

Evidence Submission from TACT Cymru for the Health and Social Care (Wales) Draft Bill

TACT warmly welcomes the Welsh Government's aspiration to eliminate profit from children's social care and the publication of the draft bill. We understand the complex nature of this work, and the balance that is needed between removing profit from children's social care without disrupting the sufficiency of foster care and residential care for Welsh children.

Profit, in itself, is not a determinant of quality. There are many SME's in Wales, often family owned, that provide excellent care whilst making only a small profit. Supporting small community based organisations that provide a high level of social value fits with the Welsh Governments approach to foundational economics. It is important therefore that those organisations are supported in their not-for-profit form to prevent the dominance of large UK or international organisations, often with remote senior management teams based outside of Wales, that may in the future be operating as not for profit entities in Wales.

We are extremely concerned that an opportunity has been missed to safeguard smaller SMEs in Wales and to effectively end the dominance of large private capital backed IFA's. We judge that allowing the Community Interest Company option will allow a loophole for private capital IFAs to exploit. A more effective approach would have been to restrict permissible suppliers to being the State or registered charities. The smaller SMEs could be supported to obtain charitable status. Charitable status would be unacceptable to private capital backed IFA's as the asset lock and financial reporting requirements would be inimical to their business model so they would exit the sector. The Charity Commission could act a gatekeeper and policing service for the Welsh Government.

Legislating to remove profit is not the only solution. We ask that the Welsh Government also ensures that Local Authorities, through their commissioning arrangements, apply stringent social value assessments to all not for profit children's care providers in Wales. This should set minimum levels of staff that are based in Wales, including senior decision makers and back office support, and should also ensure that supply chains reflect the not for profit ethos to prevent surplus being moved out of Wales and turned into profit for back office support. TACT applies a strong social value policy to its work in Wales, over and above what is required of us in the All Wales Fostering Framework contract, reflecting our belief in the importance of local place based services. Just over 80% of our entire supply chain is from Welsh SME's and not for profit providers and we are working hard to increase that percentage. This should be expected from all not for profit care providers in Wales.

The 2024 Expert Opinions Report by the Welsh Centre for Public Policy found that staffing ratios in privately owned care providers tend to be lower than in not for profit agencies. This impacts the quality of care provided. Becoming a not for profit agency is unlikely to change management cultures of organisations who have established practices that maximise the return of cash to its centre, whether in profit or surplus form. Commissioning arrangements can do more to influence culture by mandating behaviours from senior management, such as insisting on maximum caseload levels for social workers and enforcing safe staffing ratios in care homes. Using the social partnership and procurement act to impose its social partnership duty on all children's social care providers, enforced through commissioning

arrangements, will create safer and more positive working environments, improving the quality of care and relationships for children.

We must learn from what has not worked well in other parts of the UK. In Scotland, their legislation to remove profit has resulted in a reduction in the mix of local SME providers as large UK not for profit organisations have dominated the market (reference). The Welsh Government needs to help Local Authorities to set out a long term vision for what they want the independent social care sector to look like and the mix of providers needed. Not all local authorities in Wales publish market position statements and so developing long term investment plans in those areas is risky for smaller independent providers. Investing in the right staffing, training and support for foster carers relies on knowing predicted demand and needs of children. The eradicating profit programme should now be followed up with an ambitious long term plan that provides the independent care sector with a blueprint for what local authorities need and expect from us in the long term.

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