



**COUNCIL CABINET**  
**12 June 2019**

**ITEM 12**

Report sponsor: Andy Smith, Strategic Director,  
People Services  
Report author: Lisa Melrose, Head of  
Commissioning, Children and Young People

**Contracting arrangements for Residential and Foster placements for Children in Care**

**Purpose**

- 1.1 This report gives an update on the Council's commissioning and procurement approach for sourcing external fostering and residential home placements for children and young people.
- 1.2 External placements are currently sourced through the East Midlands Regional Children's Framework (EMRCF), which has been in place in its current format since 1 February 2016 and expires on 31 January 2020.
- 1.3 A review found that due to rise in demand for external placements both locally and regionally, the current arrangements are not best placed to enable the Council to meet the increasing challenges of securing sufficient local placements to meet the needs of our children and young people, and more local, collaborative arrangements would be more effective.
- 1.4 Derby City Council, Derbyshire County Council, Nottingham City Council and Nottinghamshire County Council (D2N2) agreed to work collaboratively to commission a new suite of contracts to meet the requirements for local placements for our Children in Care, led by Nottinghamshire County Council. This report requests approval to proceed with a procurement process to establish a new collaborative arrangement with neighbouring Local Authorities for Children in Care placements.

**Recommendations**

- 2.1 To approve Derby City Council entering into a collaborative arrangement with Derbyshire County Council, Nottingham City Council and Nottinghamshire County Council's, forming a 'D2N2 sub-regional' contracting arrangement for sourcing placements for children and young people, including the establishment of any Inter-Authority agreement as required.
- 2.2 To approve Derby City Council jointly procuring a suite of frameworks or other appropriate contracting routes for external placements, including for Fostering placements and Residential Homes, with Derbyshire County Council, Nottingham City Council and Nottinghamshire County Council.

- 2.3 To delegate authority to the Strategic Director for People Service, following consultation with the Strategic Director of Resources and Cabinet Member for Children and Young People, to approve the Council entering into such contractual arrangements as are necessary to give effect to the award as stated above in 2.1 and 2.2

## **Reasons**

- 3.1 A smaller, collaborative arrangement would support the ability of Derby City Council to develop services that are more local, which is a key factor in ensuring best value for money and sufficiency of local placements.
- 3.2 The joint procurement will allow access to the wider market, learning and best practise, sharing of resource and enable undertaking of larger procurements required to meet the needs of our Children in Care.

## **Supporting information**

- 4.1 Derby City Council as a Corporate Parent has a duty to provide safe, secure and sustainable placements for children and young people. As part of this duty, there is a requirement for sufficient accommodation within the local authority's area that meets the range of needs of our children and young people.<sup>1</sup>
- 4.2 Whilst a key priority for the Council is to increase the number of internal foster carers (which would result in a reduction in the number of external placements required), it is also recognised that the demand for external placements continues to rise to meet social care demands.
- 4.3 Since 2016, Residential Home and Foster placements with external providers have been sourced via the East Midlands Regional Children Framework (EMRCF), hosted by Northamptonshire County Council. This arrangement expires on 31 January 2020.

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<sup>1</sup> Sufficiency duty within the Children's Act 2004 s22G 'General duty of local authority to secure sufficient accommodation for looked after children'

- 4.4 A review of this framework arrangement identified a number of issues (both local and national) which has impacted its effectiveness in sourcing local provision, including:
- Competition with other Local Authorities (outside of D2N2) for securing placements in (and within 20 miles of) Derby City using the same framework,
  - Saturation of foster carers in the wider market,
  - Increasing and changing needs of children and young people,
  - Increasing numbers of Children in care, placing demand pressure on external and internal providers,
  - Increasing number of providers on the existing framework, diluting the ability to build effective local relationships, and
  - Financial framework of the existing arrangements not being sufficiently flexible to allow negotiations of complex individual packages, particularly for high cost residential placements.
- 4.5 Moving to smaller, collaborative commissioning arrangements with D2N2 partners will support the aim of building local provider relationships, a key requirement to strengthening placement offers and increasing local sufficiency.
- 4.6 Providers have cited engagement and collaboration as key factors in determining their decision making, within an increasingly pressured and fast paced environment.
- 4.7 Changes to the specifications and financial parameters will allow proactive negotiation of placement fees, with a core placement cost plus a menu of optional additionalities. This will enable reviews to more effectively reflect changes to individual packages, in terms of provision and costs, which will work better for providers, carers and Local Authorities. A similar model has been used in the West Midlands and has proved to be effective.
- 4.8 The proposed procurement timetable is phased; Phase 1 will include the procurement of fostering and residential placements, led by Nottinghamshire County Council and is due to be completed in February 2020. The emphasis in this phase will be on the purchase of individual packages, which improves the ability to match young people, as packages would be individualised.
- 4.9 Phase 2 will include procurement via block contracts which may offer better value for money for other services/placement types, for example, Emergency provisions, which are often the more costly packages.

### **Public/stakeholder engagement**

- 5.1 A scoping exercise undertaken by D2N2 commissioners included a market engagement event with providers in February 2019. Feedback gathered has informed the contractual arrangements to be established for the commissioning of placements.
- 5.2 The Voice of the Child will be incorporated through the procurement process and embedded in tendering and evaluations.

### **Other options**

- 6.1 Following the expiry of the existing EMRCF, to re-establish a regional procurement model. This is not possible as the current regional procurement arrangements are being disbanded in favour of local arrangements. Re-establishment would require the agreement of all parties and would not provide the most benefits for Derby.
- 6.2 Derby to commission the services solely based on its own requirements. This would require significant investment in commissioning resource with less influence and without the benefits of economies of scale and best practise that arise from collaborative arrangements.

### Financial and value for money issues

- 7.1 The increase in the number of external placements together with an increase in numbers of children in care has had a significant impact on the cost of external placements.
- 7.2 The table below shows a summary of spend over the last four financial years on different types of external placement services which were purchased through existing frameworks:

Financial Year (as at 31 <sup>st</sup> March)	External children's Homes	Ext. Foster Care	Disabled Childrens Homes	Secure/ Remand	Total external	CiC populati on	Costs of placement on the framework (£)
2015/16	21	175	9	0	205	460	12,439,042
2016/17	20	193	14	0	227	447	12,395,453
2017/18	15	252	11	0	278	499	14,367, 872
2018/19	20	301	10	4	335	568	18,045,464
2019/20	22*	288*	10*	2*	322*	576*	18,007,358**

\* Child numbers for 2019/20 based on 30 April 2019

\*\* Estimated annualised spend for 2019/20

- 7.3 Spend on external placements remains a significant area of spend for People's Services, and work is ongoing targeted at maximising value for money whilst ensuring outcomes are met. However, a continued cost increase over the next three years is forecast.
- 7.4 As part of the proposed new procurement arrangements, packages will be sourced on a core placement cost plus a suite of additionalities (determined at time of sourcing depending on the level of needs presented, and reviewed thereafter accordingly). Benchmarking and costing work will inform expected costings to ensure value for money from the tender process.

### Legal implications

- 8.1 The Local Authority has a duty to ensure there is sufficient accommodation within the Authority's area which meets the needs of children that the Local Authority is looking after, and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the Local Authority's area (Sufficiency Duty).
- 8.2 Independent Fostering Agencies and Children's Home providers fall within the Light Touch Regime under the Public Contracts Regulations 2015. As such, the contracting authority may decide, following appropriate consultation with the partner Authorities, on the method and procedure to be applied in connection with the award of these contracts provided that the general EC Treaty principles of transparency, openness and fairness are always adhered to.
- 8.3 Nottinghamshire County Council have agreed to lead on the procurement activity on behalf of the other Authorities.
- 8.4 A Partnership agreement will be established to cover the inter-authority arrangements and the governance elements of the partnership between the Authorities.

### Other significant implications

- 9.1 The current framework facilitates comprehensive safeguarding processes and providers are expected to deliver services that are safe and of sound quality. There is close working with Ofsted as the regulatory body to ensure providers are meeting standards, and where concerns are raised they are dealt with locally and regionally. Similar arrangements would be established for the newly provided services.

This report has been approved by the following people:

Role	Name	Date of sign-off
<b>Legal</b>	Karen Griffin, Commercial Lawyer	22/5/19
<b>Finance</b>	Alison Parkin, Head of Finance, People Services	22/5/19
<b>Service Director</b>	Gurmail Nizzer, Service Director, Integrated Commissioning, Children and Young People	22/5/19
<b>Report sponsor</b>	Andy Smith, Strategic Director for People Services	23/5/19
<b>Others</b>	Laura Rose, Category Manager, Procurement	22/5/19
	Catherine Young, Commissioning Manager, Children In Care	21/5/19

<b>Background papers:</b>	none
<b>List of appendices:</b>	none