

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	18 July 2013
<b>Subject:</b>	West London Independent Fostering Agency Framework Tender
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Catherine Doran, Corporate Director of Children and Families
<b>Portfolio Holder:</b>	Councillor Zarina Khalid, Portfolio Holder for Children, Schools and Families
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Enclosures:</b>	None

## **Section 1 – Summary and Recommendations**

### **Recommendations:**

- 1) Note the process taken by officers in entering into a framework agreement with the West London Independent Fostering Agency Framework headed by the London Borough of Hillingdon for a period of up to four years.
- 2) Delegate authority to the Corporate Director of Children and Families in consultation with Portfolio Holder of Children, Schools and Families to enter into the West London Independent Fostering Agency Framework for the provision of independent foster carers.

## **Section 2 – Report**

### **1. Introductory paragraph**

The West London Children's Services Efficiencies Programme was launched in Spring 2011 as a partnership of the 6 West London Authorities, (Hillingdon, Harrow, Hammersmith and Fulham, Hounslow, Brent, Ealing) plus Westminster, Kensington and Chelsea and Barnet.

- 1.1 A central project within the programme has been to develop a framework agreement to deliver more efficient commissioning arrangements for looked after children placed with external Independent Fostering Agencies (IFAs). The London Borough of Hillingdon has acted as the lead borough in delivering this project on behalf of the West London boroughs.
- 1.2 Collectively, the boroughs in the West London Alliance (WLA) spend in excess of £120m (2011/12) per year on looked after children and care leavers, of which £32 Million (11/12) was used to purchase fostering placements from the private and voluntary sector. By jointly developing a Framework Agreement for the provision of IFA placements across the sub-region, the aim is to exploit the West London boroughs' combined purchasing power delivering financial efficiencies and developing a diverse and quality assured market, with clear pricing frameworks and specifications.

### **2. Reasons for recommendation**

- 2.1 The framework, using the collective purchasing power of West London authorities, will deliver preferable rates for IFAs, with additional fee reductions/discounts, as well as the benefit of tendered prices being fixed for the first 2 years of the framework.
- 2.2 The framework will enable West London to more effectively manage the quality and availability of placements including ensuring more local placements are made available locally.

### **Alternative options considered / risk management**

- 2.4 The alternative to using the framework is to return to a spot purchasing model for placements. This is not recommended as the Council will gain quality improvements, improved market management and fee reductions through significant volume discounts as a result of the nine participating boroughs using the framework.

- 2.5 The extent of the success of the framework (including the potential for additional savings to those modeled in this report) will depend upon close management of commissioning practice and co-operation across the West London boroughs.
- 2.6 A three month termination clause is built into the Framework Agreement allowing boroughs to terminate Framework contracts at reasonably short notice, should this prove necessary.

### **3. Introduction**

- 3.1 Fostering is a way of providing care for children, in a family setting, who cannot live with their own families. Local Authorities have their own internal arrangements for finding suitable carers for looked after children but, due to the lack of a sufficient supply, authorities have also used private sector Independent Fostering Agencies (IFAs) to source foster parents at an enhanced rate.
- 3.2 Harrow Council has acted as a partner borough in a West London initiative to develop a framework agreement for IFA placements which was led by the London Borough of Hillingdon. While the Council has had some success in the management of the IFA market to date, the framework is recommended as the most effective vehicle for achieving further quality and cost improvements in the sector over the coming four years.
- 3.3 The Council's core strategy for the provision of fostering placements has been to shift the balance of commissioning to in-house foster carers, ensuring the strong matches of Looked After Children (LAC) with carers in their local area. This approach continues to be successful. Harrow has increased its number of foster carers and the percentage of Looked After Children in inhouse foster placements. As of 19<sup>th</sup> June there were 186 Looked After Children in Harrow. 69 are in inhouse foster carers,40 with agency foster carers.
- 3.4 The average weekly cost of an inhouse foster carer is £350. The average weekly cost of an IFA placement was £750 Per week. The Framework will bring this down to £730 per week. Over the 40 IFA placements this makes a weekly saving of £800 and an annual saving of £41,600. This is just the initial savings for current placements. The new improved prices will also impact on future placement procurement and a decrease in the unit costs in all future placements with IFAs
- 3.5 The improved arrangements with providers and the focus on market development and ensuring that the needs of local children and young people are at the centre of placement procurement and provision will enable the department to have a wider choice of fostering placements. This will allow us to continue to reduce the number of residential placements and increase further the number of children and young people placed in foster care

### 3.6 This will have a significant impact on the costs of other Looked After Children placements as highlighted below

Children looked after at 19 June 2013

Placement category	Age at 19 June 2013					Grand	£
	0 to 2	3 to 6	7 to 10	11 to 14	15 to 17	Total	Average Weekly Cost Per Child
Placed for adoption	3	3	0	0	0	6	0
Residential Children's Homes	0	0	0	4	8	12	2,000
Placed with own parents	1	0	0	0	0	1	
Semi-Independent Living	0	0	0	0	18	18	250
Foster Placement with Relative or Friend	5	8	6	9	0	28	150
Foster Placements	21	11	15	26	36	109	see below
NHS/Health Trust	0	0	0	0	1	1	health paying
Family centre or mother and baby unit	2	0	0	0	0	2	2,500
All Residential schools	0	0	0	4	5	9	3,000
<b>Total</b>	<b>32</b>	<b>22</b>	<b>21</b>	<b>43</b>	<b>68</b>	<b>186</b>	

	Age at 19 June 2013					Grand	
	0 to 2	3 to 6	7 to 10	11 to 14	15 to 17	Total	
<b>In -house foster care placements</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>18</b>	<b>18</b>	<b>69</b>	350

	Age at 19 June 2013					Grand	
	0 to 2	3 to 6	7 to 10	11 to 14	15 to 17	Total	
<b>Agency foster placements</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>13</b>	<b>14</b>	<b>40</b>	730 / 750

3.4 The borough has played a key role in strengthening local market management arrangements through the West London Alliance (WLA) Children's Services Efficiencies programme. Joint commercial negotiations with the biggest IFA providers during 2012/13 have already delivered £650k of savings across the sub-region which represents a 4% saving on the £15.9m the WLA boroughs spend with the targeted providers (equivalent to a 2% saving on all WLA spend on IFAs)..

## 4. Opportunities and challenges in the IFA market

4.1 The IFA market is changing; Local Authorities are increasingly employing more robust approaches to procurement and market

management, while providers are seeking to rebalance their prices. The changing market centres on two particular factors:

- 4.2 Inflationary pressures - London Care Placements (LCP), the organisation responsible for setting benchmark rates in the IFA sector for London, have agreed to increases in rates for new placements in a significant number of cases. Many West London boroughs, including Harrow Council have held down prices for existing IFA placements for a number of years whilst seeing the prices for new placements consistently rise. This has led to strong cost pressures for the market. Boroughs across the WLA are now seeing a number of requests from providers both for continued increases in the cost of new placements and more recently inflation rises on existing placements as well.
- 4.3 Commissioning activity in London – Other sub-regions and individual Local Authorities in London are currently undertaking similar procurement processes which will have a significant impact on the market.
- 4.4 There is a need for Harrow Council and other West London boroughs to implement a robust market management vehicle which ensures that similar commissioning elsewhere in London does not negatively impact on the Council's ability to source placements at a competitive price.
- 4.5 In this context, Harrow Council and the other West London boroughs have collaborated to develop an effective response to this set of pressures. Hillingdon's West London IFA Framework is recommended as a core part of the solution to the effective commissioning of fostering placements in the borough.

## **5. The West London IFA framework**

- 5.1 West London boroughs currently purchase all of their IFA placements on a spot basis, with inconsistent rates and a duplication of approaches for contract management and inspection. There is now a need to move beyond this method of procurement, in order to deliver economies of scale and take a more robust, strategic approach to managing and developing the market.
- 5.2 Putting in place a framework agreement for the provision of IFA placements will improve the Council's procurement strategy by ensuring a diverse and quality assured market with clear agreed pricing structures and shared specifications. It will allow West London boroughs to operate collectively as a large and influential group of local authorities, seeking further efficiencies by using the boroughs' combined purchasing power.
- 5.3 While spot purchases and attendant commercial negotiations leave the Council exposed to the risk of annual inflationary increases, the use of a framework will deliver preferable rates fixed for the first two years

with additional fee reductions built in for volume of placements, long term placements and discounts for the placement of sibling groups.

- 5.4 The potential for quality improvements and better outcomes for Looked After Children are also improved through the use of an identified set of robustly quality tested providers, enabling boroughs to obtain services at the right time, the right price and the right quality.
- 5.5 Once the framework is operational, West London boroughs will work in partnership with the WLA to progress the development of more locally available services, reflecting the needs of the boroughs and addressing gaps in the market.

## **6. How the framework is constructed**

Providers have been grouped into 'lots' based upon different levels of care package specification.

### **6.1 Lot 1 - Core Fostering**

Placements into foster care are made by Local Authorities as part of their corporate parenting role for Looked After Children. Children's placements into foster care can last for weeks, months or for the rest of their childhood depending on their circumstances.

### **6.2 Lot 2 - Parent & Child Fostering**

Parent and child fostering involves the placement of a parent (mother or father) who is experiencing difficulties. The parent and their baby or young child are placed together in foster care. This does not mean the foster carer provides parental care to the baby (except if required). The foster carer's role is a supporting one, ensuring that the parent feeds, changes, clothes and handles the baby appropriately; ensuring that the infant's parent is providing appropriate stimulation and interaction for the infant; and observing and recording how the parent looks after the child.

### **6.3 Lot 3 - Specialist Fostering**

Specialist placements are sought where the child/young person's level of needs and/or behaviours would have a high level of placement breakdown in a regular family setting with "core" fostering levels of support.

- 6.4 The Terms & Conditions under the framework have been subject to a robust development process. They were initially developed using the London Care Placement Model Contract 2010 and have been updated in detail by the Legal Services of both Barnet and Hillingdon.

- 6.5 The core service specification for the framework has been developed using the London Care Placements Model Specification 2010 and further developed by the West London boroughs working in partnership as part of this project. Additional specifications for the provision of Parent & Child Placements and Specialist Fostering were also developed by the group.

- 6.6 The operational implementation of the framework will take place through the use of developed Call-Off Procedures setting out how individual placements will be made through the framework.
- 6.7 So long as local authorities remain satisfied with the quality of their service, providers can be relatively confident of a regular flow of placements. This enables providers to develop business plans and strategies over the medium term.

## **7. Operational implementation of the framework**

- 7.1 Providers under the framework have been rigorously assured for quality and this will be maintained through cross-cutting contract management coordinated in partnership with the West London Alliance.
- 7.2 It is proposed that the framework will be managed through the roll out of the IT procurement platform CarePlace (subject to the approval of the Children's Efficiency Programme Board), which has been successfully implemented in Adult Social Care. Allied to the information already received as part of the framework process, the live information on cost, quality, supply and capacity in CarePlace will enable better decision making and enhance West London boroughs' ability to work with quality local providers.
- 7.3 To maximise the financial benefits of the framework CarePlace will also track the range of discounts achieved as part of the framework and support placement decisions so further discounts are triggered.

## **8. Award of contracts**

- 8.1 51 tenders were received as part of the tender from Independent Fostering Agencies.

Following the evaluation process, it is recommended contracts will be awarded to the following 32 providers in the following Lots:

<b>Lot 1 – Core Fostering</b>	<b>Lot 2 – Parent &amp; Child Fostering</b>	<b>Lot 3 – Specialist Fostering</b>
<b>Tier 1</b>	<b>Tier 1</b>	<b>Tier 1</b>
Sunbeam	Nexus	Brighter Futures
Nexus	Greater London	Bridging Gaps
Pride Fostering	Sunbeam	Nexus
The National Fostering Agency	Pride Fostering	Pride Fostering
UK Fostering	Ethelbert	Sunbeam
Chrysalis Care	Integrated Services Programme	Foster Care Associates (FCA)
Foster Care Associates (FCA)	The National Fostering Agency	By the Bridge
Cornerways	Brighter Futures	Ethelbert

Brighter Futures	UK Fostering	UK Fostering
Time for Children	Cornerways	Capstone
Capstone	Chrysalis Care	Chrysalis Care
Bridging Gaps	Bridging Gaps	The National Fostering Agency
Children First Fostering	By the Bridge	St Christophers
Family Placement	Rainbow	<b>Tier 2</b>
Rainbow	Capstone	Foster care UK
Next Step	Family Placement	Fostering Outcomes
<b>Tier 2</b>	<b>Tier 2</b>	Family Placement
Ethelbert	Fostering Options	Rainbow
By the Bridge	Foster Care Associates (FCA)	Greater London
Fostering Options	Fostering Outcomes	Families for Children
Families for Children	Children First Fostering	Children First Fostering
Fostering Solution	Next Step	Integrated Services Programme
Foster care UK	Fostering Solution	Fostering Options
Fostering Outcomes	Families for Children	Hillcrest
Outlook	Foster care UK	Fostering Solution
St Christophers	St Christophers	Kites
Hillcrest	Futures for Children	Futures for Children
Greater London	Hillcrest	
The Fostering Foundation	Time for Children	
Futures for Children	The Fostering Foundation	
Safehouses	Outlook	

## 9. **Business Benefits**

- 9.1 The prices achieved through the framework are attractive, even more so in a challenging context for achieving further efficiencies from the IFA market in West London, due to the inflationary pressures and increased competition from other sub-regions in the market that have already considered in this report.
- 9.2 Non-financial benefits will also be achieved by establishing the framework. These include:
- **Sufficiency requirements** – The framework will enable Harrow Council to deliver its obligations under sufficiency duties placed on Local Authorities and ensure a greater proportion of our foster placements are within a 20 mile radius of the borough.
  - **Market development** – by awarding a framework contract for the next four years West London boroughs will communicate a clear message of our joint intention to stimulate the growth of local capacity. This will be achieved by giving providers on the framework the confidence to increase their recruitment of local foster carers, resulting in more placement choice for commissioners and children and decreasing the likelihood of costly placement moves. In addition, by delivering more local placements there will be savings to travel time for social workers/Independent Reviewing Officers/monitoring officers.



- **Improvement in quality** – by robustly specifying, tendering and monitoring independent fostering placements within the framework IFA placements will be delivered to a better standard of quality and any underperformance will be subject to rigorous performance management processes as set out in the Terms & Conditions of the IFA contract.
- **Contract management** – commercial contract management of the framework will be facilitated by the WLA in partnership with boroughs ensuring robust quality performance management of providers.
- **Placement searches/negotiation** - having a framework of approved providers with tendered prices, discounts, specifications and referral processes will reduce officer time required for finding and arranging placements

9.3 The delivery of volume discounts by aggregating the nine boroughs' spend will support the delivery of further savings for London Borough of Harrow.

9.4 A number of risks exist in managing and getting the most from this complex market. The success of the framework will rely on effective coordination between West London boroughs and careful management of placement decisions. Nonetheless, the risks attached to inaction or reverting to a spot purchase procurement of IFAs at the individual borough level exceed the risks associated to the framework. There is in fact the potential for much larger savings than those modelled on the pragmatic assumptions below, by shifting commissioning patterns to providers offering the greatest value and supporting them to increase their capacity.

## 10. Financial Implications

10.1 *A detailed financial model has been built to enable the tenders to be evaluated and to establish the likely costs over the lifetime of the framework contract compared with not going ahead. A key part of the tender is that existing placements made with an IFA on the Framework transfers at the same price or lower if the suppliers tendered price is lower. Should the supplier's tendered price be higher, then this can only be applied to new placements. The tender information also identified the current capacity of the suppliers and future plans for growth in the number of foster placements.*

10.2 *In order to undertake this exercise Hillingdon in consultation with the WLA boroughs made a number of assumptions:*

- a) the level of spend on IFA's by each Borough remains unchanged over this period unless advised to the contrary*
- b) the rate of turnover of new and closed placements remains unchanged unless advised to the contrary*
- c) that 70% of new placements are made on the Framework; 30% with other suppliers on a spot basis*

- d) *the current share of framework business enjoyed by each borough remains unchanged*
- e) *the current share of framework business enjoyed by each supplier by lot remains the same*
- f) *existing clients leave before any new starters leave, e.g. first in first out principle applied*
- g) *ratio of Sibling / Permanent Placements remains the same*
- h) *a split between Core and Specialist placements at £850 per week*
- i) *that all Boroughs adopt the framework*
- j) *the volume discounts calculated reflect these assumptions*
- k) *that inflation outside of the framework would be conceded at 2% in each of years one and two*

10.3 *Taking these assumptions into account it is possible to determine an immediate saving available from day one of the framework going live as there can only be a reduction in existing prices. This reduction will though change as existing placements are replaced by new placements at the framework prices.*

10.4 *Each Borough has been provided with a spread sheet which shows the outcome of the tender as it affects their Borough and the summary of all. The financial analysis is based on the assumptions as set out above and the activity data provided and validated by each individual Borough.*

10.5 *The model has then applied the assumptions above and as a result is able to show over the four year period the cost of commissioning the framework or not. The table below sets out the result and shows that for Harrow Council there is a saving of £101,641 (Column 8) assuming no change to current commissioning practice and assumes that a 2% fee increase would be agreed in each of the first 2 years should there be no framework. The framework agreement ensures that there is zero fee increases throughout years one and two. For years three and four the assumption used in the model is that any fee increase agreed will be the same percentage irrespective of whether the framework agreement is in place or not.*

10.6 *The percentage shown in column 2 represents the fee increase above which the saving calculated in column 4 can only increase; or the additional cost calculated becomes zero (e.g. break even). This is because the figures in column 5 reflect a zero fee increase in years one and two as determined by the framework and assume the same should the framework not be in place. The latter is considered to be an unlikely eventuality bearing in mind the inflationary pressures already considered by this report and bearing in mind this framework will freeze prices for a further 2 years so in real terms the Framework will deliver a financial saving by avoiding inflation.*

IFA Summary (assumes Commissioning Pattern Remains Unchanged)		Variance if zero inflation assumed in year 1 or 2			Variance if 2% inflation assumed in year 1 or 2		
Col: 1	2	3	4	5	6	7	8
Borough	Inflation avoided in each of the first 2 years	Gross Spend Without Framework	Gross Spend With Framework	Variance	Gross Spend Without Framework	Gross Spend With Framework	Variance
Barnet	0.00%	9,624,436	9,311,940	312,496	9,951,420	9,311,940	639,480
Brent	0.02%	10,303,818	10,306,871	(3,053)	10,668,824	10,306,871	361,952
Ealing	1.06%	20,988,798	21,387,246	(398,448)	21,742,861	21,387,246	355,615
H&F	0.00%	9,769,400	9,110,500	658,900	10,122,503	9,110,500	1,012,003
Harrow	0.00%	2,551,728	2,538,800	12,928	2,640,441	2,538,800	101,641
Hillingdon	0.00%	12,357,023	12,314,260	42,762	12,790,924	12,314,260	476,664
Hounslow	0.14%	8,872,836	8,893,087	(20,251)	9,158,808	8,893,087	265,721
RBKC	0.00%	1,640,623	1,560,807	79,815	1,698,389	1,560,807	137,582
Westminster	1.80%	5,141,489	5,302,539	(161,050)	5,321,010	5,302,539	18,471
<b>Total (cost) / saving</b>		<b>81,250,151</b>	<b>80,726,050</b>	<b>524,101</b>	<b>84,095,180</b>	<b>80,726,050</b>	<b>3,369,130</b>

*Should any Borough choose not to sign the framework then this would adversely impact on the volume discounts calculated.*

*The table below shows the full year impact of the framework on existing placement prices on day one with existing placements transferring onto the framework and assuming full year effect. In reality the day 1 saving is 1/365<sup>th</sup> of this figure and will change daily as placements end and start.*

<b>Borough</b>	<b>Saving</b>
<i>Barnet</i>	<b>173,408</b>
<i>Brent</i>	<b>108,110</b>
<i>Ealing</i>	<b>240,663</b>
<i>H&amp;F</i>	<b>79,061</b>
<i>Harrow</i>	<b>41,600</b>
<i>Hillingdon</i>	<b>181,306</b>
<i>Hounslow</i>	<b>179,701</b>
<i>K&amp;C</i>	<b>69,230</b>
<i>Westminster</i>	<b>86,921</b>
<b>WLA Total</b>	<b>1,160,000</b>

10.7 *The model has calculated that this first day gain will have been all but eliminated by the end of the second year should the historic procurement patterns remain unchanged.*

10.8 *Notwithstanding the financial analysis above modelling the impact of the framework should our commissioning pattern not change, but by having a sub-regional Framework and the way in which it has been*

*constructed it, we will no longer continue to have the same commissioning patterns, using the same providers in the same volumes. West London boroughs will shift our commissioning patterns to deliver savings, building provider capacity and volume of placements/market share where it delivers financial savings.*

- 10.9 *The West London Directors of Children's Services Programme are clear that for this Framework to be effective in delivering on-going savings then boroughs will have to apply best value to decision making for the procurement of new placements on the Framework once it is determined potential providers can meet the minimum threshold of the needs of a child.*
- 10.10 *It is accepted that there are risks that procurement patterns may not change. However the West London Boroughs and the WLA expect to be able to monitor spend by supplier to ensure that the direction of travel is as expected and will give regular reports to West London Directors of Children's Services Programme Board enabling them to take corrective action. This should be in the form of 6 month reviews to ensure the direction of travel is as expected.*
- 10.11 *Should the 12 month review be awry then a 15 month review will be required to determine whether the procurement pattern is enabling the framework to achieve savings and to agree that the contract continues into years 3 and 4.*
- 10.12 *The contract has a 3 month notice period which will enable the West London Directors of Children's Services Programme Board to take a decision to continue the contract at any point.*

## 11. **Legal Implications**

- 11.1 The estimated value of this contract over its lifetime is lower than the EU threshold for tendering of supplies contracts and so the contracts are therefore not strictly governed by the Public Contracts Regulations 2006 ("the EU Regulations").
- 11.2 The contracts for fostering services are being procured under a Framework Agreement set up by the West London Independent Fostering Agency Framework, headed by the London Borough of Hillingdon. The EU Regulations allow the use of framework agreements (call-off contracts) and prescribe rules and controls for their procurement. Contracts may then be called off under such framework agreements without the need for them to be separately advertised and procured through a full EU process. The Call-Off process described in this report is being carried out in accordance with the requirements of the EU Regulations
- 11.3 As the procurement process is under the West London Independent Fostering Agency Framework, the EU Regulations relating to the observation of a mandatory minimum 10 calendar day standstill period before the contract can be awarded does not apply.

### Section 3 - Statutory Officer Clearance

Name: Patricia Harvey	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 20 June 2013		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 8 July 2013		

### Section 4 – Performance Officer Clearance

Name: David Harrington	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Strategic Commissioning
Date: 20 June 2013		

### Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker	<input checked="" type="checkbox"/>	on behalf of the Corporate Director of Environment and Enterprise
Date: 4 July 2013		

### Section 5 - Contact Details and Background Papers

**Background Papers:** None

**Contact:** Peter Tolley, Service Manager Children's Placements  
Tel: 020 8736 6943  
Melissa Caslake Divisional Director Targeted Services

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in applies]*