



**North  
Northamptonshire  
Council**

# **Arrangements with Northamptonshire Children's Trust**

**Report for Audit and Governance Committee**  
August 2022

## **1. Introduction**

This report has been produced for North Northamptonshire Council's Audit and Governance Committee following a request from this committee for the Director of Children's Services to appraise the Committee of the work of Children's Services and the arrangements with Northamptonshire Children's Trust. The Director of Children's Services received a letter from the Chair of the Audit Committee setting out the Committee's requests and this report sets out a response to these requests.

## **2. Background to Northamptonshire Children's Trust**

Following a statutory direction from the Secretary of State for Education, Northamptonshire County Council established an operationally independent but wholly council-owned company to deliver children's social care services. Northamptonshire Children's Trust (NCT) was established on 1st November 2020 and was a company limited by guarantee that was initially wholly owned by Northamptonshire County Council.

As part of this arrangement, statutory responsibility for children's services remains with the Council's Director of Children's Services. NCT is operationally independent, and a set of contractual agreements exist between NCT and the Council with the aim of ensuring NCT develops and provides high quality social care services to children and young people in Northamptonshire. Funding is subject to an annual contract negotiation and consideration of in-year demand pressures detailed in section 3.

On 1st April 2021, ownership of NCT transferred to North and West Northamptonshire Councils as part of the transition to unitary Councils. North Northamptonshire Council acts as the 'Host Council' for managing the relationship with NCT including contract management arrangements. North Northamptonshire Council employs a team called the 'Intelligent Client Function' which manages the relationship with NCT.

For the financial year 2021/22, the contract value was £137.15 million and for the 2022/23 financial year is £137.45 million.

## **3. Key risks and how these are managed by Children's Services**

### **3.1. Key risks**

North Northamptonshire Council has identified a risk around NCT in the corporate risk register. The register details the risk that "Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF)." The risk register summarises some of the key controls and mitigations that are expanded upon in sections 3.2 and 3.3 below.

Children's Services also has a directorate risk register that includes risks relating to Northamptonshire Children's Trust.

Additionally, Northamptonshire Children's Trust maintains its own risk register. This is shared with the Intelligent Client Function on a quarterly basis as per Clause 16 of the Core Terms of the Service Delivery Contract. This is discussed in summary form at the monthly Operational Group and Quarterly Strategic Group meetings (more information on governance at section 3.2.1 below).

## **3.2. Internal assurances**

The Council derive internal assurance on the performance and controls in place for the Services delivered by NCT in variety of ways. This is largely driven by the arrangements sets out in the Service Delivery Contract (SDC) between NCT and the Councils, but additional arrangements have also been put in place where additional risk has been identified. These arrangements are summarised in the sections below.

### **3.2.1. Governance arrangements**

The contractual governance arrangements are set out in Schedule 18 (Governance Arrangements) of the Service Delivery Contract. The key governance arrangements are:

- The Operational Group
- The Strategic Group
- NCT's attendance at Council Democratic Meetings, Statutory Boards and/or Partnership Meetings.

#### **Operational Group**

The Operational Group meets monthly and is attended by the NNC Director of Children's Services (who chairs the meeting), the NNC Assistant Director of Children's Services and the NNC Assistant Director of Finance and Strategy as well as NCT's senior management team and officers from West Northamptonshire Council.

The purpose of the Operational Group is to provide oversight of the contract management and monitoring arrangements including contractual requirements and the performance of NCT and the Council's performance of its obligations in the contract. The meeting provides an operational forum for Parties to discuss their respective performance and all associated issues holding each other accordingly to account in respect of such performance.

The meeting reviews NCT's monthly performance and finance report (see sections 3.2.2. and 3.2.3. below) and any other issues relevant to the services delivered by NCT.

#### **Strategic Group**

The Strategic Group meets quarterly and is attended by the NNC Executive Member for Children, Families, Education & Skills as well as the Chief Executive, Executive Director of Finance and Executive Director of Children's Services. It is also attended by the equivalent officers from West Northamptonshire Council and NCT's Senior

Management Team and the Chair of their Board. It is chaired by the Executive Members for Children's Services on a rotating basis.

The purpose of the Strategic Group is to provide strategic, political and executive oversight and scrutiny of NCT's delivery of the Council's statutory functions, through periodic monitoring of performance (including financial), contractual changes and Annual Review. The Strategic Group is also a point of escalation for issues arising from the Operational Group.

### **NCT's attendance at Council Democratic Meetings, Statutory Boards and/or Partnership Meetings**

NCT is required to attend these meetings at the request of the Council through the Chief Executive or another member of the NCT's senior leadership team where more appropriate. However, NCT shall not be required to attend more than three Democratic Meetings for each Council in any Contract Year. If NCT is required to attend any additional Democratic Meetings of the Council in any Contract Year, then such attendance shall be at the NCT's absolute discretion.

#### **3.2.2. Performance mechanism**

The performance mechanism is set out in Schedule 6 of the Service Delivery Contract. NCT's obligations include the following:

- produce a Business Plan
- ensure the KPIs are at least maintained within the agreed Tolerances
- achieve the Ofsted rating "Requires Improvement" within three years of the Councils' Vesting Day
- seek to achieve a "Good" Ofsted rating within five years of the Councils' Vesting Day
- provide a Monthly Report, Quarterly Report and the Management Information

There are currently 21 Key Performance Indicators that were agreed when NCT was created, for each indicator there is an agreed target and tolerance level below (or above) which NCT should not fall. NCT must produce a monthly report that sets out the actual performance achieved for each KPI and explanations of performance outside the tolerance. The report should also contain reporting of financial information including any variations from budget. As discussed in section 3.2.1 above, this is discussed at the Operational Group and quarterly report is discussed at Strategic Group.

There is an agreed performance rectification process that must be followed should NCT persistently fail to deliver performance within the agreed tolerances. This involves the production of an action plan that must be discussed and reviewed at the Operational Group, if it is not resolved then this should escalate to the Strategic Group.

In addition to the Key Performance Indicators, NCT must share Management Information with the Councils. This management information provides wider context to NCT's performance and the delivery of children's social care services. NCT also

share a quality assurance report on a monthly basis that highlights NCT's progress against its improvement plan.

### **3.2.3. Finance mechanism**

The finance mechanism is schedule 5 of the Service Delivery Contract. It governs a wide range of issues related to the financial arrangements between NCT and the Councils. In relation to assurance for the Councils it sets out managing a deficit in NCT's budget, how any failure by NCT to manage its own budget will be managed and open book accounting arrangements.

NCT is obliged to inform the council as soon as reasonably practical if it identifies a deficit. The Trust is also obliged to take action to contain the deficit, use any applicable reserves and demonstrate whether it can cover the deficit from other resources. Failure to manage the budget in accordance with accounting principles and NCT's approved business plan will lead to concerns raised at Strategic Group with actions to remedy the position, issuing a Rectification Process and the Councils exercising their step-in rights.

Each party is subject to open book accounting for the purposes of planning and monitoring spend.

### **3.2.4. Annual Review**

An Annual Review of NCT's performance is required as per Schedule 3 of the Service Delivery Contract. The Annual Review exists to:

- Review the quality of the services delivered
- Facilitate the Councils' quality assurance of NCT
- Enable the Council to review the discharge of its statutory functions
- Consider whether changes to the contractual agreements are required

As part of the Annual Review, NCT must produce an Annual Report that includes items such as:

- the Trust's performance of the Services against the KPIs in the preceding Contract Year
- a summary of the Councils' performance of their obligations
- the cost of performing the Services
- a summary of any changes
- the demand for Services
- the outcome of any Ofsted monitoring visits and/or Ofsted inspections, Action Plans and/or Rectification processes

The Annual Report is then considered by the Operational and Strategic Groups.

### **3.2.5. Assurance meetings**

Outside of the contractual arrangements summarised in sections 3.2.1-3.2.4 above, the Councils and NCT have set up monthly assurance meetings. The purpose of

these meetings is to give the lead member and DCS from both councils a ‘window on practice’ through a discussion about risks, quality assurance activity and case file audits.

The meeting is attended by the Directors of Children’s Services and relevant Executive Members for both Councils as well as members of NCT’s senior management team.

### **3.2.6. Internal audit of Northamptonshire Children’s Trust Contract Management**

The Intelligent Client Function was recently subject to an internal audit. The objective of this review is to provide assurance that:

- An appropriately resourced and effective client function is in place to support contract management responsibilities
- Arrangements are underpinned by clearly defined contracts agreed by all parties
- A performance management framework has been agreed and is operating effectively
- An effective governance framework is in place to oversee this contract

The overall opinion is summarised in the table below:

<b>Control Environment</b>	Satisfactory
<b>Compliance</b>	Satisfactory
<b>Organisational Impact</b>	Moderate

### **3.3. External assurances**

In addition to the internal assurances described above, there are a number of sources of external assurance related to services delivered by NCT.

#### **3.3.1. Regulatory inspections**

NCT, in common with children’s services across the country, is subject to several regulatory inspections that provide external assurance to the Council about the delivery of services by NCT. These inspections are summarised in the table below.

<b>Type of inspection</b>	<b>Summary</b>
Ofsted <a href="#">Inspection of Local Authority Children’s Services (ILACS)</a>	<p>These inspections focus on the effectiveness of local authority services and arrangements:</p> <ul style="list-style-type: none"> <li>• to help and protect children</li> <li>• the experiences and progress of children in care wherever they live, including those children who return home</li> <li>• the arrangements for permanence for children who are looked after, including adoption</li> </ul>

	<ul style="list-style-type: none"> <li>the experiences and progress of care leavers</li> </ul> <p>When a local authority delivers services through a third-party organisation, for example a trust, the inspection is still an inspection of the local authority. This means North and West Northamptonshire Councils will receive separate inspection reports, however the next full inspection will be based on countywide data and outcomes.</p> <p>Local authorities receive one of 4 grades – inadequate, requires improvement, good, outstanding.</p> <p>Northamptonshire has yet to have an graded Ofsted rating since NCT was created, the previous grade was inadequate received in June 2019. The next inspection is expected imminently in Autumn 2022.</p>
Ofsted monitoring visits	<p>If local authority children’s services are judged inadequate, Ofsted carries out monitoring visits. Monitoring visits are not graded but focus on specific areas where improvement is needed the most. Inspectors will monitor and report on the local authority’s progress since the inspection.</p> <p>Since the Ofsted ILACS, there have been 4 monitoring visits, <a href="#">2 under Northamptonshire</a> and <a href="#">2 under North Northamptonshire</a>.</p>
<a href="#">Ofsted inspection of Adoption Agency</a>	<p>As NCT’s adoption service is not delivered directly by the local authority, they are required to register as a voluntary adoption agency. This means they are subject to an Ofsted inspection under the Social care common inspection framework.</p> <p>The grading framework is the same as for an ILACS.</p> <p>NCT receive their first inspection in January 2022 and received <a href="#">an overall grade of good</a>.</p>
<a href="#">Ofsted inspection of Fostering Agency</a>	<p>As with the adoption agency, because NCT’s fostering service is not delivered directly by the local authority they are required to register as an independent fostering agency. This means they are subject to an Ofsted inspection under the Social care common inspection framework.</p> <p>The grading framework is the same as for an ILACS. NCT receive their first inspection in January 2022 and <a href="#">received an overall grade of requires improvement to be good</a>.</p>
<a href="#">Ofsted Inspections of Children’s Homes</a>	<p>NCT also directly runs 5 children’s homes. These are subject to separate inspections under the Social care common inspection framework.</p>

	The grading framework is the same as for an ILACS. Of these homes, 4 are currently rated as good and 1 is rated as requires improvement to be good.
HMIP Inspection of Youth Justice Services	Her Majesty's Inspectorate of Probation is the independent inspector of youth offending and probation services in England and Wales. They report on the effectiveness of probation and youth offending service work with adults and children. Youth offending services in Northamptonshire are delivered by NCT.  There are 4 available ratings – outstanding, good, requires improvement, inadequate. Northamptonshire has not been subject to inspection under the latest framework but an inspection is due.

### **3.3.2. Social Care Improvement Board**

Following the Ofsted ILACS in 2019, the Department for Education (DfE) put in place a Social Care Improvement Board to oversee the improvement of social care services in Northamptonshire. At the time, this was chaired by the DfE Commissioner. This DfE-sponsored board has continued following local government reorganisation and is now led by an independent chair who is an experienced former Director of Children's Services.

### **3.3.3. Northamptonshire Safeguarding Children Partnership**

Northamptonshire Safeguarding Children Board ceased to exist on 30th June 2019 and has been replaced by Northamptonshire Safeguarding Children Partnership (NSCP) in accordance with Working Together to Safeguard Children 2018.

The Strategic Partnership consists of senior representatives from the four strategic leads of North Northamptonshire Council, West Northamptonshire Council, Northamptonshire Police and Nene & Corby Clinical Commissioning Group.

The purpose of the partnership is to safeguard and promote the welfare of children in Northamptonshire. This is done by coordinating the work of those people and all organisations working in the county ensuring that what they do is effective.

The Partnership will have an independent chair from September 2022 who will also be the chair of the Social Care Improvement Board.

NSCP oversee Child Safeguarding Practice Review (previously serious case reviews) in line with the requirements of the national panel.

## **4. Assurance from audit**

Northamptonshire Children's Trust purchases both internal audit services. Internal audit is purchased from West Northamptonshire Council who commission the activity from BDO UK. External audit is provided by Crowe LLP.



#### **4.1. Formulation of NCT audit plans**

As NCT are an independent company, they formulate their own audit plans independently of the Councils. Northamptonshire Children's Trust has an Audit Committee made up of members of their Board that would formulate their audit plan. This Audit Committee is responsible for reviewing and monitoring:

- the integrity of the financial and narrative statements and other financial information provided to the Councils as owners
- the Company's system of internal controls and risk management
- the internal and external audit process and auditors
- the processes for compliance with laws, regulations and ethical codes of practice

It also makes recommendations to the Board in relation to the discharge of governance responsibilities in respect of audit, risk and internal control of the Company.

#### **4.2. Access to audit reports**

The Councils have no automatic rights to audit reports, or the outcomes of audit reports produced for NCT. However, as part of the Annual Report (see section 3.2.4 above) NCT should include the results of any audits carried out during the previous contract year.

However, there are some general access rights that may apply to audit reports produced for NCT. For instance, the Articles of Association allows the Councils as owners of NCT as the Company the right to inspect the books and records of the Company to keep them properly informed about the Business and affairs of the Company. Any information or data obtained or received by the Councils shall be subject to a duty or obligation of confidentiality or confidence unless disclosing such information or data is required by law.

Additionally, according to section 13 of the Core Terms of the Service Delivery Contract, NCT shall at reasonable times and within normal business hours make the relevant 'Records' available for inspection by the Director of Children's Services (or a nominee) to enable the discharge of the Council's statutory obligations. The 'Records' are defined as:

- Invoices prepared by the Trust and submitted to the Council
- All children's social care records, files and documents
- Records required to be retained by the Trust by Law
- Personnel records of the Trust Personnel
- All documents relating to the insurances the Trust

### **4.3.     *Audit rights***

The Councils' audit rights are set out in section 35 of the Core Terms of the Service Delivery Contract. NCT shall provide the Council's statutory and regulatory auditors access to and permission to copy and remove any copies of any books, records, information and data in the possession or control of NCT which relate to the services delivered by NCT on behalf of the Councils.

## **5. Other relevant information**

No further information is relevant at this time.