

CMA launches study of children's social care provision

- the study will examine the lack of availability and increasing costs in children's social care provision, including children's homes and fostering
- using its powers, the CMA is in a unique position to lift the lid on this complex sector and find solutions to problems it uncovers
- "Children's care is not a market like any other – our clear and overriding priority will be about identifying ways children can get better care." CEO Andrea Coscelli

The Competition and Markets Authority (CMA) will examine concerns around high prices paid by local authorities and inadequate supply of appropriate placements for children in their care. This could be putting pressure on the ability of local authorities to provide the appropriate accommodation and care which children need.

Using its statutory market study powers, the CMA aims to obtain information to help build a better understanding of the children's social care sector. Depending on what it finds, it can issue guidance to businesses and the public, make recommendations to the industry or to government or, if appropriate, launch a full investigation into the market.

Andrea Coscelli, Chief Executive of the CMA, said:

Children in care are among the most vulnerable in our society and they need a system that does not let them down.

We are concerned that some children are not getting access to the right placements due to a lack of availability in the system, and that rising prices are putting further pressure on stretched local authority budgets.

The CMA is in a unique position to use its powers to look into this. But children's care is not a market like any other – our clear and overriding priority will be about identifying ways children can get better care. This will include examining the concerns raised about the role of private sector providers, which

has grown in the last few years, as well as the role of public and third sector providers.

In England, Scotland and Wales, around 99,000 children live under the care of their local authority. The majority of children in care, approximately 65,000, live in foster care. Around 16,000 children live in residential care, including children's homes and independent or semi-independent living accommodation, with the remaining 18,000 in a range of other types of placement, including with their parents or placed for adoption.

Each local authority is responsible for contracting foster care and purchasing the required children's homes places. Children are placed with foster carers, either directly by the local authority or by independent fostering agencies, which can be run for-profit in England and Wales but not in Scotland. Children's homes are provided either directly by local authorities, by the private sector or by charities, with 70% of children in England and 78% of children in Wales placed in private sector homes.

The launch of the study comes after concerns have been raised by other organisations about private sector provision of children's social care making high profit margins. A recent Local Government Association report found that some independent providers of children's residential and fostering placements are achieving profits of more than 20% on their income. The study will examine whether high levels of profit have been made at the expense of investment in recruiting and retaining staff, and providing quality services.

The CMA will look at how well the current system of provision is working across England, Scotland and Wales and explore how it could be made to work better. In particular, it will look into:

- the supply of placements, including whether the current balance of local authority, private sector and third sector provision is working well for children and local authorities
- prices charged by providers and variation between prices paid for similar types of placement, with increasing prices potentially putting pressure on local authority budgets
- the way commissioning of places is carried out, and whether local authorities could be more effective in securing appropriate placements for children
- the environment for investing in the system to ensure sufficient appropriate places are available for all children who need them in the future, and whether any measures should be taken to improve this

In recent years, the CMA has carried out similar studies into funerals and

care homes for older people, among others.

Comments on the issues raised can be submitted in the [Invitation to Comment](#) by 14 April 2021. All updates on the CMA's work in this area can be found on the [Children's social care study page](#).

1. Market studies, like this one, may lead to a range of outcomes, including: (a) clean bill of health (b) actions which improve the quality and accessibility of information to consumers (c) taking consumer or competition law enforcement action (d) making recommendations to the government to change regulations or public policy (e) encouraging businesses in the market to self-regulate (f) making a reference for a more in-depth (phase 2) market investigation, or (g) accepting formal undertakings in lieu of a reference
2. Costs charged to local councils for independent provision of children's homes has increased by 40% from £2841 per week on average in 2013 to £3970 per week on average in 2019, according to data from the National Centre for Excellence in Residential Childcare.
3. Recent reports by the NAO, HCLG Select Committee and Children's Commissioner have been critical of public policy on children's social care.
4. The largest proportion of children's homes places in England and Wales are provided by the for-profit sector – around 70% in England and 78% in Wales in February 2020. In England, there has been a 19% increase in for-profit provision since 2016 ([based on 2019 data](#)). In England and Wales, independent fostering agencies (IFAs) provide 18% of placements, but in Scotland it is prohibited to run a fostering agency on a for-profit basis.
5. A report published in January 2021 by the Local Government Association and Revolution Consulting, [Profit making and Risk in Independent Children's Social Care Placement Providers](#), found that some large private providers were achieving profits of 20.6% on their income.
6. 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 Improving Outcomes for Children programme in Wales. The CMA's study will take into account the policy context of each nation.