

Summary of Shaping the Market Project

March 2011

REIP Project number – 944

Background to the project:

During 2006, the region undertook a supplier spend analysis which identified that, of the region's £3bn spend with external suppliers, social care (both adults and children's services) represented around £370m (14%). It was recognised in the East Midlands that there would be real benefit in local authorities collaborating regionally in order to better manage the market and deliver improvements and efficiencies.

This led to officers across the region developing a bid for the East Midlands Improvement and Efficiencies Partnership (EMIEP), which was eventually called 'Shaping the Market for Looked After Children'. The overall aim of the project was to work on a cross regional basis to better manage and shape the market for looked after children in relation to residential and foster care placements.

Leicester City Council has hosted this project on behalf of the region and a project board has been in place since 2008 with representation from key senior officers from local authorities across the region. In 2009 the project made links with the Joint Regional Improvement and efficiencies plan (JRIEP) and has reported progress to the JRIEP Commissioning Steering Group on a regular basis.

In September 2010 project management of Shaping the Market transferred from Charles Greer, who successfully achieved a promotion in another authority, to Peter Chilvers and Mark Lambell from the SDSA who ensured the work was carried through to a successful conclusion at the end of the 2010-11 financial year.

Milestones:

During the financial year ending March 2011 the following milestones were agreed and are scheduled to be completed:

- Implementation of the Regional Framework for foster and residential care
- Development and launch of the online Care Cost Calculator for foster care
- Developing further efficiency opportunities in Children's Services
- Improved use of management information

Regional Framework

The regional framework for foster and residential care placements has been developed over the second half of the 2010-11 financial year with new contracts beginning on April 1st 2011. Across the region 8 of the 9 local authorities chose to be involved in developing and evaluating the framework

which was led by Northamptonshire County Council. The invitation to tender was put out in August 2010 with a deadline for responses in early October. The process was managed through the Bravo system operated by the team in Northamptonshire and over 90 organisations submitted a bid for one or more of the 5 'lots'.

Once tenders had been submitted all 8 local authorities were involved in scoring the tenders through a rigorous process which included moderation by the Northamptonshire procurement team. The price submitted by provider was divided by the quality score to give a price per unit of quality. This result was then used to rank providers as: preferred providers, reserve preferred providers and other providers. In future local authorities will purchase more placements from preferred providers where possible as they offer the best price and quality.

To support the ongoing management of the framework a central team, based in Northamptonshire, will provide a key regional function to police the framework and performance manage providers of behalf of the other local authorities. The cost of this resource will be met from the savings made from the 6 LAs that have opted into the framework on April 1st 2011. In addition a regional handbook has been created which explains the background to the framework and how it will be used and managed over its 4 year lifespan.

The framework will make a saving on existing placements of over £1.8m in the first year with additional savings being made in subsequent years due to prices being fixed for the life of the framework.

Foster Care Cost Calculator

The Foster Care Calculator (www.fostercarecalculator.co.uk) has been developed to assist LA commissioners in negotiating a fair price for independent foster care placements. The tool is a web based calculator, not dissimilar to an insurance price comparison site, which provides a competitive market price for the placement. There is the option to either do a quick calculation or provide login details and save calculations in an encrypted area. The online calculator has been developed in consultation with LA commissioners in the East Midlands and with the South East IEP which has developed the adult funding calculators.

The calculator has been developed for the East Midlands and utilises prices and structures from the regional framework tender. However, it has been developed with functionality to be a national tool and is capable of storing and quoting prices for all regions in England.

It is difficult to measure the savings that might be achieved by the development of the Foster Care Calculator. It will be possible to measure site usage and the number of calculations that have been made but will be more difficult to quantify the savings achieved through negotiation after using the tool to ascertain a competitive price.

Developing further efficiency opportunities in Children's Services

A consultation was carried out with DCSs in October 2010 to understand the most pressing areas of expenditure that could be reduced through regional and sub regional collaboration. This process resulted in a number of regional and sub regional priorities for collaboration. These included: school improvement, high cost placements, transport, regional safeguarding and youth services.

The information gathered in the initial consultation was used to develop a series of efficiency plans around the key themes identified by DCSs. These included:

- School improvement strategy development – a group of around 80 leading head teachers from around the region met to scope future possibilities for school improvement service specification and delivery options. This is being followed up by seminars in June that have secured significant support from the National College
- Regional safeguarding support – 2 new editions of Assured Safeguarding and workshop support to investigate a ‘family approach to safeguarding’
- Youth offer and teenage service development – options for change presented to DCSs
- Tackling high cost residential placements – see below

In March 2011 a seminar was held at Pera in Melton Mowbray around high cost placements to which providers and commissioners were invited. The seminar looked at a series of solutions that had been adopted across the country and heard the current position from the commissioner and providers perspective. This seminar developed the key elements of a collaborative efficiencies programme which will be carried out within the emerging 2011-13 joint children’s and adults efficiency programme. Their suggestions included:

1. Developing, sharing and analysing a ‘clean’ data set around high cost placements to enable partners across the region to begin to combine purchasing power. Early identification of children with long-term needs coming through the system to better plan for them.
2. Get on with regional commissioning in some specialist areas immediately: eg purchasing technical disability equipment (create access to contract for high cost providers?), specialist and respite fostering, look at adoption services.
3. Look at families’ holistic care, esp with complex families to look at ‘total spend’ not just single service spend – community budget/think family
4. Develop collaborative block purchasing, framework contracts and shared services in response to data analysis above and to grow new and local provision.
5. Develop an online portal (similar to WM) to provide a one-stop-shop for placement activity (referrals and market mapping etc) to increase efficiency across the region by reducing repetitive admin and support market management.
6. Ensure current PCT commissioning of CAMHS/Disability is placed within the LA-led integrated commissioning function, i.e. not with GPs
7. Strengthen transition pathways with development of direct payments/personal budgets from 14 (or younger).
8. Watch out for potential growth of ISS academies as free schools

Improved use of management information

For three years of the Shaping the Market project the region has subscribed to the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out benchmarking activity on the regions spend on foster and residential care placements. To carry out the benchmarking activity CIPFA required local authorities to complete an assessment of their social care placements, which 7 of the 9 returned within the required timescale.

The reports benchmark the spending patterns of each local authority against others in the region, and the rest of the country. It has been used to indicate activity levels, trends concerns and potential areas for collaboration. By carrying out this activity again in 2011 and into the future it will provide

important data on the effect of the framework on regional procurement patterns compared to an era where spot purchasing was more prevalent.

Finance:

This regional project was financed by EMIEP against agreed delivery milestones. From project inception to April 2010 the sum of £106k had been drawn down and a further £150k was spent supporting projects in the 2010-11 financial year. In total £256k has been spent which should result in a saving of over £8.8m during the next 4 years with a number of non quantifiable additional benefits being realised.

Savings achieved:

The overall measureable savings that have been achieved from the project across the region are summarised below:

Activity	Financial year	Saving
Collaborative fee negotiation	2010-11	£943,271
Framework tender cost reduction (year 1)	2011-12	£1,867,750
Framework tender cost reduction (year 2)	2012-13	£1,942,460*
Framework tender cost reduction (year 3)	2013-14	£2,020,158*
Framework tender cost reduction (year 4)	2014-15	£2,100,964*
Total measureable savings		£8,874,602

* Estimated saving based on 4% inflation and a similar number of placements to those currently purchased. Savings could be higher as existing placements come to an end, and new placements are purchased from preferred providers who may offer better value.

The table below indicates the expected savings that will be made by the 5 local authorities using the framework from April 1st 2011:

Local authority	Saving per week	Saving per year
Derby City	£4,741	£246,532
Derbyshire	£4,581	£238,231
Nottingham City	£9,701	£504,427
Nottinghamshire	£12,477	£648,791
Northamptonshire	£4,419	£229,768
Rutland	£0	£0

*Rutland won't make a saving in the first year but have opted into the framework so will be able to make new purchases using framework prices and will potentially make savings in the future.

In addition to the savings listed above some local authorities were able to negotiate long term discounts with providers without opting into the framework. It is felt these negotiations were only possible due to the regional procurement activity which exerted a downward pressure on prices.

The Shaping the Market project has also undertaken activity which, although difficult to measure at present, may result in significant savings over the coming years. The results of work on the Foster Care Calculator, further efficiency activity, and improved management of framework providers may all show as savings through the CIPFA benchmarking reports in future years.