

Commissioning and Procurement Executive Committee – 11 February 2025

Subject:	Fee Rates for Children’s Services 2025/26		
Corporate Director:	Sarah Nardone - Children’s Education Services		
Executive Member:	Councillor Barnard - Children, Young People and Education		
Report author and contact details:	Carla Gater, Contracts, Quality and Performance Service Manager Carla.gater@nottinghamcity.gov.uk		
Other colleagues who have provided input:	Tania Clayton Pérez - Finance Tom Button - Legal Jo Pettifor - Procurement		
Key Decision	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	Subject to call-in
			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Reasons:	<input checked="" type="checkbox"/> Expenditure	<input type="checkbox"/> Income	<input type="checkbox"/> Savings of £750,000 or more
taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the city			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of expenditure:	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital		
Total value of the decision: up to £0.860m			
Section 151 Officer expenditure approval			
Has the spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/a			
Commissioner Consideration			
Has this report been shared with the Commissioners’ Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Any comments the Commissioners wish to provide are listed in section 6 below.			
Wards affected: All			
Date of consultation with Executive Member: 30 January 2025			
Relevant Council Plan Key Outcome:			
Green, Clean and Connected Communities			<input type="checkbox"/>
Keeping Nottingham Working			<input type="checkbox"/>
Carbon Neutral by 2028			<input type="checkbox"/>
Safer Nottingham			<input type="checkbox"/>
Child-Friendly Nottingham			<input type="checkbox"/>
Living Well in our Communities			<input type="checkbox"/>
Keeping Nottingham Moving			<input type="checkbox"/>
Improve the City Centre			<input type="checkbox"/>
Better Housing			<input type="checkbox"/>
Serving People Well			<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):			
This report outlines proposed fee rates for Children’s placement services for the 2025/26 period. In accordance with its contractual obligations, Nottingham City Council is required to review fee rates annually for services it is statutorily mandated to provide. Communication with service providers will be conducted regarding these proposals, and all feedback will be thoroughly considered prior to the implementation of the new rates in April 2025. This approach aims to support a diverse and sustainable social care market, balancing financial responsibility with the imperative to maintain and enhance service quality for our children and young people.			

Exempt information: An appendix to this report is exempt from publication under paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972.

Financial advice is exempt under paragraph 3, as it includes commercially sensitive information pertaining to the Council's pricing structure and financial modelling. After considering all relevant factors, it is determined that the public interest in maintaining the exemption outweighs the interest in disclosing this information. Revealing the financial modelling to suppliers could compromise the Local Authority's ability to effectively manage the market, potentially resulting in higher costs.

Legal advice is exempt under paragraph 5, as it contains information protected by legal professional privilege. After considering all relevant factors, it is determined that the public interest in maintaining the exemption outweighs the interest in disclosing this information. The legal advice outlines the potential legal implications of the proposed course of action, which the decision-maker is entitled to consider without the risk of the Council's position being influenced by public disclosure of those implications.

Recommendations:

1. To approve the fee uplift proposal at option one of the exempt appendix to enable fee uplifts to be applied to current services.
2. To delegate authority to the Director of Commissioning and Partnerships, in consultation with the Director for Children's Education Services, to agree fee rates in accordance with the proposals detailed in Section 3 of this report and the exempt appendix, noting that, subject to approval, the agreed rates will be implemented from 1 April 2025.
3. To approve the total, spend of up to £0.860m, as outlined in the MTFP 25/26, including approval to spend against high-cost placements provision through the Councils scheme of delegation for Children's Care Packages.
4. To note that agreement is subject to final approval of the 2025/26 budget to be agreed at Full Council.

1. Reasons for recommendations

- 1.1 Nottingham City Council considers the uplift of fees for children's care placements on an annual basis and, in doing so, will take account of several factors within the context of the broader financial position of the Council. The Council has a statutory duty to ensure sufficient accommodation for its looked-after children and young people, which meets their needs in its authority area (section 22G of the Children Act 1989, 'the sufficiency duty'), balanced against budget commitments and pressures for the Council.
- 1.2 Where the Council are a part of any regional frameworks, there must be engagement with the other local authorities' party to these framework agreements, where the outcome of these discussions requires an agreed regional decision.
- 1.3 These proposals and the associated financial modelling are based on available information about service utilisation and demand (as of December 2024).
- 1.4 The recommendations presented take account of the implications of inflationary pressures on the children's placements market and aim to represent a fair allocation of funding to support the market across all accommodation service

areas. The proposals support a sustainable, efficient, and effective market within the available resources.

- 1.5 These proposals and the associated financial modelling are based on current full year financial forecasts in 2025/26, and the recommendations presented aim to represent a fair allocation of funding across the children in care sector.

2. Background (including outcomes of consultation)

- 2.1 Prior to 2024/25 uplifts have generally been awarded to all sectors within the care market. However, in 2024/25 consideration was given to applying the uplifts only to those sectors where there was a heightened risk or where sufficiency needs to remain consistent to meet demand of those entering into care. A similar approach has been taken for 2025/26 however some other services that wrap around children were reviewed.

- 2.2 In looking at the other services held by the Contracts Team for children's services, no uplifts apply to these contracts for the following reasons:

- Advocacy – currently being re-developed and tendered this year;
- Safer Families has no uplift for the duration of the contract;
- Secure placements set their own price, and Local Authorities have to use provider contracts;
- Translation services is corporate and has no uplift clause for the duration of the contract;
- Unregulated do not have uplift clauses, and placements are negotiated at the time of placement to achieve the best value for the Council;
- Supported Lodgings – had a new contract July 2024 with new prices submitted.

- 2.3 The Council commissions children's care placements (including residential care homes, supported accommodation and foster care) from external agencies through several contracted mechanisms. This includes collaborative framework agreements such as the D2N2 Children in Care Framework (D2N2 CiC Framework), the East Midlands Regional Framework, block contracting for residential and supported accommodation and spot purchasing arrangements covering all accommodation sectors.

- 2.4 Price reviews for these externally commissioned children's care placements are undertaken annually in line with contract terms and conditions and are ordinarily applied with a caveat that this is at the council's discretion. An increase in fee rates for placement takes effect from April 2024.

- 2.5 Decisions for price increases are based on a range of factors such as the current market position, cost of living indices and Office of National Statistics data. Specifically, consideration has been given to the National Living Wage, impact of changes to National Insurance and other pressures such as cost of living, and pensions. This proposal also considers the MTFP (Medium Term Financial Plan) position and other financial pressures.

- 2.6 Under the D2N2 CiC Framework, weekly prices can increase annually, at the discretion of D2N2 by 1.5% or CPI, whichever is the lower. Should CPI rise above 3%, the Contracting Councils will review the annual increase. The current CPI is 2.6% as of December 2024. The D2N2 CiC framework is joint with Derby City, Derbyshire County, and Nottinghamshire County Council's.

- 2.7 In the Autumn Statement issued November 24, it was confirmed that national living Wage would increase by 6.7% to £12.20. Energy prices are also set to rise following an increase in the energy price cap.
- 2.8 This proposal is put forwards against a backdrop of increased demands on children's social care, policy change, difficulty in attracting workers into the care sector, due to competition from other sectors and lack of capacity with the children's placement market.
- 2.9 Nationally, the children's placement market is functioning inefficiently. A market study into the supply of children's social care (undertaken by the Competition and Markets Authority in 2021/22 updated 2023) reported significant problems in how the placements market functions.
- 2.10 Concerns included a lack of placements (of the right kind in the right places) high-profit levels, pricing, and debt within the market's most significant private providers, this is still significant in the care market for 2025/2026.
- 2.11 The D2N2 CiC framework is the primary mechanism for commissioning new placements for children in residential and foster care, with 95% of new fostering placements and 48% of new residential placements made through this Framework over the budget year 2024/2025.
- 2.12 Uplifts for the legacy framework and SPOT purchase agreements are currently discussed through the Regional Financial Subgroup (SDSA), however the decision made by the Director of Children's Services (DCS) group for this year was that councils were to make individual decisions around fee setting, due to some Council's not having the financial capability to come to an agreed rate. Therefore, the purpose of the group is to mainly collate all the submissions from providers and then share intelligence on percentage uplifts in other local areas, if Councils are willing to do so.
- 2.13 Current number of Nottingham City external placements under each contract type (as of December 2024)

Contract Type	Number of placements	Contract Type	Number of placements
SPOT Residential	56	D2N2 Supported Accommodation	30
SPOT Fostering	21	EMRF Residential	0
SPOT Supported Accommodation	30	EMRF Fostering	35
Unregulated	5	Block H21	23
D2N2 Fostering	175	Block Supported Accommodation	7
Total number of existing external placements - 382			

- 2.13 Current cost of Nottingham City external placements based on weekly spend according to the ContrOCC system are shown in the table below (rounded to nearest £):

Contract Type	Actual weekly Spend	Contract Type	Actual Weekly Spend
SPOT Residential	£546,627	D2N2 Supported Accommodation	£37,817
SPOT Fostering	£16,263	EMRF Residential	£0
SPOT Supported Accommodation	£49,017	EMRF Fostering	£35,001
Unregulated	£101,075	Block H21	£ 97,240
D2N2 Fostering	£186,862	Block Supported Accommodation	£7,800 for 7 placements
Secure	£0	D2N2 Residential	£295,348
Total Current Weekly, Monthly & Annual Spend based on ContrOCC			
Total weekly spend minus unregulated	£1,271,975		
Total Monthly spend minus unregulated	£5,527,034		
Total annual spend minus unregulated	£66,324,405		
Total unregulated is for a 26-week period per child that is currently in unregulated	Average £20,215 per placement (currently five placements and time limited to 26 weeks), gives currently six-month projection £525,588 Finance will account for this separate from the uplift request amounts in this report		

3. Other options considered in making recommendations

- 3.1 The budget setting in this report is based on overall contingency planning due to the factoring of risks for providers, and then a negotiation starting point to offer providers which in turn will provide some cost avoidance to the Authority.
- 3.2 The SDSA process for collation of EMRF and SPOT Providers has only just commenced with no outcome of what providers are requesting as a significant increase at this point therefore the contingency value will support any anomalies that might occur from the SDSA exercise.
- 3.3 The application of uplifts to care package pricing introduces a potential risk, particularly due to inconsistent system usage, which may result in care packages not being set up correctly. In some instances, care packages may not be properly recorded as provisioned, leading to discrepancies which can cause significant forecasting inaccuracies. As a result, the financial and resource allocation processes could be compromised, making it challenging to plan effectively for future needs.
- 3.4 From the options proposed in exempt appendix one, option one is recommended. This option will support the Council to meet its statutory obligations in relation to Market Shaping and the delivery of a balanced budget.

4 Consideration of Risk

- 4.1 The key risks for each option have been outlined within appendix one.
- 4.2 Legal considerations of risk are to ensure that all statutory duties can be met for the services we are providing for children's social care.
- 4.3 It is proposed to send out communication with service providers on these proposals before April 2025. There is no appeal process however officers from Contracting and Finance will consider responses, if appeals are presented whereby severe unsustainability is evidenced and report the key themes and any risks arising, to the Director of Commissioning and Partnerships (C&P) in consultation with the Director for Children's Social Care (DCS).
- 4.4 Should the outcome of these exceptional appeals require consideration of significant changes to the proposals (with due regard given to the available budget), a further report will be submitted through the appropriate governance process.

5 Best Value Considerations

- 5.1 The service provision covered within this report is in place to support the Authority to meet a range of statutory duties.
- 5.2 The majority of commissioned services have been procured through a compliant process to ensure providers meet the required minimum standards, and in the case of services subject to a competitive tender, this included an evaluation of both price and quality to secure best value for money.
- 5.3 There are services currently in place whereby a spot arrangement has been agreed outside of a procurement process, however, work is ongoing to reduce the use of this practice, through the use of the Placements Team, however not all frameworks or block contracts can accommodate all children and young people with challenging behaviours and therefore specialist or solo accommodation needs to be sought when required to ensure corporate parenting duties are met.
- 5.4 Undertaking the work to identify appropriate fee levels for external placements and ensuring market sufficiency and sustainability ensures that the Council achieves the best value for its children. By working together across D2N2 and the East Midlands on the fee uplift the Council benefits from the more extensive buying power of the partnerships.
- 5.5 There is currently work being done to mitigate spending in the children in care placements market.
- 5.6 Utilising panels, the process of relocating children from high-cost placements to regulated ones involves a systematic approach to ensure better outcomes for the children while also achieving cost savings. The relocation process is carefully planned, considering the specific needs of each child. By placing them in regulated facilities, we can offer them a safe and supportive environment that helps them thrive.
- 5.7 Provider negotiations take place prior to a child being placed under the care of a provider. Once the social worker has identified a suitable placement for the child,

the placement is then assessed for its value. If the placement is worth £6k or more, the responsibility for negotiating with the provider is transferred to C&P.

- 5.8 A step-down approach is where children are reviewed in residential care and social care identify those who can be moved into foster placement or semi-independent accommodation. Social care experts work together to assess the needs of each child and determine the best course of action for their care. Residential placements are known to be much more costly than those in foster care and can also be detrimental to a child's overall well-being.
- 5.9 Research has shown that children placed in foster care tend to have better outcomes than those in residential care. The panel focuses on transitioning children from residential care to foster care whenever possible.

6 Commissioner comments

- 6.1 Commissioners are content with this report. (27/01/25)

7 Finance colleague comments (including implications and value for money/VAT)

- 7.1 The report seeks approval of budget proposals for annual fee uplifts for various children's external placements contracts within Children's Services.
- 7.2 Option 1, exempt appendix 1, calculates a range of estimated annual 2025/26 fee uplift costs between £0.632m for negotiated, and £0.860m ceiling contractual changes. These calculations are based on annualised contract placement costs to December 2024 gathered by Commissioning.
- 7.3 The placement inflation uplifts are based on varying percentage uplifts per contract type, up to a maximum of 2% for negotiated contract changes and 2.5% ceiling contract changes.
- 7.4 However, there is 0% fee uplift included for unregistered provision or spot contracts. Annualised spot/unregistered contract costs are currently c.£32.008m to December 2024 and equate to c.48 % of the total external placement spend.
- 7.5 Option 2, exempt appendix 1, assumes the maximum ceiling contract price negotiations.
- 7.6 There is a budgetary risk that any renegotiated 2025/26 weekly costs will include an inflation uplift that is not captured in either option 1 or 2 budgetary options for unregistered and spot provision. This could lead to 2025/26 budgetary pressures for these contract types if spot and unregistered provision cannot be contained within 0 % inflation (current RPI is 3.5% as at December 2024 (source-ONS)).
- 7.7 The current 2025/26+ MTFP budgetary process is still ongoing and yet to be finalised – current inflationary estimates for children's placements have been based on 2.5% inflation on current budgets which would allow for both the ceiling and negotiated options in option 1, exempt appendix 1.

8 Legal colleague comments

- 8.1 This report seeks approval of the proposals for fee uplifts in respect of a range of existing contracts for Children's Services.
- 8.2 Placement fee levels are subject to an annual review mechanism, in line with the existing contractual terms.
- 8.3 Engagement will be undertaken with providers and other Local Authorities party to the relevant framework agreements and the responses will be fully considered prior to implementation from April 2025.
- 8.4 The Director of Children's Integrated Services will take account of these views and issue variation letters reflective of the proposals in this report, should no significant objections arise.
- 8.5 The report does not, therefore, raise any legal issues of concern.

Tom Button, Team Leader, Contracts and Commercial - 17 January 2025

9 Other relevant comments

Procurement Information

- 9.1 The commissioned services in question are contracted through compliant procurement processes, and the placement rates proposed consider factors impacting the provider market and seek to ensure fairness and consistency across all providers and reflect the affordability constraints of the local authority. The inflation increases are allowed within the commissioned contracts.

Procurement comments

- 9.2 This report outlines proposed uplift in fee rates for Children's placement services for the 2025/26 period. The Council has a statutory duty to ensure sufficiency of accommodation for looked-after children and young people; and is contractually obliged to review the fee rates of these contracts annually.
- 9.3 It is understood that the contracts in question have been sourced through compliant procurement processes and that spot contracts are used only where placements cannot be secured through a compliant framework or other contract.
- 9.4 From a procurement perspective, contract pricing may be reviewed and uplifted as provided for in the contract terms and conditions. It is understood that the proposed fee uplifts are in accordance with the provisions of the relevant contracts, therefore there are no procurement implications arising from these recommendations.
- 9.5 These proposals have been developed with regard to relevant factors impacting on the children's placements market, whilst also taking account of budget constraints impacting on the authority. Reference has been made to recognised cost of living indices and the National Living Wage and the proposals aim to represent a fair allocation of funding across all service areas.

Jo Pettifor, Category Manager (People) - 16 January 2025

10 Crime and Disorder Implications (If Applicable)

10.1 Not applicable.

11 Social value considerations (If Applicable)

11.1 The majority of commissioned children's accommodation services in the city are provided by suppliers with a local operational presence. As such, these proposals are expected to support local employment and contribute to investment in the local economy.

12 Regard to the NHS Constitution (If Applicable)

12.1 Not applicable.

13 Equality Impact Assessment (EIA)

13.1 An EIA has been undertaken, and due regard will be given to any issues identified in it.

14 Data Protection Impact Assessment (DPIA)

14.1 A DPIA is not required as this decision does not involve personal data. The Data Protection implications of the contracted services involved is addressed in the existing contractual arrangements.

15 Carbon Impact Assessment (CIA)

15.1 A CIA is not required because there are no carbon implications arising from this decision. It does not make any proposals for the delivery of services or activities but relates to the funding levels of existing contracted services.

16 List of background papers relied upon in writing this report (including published documents or confidential or exempt information)

16.1 None.

17 Published documents referred to in this report

17.1 [Independent review of children's social care - GOV.UK](#)

17.2 [Minimum wage rates for 2025 - GOV.UK](#)

17.3 [Final report](#) – Market Study (published 2022).