



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

Thursday, 11 January 2023

Report of the Executive Director of Children's Services

Procurement of a block contract for Children's residential placements

1. Divisions Affected

1.1 County-wide

2. Key Decision

2.1 This is a key decision due to it being over £500,000. However, this is diverted spend and not additional spend on the current Children's Services budget.

3. Purpose

3.1 The purpose of this report is to outline the current needs within the Children's home residential sector and propose how block contract agreement could help towards meeting those needs.

3.2 Cabinet are asked to:

- a) Review and approve a block contracting arrangement to ensure more contracted spend for children's residential placements. (See part 9 for further details).

4. Information and Analysis

In 2022, we externally commissioned almost 75% of our children's residential care settings (at an approximate cost of £23.7 million per year). In 2023, the externally commissioned percentage has increased, with 79% of residential settings being external providers, and 21%

internal children's homes. The current projected spend for externally commissioned residential settings is £26.4 million and therefore also demonstrates an increase from 2022. This proposed block contract arrangement would be utilising a proportion of this spend.

As with the national trend, Derbyshire's number of children in care continues to rise, with currently 1036 children in care (September 2023). Compared to 711 in March 2018, there has been a 31% increase in just under five and a half years.

We currently use a framework to call off for our residential placements in collaboration with 3 other authorities – Derby City, Nottingham City and Nottinghamshire – known as the D2N2. We are two years into the framework and whilst it is improving our levels of contracted spend, we still have additional capacity needs outside of this framework.

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

Further market testing has demonstrated that providers want a longer contract to deliver a block residential service and therefore the funding identified in the forward plan of procurement is not enough to meet these needs.

The Social Care Review has outlined the volatility in the children's residential sector, and it is therefore crucial we find new ways to respond to this to ensure the safety of our children, deliver good quality care, to create further efficiencies and to allow us to do all of these things in a timely and cost effective manner. This contracting arrangement would be an attempt to begin towards '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'. (McAllister, May 2022, page 5).

5. Consultation

- 5.1 Consultation with the external market has already taken place. Originally, the forward plan outlined £8 million over 4 years for engagement on block contracting arrangements (CCS011) which was then altered to £31.5 million over 7 years to encourage more bidders. Through market research with external providers and other authorities, it has been made clear that this is still not viable to the market.

Experience from going out to tender of a contract period over 7 years delivered poor levels of interest.

Communication from small and medium sized enterprises, not for profit and voluntary sector organisations revealed that the contract length of 7 years still did not allow it to become a financially viable bid for them, and therefore interest was only shown by private equity owned companies (where some of these failed financial vetting).

The same round of market testing has also revealed that the overnight short breaks provision for children with disabilities would be financially viable and is still deliverable within the original outlined parameters. Therefore, as permission has already been sought for this element and approved, this will go to re tender as a separate arrangement and block contract via the approved process of CCS011 (original approval for £31.5 million over 7 years for the four lots) and now under the new retender reference of CCS048 (with a total contract value of £7.35 million over 7 years for one lot).

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 – where there is more flexibility for the provider, meaning less flexibility for an authority. Therefore, for it to become more attractive to the market, (and more in line with our current needs), the contract needs to increase in the number of beds and contract length.

6. Alternative Options

- a) Go out to tender as planned and agreed in the forward plan (maximum value of £31.5 million over 7 years): From reviewing our current needs and market engagement, it is clear this is not attractive, and will receive very few bids (if any) and more importantly, will not fully address the current issues around placement sufficiency.
- b) Do nothing and continue to purchase placements as we are – through framework and non-framework arrangements, with limited control over the external market. This option is not preferred as it gives us less control over the market and leaves us 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 we can begin to meet our needs

within this sector whilst allowing us 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 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 McAllister, J. "Social Care Review, Executive Summary", May 2022.

8.2 Extract from 'CS 2021 -25 service plan (refresh)'

8.3 CCS011 Appendix A Specification

8.4 Final Cabinet report – Procurement of a block contract... Sept 2022

9. Recommendation(s):

That Cabinet:

- a) Approve a procurement solution of a block contract for children's residential placements by (CCS047):
 - Contract term: 10 years + 5 years
 - Maximum contract value: £3.579 million per year (for first 5 years of contract)
 - Maximum contract value at end of life of 15 year term is estimated at £4.8 million per year-(anticipated increases within costs over 15 year term incorporated within this)
 - (An estimated maximum of £58.5 million over a 15 year term – with anticipated increases from fee uplifts within this.)
- b) Approve a procurement solution of a block contract for children's with disabilities overnight short breaks (CCS048) via the previous agreement of cabinet paper 'Procurement of a block contract for Children's residential placements' on 17 November 2022
- c) Delegate authority of the award decision to Executive Director of Children's Services.
- d) Approve the spend for both procurements 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 placements 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

Report Author: Louise Frensham, Head of Service - Commissioning.
Contact details: louise.frensham@derbyshire.gov.uk

Implications
Implications

a) Financial

The cost of the block contract is £3.579m per annum for 12 beds, up to £4.112m per annum for 14 beds, an average of £5,633 - £5,720 per placement per week, if fully occupied.

The costs are fixed for the first 3 years of the contract, subject to changes in legislation such as in the minimum wage. In subsequent years any uplifts would be subject to agreement of a price variation request.

The block contract would ensure between 12 and 14 beds are available to meet the care needs of Derbyshire children. The financial risk of incurring additional spend from having to pay for unoccupied beds is reduced by the inclusion in the contract of a KPI of 95% occupancy and the clause through which there is no charge for an unoccupied bed if 3 consecutive referrals are not matched.

b) Legal

Legal implications have been analysed through risk analysis with procurement colleagues and will continue to be involved and advice sought if permission for this arrangement is granted.

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.

