

Cabinet Meeting on Wednesday 16 March 2022

Children's Home Block Contract



Cllr Mark Sutton, Cabinet Member for Children and Young People said,

“While a great deal of preventative work is underway to try and safely keep children with their families wherever possible, we currently face a situation where local authorities must manage increasing demand on children’s services.

Entering a joint agreement with other councils and providers enables us to guarantee regular good-quality provision of care at a known price and remove some of the uncertainty caused when demand, on occasion, exceeds supply.”

Report Summary:

Sir Martin Narey’s report of residential care highlighted the need for local authorities to work collaborate regionally with other authorities where possible and to consider block contracts to help manage the market by using the LA’s collective buying power.

We have been working with local authorities in the West Midlands to join, with Dudley being the Authority currently fully engaged.

This report seeks to secure Cabinet approval to.

- a. Procure a block contract for 13 children homes placements in the private/voluntary sector with the ability to increase the contract where required to provide the ability to increase up to a further 7 homes (i.e., up to a maximum of 26 placements if needed).
- b. Enter into these arrangements for a maximum period of 8 years subject to demand.
- c. Agree Delegated Authority for the Deputy Chief Executive and Director for Families and Communities to award to the successful bidder.
- d. Agree to deviate from the Council’s standard Price / Quality split of Price 70% and Quality 30% to Price 30% and Quality 70% for this contract.
- e. Agree joint Procurement activity with a joint contract led by Dudley.

Recommendations

I recommend that Cabinet:

- a. Procures a block contract for 13 children homes placements in the private/voluntary sector with the ability to increase the contract where required to provide the ability to increase up to a further 7 homes (i.e. up to a maximum of 26 placements if needed).
- b. Enters into these arrangements for a maximum period of 8 years subject to demand.
- c. Agrees Delegated Authority for the Deputy Chief Executive and Director for Families and Communities to award to the successful bidder.
- d. Agrees to deviate from the Council's standard Price / Quality split of Price 70% and Quality 30% to Price 30% and Quality 70% for this contract.
- e. Agrees joint procurement activity with a joint contract led by Dudley.

Local Members Interest
N/A

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Children's Home Block Contract

Recommendations of the Cabinet Member for Children and Young People

I recommend that Cabinet:

- f. Procures a block contract for 13 children homes placements in the private/voluntary sector with the ability to increase the contract where required to provide the ability to increase up to a further 7 homes (i.e. up to a maximum of 26 placements if needed).
- g. Enters into these arrangements for a maximum period of 8 years subject to demand.
- h. Agrees Delegated Authority for the Deputy Chief Executive and Director for Families and Communities to award to the successful bidder.
- i. Agrees to deviate from the Council's standard Price / Quality split of Price 70% and Quality 30% to Price 30% and Quality 70% for this contract.
- j. Agrees joint procurement activity with a joint contract led by Dudley.

Report of the Cabinet Member for Children and Young People

Reasons for Recommendations:

1. A report has been previously presented and agreed by Cabinet in May 2019. As a result of the pandemic this was put on hold due to the uncertainty of providers fulfilling the contract. However, since this time the scope of the contract has changed as the type of placement required has changed.
2. This block contract will secure local provision focussed on solo spaces to maximise the amount of space for our most complex children who can cost significant sums of money but are sometimes turned away from homes due to the match not being a good fit as the registered manager has the discretion to decline any child.
3. This contract will reduce the costs as the provision of a block contract enables us to secure 13 beds all the time.
4. Sir Martin Narey's report of residential care recommended that 'Consideration should be given to the benefits of regional or sub-regional commissioning and arrangements for residential care.' This highlighted the need for local authorities to collaborate regionally with others where possible and to consider block contracts to help manage the market by using their collective buying power.
5. Staffordshire has therefore been seeking to work with other local authorities and is currently in working in partnership with Dudley to be part of a joint West Midlands Sub-Regional Children's Home Block Contract.
6. It is the Council's current practice to secure placements via framework contracts and, if required, spot purchasing. Although this enables the Council to secure some placements and helps to secure some baseline in terms of service and fees, it unfortunately leaves the Council vulnerable to market forces where demand outstrips supply. Any increased supply is quickly depleted by other Local Authorities accessing any remaining surplus.
7. One of the solutions to manage the supply is to implement a block contract with Providers which will allow the Council to obtain placements which are more cost effective therefore providing better value for money and ultimately saving the Council money.
8. Under this proposal we are seeking to meet the demand for our more complex children, hence why we are requesting the percentage split to be 70% towards quality and only 30% towards price.

9. Having quality providers is key in ensuring that our children are safe. The quality will ensure that the provider are better able to manage our more complex children in terms of accepting them in the homes but then managing them with the right skill set which is fundamental to ensure stability of placements.
10. To mitigate against any excessive pricing, we are proposing a price cap where fees cannot exceed the capped price. Although the caps are based on the current market value, prices submitted can be lower.

Timescale

11. Contract to commence by August 2022; not meeting this deadline would result in Staffordshire continuing to rely on market forces and being forced to pay for higher fees for our more complex children and young people.

Strategic Case

12. As is the case nationally, Staffordshire's children in care numbers have continued to increase and this has directly impacted on the number of children and young people in residential placements.
13. The Council's aim is to reduce the children in our care; however, this will take time. This provides re-assurances of the maximum utilisation of the block contract and the avoidance of vacant placements, certainly over the period of the contract.
14. The increase in the number of children coming into these placements has adversely affected the availability of residential placements.
15. Providers no longer compete with other Providers for placements, it is now local authorities competing for the limited supply, which has consequences in terms of higher costs. Since March 2021, costs of the top 15 placements have increased by 13%, this demonstrates the implications of not controlling costs.
16. It should be recognised that the cost placements have been maintained successfully for several years by using framework contracts to help mitigate against higher prices. However, over the last couple of years new Providers and the increase in costs such as changes in legislation around wages, pensions and insurance has increased average costs.
17. With such high demand, Providers have been able to pick and choose their placements, which unfortunately often results in the most complex children without a home. This inevitably leaves the Council vulnerable

with huge pressure to source placements and are sometimes left with new unknown Providers seeking to charge excessive amounts.

18. The aim of this contract is to fill this gap by working with selected providers to secure placements via a block contract arrangement in which the contracted placements are for Staffordshire's use only.
19. We will also have the option to sell the spaces to other local authorities within the block, if it is deemed appropriate, which will help mitigate against void beds. Having homes dedicated to Staffordshire children will provide the Council with the flexibility to match to their own children rather than trying to match to children from other local authorities.
20. This block arrangement will help the Council's meet its strategic objective of finding appropriate provision for our children and people close to home.
21. The contract will also help with overall stability as Providers who currently take our children sometimes give immediate notice leaving the Council to find placements at very short notice.
22. The project will be procured via a competitive tender exercise following procurement regulations with procurement and legal departments. Dudley is proposing to lead the procurement and legal elements of this contract. There is not expected to be any adverse implications of this tender exercise.
23. The project is a joint working arrangement in partnership with Dudley, with the scope and the potential of other West Midlands LAs participating either in the initial letting of the contract or throughout the duration of the contract. There will be strong governance arrangements to help manage the project with the various stakeholders.
24. The Contract is seen as part of the solution to help manage the market and secure much needed placements for Staffordshire's children in care to ensure we meet our statutory requirements and achieve MTFS Savings.
25. The decision to propose a residential block contract has not been taken lightly, due to the inherent risks of a block contract in ensuring full utilisation. However, if managed properly with tight management of the contract it will allow the Council to have access to more cost effective and higher quality placements. This will help improve stability and provide better outcomes for our most vulnerable in society.

Risks / Issues

26. Financial Exposure associated with void costs: To mitigate this the council will establish a conservative initial volume with a gradual implementation. We can also sell surplus beds to other local authorities within the block. Implementing a grace period when beds initially become available to the Council, to allow proper matching and planning. Tight management oversight of contract.
27. Lack of interest by Provider: To mitigate this we will conduct early market engagement with providers to increase interest. Working with other local authorities to increase volume and attractiveness of contract. Implementing a contract which is deemed fair by listening to providers.
28. Matching/placements: We will mitigate this risk by having access to children's homes solely for local authorities to help with matching. Regular contract review meetings to monitor placements and usage.

Legal Implications

29. The proposed procurement system has been created by numerous local authorities as a joint project. SCC's Legal view is that the procurement mechanism is compliant with the Public Procurement Regulations 2015 and has been reviewed. This will be a partnership arrangement with other Councils.

Resource and Value for Money Implications

30. The Council currently spends approximately £24m per year on residential placements in the independent sector. The current top 15 placements cost an average of £6,178 per week, which increased from £5,439 per week in March 2021. The aim is to have a contract for 13 placements under 3 Lots:
 - a. (Lot 1) 3 beds (1 home) for care only.
 - b. (Lot 2) 6 beds (2 or 3 homes) for care with ability to access education if required.
 - c. (Lot 3) 4 solo beds (4 homes) for care only.
 - d. With the option, if required, to double the capacity up to 26.
31. The block will be capped to provide control over costs and will only be agreed if it is felt that the contract provides value for money. We are seeking to work with providers in the Staffordshire area to secure provision locally for our children and young people.
32. Beds not being used could increase the overall cost. This will be mitigated against by close management of the contract by the Placement Service

and implementing terms and Conditions which are favourable to the Council and reduces any such risk of voids.

33. Price caps have been benchmarked against Birmingham's led Flexible Contract arrangement and using market intelligence. Maximum Price caps (lower prices can be submitted) are as follows: Lot 1 (£4,400) per week, Lot 2 (£5,200) per week and Lot 3 (£6,500) per week.
34. Successful provider(s) will be required to ensure some availability within six months of the contract commencement and full provision by 24 months. Reflecting this, voids will not be paid from contract commencement and will only be paid once beds become available.
35. Depending upon the tendered prices there will be a maximum block contract spend of £3,660,800 per year for the 13 placements. There will be an inflationary increase element of a fixed 2% per annum applied, which has been reflected in the calculations over the life of the contract.
36. Given existing levels in residential care, it is unlikely that numbers will reduce to such levels that could risk underoccupancy and likely not in the next three years that this contract will initially be awarded for. This contract is part of the solution to help reduce increased costs as the current trajectory in expenditure is not sustainable long-term and the residential block is aimed to mitigate against these increased costs.
37. The lowest price the Council pays is £2,812 per week. The highest price we currently pay is £8,250 per week. The average cost of all placements is £3,900 per week. However, the average costs of the top 15 placement costs is £6,178 per week and this is the cohort we are seeking to aim to help reduce overall costs.
38. Based on the capped fees, we are expecting the average fees not to be greater than £5,415 per week based on 13 beds. Working on the basis of (9 x £4,400 p/w and 4 x £6,500 p/w = £65,600 p/w) gives an average of £5,046 per week which has been used in the calculations below.

Table A below provides some analysis of the potential costs and savings.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
a. Top 20 Average Weekly cost	£6,178	£6,302	£6,428	£6,556	£6,687	£6,821	£6,958
b. Block Average of 13	£5,046	£5,147	£5,250	£5,355	£5,462	£5,571	£5,683
c. Weekly Difference (a-b =c)	£1132	£1,154	£1,178	£1,202	£1,225	£1,250	£1,275

d. Total Savings Year on year based on 100% usage (c*13x52)=d	£765,128	£780,431	£796,039	£811,960	£828,199	£844,763	£861,658
		£1,545,559	£2,341,598	£3,153,558	£3,981,757	£4,826,520	£5,688,178
e. Block average of 11 85 % usage	£5,964	£6,083	£6,205	£6,329	£6,455	£6,584	£6,716
f. Weekly Difference (a-e= f)	£214	£219	£223	£227	£232	£237	£241
g. Total Savings Year on year based on 85% usage (f*11x52)=g	£122,616	£125,068	£127,570	£130,121	£132,724	£135,378	£138,086
		£247,684	£375,254	£505,375	£638,099	£773,477	£911,562

39. Based on the average cost of our top 15 placements and based on full occupancy a contract of 13 placements could make a potential saving starting from year one of £765,128 with this accumulating year on year.

Climate Change Implications

40. The aim is to utilise existing homes that are registered with OFSTED; therefore, this proposal will not have climate change implications.

List of Background Documents/Appendices:

Appendix - 1 Community Impact Assessment Executive Summary

Contact Details

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