

Birmingham City Council

Report to Cabinet

26 May 2020



Subject: BIRMINGHAM CHILDREN'S TRUST OUTTURN 2019/20
AND BUDGET 2020/21

Report of: Dr Tim O'Neill
Director for Education and Skills

Relevant Cabinet Member: Cllr Kate Booth - Children's Wellbeing
Cllr Tristan Chatfield - Finance and Resources

Relevant O & S Chair(s): Cllr Kath Scott - Education and Children's Social Care
Cllr Sir Albert Bore - Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007685/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The Birmingham Children's Trust (BCT) financial outturn for 2019/20 is a £7.0m overspend. BCT has provided a detailed explanation of why this has occurred (**Appendix A** to this report)
- 1.2 This report requests that Cabinet approves a contract variation of £7.0m for BCT for the financial year 2019/20.

- 1.3 As this contract variation was not included in the budget, this will have an adverse effect on the Council's overall financial position for 2019/20. The costs will be factored into the 2019/20 overall outturn position and from any 2019/20 carry forward requests. The approved budget for the Education and Skills Directorate for 2019/20 will be increased by £7.0m in recognition of the BCT contract variation.
- 1.4 Cabinet is therefore asked to approve that the £7.0m contract variation is factored into the 2019/20 net outturn position and any 2019/20 carry forward requests.
- 1.5 The 2019/20 outturn position will be reported at the June Cabinet meeting.

2 Recommendations

- 2.1 Cabinet is recommended to; -
 - 2.1.1 Approve a contract variation of £7.0m in respect of additional contractual expenditure necessarily incurred and identified in BCT's financial outturn position for 2019/20.
 - 2.1.2 Authorise the City Solicitor to complete the necessary legal agreements to give effect to the above decision.
 - 2.1.3 Approve that the £7.0m contract variation amount is factored into the 2019/20 net outturn position and any 2019/20 carry forward requests.
 - 2.1.4 Approve the related £7.0m increase in the approved 2019/20 budget for the Education and Skills Directorate to reflect the proposed contract variation.

3 Background

- 3.1 Birmingham City Council entered into a service delivery contract for the provision and operation of children's social care services in the city of Birmingham with BCT on 29 March 2018. The contract commenced on 1 April 2018 and is for an initial period of five years plus a further five years based upon performance.
- 3.2 The BCT annual contract value is agreed annually in advance for each financial year based on a process set out in the contract. This process uses the previous year's contract value plus adjustments for known changes in circumstances and inflation to calculate the contract value for the next year.
- 3.3 For 2019/20 the contract sum was agreed at £193.2m – see **Appendix A**.
- 3.4 For 2019/20, the average number of children in care has been 1,955 which is significantly more than envisaged at the time the contract was initiated. **Appendix A** contains the background to the contract value calculations for this period.

- 3.5 As a result, BCT has overspent by £13.2m in children's placements and also a small overspend of £0.6m on staff costs due to the need to maintain reasonable caseloads for social workers (key focus of Ofsted in their inspection). These overspends have been offset by mitigating actions undertaken by BCT during the year which saved £6.2m (see **Appendix A**)
- 3.6 This has left a net overspent position of £7.0m for 2019/20 based on the original agreed contract value representing approximately 3.5% of BCT's normal expenditure.
- 3.7 BCT has requested that the 2019/20 agreed contract sum be increased by £7.0m to recognise this overspend.
- 3.8 The contract variation of £7.0m is not included in the Council budget for 2019/20 and the costs will be factored into the overall 2019/20 outturn position and the consideration of any 2019/20 carry forward requests. The approved budget for 2019/20 for the Education and Skills directorate will increase by £7.0m to reflect this change.
- 3.9 The 2019/20 outturn position will be reported at the June Cabinet meeting.

4 Options considered and Recommended Proposal

- 4.1 The options that have been considered are:
- 4.1.1 Do nothing: This option would leave BCT with the in year overspend of £7.0m which could potentially cause BCT to no longer be a going concern. This option is not recommended.
- 4.1.2 Increase the contract value by £7.0m: This option recognises the increased number of children in care above the original forecast and the resultant overspend. This option is recommended.

5 Consultation

- 5.1 The forecast overspend was first reported to the Council in BCT's June 2019 monitoring report. BCT has consistently reported an overall overspent position during the rest of the financial year.
- 5.2 The BCT overspend was considered by the Operational Commissioning Group (OCG) on 29 April 2020.
- 5.3 The members of the OCG are:
- Andy Couldrick (BCT Chief Executive)
 - Lee Yale-Helms (BCT Director of Finance & Resources)
 - David Stringfellow (BCT Director of Commissioning & Corporate Parenting)
 - Jenny Turnross (BCT Director of Practice)
 - Seamus Gaynor (BCT Head of Executive)

- David Shreeves (Department for Education)
- Dr Tim O'Neill (BCC Director for Education and Skills)
- Nigel Harvey-Whitten (BCC Assistant Director Children's Services Commissioning)
- Paul Stevenson (BCC Finance Business Partner)

5.4 At the meeting on 29 April 2020, the OCG agreed to request a contract variation from Birmingham City Council for £7.0m, being the amount of the 2019/20 overspend.

6 Risk Management

6.1 The Council is working much more closely with BCT to improve understanding of the financial position moving forwards into 2020/21. As a result, the level of Council oversight of BCT's finances has been significantly enhanced.

6.2 Further work is underway to reset BCT's Medium Term Financial Plan to ensure it has a robust and sustainable budget underpinned by a set of solid assumptions. This revised plan will be reflected in the Council's financial planning during 2020/21.

6.3 As a result of the enhanced oversight and the reset of BCT's budget, contract variations of this nature are not expected to recur in future years.

6.4 In addition, BCT has commissioned CIPFA to undertake a review of their financial management, which will provide assurance on the quality of financial reporting and forecasting. In conjunction with close monitoring of the situation, the review will help to ensure that any potential overspend are identified early and mitigations developed to minimise their impact.

6.5 These mitigations will include the Council's approved initial £4.2m investment in a new, comprehensive Early Help service. This work is being led by Birmingham Children's Partnership and is expected to reduce the growth in demand for placements for children in care in the medium term.

7 Compliance Issues:

7.1 The activity for which this refers is statutory provision for the Council which is delegated to the Birmingham Children's Trust

7.2 Legal Implications

7.2.1 The Children Act 1989 together with associated regulations and guidance provides various powers and statutory duties in relation to the provision of services by a local authority for children in need and others.

7.2.2 S.111 Local Government Act 1972 confers power on the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

7.3 Financial Implications

- 7.3.1 The overspend of £7.0m is above previous forecasts and as such negatively effects the Council previously forecast financial position.
- 7.3.2 The contract variation of £7.0m is not included in the Council budget for 2019/20 and this cost will be factored into the overall 2019/20 outturn position and the consideration of any 2019/20 carry forward requests.
- 7.3.3 As a result of the proposed contract variation the approved budget for 2019/20 for the Education and Skills Directorate will increase by £7.0m.

7.4 Procurement Implications

- 7.4.1 None

7.5 Human Resources Implications

- 7.5.1 Not applicable

7.6 Public Sector Equality Duty

- 7.6.1 Not applicable

8 Appendices

- 8.1 Appendix A – Report of the Director of Finance & Resources for Birmingham Children's Trust