

North Tyneside Council Report to Cabinet Date: 13 February 2017

ITEM 6(b)

Title: NE12 Regional
Procurement – Children’s
Homes, Short Breaks and
Independent Special
Schools

Portfolio(s): Children, Young People and
Learning

Finance and Resources

Cabinet Member(s): Councillor Ian
Grayson

Councillor Ray
Glindon

Report from Service
Area:

Health, Education, Care and Safeguarding

Responsible Officers:

Jacqui Old, Head of Health, Education, (Tel: (0191) 6437317)
Care and Safeguarding

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Commissioning and Investment

Wards affected:

All Wards

PART 1

1.1 Executive Summary:

The NE12+ group which consists of the twelve local authorities of the North East plus the associated Clinical Commissioning Groups (CCGs) undertook a procurement exercise in 2015 for placements for children and young people aged 0 to 25 in independent and non-maintained special schools and colleges. Following this procurement a framework agreement was put in place for this provision, which is due to end in August 2017. The procurement exercise was approved by Cabinet on 9th March 2015.

The commissioning exercise for the next phase of this arrangement is in progress, with Newcastle City Council as the lead authority. It is proposed new framework agreement will incorporate the existing specification and the scope has additionally been widened to include the following categories:

- (1) Placements in DfE registered non-maintained and independent special schools and colleges for children and young people 0-25 years; day, boarder and full residential placements,
- (2) Placements in Ofsted registered, independent children’s residential homes for children and young people aged 0-18 years, and
- (3) Residential short-break services for children and young people with disabilities aged 0-18 years.

The new framework will be in place following the end of the existing arrangements.

Whilst Contract Standing Order 24 allows for joint procurement arrangements with other local authorities or public bodies, the estimated potential total cost of services to be procured by the Authority under the new contract, based upon recent spend, will exceed £500,000 and therefore Cabinet approval is required to enable the Authority to be involved in the procurement..

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) authorises the Head of Health, Education, Care and Safeguarding, in consultation with the Elected Mayor, Cabinet Member for Children, Young People & Learning, Cabinet Member for Finance and Resources, the Head of Finance and the Head of Law and Governance to proceed with the procurement exercise being led by Newcastle City Council on behalf of NE12+ that will establish a regional arrangement for contracts with children's homes, residential short break providers and non-maintained and independent special schools and colleges. The contract period will be agreed in due course following consultation with legal and procurement representatives from all twelve authorities; and
- (2) authorises the Head of Health, Education, Care and Safeguarding, in consultation with the Strategic Manager Finance, the Head of Law and Governance and Cabinet Member for Finance and Resources to enter into the NE12+ framework agreement following the procurement and subsequent call off contracts under the arrangement.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 21st November 2016.

1.4 Council Plan and Policy Framework

This report relates to the following priorities in the Our North Tyneside Plan.

Our People will:

- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, wellbeing and independence.
- Be cared for and safeguarded if they become vulnerable.

This report also relates to the following priorities in the Children and Young People's Plan (2014-2018).

Ready for Work and Life:

- Narrow the gap in educational outcomes.
- Ready for employment.
- Reduce risk taking behaviour.

Safe, Supported and Cared For:

- The most vulnerable children and young people are protected.
- Improved outcomes for looked after children.
- The right support for children and young people with disabilities and additional needs.

1.5 Information:

1.5.1 Background

The Authority requires the services of external children's homes, residential short break providers and independent or non-maintained special schools and colleges when internal provision is unable to meet the specific needs of a child or where there is insufficient capacity within internal services.

The Authority's internal provision consists of:

- Children's Homes
 - Sycamore House (medium to long term children's home for young people with emotional, behavioural and social difficulties aged 10-17 years)
 - Riverdale (assessment unit and emergency bed for young people with emotional, behavioural and social difficulties aged 10-17 years)
 - Heatherfield Mews (long term placements for children and young people with disabilities aged 7-17 years)
- Residential Short Breaks for Children and Young People with Disabilities
 - Addison Street (for children and young people aged 8-17 years)
 - Heatherfield Mews (for children and young people aged 7-17 years)
- Special Schools
 - Beacon Hill School (for children and young people aged 2-16)
 - Benton Dene School (for children and young people aged 5-11)
 - Southlands School (for children and young people aged 11-16)
 - Silverdale School (for children and young people aged 7-16)
 - Woodlawn School (for children and young people aged 2-16)

1.5.2 Analysis of spend and demand

The demand for placements within children's social care and education is variable and the type and cost of placements depends upon the individual needs of children and young people. It is therefore difficult to accurately predict future demand. Financial information and data from the last three full years is provided in order to give an indication of the value of the services.

The total annual spend on external placements over the last three full years was as follows:

	2013/14 (£)	2014/15 (£)	2015/16 (£)
Children's Homes	1,861,896	2,401,949	3,445,719
Special Schools and Colleges	1,064,443	508,891	607,992
Short Breaks	75,001	75,616	58,349

The number of external placements funded over the last three years was as follows:

	2013/14	2014/15	2015/16
Children's Homes	21	27	40
Special Schools and Colleges	25	25	25
Short Breaks	-	-	14

(n.b. comparable data for short breaks from 2013/14 and 2014/15 is not available).

External children's homes represent the most significant area of spend out of the three categories and the number of placements and annual spend have increased over the last

three years. One of the main aims of the Transforming Children's Services Programme, the next phase of which is due to commence in 2017/18, is that the number of external children's home placements will reduce. The vision for the next phase of the programme is articulated in the following three pledges:

- Pledge 1: we intervene early with evidence based, family focussed services.
- Pledge 2: we work in partnership to keep children in school
- Pledge 3: we keep them safe at home and connected to their local communities.

Although demand for external children's homes is expected to reduce, there will still be some looked after children whose needs cannot be met by an in-house foster care placement or by an internal children's home. This may be for example a young person with complex disability and health needs or a young person with sexually harmful behaviour who requires a specialist placement.

The majority of the Authority's short break provision is delivered by internal short break units; Heatherfield Mews and Addison Street. Only when they are unable to meet the needs of a child is an external service purchased. The main external provider for the Authority is St Oswald's Hospice which provides short breaks for children with life limiting conditions for 10 young people. Children accessing St Oswald's require a level of nursing support that cannot be provided by our internal services.

The Authority's internal short break provision is currently under review. As part of this process social workers are reassessing all allocated short breaks in order to ascertain whether the short break is still required, to provide challenge where necessary and to assess whether the needs of the young person may be better met by the provision of a personal budget or by the Special Educational Needs and Disabilities Local Offer. Overall demand may therefore reduce but it is likely that in some cases due to the specific needs of a child, the services of an external provider will still be required.

Demand for placements in independent and non-maintained special schools and colleges has remained steady over the last three years. The existing framework agreement will be reviewed as part of this exercise. This is covered in more detail in section 1.5.3.

1.5.3 Update on the outcomes delivered under NE12+ Phase 1

The procurement exercise for Phase 1 was undertaken in 2015. Approval for the Authority to participate in the procurement exercise was granted by Cabinet on 9th March 2015.

The scope of NE12+ Phase 1 was placement in DfE registered non-maintained and independent special schools and colleges for children and young people 0-25 years; day, boarder and full residential placements.

13 Providers representing 22 settings were successfully appointed to a two year (12 months plus 2 x 6 month options to extend) framework agreement which commenced on 1 February 2016. From this date the NE12+ authorities have been able to arrange placements with providers on the framework agreement. The framework has been designed to enable flexibility so that the NE12+ authorities have the ability to commission bespoke placements which meet the assessed needs of individual children and young people as identified in their Education, Health and Care Plans.

The framework was established in order to provide a range of outcomes, these include:

- (1) To ensure good and improving outcomes for children and young people.
 - Placements commenced in September 2016, outcomes will be monitored by individual operational teams during the year.
- (2) To ensure relationships with all providers are good and improving; open and transparent.
 - The NE12+ are currently doing business with 13 independent special schools and colleges appointed to the Phase 1 solution and good working relationships have been built with them. Over 66 providers have expressed an interest in Phase 2 market engagement sessions indicating that the market would like to work with local authorities to make improvements to their current arrangements.
- (3) To increase financial efficiencies and value for money in all placements.
 - The Authority has the lowest number of placements in non-maintained and independent special schools across the region and placement cost reductions due to placement transfers for the 2016/17 academic year are modest at £3,888. Region wide cost reductions for the 2016/17 academic year as a result of placement transfers equated to £88,465.54.
 - The framework sets out that for any existing placements transferred to the framework, the financial detriment to either party would be capped at 10% in order to ensure stability for both parties.
 - The modest level of cost reductions reflects the relative immaturity of the market. The expectation is that more providers will join the arrangement during Phase 2 and the analysis and learning from Phase 1 will inform development of the financial model with the aim of achieving further financial efficiencies during Phase 2.
- (4) To achieve financial transparency in placement costs .
 - Historically local authorities knew how much they were paying for their placements but did not know exactly what they were getting for their money. Through this new arrangement, full financial transparency has been achieved for all placements made.
- (5) To achieve fairness of financial contribution from Health, Education and Social Care in those instances where placements are jointly funded.
 - Attendance by Health colleagues on pre and post-16 inclusion panels enables discussions around individual placements. The level of involvement and financial contribution from Health varies across the region and work is underway to improve this within North Tyneside. Further analysis of costs for the education, social care and health elements will be undertaken as part of the Phase 2 development work.
- (6) To ensure a consistency of quality across all providers.
 - A standardised regional quality monitoring document was agreed through the Phase 1 process which is completed by the nominated 'Link Officers' during their provider monitoring visits.
- (7) To encourage and enable growth in the local market in order to provide a range of choice and suitable placements to meet the needs of children and young people.
 - Two framework providers have opened new satellite delivery points since the commencement of the new arrangement and one new independent school has opened in Sunderland. There is evidence from the placement process that flexible offers are made from providers in order to meet need.

- (8) To establish 'harmonised' terms and conditions for providers and purchasers.
- This has been achieved through the Phase 1 process as all placements made through the framework agreement from 1 February 2016 are based on the same terms and conditions. Providers who agreed to transfer their existing placements have done so by moving them onto the same terms and conditions of the framework agreement.

1.5.4 Development of NE12+ Phase 2

In April 2016 an exercise was held with NE12+ participating organisations to consider the potential scope of NE12+ Phase 2. It was agreed that the scope would be the scope for Phase 1 further widened and to include the following categories:

- (1) Placements in DfE registered non-maintained and independent special schools and colleges for children and young people 0-25 years; day, boarder and full residential placements,
- (2) Placements in Ofsted registered, independent children's residential homes for children and young people 0-18 years, and
- (3) Residential short-break services for children and young people with disabilities aged 0-18 years.

The commissioning phase of Phase 2 is in progress and the NE12+ group have commenced a period of consultation with internal and external stakeholders. This is covered in detail in section 2.3.

The desired outcomes for Phase 2 will be in line with those described in section 1.5.3.

Procurement and legal representatives for each of the 12 authorities are working together to agree an approach for a bespoke regional procurement solution.

It is anticipated that Newcastle City Council as the "Lead Authority" will go out to tender in March/April 2017 to procure the new solution which will commence on 1st September 2017. Full sign-off from each of the participating organisations will be obtained prior to going out to tender, together with approval to proceed from the North East Procurement Organisation (NEPO) Regional Procurement Gateway Panel.

Financial modelling is being undertaken by a member of Newcastle City Council's finance team with the aim of developing capped rates for each type of service which are both advantageous to local authorities and sustainable for providers. The model will consist of a fixed price for a standard placement with an additional menu of services which will allow placements to be tailored to meet individual assessed needs of children and young people.

The financial model will be finalised in February 2017 following consultation and agreement by individual local authorities. The capped rates will be based on analysis of provider cost breakdowns, placement fees paid by authorities, cost breakdowns for internal services and benchmarking with other regional solutions across the country.

The level of any efficiencies will depend on the number of children and young people in placement at the start of the new arrangement and their individual assessed needs. It will also depend on which providers successfully join the new arrangement and therefore which placements will transition to the new pricing structure. It should be noted that placements in independent and non-maintained schools and colleges are funded via

the Dedicated Schools Grant (DSG) which is ring fenced, so any efficiencies for this element would be reflected in the DSG rather than the General Fund.

Current practice for local authorities in relation to the placement of children and young people aged 0 – 25 in children’s homes, for short breaks or schools is to seek a suitable placement internally before seeking a placement from the external market. The NE12+ authorities are pursuing an arrangement which would enable them seek a placement internally and if this is not successful to purchase in-house placements from each other prior to seeking a placement from the external market. Under this arrangement if the Authority is unable to identify an internal placement, NE12+ authorities could be approached although would not be obliged to offer a placement. Similarly if the Authority is approached by another NE12+ authority there would be no obligation on the Authority to offer a place to other NE12+ authorities unless there is sufficient capacity available and the Authority consents to the arrangement. The result would be a tiered effect as outlined below:

- First Stage – seek a placement internally within own authority;
- Second Stage – seek a placement with any of the other 11 North East authorities;
- Third Stage – seek a placement from the external provider market.

1.6 Decision options:

The following decision options are available for consideration by Cabinet.

Option 1

Cabinet approves that the Authority participates in the regional procurement exercise to establish an arrangement for contracts with children’s homes, residential short break providers and non-maintained and independent special schools and colleges in accordance with paragraph 1.2 above.

Option 2

Cabinet does not approve that the Authority participates in the regional procurement exercise.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

This regional collaborative arrangement is in keeping with regional priorities leading to more efficient service delivery. The Authority will benefit from a standardised and transparent pricing structure, consistency of quality across all providers and a more developed local market which can provide a range of placements to meet the needs of children and young people.

If the recommendation is not approved, the need to purchase external placements will continue and the Authority will need to undertake a separate procurement exercise without the benefits of collaborating with the rest of the region.

1.8 Appendices:

No appendices.

1.9 Contact officers:

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Mark Taylor, Strategic Commissioning Manager, Commissioning and Investment, tel. (0191) 643 8755

Alison Campbell, Senior Business Partner, Finance, tel (0191) 643 7038

1.10 Background information:

No background information.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The level of spend on the services covered by this report is outlined in section 1.5.1. The expectation is that the level of demand for placements in children's homes which represents the largest area of spend will reduce as a result of the Creating a Brighter Future Programme. There will still be some demand for external placements however and this solution will allow the authority to purchase placements at standardised rates.

Financial modelling is being undertaken by Newcastle City Council's finance team in order to set capped rates which are advantageous to local authorities whilst also being sustainable for providers. The Authority's finance team have reviewed and provided comment on the proposed model for children's homes and will have the same opportunity for the short breaks and schools proposals. It should be noted that placements in independent schools and colleges are funded via the ring fenced DSG so any efficiencies for this element would not be reflected in the General Fund.

2.2 Legal

The Authority's Contract Standing Orders allow joint procurements to be undertaken. As the value of the contract as a whole exceeds the threshold of £500,000, this procurement requires Cabinet approval. Any procurement process will be undertaken in accordance with the EU and UK public procurement requirements and the procurement policy of Newcastle City Council as the lead authority. An award will be based on the most economically advantageous tender and the successful tenderer(s) will be appointed on terms and conditions approved by the Head of Law and Governance.

An NE12+ Officers Group exists in order to address any governance issues which may arise regarding the solution and providers. In addition Newcastle City Council will take any enforcement action necessary against any defaulting provider.

Newcastle City Council as Lead Authority will award the contract. The Authority would award call-off contracts under the framework agreement and can terminate any call off contract in accordance with the individual contract terms without terminating the overarching contract

therefore protecting the Authority's position. Call off contracts will be awarded following either a mini-tender or a direct award as necessary / appropriate.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Internal consultation has taken place with:

- operational managers including the Senior Manager for Looked After Children, Sycamore House Children's Home Manager and the Disability and Additional Needs Service Manager;
- commissioning, procurement, finance and legal representatives; and
- North East Regional Directors Group.

2.3.2 External Consultation/Engagement

Consultation with children and young people along with parents/carers is in progress. Questionnaires have been distributed and will be collated and analysed in January 2017. A parent/carer representative regularly attends the NE12+ officer's group meetings and was involved in the design of the questionnaire.

Engagement with Provider markets has taken or will take place as follows:

- July, August, September and November 2016 – engagement with independent children's residential home providers
- September, October and November 2016 – engagement with residential short break providers
- November and December 2016 – engagement with non-maintained and independent special schools and colleges
- January 2017 – engagement with the full market and a period of consultation on the final proposed commissioning model for NE12+ Phase 2.

Newcastle City Council, as Lead Authority, has met with a representative from Ofsted, the Independent Children's Home Association (ICHA) and has sent invitations for meetings with other key stakeholders including:

- Department for Education,
- Education Funding Agency,
- National Association of Special Schools, and
- Association of Colleges

2.4 Human rights

There are no human rights implications arising from this report.

2.5 Equalities and diversity

There are no direct equality and diversity implications arising from this report.

2.6 Risk management

Any risk management issues will be included with the Authority's risk register and managed by this process.

2.7 Crime and disorder

There are no crime and disorder issues arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive x
- Head(s) of Service x
- Mayor/Cabinet Member(s) x
- Chief Finance Officer x
- Monitoring Officer x
- Head of Corporate Strategy x