

Press release: Fostering services merger faces in-depth investigation

Both the National Fostering Agency Group (NFA) and Acorn Care and Education Group (Acorn) provide independent fostering placement services to local authorities across Scotland, England and Wales, helping them match vulnerable children with foster carers.

The market for independent fostering placement services is worth in excess of £750 million per annum and the companies are 2 of the largest national providers to local authorities.

The number of children requiring foster care is growing while shortages of carers available to local authorities and independent fostering suppliers continue, leaving a growing deficit.

Groups of local authorities often tender for such services through framework agreements, which establish a list of independent providers with foster carers available in the local area, to ensure availability when their own in-house network of carers are unable to meet demand.

The Competition and Markets Authority's (CMA) investigation reviewed all local authority framework areas in which the companies overlap in the UK, and found concerns in 3 framework agreement areas: Wales, Norfolk and the framework agreement area covering Luton, central Bedfordshire and Bedford.

In each of these framework areas, the merged company's position is strong and we found that local authorities may face challenges in ensuring value for money in framework tenders.

The merger will, therefore, be referred for an in-depth phase 2 investigation by an independent group of CMA panel members – unless NFA is able to offer undertakings which sufficiently address the concerns in these areas of the country.

Sheldon Mills, Senior Director of Mergers at the CMA, said:

Many local authorities have raised concerns with us that this merger could significantly weaken their ability to ensure quality of care in their local areas, at the best possible price, when placing vulnerable children.

We closely investigated these concerns and found that in some areas local authorities may find it more difficult to obtain value for money as a result of the merger.

We think the concerns warrant an in-depth investigation unless the company can offer undertakings which address our concerns.

Notes for editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.
2. Regarding the size of the market for independent fostering placement services: (i) expenditure data published pursuant to the Apprenticeships, Skills, Children and Learning Act 2009 indicates that local authorities in England spent around £700 million on independent fostering placement services in the 2014/15 financial year; (ii) a report published by the Association of Directors of Social Services Cymru states that expenditure by Welsh local authorities was around £52 million in the 2014/15 financial year; and (iii) the National Framework Agreement for Fostering and Continuing Care Services across Scotland (tendered in September 2016) was estimated to have an approximate value of £100 million over 4 years, or approximately £25 million per year.
3. SSCP Spring Topco Limited, acting through SSCP Spring Bidco Limited (the holding company of NFA) acquired the entire issued share capital of Acorn on 3 August 2016. The case was first identified by the CMA's Mergers Intelligence Unit. The merging parties subsequently filed a draft merger notice with the CMA on 26 September 2016.
4. Under the Enterprise Act 2002 (the Act) the CMA has a duty to make a merger reference, resulting in an in-depth phase 2 merger investigation, if the CMA believes that it is or may be the case that a 'relevant merger situation' has been created, or arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and that the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.
5. Under the Act a 'relevant merger situation' is created if 2 or more enterprises have ceased to be distinct enterprises; and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million ('the turnover test') or as a result of the transaction, in relation to the supply of goods or services of any description, a 25% share of supply in the UK (or a substantial part of the UK) is created or enhanced ('the share of supply test').
6. The CMA considers that it is under a duty to make a phase 2 merger reference in this case under the Act. However, the duty to refer is not exercised while the CMA is considering whether to accept undertakings in lieu of a reference. SSCP Spring Topco Limited, the ultimate UK holding company of the NFA group, has until 6 February 2017 to offer undertakings that might be accepted by the CMA. If no undertaking is offered or accepted, then the CMA will refer the merger for a phase 2 merger investigation.
7. All the CMA's functions in phase 2 merger investigations are performed by inquiry groups chosen from the CMA's panel members. The appointed inquiry group are the decision makers on merger investigations. The CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an

inquiry group usually reflects a mix of expertise and experience (including industry experience).

8. The text of this decision will be placed on the [case page](#) in due course.
9. For more information on the CMA see our [homepage](#) or follow us on Twitter [@CMAgovuk](#), [Facebook](#), [Flickr](#) and [LinkedIn](#). Sign up to our [email alerts](#) to receive updates on merger cases.
10. Media enquiries should be directed to press@cma.gsi.gov.uk or by calling 020 7738 6798.