



CABINET

10th October, 2018

Subject Heading:

Authority to proceed to procurement for the block provision of 35 residential placements for looked after Children (LAC) across 8 Northeast London Authorities

Cabinet Member:

Robert Benham, Deputy Leader, and Cabinet Member for Education, Children and Families.

SLT Lead:

Tim Aldridge, Director of Children's Services

Report Author and contact details:

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Policy context:

This proposal is guided and underpinned by the principles of the Children's Act 1989, The Children's Homes Regulations and Quality Standards 2014 and the Children and Families Act 2014.

Financial summary:

Havering's share of the contract will be 5 placements. Based on average costs for the whole Partnership, and the assumption of full occupancy, the estimated contract value for the London Borough Of Havering is up to £5.3M for 8 years, with the intention of delivering a cumulative saving of approximately £1.9M (c.£241k per annum).

However these figures are only indicative. The actual savings will depend on the number and cost of the individual placements that are relocated under the new contract.

Estimated contract value across the 8 Northeast London Authorities is up to £36,837,147 for 8 years. This would be a

saving of £13,520,255

Set up and administration costs over the first 3 years will be met from a £782,750 Innovation grant (with a further £53,000 dependent upon satisfactory evaluation of the project). Beyond that contributions from all partners will be sought to meet the ongoing administration costs of £70,000 per annum.

Is this a Key Decision?

This is a key decision under the grounds of expenditure in excess of £500,000 and impact on communities living or working in an area compromising two or more wards.

When should this matter be reviewed?

The contract arrangements will be reviewed 18 months after the contract commences.

Reviewing OSC:

Children's Services

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering
Connections making Havering

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SUMMARY

1. The Department of Education's (DfE) Children's Social Care Innovation Programme has awarded the East London Health & Care Partnership (formerly the North East London Sustainability and Transformation Partnership) (the "Partnership") £782,750 (with a further £53,000 dependent upon satisfactory evaluation of the project).
 - 1.1 The award is over a period of three years to jointly commission up to 35 Looked After Children (LAC) residential placements within the geographical footprint of Northeast London.
 - 1.2 After the first three years the member Local Authorities will need to negotiate their ongoing contribution to the sub regional commissioning functions going forward. These contributions would be built into the cost of placements and charged pro-rata to ensure there is an agreed way of meeting these costs for the duration of the contract between the partners. Other LA's 'spot-purchasing' would be charged a fee to contribute to administration costs.
 - 1.3 Currently most LAC are placed a considerable distance from the home Local Authority. The Partnership brings together 8 Local Authorities and 12 NHS organisations in the areas within:
 - The London Borough of Havering
 - The London Borough Barking and Dagenham
 - The London Borough of Tower Hamlets
 - The London Borough of Newham
 - The London Borough of Waltham Forest
 - The London Borough of Redbridge
 - The Corporation of the City of London
 - The London Borough of Hackney
 - 1.4 Havering is the lead authority and will be responsible for contract procurement, management and monitoring functions.
 - 1.5 This report proposes that each of the Local Authorities in the Partnership, with the exception of City (because they currently have no residential LAC placements) allocate up to, £650,000 per year over eight years to jointly commission up to 35 residential placements within the footprint of the Partnership.
 - 1.6 Placements will not be at 100 percent occupancy from the outset of the contract. The local authorities in the partnership will identify how many LAC they can transfer into the new placements and the expected timescales they

can move towards 100% occupancy. The contract will allow the Partnership only to pay for the used beds during the scale up to 100%.

1.7 At 100 % occupancy this will produce:

- sub regional savings over one year of £1,690,032
- Individual Local Authority savings of £241,433 per year
- Sub regional savings over 8 years £13,520,255
- Individual Local Authority Savings over 8 years £1,931,465

Note: the above figures are based on average costs for the whole Partnership and also assume full occupancy. As such, they are only indicative at this point in time.

(Mitigations against low occupancy rates are included in the main body of this document. See 5.7)

1.8 Placing children and young people nearer to their home communities will also have improved lived experience and outcomes for children in residential care.

RECOMMENDATIONS

2. That Cabinet grant authority to proceed to procurement of block residential provision.

2.1 It is also recommended the decision to allocate funds for each of the following seven years is delegated to the Director of Children's Services, in consultation with the Lead Member of Children's Services and the Chief Operating Officer.

REPORT DETAIL

3. Background

3.1 The proposed joint commissioning arrangements are based on Sir Martin Narey's research findings that coming together as a sub-regional partnership will lead to significant savings and improved outcomes for children. There is evidence from the Buckinghamshire regional commissioning model that this is the case.

3.2 The average cost of a LAC residential placement outside of the North East London sub regions is £179,848 per year. The average cost of a residential placement within the footprint of North East London is £131,561 per year.

3.3 Each of the Partnership's eight Local Authorities duplicates a brokerage system to

purchase LAC residential placements based on a spot purchasing system that is forcibly causing costs to spiral. The quality of providers within the Partnerships footprint is highly variable leading Local Authorities to place many LAC a long distance from their home Local Authority.

3.4 Placements through the new contract will be managed and quality assured by the London Borough of Havering's LAC brokerage team. The additional resource required to expand the Havering team's capacity will be funded by the Innovations Grant for the first 3 years. Thereafter the member Council's in the Partnership will need to negotiate their contributions to the central brokerage function. These contributions will be funded from the realised savings. If the savings prove substantial, the member Local Authorities may wish to consider expanding the number of beds commissioned.

3.5 Commissioning LAC residential placements across the sub-region currently has five main problems:

- Placement instability and unsuitability
- Poor value for money.
- Inefficient commissioning arrangements
- Variable quality of residential providers
- Variable quality of relationships between local authorities and providers

3.6 **Instability and unsuitability** - Young people in residential care from across the sub-region have expressed feelings that LAC residential placements are 'done to' them and have said that they do not feel their views are always considered about placement options. Young people who are placed outside of their community often express feelings of isolation and loneliness as it is difficult to maintain meaningful relationships with their family network, peer group and professional network. These feelings often lead young people to go missing from their placement which often raises the risk of sexual exploitation. Such placements, arranged without planning, are often short lived with mixed outcomes.

3.7 **Value for money** - All eight of the local authorities across the Partnership spot purchase residential placements. Spot purchasing occurs on a case-by-case basis and often results in Local Authorities within the sub-region competing against each other for limited placements with trusted providers. This in turn drives up the price over time. The average residential placement cost for each Local Authority in Northeast London varies; however, each Local Authority in the Partnership has seen an increase in the average LAC residential placement cost over the past two years. Some Local Authorities have seen an increase of approximately 25% in the average LAC residential placement cost in the last two years.

3.8 **Inefficient commissioning arrangements** - Each Local Authority has their own team or specific officers who are in charge of identifying residential placements and matching young people. It is not uncommon for a placement officer to call upwards of 100 residential providers before finding a provider who can and is willing to accept a young person. The time spent identifying placements and matching is significant and this is occurring in each Local Authority. This process

is resource intensive and creates significant duplication across the sub-region as officers from different Local Authorities are calling the same providers.

3.9 Variable quality – Both commissioners and young people in the sub-region report that quality varies between residential providers. Young people are often placed outside of their communities due to a lack of quality and lack of capacity in local residential providers. Local Authorities in the sub-region struggle to consistently and effectively ensure high quality residential placements due to a culture of spot purchasing and the current relationship between supply and demand in the market. Individual Local Authorities do not currently have sufficient influence in the market to shift commissioning practices.

3.10 Quality of relationships – The current commissioning framework in Northeast London does not create a platform for developing lasting and meaningful relationships between Local Authorities and providers. Due to high demand and limited supply, commissioning teams spend most of their time finding placements and not working with providers to develop quality focused on improving outcomes for young people. No Local Authorities in the sub-region hold block contracts with residential providers. All Local Authorities in the Partnership rely on spot-purchasing.

3.11 The Sub-Regional Partnership. A sub-regional partnership has been developed across Northeast London. The constituent Local Authorities in the Partnership have negotiated a legal agreement (Memorandum of Understanding) enabling the LBH to operate as the Lead Authority with the responsibility of commissioning LAC placements on their behalf. The Partnership has also held a market mobilisation event and facilitated several provider workshops to stimulate the market.

3.12 The Partnership will aim to agree an eight year block contract with the providers; 4 years, with the possibility of twice extending the contract for a further 2 years following quality assurance checks.

3.13 A provider contract of this duration gives the sub-regional partnership an opportunity to cultivate close and effective relationships with the providers. The Partnership will focus on quality by developing a coherent approach to work with young people based on systemic practice and developing a career pathway for residential staff into the social work profession. The focus on quality will improve key outcomes such as placement suitability, transitions to independence and value for money.

3.14 Other innovative aspects of the contract specification are:

- **Focus on quality** – Focusing on quality is a thread that runs through this programme. One of the innovative ways LBH will achieve quality is through workforce development opportunities. To start with, residential staff will be trained in foundation level systemic practice. Systemic practice is an evidence-based model that has proven effective in children's services and residential

settings in a few areas across Britain. Another way this programme develops the residential workforce is by developing a career pathway into the social work profession. LBH will work with learning and development teams across the Partnership to include residential workers in the 'Step-up to Social Work' qualification scheme and "grow" social workers within the sub-region. Likewise, LBH will offer staff in social care the opportunity of secondments into residential work. This model will upskill the residential workers and creates a coherent and complementary approach to working with young people across social care and residential care.

- **Three-way co-production** - We are expanding the concept of co-production to include the residential provider. Developing an equitable relationship between the commissioners, young people, and the provider can go a long way in breaking down barriers in the current framework.

3.15 **Scaling and spreading innovation.** The evaluation and evidence collated through the commissioned provision will enrich our understanding of the lived experience of young people in residential care and enable LBH to disseminate our learning across the Partnership and to a wider audience.

3.16 The directors of children's services across this sub-region are committed to delivering on this vision. Wider discussions are taking place about how this model can be scaled up and spread to commissioning for different populations of LAC in the Northeast London sub-region.

3.17 The formalised sub-regional Partnership will also provide a blueprint for future sub-regional ventures between the eight Local Authorities. In order to support the dissemination of learning outside of the North East London sub-region, we will produce a codification of the solution throughout the funding period and produce a toolkit to support other local authorities to establish the programme in their area.

3.18 **Young people's views** Young people across North East London often describe feeling that services are "done to" them and say that they do not feel like their voices are heard during the placement and planning processes. Young people have stated they:

- Do not like being placed outside of their communities
- Want more support to maintain good relationships because isolation and loneliness is common
- Would like more services to be available as they transition to adulthood
- Want more input and more choice about where they are placed and where they live
- Want a clearer and easier care system to navigate
- Would like more support to return home

3.19 **Improved tender process** – the approach to contracting will be based on

block contracts with providers and payment-by-results clauses to incentivise quality and positive outcomes for young people. The Partnership want to agree 4+2+2 block contract duration with providers to create a period of time where meaningful and lasting relationships can be developed. We intend to include payment-by-innovation clauses to incentivise the providers to strive for continued improvement based on positive outcomes for young people, such as representation in Education, Employment, and Training, sustainable step-downs from residential care, and placement stability.

3.20 **We will be commissioning different levels of support.** There will be a fixed price per placement for basic requirements and a sliding scale of costs for more specialist support over and above the basic. There will be an expectation that the specialist costs will reduce as LAC children progress along their care plan.

3.21 We have undertaken a comprehensive 6 month co production/ market stimulation exercise to ascertain the needs of LAC and the views of providers. Over 120 providers have been included in the co-production of the contract specification

3.22 The procurement process will be an open tender with the encouragement for submission of consortium bids.

3.23 **Outcomes.** The Partnership is stipulating a number of outcomes successful providers must deliver, including:

- Improved placement stability measured by the Stability Index and number of placement breakdowns
- Improved placement suitability measured by in-placement interviews with young people and the number of unplanned placement moves
- An increase in the number of young people placed through this programme in Education Employment or Training
- Increase in young people staying put in residential placements until the age of 21
- Increase in the number of LAC 'stepping down' out of residential care.
- Decrease in unauthorised absence from placement and missing episodes
- Decreased risk of sexual exploitation
- Decrease in the number of engagements with the criminal justice system

3.24 **Organisational Aggregated Monitoring.** Below is a list of organisational performance indicators we will track through the programme.

3.25 Placement Stability:

- Stability Index (Developed by the Office of the Children's Commissioner)
- Number of placement moves

- Number of unauthorised absences and missing episodes

3.26 Placement suitability:

- Feedback from young people
- Number of unplanned placement moves
- Wellbeing of young people in residential placements measured through the Strengths and Difficulties Questionnaire

3.27 General indicators:

- The number of new local placement options within the sub-region
- Improved educational attainment - the percentage of those in care achieving 5 A*-C for GCSEs
- Staying close – all young people placed in residential care through this programme will be placed within 20 miles of their home authority
- Child Satisfaction measured through surveys
- The number of young people involved in co-production, through membership of the young person's forum and contract management.
- Residential provider satisfaction measured through surveys
- Local Authority satisfaction across the partnership measured through surveys
- The number of young people engaged with community professionals, i.e. Child and Adolescent Mental Health Services and health providers.

3.28 Individual Child Outcome Monitoring:

The Partnership will also be monitoring individual children's progress towards their personal targets. This will be accomplished using:

- Care plans
- Stepdown plans
- Personal education plans

3.29 Financial Monitoring:

- Average weekly cost of residential placements inside of the Partnership's geographical footprint, compared to the cost outside of the footprint
- Average duration of residential placement
- Reduction in overhead cost savings from young people placed less than twenty miles from their originating community
- The number of young people who are sustainably stepped-down from

residential placements

- The reduction in overhead costs delivered through smarter commissioning and a centralised approach
- Reduced usage of secure placements

REASONS AND OPTIONS

4. Reasons for the request to proceed to tender:

4.1 The procurement exercise will ensure compliance with all eight Local Authorities' Contract Procedure Rules and EU Procurement Legislation and (subject to contract) the award of contract will ensure LBH fulfils its statutory duty to provide LAC residential placements and the sub regional aim of placing LAC closer to home.

4.2 Other options considered:

Option 1: Do Nothing

Remain as is with each local authority running separate spot purchasing brokerage systems with ever increasing placement costs.

Option 2: Procure as a single Borough Service

Going out to market for a Havering only service would not offer the same opportunities for economies of scale that an eight-borough tender across North East London would offer. There would be no saving relating to a central brokerage function.

IMPLICATIONS AND RISKS

5. Financial implications and risks:

5.1 There are no financial implications directly associated with the tendering process for this contract, as costs will be grant funded or met from existing budgets.

5.2 There will be financial implications associated with the tender award which will be assessed at that time, however they are likely to include the following:

5.3 Placements - The estimated value of the 8 year contract across all partners is c. £36.8M giving rise to potential savings of £13.5M. The Havering element of this is £5.3M and £1.9m respectively. However, the costs and savings quoted in this report are based on full occupancy and current averages costs across the whole Partnership, and as such should only be viewed as indicative figures for individual Boroughs. The actual impact on Havering will be dependent upon the contract award, and the number and value of Havering placements relocated under the block contract. A cohort of mainly high cost placements is likely to deliver greater savings opportunities, but the true impact of the new block contract can only be assessed after placements have occurred.

5.4 It is also likely that at some point during the 8 year contract, if placements are made directly into the block contract rather than being relocated from other areas, the benefits arising will be in the form of cost avoidance rather than savings,

5.5 Risks: The primary risk associated with any block contract is under occupancy.

5.6 In the proposed model, the financial risk of vacancies sits with the Local authorities not the provider. If only 50% of the vacancies are filled the local authorities would be over paying £2,302,322 per year for unfilled places.

5.7 However, this is not considered to be a high risk as most local authorities have stated they could fill their allocated five places multiple times. The risk can also be mitigated by careful contract management to ensure that:

- There is a cohort of suitable placements available to transfer into the new provision.
- Only places that can be filled are commissioned initially and gradually increased up to 35 as and when they are required

5.8 In addition to this an internal market can be developed between the Local Authorities enabling vacant placements allocated to one authority to be purchased by another authority.

5.9 Furthermore, in relation to contract management, the current proposal is that as lead Borough, LBH would be responsible for all payments to providers. If that is the case Havering would need to ensure that:

- Each member is charged accurately for it's usage under the contract.
- Havering receives prompt reimbursement for costs incurred on behalf of other Boroughs - It is envisaged that all Partnership members would be required to make an "up front" contribution in respect of contract costs.

- However, further work will be carried out to identify the most efficient financial processes.

5.10 **Joint Commissioning arrangements:** In the first 3 years the set up and administration costs associated with the JCU will be funded from the Innovation Grant. The allocation is £782,750 with a further £53,000 dependent upon satisfactory evaluation of the project.

5.11 Beyond that contributions from all partners will be sought to meet the ongoing administration costs of £70,000 per annum. The LBH contribution of c. £10,000 will be met from savings arising.

5.12 Efficiencies in the new commissioning arrangements should lead to reduced administration costs across the Partnership.

6. Legal implications and risks:

6.1 This report seeks Cabinet authority) to commence a tendering process for an eight-year block contract with providers in connection with thirty-five (35) Looked After Children (LAC) residential placements (the “Services”); and ii) to delegate authority to award all contracts in connection with the Services to the Director of Children’s Services acting in consultation with the Chief Operating Officer.

6.2 LBH is a local authority as defined by section 270 of the Local Government Act 1972 and has a general duty under section 1 of the Care Act 2014 to promote the well-being of individuals. “Well-being” in relation to an individual is defined within the 2014 Act as including suitability of living accommodation.

6.3 LBH is a member and the nominated commissioning lead of the East London Health & Care Partnership (the “Partnership”) comprising 8 Local Authorities and 12 NHS organisations in the North East London area.

6.4 The proposed contracts would be between LBH (acting on behalf of the Partnership) and the successful providers, for the period from 1 April 2019 up to 31st March 2024 with an option to extend for a period of 2 years up to a maximum of two 2 occasions.

6.5 The Services fall within the description of “Health, social and related services” under Schedule 3 of the Public Contracts Regulations 2015; and are services to which the light-touch regime (LTR) may apply. The relevant financial EU procurement threshold for LTR services is £615,278.

6.6 The estimated total value of the Services attributable to the Council is £13,520,255, over the full eight years. The value of the Services exceed the

relevant EU procurement threshold and will require (unless LBH call-off the Services from an existing compliant framework) publication of a Contract Notice in the Official Journal of the European Union (OJEU), and an advertisement on Contracts Finder.

- 6.7 Under section 2 [Executive Functions] of Part 3 [Responsibility for Functions] of the Council's Constitution (the "Constitution") the Leader of the Council is responsible for arranging for the exercise of all executive functions and may by way of written notice delegate executive functions to, inter alia, staff.
- 6.8 This is a key decision, subject to the requisite (call-in) procedure under paragraph 17 of Part 4 [Rules of Procedure] Overview & Scrutiny Committee Procedure Rules) of the Constitution.
- 6.9 There are no implications for the Council under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

7. Equalities implications and risks:

- 7.1 The service will impact on LAC. The service will contribute towards reduced levels of placement disruption for those children in care.
- 7.2 Wellbeing of children in the borough: and ensuring that potentially vulnerable children and young people are safely housed and supported based on their needs, is a fundamental responsibility for the Council, staff and Members. Indeed, this is a responsibility for all Members as corporate parents.
- 7.3 Integrated service provision will enable children and young people to be safeguarded while being housed and allows them to experience services within the community in a safe way, thereby, contributing to positive life chances, educational and social development.

BACKGROUND PAPERS

Appendix 1. Benefits Table: Summarising the non-cashable benefits of the joint commissioning venture.

Accountable Person for Benefit Realisation	Expected Benefit	Baseline to Measure Against	How will Achievement be Measured?	When Benefit can be Measured ?	Frequency when the Benefit will be measured	Resources Required for Review
Contract Manager. To be appointed	Fixed cost over the life of the programme	Currently there has been a rise of 21% increase placement costs over the last two years due to the nature of spot purchasing	Fixed price block contract	One calendar year after endorsing of the contract	Annually	Contract Manager. To be appointed
Contract Manager. To be appointed	Improved quality of care support in residential homes due to the Partnership providing step up a step up to social work career path and Systemic Practice professional development training to the staff of successful bidders.	Currently there are 180 LAC children placed in residential care across the partnership.	Increase in the number of LAC children 'stepping down' from residential care into other LAC provision i.e.	One calendar year after endorsing of the contract	Annually	Contract Manager. To be appointed

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			into semi-independent provision, foster care and adoption			
	A reduction in the Percentage of LAC young people Not in Employment education or training.	The percentage of Lac Young People not in Employment education or training was 14.1% as of July 2018	15 billion ebp monthly performance statistics	One Quarter after the endorsing of the contract	Quarterly compared against the same Quarter the year before.	Contract Manager. To be appointed