



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

17 November 2022

Report of the Executive Director of Children's Services

**Procurement of a block contract for Children's residential placements
(Cabinet Member for Children's Services and Safeguarding)**

1. Divisions Affected

1.1 County-wide

2. Key Decision

2.1 This is a key decision as it will result in the Council incurring expenditure over £500,000. However, this is diverted spend and not additional spend on the current Children's Services budget.

3. Purpose

3.1 To seek Cabinet approval for the undertaking of a procurement exercise to procure a block contract for children's residential placements for a period of up to 7 years and totalling a maximum contract value of £31.5 million.

4. Information and Analysis

In line with the national trend, the number of children in care in Derbyshire continues to rise. There are currently 952 children in care in Derbyshire compared to 711 in March 2018. This represents a 25% increase in just under four and a half years and equates to children in care numbers increasing by 53 children per year. We expect this trend to continue.

The Council currently uses a framework of providers to access residential homes for its children in collaboration with 3 other authorities – Derby City Council, Nottingham City Council and Nottinghamshire County Council – known as D2N2. The framework has currently been in place for two years and whilst it is improving the Councils levels of contracted spend, there are still additional capacity needs outside of this framework.

Under the proposed block contract, it is anticipated that up to 10 long-term residential home placements and up to 20 short breaks for children living with disabilities, will be procured per year. These will be procured within one contract through four different ‘lots’. During 2022, the Council has externally commissioned almost 75% of its children’s residential care settings (at an approximate cost of £23.7 million per year). This proposed block contract arrangement would utilise a proportion of this spend. The block contract arrangement would allow for more ability in forecasting spend of placements and to ensure further market stability and better access to local services for our Children in Care.

The forward procurement plan for 2022-23 outlined funding of £8 million to contract with a provider to deliver residential provision over 4 years (see reference - CCS011 – “D2N2 Block Contract Arrangement for Residential and Independent Fostering Agency (IFA) Placements”).

Rigorous market testing has demonstrated that providers require a longer contract period to deliver a block residential service and therefore the funding identified in the forward plan of procurement is not sufficient to meet these needs. Feedback from providers has outlined that a contract term of 4 years is not feasible given the current position of the market. Therefore, if the contract term extended, it would allow the proposition of a block contract to become much more attractive to external providers.

The National Independent Review of Social Care has outlined the volatility in the children’s residential sector, and it is therefore crucial we find new and innovative ways to respond to this to ensure the safety of our children, deliver good quality care and to create further efficiencies. This approach will allow us to do all of these things in a timely and cost-effective manner. This contracting arrangement and approach is in line with the Care Review Findings (McAllister, May 2022, page 5) of ‘fixing the broken care market’ and to control spend and ensure that we begin to respond to the market to show our firm belief that ‘providing care for children should not be based on profit’.

5. Consultation

5.1 Consultation with the external market has already taken place. Originally, the forward plan outlined funding of £8 million over 4 years for engagement on block contracting arrangements (CCS011), with the anticipation of procuring between 6 and 8 placements. Through market research with external providers and other authorities, it has been made clear that this would be considered weak in its attractiveness to the market. The market currently is extremely buoyant, and a lot of providers are therefore not engaging in block contract or framework arrangements, as they are easily able to fill their placements through 'off contract' arrangements – often this is where there is more flexibility for the provider, meaning less flexibility for the Local Authority. Therefore, in line with our current needs and the current market pressures (which will get more difficult over the coming months and years), the proposed block contract arrangement needs to be for an increased number of beds (6 as opposed to 10 and with the addition of 20 short break placements)) and for a longer contract period (7 years as opposed to 4 years), than originally anticipated under CCS011.

6. Alternative Options Considered

- a) Go out to tender as planned and agreed in the forward plan (maximum value of £8 million over 4 years): From reviewing our current needs and market engagement, it is clear this is not attractive, and will receive minimal bids, in fact there is evidence we will receive zero bids and this leaves us in a very vulnerable position and not able to meet our statutory requirements or address the current issues around placement sufficiency.
- b) Do nothing and continue to purchase placements through framework and non-framework arrangements, with limited control over the external market. This option is not recommended as it gives the Council less control over the market and leaves the Council vulnerable to rising costs in the residential market.

Implications

- 6.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.
- 6.2 The main aim of implementing this varied block contract for children's residential home provision is to ensure the Council can begin to meet its needs within this sector whilst allowing it to also ensure the following through this becoming contracted spend:
 - Better quality of provision delivered for our children in care.
 - Better monitoring and management of contracts and therefore ensuring our Children in Care receive improved outcomes.

- Increasing efficiencies around residential placements and collaboration within D2N2, stimulating the local market to encourage new local provision.
- Better Value for Money placements, linking into being an enterprising council.
- Increasing opportunities of cost avoidance.

7. Background Papers

7.1 D2N2 Market Position Statement

8. Appendices

8.1 Appendix 1- McAllister, J. "Social Care Review, Executive Summary", May 2022.

8.2 Appendix 2 - Extract from 'Children's Services Service Plan 2021-25 (2022-23 Refresh)'

9. Recommendation(s):

That Cabinet:

- a) Approve the undertaking of a procurement exercise to procure a block contract for children's residential placements for a period of 3 years, with the option to extend for 2 further periods of 2 years, up to a maximum contract period of 7 years and for a maximum contract value of £4.5 million per year, thus totalling a maximum contract value of £31.5 million over the 7-year term.

- a) Approve the spend from the current placement budget.

10. Reasons for Recommendation(s)

- 10.1 This recommendation will support an increase in placement sufficiency in a more measured and monitorable approach. It will help address some of the needs around placement availability and facilitate better engagement with the external market. This recommendation is not for 'new spend' and will be met from the existing placements budget. A block contract will ensure we receive better Value for Money and improved outcomes for our children in care.

11. Is it necessary to waive the call-in period?

- 11.1 No

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Implications

a) Financial

Costs will be met from existing placement budget and there will be no additional costs associated with this procurement. Discussions have taken place with members of the team in Finance and they are in agreement with the proposal.

b) Legal

Legal implications have been analysed through risk analysis with Procurement colleagues and those colleagues will continue to be involved and advice will continue to be sought, if approval for this arrangement is granted. In addition, the procurement will be undertaken in accordance with the Public Contracts Regulations 2015 and the Council's Financial Regulations.

It is also worth noting in line with this request that we have a duty of care under section 22(3) of the Children Act 1989 to 'safeguard and promote the welfare of the child'.

c) Human Resources

No internal posts affected, therefore no anticipated Human Resources implications.

d) Equalities Impact

N/A.

e) Corporate objectives and priorities for change

Enterprising council will be addressed by ensuring we are responding to current challenges and that we are prepared for the future, ensuring Value for Money whilst improving contracting arrangements and outcomes for our children in care.

Vision Derbyshire will also be addressed by working with partners in new and powerful ways, which will help create more resource.

It would also be anticipated that Thriving Communities work can feed into our local areas (due to this being desired to be a locally focussed contracting arrangement) to ensure people and places thrive.