Children’s Services UK Market Report – what can you expect?

• New and heavily restructured report – first in over two years
• Deep dives into key sectors of interest:
  • Special Education, Residential Children Services, Foster Care
• Comprehensive data analysis about market conditions
• Up-to-date insights from policy and regulatory impacts on the sector
• Detail on key sector transactions, market concentration and growth strategies
• Provider and investor profiles
• Backed by 30 years of sector reporting
UK Children’s Services Total Market Value, £20.56bn in 2022
The size and share of independent sector provision has continued to grown in England

<table>
<thead>
<tr>
<th>Service</th>
<th>Independent (Priv/Vol) Sector</th>
<th>Public Sector (the 'State')</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children's residential (e)</td>
<td>£5,218m</td>
<td>£5,218m</td>
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<tr>
<td>Fostering (e)</td>
<td></td>
<td></td>
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<tr>
<td>Other children and young people's services (e)</td>
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<tr>
<td>Special education (e)</td>
<td></td>
<td>£6,524m</td>
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</tbody>
</table>

England total
£11,742m
Special Education: Continued growth in EHCP demand...
Special Education: ...with ongoing growth in independent provision

Fig A.2 can be inserted here
– but can it be revised to remove the part that shows number of pupils in public sector (the brown on the below chart). I just want to show the organ line, and purple part
Special Education: Public funding has increased rapidly, but with signs the government is trying to rein in the expenditure
The number of children in care dipped in 2021, following over twenty years of growth
Foster care and children’s homes have taken on the majority of new placement growth
The independent sector has become a CRITICAL element of children service’s provision over the last ten years.

Children’s residential homes

- Independent sector
- Local authority sector
- Independent sector penetration (volume)
The independent sector has become a CRITICAL element of children service’s provision over the last ten years.
Expenditure on private sector provision has continued to increase

Children’s residential homes

- Local authorities (including kinship)
- Independent sector
- Independent sector penetration (% of value)
Expenditure on private sector provision has continued to increase

Foster care

- Local authorities
- Independent sector
- Independent sector penetration (value)

Expenditure on private sector provision has continued to increase.
Policy and regulatory levers could impact the market – although barriers to change exist.

**Policy and regulatory levers**
- Independent Review of Children’s Social Care
- CMA Market Study into Children’s Homes and Foster Care
- SEND Green Paper
- Regulation of supported accommodation (semi-independent living)

**Barriers to change**
- Current political environment – new elections, political will
  - Ministerial priority
  - Local authority capacity
  - Economic outlook
Quality in the independent sector remains high, with a slight dip in children’s homes in line with cross-sector declines.
Transaction EBITDA multiples suggest a sector that remains attractive to investors
Market potential

• Increase in market value of c.25% since October 2020 – with growth in all key segments’
• Limited evidence of long-term impact of Covid-19 on the sector
• Attempts to shift to regional commissioning may change nature of operational relationships but unlikely to impact on volumes in medium-term
• Special Education – challenges in applying constraints on volume growth likely to limit ability to deliver effective top-down interventions on cost-control
• Residential Children’s Homes – Scale of private sector provision could make it target for market oversight but harder control levers seem unlikely, and growth opportunities exist in newly regulated supported accommodation market
• Foster Care – Stable market conditions, but may have to contend with policy push towards increasing local authority provision