NORTHAMPTONSHIRE CHILDRENS TRUST

MEDIUM TERM FINANCIAL STRATEGY 2022-2025
Including proposed contract sum 2022/23

1.0 OVERVIEW

1.1 Northamptonshire Children's Trust (NCT) Medium Term Financial Strategy (MTFS) sits alongside the Business Plan and is produced as part of the budget process and agreement of the contract sum as part of the annual review process. This strategy outlines the Trust's financial plan for the next 3 years.

1.2 There are a number of key factors that influence NCT's finances, relating to sources of funding, regulation, demand for children's social care, and the effectiveness of services:

A. Funding

- Central government funding of children's services, local government and specifically the impact of this on the Councils that own and fund the majority of NCT's costs
- Specific government grant funding
- The need to resource activity required to meet the terms of the Statutory Direction from the Secretary of State to bring about significant improvements in Children's Services across wider Northamptonshire

B. Regulation

- Central government's regulations and statutory guidance on children's services.
- Requirements of Ofsted and YJB regulatory arrangements

C. Demand

- Changing demographics and levels of social need in Northamptonshire that impact on the number of children requiring support and the proportion of children with complex needs
- The effectiveness of universal services in meeting children's needs, and therefore reducing the need for children's social care services
- The ongoing impacts of the COVID 19 pandemic
- The legacy of poor performance and its impact on children and their families

D. Effectiveness

- The effectiveness of children's social care in supporting families and children to change their lives. Children's Services with a high Ofsted rating are almost always more cost effective
- The effectiveness of partners in meeting the needs of children with complex needs

2.0 EXECUTIVE SUMMARY OF THE CONTRACT SUM PROPOSALS

It is clear that the coming years will be financially challenging for both NNC and WNC as well as NCT. It is of paramount importance that NCT continues to work with commissioning partners to ensure a mutual understanding of existing and emerging pressures and reaches agreement on the level of funding available and how that funding should be prioritised in line with councils' objectives as set out on the relevant partnership plans.

NCT recognise that as children's social practice improves over the next 3 years, not only will children's outcomes improve, there will also be in comparison to other local authority areas a reduction in spend on:

- numbers of children requiring social work intervention
- children requiring care (both numbers and time in care), and
- care costs (with more children staying with foster carers and more stable placements)

To support the improvement in outcomes and reduce costs the following investments are proposed:

a) Increase in Targeted Early Help staffing - will increase the quality of 'step down' from statutory social care and reduce re-referrals.

b) Effectiveness of the Independent Fostering Agency (IFA):
   - **a.** Increased recruitment of foster carers
   - **b.** A new recording system for fostering, with a corresponding reduction in business support posts.
   - **c.** Review and improve out-of-hours fostering support arrangements

c) Improved Recruitment and Retention package (with a reduction in agency costs):
   - **a.** mobile technology capital investment to enable more flexible and self-service reporting
   - **b.** Grow your own – recruiting local people to be social workers
   - **c.** Review of staffing structures to retain experienced social workers

It is expected that these investments alongside the general improvement in the service will allow NCT to:

- **i)** Achieve savings of £9.11m over 3 years, this figure will be reviewed annually as part of the annual contract sum review process
- **ii)** Generate additional income by concluding an agreement with the Clinical Commissioning Group and Education services in relation to the improved joint funding of children with complex needs, subject to agreement from WNC and NNC
- **iii)** Use 70% of the Supporting families PBR revenue as an income stream for 2022/2023 to further reduce the net Contract Sum (note: this will continue year on year unless ceased by MHCLG in a CSR).

The gross budget includes 4 elements, net contract sum, directly invoiced income from the councils, directly invoiced income from partners and specific government grants, this is estimated as £143.40 2022/23 (plus any additional specific government grant funding). The breakdown of this is as follows:

1) A provisional net contract sum of £137.45m 2022/23, £137.95m 2023/24 and £137.23m 2024/25 financial years. The provisional contract sum is subject to the conditions in the financial mechanism.
2) The provisional net contract sum is based on Invest to Save proposals of £3.15m 2022/23 and £0.65m 2023/24 to support the transformation and social care improvement plans.
3) Directly invoiced income from the councils of £1.76m 2022/23, £1.80m 2023/24 and £1.84m 2024/25.
4) Additional directly invoiced income from partners (including education) of £1.2m in 2022/23 to fund Joint Placements. This will be reviewed as part of the multi-agency resource planning during the 2022/23 financial year.
5) Continued access to specific additional government funding e.g. Supporting Families, any future COVID funding and other specific government grants.

3. KEY OBJECTIVES OF THE MTFS

3.1 The 2022-2025 strategy will continue to focus on achieving a sustainable financial base that both underpins NCT's work to improve services for children, young people and families and also takes explicit account of the wider context of escalating financial pressure in the specific delivery of children's and education services as well as in Local Government generally. NCT will be following three overarching principles:

- Delivery of high outcomes through efficient and effective services
- Maximise resources available to front line services
- Shared budget responsibility

3.2 The Strategy priorities ensuring services are affordable as follows:

- Ensure a mutual understanding of what is affordable for each council in terms of funding and quality
- Achieving value for money
- Achieving challenging cost reduction targets
- Generating income to support services
- Ensuring available funding is directed at priority areas
- Ensure the financial interest of each owner is safeguarded
- Planning for financial sustainability over a medium to longer term period

3.3 This strategy has been developed in the context of the continued improvement journey and escalating pressure on children's social care both locally and nationally. This pressure has been exacerbated in 2020/21 by the COVID pandemic which has increased the need for children's services and could potentially have a lasting financial impact over the coming years. The funding and demand pressures in social care has continued to feature in reports in the national press and also in findings reported by national Local Government representative groups from work that they have undertaken. The need for these services has continued to increase during the 2020/21 financial year and whilst there is a clear requirement to meet statutory need the organisation must ensure that it continues to develop mechanisms to drive down average costs of services to remain affordable. The budgets of the two councils remain challenging and it is vital that we work in partnership to ensure that the use of our funding can be maximised in order to drive excellent value for money.

3.4 Given the tightening financial envelope it is important that NCT is clear about the affordability of services. It will look to secure further transformation in services that will accelerate the journey towards improved quality in outcomes within the financial resources that are available. This may involve doing things differently and challenging the way things have always been done. The Business Plan outlines how this will be achieved over the coming years.

3.5 Under the service delivery contract (SDC) the final contract sum for 2022/23 must be agreed and approved by 30 November 2021. The SDC allows for amendments after this date. For 2022/23 amongst the factors which may require additional funding allocation through the SDC provisions and Operational Commissioning Group (OCG) are:

- National pay award
- Additional funding through the Comprehensive Spending Review
- Inflation changes
- COVID funding

3.6 The SDC also allows for contract variation during the financial year through the OCG, this includes but is not limited to:

- Demand pressures
- COVID funding
- Capital maintenance
- Support for funding bids and DfE grant funding

3.7 The net contract sum excludes factors included in the gross NCT revenue budget;

- DfE Grant funding
- MHCLG Supporting families PBR
- Invoiced revenue
- Other grant funding

4 NORTHAMPTONSHIRE CHILDRENS TRUST (NCT) CONTEXT

4.1 LGA produced an insight document in the formation of NCT. This should be read alongside the MTFS and business plan.

4.2 NCT was established on 1 November 2020. It is a company limited by guarantee that was initially owned by Northamptonshire County Council. On 1 April 2021, Northamptonshire County Council was abolished, and two new unitary authorities were established; North Northamptonshire Council and West Northamptonshire Council. NCT is now wholly owned by these two unitary councils.

4.3 NCT was established in response to a statutory direction from the Secretary of State for Education issued in June 2019. Statutory directions are issued to councils that are poorly performing and, in most cases, provide children's services judged inadequate by Ofsted. In June 2019, Northamptonshire Children's Services were inspected by Ofsted and found to be failing to keep children safe. Thus the services were judged inadequate by Ofsted as a result. This inspection found that children's social care services had significantly deteriorated since 2016 when services were judged to 'require improvement to be good'.

4.4 A statutory direction to improve had previously been issued to Northamptonshire County Council (CC) in 2013 following Ofsted inspection when arrangements to protect children were found to be inadequate overall and across every category. Although Northamptonshire CC had acted to secure improvement during the period 2013-2016, the improvement was not sustained.

4.5 In May 2018 following publication of the Caller report on Northamptonshire CC and its findings, the Ministry for Housing, Communities and Local Governments appointed Commissioners for the council. Subsequently, the Secretary of State for Education appointed a Commissioner for Children's Services (November 2018), and required Northamptonshire CC to improve social care services for children. The council was directed to work with the Commissioner on an improvement plan. The position was largely unchanged when Ofsted inspected in June 2019 and judged children's services to be inadequate.

4.6 In the light of the widespread inadequacy of services for vulnerable children and a historic failure to maintain improvements, in June 2019, the Secretary of State directed that a Children's Trust be established as a wholly owned council company to ensure the council's children's social care functions were performed to an adequate standard.

4.7 In the case of systemic or persistent concerns in the delivery of children's services, it is the policy of the Department for Education (DfE) to put in place a Trust to provide fresh leadership, additional improvement capacity, clarity of purpose and a more stable operating environment (Putting Children First, DfE, 2016). It is the policy of the DfE to leave the requirement to have a Children's Trust in place at least until services are judged by Ofsted to be good.

4.8 Northamptonshire Children's Trust was established on 1 November 2020 as a not-for-profit 'Teckal' compliant company that has the required day to day operational independence in the management and delivery of children's social care services. The objective was to form a long-term sustainable organisation in order to deliver the much needed improvements in the quality of social care services for children, young people, and families in Northamptonshire.

4.9 NCT has a board of executive and non-executive directors that both guides and holds the organisation's leadership to account for the running of the company and delivery of performance outcomes. The two councils each have two nominated non-executive directors on the board. The Chair of NCT is appointed by and directly accountable to the Secretary of State.

4.10 A five year contract is in place with a presumption of extension for a further five years. A service specification and performance framework is also in place and NCT is accountable to the two councils for the delivery of specified performance outcomes. The two councils are required by law to appoint a Director of Children's Services. They have made a joint appointment to the role. This senior officer is the lead commissioner of NCT. The two councils are politically accountable for the performance of children's social care functions and they will be subject to individual Ofsted inspection.

4.11 The latest DfE statutory direction issued in April 2021 specifically states that the Secretary of State is satisfied that North and West Northamptonshire Councils have now assumed responsibility for the historic and continuing failure to perform some or all children's social care functions to an adequate standard. The councils are legally required to comply with the statutory direction, to establish the Children's Trust (NCT), and to co-operate with the Commissioner for Children's Services on an improvement plan.

4.12 Mutual Ventures was appointed by the Department for Education in August 2019 to design, oversee and support the programme that results in the successful establishment of the Trust. Programme governance structures identified within this document were designed to reflect the programme time constraints, a best practice approach to programme management, while ensuring effective lines of delegation and accountability, the inclusive engagement of stakeholders, close monitoring of progress and issues, the effective management of risk and the enabling of timely decision making. In June 2020 the Department for Education varied this role to focus more on due diligence activity on behalf of the Department for Education.

4.13 Following the outbreak of the COVID 19 pandemic, the programme was paused in March 2020, restarting on 1 June 2020, with a reprogrammed launch date of the Trust on 1 November 2020. The Trust launched within this schedule entered a 5-month period to enable stabilisation and transition for the Trust in line with LGR and establishment of the unitary authorities on 1 April 2021.

4.14 It was a clear objective that the programme to establish the Trust should not disrupt the improvement journey but would need to align to ensure that future service delivery supported ongoing improvement and service continuity once the Trust was established. The programme team engaged with the Children's Commissioner, Social Care Improvement Board and with the other Children's Programme portfolios to ensure the dependencies between all elements were mapped and maintained.

4.15 The programme objectives and desired outcomes were as follows:

- To establish the Trust as a new and distinct legal entity that provides high-quality children's social care services, delivered by a high quality, stable, affordable, skilled workforce
- To ensure that the Trust is financially viable and sustainable, in the short, medium and long term
- To ensure that the design of the Trust considers and is adaptable to the future shape of local government in Northamptonshire
- Ensure the design of the Trust will enable it to have day-to-day operational independence in the management and delivery of children's social care services
- Recruit a strong board of executive, non-executive directors and senior leadership team to help improve services and guide the development of the Trust in its future direction

- To ensure that the programme demonstrates value for money, operating within the agreed contract sum

5. INITIAL CONTRACT SUM

5.1 An 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.

5.2 A forensic review of all areas of the expenditure was undertaken by Mutual Ventures as part of their due diligence role to deliver a key objective of the programme the Trust is financially viable and sustainable, in the short, medium and long term. As part of the contract sum negotiations a savings requirement of £6.8m was built into the final sum. Section 5.5 provides more details of the delivery of this programme.

5.3 The table below details the Trust budget breakdown.

Budget Heading	**Nov-Mar 2020/21 £m**	**Full year 2021/22 £m**
Staffing	18.67	44.47
Placements	25.21	60.59
Adoption	3.04	7.30
Other care costs	2.11	5.07
Contracts	2.01	4.82
Legal	2.19	4.38
Transport	0.95	1.67
Other non-staff costs	1.23	2.95
Total	**55.41**	**131.24**
Estimated impact of increased pension contributions	0.39	0.93
Additional Trust management costs	0.27	0.99
Trust internal support functions (transferring April 2021)	-	0.74
TOTAL TRUST COSTS (excluding notional amounts)	**56.07**	**133.90**
Support services buy back (notional amount)	1.20	3.06
Property costs (notional amount)	0.53	1.47
Insurance (notional amount)	0.19	0.45
TOTAL TRUST COSTS (including notional amounts)	**57.99**	**138.88**

Notes:

1. Property, Insurance and Support Services figures for 2020/21 were notional amounts.
2. Excludes costs funded by one-off funding sources (Business Rates Retention, Flexible Use of Capital Receipts, DfE grants, earmarked reserves) for which separate drawdown arrangements will apply.
3. Demographic growth to be funded through change mechanism.
4. 2% Inflation - Pay, Placements and Support services. Other services funded at actual costs.
5. Due Diligence meeting 6th October 2020 - future savings were not discussed as it was generally accepted that NCC in its current form would no longer exist, so that would need to be a future discussion between NCT and the new Councils as part of the annual contract sum negotiations.

6.0 BUDGET MONITORING FINANCIAL YEAR 2021/2022

6.1 A monthly finance report is presented to the Operational Commissioning Group as part of the performance management contract framework, where all variances are reviewed. A detailed realignment exercise was undertaken in April 2021 to realign budgets to match activity.

6.2 The current forecast outturn position for 2021/22 (as at Period 6), is an overspend of £0.622m against the approved net controllable budget of £123.348m. The Trust will mitigate this pressure through the use of the carry forward reserve of £0.812m (relating to the financial period Nov 2020–Mar 2021). Through the detailed monthly financial reporting key budget risk areas will continue to be reported to ensure effective monitoring is in place.

6.3 A more focused project management approach has been introduced with the Chief Executive and Director of Finance and Resources having overarching responsibility for the achievement of savings across the Trust. The relevant leadership team and the Board receive updates on progress and risks. Each programme has a service lead, a project lead and a finance lead. Progress and achievement of net cost reductions will be monitored during the year with alternative actions being agreed with commissioners, if needed, through periodic commissioning meetings.

6.4 Reserves and ring fenced funding

6.4.1 As at the 31st March 2021, the trust carried forward a number of reserves. These were a combination of historic, partnership, specific earmarked and general reserves. The table below sets out the reserves and categorisation. These are primarily historic reserves created prior to the creation of the trust. Drawdown from the reserves requires supporting information to be provided to the councils.

Reserves	Opening Balance	20/21 Draw down	New reserves	Balance to c/f
Litigation costs (HRA)	131	(80)		51
Family Group Conferencing	514	(225)		289
International Social Worker visa costs	193	(45)		148
Youth Offending Service			310	310
Troubled Families			844	844
Staff Retention			650	650
Total Reserves	**838**	**(349)**	**1,804**	**2,293**

6.4.2 **Litigation costs (HRA)**
To support children who have had court judgement in their favour from Human Rights Assessments claims.

6.4.3 **Family group conferencing**
DfE funded 18 months controlled trial of family group conferencing (FGC), a comprehensive process through which the child's extended family create their own plan of how they will all come together to look after the child. This trial is for a select cohort of families to assess the impact of FGC in reducing the number of children that come into care.

6.4.4 **International social worker visa costs**
To provide assistance for overseas social workers in their visa application. Recruitment has been impacted by COVID and travel restrictions, as part of our social work workforce strategy, we have recommenced overseas recruitment and will drawdown from the reserve during the 2021/22. Any remaining funding at the financial year end will be carried forward.

6.4.5 **Youth offending service**
This provides help and support to the most vulnerable families, at the earliest possible stage, in order that children's outcomes across a range of areas improve. The programme is focused on happier, healthier children with improved educational attendance, attainment and improved life chances. Parents are supported to engage in preparation for work and towards financial independence so that they and their children can escape poverty and hardship.

6.4.6 **Troubled families**
This reserve is help achieve significant and sustained progress against multiple problems to make work and ambition possible for all families. Funding by central government is allocated based on level of need by application. The funding for Supporting families (previously Troubled Families) is built into the Early help service budgets and will be fully utilised as part of planned expenditure.

6.4.7 **Staff retention**
Three-year retention scheme for qualified social workers to reduce staffing cost, turnover and the reliance on agency staffing. A proposal is currently under development and is expected to be launched in October 2021 as part of our workforce strategy.

6.4.8 **Ring fenced funding**

Other carried forward ringed fenced funding totalling £2.401m comprises of DfE invest to improve of £0.976m, Public Health funded interventions of £1.341m and BRR practice improvement of £0.084m. The funding is linked to specific projects, which will all be delivered within the current financial year and the funding will be fully utilised. Separate reporting is in place for each of the projects to comply with individual grant conditions and is incorporated into the monthly monitoring reports.

Other Ring Fenced Funding	Opening Balance	20/21 Draw down	New Funding	Balance to c/f
DfE invest to Improve	1,500	(524)		976
PH Funded (Quality and Resources)	1,344	(3)		1,341
BRR Practice Improvement	310	(226)		84
Total Ringed Fenced Funding	**3,154**	**(753)**		**2,401**

6.4.9 **General Reserve**

The Trust held a general reserve of £1.092m (relating to the financial period Nov 2020–Mar 2021.) The underspends related to the delay in filing a number of posts as the Trust formed and established its central structure and additional one off underspends. A realignment budget exercise was undertaken in April 2021, and budgets were realigned to match activity. Detailed monthly monitoring is now in place and the latest outturn position is detailed in section 4.3 of the report.

6.5 Savings and Transformation Programme

6.5.1 The Trust was required to delivered a savings programme of £6.8m over 20/21 and 21/22 financial years. The 20/21 target was achieved, leaving £3.26m to be delivered for 21/22. The contract sum of £137.15m incorporated the full delivery of the savings.

6.5.2 The Trust is operationally managing this process and making necessary adjustments to reflect service issues and will secure the overall savings. We are now working on propositions to drive further efficiencies in our work for future years and to support our shared ambition for a sustainable financial base for services and the two councils. We discuss this in more detail later in this MTFS.

6.5.3 The savings requirement of £3.260m is for the full financial year 2021/22. The performance of the plans to achieve these savings are reviewed at the monthly Transformation and Efficiency Board meetings and reported to the Finance, Resources and Audit committee. A revised savings and transformation programme has been developed in 21/22 to ensure delivery.

Name	Target 21/22 (£000s)	Narrative
Improvement in capacity building in foster (BRR)	1,084	The development of and improved capacity in specialist resilient foster carers for young people with higher complex needs. Saving derived from the movement of children from out of County/high-cost

		external placements into specialist foster carer provision, including IFA stepdown.
Reducing Reliance on Agency Staff (BRR)	388	Reducing the proportion of agency staff within the workforce. Primarily delivery from non-frontline areas, also in scope is a review of FTC and secondment use.
Improved children's outcomes (BRR)	843	Reducing the number of young people in care and therefore reducing the overall placement costs associated with their care. Reduction in care costs though the review of high-cost placements.
Supported Accommodation	196	Saving generated from reduced use of residential care and reduced supported accommodation packages.
In-House Foster Carers	433	An overall increase in the capacity (carers and beds) of in-house foster carers. Saving derived from moving young people to in house foster placements from other more costly placement types.
Transport Optimisation	316	Reduction in the transport budget though the tighter management of the transport policy, supported though an invest to save ‘internal hub’ .Costs of hub team met within savings delivered.
	3,260	

7.0 CONTRACT NEGOTIATON PROCESS

7.1 On or before 30 November in each Contract Year, the Strategic Group shall meet to discuss in good faith and agree the proposed Contract Sum for the immediately following Contract Year (the “**Provisional Contract Sum**”) which shall take into account the following factors (without limitation):

- the Trust’s draft Business Plan
- the Council’s overall funding (including any ring-fenced funding) directed to, or otherwise made available for, the Services in the relevant Contract Year
- the cost of the Services in the preceding Contract Year(s) (including any Changes to the Initial Contract Sum and/or Contract Sum (as applicable) agreed during the preceding Contract Year)
- the demand for the Services in the previous Contract Year and the expected demand for the Services in the immediately following Contract Year
- the costs associated with any Changes in Law, including any Relevant Changes in Law or New Burdens Changes in Law that are relevant from previous Contract Years and/or which are anticipated in the immediately following Contract Year
- the cost of Support Services
- the cost of all third party contracts (including any Subcontracts) used by the Trust in connection with performance of its obligations under this Agreement (including the provision of the Services)
- the costs associated with the Trust’s occupation and/or use of the Properties

- the costs of the Relevant Insurances, Directors and Officers Insurance and any other insurances that the Trust may be required to take out from time to time in connection with the performance of its obligations under this Agreement (including the provision of the Services), including the cost of any applicable excess or deductible
- any costs associated with the Trust's compliance with its Emergency Planning and Business Continuity obligations pursuant to Clause 38 (*Emergency Planning and Business Continuity*)
- the cost of the Trust's workforce including the Trust Personnel, the Transferring Employees and any agency staff
- pay awards and any agreed changes with regard to terms and conditions of employment
- the contribution rates set out in the rates and adjustments certificate from time to time determined by the LGPS Fund Actuary pursuant to Schedule 10 (*Pensions*)
- the contribution rates relating to the TPS Eligible Employees or New Joiners who are enrolled in the TPS from time to time pursuant to Schedule 10 (*Pensions*)
- inflation, including general and sector-specific inflation;
- any applicable taxation
- any reserves to be retained by the Trust pursuant to its reserves policy and the agreed finance mechanism
- any social, demographic or other relevant factors that may affect the Services in the immediately following Contract Year and/or which affected the Services in the preceding Contract Year
- the strategic priorities and outcomes likely to be relevant to the commissioning of the Services in the immediately following Contract Year
- any sums payable by way of grant funding pursuant to Paragraph 8 (*Grant Funding*) of Schedule 5 (*Financial Mechanism*)
- any sums payable by way of Partner Contributions pursuant to Paragraph 9 (*Partner Contributions*) of Schedule 5 (*Financial Mechanism*)
- any change to the Initial Contract Sum and/or Contract Sum (as applicable) agreed in the previous Contract Year as the result of an in Year Change Request (including any shortfall in relation to any New Burden Change in Law that may be agreed pursuant to Paragraph 7A (*Change in Law*)
- any applicable savings and/or efficiency requirements
- any Surplus retained by the Trust pursuant to Paragraph 10 (*Management of Surplus and Deficit*) and
- such other matters that the Parties consider relevant (acting reasonably) from time to time

7.2 As part of the process of agreeing the Provisional Contract Sum the Trust shall also provide the Council with its Future Contract Sums Estimate, which is merely intended to be an indicative assessment based on the information that the Trust has available to it at the relevant time of what the Contract Sum for the second and third years of the relevant Multi-Year Cycle may be. The Parties acknowledge and agree that, the Future Contract Sums Estimate may be something that is considered as part of the Contract Sum Negotiation Process.

7.3 If the Parties cannot agree the Provisional Contract Sum pursuant, either Party may refer the matter to the Resolution Panel for resolution. The Initial Contract Sum and/or Contract Sum (as the case may be) that is applicable at the time of the relevant

Contract Sum Negotiation Process shall continue to apply until the resolution of such disagreement by the Resolution Panel.

7.4 Each Party shall seek internal approval of the Provisional Contract Sum by 15 January in each meeting of the Council. Subject to the approval of each Party, the Provisional Contract Sum shall become the Contract Sum and shall be paid to the Trust by the Council in the next Contract Year. Until the time of such approval by the Council, the Parties acknowledge and agree that the Initial Contract Sum and/or Contract Sum (as the case may be) that is applicable at the time of the relevant Contract Sum Negotiation Process shall continue to apply.

7.5 It is important that service quality and spending expectations are mutually agreed and understood with each council to improve this position. The key ways in which a mutual position is reached are as follows:

- N CT staff and the DCS engage with the relevant council process in setting the annual budget
- Annual NCT contract review as part of commissioning process to look at the budget and performance targets for the following year
- S ubmission of monthly budget and performance monitoring data and periodic meetings with the commissioner to discuss performance
- Input into each council's political approval and monitoring process
- Insufficient funding being provided within base contract price relative to annual growth requested during budget setting process
- Non funding of non-avoidable inflationary pressures e.g. pay increment/ pension inflation

8.0 STRATEGIC LINKS TO BUSINESS PLAN

8.1 Achieving a financially sustainable business model is one of the Trust's key priorities in 2022/23 and the medium term. The priorities outlined in the Business Plan look to balance quality and affordability as well as achieve service improvement within a challenging financial envelope. The Business Plan and budget has been produced with significant amounts of engagement with staff, stakeholders and the councils. The Business Plan focuses on six themes, which align with borough specific projects and objectives. The following table looks at these strategic themes to identify how they can be aligned to NCT financial objectives.

Strategic priority	What we will achieve for children and young people?	Link to Financial Sustainability
EXCELLENT LEADERSHIP	Our Improvement will be driven by a stable senior leadership team that provides strategic leadership and direction, clarity of the vision for the service and sets clear priorities and expectations. The senior leadership team will be visible to and engage with all staff.	Every manager at all levels will be a leader for improvement in Northamptonshire with a clear understanding of their responsibilities and accountabilities and will know what good looks

STRONG RELATIONSHIP BASED PRACTICE	We are focused upon evidence based practice that works with children, young people and families to help them achieve positive changes. Our practice model is child-centred at its heart and evidenced through all that we do.	Our primary practice framework is Signs of Safety, which will deliver practice that is rooted in the relationships that our practitioners form with children and families, and is a strengths-based approach building upon the assets in the family network. The quality of social work assessments and plans so that they are consistently timely and are effective in improving children's experiences.
RETAIN AN EXCELLENT WOKFORCE	Our workforce will be experienced, talented, empowered and motivated to deliver the best possible services and outcomes for children and young people; we will invest in the recruitment, retention and development of our workforce and reward their achievements.	This theme will ensure that staff are skilled and retained which should reduce reliance on the more expensive agency workforce and ensure that staff are delivering efficient and high quality services through developing to their full potential.
FINANCIAL STABILITY	The services we deliver will provide excellent value for money and we are trusted by our commissioning Councils to deliver the best possible services within the agreed contract price, including the efficient delivery of our financial savings plans.	This priority is at the heart of the organisation's sustainability model. We will work with our commissioning councils to agree an affordable funding envelope and work to ensure that we achieve maximum value for every pound spent. We will learn best practice from other local authorities who are delivering good quality and relatively low cost services.
HEALTHY PARTNERSHIPS	Effective partnership working is essential to good practice.	We will work strategically with our core partners to share responsibility for driving our improvement plan, and all our staff will pursue effective multi-agency practice.
INSIGHTFUL QUALITY ASSURANCE AND LEARNING	We know ourselves and our practice well through rigorous Quality assurance	organisations and our approach seeks to ensure that learning is captured from a range of sources centred upon collaborative case audits, feedback from children and families, staff and understanding our data. We will ensure that learning is then acted upon to drive effective improvement

9.0 KEY BUSINESS PLAN/DEVELOPMENT PRIORITIES FOR THE UPCOMING YEAR

9.1 It is clear that affordability of services must be a key focus over the term of this strategy and the Business Plan. Increasing need and complexity of needs is continuing to add pressure across children's social care. In addition, there is the potential for COVID 19 and inflationary pressures. The following key areas of work will be integral to delivering affordable services in the coming year and beyond:

PRIORITY ACTIVITY TO CONTROL COSTS	HOW WILL IT BE DELIVERED?
DEMAND MANAGEMENT- Supporting the prioritisation of services to young people most in need and demand management through the application by service teams of consistent thresholds.	Core services have well established threshold guidance that is periodically reviewed both internally and externally through inspections or specific requests for independent review.
LOCAL PROVISION – Delivering the Sufficiency Strategy at pace in terms of using commissioning opportunities effectively and developing more local provision where it makes financial sense to do so.	There will be a focus in the coming months to identify those programmes that are likely to have the most positive financial impact and to develop these into business cases for agreement by the councils as appropriate.
REVIEW – The effective review of placements, plans and working models is key to ensuring that we are promoting independent, resilient families and that we are prioritising the funding we have in an effective way.	We are implementing practices to ensure that plans and placements are periodically reviewed to support the continued alignment of funding and support to the changing needs of young people. It is important that we continue to work to improve these practices where the financial pressure and scope for changing need is most significant.
MODERNISATION OF WORKING PRACTICE – Review of how we work to ensure that we are making best use of technology, flexible working practices and that support services offer value for money.	We will reflect on learnings from COVID to ensure we build back better in terms of efficient use of buildings, homeworking, digital technologies and reduced travel / printing. A key priority will also be on improving the current HR arrangements to lead to a more consistent offer across NCT and in time improvements in recruitment and retention.
FINANCIAL MONITORING & PLANNING – Detailed monitoring of all high risk areas on an ongoing basis and consistent reporting internal, to the NCT Board and to the Councils.	The finance team will continue to monitor budgets and report performance to budget managers, leadership teams, the board and councils regularly. The finance team will also work to further improve budget awareness and confidence in managing budgets across the organisation.
SMARTER WORKING – Our business processes will be efficient, cost-effective and supportive to frontline practitioners so that they are able to spend as much time as possible working directly with children, young people and their families to improve outcomes for them.	This workstream will maximise the resources that are available for front line services and lead to an affordable support service that meets business needs. We will develop our use of technology to make processes and business services more efficient including developing our accommodation and flexible working strategy.

10.0 FINANCIAL CONTROL

10.1 NCT operates a devolved approach to budget management with nominated budget managers responsible for service spend. The ongoing financial challenges faced by the Trust has necessitated a review of the arrangements that govern budget manager spend. Under the revised financial regulations budget managers are able to spend up to their designated budget but must formally seek permission from their SLT member to spend above this limit.

10.2 Each budget manager is supported by a dedicated management accountant who meets with them at least quarterly and more frequently for higher risk budgets. The finance team produces monthly monitoring information which is signed off by the relevant SLT before being sent to the Board and relevant council.

10.3 The Trust has three main categories of spend which determines the key controls and levers for controlling spend:

Budget Type	Key controls
Controllable budgets are budgets that can directly impact by taking associated actions. They support statutory services but may not in themselves be statutory. Examples include staffing, training, stationary, travel, supplies and services.	SLT approval of vacancies prior to recruitment. Centralisation of general budgets e.g. training, stationary, furniture and equipment etc. Where overspends are anticipated senior level sign off of spend over a pre agreed limit All budgets allocated to individual budget managers and signed off prior to the year Periodic review of agency staff by SLT Budget manager sign off of all invoices Budget manager training Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLTs monthly
Stepped Costs are those that are demand led but can be directly controlled through associated action and the risks associated with reducing spend can be managed more easily. The main category of budget here relates to	SLT approval of all vacancies prior to recruitment. SLT consideration of alternative options via the request form before recruitment decisions

salary costs within frontline teams where the number of staff may not have to increase with every increase in demand but where there area certain number of staff needed to maintain caseloads within an agreed range.	made Monitoring of workloads via information produced by the data intelligence team Manager sign off of funded establishment annually Periodic SLT review of teams over establishment Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLT monthly

Demand led budgets are those that are directly linked to the meeting of statutory duty and are difficult to influence in the short term. Examples include placements for children looked after, rent and allowances for care leavers, direct costs related to agreed educational placements and legal costs associated with specific cases.	Child by child placement monitoring and sign off by budget manager monthly Budget manager sign off of all invoices Attendance of key staff at decision making panels including finance where finance decisions are being made Periodic high cost placement reviews Monthly reconciliation and production of management information. Periodic review of placement types by commissioning team Monthly budget monitoring produced by finance team in consultation with the budget manager Consideration of overall position by SLT monthly Development of the commissioning team and placement sufficiency strategy

11.0 RISKS AND MITIGATIONS

11.1 The following table summarises key financial risks for the coming year and associated actions

RISK / CHALLENGE	ACTION
Ongoing overspend and balancing reaction to financial pressure with importance of making decisions in best interest of children	The relevant Leadership Team reviews the monthly monitoring and agrees all financial actions that could impact on services. This ensures that the service impact of financial action plans is considered and risks identified! monitored.

Placement budgets – Increasing average cost and demand pressures.	Internal review system for all placements to ensure they are the most appropriate in terms of service and cost. Detailed financial monitoring at an individual placement level. Sufficiency Strategy recommendations including developing more local place capacity through the fostering agency and new provisions Engagement with joint LA commissioning groups, initiatives to drive down cost and increase purchasing power
Achievement of savings and agreement of one off costs for redundancy etc.	Regular monitoring of progress against savings plans. Project plans for each of the high value schemes with regular reporting to the Senior Leadership Team. Quarterly progress reporting to the NCT Board and through the Intelligent Client function.
Risk that councils do not agree proposed contract sum	Regular briefings throughout the budget setting processes. Regular reporting through the OCG/SCG. Regular feedback between Section 151 officers and Deputies so that decisions can be reflected in latest financial reporting.

12.0 MEDIUM TERM FINANCIAL POSITION 2022 -2025

12.1 NCT has undertaken high level budgeting plan for a three year period to ensure that there is a planned approach to delivering services. An annual review with the Councils in autumn each year to ensure that medium term financial planning remains aligned and the detailed budget setting process for the following year then commences. Savings plans and growth requirements are periodically reviewed during the year to identify how budget gaps can be resolved. This is informed by the emerging pressures and opportunities within children's services.

12.2 We have developed a number of transformation themes and savings propositions. The initial thinking follows a review of current demand and expenditure levels, incorporating the service aspirations in the social care improvement plan. The delivery of the proposals will also require some targeted investment in order to release ongoing future savings. These are set out in the following sections.

12.3 The MTFS contains a significant amount of risk to delivery, the annual review and change control mec

- The Initial budget and business plan have been within the context of the COVID 19 pandemic, and as with all areas of public service the impact on both spend to date and future demand is not yet known
- Failure to invest in ICT will inhibit the ability of the NCT to drive efficiency savings through new ways of working. (e.g. the implementation of the new case management system)
- Recruitment and Retention remains a significant issue, with the additional costs of agency staff requiring the Trust to maintain higher vacancy rates

- Availability of ongoing partner contributions and external grant funding
- Increasing inflationary levels relating to Independent placements and demand for services
- Delivery of high quality support services from the Council(s) to NCT
- The national picture is that spending on children and young people's services increased by 7% between 2018/19 and 2019/20 as a result of both demand and cost pressures. The total spend on children in care nationally increased by 8.3%. The estimated national funding gap to 'stand still' is £824.1m (Association of Directors of Children's Services, Safeguarding Pressures 7, February 2021)
- Failure to agree contract sum within the contractual timescale

12.4 The table below sets out the financial position of the Trust for the financial year 2022/23 and indicative position for the 2023/24 and 2024/25 financial years in accordance with the requirements of the Service Delivery Contract, Schedule 5: Finance Mechanism. The format is consistent with the original contract sum classification of expenditure and funding.

Medium Term Financial Plan 2022 -2025

Budget Description	2022/23 £m	2023/24 £m	2024/25 £m
Initial Contract Sum	137.15	137.45	137.95
Directly invoiced Income	1.73	2.96	3.02
Total Service Delivery Contract	**138.88**	**140.41**	**140.97**
Inflation (note 1)			
Staffing	0.97	0.98	0.98
Placements note (2)	1.56	1.55	1.55
Other	0.78	0.74	0.73
Total Inflation	**3.31**	**3.27**	**3.26**
Additional Invoiced Income (note 3)	1.20	0	0
Total Funding	**143.40**	**143.68**	**144.23**
Less Savings/Transformation			
Staffing	0.33	0.66	0.66
Placements	2.45	1.25	2.00
Transport review	0.11	0.10	0.10
Legal Services	0.10	0.10	0.10
Contract savings	0.00	0.40	0.35

Asset Review	0.00	0.20	0.20
Total Savings/Transformation	**2.99**	**2.71**	**3.41**
Total Service Delivery Contract	**140.41**	**140.97**	**140.82**
Less Directly invoiced Income	2.96	3.02	3.09
Net Contract Sum	**137.45**	**137.95**	**137.73**

Note 1: Individual inflation factors are detailed in the medium term financial strategy. These will be subject to review and tracked against RPI, CPI and pay announcements.

Note 2: Agreement that the financial payment mechanism in the contract will be amended such that if actual demand exceeds the forecast then this will be dealt with via a contract variation agreed via the Operational Commissioning Group.

Note 3: The additional income reflects the current agreements for Joint Funding packages between Social care, Education and Health. Recharged are on an individual case basis and recharged accordingly.

12.5 The delivery of savings will require reinvestment back into NCT infrastructure, this will be required to ensure there is enough capacity to deliver against business development plans.

12.6 The management of need for social care services and the management of unit costs in these areas. This will be undertaken through the monitoring of thresholds to access services, continued investment in early intervention and the further development of the local placement market and placement commissioning function.

12.7 Management of increasing staff costs, particularly in social care due to regional shortages of suitably qualified staff. The workforce strategy will look to reduce reliance on expensive agency workers through targeted recruitment campaigns, improved agency arrangements and a review of the incentives package for staff groups where recruitment and retention is challenging. NCT will also be increasing the number of trainee social workers that are supported to assist with this pressure in the medium term.

12.8 The project management approach will keep the leadership team focused on the achievement of these programmes and associated savings. There will be early conversations where the achievement of savings is not possible to reach a mutual agreement with the relevant council about associated actions.

13.0 INVEST TO SAVE

13.1 The table below sets out the invest to save proposals to deliver the aspirations in the social care Improvement Plan, the challenges in the MTFS and the services pressures relating to COVID. The invest to save bids are a combination of both capital and revenue expenditure. This funding has not been included within the initial MTFS as it is in addition to the contract sum and of a time limited nature.

Investment to Save proposals	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
Revenue			
Additional social work capacity	0.70		
Early Help – Address complexity and increase statutory social work step down	0.40	0.40	
Improve Independent Fostering Agency (IFA)	0.25	0.25	
Capital			
IT Infrastructure	1.50		
IFA Child recording system	0.30		
Total Invest to save	**3.15**	**0.65**	**0.00**

13.2 Additional Social Work capacity (£0.70m)

Continuation of Funding for the additional capacity for 15 social workers within Duty and assessment and Safeguarding. In addition to existing increase in complexity. There are a number of families and children who have been managing just below the threshold for social care involvement however the lockdown, reduction in support network, and services available would have increased the pressure on these families and as such they are likely to experience greater levels of need and require a level of statutory intervention. In addition to that, additional levels of needs as a direct result of COVID-19, such as poverty, anxiety, non- school attendance, poor child and adult mental health, loss and bereavement would increase in the number of families requiring support due to complexity of needs.

13.3 Early Help – response to COVID (£0.8m)

COVID has increased complexity of issues in families and oversight of Early help needs tightening to reduce children in care. A greater oversight of Early Help Assessments (EHAs) in required to drive partnership ownership and delivery of the actions agreed in EHAs which will ensure better early support for families. Investment in 5 x Supporting Families EHA Professionals for an initial period of 2 years. A strong practical lead on higher risk EHAs will secure effective step down from statutory social work services reducing repeat Child Protection Plans. In turn this will reduce demand for children in care and drive efficiency in the placements budget.

13.4 Improve IFA and increase Foster Carer Recruitment – response to COVID (£0.5m)

COVID has led to an increased need for Foster Carer placements. This is an investment in developing the NCT to operate as an IFA which was not considered in the initial contract sum. This approach will improve practice and increase the number of in house Foster Carers therefore reduce placement costs. An investment of £0.5m over two years will enable the embedding of the systems required through a complete review and redesign of system as well as work on the IFA identity and better co-ordination of support for Foster Carers. This will be effective alongside the capital investment for a new IFA recording system.

13.5 IFA Recording system (£0.3m)

An IFA requires a discrete recording system which holds all records for the IFA and is not linked to the wider Children's Social Care recording system. The funds recommended will purchase the system and fund the implementation.

NOTE: Investment into the new Children's Social Care recording system is supported by a corporate funding stream. The system may also be used for the VAA (Voluntary Adoption Agency) which is also subject to a regulatory inspection.

13.6 Investment in mobile working technology – response to COVID (£1.5m)

COVID has given a glimpse of what is possible in mobile working, this proposal builds on the current working approach due to COVID. Enable a streamlining of processes alongside the new case management system. By implementing mobile working technology staff will be able to input onto case files directly rather than coming back to the office to update on the case management system. This will drive out efficiencies in controllable costs such as payroll (building on the DfE investment of £200k for the 2020/21 financial year which funded the Contact booking system, MOMO and FOCUS apps).

Note: Support Service KPIs are still to be agreed under the support services agreement, ICT KPIs will be critical to success of this proposal. Streamlining of processes will create efficiencies in controllable cost such as staffing.

14.0 TRANSFORMATION AND SAVINGS PROGRAMME 2022-2025

14.1 Incorporated into the MTFS plan includes a number a savings for delivery over the medium term. The savings programme has been developed in the context of the challenging financial environment around the delivery of children's social care. Current budget forecasts and the risks are outlined in this report.

14.2 The table below outlines the savings programme, these savings have been incorporated into the MTFS. The projected savings are configured against transformation stream heading and have been removed from the respective expenditure lines in the MTFS.

Savings Programmes	2022/23 £m	2023/24 £m	2024/25 £m	Total
Staffing	0.33	0.66	0.66	**1.65**
Placements	2.45	1.25	2.00	**5.70**
Transport	0.11	0.10	0.10	**0.31**
Legal	0.10	0.10	0.10	**0.30**
Commissioning	0.00	0.40	0.35	**0.75**
Asset Management	0.00	0.20	0.20	**0.40**
Total Savings	**2.99**	**2.71**	**3.41**	**9.11**

1) **Staffing (£1.65m)** - A full service review is underway around the support functions within the Trust in order to streamline operations within the Trust. Support services are disaggregated across the trust leading to duplication and inefficiency. There are a number of legacy systems and processes, which are being reviewed to ensure a safe transition to the implementation of the new ways of working. The delivery of savings is dependent upon the investment in IT infrastructure, including the implementation of a new social care case management system to maximise resources and deliver efficiencies.

2) **Placements (£4.5m)** – The development of the placement sufficiency strategy and the development of the in house fostering capacity.

2a) **Placements (£1.2m**) – Review of Joint Funding arrangements as part of the multi- agency resource panel process

3) **Transport Review (£0.310m)** - This is a continuation of savings programme around the development of an efficient service, robust placement and threshold management and annual review. The processes are now in place and work will continue to deliver further efficiencies in this area.

4) **Legal Services Review (£0.3m) –** Undertake a review of the use of Legal services and a gateway approval process.

5) **Commissioning (£0.75m)** – The Trust has launched a Commissioning Strategy and Framework 2021-25 setting out our overall vision and plan to use commissioning to contribute to the delivery of our Business Plan, and to improve outcomes for children, young people and families and to support our staff to do their work effectively and efficiently. The Commissioning Strategy and Framework is also intended to inform our Board, stakeholders, partners and our staff of the purpose of our commissioning; our expectations of commissioned services; how they align with and support our service delivery function; our approach to commissioning; what good commissioning looks like; what we intend to commission over the next four years and how we will know

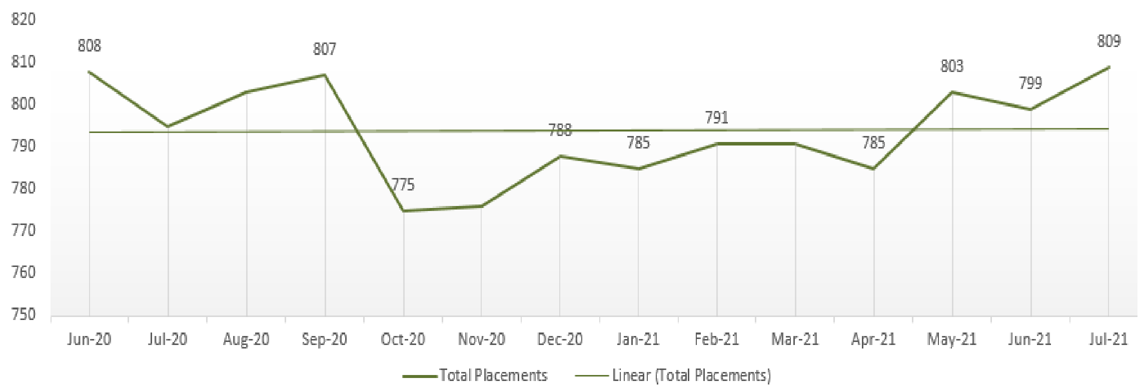
what difference we have made for children, young people and families in Northamptonshire as a result ensuring value for money in the use of resources.

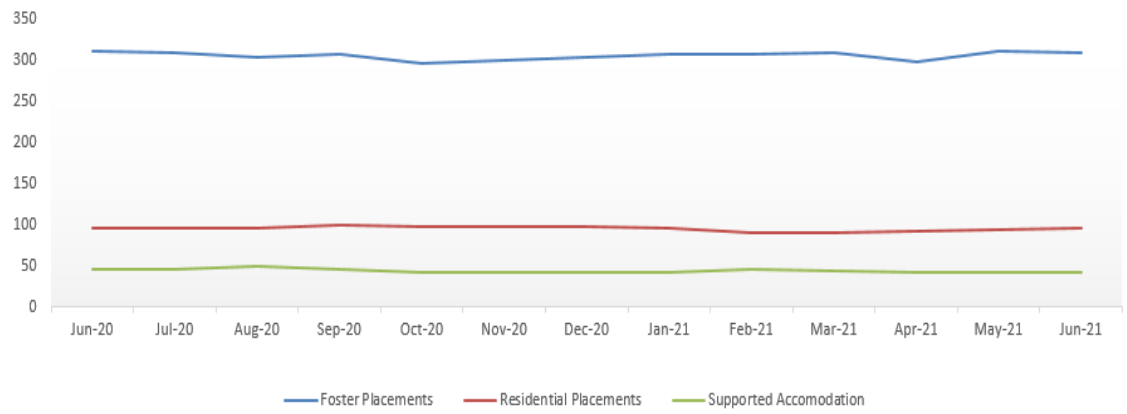
6) **Asset Management (£0.40m)** – Continuing to work in partnership with both councils in the development of their respective asset strategies. We are currently reviewing our accommodation needs as we imbed new ways of working in the post COVID environment. This will be supplemented by the request for investment of the IT infrastructure and the move to more mobile working.

15.0 PLACEMENT SUFFICENCY STRATEGY

15.1 The Placement Sufficiency Strategy will help ensure adolescents who are not placed in residential home settings due to lack of in house fostering capacity, skill and abilities through the development of an in house specialist fostering service. Positive impact on children placed in a family setting, and savings will be delivered through reduced reliance on residential placements. Additionally, ensuring that only children and young people who need to be in public care are placed, as a result of improved 'edge of care' support and intervention with families. Working towards minimising the amount of time a child is in care before they are united with their parents. Historically, spend on residential care placements is high and is evidenced by the benchmarking data in this report. This is key priority of the placement sufficiency strategy and linked to the medium term financial strategy savings. We have improved our financial and commissioning processes around placements and are currently absorbing the additional demand pressures within the current budget. We will continue to work with partners around joint funding placements. However, there remains significant risk around the delivery of savings within the placements budget, with demand starting to increase post COVID and increasing above inflation increases in residential fees.

15.2 Whilst placements remain stable, this area remains volatile, the Trust has embedded pupil based placements modelling and the development of the placement sufficiency strategy. There remain significant pressures/risks including Impact of post-COVID on placement stability, National context Independent sector above inflation cost increases and increasing UASC costs.





15.3 The contract sum proposals identify the delivery of savings in this area, however given the volatility and pressures a significant degree of risk remains in their delivery. The Service Delivery Contract financial mechanism allows for a request for In-Year funding (Financial Mechanism: Schedule 5, 6.0).

15.4 The new budget monitoring and forecasting model now implemented within the Trust, will enable real time monitoring and should demand increase an evidenced based proposal for additional funding would be submitted.

15.5 The initial contract sum submission proposes the creation of placement provision. The savings identified in the submission would be placed in a reserve. The purpose of the reserve is to provide a contingency for an evidenced increase in placement demand. This would be reviewed as part of the Annual Contract process.

15.6 This table reflects the number of Children in Care (CiC & UASC) as reported by BIPI, Placement Management Commissioning Service (external placements) and Residential In-house Provision; reflects active placements only.

Placements with External Providers					
Assessment	7	7		0.6%	Percentage of CiC under 18 with external Providers
Fostering	328	326	2	27.7%	
Residential	104	103	1	8.8%	
Secure Remand	4	4		0.3%	
Shared Lives	8		8	0.0%	
Staying Put/Close	42		42	0.0%	
Supported Accommodation	127	44	83	3.7%	
Total for CiC Group	**620**	**484**	**136**	41.2%	Percentage of CiC under 18 with external Providers

UASC with External Providers					
Fostering	14	14		1.2%	Percentage of UASC under 18 with external Providers
Staying Put/Close	11		11	0.0%	
Supported Accommodation	164	42	122	3.6%	

	189	**56**	**133**	4.8%	Percentage of CiC under 18 with external Providers
Total Placements	**809**	**540**	**269**	**45.9%**	**Percentage of under 18's with external providers**

15.7 Placement Models

15.7.1 The Trust has implemented a placement tracking model, to monitor individual placement by type, cost and duration. The model is providing high quality information to develop the placement sufficiency strategy and financial monitoring information to provide predictive financial modelling and early warning on demand increases.

15.7.2 Forecasting future placement demand is challenging, but the three models below outline to the impact of growth, reduction and placement mix changes

15.7.3 The models are based on the average cost of a placement by type and are shown as gross cost (excluding joint funding, specific government funding etc.) and assumes full occupancy based on 52 weeks.

Model 1 – Growth (3%, 5% and 10%) based on current placement type

	3%		**5%**		**10%**	
Placement Type	**2021/22**	**2024/25**	**2021/22**	**2024/25**	**2021/22**	**2024/25**
Assessment	7	7	7	7	7	8
Fostering	328	338	328	344	328	361
Residential	104	107	104	109	104	114
Secured Demand	4	4	4	4	4	4
Shared lives	8	8	8	8	8	9
Staying put	42	43	42	44	42	46
Supporting Accommodation	127	131	127	133	127	140
UASC	189	195	189	199	189	208
Total Placements	**809**	**833**	**809**	**848**	**809**	**890**
Gross Total Placement Costs (average Cost per place)	**67.6m**	**69.9m**	**67.6m**	**70.8m**	**67.6m**	**74.2m**

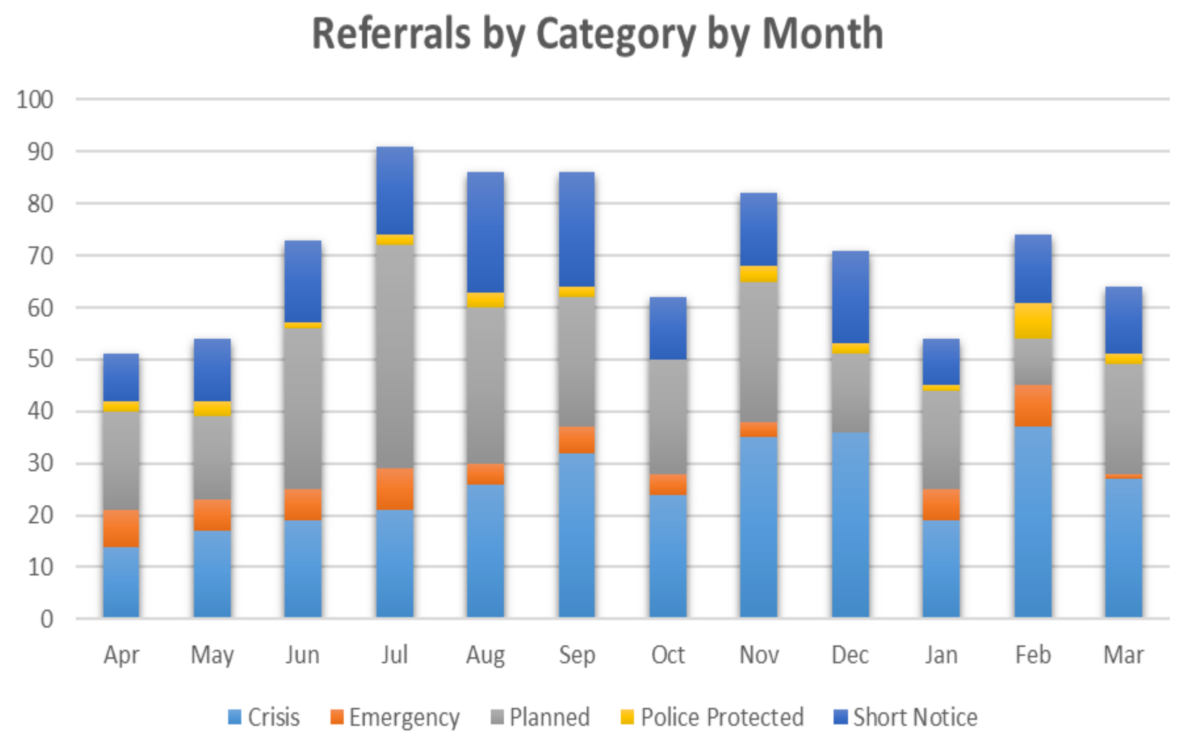
Model 2 – Placement Reduction (3%, 5% and 10%) based on current placement type

	3%		**5%**		**10%**	
Placement Type	**2021/22**	**2024/25**	**2021/22**	**2024/25**	**2021/22**	**2024/25**
Assessment	7	7	7	7	7	6

Fostering	328	318	328	312	328	295
Residential	104	101	104	99	104	94
Secured Demand	4	4	4	4	4	4
Shared lives	8	8	8	8	8	7
Staying put	42	41	42	40	42	38
Supporting Accommodation	127	123	127	121	127	114
UASC	189	183	189	180	189	170
Total Placements	**809**	**785**	**809**	**771**	**809**	**728**
Gross Total Placement Costs	**67.6m**	**65.7m**	**67.6m**	**64.6m**	**67.6m**	**61.1m**

Model 3 - Placement Mix Model (3%, 5% and 10%) based on the current number of placements but a change from residential to fostering

	3%		**5%**		**10%**	
Placement Type	**2021/22**	**2024/25**	**2021/22**	**2024/25**	**2021/22**	**2024/25**
Assessment	7	7	7	7	7	7
Fostering	328	333	328	336	328	342
Residential	104	101	104	99	104	94
Secured Demand	4	4	4	4	4	4
Shared lives	8	8	8	8	8	8
Staying put	42	42	42	42	42	42
Supporting Accommodation	127	125	127	124	127	123
UASC	189	189	189	189	189	189
Total Placements	809	809	809	809	809	809
Gross Total Placement Costs	**67.6m**	**67m**	**67.6m**	**66.9m**	**67.6m**	**65.6m**



16.0 INFLATION PROVISION

16.1 The trust has reviewed the inflation provision within the contract, modelling against the latest Consumer price index (CPI), Retail Price Index (RPI) and pay inflation (including NI contributions) in line with the councils MTFS inflation provisions. For non-generic inflation, which is primarily the placement calculation we have calculated against each individual placement type and agreed contractual agreements.

16.2 Pay Inflation is estimated at 2% (The provision includes pay award of 1.5%, National living wage, Increased National Insurance contributions and pension provision). This will be subject to the final contract sum and allowed provisions (Schedule 5: Financial mechanism 7.2.12).

16.3 The following section provides an overview in relation to Provider Fee Uplifts for 2022/23 in relation to the following Frameworks and related Off Framework/Spot Purchase arrangements;

- All 3 Frameworks have the following statement in relation to Price Reviews;
  "Weekly Prices will increase annually, at the discretion of the Authority by 2% or CPI as reported by the Office for National Statistics (ONS) at the start of February each year, whichever is the lower.*

  In addition to the annual price increase all Providers will be required to deliver a 1% annual efficiency saving. The price including this 1% reduction will be the price to which the annual increase is applied.
  Should CPI fall below 1.5% the increase will remain at 1.5% with the net effect of a 1% efficiency meaning that Provider prices will always increase at a minimum of 0.5%.

Should CPI rise above 3% the annual increase will be reviewed by the Authority. Any such variations to the annual increase for the forthcoming financial year will be communicated to Providers by the end of February in the current financial year. The Authority will also review any relevant changes to legislation that have significant impact on costs and consider the requirement to vary the annual increase percentage.

- Consumer Price Index has been published in August 2022 at 0.7%. In line with the above statement.

- A regional approach has been taken by Local Authorities in the East Midlands Region (including NCT), in respect of legacy EMRCF placements and associated Off Framework/spot purchase arrangements. These were reviewed on a case by case basis where providers have submitted a fee uplift with justification for this.

- Children's Homes Block Contract with Homes 2 Inspire Ltd. This contract commenced in 2019 and has not had any uplifts to date. The provider, Homes 2 Inspire (H2I) have submitted a request for a 2% uplift with a detailed explanation. Their current charges are below the average cost for similar provision – **2% Uplift** (the Contract allows for H2I to request an annual fee uplift). However, this has been challenged and we are now recommending that the uplift is **0.7%** which is in line with the East Midlands Framework approach, which the block contract was a mini tender from.

- Regional Provision – we have a number of arrangements that continue through the East Midlands Framework. There is an agreed regional process to review any requests, this is then approved by the regional DCS group. The majority of uplift requests were declined, for both EMRCF Framework and Off Framework/spot purchase provision. Where they were agreed, this has been set at CPI of **0.7%.** 0.7% was agreed as some LAs in the region use this for their local provision and do not have the 1% efficiency element. As shown in the Financial Implications below, NCT have a small number of placements on the Framework, with no Off Framework placements for those providers who had submitted a regional fee uplift request.

16.4 The table below sets out the Inflation provision applied against the expenditure categories. A detailed analysis has been undertaken across all placement provision to provide to provide an individual placement type inflation factor.

Category	**2022/23 %**	**2023/24 %**	**2024/25 %**	**Narrative**
Staffing	2	2	2	Awaiting confirmation from council
Placements	2.6	2.6	2	Individual average calculation based on contracts provision, independent sector and pay inflation for foster care
Adoption	2.4	2.4	2	Based on pay inflation

				and allowance uplift
Other care costs	2.4	2.4	2	Awaiting confirmation from council
Contracts	2	2	2	Council provision in MTFS. Awaiting confirmation from the council.
Legal	2.4	2	2	Current CPI moving back to Government target. Awaiting confirmation from the council
Transport	3.2	2	2	Current RPI moving back to Government target. Awaiting confirmation from the council
Other non-staff costs	2.4	2	2	Awaiting confirmation from council
Support services	2	2	2	Awaiting confirmation from council

17.0 BENCHMARKING AND VALUE FOR MONEY

17.1 The DfE have developed a Local Authority Interactive Tool (LAIT), which provides the opportunity for Councils to compare data for Children's Services. The LAIT was reviewed to identify whether trends on placements could be identified for NCT, with a focus on the statistical neighbour Councils which both the North and West Northamptonshire Councils have in common, since individually they are allocated into different statistical neighbour groups. The following statistical neighbours are shared between both Councils:

- Kent
- Warwickshire
- Staffordshire
- Nottinghamshire
- Worcestershire

The LAIT can be found at https://www.gov.uk/government/publications/local-authority-interactive-tool-lait

17.2 At the introduction to the tool there is a note that the two new Northamptonshire Councils came into being on 1 April 2021, and that data for these Councils will be added to this tool when available, although currently it is limited to pre Local Government Reorganisation data. As such, the potential value to NCT may be limited at this time.

17.3 In order to get benchmarking information we are using existing Northamptonshire County Council data. The two charts below focus on both our common statistical neighbours per the LAIT tool and shire authorities.

17.4 The benchmarking highlights the high level of spend for Looked After Children as the key driver for our spend profile, which is ultimately the key factor in the spend per head. A clear priority is to develop our placement sufficiency model and the reduction in residential provision.

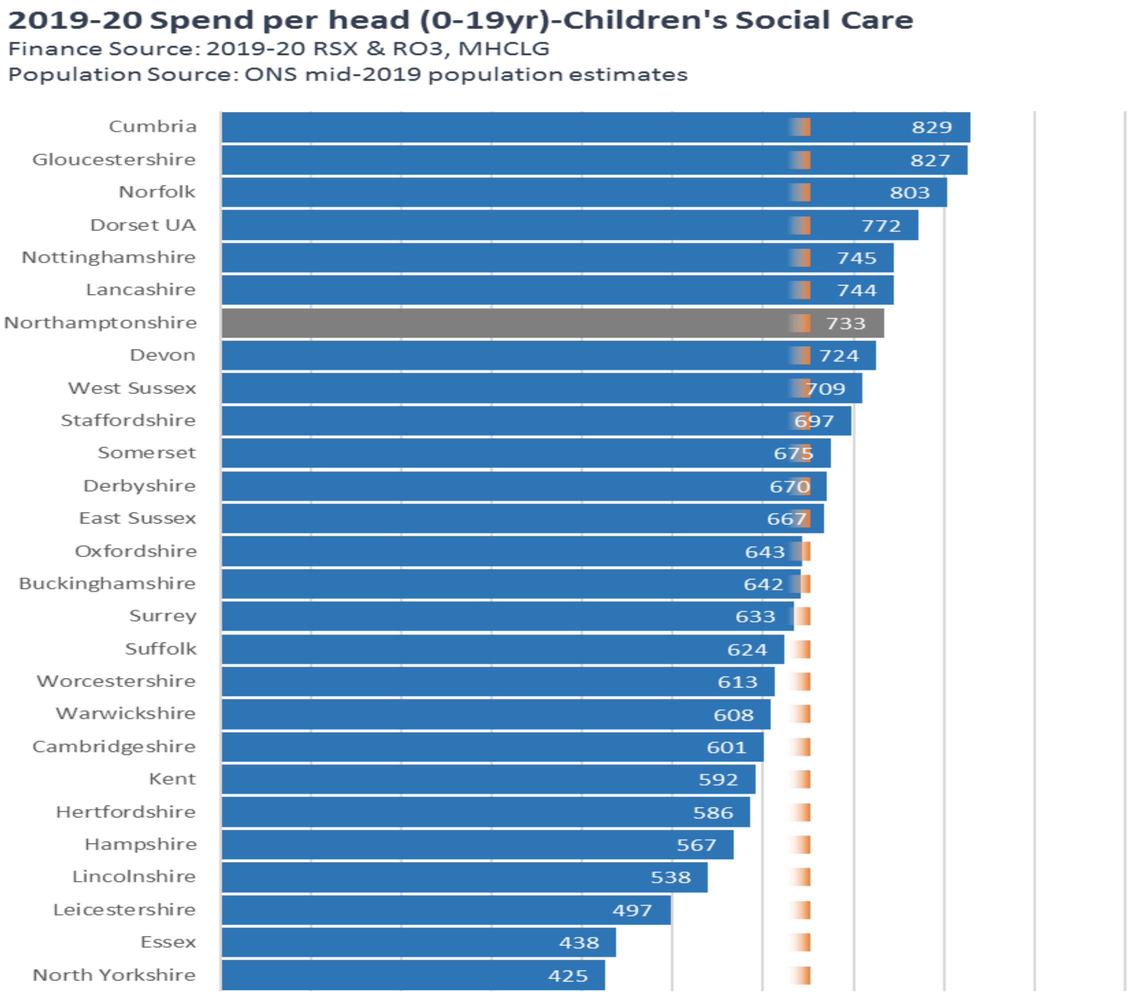
17.5 Since April 2020, savings of £4.78m have been taken from the placements budget (£2.22m in 2020/21 and £2.56m in 2021/2022) and over the medium term we are looking to deliver additional savings of £4.5m.

17.6 Continued investment in the development of Early Help services to reduce the expenditure in Children Looked After. The table below shows that Northamptonshire had the second highest spend of the 27 local authorities. However, there was significant underinvestment in Children's Centres (23rd out of 27) and Family Support Services 24th out of the 27).

17.7 The Invest to Save proposal detailed at 12.3, sets out the additional investment in early help services. This investment is supplemented by the continued delivery of the Supporting Families programme.

Northamptonshire County Council - Spend per head summary rankings by RO service line

Finance Source: 2019-20 RSX & RO3, MHCLG Population Source: ONS mid-2019 population estimates	Total Spend £000	Spend per head £	Spend per head Rank
Sure start children's centres and early years	671	3.6	23
Children Looked After	93,435	498.9	2
Other children's and families services	889	4.7	12
Family Support Services	9,352	49.9	24
Youth Justice	2,200	11.7	9
Safeguarding children and young people's services	25,558	136.5	18
Asylum Seekers	2,151	11.5	11
Services for young people	3,051	16.3	16
Children Social Care (Total)	**137,306**	**733.2**	**7**



2019-20 Spend per head (0-19yr)-Children's Social Care
Finance Source: 2019-20 RSX & RO3, MHCLG
Population Source: ONS mid-2019 population estimates
Cumbria 829
Gloucestershire 827
Norfolk 803
Dorset UA 772
Nottinghamshire 745
Lancashire 744
Northamptonshire 733
Devon 724
West Sussex 709
Staffordshire 697
Somerset 675
Derbyshire 670
East Sussex 667
Oxfordshire 643
Buckinghamshire 642
Surrey 633
Suffolk 624
Worcestershire 613
Warwickshire 608
Cambridgeshire 601
Kent 592
Hertfordshire 586
Hampshire 567
Lincolnshire 538
Leicestershire 497
Essex 438
North Yorkshire 425

18.0 CONCLUSIONS AND NEXT STEPS

18.1 It is clear that the coming years will be financially challenging for both NNC and WNC as well as NCT. It is of paramount importance that NCT continues to work with commissioning partners to ensure a mutual understanding of existing and emerging pressures and reaches agreement on the level of funding available and how that funding should be prioritised in line with both organisation and council objectives. The following activity will be prioritised over the coming months to move this plan forward:

- Progression of the Placement Sufficiency Strategy and associated recommendations through council approval processes
- Development of business cases at pace for those business development opportunities that could have the most scope for cost avoidance / savings
- Effective monitoring of detailed budgets and associated savings plans
- Continued demand management through early intervention work and threshold management
- Continued focus on developing and delivery of placement commissioning activity
- Continued detailed monitoring and reporting to NCT leadership teams, NCT Board and the two councils
- Progression of this strategy alongside the NCT Business Plan and 2022/23 budget through council decision making processes

18.2 Agreement of the provisional contract sum subject to changes in inflation, pay awards and legislative changes.

18.3 The application of the Change Control Procedure and other mechanisms in the Agreement requiring payments to be made to the Trust by the Council, the Trust shall be entitled to submit the following two types of In-Year Change to the Initial Contract Sum and/or Contract Sum (as applicable) pursuant to this Schedule 5 (*Financial Mechanism*):

(a) where there has been an increase in the demand for the Services and/or an additional cost to the Trust that could not reasonably have been anticipated when the overall budget for the relevant Contract Year was agreed by the Parties ("**Type One In-Year Change Request**"); and/or

(b) where: (i) the Trust has a business case proposal which would require an increase to the Contract Sum but would deliver an improvement in the Services; or (ii) the Trust wishes to make an "invest to save" proposal which would require an increase to the Contract Sum in the short term but which would pay back to the Council in terms of a future reduction in the Contract Sum ("**Type Two In-Year Change Request**").