



Children's Trust Joint Committee 24 November 2021

Report Title	Progress on the Development of the NCT Business Plan and Provisional Contract Sum	
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List of Appendices

None

1. Purpose of Report

- 1.1. To provide the Children's Trust Joint Committee with an update on the provisional contract sum negotiations between North and West Northamptonshire Councils and Northamptonshire Children's Trust (NCT).
- 1.2. To provide the Committee with an update on the development of NCT's Business Plan for the 2022-25 period.

2. Executive Summary

- 2.1 The contractual agreements between NCT and the Councils give a deadline of 30 November for agreeing the provisional contract sum for the following financial year. This is also the deadline for the Trust to submit their Business Plan to the councils for approval.
- 2.2 Over recent weeks, the Trust and the Councils have been working together to agree a provisional contract sum for the 2022-23 financial year. These negotiations are ongoing however they are approaching completion.

- 2.3 Once the provisional contract sum has been agreed, a further report will be brought to the Children's Trust Joint Committee seeking their approval of the Trust Business Plan and agreed contract sum.

3. Recommendations

- 3.1 It is recommended that the Children's Trust Joint Committee:
- a) Note the process for negotiating the Trust's contract sum and the work completed to date in coming to an agreement
 - b) Note the plan for a revised Business Plan and provisional contract sum to be brought to the December Joint Committee for approval

3.2 ***Reason for Recommendations:***

To update the Committee in respect of the contract negotiations between the Children's Trust and the Councils

4. Report Background

- 4.1 From 1 April 2021, after the abolition of Northamptonshire County Council, North Northamptonshire Council and West Northamptonshire Council became joint owners of Northamptonshire Children's Trust (NCT) with each council owning a 50% share. Whilst the Trust is operationally independent of the councils, the councils still retain significant control over NCT and are responsible for making decisions on a number of 'reserved matters' that are set out in the Trust's Articles of Association.
- 4.2 One of these reserved matters is annual approval of the Trust's Business Plan. The Articles of Association set out that on or before 15 September 2021, NCT should prepare and submit a draft Business Plan to the councils for the 3 years starting on 1 April 2022. On or before 30 November 2021, NCT should prepare a draft Business Plan for approval by the councils including any amendments agreed by the Board and the councils.
- 4.3 The Business Plan should include relevant information under the following headings:
- introduction;
 - strategic framework;
 - working with partners;
 - priorities and objectives;
 - financial strategy and plans;
 - profit and loss account;
 - cash flow statement; and
 - revenue budget and working capital requirements.
- 4.4 The councils have established the Children's Trust Joint Committee to discharge the functions of the councils that relate to the joint ownership of NCT. The committee is therefore able to make decisions related to reserved matters such as the approval of the Business Plan.

- 4.5 The Trust previously developed an 'interim business plan' covering the period 1 November 2020 (NCT's services commencement date) to 31 March 2022. This was approved by both councils' shadow executive committees in March 2021.
- 4.6 At the same time as developing the Business Plan, as part of the contractual governance processes, the Councils and the Trust must negotiate the provisional contract sum for the following year. The Strategic Group (a group that oversees the contractual agreements that includes Children's Services lead members, senior council officers and senior NCT officers) must discuss and agree the contract sum by 30 November. In agreeing the provisional contract sum the parties should consider a range of factors such as inflation and demography, although these factors are without limitation.
- 4.7 Once the Strategic Group has agreed the provisional contract sum, the councils and NCT must seek internal approval of the sum by the 15 January.
- 4.8 The initial contract was agreed for the 17th month period November 2020 – March 2022 for a total value of £194.67m. The annual total value for the period April 2021 – March 2022 was £138.88m, made up of two elements £137.15m contract sum and £1.73m directly invoiced income. This is outlined in the table below.

(£m)	Full year 2021/22
Pre NCT budget transferred	
Staffing	44.47
Placements	60.59
Adoption	7.30
Other care costs	5.07
Contracts	4.82
Legal	4.38
Transport	1.67
Other non-staff costs	2.95
Total	131.24
Estimated impact of increased pension contributions	0.93
Additional Trust management costs	0.99
Trust internal support functions (transferring April 2021)	1.81
TOTAL TRUST COSTS (excluding notional amounts)	134.98
Support services buy back (notional amount)	1.98
Property costs (notional amount)	1.47
Insurance (notional amount)	0.45
TOTAL TRUST COSTS (including notional amounts)	138.88

TOTAL DIRECTLY INVOICE INCOME	1.73
Net Contract Sum	137.15

5. Issues and Choices

5.1 Contract Sum Negotiation process to date

- 5.1.1 Since August 2021, officers from both councils and NCT have been working together to agree the provisional contract sum for 2022-23. NCT submitted an initial draft of their Business Plan in early September ahead of the 15 September deadline. This gave an overview of their initial financial ask for the next financial year.
- 5.1.2 The councils met with the Trust to have an initial discussion of the contents of the Business Plan. This was followed by a full written response that was shared with the Trust on 24 September. In the response, the councils asked for greater detail in certain areas such as the rationale for the application of inflationary uplifts for certain areas and consideration of demographic growth. The response also set out the councils' request that NCT bring forward savings proposals to support the councils to meet their projected budget deficits for 2022-23.
- 5.1.3 Following further discussion at the September Operational Group meeting, NCT submitted a second draft for the councils' consideration alongside more detailed documentation. The second draft set out areas where the Trust would be able to deliver savings as well as setting out the Trust's ask for short term investment to deliver these savings.
- 5.1.4 The councils' response to the second draft noted the work that had been completed by NCT and asked for any changes to the existing contract sum to be set out in a schedule of budget changes, to allow the councils to scrutinise any savings and additional investment requested. It also asked for further detail in certain areas such as demand pressures and grant and invoiced income expectations. The councils also asked NCT to consider how the requested investment could be met using existing reserves or by pursuing DfE grant funding.
- 5.1.5 NCT submitted their third draft to the councils on 1 November. This included further reduction to the net contract sum, subject to demand and inflationary pressures. Following discussion at the councils' Joint Officer Board and between the councils and NCT at the November Strategic Group, they agreed that further scrutiny of the submission was required to provide the councils with assurance that the contract sum was appropriate and proposed savings achievable. The next steps are summarised below.

5.2 NCT Business Plan

- 5.2.1 At the same time as negotiating the provisional contract sum with the councils, NCT have been developing their business plan.
- 5.2.2 The overall strategic framework and key priorities have been refreshed since the approval of the first Business Plan for 2021-22. This has been developed in consultation with both councils as well as children, young people, and key

partners. The strategic framework and key priorities are broadly similar to the initial Business Plan; changes have been made to reflect the progress that has been made since the initial plan was agreed and is aligned with updates to the Social Care Improvement Plan following the regular Ofsted Monitoring Visits.

- 5.2.3 The financial sections of the Business Plan are dependent on the conclusion of the contract sum negotiations. Once a provisional contract sum for 2022-23 has been agreed the Business Plan will be updated accordingly and submitted to the councils for approval. It will be shared at the December Joint Committee for approval.
- 5.2.4 It should also be noted that per the terms of the Department for Education intervention, the Secretary of State for Education has consultation rights over the contents of the Business Plan.

5.3 **Next steps**

- 5.3.1 The councils will hold a detailed budget discussion with NCT on 24 November. This will be attended by:
- The leaders of both councils
 - The lead members for finance and children's services for both councils
 - The Chief Executives and Directors of Finance for both councils
 - The Joint Director of Children's Services
 - The NCT Chief Executive and Director of Finance and Resources
 - The Assistant Director of the joint Intelligent Client Function
- 5.3.2 The discussion will allow councillors and officers to consider and review the Trust's contract sum submission in greater detail. This will include discussion of issues such as inflationary pressures, demography and demand, proposed savings and requests for additional investment.
- 5.3.3 It is anticipated that following this discussion, the parties will be able to come to an agreement on the provisional contract sum for the 2022-23 financial year and that NCT will be able to submit to the councils an updated Business Plan with the latest agreed financial position.
- 5.3.4 Once there has been an agreement, the Trust Business Plan and provisional contract sum will be presented for approval at the December Children's Trust Joint Committee taking place on 22 December. It will also form a part of both councils' budget for the next financial year. Therefore, it will be subject to the consultation, scrutiny and approval processes that both councils have in place for their respective budgets.

5.4 **Local government finance settlement**

- 5.4.1 The provisional contract sum is being negotiated whilst there is some uncertainty with regards to the councils' budget positions for the coming years. Both councils are currently developing their respective budgets for the 2022-23 financial year and are making decisions about funding levels for all council services. This will inevitably have an impact on and be impacted by the provisional contract sum agreed between with the Trust.

5.4.2 Additionally, the level of funding available to the councils for the 2022-23 financial year is not yet clear. Whilst the government announced that local government 'core spending power' will increase by £85bn by 2024-25, how this will be distributed to local authorities has not yet been announced. Full details will not be available until the Local Government Finance Settlement that is expected in December 2021.

5.4.3 It is also possible that there will be specific funding for councils allocated to children's social care that would be passported to NCT.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 Whilst there are no resources or financial implications arising from this report, agreeing the contract sum and Business Plan will have implications for both councils. These implications will be finalised and shared at the December Joint Committee when approval is sought for the contract sum and Business Plan.

6.2 Legal

6.2.1 The relationship between NCT and the councils is governed by a series of contractual and legal agreements. The finance mechanism of the Service Delivery Contract states that the parties must agree the provisional contract sum by 30 November.

6.2.2 If the provisional contract sum is not agreed by the deadline, it would be referred to the Resolution Panel made up of senior officers from both Councils and NCT. If this Resolution Panel cannot resolve any issues, this may trigger the Dispute Resolution Procedure.

6.3 Risk

6.3.1 If the councils and Trust cannot agree on the contract sum or Business Plan, there is a risk the DfE may become involved in the budget setting process. This would take control away from both the councils and NCT.

6.4 Consultation

6.4.1 This report has not subject to any consultation.

6.5 Consideration by Scrutiny

6.5.1 This report has not been considered by Scrutiny.

6.6 Climate Impact

6.6.1 There are no climate impacts arising from this report.

6.7 Community Impact

6.7.1 There is no distinct community impact arising from this report.

7. Background Papers

7.1 There are no background papers.