

CABINET	AGENDA ITEM No. 6
23 JULY 2018	PUBLIC REPORT

Report of:	Lou Williams; Service Director Children & Safeguarding	
Cabinet Member(s) responsible:	Cllr Sam Smith - Cabinet Member for Children's Service	
Contact Officer(s):	Lou Williams; Service Director Children & Safeguarding	Tel. 01733 863612

PERMANENCY SERVICE AND ARRANGEMENTS FOR REGIONAL ADOPTION

R E C O M M E N D A T I O N S	
FROM: Corporate Director: People and Communities	Deadline date: Cabinet - 23 July 2018
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Notes the budget pressures associated with the cost of children in care placements and the request for a supplementary budget of up to £3.9m this year and for inclusion of future years requirements in Tranche 2 of 2019/20 Medium Term Financial Strategy process; 2. Agrees in principle to exploring the variation to the contract for the Permanency Service contract with TACT, in line with due governance processes; 3. Notes the proposed arrangements relating to the development of a Regional Adoption Agency in partnership with Cambridgeshire and in line with government requirements. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet at the request of the Cabinet Member for Children's Services.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to inform Cabinet about increased numbers of children and young people in care in Peterborough which, while remaining below the average of similar local authorities, is resulting in significant budget pressures. The placement budget transferred to TACT under the permanency service is no longer sufficient to meet demand, which requires a variation to the contract with TACT. This report also provides brief details of proposals to develop a Regional Adoption Agency, which is an expectation of the Department for Education affecting all top tier local authorities in England.

2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, 'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.'

3. TIMESCALES

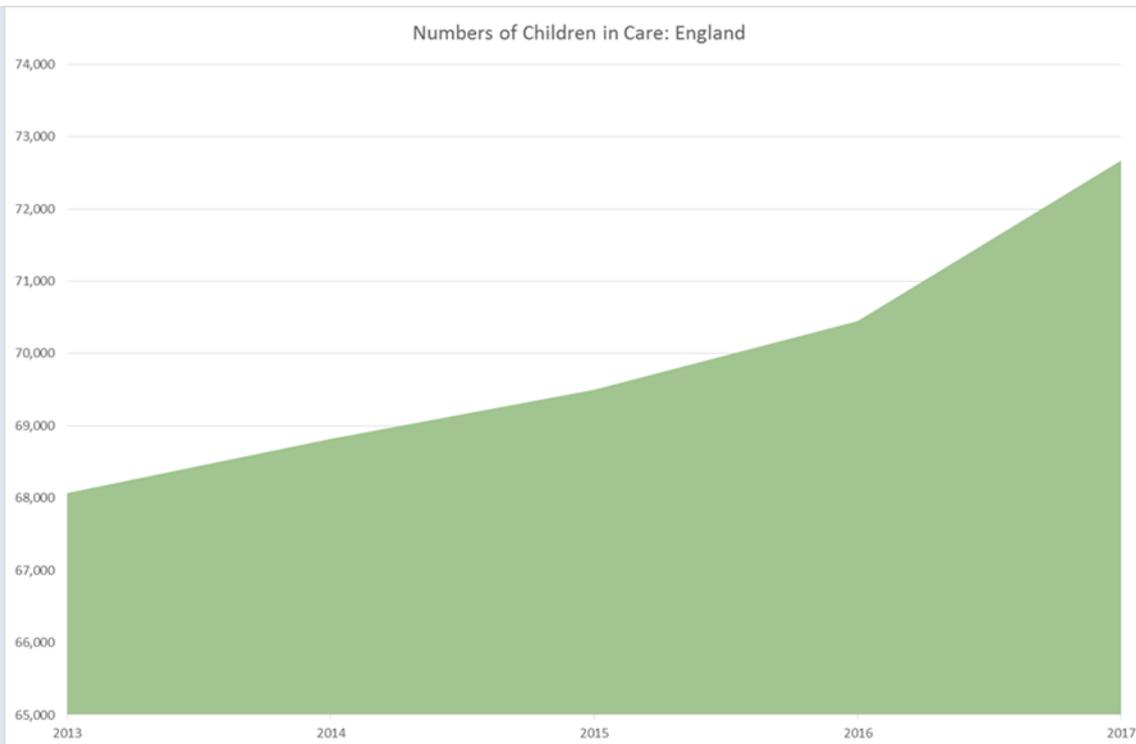
Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

- 4.1. A 10 year contract to deliver a range of services including fostering, adoption and various functions associated with the assessment and support of permanent carers providing care to children under Special Guardianship Orders was awarded to the leading children's charity, TACT, in 2017. The new service was launched on 1 April 2017, with a number of members of staff transferring to TACT under TUPE arrangements.
- 4.2. As part of these new arrangements, the budgets associated with placement costs for children in care also transferred to TACT. These budgets meet placement costs for our own foster carers, along with those for externally purchased placements including Independent Fostering Agency foster carers and residential placements.
- 4.3. In calculating the appropriate budgets to transfer to TACT, the end of year position for 2015/16 was used as the baseline. The budget for placement costs came in on line during this financial year. The eventual aim of the contract with TACT is that reductions in costs are made because TACT will increase the number of in-house fostering placements available for Peterborough children and young people. In-house placements are usually offer the best options for children and young people, and cost significantly less than other types of placements.
- 4.4. All placement budgets transferred to TACT on 1 April 2017 at the start of the new Permanency Service. TACT is expected to manage these budgets within certain parameters but pressures have arisen that are outside of their control, including:
- The placement budget transferred to TACT was based on 2015/16 figures where we had 335-349 children in care and 7 children in sole funded residential placements;
 - On that mix and numbers, budget was sufficient, but there has been an increase in the number of vulnerable children and young people who have needed to come into care for their own safety and protection, in line with the national and regional position;
 - The needs and complexity of some children and young people needing care have become more complex.

Financial Year: 2016/17

- 4.5. During this financial year there was a very significant increase nationally and locally [e.g. in Cambridgeshire] in numbers in care, as the graph below shows:



4.6. This increase had a number of significant impacts on the local position in 2016/17 and on-going:

- The availability of Independent Fostering Agency Placements dried up, which resulted in some pricing increases;
- As fostering placements became more difficult to source, more of our children and young people were placed in residential placements and the number in sole funded placements increased to 13 by the end of the 2016/17 financial year;
- Residential placements are very high cost – ranging from around £3,000 to over £6,000 per week, with a current average of around £180,000 per annum per child or young person;
- Overall numbers of children in care also increased in Peterborough over 2016/17, ending the year at 361. Because in house provision has capacity for only 160-170 children and young people, every additional child coming into care will at best be placed with an agency foster carer at £900 per week.

Budget Position 2017/18

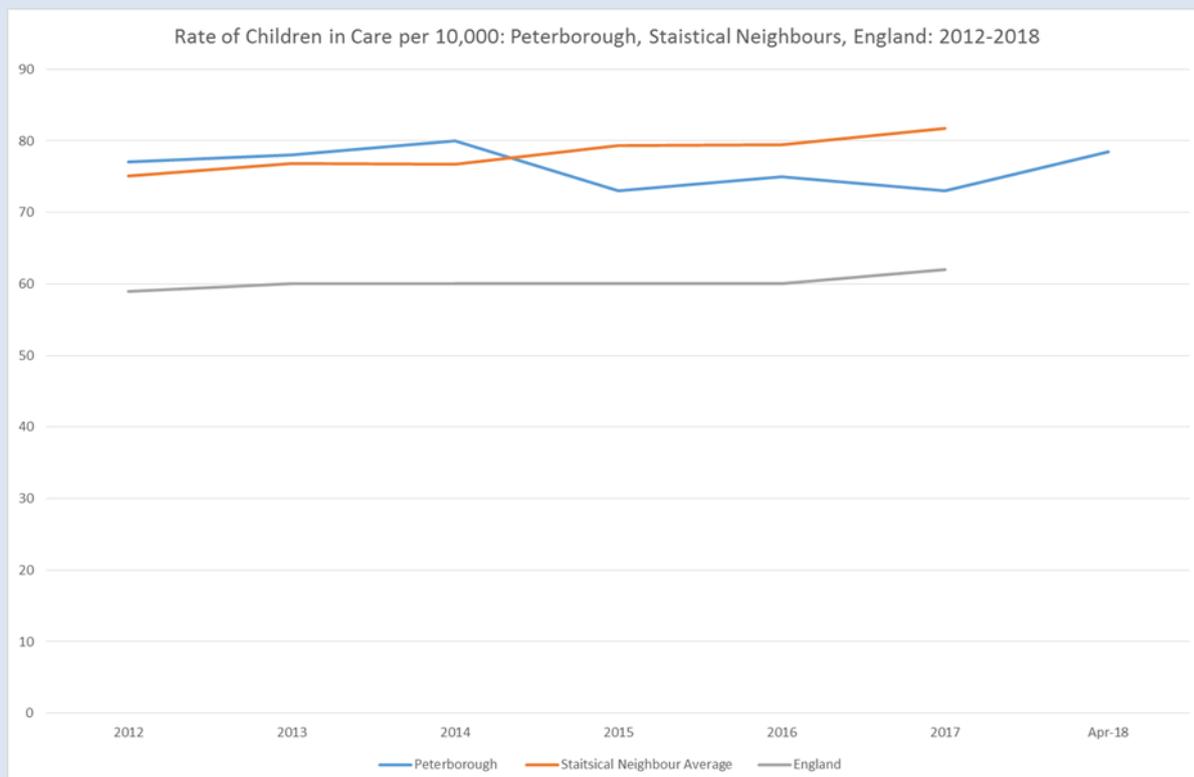
- 4.7. Unfortunately, overall numbers of children and young people in care increased further in 2017/18, reaching 385 at one point and being above 370 for most of the year. TACT made some very significant qualitative improvements to the service overall during this year, their first operating the service. TACT also needed to transfer all Peterborough carers to TACT Peterborough, a process that meant updating all reviews and presenting to panel. There was also a need to remove some carers from the stock as, for a number of reasons, they were no longer providing placements.
- 4.8. The completion of these housekeeping tasks places TACT in a strong position to move forward from 2018/19, but these housekeeping tasks needed to take place before full attention can be paid to recruitment of foster carers during 2017/18. Numbers in residential placements also remained high during this year, with associated budget pressures.
- 4.9. People and Communities managed the budget deficit for 2017/18, supported by very significant investment by TACT. The investment by TACT has seen them contribute to around £1m of placement costs in 2017/18 and TACT has also invested a further £500K of their own funds into the service overall.
- 4.10. It is clearly not the role of TACT to contribute to placement costs that would otherwise be the responsibility of the local authority; the original idea behind the concept of the Permanency

Service was that a partner agency with fostering [and adoption] expertise would make a better job of recruiting and supporting foster carers than the local authority. Children would benefit by having more local foster families, and the Council and the partner would benefit by virtue of each having a share in the savings generated. TACT expected to invest in service delivery, but not to the extent they did in 2017/18.

- 4.11. Ofsted undertook a two week full inspection of children’s services that ended on Friday 6th July 2018; and while the outcome will not be published until 6th August, it can be said that inspectors were very positive about our services to children and young people in care in general and the quality of provision by TACT in particular. Inspectors quoted foster carers as saying that they now received much better support than was the case, for example, and said that the general approach of providing good support to all types of carer, including those who have a special guardianship order, adoption orders as well as family and friends carers was one that they thought was effective.

Benchmarking Peterborough performance: Overall numbers of children in care

- 4.12. Before considering budget and other implications for the current and future financial years, it is important to consider whether increased costs are the result of performance in Peterborough that is less good than it should be when compared with other similar authorities.
- 4.13. As will be seen from the following section, performance in Peterborough compares well with similar local authorities. Although numbers in care have remained higher than in 2016/17, remaining at around 380 in the current financial year to the end of June 2018, this is equivalent to a rate per 10,000 of 79.5 based on ONS population estimates of 47,715 children and young people in Peterborough. This compares well to the statistical neighbour average, which was 82 as of the end of 2017:



- 4.14. By some measures, Office for National Statistics population estimates are unreliable, particularly in areas of fast population growth such as Peterborough, and particularly as we get further from the Census on which they are based. This is because they look backwards to make estimates of population growth, whereas other methodologies include estimates of forecast increased dwelling stock estimates.

4.15. An example of the latter approach is provided by The Cambridge Research Group.¹ Their work suggests that the ONS population estimates are an underestimate, and that by 2016 there were already 50,000 children and young people aged 0-17 living in Peterborough. If this is the case, then the rate of children looked after is actually 76 per 10,000 which would be very significantly below the average of our statistical neighbours.

Benchmarking Peterborough performance: Placement mix

4.16. While overall numbers of children in care are the most significant variable in terms of overall placement costs, placement mix is also an important factor.

4.17. In-house foster placements are the best option for most children and young people. This is because they are usually closer to home than placements provided by Independent Fostering Agencies and because we know our carers better, we can better match children needing placements to the characteristics of our available foster carers. This type of placement also has the lowest unit cost.

4.18. Independent Fostering Agency carers are often the next best option for children and young people; indeed from a placement quality point of view there is no intrinsic difference from the quality of care provided by our own carers, other than they may be further away and we will know them less well than our own carers. From a unit cost perspective, this type of placement is more than twice the typical cost of an in-house foster placement at around £900 per week.

4.19. Residential placements are the most expensive and can cost between £3,000 and as much as £7,000 per week. The highest cost placements offer highly specialised care for children with very complex needs or who have suffered severe trauma. As noted elsewhere, the national and local increase in numbers in care has resulted in a shortage of foster carers with the result that more of our children have been placed in residential placements than has been the case in recent years.

4.20. Given these unit costs, it is easy to see how relatively small changes in the numbers of children in residential placements can result in significant impacts on placement budgets.

4.21. Benchmarking information for Peterborough shows that we perform well overall in terms of placement mix:

- Nationally, 74% of children and young people are placed in foster placements; Peterborough had 76% of our children and young people placed in foster care as of the end of April 2018;
- Of the children placed with foster carers, 69% nationally are placed within in-house provision: this is slightly higher than Peterborough, where 66% of our children and young people are placed with in-house carers as of the end of April 2018;
- The focus of the contract with TACT is to dramatically decrease use of agency foster care placements and their target is to increase numbers of children placed with in-house carers by 28 in the current financial year. Achievement would mean that around 75% of children placed with foster carers in Peterborough would be placed in in-house provision – illustrating the ambitious nature of this target;
- Nationally, 12% of all children and young people are placed in residential provision, made up of sole and joint-funded placements. In Peterborough, the equivalent figure is 8.3%, with 14 children and young people in sole funded residential placements and 18 in residential placements where the cost is shared between the local authority and the DSG and, in a very small number of cases, also with health colleagues.

¹ From: 'Population and Dwelling Stock Estimates 2011-15 and 2015-based Population and Dwelling Stock Forecasts 2015-36'; published by the Cambridgeshire Research Group, 2017:
[file:///C:/Temp/yd585/Downloads/Peterborough%20UA%202015%20Estimates%20and%20Forecasts%20Report.p
df](file:///C:/Temp/yd585/Downloads/Peterborough%20UA%202015%20Estimates%20and%20Forecasts%20Report.pdf)

15-17 population calculated as 60% of 15-19 population estimates.

4.22. The options available to reduce placement costs by changing placement mix in the current financial year are therefore limited. We are close to national averages in terms of in-house fostering provision and well below national averages in terms of residential care. If anything, there are risks that placement mix moves closer to the national position. The impact of even one additional child in a residential placement can be significant. A young person with complex needs accessing a residential placement at a not untypical weekly cost of £4,500 would place a £234,000 pressure on placement budgets.

Savings Share

4.23. The original concept behind the Permanency Service delivery model was that TACT would invest in the service in the early years of the contract. This investment would then be returned to TACT, subject to good performance, because increased recruitment of in-house foster carers would reduce placements costs. The benefits of these reduced costs in the later years of the contract would be shared between TACT and the local authority on the basis of 66% to the Council and 33% to TACT.

4.24. Under this arrangement, outcomes for children and young people should be improved as more are placed with carers we know well and who are local to Peterborough, while both organisations benefit from lower unit costs than would be possible under more traditional delivery models.

Budget Position 2018/19

4.25. As noted above, the pressure on the budgets in 2017/18 arising from higher numbers of children in care and continuing higher numbers in residential placements was managed within People and Communities, with a significant contribution from TACT.

4.26. The projected placement budget overspend on placements for children in care for the current financial year is £3.9M. Working closely with TACT we will obviously do all we can to mitigate this amount, but given the benchmarking data above, it would be high risk to assume we can either significantly reduce numbers in care, or radically change placement mix in terms of numbers in residential placements.

4.27. The target for TACT to increase recruitment of in-house fostering placements during the year will have only limited impact before 2019/20, as there will only be part year impact in 2018/19.

Budget Position 2019/20

4.28. Assuming that TACT is able to achieve the recruitment targets for 2018/19, the 2019/20 budget should benefit from a full year impact of reduced costs: 28 more in-house foster placements and 28 fewer Independent Fostering Agency placements would reduce expenditure by around £730,000 per annum.

4.29. This would imply a starting position of £3.2M deficit assuming that the end of year position for the current financial year is an overspend against current budgets of £3.9M.

4.30. Our intention would be for TACT to increase numbers of children in in-house placements by a further 28 during this financial year. Because, however, the proportion of children in in-house provision will be by this point considerably above the national position, we would need to re-introduce the concept of the savings share from this point in order to appropriately incentivise continuing recruitment activity.

4.31. Further carers recruited during this year would therefore result in an improved end of year position, but financial impact would be on a part year basis and subject to a re-negotiated savings share.

Budget Position 2020/21

4.32. Assuming TACT is able to recruit sufficient additional carers so that a further 28 children are placed with in-house carers during 2019/20, then this financial year should see the full impact of that performance. This would imply a saving to the Council against current levels of expenditure

of around £500K, based on an assumption that we return to the model of savings share originally envisaged in the contract of 66% to the Council and 33% to TACT to support investment in local services.

- 4.33. Assuming overall numbers of children in care remain at around current levels, but overall numbers in in-house placements increase by just under 60 by the start of the financial year 2020/21, this implies a continuing placement budget deficit of £2.7M per annum.
- 4.34. Achieving further increases in use of in-house foster carer placement will begin to become more challenging from this point on. This is because some children in Independent Fostering Agency placements will be permanently matched to their carers, and because as in-house capacity increases, it is important to balance the need for placement choice – which means some carers having spaces – with the desire of most foster carer to be used for most of the time.

The impact of Family Safeguarding and of a growing population of children and young people in Peterborough

- 4.35. The Family Safeguarding model is based on the secondment of adult practitioners into children’s social work teams. These adult practitioners are experts in addressing substance or alcohol misuse, domestic abuse and adult mental/emotional ill-health issues. These are the three most common risks facing children and young people who end up coming into care.
- 4.36. Hertfordshire saw a reduction of around 7% in their numbers of children and young people in care as well as a range of other beneficial outcomes.
- 4.37. Peterborough has received a government grant to pilot the approach here, and this funds the additional staffing needed for the model. Careful overall management of staffing and other budgets means that we should have capacity to fund adult workers until the end of 2019/20.
- 4.38. From 2020, however, there will be no funding available to pay for the additional adult facing roles. The full year additional staffing costs for the adult facing practitioners are in the region of £800K.
- 4.39. Hertfordshire was successful in obtaining some contributions from partner agencies based on benefits also experienced by them – fewer presentations in A&E and call outs by police to domestic abuse incidents for example. We will clearly also seek contributions from partners, but it has to be recognised that the funding position for key partners is increasingly challenging, as it is for ourselves.
- 4.40. At the same time, continuing population growth in Peterborough emphasises that we need to do all we can to minimise any impact from growing numbers of children in care.
- 4.41. The Cambridgeshire Research Group estimates that our population of children and young people will grow rapidly over coming years, and more quickly than ONS estimates because we are a fast growing City, as illustrated in the table below: ²

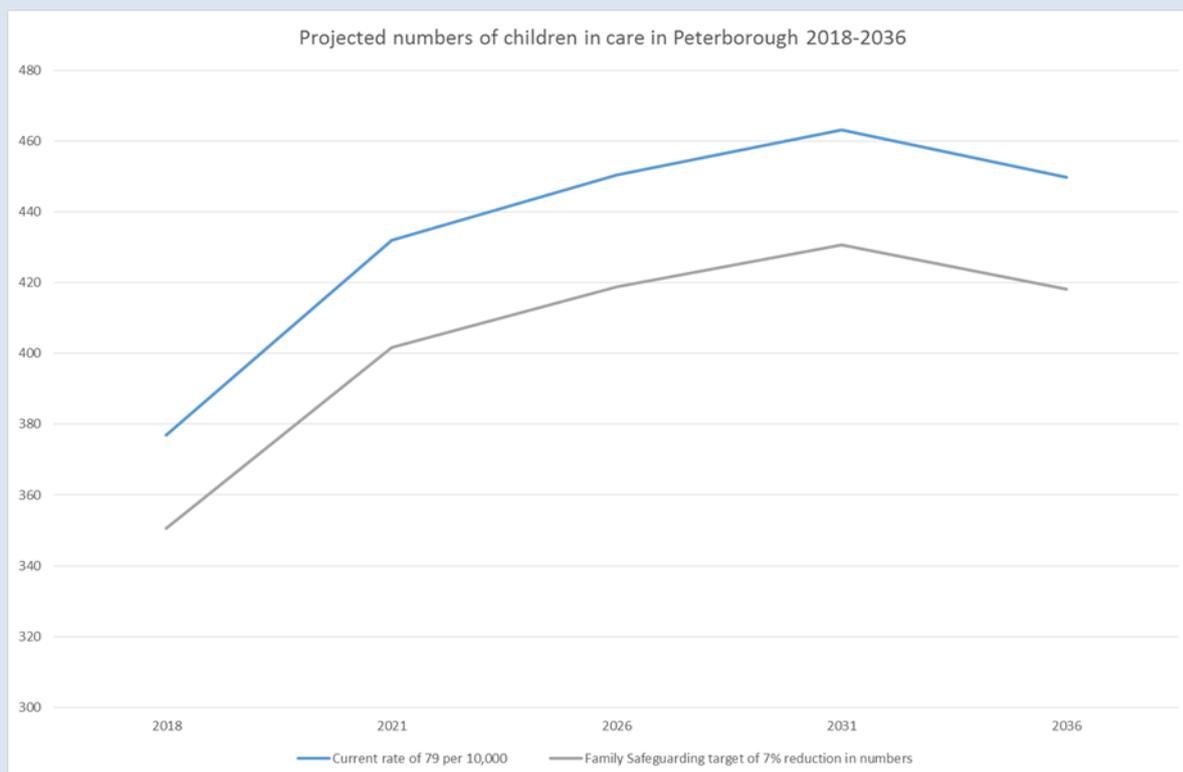
Age	2017	2021	2026	2031	2036
0-4	N/A	16300	17100	17000	16200
5-14	N/A	31020	31120	32720	31920
15-17	N/A	7360	8800	8900	8800
Total	47,700	54680	57020	58620	56920

- 4.42. The chart below illustrates the impact this increasing population would have on child in care numbers if the rate of care population remains 79 per 10,000. The chart illustrates the impact on

² From: ‘Population and Dwelling Stock Estimates 2011-15 and 2015-based Population and Dwelling Stock Forecasts 2015-36’; published by the Cambridgeshire Research Group, 2017:
<file:///C:/Temp/yd585/Downloads/Peterborough%20UA%202015%20Estimates%20and%20Forecasts%20Report.pdf>

15-17 population calculated as 60% of 15-19 population estimate

our in care population in the event that Family Safeguarding achieves a similar impact to that in Hertfordshire in preventing children and young people from coming into care:



- 4.43. This chart illustrates how simply maintaining current looked after numbers at 380 by 2020 is a significant challenge, given the projected growth of the child population in Peterborough. Maintaining numbers at 380 would evidence the impact of Family Safeguarding given that without this approach, looked after numbers might be expected to increase to above 400.
- 4.44. This emphasises the point that any possibility of seeing a reduced population of children and young people in care must be seen as very high risk; we already look after fewer children and young people than the average of our statistical neighbours, and a growing overall population of children and young people implies a corresponding increase in numbers in care, all things being equal.
- 4.45. This paper does not therefore propose any savings targets based on reductions in overall numbers of children in care.

Regional Adoption Agencies

- 4.46. In 2015, the Government announced its intention to establish new Regional Adoption Agencies (RAAs) across the country by 2020. The rationale for introducing RAAs is based around the belief that existing structures have in-built inefficiencies linked to their scale of operation, and that there are barriers around adoption created by individual local authorities and voluntary adoption agencies working separately to deliver the same core aspects of adoption provision.
- 4.47. The government has said that Regional Adoption Agencies must be fully operational by 2020 at the latest. Every top tier Local Authority must be able to demonstrate significant progress by early 2019.
- 4.48. The Department for Education has confirmed that a Regional Adoption Agency consisting of Peterborough and Cambridgeshire passes the necessary tests. A small amount of funding has been allocated to support some implementation costs including legal costs.
- 4.49. In both authorities, adoption services are currently provided by Voluntary Adoption Agencies – TACT in Peterborough and Coram Cambridgeshire Adoption in Cambridgeshire.

- 4.50. Given this background and the commitment of both authorities to developing innovative approaches with partners to deliver services where this makes sense because it delivers better outcomes for children, better value for money, or both, we have agreed in principle with the Department for Education that we will develop a Regional Adoption Agency hosted by a Voluntary Adoption Agency.
- 4.51. This will require both authorities to undertake a joint procurement exercise, and Cabinet is asked to note this position.

Variation of Existing Contract with TACT

- 4.52. As noted elsewhere, the current contract with TACT was based on numbers of children in care that were significantly below current numbers, and on a placement mix with fewer children and young people in the highest cost residential placements. This position has changed and the financial element of the contract is insufficient to meet placement cost in the current or future financial years.
- 4.53. The contract was built on the assumption that the partner delivering the service would make an initial investment, which TACT has done, but would be able to recoup investment through a savings share based on better performance in the recruitment and support of foster carers than the local authority would be able to deliver if the service remained directly delivered.
- 4.54. TACT has already invested £500K in the service and proposes to invest similar amounts in the current financial year. TACT also made a considerable contribution to additional placement costs in 2017/18. This is obviously of great benefit to the quality of service and to outcomes for children and young people, but is based on TACT being able to see how such investment can be returned in later years of the contract through good performance.
- 4.55. This savings share arrangement will also benefit the Council as it is likely to be based on the assumption in the contract of a 66% share to the local authority and 33% to TACT. More importantly, it will help us to continue to deliver the best possible outcomes for children since it means that more children in care will be placed with foster carers who we know well, are local to Peterborough, and who are themselves provided with the best possible support and training.
- 4.56. The development of the Regional Adoption Agency will also require contract variation.
- 4.57. Cabinet is asked to endorse the above proposals relating the variation of the contract for delivery of the Permanency Service.

5. CONSULTATION

- 5.1 Consultation has taken place in broad terms with TACT and with Coram Cambridgeshire Adoption in relation to the intention to develop a joint Regional Adoption Agency.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 That Cabinet:
- Notes the continuing pressures on budgets associated with placement costs for children and young people in care;
 - Notes the requirement by Government for all top tier authorities to enter into regional adoption arrangements and the development of joint arrangements with Cambridgeshire;
 - Agrees in principle to the need to vary the contract with TACT to take account of higher than anticipated placement costs, the need to re-establish the principle of the savings share and the need to develop a Regional Adoption Agency;
 - Notes and acknowledges the investment by TACT in the Permanency Service to date.

7. REASON FOR THE RECOMMENDATION

- 7.1 There is a legal requirement for local authorities to provide sufficient numbers of placements for children in care, and where possible, for the great majority of these to be within or close to the local authority area. The current arrangements with TACT offer the best opportunity to satisfy this sufficiency strategy.
- 7.2 From a financial perspective, the responsibility for meeting placement costs remains with the local authority except in such circumstances where costs have increased because TACT has not delivered the full requirement of the contract.
- 7.3 Current and projected numbers of children in care in Peterborough means that the budget transferred to TACT is not sufficient to meet placement costs. The partnership with TACT, by offering the greatest likelihood of achieving increased recruitment of our own carers, also provides the best opportunity for us to minimise unit placement costs while improving local placement choice for our children and young people.
- 7.4 The development of Regional Adoption Agencies is a Government requirement; the agreement to deliver this based on a partnership between Peterborough and Cambridgeshire offers a model that is in line with current direction of travel for both authorities. Bringing adoption services together in this way also offers the opportunity for benefits in the recruitment of adopters and matching of children.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 There is little alternative other than to meet increased placement costs. In order to ensure that the Council continues to benefit from the model underpinning the Permanency Service, a contract variation that recognises the reality of higher numbers of children in care and reinstates the principle behind the savings share is required.
- 8.2 The development of the Regional Adoption Agency also requires variation of the contract with TACT, and the commencement of a joint procurement exercise with Cambridgeshire.

9. IMPLICATIONS

Financial Implications

- 9.1 There are clear financial implications arising from increased demand for placements for children in care given that numbers have increased while remaining below the average of statistical neighbour authorities.
- 9.2 The principle behind the Permanency Service remains unaltered, however, and continues to be based on the improved recruitment of local foster carers, able to meet the needs of a broader population of children and young people in care, to the benefit of children and young people and at lower unit cost than traditional delivery models.
- 9.3 Developing the specification and undertaking a procurement process in respect of the Regional Adoption Agency will involve some direct costs including legal and procurement advice, as well as indirect costs including senior officer time. A small grant from the Department for Education of around £70,000 is available to support these costs. The DfE has indicated that more may be available subject to evidence of costs incurred.
- 9.4 As set out in the sections 4.24 to 4.33 above, there is the requirement for a supplemental budget of up to £3.9m in 2018/19 to ensure delivery of the Service in year. The service would be expected to mitigate this as much as possible in year. Any amount not mitigated would need to be funding from reserves. In addition, as part of Tranche 2 of the MTFs process, the Council will need to take account of the additional requirements for the 2019/20 and 2020/21 financial years. This will need to include a decision on Family Safeguarding roles (4.34-4.38), for which there is no funding from 2020/21.

Legal Implications

- 9.5 There are no direct legal implications relating to this report but legal advice surrounding the procurement process in relation to the development of the Regional Adoption Agency will be required.

Equalities Implications

- 9.6 There are no equalities implications, either positive or negative.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 None.

11. APPENDICES

- 11.1 None.

