

Case study

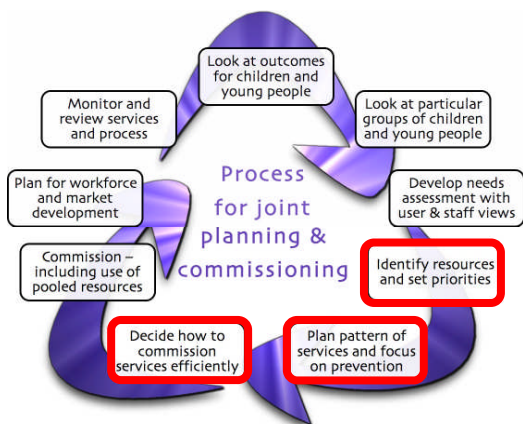
Reducing High Placement Costs (Solihull)

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Overview

Solihull had high unit costs for placements for children in care. It was recognised within the authority that by reducing these costs there would be increased resources available to improve the quality of care and deliver outcomes that better met the needs of children.

This case study sets out the steps that Solihull took to address the situation and achieve 11% savings on the placements budget.

These improvements were achieved through a combination of developing the authority's foster care service, redefining the commissioning and contracting team into a professional procurement service, and improving management of the external market.

Features

Steps undertaken to achieve a reduction in spend on placements for children in care included:

- Creating a professional procurement service
- Strengthening the authority's foster care service
- Efficient management of the external market.

Outcomes & outputs

- More children living in family settings
- Placement expenditure down by £1.045M in 2006/07 - an 11% saving
- £1.050M savings in 2007/08, (against £450k target)
- 28% increase in capacity of in-house foster care service
- An updated Commissioning Strategy
- Foster carer recruitment time halved

Executive summary

Solihull had high unit costs for placements for children in care. This case study sets out the steps that Solihull took to address this, achieving significant savings. To understand the cause of the high spend, a comprehensive needs, supply and gap analysis was commissioned, which set out the implications of the findings for future commissioning.

From this, a commissioning strategy was developed, principally setting out how Solihull would develop:

- the authority's foster care service both in terms of number of foster carers and the range of foster care provision; and
- the commissioning and contracting team into a professional procurement service.

Significant cost savings have been achieved through these measures as well as improved management of the external market, with cost savings achieved through negotiation and scrutiny of every placement and requesting providers to hold or reduce prices.

Authority profile

Solihull is home to 200,000 people, around a quarter of whom are children and young people. There is much economic success and general affluence in Solihull, but this masks the deprivation in the north of the Borough. Three of the wards in the north of the Borough have areas that are in the 10% most deprived in England. A fundamental challenge is the gap of inequality between the north and south of the Borough. The evidence shows that whether in terms of health, educational attainment or employment, residents in north Solihull face significant disadvantages.

Solihull had 357 children in care (February 2008), of which 157 were unaccompanied asylum seeking children and young people (UASC). While the annual performance assessment data indicates that the threshold for children already living in the Borough becoming looked after is appropriate, Solihull is defined by the Home Office as one of the '*most affected*' Councils in terms of its growing UASC population.

Background

Solihull has high unit costs for placements when compared with statistical neighbours. In 2005 the need to understand and address the issue of increasingly expensive unit costs for placements for children in care was recognised. The placements budget was significantly overspent and a contingency fund of £2million had to be set aside to support the budget, bringing the total placements budget to £9million.

The local authority foster care team had undertaken significant work around support for foster carers and payments to foster carers to enable recruitment and retention in an increasingly competitive market. However the team had no specific targets for the numbers of carers required and the process for assessment was lengthy (the time from potential registering their interest to following approval was taking between 18 months and two years).

External placements were secured on a spot purchase basis by social care teams, supported by a small commissioning and contracting team managed by a social worker. This resulted in a

large number of providers of residential and foster care placements, making both the development of relationships and performance management of providers difficult.

Solihull MBC was also facing significant challenges in terms of resources as a result of the establishment of a Home Office Immigration Reporting centre in Solihull in 2002, and the implications of implementing the Hillingdon Judgement (that all unaccompanied asylum seeking children (UASC) under 18 year olds should become looked after). Between 2002 and 2005 there was a significant increase in the number of UASC who at that time accounted for 17% of the total number of children in care in Solihull. (By February 2008 this had risen to 43% of the total number of children in care). Though funded from a different source, the increased numbers of children in care was having an impact on placement provision.

To understand the high spend on placements and the “story behind” the spend and develop a clear plan to address budget overspends, a **comprehensive needs, supply and gap analysis** was commissioned, which set out the implications of the findings for future commissioning. The work, completed at the end of 2005, highlighted a number of factors contributing to the high placement unit costs including:

- Solihull had a higher proportion of externally purchased placements than the rest of the West Midlands.
- The capacity of the in house fostering service had not increased in line with the rise in demand for placements. (80% of those children placed in external provision were as a result of lack of availability of suitable in house provision).
- There had been significant spot purchasing of placements as a result of a limited capacity to commission in a strategic way that made use of relevant data.
- There was no commissioning strategy to make sense of the increasing expenditure on placements and identify a way forward that would ensure the right outcomes for looked after children in Solihull.

In order to develop a **shared ownership and understanding** of the factors contributing to the high spend on placements, the findings of this work were considered by senior managers, social care managers and teams. The engagement of managers in this way was seen as a significant component of the approach, as they had an informed understanding of the situation, and participated in agreement of what needed to happen to ‘Turn the Curve’. Future plans for placement commissioning were agreed in the light of the work, including developing a consistent approach to placement planning with effective gate keeping, monitoring and challenge through the Placements Panel.

Process and steps

Developing a commissioning strategy

A Turning the Curve **commissioning strategy** was developed giving clear direction to the commissioning and development of the placements service and services supporting children on the edge of care. The strategy set out to move from reactive placement commissioning to a position where placements are commissioned on a planned basis to meet known need. The development of the commissioning strategy came at a time when managers in Solihull were becoming interested in the Outcomes Based Accountability approach, and the strategy offered a timely opportunity to introduce the approach, even though the “curve” to be turned here was the high spend on placements.

The two main pillars of the commissioning strategy were;

- to develop the authority’s foster care service both in terms of number of foster carers and the range of foster care provision; and
- to develop the commissioning and contracting team into a professional procurement service.

Developing the In-house Foster Care Service

The needs, supply and gap analysis had shown that Solihull’s high proportion of externally purchased placements was linked with under capacity of the in house fostering service, and consequently the development of the in-house foster service was seen as a key area.

A Lean Management approach to increasing capacity

In 2006, a six month ‘lean management’ exercise was undertaken. This approach involves a way of working which, based on identified requirements, aims to identify and eliminate waste to deliver improved value and service. In this case it entailed reviewing the processes required in the recruitment and assessment of foster carers for the in-house service. All aspects of the process were considered including office lay out, assessment processes, team roles and responsibilities. The objective was “to achieve greater output, faster, with higher quality, using the same resources”. This resulted in a reduction in the time from when potential foster carers registered their interest to approval from 18 – 24 months to 9 months.

The ‘lean management’ process recommended changes but also, by engaging managers and the team as a whole, stimulated discussion and review within the team which has led to further changes. This process led to reduced recruitment time, enabling a more focused approach with potential carers retaining their interest in the application process, so contributing to the increase in number of new foster carers recruited, (set out in Table 1 below).

Targets are now agreed with the in-house foster care service about the number and type of foster carers needed to meet predicted demand, with a particular focus on carers where there is unmet need (primarily foster carers for teenagers and UASC). This has been a very successful approach, with a significant increase in the numbers of carers recruited (Table 1).

Table 1: Number of carers in the in-house foster service

	Oct-05	Oct-07
Mainstream	68	79
Family Link+ Support Care (short term care for Children in Need)	6	14
CHESS*	5	9
Family and Friends	18	23
TOTAL	97	125

*Multidimensional treatment foster care programme

The Children and Young People’s Placements Project

A decision was taken to start a ‘Placements Project’, bringing together and coordinating different strands of this work. The objective was to build an integrated outcome based commissioning approach, ensuring best value in terms of the balance between outcomes for children and young people in care, and costs related to their placements. A Commissioning Project Coordinator was

appointed in January 2007 to manage the project and the Director of Children's Services took on the role of Project Director, ensuring that the project not only had a high profile, but also that decisions were made quickly to respond to challenges.

The objectives for the project in 2007/8 included:

- £450,000 saving on the Placements budget.
- An integrated approach to commissioning placements, including the development of Outcome Based Commissioning alongside a procurement strategy for placements.

Increasing the Range of Foster Care Provision

Solihull's approach has also included the development of a range of foster care provision to meet the needs of children in care, including:

- mainstream foster care
- multi-dimensional treatment foster care for children with more complex needs (known as CHESS) who would otherwise have been accommodated within residential provision or high cost external foster care placements
- support care for those children on the edge of care
- short term breaks for those children and young people with additional needs.

A recent internal evaluation of the CHESS scheme concluded that it has reduced the numbers of children placed in residential care, contributing to the overall 11% savings in Solihull's placements expenditure. In addition, further savings have been achieved through the development of STEPS, a foster scheme for children no longer requiring a full CHESS service to move on to, so freeing up places on the CHESS scheme and effectively increasing the capacity of the family based lower cost alternative to residential care.

Developing commissioning processes for foster care

A further aim in the development of more effective commissioning arrangements is to develop a "level playing field" in terms of commissioning foster care from both internal and external providers. Identified steps to achieve this include:

- the development of a service specification for the in-house service, setting out specific recruitment targets against which the service is required to report to commissioners. Further work is underway to develop outcome based service specifications identifying expectations of the in-house foster care service in terms of children in care achieving good outcomes.
- the development of full and transparent unit costs for different kinds of placements provided by the in-house service, including additional elements such as panel costs and placement support services – so that costs are comparable with those of external providers, enabling commissioners to make decisions based on both quality and cash.
- To develop the business capacity of the internal service so that it is ready to respond to a commissioning process.

Once the service is "commission ready", the next step will be to introduce a single commissioning process with internal and external services competing on an equal basis.

Developing the Procurement service

The Commissioning and Procurement team

The Commissioning and Contracting Unit was strengthened, and is now known as the Commissioning and Procurement Team. Professionally qualified staff work proactively alongside social care colleagues in placement planning. The unit, originally led by one Procurement Manager, is now supported by a Senior Procurement Officer and two Procurement officers, all professionally qualified from CIPS (Chartered Institute of Purchasing and Supply). The strengthening of the Unit was a difficult decision at a time when budgets were tight. The Unit had to demonstrate not only that it could contribute to cost efficiencies but also that it could save social care time by diverting commissioning and contracting matters away from care planning issues, without losing the focus on individual placement needs.

The team now attend Lead Professional meetings to review individual placements. In addition the Procurement Manager or team member attends a range of panels reviewing aspects of placements for children in care. Social workers are still involved with identifying the needs of children and young people and match placements to need/outcomes, while the unit is business oriented and negotiates the purchase of the placement. This approach produced cost savings on individual placements of £150k in 2006/7, as set out below.

The Creative Solutions panel

This panel is led by the commissioning leads from Social Care, Education and Health, and considers all those children and young people with complex needs where a joint agency placement is required to achieve good outcomes for the child or young person. The panel has developed a complex needs protocol, utilising an aligned budget approach to take the focus away from who pays what to focus on the challenge to partner agencies to provide local solutions whenever possible. Integral to the development of the complex needs protocol has been the development of the relationship between social care, health and education, to build trust and develop a shared understanding of each partner agencies challenges and needs.

Cost savings on external placements – 2006 to 2008

Historically Solihull has had a disproportionately high number of external placements for the size of the council and there was insufficient focus on quality/cost balance in placement commissioning. The cost of the external budget for placements therefore needed urgent attention and action. During the last two years all external placements have been negotiated. Solihull's approach to cost savings has been primarily achieved through negotiation and scrutiny of every placement and requesting providers to hold or reduce prices.

In the 2006/07 financial year external providers were requested to hold prices firm and reduce prices where possible. This gave Solihull a good initial negotiating position and yielded savings of around £150K in 2006/07.

In 2007/08 Solihull again requested prices to be held firm. This proved challenging for providers, although most did succeed in keeping their prices down, which again yielded similar savings to the previous year (predicted to be in the region of £150k for 2007/08). The majority of Solihull's providers have now also shown interest in working more closely within a strategic procurement relationship with the Local Authority. This was a first step, which formed part of a strategic review of all procurement. The next stage was the development of a procurement framework.

Development of a framework for the procurement of external fostering services

Independent foster and residential placements are currently procured on a spot purchase basis. Key to improving outcomes for children and young people in care is to work in partnership with providers of care placements.

The aim is to improve outcomes and reduce costs by moving away from spot purchasing of placements and to reduce the numbers of providers that Solihull contracts with. It is also necessary to be clear about expectations of placements for children in care and to have outcome based performance management. This can be achieved through the development of a procurement framework to:

- rationalise the supply base relating to fostering and residential care services
- build stronger partnership arrangements with providers by reducing the number of providers involved in transactions.
- include an outcomes based performance management framework.

Two neighbouring authorities expressed an interest in developing the Procurement Framework on a sub regional basis, and are now partners in developing this with Solihull. The Framework is planned to be in place by summer 2008.

Outcomes

- A Children's Placements Project Board is now operating, with membership from both the Council and the Solihull NHS Care Trust, and supported by the appointment (in 2006) of a new Procurement Manager and, more recently, a dedicated commissioning manager.
- There have been significant financial benefits to this more focused approach. In 2006/7 the available placement budget of £9.485million was under-spent by £1.048million, and £150k of this directly the result of improved procurement practices. These efficiency savings will have a significant impact on the previously high unit cost performance measure. The savings have been used in a variety of ways: some has been used to relieve other pressures, some to build up a reserve to support volatility in the placements budget (on the basis that demand and spend will fluctuate year on year), and some has been invested in spend to save initiatives such as supported lodgings.
- Projected savings of £1.050m in 2007/08, significantly in excess of the £450k target. The following factors have contributed to these savings:
 - tight management and prevention services to maintain numbers of local LAC;
 - an increase in the capacity of the in house foster service;
 - the development of CHESS and STEPS;
 - better management of the external market; and
 - a significant decrease in use of residential provision compared with 2005/6.

They have been achieved despite a steady increase in UASC numbers.

- An updated Commissioning Strategy, including a needs analysis and projection of numbers, to inform the commissioning of fostering and residential placements.

- And not least, there are more children and young people living in family settings.

Learning Points

- Critical to the success of this work has been the comprehensive needs, supply and gap analysis setting out the implications of the findings for future commissioning, and the shared understanding of the high spend on placements, the “story behind” the spend and the way forward.
- A clear commissioning strategy was essential, providing a coordinated plan of action for the various areas impacting on placement costs.
- Developing the relationship between the partner agencies has been vital to developing a shared ownership and agenda for joint funded placements.
- Negotiating costs, a focus on outcomes and developing relationships with providers has enabled more effective commissioning of both residential and foster placements.

Next Steps

- Development of a Procurement Framework for supported accommodation for care leavers (including unaccompanied young people from abroad).
- Understanding the implications of Care Matters for further development of placements.
- Ongoing work across agencies to develop an integrated commissioning strategy for placements.

For further information on commissioning and market development, including further case studies & resources, please see: www.ecm.gov.uk/strategy/planningandcommissioning