

Children's Trust Joint Committee

21st June 2023

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|-------------------------|---|
| Report Title | Contract Sum 2023/24 Update |
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| Executive Member | Councillor Scott Edwards, Executive Member Children, Families, Education & Skills (NNC) Cllr Fiona Baker – Children, Families & Education (WNC) |

| | |
|--|---|
| Key Decision | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Are there public sector equality duty implications? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information (whether in appendices or not)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972 | |

List of Appendices

None

1. Purpose of Report

- 1.1. To provide an update to the financial position of Northamptonshire Children's Trust for 2022/23 and 2023/24.

2. Executive Summary

- 2.1. At the meeting of the Strategic Group in November 2022 NCT reported significant increases in demand led services and other inflation and statutory related areas. Additional funding to rebase the Contract Sum for 2022/23 of £11.891m was agreed moving the rebased Contract Sum for 2022/23 to £148.614m
- 2.2. As reported to the Childrens Trust Joint Committee in February 2023 the Contract Sum recommended by the Strategic Group in November 2022 and agreed by the Councils and Trust for 2023/24 is £150.938m

- 2.3. Like most Councils across England, NCT is facing a significant rise in demand for services and the most significant cost driver is children in care. The total in care population has increased by 8% from 1,139 in January 2019 to 1,229 in December 2022. An increase of 6% up to 1,313 is forecast to December 2024.
- 2.4. Included in the Contract Sum for 2023/24 were savings of £7.672m proposed by the Trust. NCT reported in June 2023 that £6.653m of proposed savings were at risk of non-delivery but this would reduce to £5.539m at risk with mitigation activity proposed by the Trust.
- 2.5. NCT presented a re-forecasted outturn position for 2023/24 of £177.055m with a variance of £26.117m above the agreed Contract Sum of £150.938. In accordance with the contract split percentage the £26.117m re-forecasted pressure equates to £14.584m for West Northamptonshire and £11.533m for North Northamptonshire.
- 2.6. In November 2022 the Councils agreed investment of £1.3m in 2023/24, on an invest to save basis, to support the development of a Circle to Success programme aimed at changing practice and improving outcomes for young people. Fundamentally the programme is designed to reduce spend on NCT's placement budget with the project forecasting savings of between £2.161m to £4.547m in 2023/24, against a savings target of £3.8m.
- 2.7. Strategic Group have agreed to hold an extraordinary meeting focusing on NCT's budget on the 12th June 23 and a Recruitment & Retention Summit taking place on 16th June 2023.

3. Recommendations

3.1. It is recommended that the Children's Trust Joint Committee:

- a) Note NCT's reported provisional outturn for 2022/23 and the additional pressure of £21.435m above the agreed contract sum of £137.451m;
- b) Note NCT's reforecast for 2023/24 and the additional pressure of up to £26.117m above the agreed contract sum of £150.938m; and
- c) Note the forthcoming Extraordinary Strategic Group meeting focusing on NCT's budget taking place on the 12th June 23 and the Recruitment & Retention Summit taking place on 16th June 2023.

3.2. Reason for Recommendations:

- 3.2.1. To ensure that the Children's Trust Joint Committee maintains democratic oversight of arrangements for the delivery of early help and children's social care services by Northamptonshire Childrens Trust (NCT) as set out in the committee's terms of reference.

3.2.2. To ensure the Children’s trust Joint Committee can consider relevant matters arising in relation to the delivery of the services and their financial position.

3.3. Alternative Options Considered

3.3.1. To do nothing – however this is not recommended. If appropriate action is not taken to address the rising financial pressures through reducing demand and transformative activity it will have significant impact on the Council budgets and wider service delivery in 2023/24 and beyond. See paragraph of the report for further details regarding Issues and Choices.

4. Report Background

4.1. NCT’s provisional Outturn position for 2022/23

4.1.1. As reported to the Children’s Trust Joint Committee in December 2021 the Contract Sum for 2022/23 agreed between the Councils and the Trust was £137.451m, which was an increase of £0.3m compared to the 2021/22 financial year.

4.1.2. Included in the 2022/23 Contract Sum were savings of £2.99m proposed by the Trust to be delivered in the financial year of which £0.769m was delivered as set out in the table below:

| Area | Savings Proposed | Savings Delivered |
|--------------------------------------|------------------|-------------------|
| Staffing | £0.330m | £0.317m |
| Placements - Sufficiency | £1.250m | £0.139m |
| Placements – Increased joint funding | £1.200m | £0.0m |
| Transport Review | £0.100 | £0.081m |
| Legal Services Review | £0.110m | £0.232m |
| Total | £2.99m | £0.769 |

4.1.3. £2.221m of the original proposed savings were not delivered but NCT did report mitigation activity which generated £2.312m savings in other areas.

4.1.4. One-off funding of £1.350m outside of the Contract Sum was also agreed as detailed in the table below:

| | |
|--|----------------|
| Early Help (year 1) | £0.400m |
| Foster Care (year 1) | £0.250m |
| Additional social work capacity (22/23 only) | £0.700m |
| Total | £1.350m |

4.1.5. At the meeting of the Strategic Group in November 2022 NCT reported significant increases in demand led services and other inflation and statutory related areas. Additional funding to rebase the Contract Sum for 2022/23 of £11.891m was agreed moving the rebased Contract Sum for 2022/23 to £148.614m as broken down in the table below:

| | |
|---|------------------|
| 2022/23 Original Contract Sum | £137.451m |
| Agreement to additional costs for 2022/23: | |
| <ul style="list-style-type: none"> Employee Pay Award - £1.901m Adoption (LGO) - £0.844m Fostering - £0.103m | £2.848m |
| Drawdown payment based on actuals: | |
| <ul style="list-style-type: none"> Transport £0.675m Placements £7.640m | £8.315m |
| Rebased Contract Sum | £148.614m |
| Continuation of the managed social work teams through to 31 st March 2023 (one-off) | £0.728m |

4.1.6. At the Operational Group on the 6th June NCT reported their 2022/23 provisional outturn as £150.066m which is variance of £21.435m above the original Contract Sum for 2022/23.

4.1.7. After the additional investment of £11.891m agreed by Strategic Group in November 2022 the variance reduces to £9.544m as shown in the table below, however it is important to note that the overall pressure to the two Councils is unchanged at £21.435m

| Summary | Gross Budget excl one-off investment | Less Income | Net budget | | Exp Forecast (incl. actuals) | Income Forecast (incl. of actuals) | Net Forecast Outturn | Variance before agreed additional Investment | Additional Investment agreed in 22/23 contract Sum | Net Variance |
|-------------------------------|--|----------------|----------------|--|---------------------------------------|---|----------------------------|---|---|--------------|
| | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Staffing | 46,782 | -4,334 | 42,448 | | 49,306 | -4,334 | 44,972 | 2,524 | 2,524 | 0 |
| Other non-Staff costs | 343 | 0 | 343 | | 343 | 0 | 343 | 0 | 0 | 0 |
| Placements | 60,648 | -7,380 | 53,268 | | 77,695 | -7,602 | 70,093 | 16,825 | 7,743 | 9,082 |
| Contracts | 4,767 | 0 | 4,767 | | 4,767 | 0 | 4,767 | 0 | 0 | 0 |
| Children's Homes | 3,484 | 0 | 3,484 | | 3,762 | 0 | 3,762 | 278 | 104 | 174 |
| Legal | 4,700 | 0 | 4,700 | | 5,065 | 0 | 5,065 | 365 | 0 | 365 |
| Adoption | 7,046 | -100 | 6,946 | | 7,890 | -100 | 7,790 | 844 | 844 | 0 |
| Transport | 1,930 | -566 | 1,364 | | 2,779 | -566 | 2,213 | 849 | 676 | 173 |
| Other care | 6,554 | -353 | 6,201 | | 6,484 | -372 | 6,112 | -89 | 0 | -89 |
| NCT Central - Other budget | 133 | 0 | 133 | | 133 | -161 | -28 | -161 | 0 | -161 |
| Support Services / SLA | 4,977 | 0 | 4,977 | | 5,482 | -505 | 4,977 | 0 | 0 | 0 |
| Grand Total | 141,364 | -12,733 | 128,631 | | 163,706 | -13,640 | 150,066 | 21,435 | 11,891 | 9,544 |

4.1.8. This significant change relates to several factors including increasing demand for placements for children in care and a reduction in the previously assumed joint funded contributions following confirmation by partners.

4.1.9. The support services increase of £0.505m relates to the increased charge at market rate for the occupation of One Angel Square based on an occupancy of 366 desks. The desk calculation is consistent with the original calculation in the initial contract sum. There is no direct impact on the outturn position of the NCT as this increase is assumed to be matched by the equivalent increase in income consistent within the support services agreement. It should be noted that this does create a pressure of £0.223m for NNC with a corresponding gain to WNC as recipients of additional income.

4.2. **2023/24 Contract Sum and One-Off funding**

4.2.1. As reported to the Childrens Trust Joint Committee in February 2023 the Contract Sum recommended by the Strategic Group in November 2022 and agreed by the Councils and Trust for 2023/24 is £150.938m.

4.2.2. It was agreed for the Contract Sum of £150.938m to be split into two parts, this consists of a Base Contract Sum (£141.429m) and a “drawdown payment” relating to actuals on agreed elements of demand led services (£9.509m) which will be based on the 2022/23 outturn position.

4.2.3. One off funding of £2.243m outside the Contract Sum for 2023/24 was also agreed as set out in the table below:

| Revenue Items | Amount |
|---|----------------|
| Early Help | £0.400m |
| Foster Care | £0.250m |
| Valuing Care Proposal – additional resources to deliver savings of £3.8m to the Placements Budget | £1.300m |
| Children’s Homes – Initial set up costs | £0.294m |
| Total | £2.243m |

4.2.4. It should be noted that although the investment in the above table has been agreed in principle, each investment will require a full business case to be submitted to and approved by the Councils.

4.2.5. The overall position of the agreed Contract Sum and One-offs split by each Council is shown in the table below:

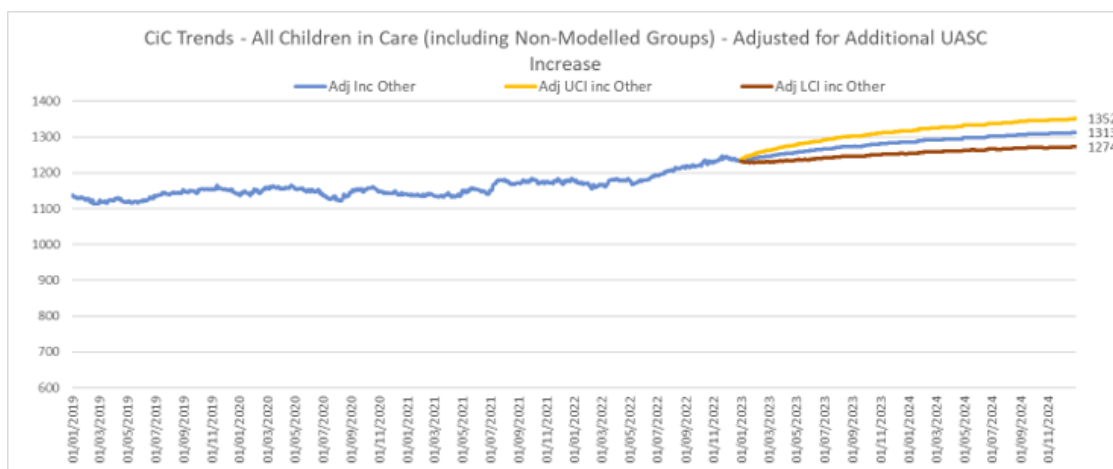
| | North | West | Total |
|---|-----------------|-----------------|------------------|
| Contract Sum | £66.654m | £84.284m | £150.938m |
| Less Drawdown Payment 2023/24 - £8.315m 2024/25 - £1.194m | (£4.199m) | (£5.310m) | (£9.509m) |
| Base Contract Sum | £62.455m | £78.974m | £141.429m |
| One-Off Funding | £0.991m | £1.252m | £2.243m |
| Total | £63.446m | £80.226m | £143.672m |

- 4.2.6. Included in the Contract Sum were savings of £7.672m proposed by the Trust to be delivered in the financial year as set out in the table below:

| Description | Proposed Saving |
|--|------------------------|
| Review of Social Care Transport | £0.100m |
| Review of placements supply | £0.600m |
| Supporting families to stay together | £0.600m |
| Increase provision in supported accommodation | £0.240m |
| Review of Business Operations | £0.070m |
| Review of Children's Legal Costs | £0.100m |
| Review of Contracts | £0.100m |
| Asset Management Strategy | £0.200m |
| Increase in In-house Fostering. | £0.620m |
| Review of External placements to develop effective Joint Funding Commissioning | £0.627m |
| Review of Care Costs | £0.200m |
| Review of Non-Essential Budgets including mileage, supplies and provisions. | £0.050m |
| Review of Learning Development/ Social work academy | £0.065m |
| Implementation of Treasury Management Policy | £0.900m |
| Targeted work with Children in Complex Settings | £3.200m |
| Total | £7.672m |

4.3. Rising Demand

- 4.3.1. Like most Councils across England, NCT is facing a significant rise in demand for services and the most significant cost driver is children in care.



- 4.3.2. The chart above, provided by NCT, shows the growth of children in care since 2019 and forecast modelling to the end of 2024. The total in care population has increased by 8% from 1,139 in January 2019 to 1,229 in December 2022. An increase of 6% up to 1,313 is forecast to December 2024.

4.4. 2023/24 Reforecast

- 4.4.1. On the 5th April 2023 a Finance Summit was held with senior officers and Members from both Councils and senior staff from NCT. The purpose of the session was to share a transparent financial position and discuss the factors driving the significant additional cost of NCT's delivery in 2022/23 and the likely impact on 2023/24. The summit agreed that:
- NCT would reforecast the 2022/23 outturn position with a worst-case scenario including all known pressures and present this to the May 2023 Operational Group.
 - NCT would adopt the new monthly reporting template agreed by the Councils.
 - Council Finance AD's would be allowed full access to NCT budgets and forecasting.
 - NCT would move to full reporting in ERP allowing Councils open access to financial information.
 - NCT will hold a forecasting workshop on 16th May with Council Finance and Commissioning AD's and ICF staff. The purpose of this was to jointly agree the methodology used by NCT for forecasting 2023/24 outturn.
 - NCT would present a revised 2023/24 forecast outturn position based on the agreed forecasting methodology at the Operational group in June 2023.
 - NCT would provide an MTFs view for 2024/25 and 2025/26 by the end of June 2023.

- 4.4.2. At Strategic Group in May 2023 a number of actions were agreed:
- Hold an extraordinary meeting of the group on 12th June 2023 specifically to look at the 2023/24 reforecast and increasing pressures on NCT's budgets.
 - Hold a Recruitment & Retention Summit on 16th June 2023 to jointly agree targeted action to address the significant recruitment and retention challenges faced by the Trust leading to the continued use of Managed Teams at significant costs to the Councils.
- 4.4.3. At Operational Group in June 2023 NCT presented an updated 2023/24 re-forecasted outturn position and details of 2023/24 savings potentially at risk as per the table below:

| Contract Sum Budget Heading | Agreed Contract Sum | Reforecast Outturn | Variance |
|--|----------------------------|---------------------------|-----------------|
| Staffing | £49.732m | £50.739m | £1.007m |
| Other Non-staffing Costs | £0.358m | £0.358m | £0m |
| Placements | £65.376m | £84.263m | £18.887m |
| Contracts | £5.001m | £35.001m | £0m |
| Children's Homes | £3.767m | £3.767m | £0m |
| Legal | £4.788m | £5.299m | £0.511m |
| Adoption | £7.776m | £7.776m | £0m |
| Transport | £2.870m | £3.043m | £0.173m |
| Other Care | £6.799m | £6.799m | £0m |
| NCT Central | (£0.762m) | (£0.762m) | £0m |
| Support Services | £5.233m | £5.233m | £0m |
| Total | £150.938m | £171.516m | £20.578m |
| Savings at Risk Red & Amber (£6.653m) less Mitigations (£1.114m) | | | £5.539m |
| Total | £150.938m | £177.055m | £26.117m |

- 4.4.4. NCT are reporting a variance of £26.117m above the agreed Contract Sum of £150.938m for 2023/24. In accordance with the contract split percentage the £26.117m re-forecasted pressure equates to £14.584m for West Northamptonshire and £11.533m for North Northamptonshire.

4.5. **Circle to Success**

- 4.5.1. As set out at 4.2.3 in November 2022 the Councils agreed the investment of £1.3m in 2023/24, on an invest to save basis, to support the development of a Circle to Success programme aimed at changing practice, improving outcomes for young people and delivering indicative savings of £3.8m in 2023/24. Fundamentally the programme is designed to reduce spend on NCT's placement budget.

- 4.5.2. Since its establishment in January 2023 the Circle to Success Programme Board has undertaken detailed work to forecast the likely impact of the programme and its interventions as detailed in the table below.

| Year | Scenarios | Cost savings | Cost avoidance | Total |
|-------------|------------------|---------------------|-----------------------|--------------|
| 23/24 | Low | £1,843,000 | £318,000 | £2,161,000 |
| | Medium | £2,769,000 | £537,000 | £3,306,000 |
| | High | £3,742,000 | £805,000 | £4,547,000 |

- 4.5.3. The analysis projects savings between £2.161m and £4.547m in 2023/24, from a combination of cash and cost avoidance savings against a savings target of £3.8m.

5. Issues and Choices

- 5.1. The Councils have established the Children’s Trust Joint Committee to discharge the functions of the Councils that relate to ownership of NCT, the provision of support services to the Trust and consider relevant matters arising in relation to the delivery of children’s early help and social care services and their financial position.
- 5.2. Given the significant level of pressure above the agreed contract sum in 2022/23 and 2023/24 the Councils need to apply robust scrutiny of NCT’s activities working in partnership with them to address the significant levels of rising demand and financial impact and agree mitigations for 2023/24
- 5.3. If appropriate action is not taken to address the rising financial pressures through reducing demand and transformative activity it will have a significant financial impact on the Council budgets and wider service delivery in 2023/24 and beyond.

6. Next Steps

- 6.1. Strategic Group have agreed to hold an extraordinary meeting focusing on NCT’s budget on the 12th June 2023 and a Recruitment & Retention Summit taking place on 16th June 2023.
- 6.2. The Councils and the ICF will continue to monitor the financial position of NCT via the monthly Operational Group.

7. Implications (including financial implications)

- 7.1. **Resources and Financial**

7.1.1. As indicated by NCT at the Operational Group in June 2023 the cost of services delivered by NCT in the 2023/24 financial year could exceed the agreed contract sum by around £26m. The Trust have especially alerted the Councils to the continued overspend on the budget for placements of children in care. This is a demand-led budget which causes challenges in forecasting demand and expenditure and a small number of high-cost emergency placements can have a significant impact on the budget. NCT will in the first instance look for in-year mitigations to manage the overspend. If these mitigations are not sufficient, then the Trust is able to seek additional funding through the 'in-year change request' mechanism set out in the Service Delivery Contract.

7.2. **Legal and Governance**

7.2.1. The relationship between NCT and the Councils is governed by a series of contractual and legal agreements.

7.2.2. The recommendations set out in this report will allow the Councils to fulfil their responsibilities as set out in the Service Delivery Contract, the Articles of Association and Support Services Agreement.

7.3. **Risk**

7.3.1. As indicated by NCT at the Operational Group in June 2023 the cost of services delivered by NCT in the 2023/24 financial year is forecast to exceed the agreed contract sum. The Trust have informed the Councils of the continued overspend on the budget for placements of children in care. This is a demand-led budget which causes challenges in forecasting demand and expenditure and a small number of high-cost emergency placements can have a significant impact on the budget. There are significant risks that this overspend could increase if there were considerably more children in care than that forecast, if NCT failed to deliver less of the proposed savings or if there are other unknown factors that could affect the finances of the Trust. NCT will in the first instance look for in-year mitigations to manage the overspend. If these mitigations were not sufficient, then the Trust is able to seek additional funding through the 'in-year change request' mechanism set out in the Service Delivery Contract.

7.3.2. 4.2.6 sets out NCT's proposed savings for 2023/24 which have been built into the Contract Sum. As part of their re-forecasted outturn NCT have flagged £6.653m of proposed savings as being at risk of non-delivery (red and amber). Some of this is offset by suggested mitigation activity in other areas amounting to £1.114m reducing the risk to £5.539m. This risk has been included in NCT's re-forecasted pressure of £26.117m set out in 4.4.3. There is also a potential knock-on effect to future years as identified transformation activity might not flow into savings projections for future financial years.

7.3.3. As indicated in section 4.5 the Circle to Success invest to save programme has £3.8m of savings in 2023/24 attached to it against an investment of £1.3m by the Councils. NCT have suggested a forecast of savings between

£2.161m and £4.547m could be delivered as a result of the programme in 2023/24. However, they have flagged the £3.8m as amber in their analysis of potential savings that could be at risk. This has been included in NCT's re-forecasted pressure of £26.117m set out in 4.4.3. Non-delivery of these savings would pose a significant risk with the Councils picking up the cost as savings have already been built into the contract sum 2023/24 and would mean that the invest to save funding of £1.3m does not deliver value to the public purse originally set out by NCT. There is also a potential knock-on effect to future years as identified transformation activity might not flow into savings projections for future financial years.

7.4. Consultation

7.4.1. This report has not been subject to any consultation.

7.5. Consideration by Executive Advisory Panel

7.5.1. This report has not been considered by NNC's Executive Advisory Panel

7.6. Consideration by Scrutiny

7.6.1. This report has not been considered by the overview and scrutiny committees of either Council.

7.7. Equality Implications

7.7.1. There are no specific equality implications arising from this report.

7.8. Climate Impact

7.8.1. There is no specific climate impact arising from this report.

7.9. Community Impact

7.9.1. There is no specific community impact arising from this report.

7.10. Crime and Disorder Impact

7.10.1. There is no specific crime and disorder impact arising from this report.

8. Background Papers

8.1. None