

Members Briefing**August 2014****Market Position on Commissioning of Residential Children's Care Provision****Introduction**

1. At the Targeted Service Review of Children's Social Care Services on 23 July 2014, a market position was requested of commissioning approaches for residential children's care provision.
2. Nottinghamshire is proposing to re-commission its residential children's care provision so that rather than spot-purchasing these placements, the authority enters a long-term contract with a smaller number of providers. The current commissioning arrangements are not consistently providing positive outcomes for our most vulnerable looked after children.
3. Other commissioning managers at other local authorities in the East Midlands were contacted. In addition, desktop research was undertaken and where appropriate, commissioning managers at other local authorities were contacted.

Commissioning models at other local authorities

4. At present Nottingham City; Rutland; Derby City; Derbyshire and Derby City Commission their Residential Placements using the East Midlands Framework Contract for the purchase of Residential Placements. Nottinghamshire County Council operates instead within the Nottinghamshire Approved Provider List (NAPL), which has been found to be more cost-effective than being part of the regional framework.
5. Within the East Midlands Region, development work is being undertaken to review the existing East Midlands Framework for residential Placement Commissioning. This will conclude in the autumn and the region will consider whether or not it wishes to extend the Contract in the future.
6. Nottingham City and Nottinghamshire have both completed internal reviews to look at Sufficiency and Costs of all Looked After Children's Placements and created Placements Commissioning strategies which meet local need.
7. Both Nottinghamshire and Nottingham City have concluded that the way to increase capacity, improve quality and reduce the costs of residential placements is to enter into a fixed-price contract with a smaller number of providers. Within this contract there will be leverage to scale the contract up or down according to need.
8. Nationally whilst a number of other authorities are beginning to review their Placement Budgets and reach similar conclusions to Nottingham City and Nottinghamshire County Council, a number of authorities have already entered into Block Purchase arrangements.
9. Shropshire County Council entered in to a fixed price contract with a single provider in 2008, and due to its success scaled up the number of residential care beds within the block.
10. Other local authorities who are either considering or have taken up this option include Darlington; Oldham and York, Stockton-on Tees. Herefordshire County Council also entered a similar arrangement with six other local authorities.

Decommissioning arrangements

11. At the challenge panel, there was particular discussion in relation to the most appropriate contract length. A seven year contract is recommended to ensure that the contract is financially viable for providers and achieves the savings targets proposed.
12. The contract will, however, have a robust performance management framework that will allow the Council to decommission the provider if the quality is not good. A protocol for working with a provider where a home with NCC placements in is rated below good will also be put in place.
13. The contract will include a 1 year 'no fault' termination clause that allows either the Council or the provider to terminate the contract with a year's notice.
14. There is cost for the provider in going through a competitive process as well as the operational instability, and so a shorter contract build add to their level of financial risk. A longer contract will enable strong working relationships and the sharing of best practice with our existing internal provision.
15. In summary, the benefit of a longer contract is that it provides stability for the provider which means they will be able to offer a lower rate by spreading their capital costs with greater confidence.
16. A shorter contract could be considered, but will reduce anticipated savings and may impact on the number and quality of bids received through the tender exercise.

Conclusion

17. Commissioning approaches for residential children's care fit in to either a block purchase or spot purchase model. There are benefits and risks to both, but if procured and contract managed effectively, a block purchase approach has been proven to improve outcomes and reduce cost.
18. Nottinghamshire and Nottingham City will be the first local authorities to do this in the East Midlands, but a number of others are already doing this nationally.
19. A seven year contract is recommended to ensure that value-for-money is achieved. Robust decommissioning arrangements will protect the County Council should there be any issues with performance or quality.

Supporting documents

[Nottinghamshire County Council Looked After Children Placement Commissioning Plan \(April 2013\)](#)
[Nottingham City Block Contract for Children's Residential Care \(July 2014\)](#)
[Action research into the more effective strategic commissioning of children's residential care homes \(July 2013\)](#)
[DfES Children's Services. Children's Homes and Fostering \(2004\)](#)

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