HSC(6) 36-24 Papur 6 | Paper 6 – The Children's Homes Association

Senedd Cymru | Welsh Parliament

Y Pwyllgor Iechyd a Gofal Cymdeithasol | Health and Social Care Committee

Bil lechyd a Gofal Cymdeithasol (Cymru) | Health and Social Care (Wales) Bill

You do not need to answer every question, only those on which you wish to share information or have a view.

General principles of the Bill

1. What are your views on the general principles of the Health and Social Care (Wales) Bill?

CHA welcomes the Welsh Government's commitment to Rebalancing Care and Support, including embedding Social Value principles throughout health and social care, and improving partnerships in a mixed economy.

We fully support the Welsh Government's aspirations to improve social care arrangements and achieve the aims of the Social Services and Well-being (Wales) Act 2014. However, 'rebalancing' and 'social value' can be achieved without eliminating profit.

The eliminating profit aspect of the Bill threatens decades of evolution and expertise in children's residential care and risks worsening the sufficiency crisis in Wales with significant impact on children and young people. There is no evidence to suggest that removing private children's homes providers will enhance Social Value in the short or long term – the financial cost alone at a time of unprecedented pressure on Welsh councils suggests the opposite.

2.	Is there	a need fo	r legislation	to deliver t	the Welsh	Government	's stated
po	olicy inte	ntion?					

⊠ Yes		
□ No		
□ Don't know		

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Please outline your reasons for your answer to question 1

The CHA is dedicated to supporting exemplary residential childcare and values a mixed economy of children's social care, including public, charity, and for-profit providers. Improving lives is a priority, and successful care benefits society, potentially saving over £3 million per care leaver in negative outcomes.

Recent years have seen significant changes in policy, regulation, and the needs of children in care, with independent for-profit providers developing most of the specialized care services, when public and voluntary providers were not. The sector's diversity is essential to meet the varied needs of children.

We emphasise the importance of ethical and transparent business models in a mixed economy of care. Taxes fund children's social care, so providers must contribute to the tax-funded system responsibly. Tax haven funded private equity and funding models do not align with the principles of social care. The NHS and Community Care Act (1990) that created a market did not anticipate private equity involvement and profit-making providers avoiding taxes. Profits from tax-funded services should be taxed and reinvested in quality care rather than high-interest loans.

To align with these values, the CHA updated its membership criteria to ensure that members must now:

- Be ultimately owned in the UK
- Have wholly or majority shareholders who are registered as a UK taxpayer
- Not receive loans of investments that originate from a tax haven

The CHA acknowledges that legislative change is required to tackle the unethical practice of some of the largest children's social care providers. However, it is crucial to understand the difference between 'profit' and 'profiteering'. The CHA believes that Welsh Government can meet its policy objectives without the dangerous and disruptive blanket approach of removing all profit from children's residential care, learning from changes we ourselves have made as an organisation to support social value, and looking at effective strategic commissioning and procurement strategies that seek to advance

the sector from short-term spot contracting to more sophisticated and stable partnerships.

We take a child-centred approach to policy evaluation and are concerned by any policy change that risks the well-being of children and young people. We are also concerned by the inaccurate reporting on this policy and its progress.

We welcomed the recommendations of the Competition and Markets Authority (CMA) report which, while raising concerns about the risks associated with some larger private equity owned providers (who do not represent the full spectrum of private providers in Wales), reinforced our position that the state of the market is due to many complex factors and no single solution will bring about the change required to improve sufficiency. As such, we also echo the CMA's reservations about calls to restrict profits and prices in residential childcare, given that the fundamental issue affecting children and young people is a lack of placements, and such drastic measures will reduce placements and damage sufficiency further.

3. What are your views on Part 1, Chapter 1 of the Bill (sections 1-13), which makes provision intended to restrict the extraction of profit by providers of children's care home services, secure accommodation services and fostering services

Whilst it is positive to finally have sight of the proposed legislation, the Bill doesn't offer any further detail from what was already known. The sector is concerned with transition arrangements and implementation, and the primary legislation in its current form is too simplistic. As a result, it has reinforced or confirmed providers' plans to exit the sector.

We are also concerned about legislating a policy which will have such profound consequences on children and young people, and small and medium sized business owners across Wales. The proposed legislation and the fact that detail is not contained in the Bill about transition and implementation further reinforce our view that there is a fundamental lack of awareness by the Welsh Government of the residential childcare sector, particularly how it operates and the children it is intended to care for.

The below points from the legislation need clarifying via secondary legislation and the regulations, and it is imperative that the sector is consulted on the proposed further detail which will come out during this process. Therefore, it is difficult to determine whether the provision will meet the policy intentions.

Supplementary placements and approval for for-profit placements

Sections 1(5) and 81B stipulate that local authorities must seek approval from Welsh Ministers before placing a child in for-profit provision starting from 1 April 2027. We are

concerned about the practical implications of this requirement. Many placement decisions are time-sensitive and need to be made on the same day. The additional step of obtaining ministerial approval places significant burdens on local authorities and introduces the risk of delays. If approval is not granted within the necessary timeframe, it could force children into unregulated or unregistered settings, or a provider could take a different child if there is demand for the placement.

We therefore recommend that the approval process be delegated to local authorities. This would allow for more immediate decision-making, ensuring that placements can be secured quickly and that the welfare of children and young people is not compromised. Local authorities are well-positioned to make these decisions promptly and effectively, adhering to the necessary regulations and standards.

Transition arrangements

Section 1(3)(c) states "any such provider that remains registered but is not incorporated as a not-for-profit entity may remain registered subject to conditions imposed by regulations". Without detail on what these conditions are, providers cannot make sound business decisions or understand how these conditions may impact their business.

Local authority sufficiency plans

Section 75A covers a duty on local authorities to prepare and publish an annual sufficiency plan. However, it is unclear what happens if a local authority sufficiency plan isn't approved, and it could imply that by proxy Welsh Government are dictating what the sufficiency plan should contain, ignoring whether it is reasonable or achievable for the local authority. Local authorities should have the trust and autonomy to determine what is in the best interests of the children in their care. We are also concerned about the additional burdens this will place on local authorities by having to produce an annual sufficiency plan, and whether this will make any material difference to achieving the policy objectives.

4. What are your views on Part 1, Chapter 2 of the Bill (sections 14-22 and schedule 1), which makes a number of amendments in relation to social care services, social care workers and local authority social services, intended to ensure that the 2014 and 2016 Acts can operate fully and effectively

N/A

5. What are your views on Part 2 of the Bill (sections 23-26 and schedule 2), which relates to health care, and makes amendments to the National Health Service (Wales) Act 2006 in order to enable the introduction of direct payments within NHS Continuing Healthcare

N/A

6. What are your views on Part 3 of the Bill (sections 27-30) which contains a number of general provisions, including in relation to regulations, interpretation, consequential and transitional provisions, and coming into force provisions

N/A

Implementation and impact of the Bill

7. Are there any potential barriers to the implementation of the Bill's provisions? If so, what are they, and are they adequately taken into account in the Bill and the accompanying Explanatory Memorandum and Regulatory Impact Assessment?

Welsh Government facilitated a workshop in November 2023 with independent providers and commercial and legal experts to explore transition to not-for-profit status and reviewed Welsh Government's proposed operating models.

The survey following this workshop which asked how many providers would be willing to transition, showed that no independent providers would currently be willing or able to transition to not-for-profit structure, and would not reconsider without any further clarity from Welsh Government. A survey of Welsh CHA members in May 2022 also showed that out of 22 respondents (330 registered places), 21 would not transfer to a not for profit model.

Following publication of the Bill, CHA members do not feel that there is much further clarity for them to determine the future of their businesses, with many deciding they will exit the sector. Welsh Government has repeatedly stated that they intended to 'ensure the stability of the market and avoid disruption to existing placements for children.' If most residential childcare providers choose not to transition, it will throw into question whether the eliminate profit element of the Bill could reasonably be implemented due to unreasonable increased cost and sufficiency pressures, on local authorities and existing not-for-profit providers.

Additionally, some providers have advised CHA that some of the proposed 4 business models which would be acceptable from 2027 onwards, would in fact be illegal for them

to transition to. CHA is working with providers on this however this would be a significant barrier.

8. Are any unintended consequences likely to arise from the Bill?

It is our evidence-based view that the financial, social, and human costs of eliminating profit have been dangerously underestimated, and that the policy will not only worsen the sufficiency crisis in Wales, but directly impact the wellbeing and life chances of children and young people for whom the Welsh government has a duty of care. Further, it will create a barrier for local authorities to deliver their Statutory Duties.

The policy raises the most serious risks for vulnerable children in Wales (and risks for the English children who are placed in Wales) and an existential risk to many of the providers who care for them. Since the policy's announcement, there have been multiple anecdotal reports that disruption is already being felt, with one of the largest Fostering charities withdrawing from Wales due to the toxic environment the policy has created.

OWR

Children are being negatively affected by a sharp increase in the use of unregistered settings in Wales due to insufficient supply at a time of increasing demand. Most services operating without registration (OWR) are operated by local authorities. We are highly likely to see a further increase in children's homes OWR as providers exit the market and not-for-profit sufficiency unable to cope with demand, particularly in areas such as Cardiff.

Between 1 April 2022 and 31 March 2023, there were 92 children's homes OWR. Of these 92, only a small number became registered, half closed, and the remainder are still operating.

The CHA has submitted an FOI to Welsh Government to see the number of homes OWR in the last 2 years and how many children are living in illegal placements, directly because of this policy.

Sufficiency

It is unclear how LAs would meet their statutory duties due to the lack of provision available, and there is a significant likelihood that LAs would be in breach of their statutory duties. There is currently a lack of sufficient placements, which will be significantly exacerbated by this policy due to providers' intentions to exit the market.

Wales registered 31 new children's homes in 2022/23. This resulted in forty-five new places available for children. 5 of these (16%) were registered by local authorities. 9

children's homes closed during this period due to staffing and viability issues. 12 out of the 22 local authorities did not commission any not-for-profit provision in 2023.

There is no reported engagement or expansion of a new third sector, nor is there any significant movement from local authorities to open provision (noting the breadth of expertise that is lacking to progress this). Other key stakeholders such as Welsh LGA and ADSS Wales have also both warned about the policy implementation, particularly when we are already in an environment of severe workforce challenges and a 'pre-existing placement crisis.' Both organisations stated very clearly that "you cannot eliminate any element of support underpinning a statutory service without first building the alternative."

Some providers are deciding not to continue to invest in Wales, withdrawing altogether or starting to restrict placements only to children from England because they feel these may be subject to longer contracts than those being offered, given the Welsh Government's intentions. Independent providers have stated they will be likely to either close or move their businesses (for example into England for those near the border) or repurpose their buildings to allow them to operate in a different sector, resulting in Wales losing decades of skills and experience that have been developed. The policy could also see an increase of staff leaving the sector, at a time when the sector is already experiencing a workforce crisis, due to concerns about job security, if providers intentions are to exit the market.

Supplementary Placements

The Bill describes how LA's must request to place children in 'supplementary placements' during the transition period from 1 April 2027. A lot, if not the majority, of placement decisions are time critical. It is unclear what will happen if Minister approval is needed on a placement and this decision is not communicated on the same day. It is likely that children could continue to be placed in unregulated or illegal unregistered, unsuitable placements that do not meet their needs. It is also unrealistic to expect for profit providers to continue to provide care for only the most complex children.

9. What are your views on the appropriateness of the powers in the Bill for Welsh Ministers to make subordinate legislation (as set out in Chapter 5 of Part 1 of the Explanatory Memorandum?)

The CHA would support the affirmative procedure for the sections and powers set out in the Bill relating to the eliminate profit elements of the Bill. The affirmative procedure is particularly important when deciding timescales associated with the transition period

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¹ Taken from LGA response to consultation

for current for-profit providers. Appropriate consultation generally across all areas, with sufficient timeframes to allow for meaningful engagement, is essential, particularly where additional burdens or procedures would be placed on providers and local authorities. Any areas which could be deemed controversial or will place additional burdens, as mentioned above, should be subject to the affirmative procedure.

10. What are your views on the Welsh Government's assessment of the financial and other impacts of the Bill as set out in Part 2 of the Explanatory Memorandum?

Part of the evidence base for section 2 is the CMA report, which has been significantly misquoted. The CMA did not recommend removing, capping or limiting profit, stating: 'On this basis, we have not found evidence that limiting for-profit provision would result in better outcomes for children and local authorities in the long term' (page 83, paragraph 4.98).

The reasons for their conclusion are:

- It was unclear whether this would result in significant cost saving in respect of children's homes as the private sector price is not obviously higher than local authority in-house costs
- 2) 'Eliminating for-profit provision would risk reducing supply as local authorities and voluntary providers, who may not have access to capital to create new provision, may not be able to fill the gap left by reducing reliance on for-profit provision within an acceptable timetable' (page 84, paragraph 4.100), and that significant investment from the public sector would be required to achieve the policy intentions.

Quality

Part 2's discussion on quality of provision reveals critical issues in the Welsh Government's policy argument against for-profit care providers. Both the CMA and The 4Cs found no quality issues specific to for-profit provision, noting no significant difference in quality between local authority and for-profit services. The 2023 quality performance assessment (QPA) by The 4Cs further supports this by demonstrating:

- There is no notable evidence that the size of a residential care provider or its business model impacts the delivery of quality outcomes.
- Independent Framework residential care providers can evidence consistent good quality outcomes, across all outcome areas.

- Despite the uncertainty related to the Welsh Government agenda, providers continue to evidence commitment to their young people, ensuring placement stability is prioritised.
- The monitoring of outcomes in the last decade, achieved with children looked after by independent residential providers, shows that most Framework providers consistently deliver good-quality outcomes.
- It suggests that in Framework placements, most children looked after's needs are met most of the time, in line with their care and support plans.
- Data indicate the same high-quality outcomes are achieved across all providers, regardless of their size. While the MSMEs (micro, small, medium enterprises) score slightly higher, this is not a statistically notable variation. There is a higher percentage of residential providers who are MSME's than in foster care.
- Residential providers who offer evidence based therapeutic models of care, social workers report excellent multi-disciplinary working and clear communications.
- Overall, good strategic approaches to social value were provided by a mix of MSME and large for-profit providers.

The claims in this section overlook the robust performance and commitment demonstrated by for-profit providers, as well as the nuanced needs and outcomes of the children in their care. Furthermore, the research paper quoted by the University of Oxford, which shows outcomes are worse in for-profit provision than local authority provision, has multiple methodological issues and limitations, did not use current Ofsted data and extremely relevant to the legislation, found that 'third sector services perform worse than LA provision'. Further, in the paper's conclusion the authors stated that the 'findings should not be interpreted as evidence suggesting that overall service quality will naturally improve by banning or restricting for-profit provision'

Workforce

Many workforce claims in Part 2 are unfounded and based on outdated evidence, such as the DfE's 2013 workforce census. The DfE is currently conducting a new census, with the Phase 1 results released in March of this year. Additionally, Social Care Wales's report on residential childcare managers and staff is from 2017. It is unclear why outdated evidence is used and why Welsh Government has not utilized current, credible data, especially when the sector is experiencing a workforce crisis that is significantly impacting sufficiency.

Cost

Part 2 states that the estimated cost to local authorities for implementing the policy is £185.7m - £245.5m. Of this, between £107.1m and £142.8m is related to capital costs.

Welsh Government state that there are uncertainties around other costs related to implementing the policy. We would agree with this and argue that some key costs have not been factored into the assessment, or have been underestimated, including:

- Workforce and training costs
- Wastage. There will not be success with every home that is opened, and some homes will open that will subsequently close, potentially within a short period.
- Project management costs from inception to services being online and operational. LA's will have some capacity in-house for project management; however, it is highly unlikely they will have capacity for the scale and speed required.
- Operating costs pre-opening. 60-70% of staff will need to be in place several months before a children's home opens, with managers needing to be in post up to 6 months prior to opening. Additionally, a home will not open at full capacity so will be operating with only 1 or 2 placements for a period.
- Compensation that may be legally payable to providers if they exit the market.
- Transition costs for providers. If transition costs are not funded, it is likely that these will be reflected in increased fees to local authorities.
- Additionally, costs associated with increased unregulated and unregistered placements will increase substantially and have also not been considered, with an increase in these placements already being seen as a result of the policy.

In terms of transition and costs, it is also important to factor in that providers would need to move to being a new legal entity. This would divert resources and add new pressures during this period for business to do this. Also, any transition to being a new legal entity would need to be financed and will result in a debt burden. In this situation, some providers, particularly small providers, will go from having no debt to now having significant debts.

We would also challenge the estimated figure of £177.7m-£215.3m for lost profit of forprofit providers. The lack of engagement with providers throughout the past several years makes us question how this figure has been accurately determined.

Welsh Government also state Local authorities are expected to benefit from lower outturn costs for children's care, with a saving of between £184.0m and £253.9m. We again would challenge this figure and how it has been calculated. Cost of public sector provision is consistently shown to be higher than the independent sector by between 10 - 20% as reported in the PSSRU Unit Costs Reports 2018/19/20/21. These reports are based on actual spend by all local authorities. Additionally, the Minister for Social Care

responded to a written question in March of this year, stating that ..."the average cost to an independent provider of a child placed in a registered regulated care home setting will be about £3,811 per child per week. An equivalent placement within a local authority setting will be about £5,265 per child per week on average." This represents a 32% difference in cost and does not include education or clinical therapeutic support.

CHA is undertaking further investigation on the costs presented; however, our initial view is that they are significantly underestimated.

11. What are your views on the Welsh Government's integrated impact assessments (set out in Part 2 of the Explanatory Memorandum), including the Children's Rights Impact Assessment

Equality Impact Assessment

The paragraph oversimplifies the proposal's impact on equality and ignores significant challenges. It lacks evidence and specifics, failing to address potential negative consequences like provider transition difficulties and care disruptions, all of which are evidenced in the existing policy risk register. The claim about varying provider rules is vague and overlooks underlying complexities. Simply equalizing fees and rules doesn't guarantee fairness or improved care quality, and new regulations might reduce care options by burdening providers. Overall, it lacks a critical examination of the policy's feasibility and practical implications.

Children's Rights Impact Assessment

There is a very real, if not certain likelihood that Welsh Government would be in breach of Article 3 (best interest of the child) of the UNRC. It is acknowledged that the policy will have a negative impact on children's rights and their outcomes in the short term. However, we do not know with any confidence that this would be short term. If most providers decide to exit the market it is likely this would not be short term, but mediumlong term as there would be insufficient placements for children, with more children ending up in unregulated and unregistered placements, and more children very likely to be placed outside of Wales into England due to sufficiency pressures.

Socio-economic duty

This impact assessment implies that staff working for not-for-profit providers would receive better pay, benefits and career aspects. There is no evidence to support this assertion and no work has been carried out on current workforce metrics to be able to come to this conclusion. In terms of access to training and CPD, as most of the experience in children's residential care resides in the private sector, it is likely that staff would find it more difficult to access training and development if the providers who offer this have left the market due to the policy.

The bill could also breach the Human Rights Act, Article 1 of the First Protocol: Protection of property. It also provides that compensation at commercial sale value is payable if the state interferes in private rights or takes the property away (for example, in effect, in this instance, reducing the value of some businesses to nil). This aspect does not appear to have been considered.

Development of the policy and legislative proposals

12. What are your views on the approach taken by the Welsh Government to the development of the policy and legislative proposals reflected in the Bill.

Among any other issues, please consider in particular the approach to engaging and consulting with stakeholders

Since the announcement of the eliminate policy, Welsh Government's process for policy development and implementation have been ineffective in terms of engagement, transparency, and responsiveness. It is not an example of evidence-based policy making in any form but is purely an ideological decision and has very much been developed without the support of the sector, including local authorities. The failure to involve key stakeholders and address their concerns adequately has resulted in a policy that risks being ill-conceived and harmful. The process has been marked by unproductive meetings, poor communication, and a dismissive attitude towards feedback, all of which undermine the potential success and effectiveness of the proposed policy. Below is a summary of the issues

Inadequate Stakeholder Engagement

The Welsh Government has significantly failed in its duty to engage effectively with stakeholders and providers regarding the proposed policy. Effective stakeholder engagement is essential in ensuring that policies are informed by and considerate of the practical realities within the sector. By neglecting meaningful dialogue with key parties such as providers, care home workers, and advocates for children and young people, the proposed policy risks harm to those it aims to support. This lack of engagement can lead to the development of policies that are not only impractical but potentially damaging.

Ineffectiveness of Programme Board Activities

Over the past two years, the programme board has wasted valuable time without providing stakeholders and providers with meaningful opportunities for discussion. The meetings including the workstreams were unproductive, failing to introduce new information or provide clarity on the policy details and implementation. This has resulted in frustration and a sense of being ignored among stakeholders, impeding any

meaningful progress. The lack of productive dialogue has undermined the collaborative efforts necessary for developing well-rounded, effective policies.

Poor Consultation Process

The consultation process carried out by the Welsh Government was fundamentally flawed. Effective consultation should occur at a formative stage before decisions are made and with an open mind about the outcomes. However, the process lacked transparency and inclusivity. It is unclear how key stakeholders were targeted, and important sectors such as health and education were insufficiently engaged. Many providers were unaware of the consultation until it was brought to their attention by the CHA, indicating a significant failure in communication and outreach.

Lack of Clarity and Accessibility in Consultation Documents

The consultation documents were neither in plain English nor sufficiently informative. According to established consultation principles, documents should include validated impact assessments of the costs and benefits of the options being considered. The absence of such impact assessments, particularly given the policy's impact on businesses and the voluntary sector, meant that respondents were unable to provide detailed or adequate feedback. This failure undermines the entire consultation process, rendering it ineffective and unproductive.

Ignored Concerns About Unintended Consequences and Implementation

Numerous concerns were raised by respondents about the unintended consequences of the policy and its implementation, including:

- Local Authorities' ability to meet their statutory duties.
- The potential increase in children being placed in unregistered placements, with their needs not being properly met
- Challenges in implementing the policy during a time of economic crisis.
- Exacerbation of the current workforce crisis in social care, including the loss of skilled staff.
- Uncertainty about the policy's funding.
- Issues related to cross-border placements in England

These concerns highlight significant risks and practical challenges that were not adequately addressed by the Welsh Government.

Inadequate Government Response to Consultation Feedback

The Welsh Government's response to the consultation feedback was exceptionally poor and limited. Despite acknowledging the significant challenges and concerns regarding sufficiency and implementation, the government's response indicated that the policy implementation would proceed as initially proposed, with no adjustments to the original timescales. Furthermore, Welsh Government have not engaged in discussion about workable compromise solutions that could increase the likelihood of achieving the policy intentions, such as alternative business models including Employee owned Trusts and Community interest Companies with share capital. This dismissive approach has left many CHA members feeling disappointed and ignored, further highlighting the government's failure to engage meaningfully with stakeholders and address their valid concerns.

Any other issues

13. Are there any other issues that you would like to raise about the Bill, the accompanying Explanatory Memorandum and Regulatory Impact Assessment, or any related matters?

The CHA has extensive knowledge of existing research - and undertaking it - on the theme of what is important to children from their care. Welsh Government claims that "feedback from children and young people suggests they have strong feelings about being cared for by privately owned organisations that make a profit from their experience of being in care". This is a finding that has never been found before in research. We are concerned about how these views were gathered from children, and if they potentially could have been primed and therefore manipulated and exploited, negating the objectivity required for research, and a missed opportunity.

Previous research has found that what is important to children from their care includes:

- Relationships with professionals and birth family achieved through placement stability
- Maintaining friendships
- Feeling safe
- Support in transitions
- Additional support with education
- Reducing stigma and labelling toward children in care
- To have the same opportunities as their non-care peers

- Respecting their views in care planning and decision making
- Information and choice about their health
- Mutual trust
- To be given a second chance.

In a 2022 Systematic Review (the Gold Standard for evidence review) of 'The experiences of young people living in residential care' concluded 'The synthesis suggests that young people's experiences of living in residential care elicited mixed perspectives from those prospering in a cooperative environment, to those who felt trapped in a system which had a perceived presence of power and control. None of the papers highlighted material needs such as clothing, food or shelter. Within this theme the unmet needs were conceptualised by the young people as being rooted in institutional and authoritarian control. Across the papers there were examples that, within residential care, shared decision making was not experienced as normative.

A statement that reflects the synthesis:

I've never been in a situation where a social worker makes a decision and you say "Well, I'm not really happy about that." I've never heard them say "well, maybe we can negotiate". It's "well, that's the decision, that's it"

We would therefore question this as the primary evidence base for the eliminate policy, and it could be reasonably assumed that Welsh Government has purposefully created this narrative to make what is a political decision, and not something which has been formed through evidenced based policy making, seem more justified.