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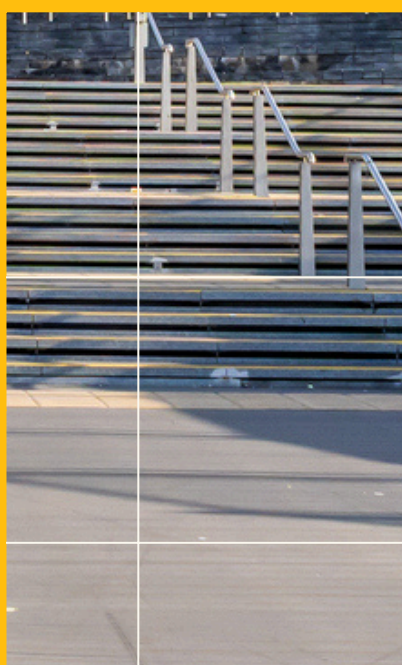

Extraction in the Welsh learning disability supported living ecosystem

About CLES

Founded in 1986, the Centre for Local Economic Strategies is an independent economics think tank and charity. We work collaboratively across the UK and Ireland to develop solutions that ensure economies are rooted in the places people call home.

At CLES, we partner as equals with all levels of government, local institutions and communities — challenging outdated methods and tackling local issues with practical, long-term solutions.

About the authors

This inquiry has been undertaken in parallel to our wider work with three other leading not-for-profit organisations working in partnership on a project called Reclaiming Our Regional Economies. Our partnership comprises of organisations, the Centre for Local Economies (CLES), Centre for Thriving Places (CTP), Co-operatives UK and the New Economics Foundation (NEF).

We are united in our belief that there is a better way to design and deliver local economic strategies and ecosystems, in a way that is beneficial for residents, place and the environment. Our work brings communities together with political and institutional leaders to test ideas that help to re-wire and reform their regional economies, so that they deliver good lives now and for generations to come.

This new inquiry contributes to our growing library of evidence on the scale of extractive practices happening within our communities, and what we can do about it - together.

About this report

This report was collectively commissioned and funded by: Anheddau, Ategi, Cartrefi Cymru, Codi, Cymorth Cymru, Dimensions, Drive, First Choice Housing, Innovate Trust, Mencap Cymru, Mirus and Perthyn.

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1. Introduction

This inquiry emerged from work looking at extractive practices in care systems in England. That research looked at how care commissioned by local authorities in three English regions is increasingly being delivered by large, private organisations without local roots. It documented how money is flowing out of local economies, sometimes to places where it's hard to have democratic accountability.

We call this 'extraction'.

Extraction is more than profits. It's a way of exploring the wider ways in which companies are structured and operate that allows them to take money out of local communities and local economies. When we look at the types of businesses that are structured for extraction, it's often those who are supported by models that exist to make money out of whatever can be a traded commodity; not to design and deliver high quality services and which centre dignity for people using services and those that work within them.

Our report sparked an interest from stakeholders in Wales in understanding what's happening in the area they work in: supported living for people with learning disabilities and autistic people. They wanted to understand how the commissioning system currently operates and identify emerging trends to support more informed discussion and planning for the years ahead.

This report looks at providers of Learning Disability (LD) supported living, residential care and shared lives work to examine the extent and nature of profit making and extraction in service provision in Wales. We looked at services commissioned by Health Boards and Local Authorities between 2015 and 2025 and then examined the financial information available for four years of data (2021-2024) to estimate levels of profitability and extraction of dividends and interest, including to ultimate parent companies registered in tax havens and/or private equity.

We hope this work will encourage policymakers and commissioners to reflect on its learnings, ask questions about what is working within policy and practice and consider priorities for change across Wales.

This report sets out:

- The context in which the Learning Disability supported living ecosystem exists.
- The ecosystem – who is delivering work, and how is that being contracted.
- Financial flows – an analysis of contracts and financial reports can tell us where public money is going, as well as what can't be found from data available to citizens and researchers.
- Reflections on what we learned from the process.

2. The Welsh context

An optimistic policy space

Since devolution in 1999, when the Senedd and Welsh Government[1] gained responsibility for key domestic policy areas such as health, education and local government, many consider that Wales has developed a unique and progressive approach to the development of legislation and policy. Devolution has enabled the space for policies to be tailored to Welsh needs, allowing locally responsive and flexible approaches, rather than simply replicating decisions at Westminster. As a result, policymaking in Wales is often characterised by its practical, pragmatic and context-driven nature.

There are two major pieces of legislation which particularly illustrate this pragmatic and distinctive policy style: The Well-being of Future Generations (Wales) Act 2015 and the Social Services and Well-being (Wales) Act 2014.

The Well-being of Future Generations (Wales) Act 2015, the first of its kind in the world, establishes a legally binding framework requiring public bodies to consider the long-term impact of their decisions on economic, social, environmental and cultural well-being. The Act sets out seven national well-being goals and introduces the sustainable development principle, meaning that decisions must meet present needs without compromising future generations. It also promotes five key ways of working (long-term thinking, prevention, integration, collaboration and involvement) which aim to encourage joined up and preventative policymaking. The Act marked a significant shift towards trying to address complex, long-term challenges through coordinated and forward-looking policy.

The second piece of legislation, with real relevance to this piece of research, is the Social Services and Well-being (Wales) Act 2014, which provides a framework for transforming social care in Wales, by focusing on individual well-being and early intervention. It was also anticipated that the Act would give people greater freedom to decide which services they need while promoting more consistent, high-quality services across Wales. It would do this by changing how services are planned, commissioned and delivered.

Many would argue that the Act demanded a change in culture to help individuals achieve their well-being outcomes. It did so firstly, by asking 'What matters to you?' and secondly, by maximising an individual's support networks and access to community and voluntary resources.

The fundamental principles of the Act that we feel are relevant to this inquiry are:

- Voice and control – putting the individual and their needs, at the centre of their care, achieve well-being.
- Prevention and early intervention – increasing preventative services within the community to minimise the escalation of critical need.

[1] We use "Senedd" and "Welsh Government", for the purposes of this report, to refer to all iterations of parliament and government in Wales since 1999 in the interests of clarity – despite the various changes in name and powers since 1999.

- Well-being – supporting people to achieve their own well-being and measuring the success of care and support.
- Co-production – encouraging individuals to become more involved in the design and delivery of services.

We also explored Section 16 of the Act, which places duties on local authorities when planning, commissioning and delivering social care. It requires them to promote social enterprises, co-operatives and third sector organisations in the delivery of both traditional care support systems, as well as preventative services.

More than simply diversifying providers, Section 16 reflects the Welsh Government's decision to move away from a market-based model of social care. Unlike comparable legislation in England, which promotes competition between providers, it seeks to strengthen the role of third sector and community-based organisations. The aim is to build locally rooted, sustainable ecosystems of care, where services are more responsive to local needs and resources are reinvested in local communities.

Another key purpose of the Section 16 is to embed co-production, so that service users and their families are not treated as passive recipients but instead play an active role in shaping how services are designed and delivered. Section 16 explicitly requires local authorities to promote this involvement, ensuring that individuals have a voice and greater control over the support they receive.

Section 16 also supports the wider goal of prevention within the Act, as it encourages innovative, community led services and early intervention approaches which aim to reduce the need for more intensive and costly care later on. Again, social enterprises, co-operatives and third sector organisations are often seen as well placed to deliver preventative support, helping individuals to maintain independence and well-being within their own communities.

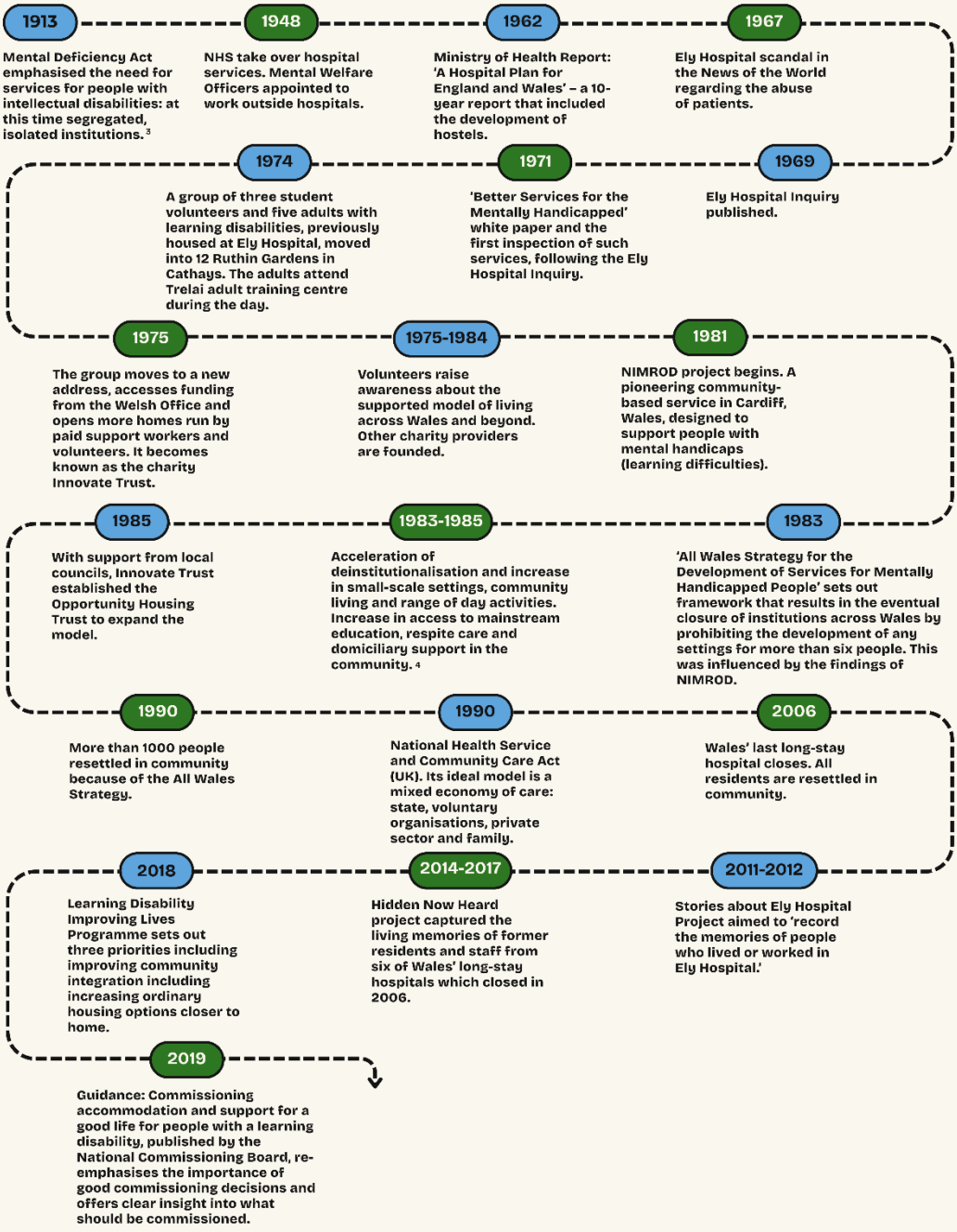
In addition, Section 16 has an intent to foster closer partnership working between local authorities, health boards, and the wider third sector. In practice the success of this aim has varied across Wales, a number of areas have developed regional forums and collaborative arrangements that bring different providers together to share knowledge, develop good practice, and strengthen the overall system of care, whilst in other areas this knowledge sharing has not happened.

The challenges of implementation

Overall, the positive aims of Welsh devolution and the key legislation identified above, have resulted in change felt on the ground. However, that implementation can feel mixed, dependent on resources, and as this report starts to identify, is not a universally positive experience across all of Wales. This can create the phenomenon of optimistic, far-reaching policy ambition and intent alongside pessimistic and constrained implementation.

A bold history

The following are key dates in the development of policy and practice,[2] in particular how communities in Wales responded to scandals of mistreatment of people with learning disabilities and forged a new, community-based approach.



[2] Information taken from: The Open University (nd). Timeline of learning disability history. Read. Cardiff People First (2012). Evaluation Report: 'Stories about Ely Hospital'. Read. Innovate Trust (2024) 50 years of independence: A look back at supported living in the UK. Read.

[3] State Secretary of Social Rights, Government of Spain (2023). Case studies on international policy and implementation – Case 6: Deinstitutionalisation of People with intellectual Disabilities in Wales. Read.

[4] Perry et al (2010). Strategic Service Change: Development of Core Services in Wales, 1983–1995. JARID. Read.

3. Approach

This inquiry builds on the methodology of Ending Extraction in the UK Care System, and others undertaken in this field that are forming a growing library of evidence of what is happening in care services and commissioning across the United Kingdom.

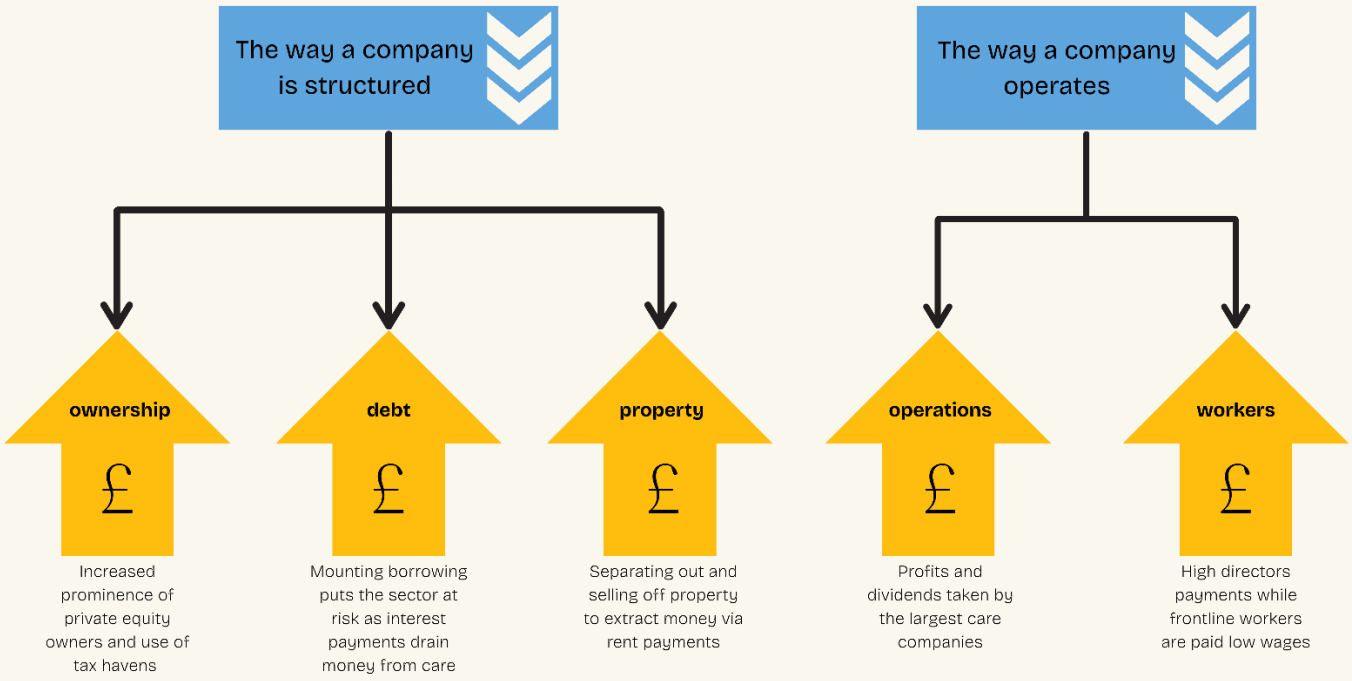
Clarity on concepts

This inquiry builds on the definition and model developed for our work in the care sector in England of what "extraction" is and the main mechanisms that money is taken out of the ecosystem.

Extraction is when money is pulled out of the system instead of being invested in it. This is a feature of corporate private providers, not an accidental development. Broadly speaking, there are two key ways in which extraction takes place:

1. How a company is structured – through the way the company is owned, the way its business functions are structured and its investment and internal payments are set-up.
2. How a company operates – through the choices made about taking profits, paying dividends and how it cuts costs that affect staff and those relying on services day to day.

Figure one: the ways money is extracted from our systems of care



Source: Ending extraction in the UK Care System. Read.

Step one: identification

We identified learning disability care service providers on the Care Inspectorate Wales database and through searches for relevant contracts on our external procurement and spend data provider, Tussell.[5] We downloaded and cleaned this data and performed a sense check with the learning disability care provider network in Wales which commissioned this work.

Step two: gathering

We gathered data from Welsh local authorities and health boards on how much money they have spent with providers of services, where this data is available. Welsh contracting authorities are not required to publish their spend data, so Tussell uses Freedom of Information (FOI) Requests to get the data every quarter.[6] Since there is no requirement to publish, FOIs can get rejected or be partially answered (depending on the cost in terms of time to respond to the request).

We then gathered data from the financial accounts of these providers (where available) from Companies House filings.

We also spoke to people working within the system to understand its history, changes to procurement and practice and their perceptions of the health of the ecosystem.

Step three: analysis

We analysed the data from company accounts to estimate:

- their overall profitability;
- how much profit has been made based on the spending by Welsh Local Authorities and Health Boards; and
- how much dividend and interest payments have been made, based on spending by Welsh Local Authorities and Health Boards.

Step four: shared findings

We shared emerging findings with the provider network to sense check the results and gather their reactions to the research. This enabled us to check the language used, clarify what cannot be reported due to lack of comprehensive data and informed our reflections at the end of this report.

[5] Tussell is an online platform that provides a record of the direct payments made between a contracting authority and a supplier.
[6] Welsh LAs that do publish their spend data: Monmouthshire County Council, Newport City Council & Vale of Glamorgan Council

4. A changing learning disability care ecosystem

This section presents what we as researchers were able to find out about the learning disability care ecosystem in Wales: who is registered to provide services, where public spending can be traced, and how contracting appears to be changing over time.

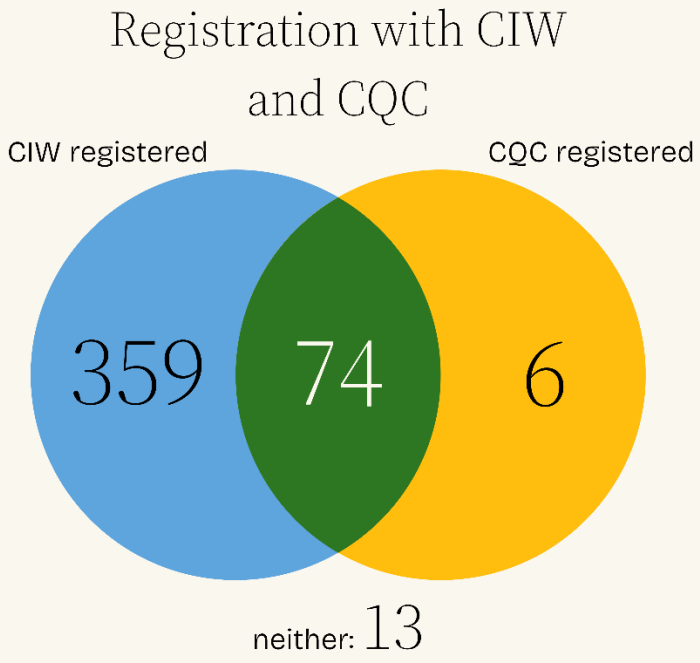
The picture is necessarily incomplete, because Welsh contracting authorities are not required to publish spend data consistently. But even this partial view reveals a system in which public money is increasingly flowing to for-profit providers.

How many providers are there in Wales?

We identified 452 companies involved in the delivery of LD-related care services, of which 404 are for-profit entities. From the CIW services directory, we included providers of care home services for adults with learning disabilities, domiciliary support services (supported living), special school residential services, residential family centres and adult placement services. We also identified providers by searching the titles and descriptions of contracts let by Welsh local authorities for relevant care types (care homes, domiciliary support, supported living etc.) providing for adults with learning disabilities (including those with additional needs, complex needs etc.)

The 452 providers identified can be grouped in terms of their registration with Care Inspectorate Wales and Care Quality Commission (care regulators in Wales and England respectively) as follows:

Figure two: LD providers in Wales with care regulators



A view from the outside: spending

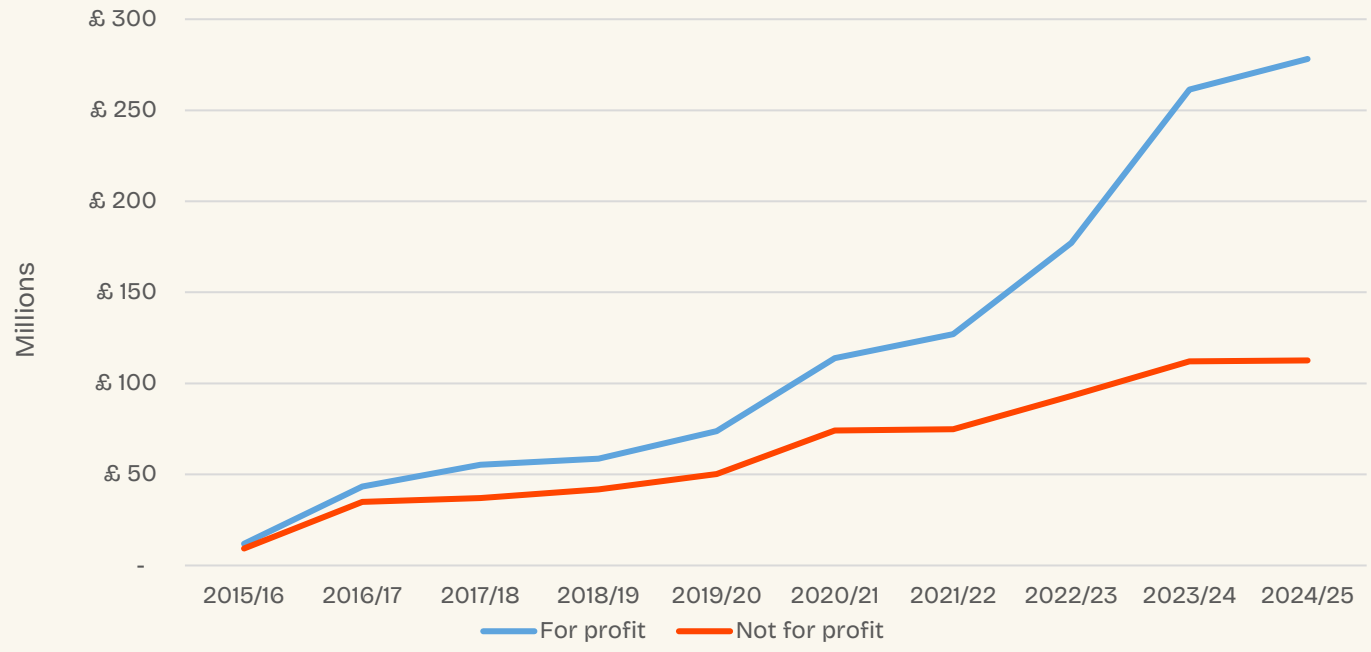
We then looked up spend with these providers on Tussell's spend database for Welsh Local Authorities and Health Boards. Spend data was available for 16 out of 22 Welsh local authorities, and three out of seven Welsh health boards (see Appendix Table A1 for authority-level availability) – as mentioned above, contracting authorities in Wales are not required to publish their spend data. The inability to track public spending consistently across Wales is itself an important finding of this research.

333 of the 452 providers identified were also found in the spend dataset. Those missing may have spend with contracting authorities which do not provide spend data to Tussell. Data for 2025/26 is incomplete because of delays in returning data for the most recent year, so is excluded from the analysis.

For those 333 providers with spend identified, the annual collective spend received from contracting authorities increased year on year to £391m in the 2024/25 financial year (see appendix table A2 and Chart A1).

Figure three below suggests that the share spent with for profit providers has increased over time; the total amount received by for profit providers over the ten-year period is £1.2bn (65 per cent of the total) and not for profit providers is £0.6bn (35 per cent). Note that low values for earlier years may be due to missing spend data or different providers operating who are no longer registered with CIW and therefore not captured here.

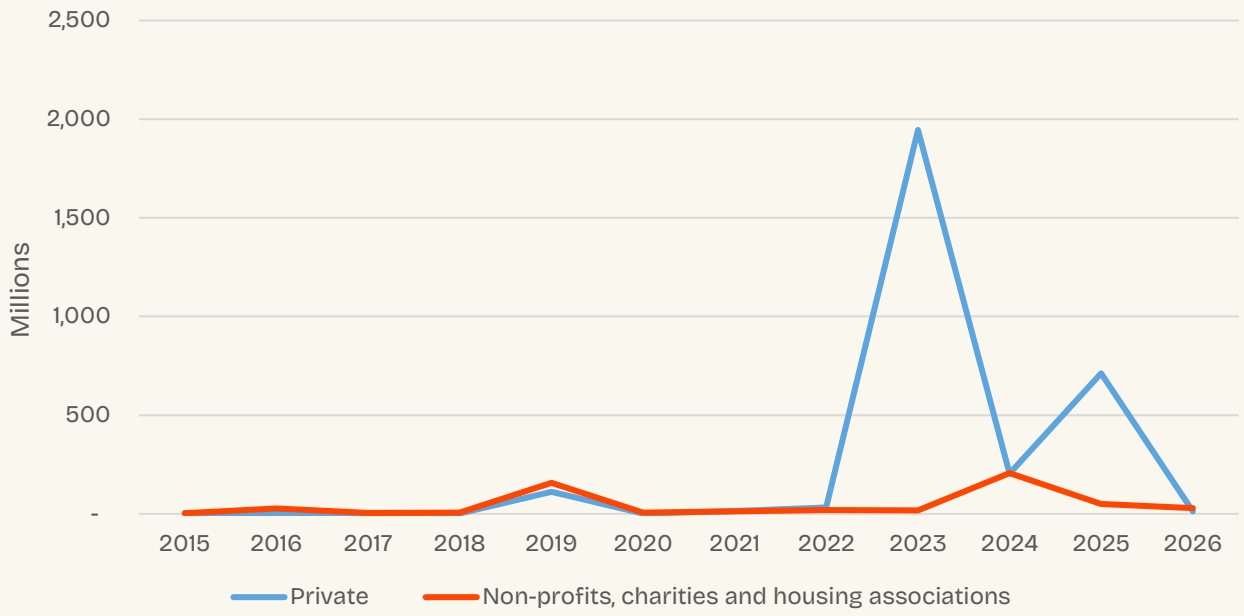
Figure three: Wales spend with LD care providers by profit/ non-profit status



Source: CLES analysis of Tussell data.

Spend is increasingly linked to contracts let through competitive tendering arrangements, which are dominated by private providers. We looked at public data on contracts held by Welsh authorities with the identified providers. Contracts data from procurement portals was available for all 29 contracting authorities. Of our 452 providers, 112 were found in the contracts data. The data suggests increasing use of competitively tendered contractual arrangements, with over £3bn in contracts let with the identified providers in the last three full years, dominated by two contracts valued at nearly £2bn let by a single council for support at home services (data in Appendix). Looking at contracts data by provider type in figure four below, we again see an increase in contracting with private providers over time.

Figure four: Wales contract values with LD care providers by profit/non-profit status



Source: CLES analysis of Tussell data

5. Extraction: following the money[7]

Section four showed that a growing share of visible public spending appears to be flowing to for-profit providers. This section asks what happens to that money once it enters provider companies. Using company accounts, we estimate profitability, dividends, interest payments and pay patterns to understand the extent to which public money is being retained and reinvested in care or extracted from the Welsh care ecosystem.

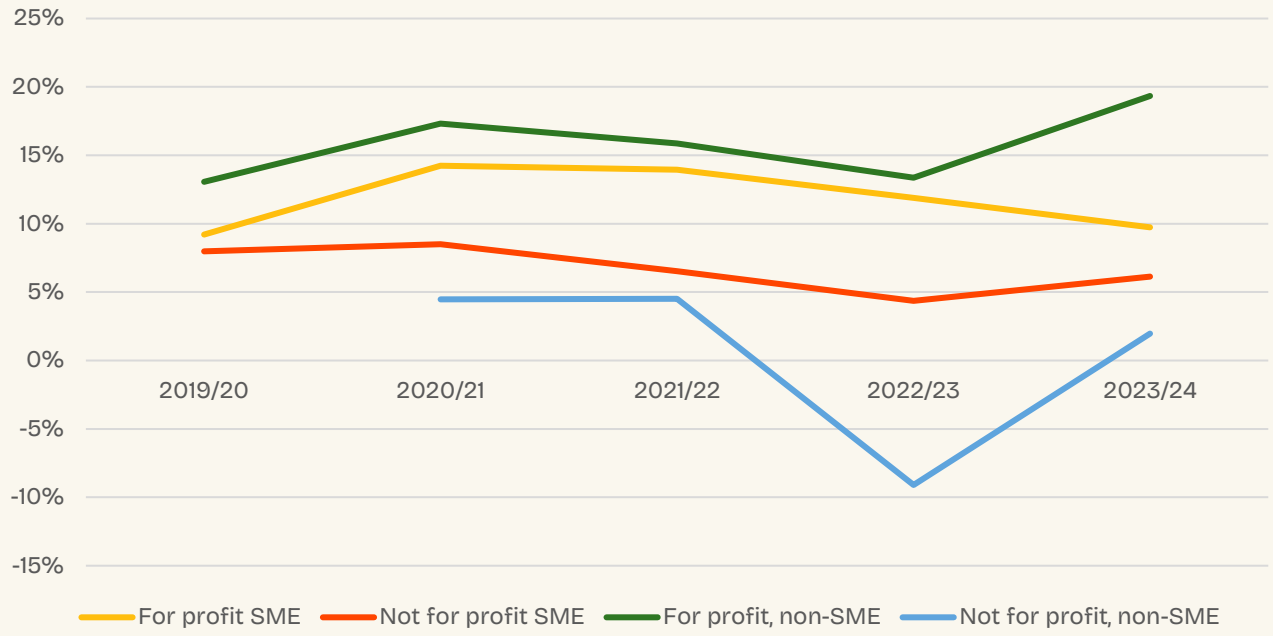
5.1 Profitability by provider type

Figure five below shows that large (non-SME) for-profit providers in Wales have higher profit rates than any other type of provider, followed by for-profit small and medium enterprises (SMEs) and then not for profit SMEs and large non-profits. [8] Profit margins were on average 14 per cent for large, for-profit providers; 12 per cent for for-profit SMEs; seven per cent for non-profit SMEs and 0.5 per cent for the not-for-profit, non-SME. We follow company size categorisations as submitted to Companies House, with SMEs having fewer than 250 staff, turnover of less than £54m or a balance sheet total less than £27m.[9]

The most common not-for-profit structure by far was 'Private Limited By Guarantee Without Share Capital', and although these organisations report their surplus as 'profit' in their accounts, this is reinvested due to the absence of shareholders.

[7] For full detail on methods used, see Appendix: Financial Data and Methodological Approach.
[8] Profit data was available for around 110 of the 452 LD care providers identified (See Appendix Table A4 for more detail). The profit measure is EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), a financial indicator of operating profitability and cash flow (rather than distributable surplus) which is not influenced by differences in company financing structure. EBITDA is divided by Data City's best estimate of current turnover for calculation of the profit rate.
[9] Preparing and filing Companies House accounts. Companies House. Updated 30 June 2026. Read.

Figure five: average profit (EBITDA) rate by company type



Source: CLES analysis of Data Gardener data

There are several ways to estimate profits made by care providers, with each approach having advantages and disadvantages. The first and most preferable approach is to combine company profitability data with actual public sector spend received. However, because spend data is missing for 10 contracting authorities in Wales, this will result in a major underestimate of the total value of profits and extraction. It does nonetheless show trends over time effectively for those authorities with spend data.

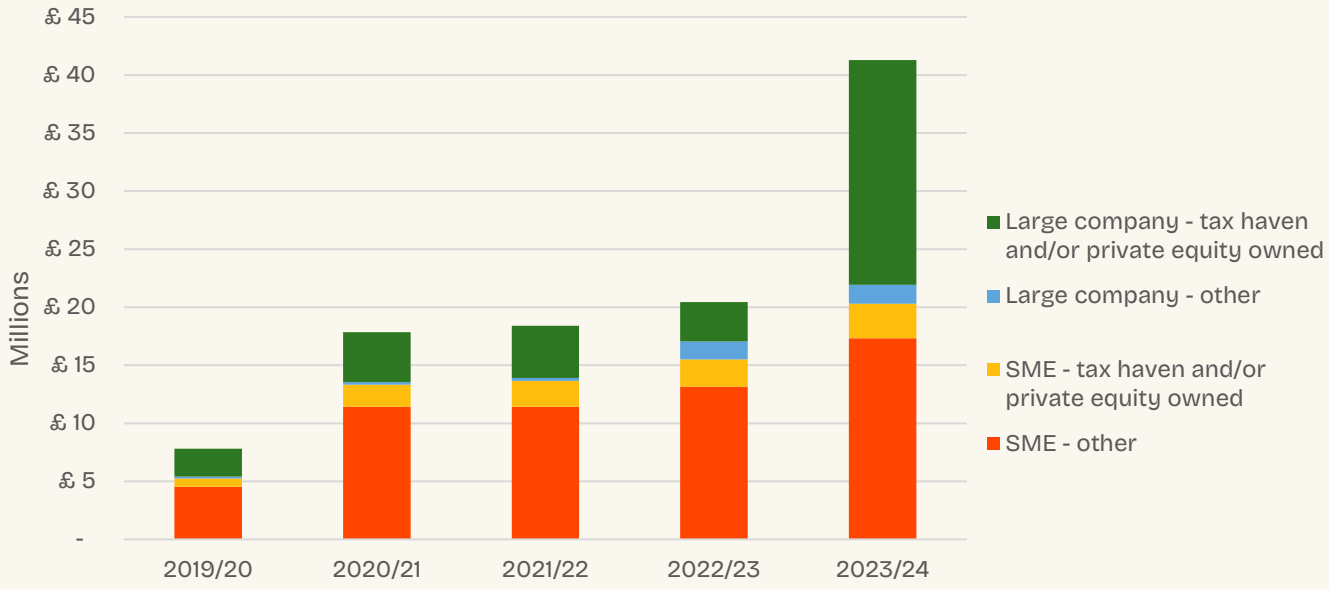
We estimated total profit made by LD care providers from public sector spend by applying profit (EBITDA) margins for overall companies – or the average profit margins above, where these are missing[10] – to spend with each company reported by local authorities and health boards. For this calculation – of a proxy for extractive potential – we exclude non-profit providers altogether, since their profits are reinvested. This leaves 245 for-profit providers which are listed in the spend data and are therefore included in the analysis.

We estimate that in the five years from 2020-2024, £106m was made in profit from public sector spend of which £44m (42 per cent) was by providers owned by ultimate parent companies based in tax havens or by private equity companies (see Appendix Table A5 for full detail). This has increased over time - in the most recent year alone (2023/24), £41m was made in profit from public sector spend of which £22m (54 per cent) to private equity or tax haven owned companies.

Figure six below shows a sharp increase in profits going to large companies owned by ultimate parent companies located in tax havens and/or owned by private equity firms.

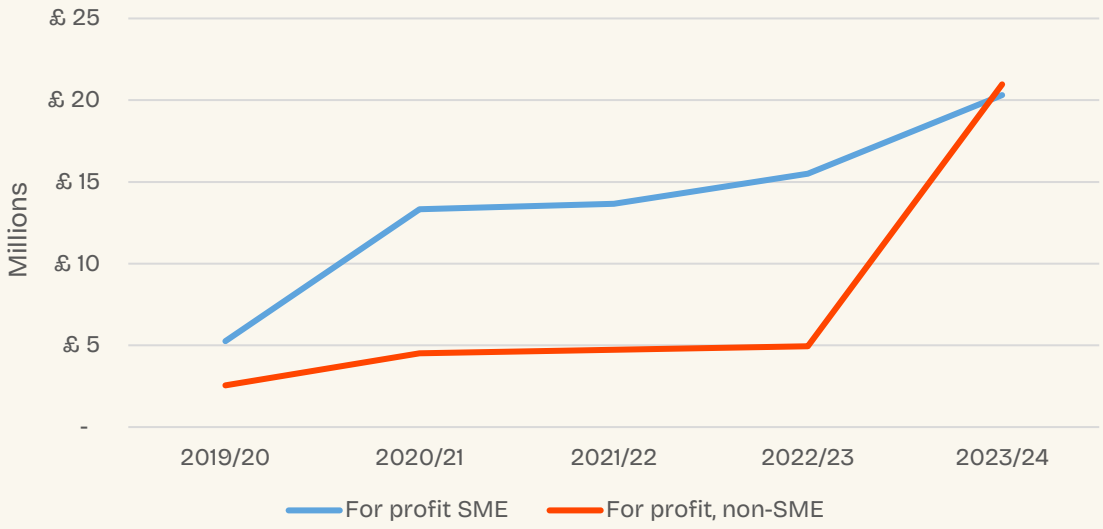
[10] Not all companies report full financial data in a given year for various reasons, including reduced reporting requirements for SMEs and companies being part of a larger group being covered by consolidated group reporting.

Figure six: profit (EBITDA) from spend by company type and ownership



Source: CLES analysis of Tussell & Data Gardener data

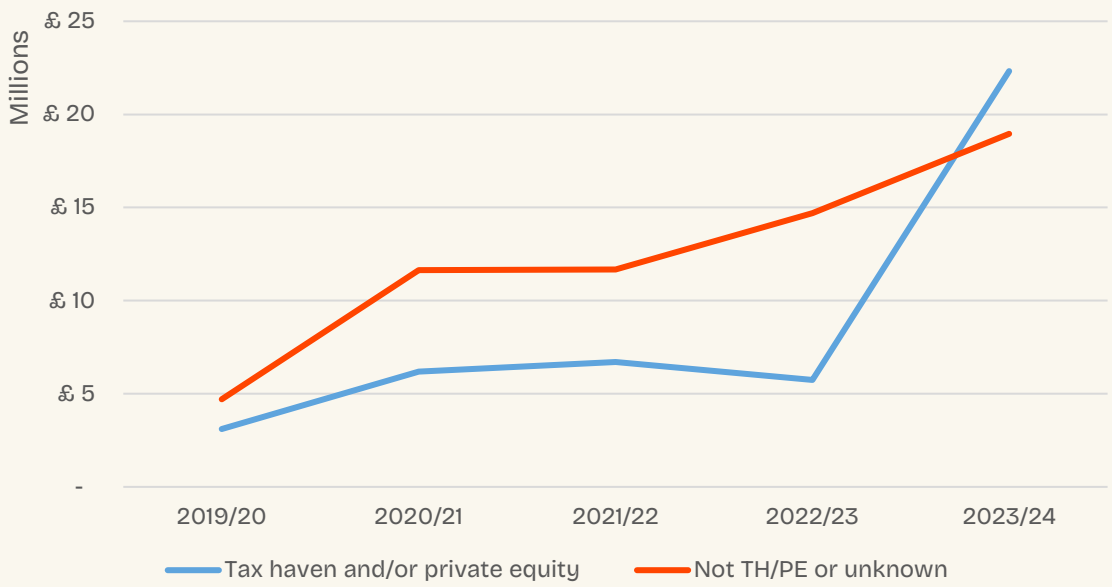
Figure seven: profit (EBITDA) from spend over time by company type



Source: CLES analysis of Tussell & Data Gardener data

Over the same period the share of profit going to providers with ultimate parent companies located in tax havens and/or owned by private equity firms has increased, overtaking other providers in 2023/24.

Figure eight: profit (EBITDA) from spend over time by company ownership



Source: CLES analysis of Tussell & Data Gardener data

These trends are important because ownership structures are key to where profits ultimately flow. As a growing share of profits accrue to providers linked to overseas tax havens and private equity, questions arise about the extent to which surpluses are being retained and reinvested within Welsh communities. Dividend and interest payments are important because they can function as a mechanism for extracting money out of operating companies, especially where companies are part of wider corporate groups or debt-financed ownership structures.

5.2 Dividends and interest: visible mechanisms of extraction

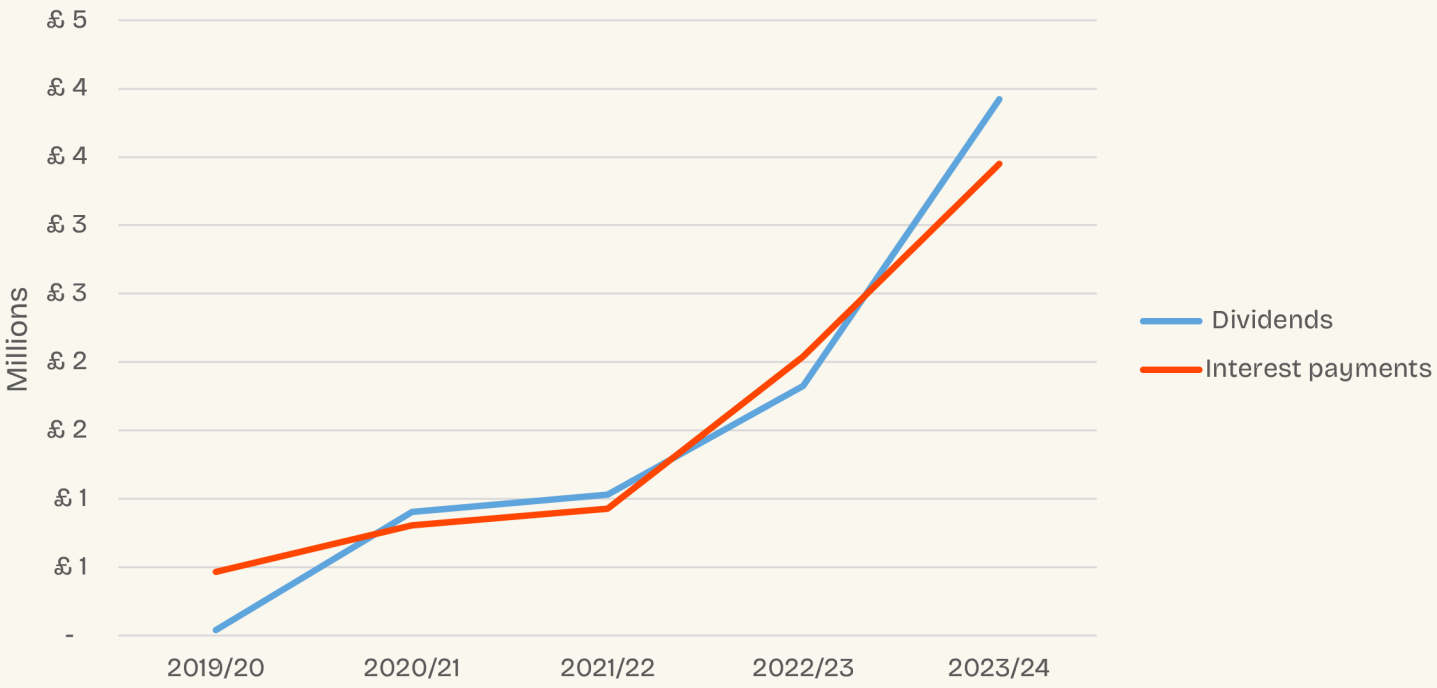
Dividend and interest payments are important because they can function as a mechanism for extracting money out of operating companies, especially where companies are part of wider corporate groups or debt-financed ownership structures.

Dividend and interest payments attributable to Welsh LD care-related activity were estimated by applying each company's reported dividend and interest ratios (as a share of turnover) to the value of spend with each LD care provider. As per Appendix Table A4, only up to 20 companies reported dividends in any given year, and up to 43 reported interest expense. Unlike for profit, missing values were not imputed for dividends or interest due to variation in company structures, meaning the estimates given here are likely to understate total extraction.

As shown in figure nine below, dividend and interest payments from spend have increased sharply in recent years. Between 2019/20 and 2023/24 an estimated £7.73m was paid in

dividends from spend in Wales, of which £1.78m (23 per cent of the total) by providers owned by ultimate parent companies based in tax havens or by private equity companies. Over the same period an estimated £7.69m was paid in interest payments from spend in Wales, of which £7.01m (91 per cent of the total) by providers owned by ultimate parent companies located in tax havens or by private equity companies.

Figure nine: dividends and interest payments from LD care spend



Source: CLES analysis of Tussell & Data Gardener data

5.3 Highest paid directors: analysis and wages

Low employee wages in the care sector are an important potential mechanism of extraction, especially in comparison to the pay of senior managers. A small number of for-profit companies, 16, reported on their highest paid directors. A larger number, 103 (including private and third sector providers) reported data on their number of employees and total wages and salaries, allowing us to calculate average pay per employee. We find that directors in companies reporting data are paid between 13 and 22 times average employee pay in recent years. Not for profit providers paid five to 10 per cent higher wages than for profit companies – from £1000 to £2600 more per year.

Table one: director and employee pay

	2021/22	2022/23	2023/24
Highest paid director – average (for-profit companies only)	£435,532	£523,927	£345,131
Wages and salaries per employee – average	£22,582	£24,552	£26,036
- ***For-profit companies only***	*£22,144*	*£23,496*	*£25,628*
- ***Not-for-profit organisations only***	*£23,166*	*£26,136*	*£26,638*
Ratio of director to employee pay (for-profit companies only)	19.7	22.3	13.5

Since not for profits did not report their highest paid directors in Companies House data, we conducted a survey among the third sector LD care providers who commissioned this research. We received seven responses and found that the average highest salary paid in 2025/26 was £119,262 – around one third of the value the highest paid directors in the private sector in 2023/24. This data suggests directors of not-for profits were only paid between four to five times average employee pay. This is likely to reflect intentional commitments among not-for-profit providers to place limits on the ratio of director to employee pay.

5.4 An upper-bound estimate: total provider profits

Due to the aforementioned lack of transparency around spend data, the results presented above significantly underestimate the total value of profits generated from public spend. An alternative approach is to look at the overall profits for care providers as a whole, from all company operations, i.e. not just related to public sector spend in Wales. This is not an estimate of profit from Welsh public spending – it will include profit from privately funded care services – so is not comparable to figures presented earlier. Rather, it provides an indication of the overall profitability of providers operating in this ecosystem.

In the most recent year, around £345m was made in profit by the 379 private providers for which we have data – either directly reported profits or estimates using the average profit margins above combined with turnover.[11] Of this total profit, £188m (54 per cent of the total) went to providers owned by ultimate parent companies based in tax havens and/or private equity firms. However, this includes profit from service provision in England - 80 of the selected providers are registered with the CQC and therefore may operate in England (see figure two above).

[11] The estimated total profit for the most recent period, using TDC's best estimate of current turnover, and the average EBITDA margin from 2023/24 by company type (for those missing values)

If we exclude the companies that are also registered with England's Care Quality Commission, focusing on the 359 out of 452 providers that are only registered with Care inspectorate Wales, then zeroing in on the 328 of these which are for-profit providers, we find total profits of £100m, of which £18m (18 per cent) went to those owned by ultimate parent companies based in tax havens and/or private equity firms.[12]

Taken together, the findings in section 5 suggest that Welsh LD care services are becoming increasingly dependent on for-profit provision, and that a growing share of identifiable public spending is associated with firms exhibiting characteristics commonly associated with what we have defined as extraction in this report.

[12] This obviously underestimates profit made from public LD care in Wales as it excludes operators that are both CIW and CQC registered.

6. Our reflections

This section sets out what we have learned as researchers from this process.

(A lack of) visibility

When the initial results were presented to the learning disability care provider network, many in the room were surprised at the level of extraction. To recap, extraction is increasingly hard-wired into the Welsh learning disability care ecosystem – even with incomplete spend data, significant amounts of public money can be traced into profits, dividends and interest payments, with a growing share linked to larger providers and more complex ownership structures. For-profit providers made £106m in profit from identifiable Welsh public sector spending in the most recent five years, of which £44m (42 per cent) by providers ultimately linked to tax havens and/or private equity. This has increased over time - in the most recent year alone (2023/24), the figures were £41m and £22m (54 per cent) respectively.

Even those embedded in service and community had not realised the extent to which spend was transitioning to private providers, especially those with higher levels of profit and overseas ownership. One provider suggested that, in addition, not all local authorities may have a full picture of what they are spending, and where.

This finding presents an opportunity for the new government to explore greater levels of accountability. This can start with requiring local authorities and Health Boards to publish their spend data so that those working in the ecosystem and citizens are aware of where investment and spend is happening, reducing the mismatch presented above between contracts and spending data.

Who is benefitting? And who is not?

The share of market now held by private providers is significantly larger than in 2019. There are some concerning signs from the data: the increasing levels of profits; the huge jump in providers with parent companies overseas or backed by private equity in 2023/24; and the low level of profits/ surpluses made by the not-for-profit sector which restricts their ability to invest and weather challenging financial conditions.

The overall level of profits, dividends and interest payments going to companies in tax havens and backed by private equity quite simply represents significant amounts of money leaving local economies in Wales. Money that could be repurposed for investment in staff, in buildings, in services. Understanding the scale of the challenge and where and how these practices are happening is a starting point to designing them out in commissioning and procurement.

The wages data and conversations with providers highlight challenges in providing fairly-paid work to local people at the forefront of delivery. Whilst all providers need to meet the real living wage, there is a reported mismatch from providers in – from some places – sufficient funding for service delivery to meet this; and from the data above a very clear mismatch between those delivering services and those at the top of profit-

driven organisations. A new government will likely want to explore fair and good work for all delivering within social care.

The disconnect between policy and practice

The interviews and workshops that we have undertaken throughout this inquiry have highlighted a significant disconnect between the progressive policy aims of Welsh Government and service design and commissioning practices on the ground. Within the context section of this report, we highlighted a number of the aims of the Social Service and Well-being Act, particularly in terms of voice and control for individuals and the duties of Section 16 in promoting social enterprises, co-operatives and third sector organisations to deliver social care services. Reflecting on what we have heard, commissioning practices in many regions of Wales seem to be moving backwards rather than forwards, and although strong mutual working relationships still exist in some areas, many of these have diminished in recent years. What now seems to be becoming the norm is a reliance on transactional, price driven procurement rather than values-led commissioning, collaboration and coproduction.

We of course recognise that local authorities are under significant financial pressures and are operating in an environment when service demand continues to increase. Our interviewees also explained that many councils have lost experienced staff, have merged roles and have reduced capacity to undertake many of the duties that the Social Services and Well-being Act places on them.

The reliance on transactional, price focussed procurement could be one of the ways in which large private sector organisations are increasing their market share of the Learning Disabilities supported living sector in Wales.

Asset led rather than needs led

Within the interviews participants highlighted what they considered to be a pattern of marketisation, in which large for-profit providers undercut prices to gain entry into local markets, and gradually increase their concentration of provision. Private providers can leverage capital to build assets and then “lock in” local authorities to long-term provision arrangements, limiting future flexibility.

It has been interesting to explore the emphasis which local authorities seem to be placing on new build supported living developments. Councils seem to be swayed by asset development rather than need. However, many argue that in reality, these new, larger facilities often provide ‘over care’ and residents have a lack of autonomy compared with the supported living services which were previously provided within community settings. New facilities can be rooms rather than flats, within which residents often do not have access to their own cooking facilities. They seem to be designed for isolation rather than promoting independence; this is again in contrast to the underpinning principles of the Social Services and Well-being Act. Appendix Table A2: spend with identified LD providers by Health Board area

An identity crisis?

From the early stages of this research, we have become aware of the of local authorities' perceptions of third sector Learning Disabilities supported living providers. Section 16 of the Social Services and Well-being Act highlights social enterprise, co-operatives and third sector organisations and we expected an understanding of the unique characteristics that these organisations can bring to service design, delivery and the reinvestment of profits. However, we heard that local authorities often view them as part of a homogenous mass of non-local authority providers.

This is something that the sector needs to reflect upon, particularly in terms of how they discuss and promote their service models.

There is also a perception that only private providers can deal with cases of more complex needs. This may have been true in the past, but the third sector continues to evolve in terms of its capacity and capability, and local authorities need to be aware of this.

Care needs a strong ecosystem

There needs to be a vision of what kind of ecosystem is wanted and needed, building on the knowledge and practice that has been built in Wales – centring the needs of people and building and delivering services that work for a specific place and community. This needs planning for demand and where it fits within wider systems of health and social care which can enable providers to invest in the future. It also needs an honest conversation about what resources are needed to deliver pathways of care services – whether people are transitioning from children to adults' services, stepping up or down their care requirements or transitioning between budget holders.

Care is relational, in how it is designed, planned and delivered. Both local authority teams and the organisations that deliver care need sufficient resources to build relationships, design and adapt services and deliver care that provides dignity, regardless of the legal status of the organisation. Funds are also needed to create the surplus required for innovation beyond frontline service delivery. Local authorities often lack the financial flexibility and organisational capacity to support new approaches, meaning innovation is only pursued when it can deliver immediate cost savings. Providers face similar constraints, operating on tight margins without the long-term financial security needed to invest in new ideas.

7. Appendix

Appendix table A1a: spend data availability by Health Board areas

HB area	Contracting authority	Has spend data?
Aneurin Bevan University Health Board	Aneurin Bevan Health Board	Yes
	Blaenau Gwent County Borough Council	Yes
	Caerphilly County Borough Council	Yes
	Monmouthshire County Council	Yes
	Newport City Council	Yes
	Torfaen County Borough Council	Yes
Betsi Cadwaladr University Health Board	Betsi Cadwaladr University Health Board	No
	Cyngor Sir Ynys Mon	Yes
	Cyngor Gwynedd	No
	Conwy County Borough Council	No
	Denbighshire County Council	Yes
	Flintshire County Council	No
	Wrexham County Borough Council	Yes
Cardiff and Vale University Health Board	Cardiff & Vale University Health Board	No
	Cardiff County Council	Yes
	Vale of Glamorgan County Borough Council	Yes
Cwm Taf Morgannwg University Health Board	Cwm Taf University Health Board	Yes
	Bridgend County Borough Council	Yes
	Merthyr Tydfil County Borough Council	No
	Rhondda Cynon Taf County Borough Council	No
Hywel Dda University Health Board	Hywel Dda Health Board	No
	Carmarthenshire County Council	Yes
	Ceredigion County Council	Yes
	Pembrokeshire County Council	Yes
Powys Teaching Health Board	Powys Teaching Health Board	Yes
	Powys County Council	Yes
Swansea Bay University Health Board	Abertawe Bro Morgannwg University Health Board	No
	City & County of Swansea	No
	Neath Port Talbot County Borough Council	Yes

Appendix table A1b: reason for no spend data availability by authority

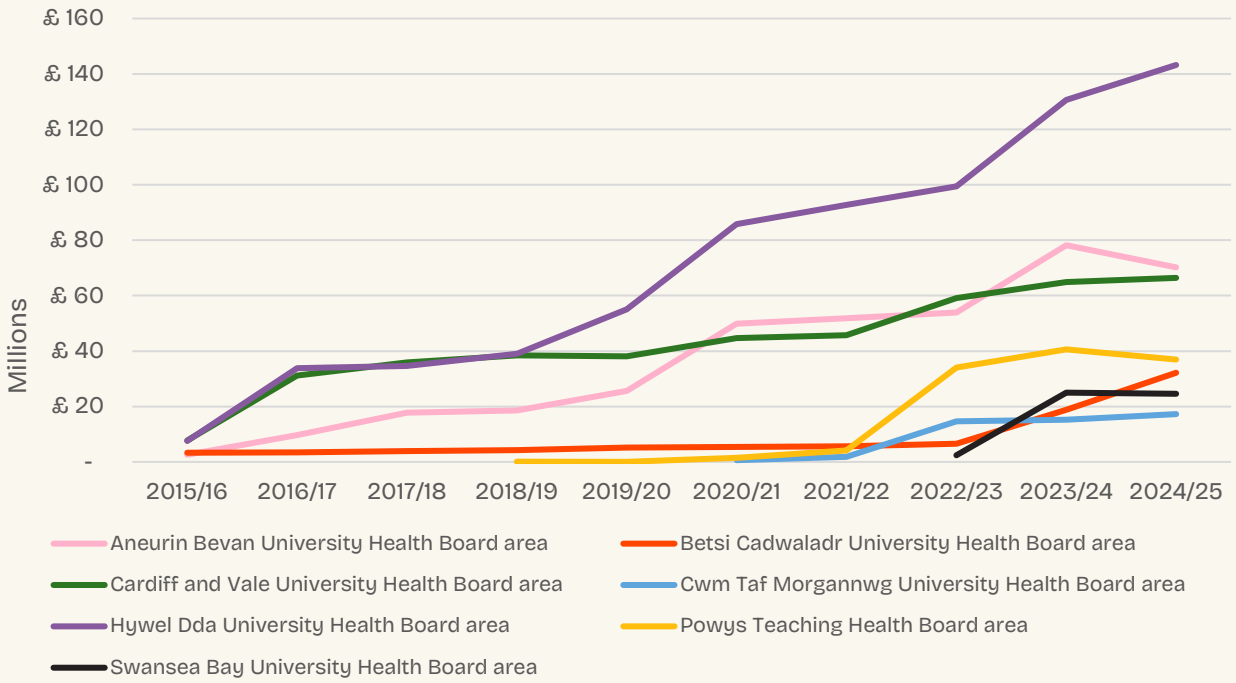
Contracting authority	Reason for no data availability
Betsi Cadwaladr University Health Board	No FOI sent
Cyngor Gwynedd	Refused to provide - too much work to extract/prepare the data
Conwy County Borough Council	Acknowledge FOI but no data sent
Flintshire County Council	Acknowledge FOI but no data sent
Cardiff & Vale University Health Board	No FOI sent
Merthyr Tydfil County Borough Council	Only 2018 data received
Rhondda Cynon Taf County Borough Council	Multiple FOIs sent, no response
Hywel Dda Health Board	No FOI sent
Abertawe Bro Morgannwg University Health Board	No FOI sent
City & County of Swansea	Refused to provide

Source: Tussell.

Appendix table A2: spend with identified LD providers by Health Board area

Health board area (inc. LA spend)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	**Total by area**
Aneurin Bevan University Health Board area	2.6	9.7	17.8	18.6	25.7	49.9	51.9	53.9	78.2	70.3	36.7	**415.2**
Betsi Cadwaladr University Health Board area	3.3	3.5	3.9	4.3	5.2	5.4	5.6	6.6	18.9	32.2	16.5	**105.3**
Cardiff and Vale University Health Board area	7.7	31.1	35.9	38.4	38.1	44.6	45.8	59.1	64.8	66.4	55.1	**487.2**
Cwm Taf Morgannwg University Health Board area	No data	No data	No data	No data	No data	0.6	1.8	14.6	15.2	17.2	6.0	**55.5**
Hywel Dda University Health Board area	7.6	33.8	34.7	39.1	55.1	85.8	92.7	99.5	130.7	143.2	101.7	**823.7**
Powys Teaching Health Board area	No data	No data	No data	0.1	0.0	1.5	4.2	34.1	40.6	36.9	25.7	**143.1**
Swansea Bay University Health Board area	No data	No data	No data	No data	No data	No data	No data	2.4	25.0	24.5	No data	**51.9**
Total by year	**21.2**	**78.1**	**92.3**	**100.4**	**124.0**	**188.0**	**202.0**	**270.3**	**373.4**	**390.8**	**241.7**	**2,082**

Appendix figure A1: spend with identified LD providers by Health Board area

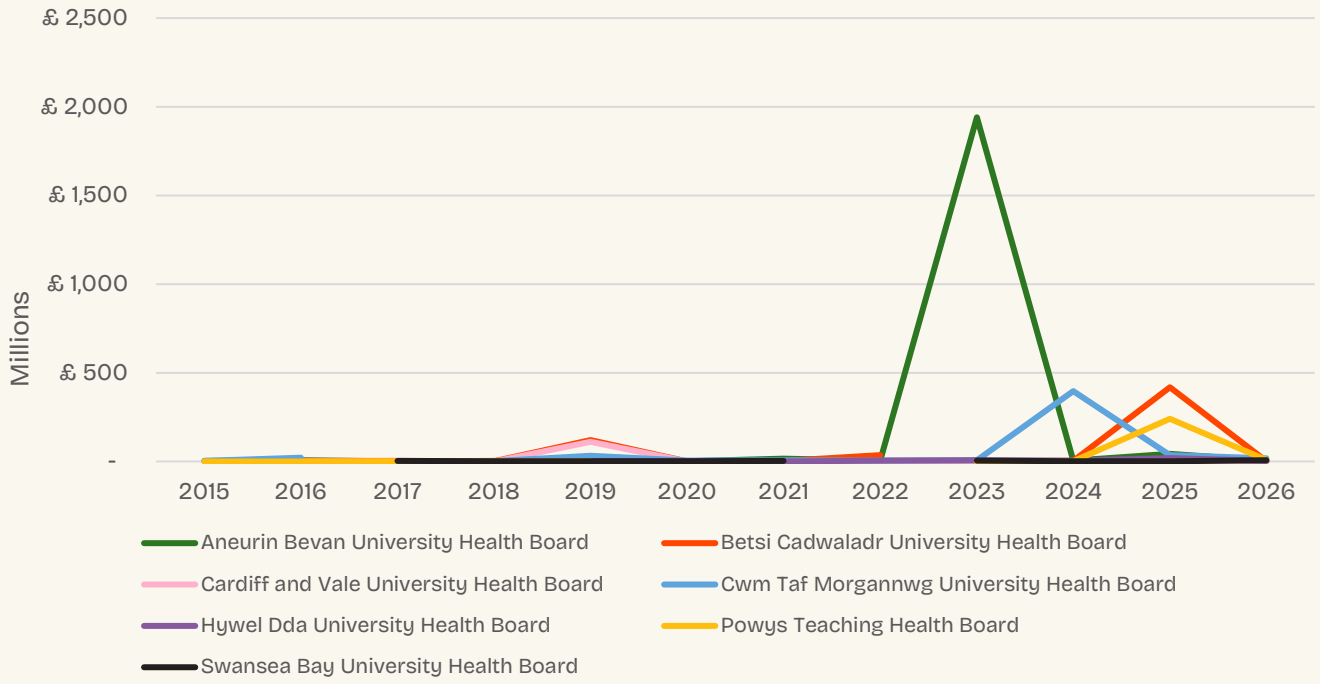


NB: low values for any given year and health board area may reflect missing data rather than lack of spend

Appendix table A3: contract values by Health Board area

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	**Grand total**
Aneurin Bevan University Health Board area	3.64	7.16	0.38	2.26	2.11	0.86	16.35	5.37	1,940.26	4.62	42.42	4.89	**2,030.34**
Betsi Cadwaladr University Health Board area	-	2.98	3.74	0.98	119.66	0.22	2.34	35.85	-	3.12	418.27	0.70	**587.86**
Cardiff and Vale University Health Board area	0.56	-	0.00	0.01	110.63	0.01	0.01	0.00	3.73	-	5.38	0.65	**120.99**
Cwm Taf Morgannwg University Health Board area	2.72	20.93	-	1.75	31.34	4.54	5.90	4.82	7.40	396.52	36.49	17.17	**529.58**
Hywel Dda University Health Board area	-	-	-	-	2.01	1.29	0.00	5.00	6.28	4.50	18.93	3.20	**41.22**
Powys Teaching Health Board area	-	0.13	0.73	2.18	1.44	-	-	-	0.04	0.90	240.48	8.42	**254.32**
Swansea Bay University Health Board area	-	-	2.20	1.24	2.01	1.42	2.47	-	4.70	1.40	0.84	7.02	**23.29**
Grand total	6.92	31.20	7.05	8.42	269.20	8.33	27.07	51.05	1,962.42	411.07	762.80	42.05	**3,587.61**

Appendix figure A2: contract values by Health Board area



Appendix table A4: number of companies reporting financial variables in each year

FY ending:	2013	2014	2015	2016	2017	2018	2019	2020	**2021**	**2022**	**2023**	**2024**	2025
Turnover	0	1	1	1	0	0	2	37	**103**	**101**	**111**	**110**	74
EBITDA		0	0	0	0	0	2	38	**105**	**101**	**113**	**111**	74
Operating profit	0	0	0	0	0	0	2	27	**60**	**56**	**64**	**63**	35
Interest Expense		0	0	0	0	0	2	19	**43**	**34**	**40**	**39**	19
Taxation	0	0	0	0	0	0	2	28	**58**	**56**	**58**	**64**	35
Depreciation	1	1	0	0	0	0	4	123	**287**	**292**	**314**	**312**	184
Profit after tax	0	0	0	0	0	0	2	38	**106**	**101**	**112**	**111**	74
Dividends		0	0		0	0	1	6	**19**	**20**	**19**	**14**	9

NB: EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is a financial indicator of operating profitability and cash flow

Appendix: financial data and methodological approach.

This inquiry sought to understand the extent and nature of profit-making and extraction within the Welsh learning disability supported living ecosystem. It builds on the methodology used in Ending Extraction in the UK Care System, adapting that approach to the specific Welsh context and to the data available on learning disability care providers, public sector spending, company accounts and ownership structures.

The first stage was to identify the provider ecosystem. We identified 452 companies involved in the delivery of learning disability-related care services in Wales. Providers were identified through the Care Inspectorate Wales services directory and through searches of public contracts data for relevant care types, including care homes, domiciliary support, supported living, adult placement services, residential family centres and special school residential services. We included providers registered with Care Inspectorate Wales, those with contracts in Wales also registered with the Care Quality Commission in England, and other providers identified through contract data. The resulting list was sense-checked with the learning disability care provider network that commissioned this work.

The second stage was to trace public spending with these providers. Spend data was drawn from Tussell, which collects direct payment data from public bodies, including through Freedom of Information requests where data is not routinely published. Spend data was available for 16 of 22 Welsh local authorities and three of seven Welsh health boards. Because Welsh contracting authorities are not required to publish spend data consistently, the analysis is necessarily incomplete. This limitation is itself an important finding: it means that the figures in this report should be read as a partial view of identifiable public spending, rather than a complete account of all public money flowing into the sector.

The third stage was to analyse company accounts. Financial data for the 452 providers was gathered from The Data City and Data Gardener, both of which draw primarily on Companies House filings. Not all companies report the same financial variables, particularly because of reduced reporting requirements for smaller companies and the use of consolidated group accounts. Where available, we used company-level data on turnover, EBITDA,[13] profit after tax, dividends, interest payments, wages and salaries, employee numbers and highest-paid directors. The most consistently covered years for core financial variables are highlighted in Appendix Table A4.

Our main measure of profitability is EBITDA as a share of turnover. EBITDA was used because it provides an indicator of operating profitability before the effects of financing structure, tax, depreciation and amortisation. This is particularly important in an analysis of extraction, because some extractive mechanisms may operate through financing arrangements, including interest payments between companies in the same corporate group. High EBITDA indicates extractive capacity rather than high distributable net profit:

[13] EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization and is a financial indicator of operating profitability and cash flow

organisations with high interest costs or high depreciation may report lower net profit, even where operating profitability is high. Where company-specific EBITDA margins were unavailable (around three quarters of companies), we applied average EBITDA margins by provider type. The most stable predictors used for this were whether the organisation was for-profit or not-for-profit, and whether it was an SME or non-SME (see Figure five).

To estimate profits attributable to identifiable Welsh public sector spending, we applied each provider's EBITDA margin (or the relevant average margin where company-specific data was missing) to the value of spend received from Welsh local authorities and health boards. For this calculation we excluded not-for-profit providers, because their reported surpluses are reinvested rather than distributed to shareholders. This left 245 for-profit providers with identifiable spend in the analysis. Because spend data is missing for a number of Welsh contracting authorities, these estimates are likely to understate the total value of profits associated with public spending.

We also examined visible mechanisms of extraction through dividend and interest payments. These were estimated by applying each company's reported dividend and interest ratios, as a share of turnover, to the value of identified Welsh public sector spend. Missing values were not imputed for dividends or interest because these payments vary significantly by company structure, ownership model and financing arrangements. As a result, the figures presented for dividend and interest extraction should be treated as conservative estimates.

Appendix table A5: estimated operating profit of providers, by Health Board area

Health board area	2019/20	2020/21	2021/22	2022/23	2023/24	**Total by area**	**Tax haven/ PE share £m**	Tax haven/ PE share %
Aneurin Bevan University Health Board area	1.97	5.08	4.67	4.45	5.70	**21.86**	**6.79**	31%
Betsi Cadwaladr University Health Board area	0.31	0.50	0.63	0.81	2.06	**4.32**	**0.82**	19%
Cardiff and Vale University Health Board area	1.19	2.52	2.30	2.34	2.55	**10.89**	**3.70**	34%
Cwm Taf Morgannwg University Health Board area	No data	0.07	0.17	1.32	1.48	**3.04**	**1.18**	39%
Hywel Dda University Health Board area	4.34	9.59	9.94	8.11	19.49	**51.47**	**22.67**	44%
Powys Teaching Health Board area	0.00	0.08	0.67	3.34	3.21	**7.30**	**2.93**	40%
Swansea Bay University Health Board area	No data	No data	No data	0.08	6.78	**6.86**	**5.98**	87%
Total by year	**7.81**	**17.84**	**18.39**	**20.44**	**41.28**	**105.76**	**44.08**	**42%**

NB: the relatively low values for large or populous Health Board areas like Cardiff, Swansea Bay, Betsi Cadwaladr are likely to reflect missing data – see Appendix Table A1

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