

## **Schedule 4 Funding Arrangements.**

### **1. ESTABLISHMENT OF THE FUNDING ARRANGEMENTS AND MECHANISM FOR THE OPERATIONAL BUDGET**

#### **FIRST PERIOD**

- 1.1. The First Period will be a transition period for the Integrated Service. The Host Authority has worked with each Participating Authority to identify an agreed amount of funding for the First Year which incorporates the Participating Authorities' current budgets plus and known operational changes.
- 1.2. Each Participating Authority will be provided with a funding schedule setting out the agreed First Period contribution. This can be found at section 4a of this Schedule 4. There will no changes to the contributions during the First Period. A deficit budget position at the end of the First Period will result in further contributions being demanded from each Participating Authority, and as set out in paragraphs 3.3 to 3.6 of this schedule four.
- 1.3. In respect of the First Period, the full funding contribution from each Participating Authority will be invoiced by the Host authority in July 2017, with each Participating Authority to make payment of same within seven (7) days of the invoice date.
- 1.4. The Participating Authorities will pay Seconded Employees through their own payroll systems. Participating Authorities will invoice the Host Authority in arrears on a quarterly basis commencing in September 2017. Invoices will be raised to the Host Authority, and will be supported with a detailed schedule of the Seconded Employee costs in the format prescribed by the Host Authority.
- 1.5. Where Participating Authorities are providing accommodation to the Integrated Service this will be included in the quarterly invoice detailed at 1.4 above, and will be supported with a detailed schedule of the accommodation costs in the format prescribed by the Host Authority.
- 1.6. The income from Interagency adoptions from all adopters matched after 3 July 2017 will become the income of the Integrated Service. In the period 1 April 2017 to 3 July 2017 expenditure relating to interagency placements will continue to be the responsibility of each Original Authority.
- 1.7. Where Participating Authorities plan to put adoption support arrangements into place in the period before the Commencement Date, they will first consult with the Regional Adoption Manager.

## **SUBSEQUENT YEARS**

- 1.8. All Participating Authorities aspire to funding the Integrated Service based on an agreed measure of activity. During the First Period the Host Authority will lead on a review of the activity and cost drivers of the Integrated Service and will work with all Participating Authorities to implement a funding mechanism for Years commencing 1 April 2018, 1 April 2019 and following Years. The funding mechanism will be reviewed and agreed by the Management Board.
- 1.9. The proposed activity measure is the number of children between the stages of the 'should be placed for adoption decision' (SHOBPA) and Placement order. However, if the review of cost drivers and activity described at paragraph 1.8 above identifies a more appropriate measure of activity, or multiple measures of activity, subject to Management Board approval, this will be implemented.
- 1.10. The funding mechanism will reflect the level of agreed activities carried out on behalf of each Participating Authority. It is acknowledged that a Participating Authority's funding contribution may increase or decrease as a result of changes to activity levels.
- 1.11. The funding mechanism agreed will minimise any increase in costs to each Participating Authority. This may be achieved by using distance from target capping before moving towards a purely activity based funding model.
- 1.12. Distance from target capping may be applied where activity levels have remained constant but a Participating Authority's funding contribution would be significantly more under an activity based model than in the previous Year. The funding contribution would be capped at an agreed level so as to minimise the cost increase whilst ensuring that funding contributions from all Participating Authorities is equal to the Integrated Service budget for the Year in question.
- 1.13. Participating Authorities whose contribution would decrease as a result of the funding mechanism would benefit from a share of any savings and efficiencies identified by the Integrated Service.
- 1.14. In respect of each Year following the First Period, the full funding contribution from each Participating Authority will be invoiced by the Host authority in July 2017, with each Participating Authority to make payment of same within seven (7) days of the invoice date. The anticipated contributions will be presented to the Management Board for agreement in the form of a budget report. The contributions are to be agreed by the Management Board on or prior to 31 December in the Year immediately preceding the Year to which the contributions relate.

## **2. BUDGET SETTING PROCESS**

### **FIRST PERIOD**

- 2.1. The budget for the First Period has been set by the Host authority and has been presented and agreed by the Participating Authorities.
- 2.2. The Host Authority will in the First Period undertake a detailed review of operations to inform the future Years' budgets.

### **SUBSEQUENT YEARS**

- 2.3. The budget setting process will be undertaken in line with the budget guidelines agreed by the Management Board. The budget for Year commencing 1 April 2018 will be drafted in the autumn of the First Period, and for each subsequent Year will be drafted in the autumn of the immediately preceding Year. The budgets will be presented for the agreement of the Management Board and in the form of a budget report. The budget report will include:
  - 2.3.1. Integrated Service financial and activity performance to date against budget;
  - 2.3.2. projected outturn for current Year;
  - 2.3.3. proposed budget for next Year and projected activity levels;
  - 2.3.4. details of variations to resources proposed including developments and efficiency savings;
  - 2.3.5. a business case to support any balances to be carried forward or planned; and
  - 2.3.6. proposed payments required from each Participating Authority supported by:
    - a statement of the funding contribution of each Participating Authority based on the activity measure;
    - adjustments to payments for changes in activity;
    - the application of caps for those Participating Authorities whose payments based on the activity measure are significant more than in the previous Year;
    - an allocation of any savings using the 'Distance from Target' approach; and
    - an explanation of any deviation proposed from the Payment Mechanism approach.
- 2.4. The budget guidelines will include, but are not limited to, the following:
  - 2.4.1. Annual increases relating to Employees for inflation and incremental progression will be funded by each Participating Authority through its annual budget setting process.
  - 2.4.2. The schedule of Seconded Employees which will be used to invoice the Host Authority will be agreed prior to each Year. The Participating Authorities will only invoice for actual Employee costs incurred. There will be no holding of vacancies or charging for vacancy levels.

2.4.3. Where Seconded Employees are subject to long term absence (for example long term sickness and maternity leave) the employing Participating Authority will be required to continue to pay all of that Employee's costs. The need for cover and the associated cost will be determined on a case by case basis by the employing Participating Authority and the Host Authority.

2.4.4. The Support Services Agreement will be reviewed on an annual basis. Payments and costs in respect of the Support Services Agreement will be included in each Participating Authority's contribution under the terms of these Funding Arrangements.

### 3. BUDGET MONITORING

- 3.1. The Host Authority will ring-fence the Integrated Service budget within its financial ledger. The Host Authority will undertake budget monitoring on a quarterly basis.
- 3.2. The quarterly monitoring information will be prepared by the Host Authority and will be reported to the Management Board for agreement. This will highlight significant variations and remedial actions where appropriate.
- 3.3. The Host Authority will endeavour to ensure that the Integrated Service costs will remain within the budget set and approved by the Management Board. However, if the Integrated Service is in a deficit position at the year-end then each Participating Authority will provide a contribution to the Host Authority to cover the deficit position.
- 3.4. If a deficit arises and is directly attributable to one Participating Authority then that Authority will be expected to fully fund the attributable deficit. An invoice will be raised by the Host Authority to the Participating Authority at the earliest convenience.
- 3.5. If in the First Period the year-end deficit position is not directly attributable to one or more Participating Authorities, then the deficit position will be shared between the Participating Authorities. The contribution to the deficit position will be calculated based on the percentage contribution of funding in the First Period. An invoice will be raised by the Host Authority to each Participating Authority following the First Period end, with same to be paid within seven (7) days of the invoice date. This position will be reviewed and confirmed to Participating Authorities throughout the First Period.
- 3.6. In the Year commencing 1 April 2018 ("**Year Two**"), if necessary, any contribution to the deficit position will be calculated based on the activity model adopted. An invoice will be raised by the Host Authority to each Participating Authority following the Year Two end, with same to be paid within seven (7) days of the invoice date. This position will be reviewed and confirmed to Participating Authorities throughout Year Two.

## **Glossary of Terms**

### **Distance from target**

Distance from target is the difference between the funding contribution from a Participating Authority in year one and the funding contribution for the same Participating Authority based on the agreed activity measure.

### **Distance from target capping**

Where a Participating Authority has a 'distance from target' which indicates that the funding contribution is more under the activity based approach than in the First Period, a cap may be applied to minimise the cost increase for that Authority. Any savings identified by the Integrated Service will be applied to authority who do not have a cap applied.

### **Directly Attributable**

In this scenario directly attributable relates to where the Integrated Service Agreement has a year-end deficit position. The deficit position may be directly attributable to the actions of one particular Participating Authority, examples may include but are not limited to changes to planned activity levels, Employee sickness and Employee maternity leave.

### **Payment Mechanism**

This is the name given to the calculation of the Participating Authorities' Funding Contributions.

### **Participating Authority Funding Contribution**

This is the amount that the Participating Authority is required to pay at the start of First Period and each Year (as appropriate) to Stockport MBC as the Host Authority.

### **Employee Costs**

In this scenario Employee costs are the costs paid by the employing Participating Authority for the Seconded Employees, through their payroll systems.

### **Accommodation Costs**

In this scenario these are the charges in the license agreement between Participating Authorities who will have Integrated Service Seconded Employees working from their office accommodation and the Host Authority.

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