

WELSH GOVERNMENT  
INTEGRATED IMPACT ASSESSMENT

<b>Title of proposal:</b>	Eliminating private profit from the care of looked after children
<b>Official(s) completing the Integrated Impact Assessment (name(s) and name of team):</b>	Improving Outcomes for Children team, Enabling People
<b>Department:</b>	Social Services and Integration
<b>Head of Division/SRO (name):</b>	Alistair Davey
<b>Minister responsible:</b>	Dawn Bowden MS, Minister for Social Care
<b>Start Date:</b>	October 2021

## SECTION 1. WHAT ACTION IS THE WELSH GOVERNMENT CONSIDERING AND WHY?

### Overview

The Welsh Government's Programme for Government contains a number of key commitments relating to a new vision for Children's Social Care:

- We want to see fewer children and young people entering care, by providing the right support at the right time to families going through difficult times.
- For those children who are in care, we want them to remain close to home so they can continue to be part of their community. This means putting in place the right type of care for each child: reforming and joining up services for looked after children and care leavers, providing additional specialist support for children with complex needs and better supporting those who care for children. We want these services to be locally based, locally designed and locally accountable.
- We want those young people leaving care to feel supported to start to live independently when they are ready and to plan for their future.

The Programme for Government contains eight commitments, which taken together provide the framework for our vision to radically transform Children's Services. The delivery of these commitments will effect change across the whole system and align to our [Children and Young People's Plan](#). Both these commitments and the Plan will be delivered over this whole Senedd term. The commitments are:

- Eliminate private profit from the care of looked after children during the next Senedd term.
- Explore radical reform of current services for looked after children and care leavers.
- Fund regional residential services for children with complex needs ensuring their needs are met as close to home as possible and in Wales wherever practicable.
- Strengthen public bodies in their role as 'corporate parent'.
- Prevent families breaking up by funding advocacy services for parents whose children are at risk of coming into care.
- Provide additional specialist support for children with complex needs who may be on the edge of care.
- Continue to support and uphold the rights of unaccompanied asylum-seeking children and young people.
- Support our national Fostering Wales scheme.

The commitment to 'eliminate private profit from the care of looked after children' is a key component of this radical agenda.

### Aim

Removing for-profit provision from care is about values and needs based provision, it is about fundamentally changing how services are provided to children and their families as

part of a network of local, community-based services that safeguard and promote the welfare of the young person.

The aim is to ensure that public money invested in the care of looked after children – starting with care home services for children and fostering services – does not profit individuals or corporate entities, but instead is spent on children’s services, to deliver better experiences and outcomes for young people; support service development and improvement; and further build professional development for those providing care.

Feedback from some 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. The Children's Commissioner for Wales and Voices from Care have also campaigned on the issue. It was a recommendation of the former Commissioner in her annual reports and Voices from Care included the issue as a commitment in its own Senedd election manifesto.

The Welsh Government does not believe there should be a market for the care of children, or that profits should be made from caring for children whose circumstances require them to be in the care of a local authority. The market is not functioning effectively and is not meeting the needs of many children. This means the future residential, secure accommodation and foster care of looked after children in Wales will be provided by public sector, charitable or not-for-profit organisations.

We are not promoting a like-for-like replacement of for-profit providers but seeking to rebalance the shape and scale of provision including models of care, wrap-around support and models of ownership, as part of our wider vision for children’s services, to make it needs-based, integrated, local and affordable.

## Primary Legislation

Primary legislation will provide a statutory basis to underpin the Eliminating Profit Programme (“the Programme”) and help to develop services that are locally based, locally designed and locally accountable; that improve the care experience and outcomes for young people, and which enable further investment in such services.

A formal [public consultation on primary legislative proposals](#) took place, over twelve weeks, between 17 August and 7 November 2022. As part of this consultation, the following provisions were proposed for inclusion in legislation:

- a definition of ‘not-for-profit’ for the care of children that are looked after.
- provision that permits only not-for-profit providers to register as a care home service for children in Wales or a fostering service in Wales under the Regulation and Inspection of Social Care (Wales) Act 2016.
- a requirement that new providers registering with CIW will have to have not-for-profit status from 1 April 2026.
- a requirement that any current ‘for profit’ providers will need to transition to, and register with CIW, as not for profit status by 1 April 2027.
- a power to issue guidance to support the implementation of the legislative changes such as referencing or describing appropriate organisational models.

In addition, there were two further areas which respondents were asked to comment on:

- the potential to place a restriction on local authorities to commission care placements for children and young people from not-for-profit organisations only (alongside the proposal to restrict registration with CIW to not-for-profit organisations only), and on the appropriate timescales if it were to be pursued.
- how to ensure the policy is not undermined by practices which go against its spirit and intention, thus defeating the purpose of the legislative changes to remove profit from the care of looked after children (such as the charging of excessive fees by parent companies of not-for-profit services, which could amount to the taking out of profit by other means).

An analysis of the responses to this consultation was undertaken to inform policy development and a summary of those responses [published](#). Key messages from the consultation regarding the impact of the Programme are also included in this document.

Work has been undertaken, and continues to take place, to:

- Support local authorities to better model and forecast future placement requirements, alongside reducing the number of children in care;
- Support existing not-for-profit organisations who wish to expand their provision;
- Encourage new not-for-profit creation of provision;
- Support private providers who wish to transition to not-for-profit models of care.

## **The Eliminating Profit Programme Board**

Working in partnership is key to delivering the Programme and a multi-agency Eliminating Profit Programme Board has been established. Chaired by the Chief Social Care Officer for Wales, it contains representation from private, third and public sector organisations working alongside Welsh Government officials. The Board's goal is to develop and build our public and not-for-profit provision of care for looked after children and improve outcomes for children, with their best interests, rights and entitlements at the core of decisions that are made and the services and support which follow.

The membership meet on a quarterly basis to collectively consider evidence and develop proposals for implementing the Programme. The Chair is accountable for the delivery of the Programme and holds responsibility for decisions put to Ministers. Membership includes:

- Chief Social Care Officer for Wales (Chair)
- Association of Directors of Social Services Cymru
- All Wales Heads of Children's Services
- Welsh Local Government Association
- Care Inspectorate Wales
- Children's Commissioning Consortium Cymru (the 4Cs)
- Child and Adolescent Mental Health Services Adviser to Welsh Government and the Chief Medical Officer
- Foster Wales
- The Fostering Network

- Children in Wales
- Association for Fostering, Kinship and Adoption Cymru
- Children’s Homes Association
- Nationwide Association of Fostering Providers
- Independent Care Home and Fostering Providers
- Children’s Commissioner for Wales
- Voices from Care
- Tros Gynnal Plant Cymru
- Unison
- GMB Union
- National Commissioning Board
- Welsh Government officials

## **Context and current position**

### Numbers of looked after children

According to Stats Wales there were 7,210 children looked after by Welsh local authorities as at 31 March 2023, an increase of 55 (2%) on the previous year. This equates to a rate of 116.3 per 10,000 population aged under 18. The number has increased substantially in recent years, from 5,760 in 2013, or 91 per 10,000.

Of the current cohort of looked after children, 26% had lived in two or more placements during the previous 12 months. The majority (69%) were in foster placements, followed by being placed with their own parents or other person with parental responsibilities (14%) and 10% were in placements in residential settings.

### Number of Services

A bespoke request for data held by CIW in September 2023 showed 295 care home services for looked after children. 245 services were for-profit, 38 services were either local authority or not for profit. The growth in demand for residential care has, according to CIW, more than doubled since 2012. There were 45 fostering services, of which 19 services were private, 4 services were not-for-profit and 22 were local authority run.

### Current Arrangements

Section 75<sup>1</sup> of the Social Services and Well-being (Wales) Act 2014 places a duty on local authorities to secure sufficient accommodation to meet the needs of their looked after children population. Section 81<sup>2</sup> places a duty on local authorities to ensure placements are made within its own area. Part 6 of the Code of Practice on Looked After and

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<sup>1</sup> <https://www.legislation.gov.uk/anaw/2014/4/section/75>

<sup>2</sup> <https://www.legislation.gov.uk/anaw/2014/4/section/81/enacted>

Accommodated Children<sup>3</sup> states that local authorities must consider the benefits of having a number of providers, offering a range of accommodation to meet different needs.

Local authorities provide various placements to accommodate looked after children:

- With a relative (a “kinship placement”)
- With foster parents
- In a children’s care home
- In other residential settings such as supported lodgings, a school or, for a small number of cases, a secure unit
- With a prospective adopter (in certain circumstances)

Placements are currently provided by the local authority through its in-house services or by providers in the private and Third sectors. In Wales, all providers of a care home service for children or a fostering service are required, by the Regulation and Inspection of Social Care (Wales) Act 2016, to register with the Welsh Government (in practice, Care Inspectorate Wales).

The growth of the number of looked after children in Wales has resulted in a long-term trend of increasing use of care, along with presentation of more complex needs, and has presented significant challenges to local authorities and impacted on children and young people themselves.

Matching the needs of children with appropriate placements across the range of options such as fostering and care homes, is becoming more difficult. It is sometimes hard for local authorities to find suitable placements in suitable locations that meet children's needs. This can adversely affect placement choice, permanency and stability and consequently, outcomes for children and young people. It has resulted in increased use of for-profit providers to meet the demand for placements.

Competition: with demand outstripping supply, the market for placements in children’s care homes in particular favours sellers and this impacts on the prices charged to local authorities. The availability and choice of placements that genuinely meet the needs of children aged 11 and over with complex needs is particularly difficult. The Competition and Markets Authority (CMA) launched a market study into the supply of children’s social care in England, Wales and Scotland in response to concerns raised with it regarding difficulties in finding appropriate placements and the prices paid. These two factors place significant strain on local authority budgets and limit their scope to fund other important activities in children’s services and other areas.

The CMA’s [final report](#) made two findings of particular relevance:

- While the amount of provision has been increasing in Wales, primarily driven by for-profit providers, this has not been effective in reducing difficulties local authorities face in finding appropriate placements, in the right locations, which

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<sup>3</sup> <https://gov.wales/sites/default/files/publications/2019-05/part-6-code-of-practice-looked-after-and-accommodated-children.pdf>

means that children are being placed far from their established communities, or in placements failing to meet their needs.

- The prices and profits of the largest providers are materially higher than the CMA would expect them to be in a well-functioning market.<sup>4</sup>

In some areas the level of profit being taken out of these services exceeded 20% for children’s residential care and approaching this for independent fostering. This is money being taken out of children’s services which could be re-directed to improving services, capacity and outcomes. The CMA found that the profitability of the children’s homes in Wales was higher than the average across all three nations.

An independent review into children’s social care in England also highlighted concerns about levels of profit and recommended that the UK government should levy a windfall tax on the 15 largest for-profit residential children’s homes and independent fostering providers.<sup>5</sup>

The cost to local authorities of providing their own children’s home placements is no lower than the cost of procuring placements from for-profit providers, despite the high levels of profit. However, the CMA found “indicative evidence” that local authorities could provide some fostering placements more cheaply than by purchasing them from independent fostering agencies. Interestingly, the CMA found that the primary driver of the cost differentials between local authority children’s homes and for-profit sector children’s homes was higher staff ratio and costs in local authority provision.

Welsh Government agrees with the CMA’s view that the children’s social care market is not functioning well. Welsh Government believes that the profit incentive is a key reason why the market is not functioning properly and the impact of that on the market means that it is ill-suited to securing care that meets the needs of vulnerable children and young people.

Availability: across Wales there is an insufficient supply of residential and foster care placements to meet the wide-ranging needs of our looked after children population. The CMA report highlighted a highly fragmented, complex, dysfunctional market which means child local authorities are exposed and find it hard to plan for and provide their own residential and foster care, often taking whatever placement is available, even when it is not fully appropriate for the needs of the child.

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<sup>4</sup> See paragraph 28 of the Wales summary: “For the children’s homes providers in our cross-GB data set we have seen steady operating profit margins averaging 22.6% from 2016-20, with average prices increasing from £2,977 to £3,830 per week over the period, an average annual increase of 3.5%, after accounting for inflation. In fostering, prices have been steady at an average of £820 per week, and indeed have therefore declined in real terms, but profit margins of the largest IFAs appear consistently high at an average of 19.4%. We found that the profitability of the children’s homes in Wales of the providers in our dataset was higher than the average across all three nations (we caution, however that this was from a relatively small sample of just the largest providers). We also found that the profitability of the fostering services in Wales of the providers in our agency level dataset the profitability was very close to the average across all three nations.”

<sup>5</sup> [Independent review of children's social care - recommendation annexes \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) p.168

Whilst we acknowledge placements away from home communities are sometimes necessary for the best interests of the child, there needs to be careful consideration of the benefits and potential impact of using such placements more widely. Wherever possible, the Welsh Government wants to see placements provided for children and young people that will preserve their links with their local neighbourhoods and communities and allow as much continuity in their lives as possible.

For profit providers are motivated to set up care homes where overheads are cheap rather than in the locations where there is most need. There has also been an increase in placements being made in unregistered settings given the lack of sufficiency in the secure estate and services that support children with the highest and often multiple, complex needs. This is a concern for local authorities in relation to both quality and price and negatively impacts on children and young people.

Placement moves: placement stability for children and young people is critical and helps optimise an environment where they have the best chance to recover, develop, flourish and progress. There is a need to develop and expand the selection of high-quality placement options which best meet the wide ranging and complex needs of children to help ensure the right placement for each child is made at the start of their journey.

As at 31 March 2023 there were 669 looked after children who had three or more placements during the year, an increase of 52 children (8%) compared to the previous year. Two-thirds (66%) of children who were looked after as at 31 March 2023 were in placements inside the local authority where they were living when they first became looked after. However, 27% of children were in placements outside their home local authority but within Wales and a further 7% were placed outside Wales.

A recent longitudinal analysis of administrative data sources on the outsourcing, placement locality and stability, and characteristics of children in care between 2011 and 2022 found that for profit outsourcing is linked with more placements away from the child's home and with more unstable, short-term placements.<sup>6</sup>

In her 2019 *Pass the Parcel* report, the Children's Commissioner for Wales noted that many children end up going to live in children's homes run by for-profit companies, often operating in cheaper and less 'desirable' parts of the country. Her report contains pertinent qualitative evidence from care experienced children on the way out-of-county provision impacts their lives. Those children reported feeling isolated and unable to see their loved ones, as the long travel distances disincentivise family members who may otherwise wish to visit.

## Potential Benefits

We anticipate that the changes we are seeking to make will enable local authorities to plan and secure appropriate care placements more effectively with children and young people

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<sup>6</sup> For-profit outsourcing and its effects on placement stability and locality for children in care in England, 2011–2022: A longitudinal ecological analysis - ScienceDirect



more likely to be placed in environments that match their needs more closely. This will support the overall well-being and development of looked after children, leading to better social, educational, and health outcomes.

A more efficiently managed market will reduce the need to place children far from their communities. By improving placement planning and capacity management, local authorities can make more placements available closer to the children's original communities thereby ensuring continuity and greater stability of placements.

Bringing services in-house will support a social worker-led understanding of patterns in placement, which will enable proactive capacity management, minimising the scramble for last-minute placements that can lead to suboptimal matches and higher costs.

There will be an increased opportunity to reinvest funding into public sector and not-for-profit care provision, including supporting improved pay and conditions, opportunities for professional development and improved career paths for staff, which will, in turn, lead to better care for children and young people.

The Programme would remove the risk that SME's may be acquired by large profit-driven companies at some point in the future, with the placing local authority and the children cared for within that agency having no control over that decision.

Another longer-term potential benefit of the Programme would be cost savings. The CMA report noted that for-profit foster care was more expensive than in-house provision. The costs of out-of-home care have spiraled over the last decade. The solution to these spiraling costs in part lies in reducing numbers of looked after children, but reducing reliance on expensive placements will also help with this. The CMA report found that the primary driver of the cost differentials between local authority children's homes and private sector children's homes was higher staff ratio and costs in local authority provision. Further information on costs associated with implementation of this commitment can be found in the [Regulatory Impact Assessment](#) for the Health and Social Care (Wales) Bill.

## Key Risks

It is acknowledged this is a challenging commitment and one which will take the duration of the current Senedd term and beyond to fully deliver. There are some key risks particularly associated with the workforce and placement sufficiency. However, these should be placed within the context of broader, existing challenges the sector faces, not least the shortage of placements, a high number of children in care, a cost-of-living crisis and significant workforce pressures.

Implementation of the Programme will require a carefully planned and phased approach to avoid destabilising children's placements and robust programme management arrangements to assess impact and to mitigate against risk have been put in place. In implementing the proposed reforms, the Welsh Government will always give priority to safeguarding and promoting the welfare of children and young people.

## Prevention

The primary aim of fostering and children’s care homes provision is to provide stable placements for children close to home so their care and support needs can be met, and their personal well-being outcomes achieved. These outcomes, investing in services and shifting the market in favour of public/not-for-profit models of care are the primary drivers for this Programme for Government commitment.

We expect the Programme will have a positive impact on the experience of children living in care in Wales. It will promote the development of local and accountable services. It will shift the social care market in favour of public sector and not-for-profit care provision and will create a larger provider base and secure better social value. There will be a greater emphasis placed on what is needed rather than what is profitable.

Children typically come into care because of abuse or neglect and will have experienced adverse childhood experiences (ACEs) or some form of early trauma. This may lead to attachment issues, disruptive patterns of behaviour or therapeutic needs, which may escalate if the child does not receive the care and support, he or she needs. Good placements provide a supportive environment in which children are kept safe and receive the care and support they need to thrive. And good placements are ones where preventative activities can take place which reduce the likelihood of escalating behaviours.

In relation to impacts on social and community cohesion, a Programme aim is to ensure children are not placed far from home because there are insufficient placements locally. This is important for maintaining links with family, friends, education, and other support services important to children’s well-being, including social workers and independent advocates. It is also important that a sense of belonging, and culture are preserved and respected when placement decisions are being considered.

No negative impacts have been identified on waste or resource use, emissions or impacts on air quality.

## Integration

As set out on page 6, the Programme connects and contributes to a number of broader Programme for Government commitments and the Programme for Government Well-being Statement<sup>7</sup>.

To deliver this wider transformation programme governance arrangements have been put in place. We have taken a three-tiered approach to provide the right direction and scrutiny to achieve our aims and to ensure connections with other relevant policy agendas. The structure has three key groups:

- i. A **Ministerial Oversight Board** to oversee the Transformation Programme, providing political leadership and direction chaired by the First Minister and the Minister for Social Care

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<sup>7</sup> <https://gov.wales/programme-for-government-2021-to-2026-well-being-statement>

- ii. A **Transformation Delivery Group** to lead work to drive forward the delivery of the Transformation Programme by 2026.
- iii. The **Eliminating Profit from the Care of Looked After Children Programme Board** to provide additional expertise as we consider evidence, legislate and develop practical programmes for implementing this commitment.

## Collaboration and Involvement

Legislative proposals for changes to social care legislation to support implementation of the Programme have been subject to public consultation to provide an opportunity for as wide a range of views to be gathered and considered.

We continue to listen to the voice of children and young people, responding to views expressed to the Children’s Commissioner for Wales and Voices from Care. On 3 December 2022, we held the inaugural care experienced summit between care-experienced children and young people and Welsh Government.

The outcome of the day was a [Declaration](#), co-produced between Ministers and the care-experienced young people, which was signed by the then First Minister with some of the care-experienced young people from the Summit on 10 May 2023.

The Declaration outlines the Welsh Government’s commitment to putting the voice of children and young people at the heart of the transformation of children’s services. It commits the Welsh Government to deliver a wide range of changes to the current care system, to enable a ‘children first’ approach in everything we do and to make sure that everything is done to help children and families stay together.

Progress against actions within the Declaration was discussed with care experienced young people at a second Summit in North Wales in October 2023 and the third Summit which took place on 2 March 2024. The former First Minister and Minister for Social Care subsequently re-affirmed their commitment to this agenda by signing the Declaration at an event in June 2024.

To develop our understanding of how we can progress this commitment and to learn from the experience of other nations, officials have met with a range of stakeholders. These are set out in section 8.1.

As already stated, a multi-agency Programme Board has been established to ensure a cross-sector approach to the design and implementation of this commitment. Each member is required to work in a representative capacity, ensuring a full range of views are expressed and considered.

The purpose of the Board is to work collectively to consider evidence and to provide advice and guidance on implementing the Programme. Where risks are highlighted, these are included on the Programme Board’s Risk Register which is presented and discussed at each meeting and kept under review. There are a number of workstreams under the Programme Board focused on the following. They focus on a number of issues:

- Expanding and Developing New Local Authority/ Regional Provision

- Expanding and Developing New Not-for-Profit Provision
- Transitioning Independent/Private Sector Provision, and
- Planning Transition for Individual Children and Young People

In addition, two sub-groups have been established to consider the residential care workforce and placements operating without registration. Work is underway to reconstitute those workstreams as we move to implement legislative arrangements when passed.

## **Impact**

There is a small but growing evidence base regarding for-profit provision for looked after children. It supports the view that the existing arrangements in Wales (and in other parts of the UK) are not working. They do not lend themselves to creating a landscape of care and support provision that caters to the needs of its population and reflects the growing demand for and growing cost of care and support.

We have commissioned several pieces of work ([Alma Economics](#), the [Wales Centre for Public Policy](#) and [Cardiff University](#)) to review the available evidence and to seek expert opinion on the merits of removing for-profit provision.

Please also refer to the above sections.

## **Costs and Savings**

Full details on the estimated costs and savings associated with the Programme can be found in the [Regulatory Impact Assessment](#) for the Health and Social Care (Wales) Bill.

## **Mechanism**

The Programme is being underpinned through provisions within the [Health and Social Care \(Wales\) Bill](#). The Bill was introduced into the Senedd on 20 May 2024.

## **2.2 Children's Rights**

Ministers are required to have due regard to the United Nations Convention on the Rights of the Child when exercising any of their functions.

A Children's Rights Impact Assessment has been undertaken (Annex A).

## SECTION 8. CONCLUSION

### 8.1 How have people most likely to be affected by the proposal been involved in developing it?

To date (July 2024), officials have held discussions with:

- Chief Social Care Officer for Wales
- (Former) Deputy Minister for Social Services
- Minister for Social Care
- First Ministers (former and current)
- Special Advisers to the Minister for Social Care and former Deputy Minister for Social Services
- Welsh Government Legal Services
- Care Inspectorate Wales
- Competition and Markets Authority (CMA) in relation to its Children’s Social Care study of private sector provision for looked after children
- UK Government
- Scottish Government’s Care Inspectorate
- Republic of Ireland – Health Executive
- Children’s Commissioner for Wales
- Children’s Commissioning Consortium Cymru (the 4Cs)
- Association of Directors of Social Services Cymru
- Children’s Homes Association
- Voices from Care
- Foster Wales
- National Association of Foster Providers
- Social Care Wales
- Cwmpas
- Alma Economics
- Wales Centre for Public Policy Research
- Anthony Collins LLP
- All Wales Heads of Children’s Services
- Not for profit providers and their representative organisations
- Private/independent sector providers and their representative organisations

The Eliminating Profit Programme Board and its associated workstreams contain wide-ranging representation from across the relevant sectors. These include public sector and not-for-profit care sector and for-profit sector providers of children’s care home and fostering services. The Programme Board will continue to receive information and feedback from stakeholders throughout the course of this work.

The formal consultation process in 2022 enabled Welsh Government to reach a variety of other stakeholders to share information on our proposals to introduce legislation to support

the programme of work, alongside gathering detailed and constructive feedback which has informed our work and the development of legislation in particular.

## 8.2 What are the most significant impacts, positive and negative?

The changes we are seeking to make will ensure that public money invested in care home services for children and fostering services does not profit individuals or corporate entities, but instead is spent on children's services, to deliver better experiences and outcomes for young people; support service development and improvement; and further build professional development for those providing care.

Removing profit from care is about values and needs based provision, it is about fundamentally changing how services are provided to children and their families as part of a network of local, community-based services that safeguard and promote the welfare of the young person

They will enable local authorities to plan and secure appropriate care placements more effectively with children and young people more likely to be placed in environments that match their needs more closely. This will support the overall well-being and development of looked after children, leading to better social, educational, and health outcomes and will contribute to the national well-being goal of **a more equal Wales**.

A more efficiently managed market will reduce the need to place children far from their communities. By improving placement planning and capacity management, local authorities can make more placements available closer to the children's original communities thereby ensuring continuity and greater stability of placements.

Bringing services in-house will support a social worker-led understanding of patterns in placement, which will enable proactive capacity management, minimising the scramble for last-minute placements that can lead to suboptimal matches and higher costs.

There will be an increased opportunity to reinvest funding into public sector and not-for-profit care provision, including supporting improved pay and conditions, opportunities for professional development and improved career paths for staff, which will, in turn, lead to better care for children and young people.

Although the Programme will provide many positive effects, it is important to realise there could be some negative impacts in the short term that Welsh Government and the Programme Board need to consider and mitigate against. Such areas include:

- insufficient placements for looked after children in Wales,
- local authorities may not be equipped with the expertise to take over 'for profit' provision in Wales as many focus their expertise on supporting children and young people with complex issues.
- many organisations may not change their status to not-for-profit and may therefore close in Wales (loss of expertise) or focus on increasing their number of homes in England.
- loss or reduction of significant investment provided by many independent organisations in Wales.

- could exacerbate the existing social care workforce crisis, with the risk that many carers and staff may choose to leave the sector – resulting in a loss of specialist skills and experience.
- policy could be expensive to take forward and may need investment from the public sector.

The Programme could lead to the exit of some for-profit providers who have developed specialised skills and qualities over many years, and whose services are rated highly by the regulator. This could result in a loss of quality and diversity of care for children with complex and diverse needs.

To mitigate disruption to the lives of children in existing residential and foster care placements, transitional arrangements will allow a registered for-profit provider of a restricted children's service (a legacy provider) to continue operating after the provisions have come into force, subject to conditions imposed by regulations. Welsh Government will have a power, exercised through regulations, to bring the registration of legacy providers to an end at an appropriate time.

We will also work with local authorities and other stakeholders to ensure that the not-for-profit sector can offer a range of high-quality and responsive services that meet the needs of children and young people.

To support this, we have allocated an additional £68m over three years (2022-2025) to help local authorities build in-house capacity for not-for-profit residential and foster care provision. Future financial support will be considered as part of future budget rounds.

The Programme Board will continually monitor the programme's risk register and market intelligence reports, so it can mitigate against these risks in the best way possible. Further detail on the impacts is included throughout this document.

### 8.3 In light of the impacts identified, how will the proposal:

- maximise contribution to our well-being objectives and the seven well-being goals; and/or,
- avoid, reduce or mitigate any negative impacts?

As set out above, the intended impacts of this proposal will particularly contribute to the following well-being goals:

- **A prosperous Wales** – neutral impact
- **A resilient Wales** – neutral Impact
- **A healthier Wales – as above (see Sections 1 and 2).** By supporting the overall well-being and development of looked after children, leading to better social, educational, and health outcomes
- **A more equal Wales as above (see Sections 1 and 2)** By reducing the inequalities and disadvantages faced by looked after children, who are often affected by adverse childhood experiences, abuse, neglect, or trauma.
- **A Wales of vibrant culture and thriving Welsh language – as above (see Section 3)** By promoting the development of local and accountable services that



respect the culture, language, and identity of looked after children, and that enable them to access and enjoy culture, heritage, arts, sports, and recreation

- **A Wales of cohesive communities – as above** By ensuring that looked after children can maintain their links with their families, friends, education, and other support services, and that they feel valued and supported by their corporate parents and carers
- **A globally responsible Wales** – neutral impact

The Programme is intended to have a positive impact on the lives of looked after children and is key to the wider transformation of services that will benefit children and young people more broadly. The changes being made will ensure that public money invested in care home services for children and fostering services does not profit corporate entities or shareholders, but instead is spent on children’s services, to deliver better experiences and outcomes for young people; support service development and improvement; and further build professional development for those providing care.

The Welsh Government can take action to promote children’s rights, equalities, and the Welsh language, and to strengthen its contribution to these goals. The Welsh Government can also take action to avoid, reduce, or mitigate any negative impacts, such as the risk of insufficient placements for looked after children in Wales, the loss of expertise and investment from some for-profit providers, and the potential disruption for some children and carers who may have to change their placements or providers. The Welsh Government will seek to avoid, reduce, or mitigate these negative impacts by implementing a phased and careful approach to delivery, by providing support and guidance to local authorities and providers, by monitoring and evaluating the progress and impact of the legislation and the policy, and by engaging and consulting with children and young people and other stakeholders throughout the process.

Various documents and workshops are planned to convey the intent and expectations of the programme and ensure that children and young people feel involved and consulted, to ensure local authorities and their partners have the right guidance and support to access the funding and services required and to help our partners determine any areas for improvement.

#### **8.4 How will the impact of the proposal be monitored and evaluated as it progresses and when it concludes?**

The delivery will be underpinned by a programme of ongoing monitoring and evaluation. This will in part be achieved through the Eliminating Profit Programme Board. The Programme Board meets on a regular basis to monitor and evaluate implementation.

More formal evaluation will need to focus on the extent to which the commitment has contributed to delivering the change across the range of key outcomes where we expect it to make a difference. As highlighted above, this includes improving placement planning and capacity management, improving placement stability and ensuring that children can be based locally in a placement that best meets their needs. The evaluation would also focus on how the legislation is being implemented in Wales and the role of key partners in delivering its objectives, as well as any other consequences. Further consideration will be given to the content of the evaluation and review over the coming months.

The most relevant administrative data routinely collected by the Welsh Government and partners will be utilised in the monitoring and evaluation of the legislation. Importantly, this will include a range of information collected by local authorities, Care Inspectorate Wales and the 4C's on the make-up of, and sufficiency within, the children's social care market, market stability, inspection outcomes and enforcement.

Officials will review and evaluate the evidence supporting this impact assessment as the provisions within the Health and Social Care Wales Bill are implemented to identify whether the impacts have come to fruition and any unintended impacts and resulting actions. The review will take account of opinions across the sector including of children and representative groups, and other partners. This will in turn inform evidence to support future impact assessments related to this Programme and in turn provide a rationale and approach to any further policy changes. As the underlying detail around practical implementation of the Bill develops the specific impact assessments will be further iterated if deemed necessary. A justice system impact identification has been completed and will be further iterated should there be any amendments to the Bill during the amending stage which may impact on the justice system. (A summary of justice impacts currently anticipated is included in Chapter 9 of the [Explanatory Memorandum](#) for the Bill, at pages 134-5.) A data impact assessment screening has also been completed, as has a full data protection impact assessment in draft form. This will be further developed as the underlying detail for implementation of processes specified in the Bill is further developed. The key areas identified where data protection considerations arise relate to the provisions regarding supplementary placements (the process where local authorities will need to submit applications to Welsh Ministers to place children in new placements with existing for-profit providers) and the new requirements to consider whether payments made by non-local authority service providers are reasonable or and proportionate when determining if they are fit to be registered. Both of these areas will involve the sharing of data between organisations hence being captured within the assessment. As work progresses, we will continue to work to ensure that data is collected and used appropriately, and to minimise any risks associated with the use of this data.