

# Action needed on “dysfunctional” children’s social care market

- Market study recommends development of national and regional bodies to support local authorities with getting suitable placements for children
- CMA also seeking to address concerns about financial stability of private children’s home providers and high profits in the sector, through financial health assessments and by boosting in-house foster care

The Competition and Markets Authority (CMA) launched a market study into children’s social care in March 2021.

The final report, published today, found there is a shortage of appropriate places in children’s homes and with foster carers, meaning that some children are not getting the right care from their placement. Some children are also being placed too far away from where they previously lived or in placements that require them to be separated from their siblings.

This shortage also means that high prices are often being paid by local authorities, who are responsible for placing children in appropriate settings, with these costs picked up by taxpayers. The CMA’s analysis finds that the main reason for this is the fragmented system by which services are commissioned, which means that local authorities are not able to leverage their role as the purchasers of placements or to plan properly for the future.

To address these issues, the CMA is recommending that the UK Government, Scottish and Welsh Governments create or develop national and regional organisations that could support local authorities with their responsibilities in this sector. These would improve commissioning by carrying out and publishing national and regional analysis and providing local authorities and collective bodies with guidance and by supporting them to meet more placement needs in their local area.

The CMA is also concerned about the financial resilience of some private providers of children’s homes in England and Wales, particularly those financed through private equity. High levels of debt among these firms could lead to them getting into financial difficulties, which could impact the care provided to children.

To address these issues, the CMA is proposing:

- a system for assessing the financial health of the most difficult to replace providers of children’s homes and providing warnings to relevant authorities if a failure is likely;
- that options are actively explored for bringing foster care in-house;
- a review of the barriers to provision of children’s homes, as well as the recruitment and the retention of care staff and foster carers.

Andrea Coscelli, Chief Executive of the CMA, said:

The UK has sleepwalked into a dysfunctional children's social care market. This has left local authorities hamstrung in their efforts to find suitable and affordable placements in children's homes or foster care.

We have also identified issues with the financial stability of children's home providers. It is important to manage the risk of children's homes providers going bust and local authorities having to pick up the pieces.

Local authorities cannot be left to face these challenges alone. There are several areas where national governments should make changes to address issues in the sector, including new financial oversight of providers and the development of new bodies to support local authorities with commissioning. With children's social care currently being reviewed across the UK we want to see our recommendations reflected in any changes to policy.

The study looked at the provision of children's social care in England, Scotland and Wales, across which there are over 100,000 looked-after children. The current annual cost for children's social care services is around £5.7 billion in England, £680 million in Scotland and £350 million in Wales.

The CMA's market study found that large private sector providers of fostering services and children homes appear to be making higher profits in England and Wales than the CMA would expect in a well-functioning market. This suggests that local authorities may be paying more for these services than they need to, particularly with fostering services, which are cheaper when run by local authorities.

The market study highlights and reflects the significant differences in the policy context for children's social care between England, Scotland and Wales. The devolved administrations in Scotland and Wales have each committed to move away from the model of for-profit provision in children's social care, and national organisations already exist in these nations to support local authorities. The recommendations the CMA makes will be relevant for each nation as they move through their own policy reform processes.

1. Market studies, like this one, may lead to a range of outcomes, including recommendations to businesses in the market and to the government to change regulations or public policy.
2. The children's social care system is the subject of significant policy attention across the UK, including through the independent review of children's social care in England, the implementation of the Promise review recommendations in Scotland and the Welsh Government's Rebalancing care and support White Paper. The CMA's recommendations will feed into ongoing policy reviews in the three nations in scope. In

England, the CMA expects the recommendations to be considered as part of the ongoing Independent Review of Children's Social Care, which is due to report this year. In Scotland and Wales, the CMA expects its recommendations to feed into the implementation of on-going reform proposals, including commitments to remove profit-making from the children's social care sector.

3. Media queries should be directed to: [press@cma.gov.uk](mailto:press@cma.gov.uk) or 020 3738 6460.