

**Dawn Bowden AS/MS**  
**Y Gweinidog Gofal Cymdeithasol**  
**Minister for Social Care**



**Llywodraeth Cymru**  
**Welsh Government**

Eich cyf/Your ref: DB-PO-0162-24

Russell George MS  
Chair, Health and Social Care Committee  
Welsh Parliament

13 June 2024

Dear Russell,

Thank you for your letter of 22 May 2024 on behalf of the Health and Social Care Committee. I will address each of your requests in turn.

At present, the role of profit within the adult care home market is distinctly different from that in children's care. This is in part due to the differing type of need between the two markets, size, and breadth of service provision. Where there are of course similarities, these tend to be surface level and there are more functional differences.

Factors which might be taken as distinctive of the children's social care market, and tending towards its current state of functioning (and seeming attractiveness for private equity), are: (i) relatively small size, (ii) the lack of predictability for each authority of the level of need for children's homes placements and foster placements from time to time, (iii) the speed with which arrangements can break down and the consequent urgency for local authorities to find alternatives, which tilts the market in favour of providers, (iv) the high cost of placements, which makes it more difficult for commissioners to hold back a strategic reserve, and (v) the unlikelihood of being able to make economies of scale in children's homes placements because the kinds of children who need children's homes placements are those whose social/emotional/behavioural issues are such that managing their needs around other children with similar needs in many cases is likely to make the task substantially more difficult. Many of these factors do not apply, at least to the same extent, to adult care.

Exploring this in more detail, in practice, all children's social care is funded by the state (s.85 and Schedule 1 of the Social Services and Well-being (Wales) Act 2014 does permit requirement for contributions towards maintenance of looked after children, but this is very seldom used), whereas all adults are expected to contribute to their care and support costs on a means-tested basis if in local authority-commissioned care. But there is also a significant completely self-funding presence in adult social care, either through those who self-fund care following a local authority needs-based assessment or those who arrange their care entirely privately without any interaction with local authority social services support. As such, there is no capacity to make private placements in children's social care whereas this is possible for adults care. This is a key consideration when determining the

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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role of profit in the adult care home market where individuals are free to make a choice on a placement and its cost.

Further, there are substantial differences in scale. As of 2023 there were approximately 22 times as many adult residential placements as children, for example, and nearly four times as many providers<sup>1</sup>. The breadth of provision types is also greater in adult services, and service provision is more readily available in a geographical sense meaning adults are more likely to receive care and support services near their home area. Whilst Welsh Government policy of course seeks to ensure children have that same opportunity, placements are based on availability rather than location. Addressing this is one of the key principles of our plans to transform children's services, for example through encouraging more local authorities to provide care directly. These issues are not, generally, presented by adult social care except (unavoidably) where particularly specialised.

There is fundamental, material, structural and other differences between children's and adult social care which mean it is reasonable to treat the two parts of the sector differently. This, considered alongside the above, our work to date on the development of policy in relation to the elimination of profit from children's care therefore imply that excess profit is not generally an issue in the adult social care sector and is a point of material difference between adult social care providers and the children's social care providers in Wales at present. In this respect, there is an evidence-based justification for a difference in treatment between children's social care, with a basis for proceeding in relation to profit-making within the children's social care sector which is not replicated in relation to adult social care. The Expert Group formed to make recommendations to Ministers on the creation of a National Care Service for Wales also noted this in their [report](#), saying "Due to the complexity and nature of current adult provision, it does not automatically follow that the same pathway will follow for adult services...". Whilst I note the Centre for International Corporate Tax Accountability and Research (CICTAR) report and the concerns of some Committee Members, I strongly agree provisions such as Care UK represent but a small proportion of the care home market in Wales. I have instructed my officials to keep a watching brief on the position, and we will continue to consider the sector as a whole as we progress our ambitious plans grounded in a simple vision: to drive improvement in the delivery of social care in Wales to achieve better and more equitable outcomes, access, and service-user experience for the people of Wales.

In relation to the request for a response on the Expert Group's recommendation, I am very pleased to say our [Initial Implementation Plan](#) was published in December 2023, and sets out how we will consider and take forward the ambition for a National Care Service aligned to the recommendations within the Expert Group's report. I'd also like to take this opportunity to extend my thanks to Cefin Campbell MS for his involvement and support with this as the then Designated Member, and whilst the Co-operation Agreement has come to an end, the job of Welsh Government continues. As such, it remains my desire to take forward the recommendations towards a National Care Service.

Many of the recommendations put to Ministers by the Expert Group form Stage 1 (2022-2025) of our implementation plan. This of course is just the start, as our implementation plan spans 10-years, with Stage 2 delivery taking place over 2026-28, and Stage 3 will be delivered from 2029 onwards. Our learning from Stage 1 will inform the next Spending Review and the development of Stage 2, following the next Senedd election scheduled for 2026.

This will inevitably mean not all the Expert Group's recommendations are being taking forward immediately, as is the case with their recommendation on commissioning research *"into quantifying levels of spending lost to the sector through profit, the mechanics of*

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<sup>1</sup> [CIW Services and Places by Setting Type and Year \(gov.wales\)](https://gov.wales/ciw-services-and-places-by-setting-type-and-year)

*commissioning, profits made by private equity on care facilities and on the maintenance of a regulatory industry to monitor providers.”* However, this recommendation has direct links to our new National Commissioning Framework as part of our Rebalancing programme, the children’s services transformation programme (including Eliminate) and market oversight. These important policy areas are, and will remain, a focus of Welsh Government with work continuing to progress at pace. As such, we will be well-placed to commission this important research as part of future stages of our 10-year National Care Service programme.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dawn Bowden', with a stylized, cursive script.

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