

# **A Review of Commissioning Arrangements for Looked After Children in London**

## **Final Report**

## **July 2018**

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### 1 Introduction

The Association of London Directors of Children's Services (ALDCS) through London Councils asked the Institute of Public Care (IPC) at Oxford Brookes University to conduct a review of the arrangements for commissioning fostering and residential care placements operating in London. The purpose of the review is to understand the current commissioning arrangements in London and to provide strategic advice and recommendations on how they could be improved. The key terms and definitions used in this report are given in Appendix 1.

IPC worked with colleagues in all commissioning consortia in London and local authorities as well as service providers to undertake the review. The research was carried out in February and March 2018, and included:

- Interviews with all commissioning consortia in London and a sample of officers, including commissioners and front line staff, from London boroughs.
- Focus group meetings with officers from local authorities.
- A survey of providers registered with London Care Services and interviews with a sample of those providers as well as other sector stakeholders.

This research builds on a recent internal review of the role and function of London Care Services (LCS) and IPC's previous study on national commissioning arrangements for looked after children<sup>1</sup>. It also takes into account Sir Martin Narey's independent review of children's residential care in England<sup>2</sup> and the review of foster care in England<sup>3</sup> undertaken by Sir Martin Narey and Mark Owers for the Department for Education.

In his review of children's residential care, Sir Martin noted that most activity "*was really about buying places in children's homes, not about commissioning them*" and that despite the consortia frameworks in place "*a significant proportion of placements continued to be made through spot purchasing*". He recommended that local authorities come together into large consortia to extend placement choice and drive down costs. He also recommended that local authorities use one online placement matching system.

The Independent Children's Home Association (ICHA) State of the Market Survey<sup>4</sup> published in February 2018 reflects Sir Martin's findings and notes that there is no sign

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<sup>1</sup> Institute of Public Care (2015) [The Efficacy and Sustainability of Consortia Commissioning of Looked After Children's Services](#)

<sup>2</sup> [Residential Care in England](#) (2016). Report of Sir Martin Narey's independent review of children's residential care

<sup>3</sup> [Foster Care in England](#) (2018). A Review for the Department for Education by Sir Martin Narey and Mark Owers

<sup>4</sup> ICHA (February 2018). [State of the Market survey 4](#)

of providers experiencing improvement in the commissioning and purchasing of children's homes services. In particular it concludes that this is a sector experiencing a decreasing effectiveness of commissioning and procurement, which creates issues for both the local authorities and their overstretched budgets, but also for providers striving to sustain services:

*“Despite the highest levels of demand and placement searching by local authorities... there was almost no strategic procurement activity in the year targeting the establishment of new capacity for identified needs.*

*Occupancy rates for providers improved slightly on average due to the sheer volume of demand but remained subject to the volatile and random spot purchasing methods of councils that often struggled to identify appropriate vacancies at short notice and in an unplanned fashion.*

*At the same time, purchasing authorities continued to attempt to contain unit prices, with some success due to the length of some existing framework contract arrangements. However, some larger providers led the way in securing fee rate increases. The economics of high demand and perceived under-supply of places and demonstrable cost pressures are beginning to bring about price inflation. This is beginning to happen in a way that is unplanned and unmanaged by commissioning bodies.” (ICHA State of the Market survey 4, page 5)*

Sir Martin made similar observations in his review of fostering, stating that *“strategic commissioning of IFAs would lower the cost of fostering and improve its quality, but at the moment there is too much buying of placements - in what amounts to large scale spot purchasing - and too little commissioning.”* The report recommended that local authorities come together to create about ten large commissioning consortia with critical mass, better able to understand commissioning requirements, concentrate expertise, discourage local authority versus local authority competition and negotiate new agreements with Independent Fostering Agencies (IFA) to provide placements at significantly reduced cost, almost certainly through guaranteeing particular IFAs a certain level of business.

The pressure that London boroughs are under to make cashable savings and improve outcomes for children is increasing, and the need to manage the market is paramount. In this climate of limited resources and increased demand, boroughs are required to work collaboratively in order to make efficiencies yet meet their statutory duties and ensure that children will be in placements of the highest quality. However, we know from our work around the country that local authorities have difficulties in working together consistently over time and allowing joint arrangements the autonomy and authority they need to work effectively.

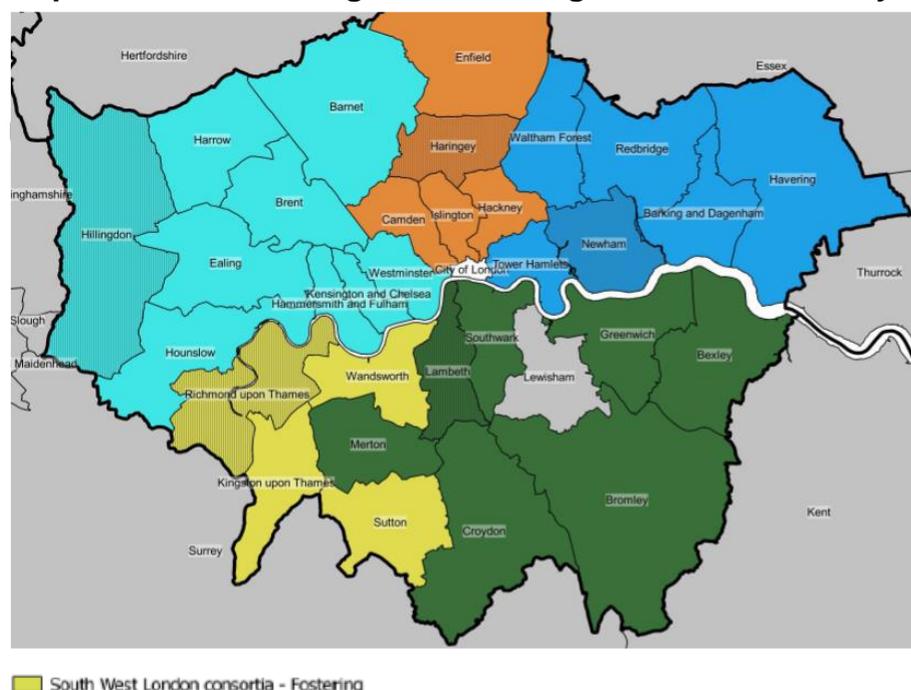
## **2 Commissioning Arrangements in London**

Historically, London has been more cohesive than other regions in the commissioning of fostering and residential care placements. It is the only region to have an overarching regional consortium with a procurement mechanism.

What was striking to us as we carried out this review is that, over the last three years, London wide arrangements have fragmented rather than coalesced at this time of

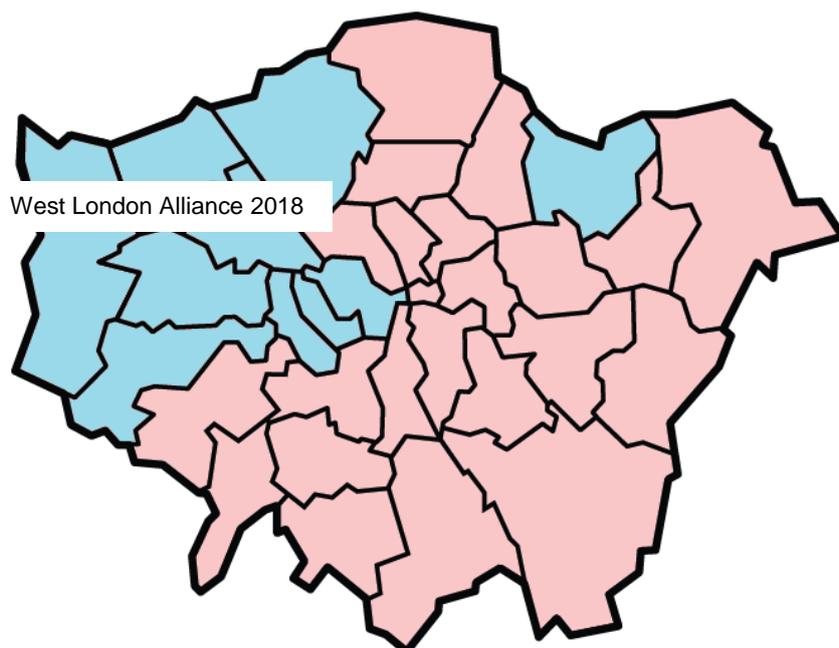
austerity. When we carried out our review of consortia commissioning arrangements in 2015, as well as LCS, there were five sub-regional fostering consortia and no residential child care ones, and a few boroughs had their own procurement arrangements in place. The landscape, as it was in 2015, is illustrated by the map below. More information can be found in the IPC report; [The Efficacy and Sustainability of Consortia Commissioning of Looked After Children's Services](#)

### Map of London sub-regional fostering consortia as at May 2015



In 2018, as well as LCS, there is one sub-regional fostering and residential child care consortium: West London Alliance. The landscape today is illustrated by the map below.

### Map of London sub-regional children's consortia as at April 2018



The situation in London is currently in a state of flux as individual borough contracts emerge or are extended and sub-regional consortia dissolve, extend and re-form. A new consortium, South London Commissioning (SLC), is currently being developed (stimulated by DfE innovation funds) but it is not yet fully operational. North London Children's Efficiency Partnership (NLCEP) is a network of boroughs that have historically worked together, but no procurement framework is currently in place. NLCEP is currently undertaking an options appraisal about its future arrangements. Collaborative conversations are occurring across some boroughs and the WLA, and with CCRA, to identify and test out opportunities for commissioning together. More information about the current consortia arrangements is given in section 2.1 below.

In addition, many more boroughs have their own arrangements for IFAs as well as using LCS. The majority of the local authorities interviewed for this review had their own framework contracts or 'approved provider list' for fostering placements (and for semi-independent provision) in addition to the LCS data base. One authority noted that they had extended their own framework for 15 months as a bridge until the SLC procurement arrangements go live.

The other factor that is relevant is that DfE Innovation Programme grant monies has enabled new arrangements to be developed that strengthen local authorities' collaboration and interaction with the market. One example is the development of two residential units across a small number of authorities in the North East - led by Havering this provision is due to go live in April 2019.

## 2.1 Current consortia arrangements

### 2.1.1 London Care Services

London Care Services is a consortium and data base hosted by London Councils. It is used by London boroughs and three partner authorities from outside London (Buckinghamshire, Oxfordshire and Milton Keynes). LCS negotiates prices of foster and residential care placement services on behalf of subscribing member authorities. It also draws up and manages the London Model Contract (LMC), which member authorities use when they make a fostering or residential placement with an approved provider.

Providers can qualify to join the LCS database at any time by agreeing to sign up to the LMC and by meeting a quality standard i.e. they were rated as 'Outstanding' or 'Good' at their most recent Ofsted full inspection. As of 31 October 2017 there were 161 providers on the LCS framework offering 106 IFAs and 225 residential children's homes (RCH). Nationally there are 245 IFAs which are rated 'Outstanding' or 'Good' by Ofsted and 1275 residential children's homes. LCS, therefore, has a market share of 43% of all available IFAs in England and 18% of RCHs<sup>5</sup>.

The LCS database can be accessed by individual local authorities and/or sub-regional consortia seeking placements. Providers see and access information about their own service(s) whereas commissioners can see information about all providers. In theory local authorities can use the site to: search for providers and find placements; check quality and price; see key registration documents; and see Ofsted inspection reports. However, in practice information about staff, services, placements and vacancies is not kept up to date by providers and it is not used as a tool for placement finding or matching.

A key part of the role of LCS is to negotiate fees with providers. In 2016-17, over 40% of registered providers requested a fee increase, often due to broader pressures on the market such as inflation and increases in the National Living Wage. LCS agreed fees following a service assessment and fee negotiation process for each placement type i.e. core care, specialist and targeted, respite, emergency, disabilities, remand, parent and child, education, and solo placements. Overall, the average weekly fee agreed by LCS in 2016-17 was 3.6% less than the average weekly fee requested by fostering providers and 8.9% less for residential care<sup>6</sup>. This gives an average of 6.2% cost avoidance between the level of fees requested and agreed across all contracted provisions in 2016-17. LCS estimates that 6.2% cost avoidance, if applied to all 36 member authorities, would equate to a total net cost avoidance of approximately £15m, which averages out at approximately £400,000 per member authority<sup>7</sup>. In addition, LCS asks providers to propose indicative discounts for a range of services including 'retainer', 'permanency', sibling groups' and 'cost/volume'. However, the current version of the LMC does not include specific clauses that define the discount arrangements.

### 2.1.2 West London Alliance

West London Alliance children's programme (WLA) is a consortium of 9 organisations: Barnet, Brent, Ealing, Harrow, Hounslow, Hillingdon, Hammersmith and Fulham, Westminster, and Kensington and Chelsea. WLA is independent of any one local authority, but is not a legal entity in its own right; it has a consortium manager and commissioning team. It is a subscription based consortium, the yearly subscription covers the costs of the WLA team, and local authorities then pay additional money according to whatever strategic work is agreed.

<sup>5</sup> London Councils. Commissioning Childhoods: Exploring the role and function of cross-regional commissioning arrangements (London Care Services) for looked after children in London: page 15

<sup>6</sup> London Councils. Commissioning Childhoods: Exploring the role and function of cross-regional commissioning arrangements (London Care Services) for looked after children in London: page 24-25

<sup>7</sup> Figures provided by LCS show that on average 50% of looked after children placed by London boroughs are placed through London Model Contract

The aim of WLA is to lobby government for the needs of the community in the West of London. WLA adopts a thematic approach to its work, including: growing employment skills, health and wellbeing and creating new ways of working - within which the children's agenda and commissioning work sits. The consortium aims to understand the market and needs in a comprehensive way, and refresh this understanding on a yearly basis. WLA produced a sub-regional [market position statement](#) in 2016/17.

The cost benefit of the WLA model is set out by WLA as reduced duplication in regard to any procurement activity cost, the light touch, flexible procurement tool and associated efficiencies, as well as the cost and quality benefits associated with increased leverage with the market. WLA went live on 3 April 2018 with a new Dynamic Procurement Vehicle (DPV) for IFAs which aims to facilitate an open market with a wide choice of providers with easy access and transparency of costs in respect of long term placements, siblings, increased notice periods, tighter definition of solo placements and a tighter definition of retainer. The second DPV for residential care and SEN placements will go live by May 2018. The new DPVs do not use the LMC.

The DPVs cover RCHs, IFAs and Independent Non-Maintained Day and Residential Special Schools. New suppliers can join at any time and DPV contracts run for 3 years plus up to 3 years extension. The DPVs have the flexibility to include more local authorities over time and can add features such as cost/volume and payment in advance discounts and block booking. The London Borough of Redbridge will join the DPVs as of 1 April 2018. The DPVs are supported by a bespoke procurement portal called 'CarePlace' which has a directory of services, a data hub, eBrokerage and eContracting. The WLA approved provider list for semi-independent placements is currently being expanded to include 60 providers.

### 2.1.3 North London Children's Efficiency Partnership

North London Children's Efficiency Partnership (NLCEP) is a grouping of London boroughs - Camden, Enfield, Islington, Hackney and Haringey – where commissioning leads and Directors have a history of working together. However, no procurement framework is currently in existence. NLCEP is in the process of completing an options appraisal setting out its future commissioning intentions, which is focussed on wider collaboration.

The planned commissioning activity to develop a Dynamic Purchasing System (DPS) has been put on hold due to the joint category manager and lead officer no longer being in post. The partnership is currently developing an option appraisal of what their framework design should be. Liaison with a number of local authorities is in train in relation to this option appraisal, which includes testing the thinking in terms of whether to re-tender to create a new framework or merge with another network or consortium.

### 2.1.4 South London Commissioning Consortium

South London Commissioning (SLC) is a new sub-regional commissioning arrangement across twelve local authorities: Bromley, Bexley, Croydon, Greenwich, Kingston, Lambeth, Lewisham, Merton, Richmond, Southwark, Sutton and Wandsworth. SLC is hosted by Croydon and funded by an Innovation grant to develop a regional approach to commissioning for fostering and residential care placements, including an ICT platform which will facilitate improved market engagement and decision making in the

commissioning process, developing and sharing good practice and embedding effective contract management. This builds on the implementation of a DPS for SEN placements (non-maintained schools) across an original group of ten authorities. SLC aims to create a DPS framework for fostering and residential care placements by 2019 for the south London boroughs.

### 2.1.5 Children's Cross Regional Arrangements Group

The Children's Cross Regional Arrangements Group (CCRAG) is a partnership consisting of local authorities from the East, South East and South West Regions of England who are committed to working together to support the sourcing, contracting, monitoring and annual fee negotiations for children's placements in independent and non-maintained special schools, RCHs and semi-independent care. Members pay a subscription that enables them to access the CCRAG providers' database. The London boroughs of Newham and Redbridge planned to join CCRAG on 1 April 2018. In early 2018/19 WLA and CCRAG are planning to explore the opportunities for CCRAG to join WLA.

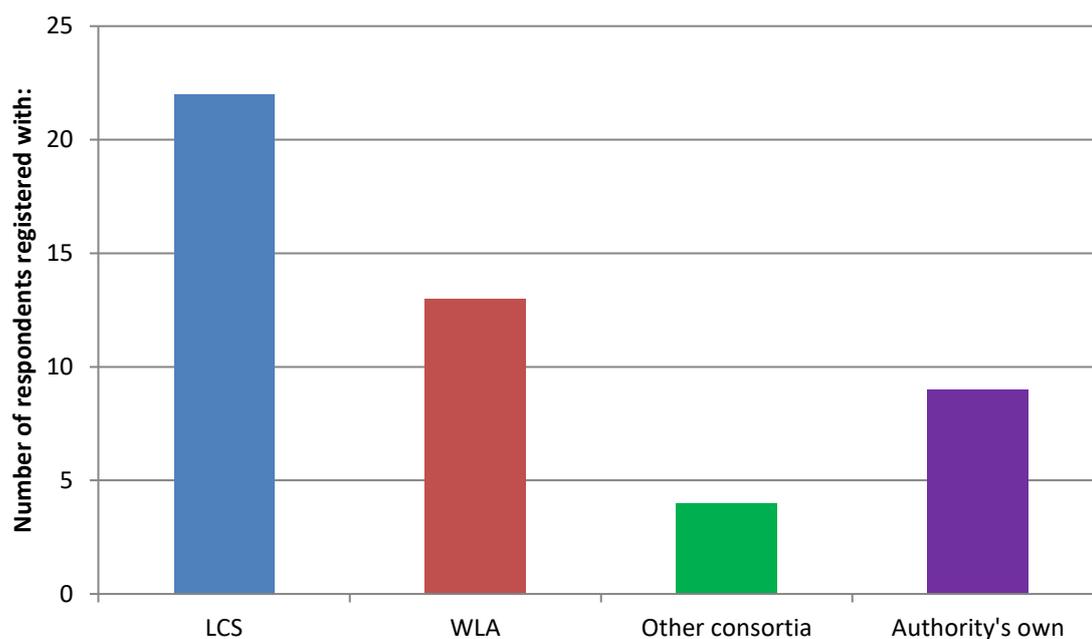
## 3 What Did Stakeholders Tell Us?

IPC worked with colleagues in the two current commissioning consortia in London and local authorities as well as service providers to undertake the review. We conducted 12 interviews with consortia leads and/or local authority officers. We carried out a survey of providers registered with LCS and conducted 13 interviews with those providers and other stakeholder organisations (NAFP and ICHA). The material here is the collected views of these participants; it is designed to triangulate the views of the sector from a range of perspectives.

### 3.1 Provider survey and interviews

A survey invite was sent out to the 139 active providers where there were discrete contact details on the LCS data base. We received a total of 22 responses (16%): 13 of whom offered fostering services, 6 residential care services and 3 that offered both. A list of questions asked in the survey is set out in Appendix 2.

The majority of providers are registered on more than one framework or other procurement vehicle in London. As illustrated in the graph below, all 22 respondents were registered with LCS, and between them there are also a total of 26 other registrations on frameworks/APL/DPSs in London, including 9 with a local authority's own arrangements (Bromley, Croydon, Lambeth, Southwark, Sutton, and Wandsworth):



When asked why they are registered with more than one DPS, APL or framework, providers told us that they needed to do so to keep abreast of all opportunities, and boroughs preferred providers to be in their local procurement arrangements:

*“When LCS started it was stated that all London boroughs would use this system. However over the years it has become clear that this is not the case and some London Boroughs are separating out. We as a provider are not clear on which list/framework takes priority so therefore feel we have to be part of them all.”*

Providers were clear that this multiplicity of commissioning arrangements across London has directly led to duplication and hence to increased costs for them, which they in turn pass back to boroughs. The different arrangements – including for referrals and monitoring – increases their costs. As one provider put it *“There is capacity and capability invested in duplicating bureaucracy rather than activity that could add value.”* There was a plea for London boroughs to agree the role and function of LCS and whether they are going to work in smaller consortiums or individually so that providers know what they are doing.

Providers also flagged the increasing volume of business from spot purchasing. The majority estimated that 50% or more of their work was derived from spot purchasing by London boroughs. When asked what they understand is the reason that London boroughs spot purchase from them, providers told us that this was due to a lack of appropriate placements on the frameworks and / or the good reputation and working relationships that had with commissioners.

*“London boroughs often spot purchase from us as they are seeking out specialist placements for harder to place children and young people. Boroughs often find it difficult to meet the need otherwise.”*

The biggest issues facing the market were identified by providers as:

- The recruitment of foster carers, particularly specialist high quality foster carers. The ‘poaching’ of foster carers was mentioned (by IFAs and boroughs) - it is more economic to offer financial incentives for established carers to transfer from one agency to another rather than to recruit and train and approve new foster carers.
- The increasing complexity of children and young people’s needs, leading to more challenging placements. Matching children with complex needs with skilled carers was seen as an issue, combined with *“the inability to increase standard rates to meet the growing demands for complex placements”*.
- The inflationary cost pressures, coupled with the impact of austerity and downward procurement cost pressures. In residential care in particular it was noted that there have been *“increases to National Living Wage (5% this year with further increases for next 2 years) and to pensions contributions (double this year and following years) but no uplift from local authorities for over 8 years so far. Profit margins have dropped from 10% to 1%, there’s nowhere left to squeeze.”*

When asked specifically about the biggest issues they faced in the way London boroughs commission placements, providers gave consistent messages that better assessment and understanding of children’s needs, and what interventions might make the most difference, was needed from local authorities. Referrals needed to be of an improved quality – they were variously described as “poor quality” and “deficit focused referrals” - and the level of detail in referrals improved, particularly ‘soft’ information.

The process of referral was also felt to be problematic: the provider’s ability to respond could be simplified and the process made more efficient. As one provider put it *“[We need a] simpler process for referrals, regardless of placement availability our Referrals Inbox is constantly receiving numerous requests.”* Another provider mentioned *“multiple initiatives to establish different methods of having to respond to vacancies”*. Tendering requirements to register on frameworks were also criticised: *“Excessive requirements for tendering - some are so arduous they waste valuable resources and there can be no guarantee of an income from the contract in any event.”*

A lack of long term planning for placements and a focus on short term solutions in an emergency was also identified. *“Horizon scanning could be more useful if boroughs were able to say about future sufficiency needs. It would be helpful as a provider to have a reciprocal sharing to trends, data and placement need in order to support planning and recruitment of specialist carers for required placements.”*

Other suggestions for improving the way London boroughs commissioned placements included:

- Higher rates for specialist provision and accept that some young people are more difficult to place than others and that carers who can do this work deserve more reward. For example, pay more based on how many placements a child has had before - a failed placement allowance.
- Stop challenging the price when it has already been agreed with LCS.
- Better communication and greater consistency - multiple commissioning, tendering, monitoring and referral systems!
- Improve the working relationships with providers. One specific suggest was to *“protect time for placement teams to visit local homes. It helps registered Managers understand their perspective and alleviates unfounded fears of institutionalisation.”*

- Know the true cost of in-house provision and use a professional matching tool, with all placements, as the difficult placements tend to go to IFA's, however a child may be placed in an IFA placement that meets all their needs and stays there, including school, in the longer term saving money.
- *“The Sector would benefit from a central system which could be accessed and could communicate through (confidential) open source scripts with the various databases in the sector so that local authorities could view all vacancies centrally and Agencies could also view and search for all young people.”*

### 3.2 Sector stakeholder interviews

As well as providers registered on the LCS data base, we interviewed the lead officers of the Independent Children's Home Association (ICHA) and the Nationwide Association of Fostering Providers (NAFP). This section sets out the views shared by the two provider organisations.

The ICHA lead officer considers London to have the '*narrative of commissioning*', but in reality only uses procurement frameworks, a practice that is based on '*an idea that this creates stability and manages spend, but that the reverse is true because frameworks are based on price and this puts the price up. Only 40% of placements are made on contracts.*'

The NAFP raised issues about how carers are chosen and matched to children, and this whole process is an area that could be improved. The suggestion was that carers should be identified for children, because they are the best match, not because they are the best in house carer available. The organisation challenges the Association of Directors of Children's Services (ADCS) position that in-house carers are the cheaper option, on the basis that the cost profiles being compared are not similar, and the local authority models used in such comparison don't contain the full costs of overheads in the authority nor the costs of the bureaucratic tendering processes.

The idea shared by the NAFP to increase the effectiveness of the commissioning system across London was the need to work together to increase the overall capacity in the fostering market, spending time poaching carers or recruiting in isolation doesn't add overall capacity which should be the strategic aim if boroughs want to have more local options available to meet children's needs.

In general the agenda of through put or good care planning came up many times in interviews with providers. At a '*micro level this is how well the borough talks about the children who will need a placement in 3 months; at a macro level it's the boroughs telling the sector what the care population will look like and need in 12 months or more.*'

When talking about how member organisations approach costing to get onto a framework, NAFP said they had heard from members that this is sometimes a tactical decision to ensure their organisation gets onto the framework, so that they still receive referrals to consider, and it's at this point that the real cost of care is negotiated. Being on a framework is also seen as an important way to gain and keep up to date with market intelligence by the provider.

### 3.3 Summary of provider views of the effectiveness of the commissioning arrangements across London

#### Strengths

- The procurement discipline brought into the sector in London
- The benefits of a framework for the buyer was noted, with Ofsted inspections once every 3 years, a framework, preferably a light tough framework offers the buyer additional security
- The London model contract is considered to be well written, and affords commissioners a ‘*safety net*’

#### Areas to Improve / Barriers

- The referral processes are not time efficient and do not consistently contain comprehensive information
- Very little sharing of comprehensive needs analysis of children
- No relational working together for the benefit of children
- *“No imagination in how we encourage providers to set up in London”*
- If potential providers of care could talk to the child’s referrer (i.e. the social worker), it is asserted that the number of choices available would increase
- The lack of understanding of the profile, capacity and capability of carers
- The lack of different types of foster carer being developed, as a generic foster care model is not what children need

#### Opportunities

- Identify the strategic objectives of using in house carers e.g. only emergency placements, only for under 10s, or only for over 10s? Or consider the strategic benefit of externalising foster care or create a number of block contracts across a set number of local authorities
- Through block contracts or other types of contract consider paying for a number of vacancies in the sector, the assertion is that in 3 to 5 years this will represent value, as the ability to match well will be enhanced, and the commissioner is already paying for it due to the current 80% utilisation rate in IFA providers
- Review the role of LCS because local authorities mainly have their own frameworks or consortia are launching new frameworks and it represents an *“unproductive level of bureaucracy”*. *“Three quarters of members are doing something different, and this inefficiency represents a cost to the boroughs”*
- Support four clusters of London boroughs to do commissioning really well
- Create a terms of reference for how boroughs and providers can work differently together, based on the concept of a partner in care
- Create a London strategy to build capacity and partnership with residential care providers, with the aim of creating new local capacity
- Identify quick wins including ‘*soft blocks over a number of years*’, and once up and running collaboratively identify the next quick win together
- Reduce duplication and enable providers to make the tendering process less resource intensive (as this represents a cost to the local authority)

## Risks

- Some consortia agreements had lapsed (WLA and NLCEP) at the time of the review, with children still placed under the lapsed contractual agreements and they have not defaulted to the LCS model contract. The legality of this arrangement has been queried by the member association
- The level of adversarialism across the current system
- The lack of partnerships with providers
- The lack of social work expertise in procurement teams

### 3.4 Local authority and consortia interviews and focus groups

We interviewed a total of 12 officers from consortia or boroughs across London. A list of those interviewed is shown in Appendix 3. All local authorities interviewed have an 'in house' first policy, based on a proposal that in house foster care provision is cheaper, and also closer to the child's social worker and local community.

Most of the boroughs interviewed had their own framework in place for IFAs in addition to using the LMC. Some of the boroughs that did not have another IFA framework in 2017/18 will now have access to the WLA DPS's which went live in April 2018.

Commissioner interviewees confirmed what providers told us i.e. the majority of external placements are spot purchased. One authority noted '*we have increased spot purchasing from providers outside the LCS list*' in relation to residential care in order to meet the needs of the children.

The majority of respondents interviewed who are not part of the WLA use the LCS approved list and their own lists to generate a generic mail shot approach when interacting with the market to find a placement for a child, supported by the 'personal approach' of calling the providers who they have worked with before, know or trust and who may or may not be on the official approved list if one exists.

Questions were raised in several of the local authority interviews about the LCS role and place within the London system as the framework does not incorporate things like sibling discounts, and it is "*rigid*" so boroughs continue to look to the wider market to find the right match.

There were varying models in place to monitor the quality and outcomes of provision, from visits to providers, to an interview schedule that officers had recently started to use during visits, and triangulation of information with the IRO and social worker. The boroughs interviewed were clear that they did not share this information with other boroughs routinely, although the practice of taking a reference from another London borough in respect of a provider that has not been used before was common place. WLA have developed the ability to aggregate data on providers from their data base. Another borough said they had started to collect data as part of a departmental wide performance management model. The lack of strategic activity by LCS in terms of aggregating data was noted as a missed opportunity.

The biggest market issues identified by commissioners were:

- Lack of placement choice and boroughs competing for the same, limited placements
- How to reduce costs but not reduce quality. Commissioners asking ‘for more, for less money’ and the pressure this is causing to providers
- The impact of Ofsted on the willingness of providers to accept referrals for higher need children
- Complexity of children in need of a placement and the needs of children who had numerous placement breakdowns
- The lack of housing stock and size of properties in an area
- Social workers needing to have a better understanding of the market

All of the issues above were identified by the majority of the commissioners interviewed and were noted to have been a ‘*cost pressure*’ for boroughs’ expenditure.

In terms of solutions and suggestions, commissioners identified the opportunity to work together and make better use of the buying power of London boroughs. Unifying or harmonising the frameworks, referral and monitoring processes - from shared forms to the IT platform – would enable boroughs to reduce duplication and work and mitigate risk together.

There was also a strong call to consider and decide the role of LCS given the potential consortia developments by NLCEP and SLC. Boroughs need to create the space to share learning and work together across London – either via LCS or other means – as currently there is neither the capacity nor mandate to create a vision for strategic commissioning for children’s placements across or within London and develop meaningful engagement with the whole sector.

### 3.4.1 Semi-independent provision

Six out of the ten boroughs interviewed had their own authority or consortium framework for semi-independent provision, ranging from 7 to 18 providers on the borough frameworks, and 30 on the consortium framework. One had block contracting arrangements in place whilst others had their own trusted list of providers that they most frequently use. One borough that had a PPF noted that they still had to spot purchase outside of their framework. Some local authorities had partnerships and block contracts with housing departments and care providers for the group of young adults who needed this type of provision. One borough interviewed was working to create a PPF with another neighbouring borough for semi-independent provision by autumn 2018.

None of the boroughs interviewed used unregulated, semi-independent provision for looked after children under 16. They saw semi independence as part of the pathway of care for young people aged 16 or over and used their frameworks for:

- Older unaccompanied asylum seeking young adults
- Young people who are transitioning to adulthood as part of their care plan
- If an IFA placement cannot be found or matched for a 16 + young person

A number of commissioners thought that ALDCS should lobby central government to regulate semi-independent provision or failing that to work across London on this agenda.

### 3.4.2 Market shaping

The question of market shaping was complex. Activities ranged from yearly events with the market where sufficiency strategies were shared, to talking with providers during monitoring visits. Information held at any one time about providers in the market included information submitted at the time the provider applied to be 'on the list', information held and uploaded by LCS – although it was noted that providers were asked to re supply this to individual boroughs - to information from social work and monitoring visits. The approaches did not yet appear to be mature or systematic.

There was consensus that the needs of looked after children are changing and becoming more complex. The impact of which in some instances was innovation to meet the changing needs by more than one borough working together and supported by DfE Innovation monies, such as for the Havering led project and the setting up of SLC (both mentioned in section 2), to providers setting up as specialist units to work with children and young people who have been subject to CSE, in order to meet an identified gap in the market.

One commissioner set out a view that a '*trauma model of care*' is needed, validated to a degree in terms of new, more supportive, dynamic and skill enhancing models such as the Mockingbird model evaluated by DfE<sup>8</sup>. Another commissioner noted that different types of foster care are needed to better meet the more complex needs of children, promote placement stability and change, because '*the placement isn't the end in itself*'.

The biggest gaps in the market are currently identified by commissioners as:

- Welfare secure placements
- Placements for children and young people who have experienced CSE
- Placements for young people who are gang affiliated and at risk of harm
- Placements for young people who display patterns of violent behaviours
- Placements for children and young people who self harm and have a range of mental health vulnerabilities

There was a view that the ALDCS and boroughs could work together more strategically and robustly to engage and influence the market across London and gain greater traction and leverage to meet the needs of children in a cost effective and high quality way. Stronger needs analysis and service mapping across the region or across larger sub-regional areas was seen as vital. As one commissioner put it "*we keep focussing on buying beds, we need a step change*".

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<sup>8</sup> Loughborough University (2016). [The evaluation of the Mockingbird Family Model](#). Final evaluation report

## 4 Conclusions and Recommendations

Perhaps unsurprisingly our review echoed the findings of the national reviews of fostering and residential care by Sir Martin Narey. Currently, in London as in the rest of England, there is much buying of placements - in what amounts to large scale spot purchasing - and too little strategic commissioning.

A large part of placement activity in London currently takes the form of spot placement at time of need. Providers and commissioners alike paint a picture of high demand, perceived under supply of places and a generic mail shot approach when interacting with the market to find a placement. The scramble for available places is likely to compromise planning and matching to best meet children's needs. In addition, providers have to engage with multiple tendering, referral and monitoring processes that usually need additional capacity and hence add cost, which providers in turn pass back to boroughs.

There is a great deal of knowledge, commitment and skill across the commissioning system in London, but trying to hold one set of arrangements across the whole of London has not worked. Currently, through LCS, there is an approved list for both fostering and residential care homes that is available to all London boroughs. However, virtually all boroughs or sub regions have also developed (or are developing) their own individual or sub-regional procurement vehicles for this type of provision. A key part of the role of LCS is to negotiate fees with providers, and on the face of it this has resulted in cost avoidance in both fostering and residential placements. However, with the volume of spot purchasing and alternative contracts in use across London it is debateable whether this has resulted in cost avoidance across the region as a whole. A continued focus on fee reductions for part of the market and without any guarantee of business for providers is not likely to be sustainable. The current lack of strategic oversight and commissioning capacity across the whole system represents, we think, a risk to the effectiveness of local authorities' ability to source placements that meet children's needs locally and at a reasonable cost.

The Narey reports recommended that local authorities come together to create large commissioning consortia with critical mass, better able to understand commissioning requirements, concentrate expertise, discourage local authority versus local authority competition and negotiate new agreements with providers for placements at significantly reduced cost through guaranteeing a certain level of business. The multiple arrangements and processes across London, i.e. one regional consortium and several sub-regional consortia plus borough's individual arrangements, are neither efficient nor effective for the region as a whole. We recommend that either one pan London consortium or two sub regional consortia are developed that have strategic links with ALDCS and dedicated commissioning capacity. This should incorporate the current options appraisal being undertaken by NLCEP and the development of SLC.

There is money and capacity that could be released or realized if the system adopted a partnership approach across London and with providers. We suggest that ALDCS leads the way in looking for opportunities for boroughs to unify and harmonise their commissioning and procurement processes. Historically it has been difficult for large consortia to work together consistently and in depth to allow joint arrangements the autonomy and authority they need to work effectively. In our experience commissioning consortia work best where they build on a history of joint working, trust and mutual

endeavour. It may not be feasible for a pan London consortium to operate in this way and, eventually, two or three sub-regional consortia with dedicated commissioning capacity and consistent systems for tendering, making placements and monitoring contracts may emerge. Crucially, we suggest that these consortia work with the market to build relationships and negotiate discounts for guaranteeing a level of business, based on shared needs analyses and aggregated market intelligence. The level of knowledge of the needs of children is a solid platform from which to develop and build on recent innovation projects to develop services that meet the increasingly complex needs of children, the opportunity is to do this strategically with the market.

Harmonisation decisions will be difficult as different boroughs have made different investment decisions for procurement portals, frameworks, and brokerage systems etc. However, there is still an opportunity for harmonisation over time if strategic decisions are made in the next 3 to 6 months. ADLCS should consider why the LMC has not been adopted by WLA and what is the learning from the DPV that went live on 1 April 2018. This, and the development of SLC, could represent opportunities for other boroughs and the wider system - a possible harmonisation point.

The opportunity to capitalise on systems that have already been implemented in more than one borough extends beyond procurement systems. For example, some boroughs have invested in MOMO (<http://mindofmyown.org.uk/>), which is an electronic tool to gain the views of young people about their placements. If rolled out across a larger footprint the intelligence and increased understanding of the quality of provision would be a powerful commissioning tool.

The Narey report also recommended that local authorities use one online placement matching system. The Link Maker system was specifically mentioned but use of that particular system is by no means a given, and issues have been raised by provider associations and ADCS about the cost, logistical and governance issues that one national system would entail. We do think though that ALDCS should commit to a consistent way forward for London. Whatever systems are used, work should focus on improving the quality of assessments and referrals.

ADCS is strongly of the view that an 'in-house first policy for foster carers is not only legal but also an entirely sensible approach for local authorities to adopt given the lower marginal cost of using an in-house placement. We reiterate that the narrative that in-house foster carers should be used because they are 'cheaper' overall is damaging to the in-house and external markets respectively. The strategic decision and narrative if focused on proximity, better wrap around support and maximising the cost benefits of the in-house model need to be amplified. Commissioners need to reach a better understanding of the full life costs of the journey of care for children and young people, to better understand and make decisions on the type of care to secure for them.

Lastly, we suggest that ADLCS should own the strategic oversight of foster carers in London and work with IFAs to map, analyse and plan the fostering capacity across the capital. More public awareness of fostering would be useful to improve recruitment and a pan London promotional campaign should be considered. Lessons from the regional Proud to Care campaign in the South West of England may be useful here.

In summary, to improve the effectiveness of the commissioning arrangements across London in respect of children's placements we recommend that ALDCS considers the following recommendations:

- Agree a set of principles and approaches from which a new, collaborative and dynamic relationship with the market can be created: a strategic partnership approach.
- Consider reforming LCS and creating two or three commissioning consortia across London: one in the north incorporating and building on WLA and one in the south incorporating and building on SLC. The remit of these consortia should cover fostering, residential care, SEND and semi-independent provision. Move towards the use of an open market tool, a DPS or similar, for these consortia.
- These consortia should work with the market to build local capacity by negotiating discounts for guaranteeing a level of business, sometimes called a soft block contracting model, based on shared needs analyses and aggregated market intelligence.
- Commit to harmonising the use of IT procurement, placement matching tools and monitoring systems over time: either one or two systems or approaches.
- Improve the quality of assessments and referrals.
- Map the foster care provision either within the two consortia areas recommended or across four clusters of boroughs. Introduce a regional advertising or other promotional campaign to raise the profile of fostering across London.
- Mandate the lead commissioning managers across London to create an action plan taking forward these recommendations, including an option appraisal which will set out how the consortia arrangements could work sub regionally and in creating a strong strategic oversight across London.

## Appendix One

Key terms and definitions used in this report:

### Commissioning and procurement

Commissioning is a process that aims to ensure that the total resources available to children and families are applied to improving outcomes in the most efficient, effective, equitable and sustainable way. Procurement is the process of buying placements, including contracting with providers, rather than the wider strategic activities of commissioning.

### Types of consortia

There are three different types of consortia operating in and around London:

- London Care Services is an overarching regional consortium, but it also has members from other regions. LCS operates an approved list of providers but negotiates fees at the point of approving providers to the list.
- Sub-regional consortia, such as West London Alliance, commission and procure services via a preferred provider framework or dynamic purchasing system.
- The Children's Cross Regional Arrangements Group (CCRAG) is a partnership that has a number of local authority members and crosses regional boundaries. It has an approved list of providers and shares information with members. Members carry out tasks such as quality assurance of providers, but the partnership is not a procuring consortium i.e. it does not have contracts with service providers.

### Types of procurement arrangements used by consortia and boroughs

There are a number of differing procurement arrangements used by consortia and individual boroughs:

- An **approved list of providers (APL)** who have met certain basic criteria and provided information that is placed on a data base open to the consortium or partnership members. Such arrangements are best described as a facilitated market place. Local authorities use this market place to identify potential providers who could meet their needs, and then deal directly with those providers often agreeing prices or other conditions on a spot purchase basis. Usually such lists are open for providers to leave or join at any time or at least at regular intervals.
- A **preferred provider framework (PPF)** is a contract which is closed for a defined period of time. A framework has a common specification and contract with providers who will provide the specified service at the prices agreed, but it does not guarantee a level of business to providers. Frameworks are typically for periods of two or three years initially, often with a review point with an option to extend by a further one or two years. At the review point, both commissioners and providers may be able to join or leave the framework and there may be mechanisms for resubmission or renegotiation of prices. Frameworks often include several 'lots':
  - A lot is a category of service i.e. standard fostering or residential child care, enhanced fostering or residential child care, specialist residential or foster care,

parent and child placements, solo placements, or placements for disabled children etc. Lots may be further divided by age bands.

- A **dynamic purchasing system (DPS)** or **dynamic purchasing vehicle (DPV)** is a contract that is continuously or almost continuously open for providers to join or leave. Otherwise it operates much like a framework with agreed specifications and schedules. As with frameworks DPS/Vs can have lots.
- A **block contracts** is a time limited contract created in advance, which defines the volume of provision that will be provided within specified care provision to the contracting authority for a set and pre- determined fee.
- **Soft block contracting** is a system of contracting between consortia or local authorities and a small number of providers, who could be considered 'partners in care'. The contracts are time limited but are not as rigid as a traditional block contract. The contracted volume need not be between one authority and one specific residential care provision for example. This contracting model enables the volume of need will be scoped and agreed across a number of authorities and specified providers. The aim is to gain the benefits of block contracting for the commissioner and the provider and to enable placements to be matched according to need rather than where a vacancy exists.
- A **spot contract** is a one-off transaction at the point of need. An authority or consortia will approach a provider and agree an individual price and an individual placement contract at the time of need.

## Appendix Two

Questions asked in the survey sent to providers registered with LCS:

1. Is your organisation registered on a dynamic purchasing system (DPS), approved providers list (APL) or preferred provider framework (PPF) for fostering and/or residential children's homes with:
  - London Care Services (LCS)
  - West London Alliance (WLA)
  - North London Children's Efficiency Partnership (NLCEP)
  - Another sub regional consortium in London
2. Is your organisation also registered on a dynamic purchasing system (DPS), approved providers list (APL) or preferred provider framework (PPF) for fostering with a London borough? If yes please state which borough.
3. If you are registered with more than one fostering DPS/APL/PPF, please say why:
4. Roughly, what proportion of your fostering and/or residential children's homes business is derived from the following (please state estimated %):
  - LCS framework
  - DPS/APL/PPF with other London consortia
  - DPS/APL/PPF with London borough(s)
  - Spot purchasing by London boroughs
5. If you receive spot placements, what do you understand is the reason that London boroughs spot purchase from you?
6. What system(s) does your organisation use to enable boroughs to identify your vacancies and match placements tailored to the needs of the child?
7. What are the biggest pressures the foster care and/or residential children's homes market faces at the moment?
8. What could be done to address those pressures?
9. What are the three biggest issues you face in the way London boroughs commission placements from you?
10. What are the biggest issues facing you as a provider in the market?
11. What could London Councils or boroughs do to develop services to meet these gaps and meet the changing needs of children and young people in London?

## Appendix Three

London boroughs and consortia interviewed:

London Borough of Brent  
London Borough of Croydon  
London Borough of Enfield  
Royal Borough of Greenwich  
London Borough of Hackney  
London Borough of Havering  
London Borough of Islington  
London Borough of Lambeth  
London Borough of Newham  
London Borough of Sutton

West London Alliance  
South London Commissioning Consortium