

CMA outlines concerns on availability and price of children's care

- Study's interim report finds that there is a shortage of appropriate places for local authorities seeking to place children
- The largest private providers could be earning higher profits than the CMA would expect in a well-functioning market
- Report also highlights risk of private equity owned providers going into financial distress and ultimately having to exit the sector due to the high and increasing levels of debt

The initial findings are the result of a market study that the Competition and Markets Authority (CMA) launched in March. The [study's interim report](#), published today, provisionally finds that there is evidence of a shortage of appropriate places for children and that high prices are often being paid to place them.

The interim report finds that there are too often no placements available, in children's homes, with foster carers or in independent accommodation, that fully meet the needs of children – with some being too far away or requiring siblings to be separated.

Each local authority is responsible for providing accommodation for any children in their care. They must take steps to ensure, so far as reasonably practicable, that sufficient accommodation is available within their area in order to meet the needs of the children they look after. Children may be placed with foster carers, who are recruited either directly by the local authority or by an independent fostering agency, which can be run for-profit in England and Wales but not in Scotland. Children may also be placed in children's homes which can be run directly by local authorities, by the private sector or by charities. In England and Wales, they may also be placed in unregulated accommodation in certain circumstances.

The interim report finds that because local authorities must find an appropriate placement, often under considerable time pressure, their position in the market is inherently weak. This means they are often paying private providers for those placements at prices that are higher than they would otherwise be. As a result, large private sector providers of children's homes and fostering services appear to have been making higher profits in England and Wales than the CMA would expect in a well-functioning market. However, the CMA's interim study has not seen evidence of systematic differences in the outcomes of care for children between local authority and independent provision.

New figures from the interim report show that in 2020, for the largest providers:

- for children's homes, the average weekly price was £3,830, with an average operating profit margin of 23%;
- for fostering agencies, the average weekly price for fostering was about £820 per week, with an average operating profit margin of 19%.

The CMA's analysis suggests many of these problems are the result of the relatively small numbers of children each local authority is placing. This means they are limited in their ability to purchase placements in larger numbers and plan for future needs, which could drive up prices and make it harder to place children in appropriate accommodation.

The CMA is also concerned about the evidence it has seen of particularly high and increasing levels of debt being carried by private equity-owned firms in the sector. This could leave the businesses vulnerable to financial distress and ultimately having to unexpectedly exit the market in the event of tightening credit conditions, as we have seen in other sectors. This could in turn risk huge disruption to children in their care and could put pressure on local authorities to suddenly find new homes for them.

The CMA will be testing these initial findings, looking in more depth at profits in the market and exploring possible solutions to these issues for the study's final report, which is due to be published in March 2022.

The recommendations being considered include the creation of larger-scale national or regional bodies with a remit to help ensure that children are able to access the right placements, where these do not already exist. They could do this either by helping local authorities to secure appropriate placements at lower prices or by taking over responsibility for placing children. This might help local authorities to purchase placements in larger numbers. This is being considered alongside other possible solutions, such as updating the regulatory frameworks of the sector and the introduction of constraints on debt levels in the sector.

Andrea Coscelli, Chief Executive of the CMA, said:

We are concerned this is a failing system, with children not being placed in the right homes while providers are being allowed to charge high prices and make big profits.

Vulnerable children rely on these services, but too many are being placed in accommodation that does not meet their needs. And despite many placements not being suitable, local authorities, funded by taxpayers, are paying more than they should to provide them. The levels of debt we have seen being carried by private equity-owned firms is also a real concern due to the effect a firm in financial

distress could have on the children in their care.

We are now considering ways to tackle these issues, including recommendations to the UK and devolved governments, and are inviting comments on these. Our priority remains identifying the best ways to ensure children can get the right care.

The CMA welcomes feedback on the interim report by 12 November 2021. Interested parties can email to the dedicated email address children@cma.gov.uk.

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 recommendations to businesses in the market and to the government to change regulations or public policy.
2. Analysis of prices and profits is from financial data obtained from the 15 largest private providers of children's social care across all three nations, covering the period since the financial year 2016. Our analysis so far covers independent providers responsible for around a fifth of placements in children's homes and slightly over half of fostering placements.
3. In England, 72% of children in care are placed in foster care, 13% in residential care such as children's homes, and 15% in other settings including unregulated accommodation. In Scotland, 33% are in foster care, 10% in residential care and 57% in other settings (the higher percentage in other settings in Scotland reflects a broader definition of care, but excludes unregulated settings, which is not permitted in Scotland). In Wales, 70% of children are in foster care, 7% in residential care, and 23% in other settings.
4. The largest proportion of children's homes places in England and Wales are provided by the for-profit sector – around 78% in England and 77% in Wales. This compares to 35% in Scotland. The majority of fostering placements are provided by local authority foster carers – 64% in England, 69% in Scotland and 73% in Wales. However, a significant minority are provided by private providers (except in Scotland where for-profit provision is not permitted) and voluntary providers.
5. 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 recommendations will feed into

ongoing policy reviews in the three nations in scope. In England, we expect our recommendations to be considered as part of the ongoing Independent Review of Children's Social Care, which is due to report in Spring 2022. In Scotland and Wales, the CMA expects its recommendations to feed into the implementation of reform proposals, including commitments to remove profit-making from the children's social care sector.

6. Media queries should be directed to: press@cma.gov.uk or 020 3738 6460.