

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Lead Member for Children's Services
Date:	6 June 2011
Title:	Collaborative Tender for Independent Fostering Placements
Reference:	2733
Report From:	Director of Children's Services

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1. Executive Summary

1.1. The purpose of this paper is to seek approval to tender for Independent Fostering Placements as part of a collaboration approach involving eleven South East councils.

1.2. This paper also seeks approval to extend the contracts for current providers for Independent Fostering Placements for a six month period to allow for a smooth transition to the new contract.

1.3. This paper seeks to:

- Outline the perceived benefits and risks of entering into a collaborative approach to the procurement of independent fostering agency placements;
- Identify the potential savings based on pessimistic, realistic and optimistic estimations;
- Outline the procurement process.

1.4 This paper will also:

- Set out the background to the project;
- Consider the finance for the project and the impact on the budget;
- Look at key issues.

2. Contextual information

2.1. The eleven authorities of Hampshire County Council, Oxfordshire County Council, Portsmouth City Council, Southampton City Council, Surrey County Council and the Berkshire Authorities (Reading Borough Council, Slough Borough Council, Wokingham Borough Council, Bracknell Forest Council,

The Royal Borough of Windsor and Maidenhead and West Berkshire County Council) intend to collectively procure Independent Foster Care services.

- 2.2. The eleven councils have approximately 650 children placed with approximately 50 different Independent Fostering Agencies. There is a wide disparity between councils on the numbers of children placed and rates charged by Independent Fostering Agencies.
- 2.3. The eleven Councils wish to work in partnership with a number of providers who can demonstrate that they have the ability to deliver quality services, and to ensure a range of placements are available to meet the diversity of needs of the children in these authorities.
- 2.4. The eleven Councils will continue to expand their in-house fostering services, but they recognise that it is important to have a range of provision available. This mixed economy approach is to ensure that the specific requirements of an individual child can be supported and that their needs can be met via a diverse choice of placements.
- 2.5. Children and young people being placed with external providers of choice will range from young babies to age 18 years, although specific need groups have been identified. Some will have learning, physical or sensory disabilities and some will be from diverse racial backgrounds.
- 2.6. The eleven Councils are required by the Fostering Regulations 2011 to keep children and young people as close to their area of origin as possible. Research into the current level of need and available provision has highlighted gaps in availability of local placements able to meet specific needs. The Councils want to identify providers who can:
 - Improve services to Looked After Children by improving their life chances and providing children with stability and reduced placement moves;
 - Offer children and young people the opportunity to maintain stable local networks and contact with their families by providing care that is local to their own communities;
 - Provide carers who can care for young people with complex needs and who may present with high risk behaviours;
 - Provide carers for children and young people of all ages, but particularly for teenagers as these are the most challenging group to place in foster care;
 - Provide carers who are registered for only one child or young person to meet the need for solo placements for children or young people who require a placement where they will be the *only* child or young person in the home.
 - Work in partnership with local councils to ensure all available resources are used to achieve positive outcomes for the children in their care;
 - Provide placements which offer the Local Authorities good value for money.
- 2.7. The eleven authorities have shared information via an extensive needs analysis and scoping exercise and hold regular Project Board meetings. The councils have carried out analysis of current spend, analysis of best practice and commissioning options, and scoping of joint arrangements.

- 2.8. Councils have formally confirmed that they wish to enter into a joint arrangement via a formal Partnership Agreement and have identified the benefits that can be achieved from a collaborative arrangement.
- 2.9. Communication events have taken place with prospective providers in Surrey and Hampshire to communicate messages to the Independent Fostering Agencies directly.
- 2.10 Southampton City Council has offered to carry out the procurement on behalf of all eleven authorities, Oxfordshire County Council are leading on the legal aspect, Portsmouth City Council will be dealing with the financial aspect, Hampshire is leading on the development of the Specification, Surrey have undertaken all aspects of Communication and Berkshire are developing
- 2.11 Dedicated resource has been required to ensure that the work programme is adhered to and a project manager has been appointed with all 6 Authorities contributing £10,000 (Berkshire are acting as one Authority).

3. Finance

- 3.1. The annual spend on Independent Fostering Agency placements across the eleven Councils is approximately £29 million, with the annual spend for HCC being £8.6 million.
- 3.2. All councils wish to purchase services in order to gain a range of benefits and move away from current arrangements including ad hoc spot purchasing.
- 3.3. Potential savings - It is anticipated that there will be savings arising from a number of features of the commissioning process:
 - Securing fixed fees for the duration of the contract;
 - Achieving discounts for long term placements;
 - Reduced fees for potential block purchasing;
 - Retrospective rebates based on the collective annual spend;
 - Sharing contract and performance management responsibility;
 - Ensuring children and young people are placed locally.
- 3.4. Table 1 presents an overview of the potential annual savings. It is based on calculating the potential savings achieved through three different commissioning options:

Pessimistic – based on a loose commissioning arrangement between the authorities such as a non compliant framework and is estimated at minimum 3% benefit for all authorities.

Realistic – based on a formal commissioning arrangement where authorities jointly procure from broadly the same suppliers and hence extract significant volume discounts and is estimated at 7%.

Optimistic – based on strong contractual arrangement with a block contract and arrangements in place to provide Independent Fostering Agency placements as an alternative to residential care and is estimated at 10%.

Table 1: potential annual savings

Year	Annual spend £'000s	Pessimistic £'000s	Realistic £'000s	Optimistic £'000s
2010/11	8,600	258	602	860
2011/12 (projected)*	9,200	276	644	920

*Budget based on average number of 206 placements across county.

4. Process

- 4.1 The procurement arrangements are collaborative with Southampton City Council procuring on behalf of 11 councils.
- 4.2 The contract term will be for three years plus a potential extension of a period up to two years.
- 4.3 It is envisaged that contracts will be awarded to successful Providers by November 2011.
- 4.4 The services being procured are broken down into Lots:

LOT NO.	DESCRIPTION
1a	Placements for Children aged 0-4 years
1b	Placements for Children aged 5-10 years
1c	Placements for Young People aged 11+ years
2	Parent and Child Placements
3	Placements for Disabled Children and Young People

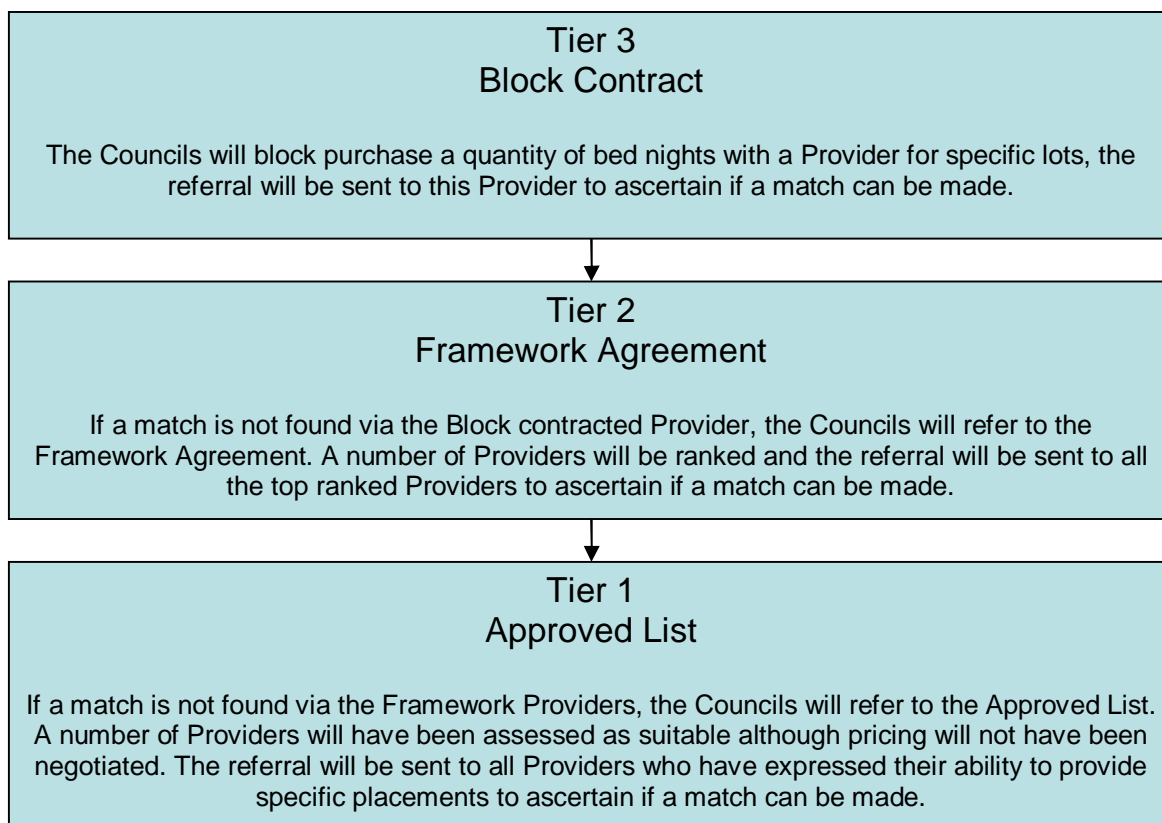
- 4.5 Pricing will be based on the following categories:

Emergency Placements;
 Short Term;
 Long Term;
 Sibling Groups;
 Solo Placements;
 Short Breaks;
 Retainer/Reservation Fee.

- 4.6 Prices will be fixed for three years with a two year extension option.
- 4.7 Benchmarking and research into savings that other Authorities have made through new Framework agreements has been undertaken, although Hampshire are currently competitively priced, the block contract should reduce prices further and the ranking system within the Framework should

ensure that Providers price aggressively to ensure that they are taking the bulk of the business from the 11 Authorities.

4.8 The contractual arrangement will have a three tier structure:



4.9 Advertising:

The agreed advert will appear in a journal (Children & Young People Now), Supply2.gov web portal, Improvement and Efficiency South East web site, and will be widely distributed to the attendees of the Provider Events and to other providers as appropriate.

4.10 Tier 1:

A two stage Pre-Qualification Questionnaire process will be used to establish:

- a list of approved providers against the specified Lots;
- a list of providers who will be invited to tender for the framework arrangements;

4.11 Tier 2:

Providers who are successful at stage 2 of the Tier 1 evaluation will be invited to tender for Tier 2 – the multi-provider, multi-Lot framework.

Providers will be able to tender against all the Lots that they have identified an interest in at Tier 1.

Tenderers will be asked to provide an indication of whether they wish to be considered for a future block contracting tendering process. Tenderers will also be requested to state whether they agree to present provision, if any, being subsumed into the new framework.

4.12 Tier 3:

As soon as the Tier 2 Framework Arrangements are in place, successful providers can be invited to bid for the block arrangements. HCC will purchase a block of 30 beds for young people aged over eleven years. This figure is based on the current figure of 160 Young People aged 11+ in placements. Additionally, there is always a variable number of young people in children's homes waiting for a suitable family placement. The block arrangement provides a sufficiency of placements to allow choice and the ability to place children according to what they need.

4.13 Evaluation:

The evaluation team will include representatives from the six councils with the Berkshire councils acting as one authority. Each council will nominate two representatives, one from procurement and one from the service area.

5. Other key issues

5.1 Risks and Mitigation - Table 2 details the perceived risks to the tender process and explains how each of these has been mitigated:

Table 2 – Risks and Mitigation

Risk	Mitigation
Participating councils fail to commit to collaborative approach.	Partnership Agreement with participating Authorities with Legal Services for consideration, amendment and sign off prior to advert.
Procurement timescales slip, contract not in place in time for expiry of HCC framework end May 2011	Project plan adhered - fortnightly meetings and HCC to put in place extension to current provision.
Providers do not have capacity to meet specialist demand.	Work with providers to address potential demand; ensure sufficient choice of providers - consideration of this as part of evaluation process.
Providers choose not to apply for Framework, Children and Young People currently placed would not be moved to new Providers due to placement stability, resulting in off contract spend for some current placements	Communication with Providers, informing them of the process and encouraging them to engage, addressing barriers raised by Independent Fostering Agencies.

- 5.2 Perceived benefits - There is evidence that through a collaborative procurement process councils have achieved significant benefits, depending on the different routes adopted, which included:
- Improved outcomes for children.
 - Better value for money and reduced rates with providers.
 - Reduced transactional costs.
 - Shared procurement costs.
 - Better placement stability.
 - Streamlined placement matching processes.
 - Improved understanding of the marketplace.
 - Greater influence over the marketplace for local authorities
 - Better working relationships with providers.
 - Reduced spot purchasing.
 - Improved communication and partnership working.
 - Increased numbers of local placements.
 - Use of standard contracts and commissioning documents.

6. Interim Arrangements

- 6.1 Due to the collaborative work undertaken across the eleven Councils, the standard procurement process timescales have been extended to allow for a robust needs analysis, scoping exercises and provider events. Due to the number of partners involved this initial development stage was a considerable work area. However this was to ensure that an effective specification could be developed, a robust procurement process could be utilised, standardised monitoring and referral processes could be devised, This work is to be detailed in the partnership agreement to ensure that the requirements of all the participating Councils is being met by the collaborative approach.
- 6.2 It was anticipated that there would be a period of transition from the ending of our current framework at the end of May 2011 and the commencement of the collaborative contract scheduled for November 2011. Given the projected efficiencies that a collaborative approach would deliver on a contract of this size, it was considered that extensions to existing contracts would be a suitable solution to the timescale issue.
- 6.3 In light of these circumstances a 6 month extension to current providers' contracts is being sought to ensure a smooth transition for children and young people.

7. Recommendation(s)

- 7.1 That the Executive Member for Children's Services approves the Procurement process outlined in this report for the collaborative Independent Fostering Agency contract.
- 7.2 That the Executive Member for Children's Services approves the requirement to extend the contracts for current providers for Independent

Fostering Placements for a six month period to allow for a smooth transition to the new contract.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	yes
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>		<u>Date</u>
Fostering Service Regulations 2011		March 2011
National Minimum Standards 2011		March 2011

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. N/A

2. Impact on Crime and Disorder:

2.1. N/A

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption? N/A

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? N/A