

OFFICIAL

Dear all, I am responding on behalf of Plymouth City Council to the interim CMA report. The response relates to both children's homes and fostering services for England. None of our response is confidential.

Our analysis of market outcomes

The challenges to outcomes described in the report reflect our experience in finding placements for children and young people. There continue to be challenges with the supply of the most appropriate placement, in the area where the child would benefit from living.

We welcome the initial findings in relation to the cost of provision. Of particular interest is the relative costs and profits in fostering and we would be interested in seeing further exploration of these issues. Our IFA's regularly tell us their costs have significantly grown over recent years – this is for both profit making and not for profit organisations and relates to the core costs of placements and additional support for children with more complex needs.

We would also welcome more consideration of what happens to current profits in residential care – is any of this resource reinvested into the quality of care or is the whole amount diverted to shareholders and investors?

In our experience to date, residential providers leaving the market are driven by quality issues and Ofsted activity in closing homes following poor inspections, rather than providers choosing to withdraw for financial reasons as the primary concern. For providers the cost and time involved of driving up quality and investing in services after poor inspection outcomes can be significant and this aspect may benefit from more exploration.

Do you agree with our emerging conclusions on the potential drivers of the market outcomes, as set out in [Section 4](#) of the interim report?

Being able to achieve transparency of price and provision through consortia arrangements is positive, as we still see different local authorities and sub regions being charged different prices for the same types of placement in similar locations, with little clear rationale of why this is the case.

We receive regular provider feedback from both the fostering and residential sectors that they are increasingly removing themselves from framework contracts, especially

if they are challenged on price or asked to consider discounts. While demand for placements remains so high they are confident they can achieve the same levels of placements at higher prices on a spot purchase basis.

For Plymouth we have seen significant benefits of a block contract approach with our in-city children's homes. Through a longer-term commitment by the local authority this has provided stability for the providers, confidence to invest in the quality of the provision and close working relationships between the practitioners and the homes, leading to positive outcomes for our children at a reasonable weekly cost. For us this has worked best on the basis of a very local approach between one LA and two providers.

We agree that the lack of wider visibility of less than optimum placement choices - "second best" placements - hinders the market in terms of understanding what is actually needed; as we keep using those beds there is little incentive for the market to change or open new provision.

We recognise that local authorities need to become more sophisticated but also clearer in how we forecast future demand and the range of needs we need to meet, and also how we communicate this to the market – we are finding ourselves making reactive decisions based on smaller and quite specific cohorts e.g. self-harming, complex mental health. This reactive rather than proactive approach, coupled with the length of time it takes to set up new provision, means that the availability of suitable placement provision never catches up.

We recognise the barriers to opening new provision, in particular the need for residential providers to have a registered manager and an RI in place prior to registration – this places a financial strain on smaller providers when there is no guarantee of getting through the registration process and many variables as to how long this process might take.

Recruiting and retaining staff is a challenge, particularly when there is such active and assertive competition in the market from other employers such as Amazon and supermarkets for similar hourly rates.

Our thinking on possible remedies

The power of frameworks as a tool for managing the market and working with providers is diminishing. We are finding that much closer partnership arrangements based on shared interests are more effective, particularly where there is some measure of 'exclusivity' through the relationship with the local authority. That said,

there would be benefits to wider collaboration for provision for some cohorts, particularly those with very complex and specific needs.

The logistics of managing bulk discounts and any kind of joint budgets across local authorities and contracts can be difficult. Sharing the financial benefits of an approach linked to the use of placements is a challenge in the current financial climate, with LA's respective sizes, quality challenges and financial positions as potential barriers.

A financial oversight scheme for children's provision to mirror that of adults would be very welcome. It is very difficult to unpick the at times labyrinthine financial structures of some providers and get a true sense of levels of vulnerability.

I hope this feedback is useful and we look forward to seeing the final report.