

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CHILDREN AND YOUNG PEOPLE

3 February 2015

Report of the Acting Strategic Director for Children & Younger Adults

**EAST MIDLANDS REGIONAL PROVIDER FRAMEWORK FOR INDEPENDENT
FOSTERING AGENCIES, INDEPENDENT SCHOOLS AND RESIDENTIAL CARE
PROVIDERS**

1 Purpose of the Report

To inform the Cabinet Member of the re-tender arrangements regarding the East Midlands Regional Provider Framework (EMRPF), currently in operation for the placement of looked after children with Independent Fostering Agencies and Residential Care Providers.

2. Information and Analysis

The EMRPF has been in operation since April 2011 and its four year term is due to expire in April 2015. The EMRPF was established to 'shape the market' in relation to quality placement provision and placement cost for looked after children placed in agency fostering and residential care. Six East Midlands local authorities can procure services using the EMRPF Northamptonshire County Council is the lead local authority for the EMRPF and has a team that provides a support and monitoring function to the other five local authorities.

The EMRPF has resulted in cost savings and placement process efficiencies for the six local authorities using the EMRPF.

The established processes and regional documentation has enabled placements to be identified, confirmed and monitored in an efficient way.

Derbyshire has benefitted from the EMRPF by securing savings in the region of £2m during the four year period. This is as a result of discounts applicable in relation to sibling placements, long-term placements, permanence and monthly cost and volume. Additional savings have also been made as a result of individual placement cost negotiations with framework providers. Total savings reported for the 2013 – 2014 financial year are £843,000. Further hidden savings can be considered in relation to the framework's fixed placement fees in that providers have been prevented from applying any inflationary increases to placement costs.

Prior to the implementation of the EMRPF, Derbyshire's agency placements in both fostering and residential care were made under a 'spot' purchase arrangement with individual discussions taking place on a case-by-case basis. Current agency placement activity now shows:

- 93% of 109 agency fostering care placements are with EMRPF foster care providers and 7% are 'spot' purchased placements.
- 79% of 37 residential care placements are with EMRPF residential care providers and 21% are 'spot' purchased placements.

Derbyshire's actual spend during 2011-14 and budget spend during 2014-15, relating to placements secured via the EMRPF is shown below:

EMRPF	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Residential placements	1.302	1.775	1.712	2.583
Fostering Placements	2.840	3.755	3.998	4.420
Pooled Budget, Complex Placements	2.243	2.064	2.385	2.380
Total	6.385	7.594	8.095	9.383

East Midlands Regional Provider Framework Re-Tender 2015

The re-tender of the EMRPF is currently underway with a great deal of scoping work having been undertaken and the specification for the new EMRPF now includes residential therapeutic placements and residential / day educational placements in addition to fostering and residential social care placements.

This will help shape the market further in relation to the quality and cost of placements with Independent schools. It will also have available a tier of providers offering specialist therapeutic residential placements for children and young people with more complex needs.

Placement fees will be capped and maintained during the proposed four-year period. All of the above services will be on a tiered framework to encourage providers to offer the best and most competitive prices.

The intention will be to increase the number of providers in the top tiers through improvements in Ofsted ratings or reductions in price. This would encourage providers to continue to invest in the region. Any new providers

would be allowed to join at any time during the lifetime of the contract. This would promote innovation and new ideas from the market.

There will continue to be a central team based in Northamptonshire that will manage the contracts on behalf of the other five local authorities,, which will be funded by contributions from all of the local authorities that are eligible to use the EMRPF.

The proposed framework services would all be supported by a generic specification which would encompass all of the basic requirements of providers, including Disclosure Barring Service (DBS) checks, training etc. There would then be a service specification for each element of provision.

The proposal takes into account learning from the current regional framework, other contracts across the country and significant market and colleague engagement, and is being developed in conjunction with all local authorities across the region. Any providers whose performance falls below an acceptable level can be suspended or removed from the contract, as decided and agreed by the regional representatives.

Further Additional Key Benefits

- Transport costs included within a 20-mile radius of the placement. This includes home to school transport / contact / activities / health appointments etc. For schools, this price will include group transport.
- Minimum amounts for savings / pocket money, and allowances for birthdays / festivals / holidays.
- Minimum expectations for the provision of clothing, and any initial clothing allowance will be included in the standard fee.
- An expectation on providers to fully support any application for Special Guardianship Orders (SGOs).
- All residential providers will be expected to provide therapeutic support to their staff as standard from a qualified therapist, to enable the team to understand the behaviour of the children and provide them with tools to manage their behaviour.
- Minimum staffing levels for residential settings and schools. Minimum levels of qualified teaching staff in independent schools. Minimum standards of qualifications for all staff in residential settings and schools.

- Standards for residential care will apply to all residential settings, to include social care and education placements where accommodation is provided. Standards for education will apply to all educational settings, to include independent schools and social care placements where education is provided, including registration with Ofsted.

3. Financial Considerations

There are a number of financial implications to consider, most importantly the need to manage and control costs for the local authorities. The following initiatives will be included:

There will be a maximum price for each type of service, and level of need, based on historical average prices. It will be a condition of the contract that providers must submit prices below this in order to be considered for the contract. Providers will be able to reduce prices during the term of the contract in order to progress up the tiered system.

All providers will provide menu pricing for their services so commissioners can choose which services they require and only pay for the services they receive.

There will be a discretionary price review mechanism which will require providers to demonstrate significant efficiencies and a strong business case in order to be considered for a fee increase over the term of the contract. Providers have already been informed that there would need to be significant external reason for an increase to be agreed by the local authorities, so any increase in fees is very unlikely.

There will be a simple discount structure for social care placements, based on sibling groups and long-term placements (over 12 months old) and a further quarterly rebate for local authorities based on spend with each provider (cost / volume discount).

There will be a simple discount structure for independent school placements based on long-term placements (over 12 months old) with minimum expectations and a further quarterly rebate for local authorities, based on spend with each provider (cost / volume discount).

Fostering providers will be paid an incentive (based on the weekly cost of the placements) for any complex foster placement which lasts longer than 12 months. This is to recognise the difficult challenges we all face, maintaining these complex placements and to try and secure stability for these most vulnerable children. The incentive payment is paid once during the lifetime of

a placement and the expectation is that the provider will forward the payment to the carers of the children.

All new placements will be subject to the new contract prices although individual local authorities will still be able to negotiate prices with providers for individual placements.

Financial Benefits and Efficiencies for Partner Local Authorities

Working regionally to re-tender the Framework will minimise administration costs involved in procurement and ongoing management of the Framework. It is estimated that the re-tendering process will also achieve the following reduction in placement costs for Derbyshire, secured for an additional four years:

£99,055 Residential placements, based on 5% saving

£180,025 Independent School placements, based on 5% saving

£233,530 Independent Fostering placements, based on 2.5% saving

Project Costs for the Partner Local Authorities

The development costs will be shared between participating LAs based on the number of placements (most likely) or an equal share. If all 9 LAs participate, the total development costs to Derbyshire would be £12,277 based on the number of placements. An equal share would be £10,728. If only the current 6 LAs participate, the total cost would be around £16,000.

Ongoing central team costs will be split based on the number of on-contract placements. The central team would be 5 people but could be scaled up or down depending on the volume of activity, and the agreed remit. If all 9 LAs participate, the ongoing costs to Derbyshire would be £25,309 per annum. If only 6 LAs participate, the ongoing costs would be £33,373 per annum.

4. Legal and Human Rights Considerations

Northamptonshire County Council is the lead local authority for this Regional Framework re-tender. Derbyshire will have sight of all tender and contract documentation issued to ensure that it meets with local and legal requirements. As Northamptonshire County Council is currently drafting the tender and legal documents, Legal Services has not yet had sight of these. However, CAYA will need to make sure that Legal Services is appropriately involved in the development of these documents to ensure that any issues that are of concern to Legal Services are addressed.

This is a Part B service under the Public Contracts Regulations 2006 and as such, the full Regulations will not apply to this procurement. However, the

general EC Treaty principles of non-discrimination, equal treatment and transparency will apply, Protocol 2 of the Council's Financial Regulations provides that approval to enter into a contract using a non-DCC framework agreement at a value of between £20,000 and the OJEU threshold limit of £172,514 can be given by Cabinet Member. However, where the value is over the OJEU threshold then Cabinet approval would be required.

5. Human Resources Considerations

None.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered: Equality and Diversity, Health, Environmental, Transport, Property and Prevention of Crime and Disorder considerations.

7. Key Decision

No.

8. Is it necessary to waive the call-in period in respect of the decisions being proposed within this report?

No

9. Background Papers

Formal proposal for the new Regional Framework Contract 31 October 2014.

10. Officer Recommendation

To inform the Cabinet Member of the progress to date regarding the re-tender of the EMRPF and to recommend that Derbyshire participates in further development work for re-tendering the EMRPF for the period 2015 – 2019. The proposed timescale is set out below, although recruitment of a new Project Manager is currently taking place, which is likely to impact on the timetable (the original Project Manager resigned in late autumn, 2014, to take up a new post):

Description	Timescale	Date
Specifications and contract developed	4 months	November 2014 to April 2015
Contracts agreed by all LAs	1 Month	April 2015
Advertise tender	3 Months	April 2015 to July 2015
Evaluate tender	3 Months	July 2015 to October 2015
Award Contracts	1 Month	October 2015

Contracts Start	1 Month	November 2015
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IAN JOHNSON
Acting Strategic Director for Children & Younger Adults



Regional Placements

Fostering, Residential, and Independent Schools

Proposal for new regional framework contract

Author : Gary Binstead

31st October 2014

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This paper makes a proposal for consideration by the East Midlands local authorities regarding new contractual arrangements for the placement of children in external fostering, residential, and independent school provision.

Executive Summary

October 2014

This paper makes a proposal to the nine local authorities (LAs) of the East Midlands that they adopt a regional framework contract for fostering, residential social care, education and residential therapeutic placements made in the external market.

1. Summary

This proposal is based on a thorough analysis of the market including demand and supply, existing contracts and other arrangements in place across the country, and the information, ideas and suggestions provided during the initial phase of this project. There has also been significant engagement with regional colleagues, providers and other relevant organisations during this process.

The proposed contract is designed to be flexible for local authorities and providers and allows change to respond to the needs of children and in the market. It is inclusive and allows all placements to be part of this contract and all services available from the market to also be included. It allows new providers to join the contract at any time and ensures that providers are regularly assessed on their cost and quality through robust performance management and an annual review of the tiers.

These contracts can also be offered to neighbouring local authorities beyond the East Midlands once the specifications have been agreed by all East Midlands local authorities. Other authorities would be allowed to join the contract but will not be able to amend it or delay the tender process. This expansion beyond the region will provide a further reduction in costs to all authorities for the management of the contract, as the cost will be spread across more local authorities.

The proposal is open to change as requested and agreed by all local authorities as the engagement process will continue until Spring 2015 when the contract is advertised. Any recommendations, queries or suggestions should be directed to the Project Manager for consideration and inclusion, after discussion with regional colleagues.

Proposal for a regional contract

2. Proposal for regional contract

The proposal is for regional contracts for the following services:

- Fostering
- Residential social care placements
- Residential / Day educational placements
- Residential therapeutic placements

There would be a similar style of contract for all services above and they would all be managed by a regional team on behalf of all nine local authorities. The exception would be any independent school placement that was not ASD or BESD. These placements would be sourced through a provider list, instead of a tiered contract. **See appendix 1**



Appendix 1 -
Contract Structure.ppt

- i. All services would use a tiered framework to encourage providers to offer the best and most competitive prices.
- ii. The tiers would be reviewed annually, and providers ranked by their scores based on quality, Ofsted rating and price. This will maintain competition and a focus on quality and price.
- iii. The intention is to increase the number of providers in the top tiers through improvements in Ofsted ratings or reductions in price. This would encourage providers to continue to invest in the region, safe in the knowledge that they would remain in the top tier as long as they maintained or improved their score.
- iv. Any new providers would be allowed to join at any time during the lifetime of the contract, at which time they would join the lowest tier, and remain there for a minimum of 6 months, until they could be included in the next review of the tiers. This would allow more providers to join the framework and ensure that all placements that were made would have a contract, also allowing innovation and new ideas from the market.
- v. There would be a central team that would manage the contracts on behalf of the region, which would be funded by contributions from the participating local authorities (as the current regional framework for fostering and residential placements). Current annual cost for the regional team of 3 people is £140,000, although the new contract would need a team of 5 people to include independent schools, at a cost of £199,029 (including on-costs and expenses) as detailed in Table D.

Table D

Job Title	Total Costs		
	Low	Median	High
Contract Monitoring Officer - Social Care	£45,235	£47,067	£49,201
Contract Monitoring Officer - Education	£45,235	£47,067	£49,201
Contract Officer	£32,636	£34,965	£37,053
Contract Officer	£32,636	£34,965	£37,053
Contract Officer	£32,636	£34,965	£37,053
Total Costs	£188,377	£199,029	£209,562

- vi. The team would consist of office based staff and expert contract monitoring staff who would be responsible for the quality assurance of all providers, performance meetings and the collating and sharing of data across providers and local authorities. The team would also be responsible for annual inspections of **all** children's homes, independent schools and fostering providers used in the region. There is potential to reduce costs through economies of scale by managing all frameworks together and providing support for all local authorities through sharing information and ideas.
- vii. A central team would monitor the overall quality of a provider, and also the marketplace, which would be able to quickly identify any issues through one team and information would be shared with all local authorities in a timely and uniform manner.
- viii. The central team would visit and quality check any new providers on behalf of the region, and share information with all local authorities, in order to reduce duplication.
- ix. Other local authorities would be invited to attend all provider meetings and provider visits, and would be involved at all times.
- x. There would be regular meetings of all the local authorities throughout the lifetime of the contract (bi-monthly) to enable sharing of information and to help to develop the contracts as necessary. This would also be used to continually shape the market to respond to the needs of the local authorities and the children of the East Midlands.
- xi. All feedback and monitoring forms would be web based to reduce the administration process, and also reduce the possibility of errors, allowing information to be easily accessible.
- xii. There would be the potential of a central website, with access limited to local authorities for information purposes, and possibly providers to share information and developments.

- xiii. Providers would be able to apply for whichever type of service they felt they could provide, with the administration process kept to a minimum by having one generic specification and subsequent additional documents for each type of service.
- xiv. These would all be supported by a generic specification which would encompass all of the basic requirements of providers, including DBS checks, training etc. There would then be a service specification for each element which would be informed by experts from the various different areas (health to support therapeutic, SEN to support education, etc.).
- xv. The therapeutic contract would be quality assured through the Royal College of Psychiatrists and providers would need to be accredited by them in order to join the therapeutic contract. This would ensure external scrutiny by health professionals on an annual basis, maintaining independent standards and saving time for the local authorities. CAMHS would also have oversight on all placements and there may also be additional scrutiny / criteria for local authorities or health colleagues as necessary.
- xvi. Any providers whose performance falls below an acceptable level can be suspended or removed from the contract, as decided and agreed by the regional representatives.
- xvii. League tables will also be circulated on a regular basis (at least quarterly) to keep a focus on performance and key areas including stability, capacity, and communication.
- xviii. There would be a benefit to all local authorities through economies of scale regarding pricing and discounts, which should see the cost of placements decrease and placement capacity increase.
- xix. There is the potential to make block purchases within the framework or use it as a basis to set up block contracts, although these may be on a local or sub-regional basis, instead of regional, as all providers would be quality assured already.
- xx. The proposal takes into account learning from the current regional framework, other contracts across the country and significant market and colleague engagement, and is being developed in conjunction with all local authorities across the region.

3. Additional benefits

Along with the generic benefits from the details above in section 2, there are also additional benefits of the new contracts:

- i. Transport costs included within a 20 mile radius of the placement. This includes home to school transport / contact / activities / health appointments etc. For schools, this price will include group transport.
- ii. Minimum amounts for savings / pocket money, and allowances for birthdays / festivals / holidays. One standard for all providers and more importantly, all children.

- iii. Minimum expectations for the provision of clothing, and any initial clothing allowance will be included in the standard fee.
- iv. An expectation on providers to fully support any application for Special Guardianship Orders (SGOs) as long as they follow the appropriate process and are ratified through the Looked After Children (LAC) review process.
- v. All residential providers will be expected to provide therapeutic support to their staff as standard, from a qualified therapist, to enable the team to understand the behaviour of the children and provide them with tools to manage their behaviour.
- vi. Minimum staffing levels for residential settings and schools.
- vii. Minimum levels of qualified teaching staff in independent schools.
- viii. Minimum standards of qualifications for all staff in residential settings and schools.
- ix. Any additional costs, or change in costs must be authorised by a senior manager / panel within the local authority, and providers must attach written approval to any invoices as required.
- x. Standards for residential care will apply to all residential settings, to include social care and education placements, where accommodation is provided.
- xi. Standards for education will apply to all educational settings, to include independent schools and social care placements where education is provided, including registration with Ofsted.

4. Future Proofing

The new regional contract will be inclusive and flexible and able to adapt to the needs of the local authorities. There is no guarantee of business to any provider which enables local authorities to implement their own in-house strategies without any concerns or commitments. In addition, local authorities' contribution to contract management costs (detailed below) are based on placement numbers (excluding block contract placements) so will fluctuate in line with the local authorities' share of placements within the region.

Other areas include :

- i. New providers allowed and encouraged to join the contract at any time, encouraging innovation and maintaining competition.
- ii. The same quality assurance arrangement for all providers, as existing off-contract providers will be expected to join the contract and abide by the same terms, conditions, and standards.

- iii. Providers will be encouraged to reduce fees over the lifetime of the contract to remain competitive. This would also be a benefit to providers as a reduction in fees may allow them to climb up the referral tiers. This in turn would give them the opportunity to place more children and increase their revenue.
- iv. Local authorities will be able to implement any new technology in order to streamline their referral processes, and providers will be expected to service referrals regardless of whether they are sent by e-mail, or through an on-line portal (or similar innovation).
- v. Providers' performance and quality will be reviewed annually in order to ensure that quality is maintained, and providers will move up and down the tiers as appropriate to ensure we are always prioritising the best providers (based on cost and quality).
- vi. Placement, performance, and referral information will be shared with providers, and they will be engaged in service developments, where there is an identified need for more innovation, or a change in placement patterns, or needs of children. This will be based on evidence provided by local authorities and providers.

5. Financial information

There are a number of financial implications to consider, and most importantly is the need to manage and control costs for the local authorities, ensuring that costs do not increase, but quality and capacity improve. The following initiatives will help to meet this challenge :

- i. There will be a **maximum price** for each type of service, and level of need, based on historical average prices. It will be a condition of the contract that providers must submit prices below this in order to be considered for the contract.
- ii. A number of **additional services** that are regularly commissioned by the local authorities will also have a maximum price based on market and current prices. These will include :
 - Transport / Mileage
 - Additional staff / teaching assistants
 - Respite
 - Some therapy costs
 - Education costs (provided as an extra service)
- iii. Providers will be able to reduce prices during the term of the contract in order to progress up the tiered system or make themselves more competitive and allowing them the opportunity to accommodate more children.
- iv. All providers will provide **menu pricing for their services** so commissioners can choose which services they require and only pay for the services they receive. This will include any additional services they can provide.
- v. Residential providers in social care and education will be **expected to provide additional staff at no extra cost** to manage the behaviour of children during times of crisis, up to a

maximum of 10 days per year. This is due to the flexibility we are expecting of providers, and the fact we are setting minimum staffing levels. If it is likely that children will require additional support on an ongoing basis this will be agreed and authorised by the relevant local authority.

- vi. There will be a **discretionary price review mechanism** which will require providers to demonstrate significant efficiencies and a strong business case, in order to be considered for a fee increase over the term of the contract. Providers have already been informed that there would need to be significant external reason for an increase to be agreed by the local authorities, **so any increase in fees is very unlikely.**
- vii. There will be a simple **discount structure for social care placements**, based on sibling groups and long term placements (over 12 months old) with minimum expectations, and a further quarterly rebate for local authorities based on spend with each provider (cost / volume discount). **See Appendix 2 & 3**



Appendix 2 -
Fostering pricing sche



Appendix 3 -
Residential pricing sch

- viii. There will be a simple **discount structure for independent school placements** based on long term placements (over 12 months old) with minimum expectations and a further quarterly rebate for local authorities, based on spend with each provider (cost / volume discount). **See Appendix 4**



Appendix 4 - Schools
pricing schedule exan

- ix. The number of **categories providers will be asked to price for** will be based on children's age and whether they are above or below primary school age. This will help to reduce any confusion and avoid errors when pricing placements, making it more efficient for providers and local authorities. **See appendix 4**
- x. Any **discounts** will be added together and applied to the standard price and all placements numbers will be based on the total number of placements for the region.
- xi. **Fostering providers will be paid an incentive** (based on the weekly cost of the placements) **for any complex foster placement, which lasts longer than 12 months.** This is to recognise the difficult challenges we all face, maintaining these complex placements, and to try and secure stability for these most vulnerable children. The incentive payment is paid once during the lifetime of a placement and the expectation is that the provider will forward the payment to the carers of the children.
- xii. All providers will need to **complete a template (based on a cost calculator)** at the time of applying to be on the contract. This information will give us a much better understanding of how providers spend their money and allow us to help them become

more efficient, and ensure cost savings are passed on to the local authorities. It will also provide us with intelligence that will allow us to challenge providers who are not delivering value for money.

- xiii. At the start of the contract **all local authorities will be able to choose the most economically advantageous price for existing placements**, whether they want to keep the existing price or apply the new contract price. It will be a decision for each local authority as to how they calculate and implement this.
- xiv. **All new placements will be subject to the new contract prices** although individual local authorities will still be able to negotiate prices with providers for individual placements.

6. Financial Benefits

There would be significant financial benefits and savings as a result of this exercise which include :

- i. Reduction in administration costs for procurement and legal as one contract would be developed and implemented instead of nine.
- ii. Reduction in staff costs generally, an example of which is that the regional team would visit and quality check new providers on behalf of the region to avoid duplication.
- iii. Provider meetings regarding performance would be held centrally and avoid the need for nine meetings with local authorities, adding a benefit to providers and local authorities alike. (All providers will still be encouraged to meet with all local authorities to continue to develop local relationships.)
- iv. Reduction in placement costs, and prices secured for an additional four years.
- v. Reduction in cost of managing all frameworks in one team through economies of scale.
- vi. Other benefits could be achieved through the collective influence of the region where additional benefits could produce more financial savings.

7. Project Costs

Scoping Stage (May – Nov 2014)

The initial 6-month stage of the project to work across the region to review the impact of the existing framework and to scope the potential for its successor has been funded by regional funds and, as a result, there have not been any charges to individual local authorities.

Implementation Stage (Dec 2014 – Nov 2015)

To proceed beyond the Nov 2014 decision-making point, to potential implementation of a new framework contract in 2015, there is a cost of £96,548, this covers project management costs,

procurement and legal costs, and engagement costs, including a contingency of £10,000. (Table E)

NB – at the time of writing discussions are ongoing with Northamptonshire County Council over Option 3 below

Table E

Description of costs	Scoping Stage costs	Implementation Stage costs	Total
Project Manager	£34,974	£68,948	£103,922
Meetings	£1,800	£3,600	£5,400
Procurement & Legal Costs	£0	£14,000	£14,000
Other	£0	£10,000	£10,000
Total	£36,774	£96,548	£133,322

There seem to be three straightforward options for funding the implementation stage of the project

- Option 1) Local authorities pay a share of the costs, based on the number of placements or amount of money spent on placements as at an agreed point in time (31st March 2014). These costs would probably need to be pooled in December 2014. (See Table F Column 1 and Table G Column 1)
- Option 2) Local authorities all pay an equal share of the costs. These costs would probably need to be pooled in December 2014. (See Table F Column 2 and Table G Column 2)
- Option 3) Northamptonshire absorbs/bankrolls the costs of the implementation phase of the project. Subsequently, Northamptonshire would then not be expected to pay its share of the ongoing contract management costs until they had fully recovered this implementation cost. This is estimated to take the first 2 years of the contract. In this way, the other participating local authorities would be making their contributions to the implementation costs across the first 2 years of the contract.

Tables to illustrate two models of sharing the costs to implement this framework contract per local authority

Table F : If all 9 local authorities share the implementation cost

Local Authority	Calculation of placement volume as at 31/3/2014				Contribution	
	Fostering	Residential	Schools	Total	Placements	Equal Share
Derby City	145	15	130	290	£10,756	£10,728
Derbyshire	185	54	92	331	£12,277	£10,728
Leicester City	44	14	85	143	£5,304	£10,728
Leicestershire	107	21	233	361	£13,390	£10,728
Lincolnshire	22	12	91	125	£4,636	£10,728
Northampton	232	61	112	405	£15,022	£10,728
Nottingham City	293	97	34	424	£15,727	£10,728
Nottinghamshire	254	46	195	495	£18,360	£10,728
Rutland	2	0	27	29	£1,076	£10,728
Total	1284	320	999	2603	£96,548	£96,548

Table G : If just the 6 local authorities participating in the current framework share the implementation cost

Local Authority	Calculation of placement volume as at 31/3/2014				Contribution	
	Fostering	Residential	Schools	Total	Column 1	Column 2
					By placement volume	Equal Share
Derby City	145	15	130	290	£14,184	£16,091
Derbyshire	185	54	92	331	£16,189	£16,091
Leicester City	0	0	0	0	£0	£0
Leicestershire	0	0	0	0	£0	£0
Lincolnshire	0	0	0	0	£0	£0
Northamptonshire	232	61	112	405	£19,808	£16,091
Nottingham City	293	97	34	424	£20,738	£16,091
Nottinghamshire	254	46	195	495	£24,210	£16,091
Rutland	2	0	27	29	£1,418	£16,091
Total	1111	273	590	1974	£96,548	£96,548

8. Ongoing management costs of the contract

It is calculated that a team of five people will be required in the Northamptonshire-based contract management team, costing just short of £200,000 per year.

If the costs of the implementation phase are paid up-front by all local authorities by either option 1) or 2) in section 7 above, then the ongoing management costs would be shared between participating authorities, either in proportion to placement volumes or by equal shares. See tables H and I below

Table H : If all 9 local authorities share the ongoing management cost

	Placements				Contribution	
Local Authority	Fostering	Residential	Schools	Total	Placements	Equal Share
Derby City	145	15	130	290	£22,174	£22,114
Derbyshire	185	54	92	331	£25,309	£22,114
Leicester City	44	14	85	143	£10,934	£22,114
Leicestershire	107	21	233	361	£27,603	£22,114
Lincolnshire	22	12	91	125	£9,558	£22,114
Northampton	232	61	112	405	£30,967	£22,114
Nottingham City	293	97	34	424	£32,420	£22,114
Nottinghamshire	254	46	195	495	£37,848	£22,114
Rutland	2	0	27	29	£2,217	£22,114
Total	1284	320	999	2603	£199,029	£199,029

Option 3) How Northamptonshire would recover the costs of supporting the implementation phase (see section 10)

If all 9 local authorities participate in the new contract and option 3 is preferred (with Northamptonshire bankrolling and then recovering the implementation costs) then Northamptonshire's management contribution as highlighted in the yellow cells above would be divided pro-rata between the other 8 local authorities and added to their annual contribution in the first 2 years of the contract.

Alternatively table I below, demonstrates the contributions if only 6 local authorities participate, based on the current regional framework participants.

Table I : If just the 6 local authorities participating in the current framework share the ongoing management cost

	Calculation of placement volume as at 31/3/2014				Contribution	
Local Authority	Fostering	Residential	Schools	Total	Placements	Equal Share
Derby City	145	15	130	290	£29,239	£33,172
Derbyshire	185	54	92	331	£33,373	£33,172
Leicester City	0	0	0	0	£0	£0
Leicestershire	0	0	0	0	£0	£0
Lincolnshire	0	0	0	0	£0	£0
Northamptonshire	232	61	112	405	£40,834	£33,172
Nottingham City	293	97	34	424	£42,750	£33,172
Nottinghamshire	254	46	195	495	£49,908	£33,172
Rutland	2	0	27	29	£2,924	£33,172
Total	1111	273	590	1974	£199,029	£199,029

Option 3) How Northamptonshire would recover the costs of supporting the implementation phase (see section 10)

If just 6 current local authorities participate in the new framework and option 3 is preferred (with Northamptonshire bankrolling and then recovering the implementation costs) then Northamptonshire's management contribution as highlighted in the yellow cells above would be divided pro-rata between the other 5 local authorities and added to their annual contribution in the first 2 years of the contract.

9. Timescales

Table J below describes the timescale for each stage of the process yet to implemented. Providers in the market have already been informed that the original regional contracts will be extended until the new contracts starts, which will be before the end of December 2015.

Table J

Description	Timescale	Date
Decision by DCSs	1 Month	November 2014
Specifications and contract developed	4 months	November 2014 to April 2015
Contracts agreed by all LAs	1 Month	April 2015
Advertise tender	3 Months	April 2015 to July 2015
Evaluate tender	3 Months	July 2015 to October 2015
Award Contracts	1 Month	October 2015
Contracts Start	1 Month	November 2015

Supporting background information

10. Current Position

Currently there is a mixture of commissioned services ranging from spot purchase to regional collaboration arrangements. This paper examines the possible future options and makes recommendations on these.

Table A shows the current average weekly costs for each local authority for the following services:

- Fostering
- Residential
- Independent schools

Table A

Local authority	Fostering	Residential	Schools
	Avg Weekly Cost	Avg Weekly Cost	Avg Weekly Cost
Derby City	£856	£3,290	£960
Derbyshire	£826	£3,458	£971
Leicester City	£763	£2,987	£1,448
Leicestershire	£746	£3,208	£1,159
Lincolnshire	£783	£4,168	£1,491
Northamptonshire	£830	£3,159	£1,141
Nottingham City	£807	£3,478	£2,175
Nottinghamshire	£817	£3,319	£1,112
Rutland	£763	£0	£1,199
Total	£815	£3,389	£1,196

Essentially, these figures do not always compare like with like. The costs above are based on the information returned from each local authority and it is important to understand the difference in service level between the regional framework contract for fostering and residential services, in comparison to the spot purchase arrangements of Leicester City, Leicestershire, and Lincolnshire. For example, transport costs and equipment for hobbies, are both within the fees for regional framework placements, and providers are also expected to provide minimum levels of savings, pocket money and allowances to children, for regional framework placements.

11. Demand and Supply

There has been a significant growth in demand over the last 3 years for all of the services under review as demonstrated in table B and the trend is continuing upwards.

Table B

Service	2012	2013	2014	Growth (no)	Growth (%)
Fostering	809	1177	1284	475	59%
Residential	223	258	320	97	43%
Schools	761	893	1000	239	31%
Total	1793	2328	2604	811	45%

- i. This clearly demonstrates the increasing need for the external market and highlights the importance of positively engaging with the market to ensure the local authorities continue to meet demand, and receive high quality, and cost effective services.
- ii. Challenges for the local authorities also include :
 - the increasing complexity of young people requiring a foster placement, where numbers have risen from 18 to 60 during the last 3 years for the 6 local authorities in the current regional framework contract.
 - the increase in the number of pupils who have diagnosis of ASD and BESD, which have increased significantly during the last 3 years, as demonstrated in table C.

Table C

Educational Needs	2012	2013	2014	Growth (no)	Growth (%)
ASD	236	296	306	70	30%
BESD	313	390	423	110	35%
HI	96	100	106	10	10%
SLD	32	42	43	11	34%
SPLD	59	39	45	-14	-24%
VI	13	13	7	-6	-46%
Total	749	880	930	181	24%

- iii. Local authorities also need to take into account the rationalisation of providers in the market, with the larger mainstream providers increasing in size, and the reduction in the number of smaller providers, who are tending to specialise more.
- iv. Probably the biggest challenge for local authorities is one for the internal market, and finding ways to increase their own provision to reduce the reliance on the external market. This area needs much more understanding, and investigation, in order to produce a thorough analysis of internal costs.

12. Options for collaboration

During the field work to develop this proposal, the lead LA officers have requested a summary of the options for regional collaboration around placement procurement.

There are a number of different options for consideration:

- 1. No regional agreements**
- 2. Regional agreement for all local authorities**
- 3. Mixed economy with some regional agreements**

1. No regional agreements

Positive	Negative
<ul style="list-style-type: none"> a. This would enable each local authority to have the autonomy to make decisions independently of other authorities and prioritise their individual needs on every occasion. b. Local authorities could start, amend and terminate contracts as they wish, without consultation with other local authorities. c. There would be the potential for more risk taking in individual authorities. 	<ul style="list-style-type: none"> a. Reduction in buying power and market share. b. Open to influence by the market. c. Providers will prioritise larger regions / local authorities d. Lack of potential to reduce price through negotiation / discounts

2. Regional agreement for all local authorities

Positive	Negative
<ul style="list-style-type: none"> a. Increased knowledge and information sharing between authorities, allowing the potential to shape and influence the market / providers. b. Increased buying power. c. Increased influence on the market to shape services and improve quality. d. Potential to reduce costs by avoiding duplication. e. Numerous opportunities to reduce cost through negotiation / discounts. f. Ability to promote 1 set of high standards and a consistent message to the market / providers. 	<ul style="list-style-type: none"> a. Reduction in flexibility as all local authorities would be involved in decision making. b. Less risk taking as this would be dependent on lowest acceptable risk by authorities. c. Decision making could be more convoluted with 9 local authorities involved.

3. Mixed economy with some regional agreements

Positive	Negative
<ul style="list-style-type: none"> a. Opportunity to collaborate on local issues (City and County) for some projects b. Limited increase in knowledge and information sharing between authorities, allowing the potential to shape and influence the market / providers. c. Limited increase in buying power. d. Limited increase of influence on the market to shape services and improve quality. e. Limited potential to reduce costs by avoiding duplication. f. Limited opportunities to reduce cost through negotiation / discounts. 	<ul style="list-style-type: none"> a. Reduction in flexibility, as various local authorities would be involved in decision making. b. Less risk taking as this would be dependent on lowest acceptable risk by authorities. c. Decision making could be more convoluted with various local authorities involved. d. Dilute the power of the region working together. e. Potential reduction in buying power and market share. f. Possibly open to influence by the market. g. Providers may prioritise larger regions / local authorities h. Possible lack of potential to reduce price through negotiation / discounts

(The mixed economy approach will have a variety of positive and negative implications, dependant on the number of authorities in any particular arrangement.)

As can be seen, the most effective solution is one of full collaboration across all local authorities but it would need to have benefits for everyone, and be flexible and inclusive. It must be able to respond to the changing needs of local authorities but, most importantly, it must meet the needs of the children for whom we are responsible.