



Response to CMA

Five Rivers Child Care is a provider of fostering, residential, education and therapy services across England. We are a Social Enterprise registered with SEUK. Five Rivers re-invests █% of surplus back into services for looked after children in our care or who have been in our care, or to help prevent children coming into care which is not funded by current fee services or charges. Our social mission of 'Turning Children's Lives Around' focuses on evidence-based research into practice to help make the biggest difference in the shortest period of time for children, recognising that their change trajectory is greatest at the youngest possible age. This choice of operating infrastructure we believe enables Five Rivers to provide higher levels of specialist and therapeutic services and support to the most traumatised of children.

Five Rivers has had a long-term research programme with various universities, currently the UCL and Anna Freud Centre. In addition, Five Rivers provides services and support for care leavers.

Last year we made a surplus of █% of which some set against inflation and contingency is what makes it a sustainable service. Further erosion of this would prevent a well-managed, efficient service from being able to respond to and plan expert services for children in need.

1. Fostering Recruitment – Market functioning: Spare Room and financial aspects of those on low incomes.

Five Rivers would agree that the recruitment of foster carers is always a challenging process due to the nature of the role and the need to have high regulatory standards which ensure the safety of the children. Potential carers require a spare bed room as a minimum. Given the high cost of housing across England and some areas in particular, it is easier to find potential carers in lower costs locations. We believe it is this economic factor rather than market malfunctioning that sees lower levels of provision in some areas compared to others. From recruitment of a carer to placement is a six-month process, at considerable expenditure without income. Around 25% of carer applicants fail to be approved, yet considerable expenditure is made by organisations to get that far.

2. Fostering: Variable costs across the country need to be recognised in charges.

Even for fostering, cost of production varies across the country due to local staffing and property cost varying quite considerably. Servicing a rural county increases cost as social workers travel longer distances between placements and see fewer carers and children in a day. Your report did not appear to include these factors.

3. Residential: Variable costs in different areas result in variable charges being necessary.

Likewise in residential services, the cost of setting up is high due to property cost. It is therefore no surprise to find more homes in lower cost areas of the country. Furthermore, the outlay doesn't stop there. The provider needs to recruit a team, train the team, and register with OFSTED (which takes considerable time). This cost is borne by the supplier without income for many months. No home can immediately

carry full occupancy due to the need to embed the staff, settle children in placement and match children with the current placements.

4. Fostering and residential services: High acuity vs general placements.

You recognise, seeing a placement as like for like is neither true nor helpful – this certainly requires more scrutiny. The Narey/Owers report in 2018 was clear that independent fostering agencies (IFA's) managed more challenging children than local authorities (LA's) and the cost differential between IFA's and LA's was relatively small. The additional cost they felt was appropriate as higher needs children require more input. It also stands to reason that generally children placed with IFA's are more challenging as LA's turn to inhouse placements before going to the market. Which is a dysfunction of LA's as they should be seeking the best possible match for the children.

5. Baseline assessments for children coming into the care system show high levels of trauma damage to be rectified.

Children coming into placement with Five Rivers (and with many other private providers) are assessed using a range of recognised psychological tests. The trauma score of many fostered children in IFA placements are often at the same high levels as seen in residential placements. Therefore, higher needs of children require more support. Although no framework specifies psychological input in their specification, Five Rivers has had to invest heavily in more advanced carer training and a team of clinicians (Psychology doctorates, psychotherapists, and other therapists) to support the foster carers. Additionally, our supervising social workers require smaller case loads to manage the needs of the children along with fostering support workers. It is a regular occurrence for us to place and manage children who have had a number of breakdowns of placement in the LA sector before coming to us in the IFA sector. This represents both increased cost and risk.

6. Likewise, children we place in our residential homes are extremely traumatised and have often gone through a number of fostering and residential placements before coming to Five Rivers. So much so, that we need to operate smaller homes with higher staffing ratios (usually 1:1 but can be higher), giving us little opportunity for economy of scale. The children also require greater clinical input, and the cost Clinical Psychologists is high (at least X2 the price of other social care workers). The clinician is also required to work not just with the children, but also the staff team to give clinical direction and manage the secondary trauma experienced by the staff. This requires more staff time as such support is paid time for the staff team and we need to pay staff to cover the needs of the children. The children also require a trauma informed education, which requires us to run small specialist schools with high staffing and intensive input. This is an additional capital and revenue expenditure we need to find. This is a rare provision in the LA's residential catalogue.

7. **Five Rivers would dispute your assertion that you see little difference in terms of quality between LA placements and Private placements**, stating it does not make it so. The Narey reports recognise the difference. LA's exiting residential services for children in many cases is as a result of not wanting to manage the risk or to have the expense of a wide range of expertise in one authority. In residential services, rarely does an LA provide for such high intensity of need. LA's still get flexibility denied those in the independent sector.

8. Ofsted ratings are generally better in the private sector, as is the quality of the environment.

In fostering, 93% of IFA's are rated by OFSTED as good or outstanding. While LA's are rated as whole service provision, the LA sector has lower ratings. As the Narey report identified, IFA's manage children with greater need. OFSTED figures also demonstrate that IFA's attract more households into fostering than LA's and given that the LA sector is larger, this says something in itself. Carer applicants thoroughly research before applying to an agency and our carers cite that our support is superior to LA's. In fact, we do get some carers move from LA's to Five Rivers fostering because of our superior support package. Carers do not move the other way.

9. Stability of placement is part of quality. As already discussed, children coming to Five Rivers have usually had a series of failed placements with their LA. This makes the care task harder and requires high-level input to provide much needed stability.

10. Five Rivers would strongly urge there should be dialogue with Ofsted and support your notion that there needs to be a conversation with the regulator, as the application of the regulations by OFSTED do provide some perverse costs that do not contribute to the quality of child care or outcomes, strange negative incentives and blocks to provision as you have correctly identified.

11. Five Rivers is confident that the CMA understands some but not all of the complexities of the market. Five Rivers believes that the simple application of capitalist economic theory is unlikely to produce the same results as it would in other service industries; there would be detriment to young people if private companies withdrew from the market, or significantly reduced their investment. By way of example, in commodities price does reduce with increased volume of production as machinery can be run 24 hours a day and raw materials being cheaper in bulk. But social workers, care workers, educationalists and psychologists do not come cheaper by the dozen, neither do foster carers. Savings by volume is marginal. When LA's form consortia, volume discounts where they have been used have applied across the consortia, not by volume to an individual LA. Indeed, providers can make some cost saving with sufficient volume in one area having an office in that location, but there is greater cost in serving another LA at a distance with fewer placements.

12. Five Rivers has also experienced abuse in the sector by LA consortia in some areas.

[REDACTED]

13. Your report appeared to imply that most IFA placements were off framework. This is simply not true. The overwhelming majority of our (and others) placements are on LA frameworks. Sometimes the complexity of the placement is such that it

falls outside of the scope of the framework and an off framework bespoke package of care and price is agreed.

14. **Well-functioning frameworks where the LA consortia work with the providers,** where they engage in provider meetings and nurture relationships work well. These regular dialogues are key, the LA's better understand our pressures and needs and vice versa. They provide good data around their sufficiency, helping us as providers to better plan and deliver for them.
15. **Many LA's no longer have inhouse experience to run and manage their own children's homes,** but they could attract providers into their area at a competitive price. LA's are better placed to receive low-cost finance and can borrow over many years. LA's also have their own housing stock. Therefore, one approach for LA's to procure local residential provision would be to provide the premises for a pepper corn rent and put out a competitive tender to the market to recruit staff and manage the home. This would produce a cost benefit through competition and reducing capital outlay for the provider, resulting in a lower unit price.
16. **Block contracts can work in residential,** however, this can also be fraught because of the matching needs. Nevertheless, if LA's closely located worked together, the opportunity to find a suitable match would increase and lead to higher levels of occupancy.