Concerns about the domination of the private sector in children's care have prompted a major probe by the market regulator. **Kathy Oxtoby** looks at what this latest examination of the sector hopes to achieve, and how England's new Independent Review of Children's Social Care, and a recent LGA reports will inform its findings.

Child's play

"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,"

Andrea Coscelli, CMA chief executive

Children's social care provision in England, Scotland and Wales is set to be examined by the UK's competition regulator.

This March (12 March) the Competition and Markets Authority (CMA) announced the launch of a study to "establish why a lack of availability and increasing costs could be leading to the needs of children in care not being met".

The market study will look into the lack of availability and increasing costs in children's social care provision, including children's homes and fostering, the CMA says.

It will also examine concerns about high prices paid by local authorities and inadequate supply of appropriate placements for children in their care. A recent Local Government Association (LGA) study found that some independent providers of children's residential and fostering placements are making profits of more than 20 per cent on their income.

"This could be putting pressure on the ability of local authorities to provide the appropriate accommodation and care which children need," the CMA says.

The role of the private sector

The move also follows a call from Josh MacAlister, chair of England's Independent Review of Children's Social Care, for the CMA to investigate concerns from within the sector about aspects of the children's social care "market". This includes "significant out of area placements, placement breakdowns and the use of unregulated provision", as well as "the high and rising cost of placements" and "the role of the private sector in the placements market".

Commenting on the study launch, Andrea Coscelli, chief executive of the CMA, says: "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."

Mr Coscelli says 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 per cent of children in England and 78 per cent of children in Wales placed in private sector homes.

Following concerns raised by other organisations about private sector provision of children's social care making high profit margins, including the recent LGA report, 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 says.

Using its statutory market study powers, the CMA says it aims to "obtain information to help build a better understanding of the children's social care sector".

The regulator will examine 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;

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- 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 care homes for older people, and funerals among others.

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", the regulator says.

Depending on what it finds, the regulator 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.

Welcoming the study, in a blog published on the Independent Review of Children's Social Care's website, Mr MacAlister says: "The timing of this work provides an opportunity for our two reviews to work together to achieve better informed recommendations, to improve the quality of homes children can live in."

He says that because there will be "some areas" of research where the study and the Care Review "overlap" he has agreed with the CMA that "their study and our review will work closely together". However, he says the review will "take a broader look across children's social care, using the evidence gathered by the CMA and others to make recommendations that span the whole system".

"In practice this will mean sharing findings so that we benefit from the same evidence, but also more practically ensuring that requests for information are not duplicated unnecessarily," he says.

He adds that he is "looking forward to working with the CMA to strengthen the review's evidence, and make the most of the opportunity we have to solve one of the most persistent barriers to making sure care provides children with loving, stable and safe foundations".

Multi-million pound mergers

Also welcoming the CMA study, Steve Crocker, chair of the ADCS Standards, Performance & Inspection Policy Committee, says that "multi-million-pound mergers between providers are becoming commonplace" and the use of private equity to drive rapid changes in ownership, financial models and service delivery" has created "an unacceptable level of risk in the system".

He says the CMA's study, along with the recently launched Care Review, presents "an opportunity to address these significant concerns", and that "the system must be driven by children's needs, not maximising profits".

Judith Blake, chair of the LGA's children and young people board, says that as the impact of the pandemic becomes clear, "We anticipate increasing numbers of children needing urgent help and it is vital we can give them the homes and support they deserve. Understanding how the current market affects this will help to make this happen".

"We are particularly pleased the review will investigate high levels of profit making, which is particularly apparent in fast-growing groups backed by private equity or those on the stock market. Some of these groups also have considerable debt levels, which should also be looked at."

She says the CMA's review will be "a valuable contribution to the Independent Review of Children's Social Care".

"The two must consider how to support councils and independent providers to deliver the homes our children in care need, how the current market is impacting on children's experiences, and how we can make sure children get the support they need to thrive," she says. ➤

- Comments on the issues raised can be submitted in the Invitation to Comment (https://www.gov.uk/cma-cases/childrens-social-care-study#launch-of-the-market-study) 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 (https://www.gov.uk/cma-cases/childrens-social-care-study).

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➤ Independent Review of Children's Social Care: "Wide-ranging plan to extend joy, growth and safety of childhood"

Findings from the new CMA market study will help to inform England's Independent Review of Children's Social Care, (https://www.gov.uk/government/groups/independent-review-of-childrens-social-care) which was launched by Education Secretary Gavin Williamson this January (15 January). He says the "wholesale" review, promised in the Conservative Party's 2019 general election manifesto, will be "bold, wide-ranging and will not shy away from exposing problems where they exist".

According to the Department for Education (DfE), the review sets out to "radically reform the system, improving the lives of England's most vulnerable children so they experience the benefits of a stable, loving home".

The DFE says the review will "reshape how children interact with the care system, looking at the process from referral through to becoming looked after".

It will address "major challenges such as the increase in numbers of looked after children, the inconsistencies in children's social care practice, outcomes across the country, and the failure of the system to provide enough stable homes for children", says the DfE.

Specific issues it will cover include the capacity and capability of the system to support families to prevent children being taken into care unnecessarily, and how partner agencies, such as police and health, interact with children's social care, recommending improvements to the way they work together.

The review is being supported by an 'Experts by Experience' group, which will provide "an opportunity for children, young people, adults and families with lived experience of the care system to have their say and help shape the future of children's social care".

To help shape its early work, the review has a 'Call for Advice' (https://forms.office.com/Pages/ResponsePage.aspx?id=yXfS-grGoU2187O4s0qC-VSp_Dq1jAJHgJuI5y8Jr3BUM1JJSFdNWDkzOUdLVjc0TzIyRks1NE1TSy4u) aimed at anyone with an interest in it, which to date has received over 750 responses.

Chair of the review, former teacher Josh MacAlister, who founded the social work charity Frontline in 2013, says: "Deep down I think many of those working in the children's social care system and certainly many of those who have experience of it, know that radical change is needed.

"My commitment is that this review will deliver a wide-ranging plan to extend the joy, growth and safety of childhood and the esteem, love and security of family life to all children."

Excessive profit?

The CMA market study draws on research published this January (29 January) by the Local Government Association (LGA) and Revolution Consulting, which found that the six largest independent providers of placements made £219 million in profit last year.

The LGA's Profit Making and Risk in Independent Children's Social Care Placement Providers

report shows that some large private providers were achieving profits of 20.6% on their income, while four of the seven largest groups of independent providers had more debts and liabilities than tangible assets.

The report finds that while councils provide some of their own fostering and children's homes places for children in care, nearly three in four children's homes and two in five fostering households are now provided by independent organisations, which includes private and charitable companies. The two largest independent fostering providers offer nearly a third of all independent fostering places.

The LGA says councils have been reporting increasing difficulty in finding suitable places for children in care, particularly for older children and those with more complex or challenging needs. They have also identified some placement costs rising far beyond inflation, putting pressure on budgets that are already at breaking point.

Rising demand means that despite increasing budgets, councils still overspent on children's social care by more than £3 billion over the past five years. Four in five councils have reported rising costs for fostering and residential placements for children in care due to coronavirus pressures last year, the LGA says.

Cllr Judith Blake, chair of the LGA's Children and Young People Board, says: "The largest providers of children's placements are growing rapidly and continuing to acquire other providers. The potential risks involved in their considerable debt levels is an issue that the government must consider alongside greater financial support for children's services."

She says an "oversight scheme" is needed to help catch providers before they fall and ensure company changes do not risk the quality of provision. "Councils, providers, central government and Ofsted all have a role to play in developing a diverse market that makes sure we have the homes children need," she believes.

Providers, she says, should also "not be making excessive profit from providing placements for children".

"What matters most is that children feel safe, loved and supported, in placements that best suit their needs." ct

CHILDREN'S SOCIAL CARE PROVISION

- 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.
- Recent reports by the NAO, HCLG Select Committee and Children's Commissioner have been critical of public policy on children's social care.
- 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) (https://www.gov.uk/government/statistics/childrens-social-care-data-in-england-2019/childrens-social-care-in-england-2019). 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.
- 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.