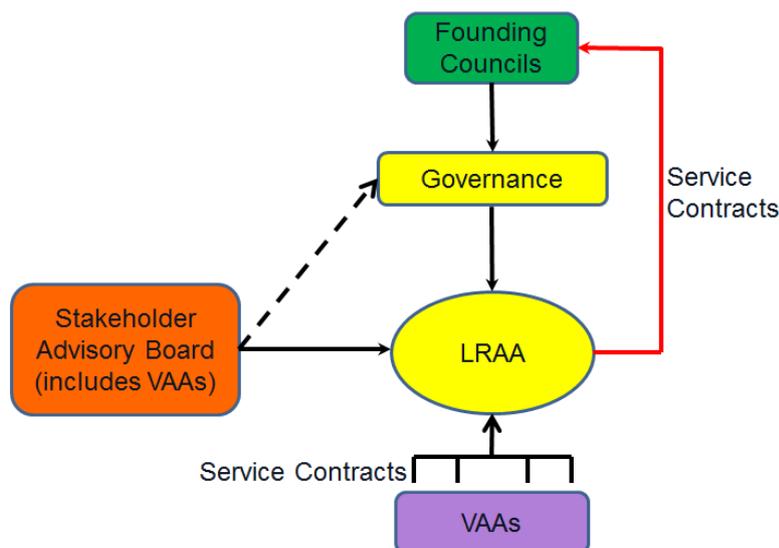
At the March meeting of ALDCS, Directors received a report of stakeholder engagement in respect of the potential legal entities which could form the model for a future regionalised offer. On the direction of ALDCS, legal advisors were appointed to produce detailed advice on the two preferences which Directors supported. Those preferences, based on guidance from stakeholders including VAAs, were a local authority trading company (Option 1) and a joint venture (Option 2).

The report has now been completed and covers the following areas for the preferred models:

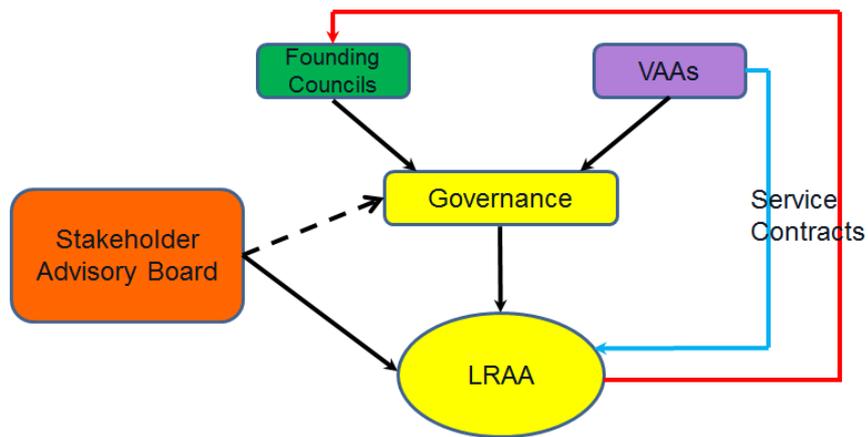
- Benefits and limitations of VAA involvement in the ownership and/or strategic partnership, with advice on the joint venture options and whether joint venture partners would need to be procured.
- Governance implications with regard to the need for accountability to the LAs responsible for the child.
- Legal entities that would be appropriate for securing the optimum balance with non-statutory organisations within these models.
- Income and tax implications of the models, including VAT treatment and the ability to trade with other regional agencies.
- Procurement implications of these models, particularly with reference to Teckal exemption.
- Implications for registered charities including charitable assets and income.
- Potential staff transfer implications.

3.2 Structure of the two options

Option 1 – the development of a multi-LA owned corporate entity working in partnership with VAAs to deliver adoption services



Option 2 – the development of a corporate entity involving both the LAs and VAAs as members/ shareholders to deliver adoption services



3.3 Comparison of the two options

The key comparison points of the two options are shown in the table below:

	Option 1 – LA owned	Option 2 – Joint venture
Governance	<ul style="list-style-type: none"> <input type="checkbox"/> Teckal company – can be set up from day one. 	<ul style="list-style-type: none"> <input type="checkbox"/> Joint venture would need to run procurement to identify VAA owner-partners.
Role of VAAs	<ul style="list-style-type: none"> <input type="checkbox"/> Role on advisory board, as well as directorships reserved for VAAs. <input type="checkbox"/> Service contracts. 	<ul style="list-style-type: none"> <input type="checkbox"/> Full role in governance structure.
Procurement	<ul style="list-style-type: none"> <input type="checkbox"/> Teckal exemption would apply as Agency would be wholly owned and controlled by the Founding Councils and will carry out the majority (>80%) of its work for those Founding Councils. <input type="checkbox"/> The Agency could use a restricted procurement procedure to establish a framework for VAAs for service contracts. 	<ul style="list-style-type: none"> <input type="checkbox"/> VAAs are private sector for procurement purposes, and so cannot rely on Teckal. <input type="checkbox"/> Competitive dialogue would be needed to establish terms of governance and award of service contracts. A larger exercise could prevent some smaller VAAs from taking part.
Tax	<ul style="list-style-type: none"> <input type="checkbox"/> Should be capable of satisfying HMRC’s requirement for ‘mutual trade’ status, meaning there would be no corporation tax on surpluses. <input type="checkbox"/> Service supplies by the Agency to LAs would be VAT exempt. This means that irrecoverable VAT would be incurred by the LRAA. 	<ul style="list-style-type: none"> <input type="checkbox"/> Application of mutual trade exemption would be problematic due to the lack of a trade with the VAAs. Therefore, unless the Agency had charitable status, it would need to include provision in its business plan for payment of corporation tax.

Pensions	<input type="checkbox"/> May be considered a Designated Body if the 'connected with' test is met.	<input type="checkbox"/> Less certainty of the 'connected with' test being met to gain Designated Body status. <input type="checkbox"/> A number of VAAs operate occupational salary-related pension arrangements, subject to regulatory oversight by the Pensions Regulator.
Other		<input type="checkbox"/> VAA constitutions would need to be reviewed. A number of VAAs would need to satisfy themselves that participation in the Agency is consistent with their charitable objects.

3.4 Notes relevant to both options

- Legal form – It is recommended that the Agency would be a not-for-profit community benefit society. At this stage, it is suggested that the Agency is not established as a charity. As a community benefit society, it should be possible to achieve charitable status in the future by adopting charitable objects.
- Governance – It is recommended that member of the Agency collectively elect the board of management of the Agency. This allows members to retain the ultimate control of the board, but also permits a smaller, more focused board that has the best suited individuals on it. A board size of 8-12 is suggested, with the majority of board members elected from candidates drawn from participating LAs.
- Staff – TUPE would apply where any services currently delivered by the Founding Councils and/ or participating VAAs are transferred to the LRAA. If there are certain functions which can only be provided by an employee of a Local Authority, alternative staffing models including secondment and joint employment or dual employment could be considered.
- Future flexibility – Processes for exit from or entry to the Agency at a later date can be agreed within the Members' Agreement.

3.5 Recommended model

The report received from Trowers & Hamblins recommends that the Agency would be a not-for-profit community benefit society which is jointly owned by all of the LAs (Option 1) that wish to participate in the project from the outset (Founding Councils). The Founding Councils' involvement in the Agency would be governed by a Members' Agreement. The Agency would be managed by a board of directors including officers of the Founding Councils, with places reserved for elected VAAs, and potential for other service user or stakeholder involvement.

This model is quicker and cheaper to set up, and retains close VAA partnership working.

3.6 VAA feedback on the report

As part of their role on the steering group, VAA representatives have sought the views of the VAA stakeholder group on the legal report. A response has been received raising the following:

- A query on the consideration of Teckal as a key factor in the decision making between an LA owned entity and a joint venture.
- The viability of an option not covered in the report for the creation of an Innovation Partnership.
- Whether it allows continuation of independent VAA sales.

Appendix 5 – Engagement tracker (1st June 2016)

Group	Engagement	Dates/Frequency	Coverage for Project Specific Events
Adopters	Regionalisation members/DCS event	Nov	1 + 2 professional
	Regionalisation options development workshop	Jan	1 + 2 professional
	Regionalisation adopter forum I	Jan	19 adopters
	Regionalisation adopter forum II	Mar	26 adopters
	We Are Family: regionalisation discussion	Mar	1 adopter / 5 prospective
	LAB representation	Monthly meeting agenda item	1 LAB adopter rep
Children	Regionalisation drop-in event	Mar	No attendees - new approach needed
	Research and existing reports. We worked with the Coram Adoptables group to identify the experiences and ideas of children and young people. Coram have produced a detailed report focused on the needs of young people and their thoughts on regionalisation	May	Focus group: 8 young people Wider group: 100 young people Desktop research and assimilation of existing studies (studies ranging from 100 – 208 young people) Sent to newsletter database of 116
	Call for other existing research / reports from other organisations	May	
LAs	Regionalisation members DCS / event	Nov	
	QA doc for DCS	Planned - June	
	Regionalisation steering group	Monthly	Consortia–AD representation
	ALDCS meeting	Jan	
	London Adoption Board	Monthly agenda item	
	Regionalisation options development workshop	Jan	65% LAs represented
	Regionalisation panel advisors workshop	Jan	50% LAs represented
	Adoption and Fostering Network meeting attendance	Dec	
	Consortia meetings	4 x Jan, 2 x Feb	All consortia attended
	PAC-UK event: regionalisation presentation	Feb	
	LAB innovation event: regionalisation presentation	Mar	
	Heads of Communications – attendance at monthly meeting requested	TBC - July	

VAA s	Regionalisation members/ DCS event	Nov	
	Regionalisation steering group	Monthly	30% VAAs represented
	Regionalisation VAA stakeholder forum I	Dec	60% VAAs represented
	Regionalisation VAA stakeholder forum II	Jan	100% VAAs represented
	Regionalisation VAA stakeholder forum III	Feb	50% VAAs represented
	Regionalisation ALDCS-led VAA stakeholder forum	Jan	100% VAAs represented
	Regionalisation option development workshop	Jan	70% VAAs represented
	London Adoption Board	Monthly agenda item	
	Consortia meetings	4. x Jan, 2 x Feb	All consortia attended
Elected members	Elected members events	Nov June	
ALL / Additional	Regionalisation Newsletter	Monthly	116 subscribed, 41 % avg open rate
	Workforce Engagement Sessions: panels and all workers in adoption	May and June (9 sessions over 4 days at different venues)	183 invited 68 registered to date 58 attended to date 21 to attend in June 19 follow up surveys received to date