



Llywodraeth Cymru  
Welsh Government

**WG53147**

Welsh Government

## Consultation – summary of response

# Removing profit from children's care

Health and Social Care (Wales) Act 2025 Implementation:

Removing profit from children's care – registration, annual returns and monitoring and enforcement

13 January 2026

Mae'r ddogfen hon ar gael yn Gymraeg hefyd / This document is also available in Welsh  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg / We welcome correspondence and telephone calls in Welsh

## Overview

This document summarises responses to the consultation about implementing the removal of profit from children's care in Wales. That consultation covered:

- the proposed approach to registration for restricted children's services from 1 April 2026 and potential changes to the Regulated Services (Registration) (Wales) Regulations 2017 to accommodate this.
- proposals for how the annual returns process should change to require providers of restricted children's services to demonstrate that they continue to meet the definition of a not-for-profit entity and potential changes to the Regulated Services (Annual Returns) (Wales) Regulations 2017 to accommodate this
- the approach to monitoring and enforcement of the amended fit and proper person test, providing that unreasonable or disproportionate financial arrangements entered into by providers of restricted children's services are evidence to which the Welsh Ministers must have regard when deciding if the provider is a fit and proper person.

## Action Required

This document is for information only.

## Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

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This document is also available in Welsh: [Dileu elw o ofal plant | LLYW.CYMRU](#)

## Additional copies

This summary of response and copies of all the consultation documentation are published in electronic form only and can be accessed on the Welsh Government's website.

Link to the consultation documentation: [Removing profit from children's care | GOV.WALES](#)

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## Background

On 24 March 2025, [the Health and Social Care \(Wales\) Act 2025](#) ('the 2025 Act') became law in Wales. The 2025 Act includes provisions intended to restrict the extraction of profit by providers of children's home services, secure accommodation services and fostering services. These are known collectively as 'restricted children's services'.

The 2025 Act sets out a series of arrangements, some intended to take effect from 1 April 2026, that will ultimately restrict the provision of those services (except where provided by local authorities) to 'not-for-profit' entities registered with Care Inspectorate Wales (CIW). To be a recognised 'not-for-profit' entity, a provider must:

- have objects or purposes that primarily relate to the welfare of children (or any other public good the Welsh Ministers may prescribe)
- operate under one of 4 types of undertaking:
  - a charitable company limited by guarantee without a share capital
  - a charitable incorporated organisation
  - a charitable registered society
  - a community interest company limited by guarantee without a share capital

These permitted not-for-profit models identified in the 2025 Act all satisfy the principle that there must be no payment of dividends to shareholders or members and that any trading surpluses should be reinvested into the service (including building appropriate reserves and capital expenditure).

To ensure the policy is not undermined by practices which go against its spirit and intention, the 2025 Act also provides that any unreasonable or disproportionate payments made by a not-for-profit provider of restricted children's services must be considered by the Welsh Ministers when deciding if a provider is a fit and proper person to be registered.

The Law Wales website provides an overview of [the 2025 Act](#) and its development. This includes links to the [consultation on proposed changes to primary legislation](#), undertaken by the Welsh Government in 2022, and an [Explanatory Memorandum](#) that offers a detailed explanation of the legislative changes made by the 2025 Act, along with an assessment of the regulatory and [other impacts](#) identified.

## Implementation

To support implementation of the 2025 Act, changes to existing regulations made under [the Regulation and Inspection of Social Care \(Wales\) Act 2016](#) ("the 2016 Act") relating to the registration of service providers and to provider annual returns, are required so that the Welsh Ministers (in practice CIW) have the necessary information and assurance to determine whether a provider meets the not-for-profit conditions set out in the 2025 Act. Defining the requirements in regulations will

ensure that our policy intent – to prevent the extraction of profit from children’s care – is not undermined.

We intend these regulations will come into effect from 1 April 2026.

### **The consultation**

A 12-week consultation was undertaken between 16 July and 8 October 2025. Respondents were invited to submit their views via the online form, by email or post. Notification of the consultation was sent via email to a range of stakeholders with an interest in the proposals and the Minister announced the start of the consultation via a [Written Statement](#).

### **Consultation response**

In total the Welsh Government received 27 consultation responses. Broadly these comprised a mix of individual for-profit and not-for-profit providers, individual local authorities and umbrella organisations representing the interests of local government, service providers and children and young people. A collective response was submitted on behalf of the Association of Directors of Social Services Cymru (ADSS Cymru), the Children’s Commissioning Consortium Cymru (‘4Cs’), Foster Wales and the Welsh Local Government Association (WLGA). Not all consultees responded to all chapters of the consultation

**Question 1. What are your views regarding the proposed changes to the registration regulations? Please share any suggestions for any changes or additions you would like to see.**

Many respondents focussed on the broader removing profit policy rationale; either reiterating their broad support or opposition to it or reflecting on areas already defined on the face of the 2025 Act (such as the included range of not-for-profit models).

In terms of specific responses to the proposed regulatory changes, some concerns were raised about the potential administrative impact on small providers. This reflected a broad emphasis amongst respondents that arrangements should be managed carefully, with clear communications issued to stakeholders, and the provision of additional investment to support local authorities and providers through the change.

Some respondents felt the timeline for new registration arrangements, in line with the removing profit policy, was a source of concern and highlighted the risk that too rapid a transition could disrupt services. They called for a phased or flexible approach.

Several responses emphasised the importance of a proportionate approach to the registration process. There was appreciation for the intention that the CIW would only request information necessary to confirm compliance with the not-for-profit requirements but also concern about the risk of duplicating existing regulatory requirements. Practical suggestions included the provision of checklists, clear timelines, and streamlined processes relating to registration to reduce administrative burden for both providers and the regulator.

Many comments called for robust monitoring mechanisms to ensure compliance with both the letter and spirit of the law. Suggestions included strengthening the regulator's capacity to scrutinise providers, clarifying the roles of relevant oversight bodies, and enhancing registration rules to support early intervention and enforcement. Transparency in financial structures and mandatory reporting on reinvestment of resources were also recommended.

Some respondents proposed the establishment of a registration panel to ensure transparency and sector-specific insight in decision-making. Others requested guidance on evidencing good governance and socio-economic benefits and raised questions about cross-border placements and the treatment of children placed outside Wales. There was also a call for the government to outline how it will attract and support not-for-profit providers to ensure sufficient capacity in the sector.

**Welsh Government analysis and response:**

The broader removing profit policy rationale was subject to consultation in 2022 and extensive scrutiny during the passage of the Bill. While the policy is now settled we do recognise the continued strength of feeling as expressed in many of the responses and will continue to engage with the sector throughout its implementation to ensure views continue to be heard.

Regarding the specific feedback on the proposed regulatory changes we acknowledge that the additional requirements within the registration process represent an additional task for providers of restricted children's services to complete. We also recognise that this additional burden could have a more pronounced impact on smaller providers with more limited resources. However, we consider this impact should be mitigated through CIW's work to proactively communicate the proposed changes as well as update guidance (which is already underway). On the timelines we recognise the risk of potential disruption to services and have adopted a phased approach to implementation with for-profit providers of restricted children's services being prevented from varying their registration to add another restricted children's service or place from 1 April 2026 then further restrictions on adding additional beds to existing homes or approving additional foster carers from 1 April 2027. While we appreciate the wish for flexibility we consider that having clear, consistent dates for changing registration processes and for the broader restrictions described previously will ensure clarity for providers.

On proportionality we recognise the support for a proportionate approach to the registration process. This was reflected in the consultation document which described that for those for-profit providers seeking to re-establish as a not-for-profit entity CIW will only request the additional information at registration necessary to confirm compliance, such as eligibility of any new Responsible Individual and alignment of policies and documents with the new legal entity. This is in line with consultation feedback highlighting the importance of a streamlined approach.

Regarding robust monitoring mechanisms for ensuring compliance with the new removing profit-related provisions this is something CIW are currently developing as part of updating their monitoring and enforcement processes in light of the new legislation. They will continue to keep providers updated as processes are updated.

On the specific suggestions about the registration process these will be considered by CIW as part of their ongoing work to update registration processes as part of preparing to the implementation of the removing profit provisions. CIW has established a provider reference group who will give feedback on any developments in regard to policies and procedures being developed, where this is appropriate.

Regarding Welsh Government supporting not-for-profit providers to ensure sufficient capacity in the sector officials have been engaging with not-for-profit providers via Workstream 2 – Expanding and Developing New Not-for-Profit Provision– under the overall Eliminating Profit Programme Board. Officials will continue to engage with the not-for-profit sector to consider how both existing not-for-profit providers can be supported to expand but also how prospective not-for-profit providers can be encouraged to enter the sector.

**Question 2. What impact (including any costs or benefits) do you think the proposed changes to the registration regulations might have on different organisations or sectors within health and social care?**

As with the previous question, many respondents chose to focus on the broader removing profit policy rationale rather than reflecting specifically on the potential impacts of the proposed changes to the registration regulations.

Those respondents that did consider potential impacts highlighted the cost impact in some form, either financial, administrative, or operational. Many respondents felt additional costs could be borne by the provider as a result of the changes (e.g., restructuring, governance changes, training and recruitment of workforce and broader administrative costs). Some respondents felt the scale of impact brought by the new arrangements would vary depending on the size, structure, and business model of each provider. A number of respondents felt these costs may be passed on to local authorities through increased placement fees, and that smaller providers may face strain due to limited capacity. There was also a concern that some providers may exit the market or operate parallel for-profit and not-for-profit entities, requiring close regulatory scrutiny to ensure financial transparency and quality of care.

Respondents also noted CIW will require additional resources and specialist advice to manage the increased workload, particularly if many providers sought to register or vary an existing registration around the same time. There was also a call for streamlined processes to minimise delays, and to combat registration backlogs. Delays or bottlenecks when processing applications could create uncertainty about placements as well as workforce recruitment and training. Such situations would be exacerbated should providers choose to delay submitting any application until the final deadline.

Some respondents highlighted potential benefits, which mainly related to long-term or conditional factors (e.g. reinvestment in services, improved standards, public confidence, transparency). They felt the creation of specific regulatory requirements around the rules, processes and evidence tests would improve transparency, accountability around the provision of services, and instil greater public confidence within the sector. Some highlighted the ability to vary, rather than re-register an existing service as a practical way in which the administrative burden could be managed.

Respondents reiterated the need for appropriate guidance and training, particularly to support those providers wishing to reestablish as a not-for-profit status. They recommended national or regional approaches to avoid duplication of effort and suggested that support from organisations with relevant expertise could support those providers in reestablishing as a not-for-profit entity.

**Welsh Government analysis and response:**

As with the previous question we recognise the continued strength of feeling regarding the overall policy and will continue sector engagement throughout implementation.



Regarding the potential additional costs highlighted by respondents relating to the proposed changes to the registration regulations similar to the points raised in response to question 1 we do recognise the potential impacts, particularly on smaller providers. However as per our response to question 1 we consider that this should be mitigated through both proactive communication of the changes by CIW to providers, as well as engaging the provider reference group where appropriate. We recognise that some providers have recently increased their charges to local authorities however it is not clear whether anticipated additional costs relating to registration are a factor in this. We will continue to engage with 4C's and the ADSS Cymru to monitor this and collectively consider whether further action can be taken if this continues to be an issue. On the concern that some providers may exit the market we do recognise that this may be a decision that some providers decide to take. However we have provided funding to Cwmpas to work with existing for-profit care providers who are considering re-establishing under one of the four not-for-profit models. Expert advisors are holding tailored, confidential discussions with providers to assess options for re-establishing and map possible routes.

Regarding the feedback that CIW will require additional resources we recognise this and have provided additional funding to CIW to support them with the costs of implementing the removing profit work, including the cost of additional staffing relating to the proposed changes to registration processes. On the call for streamlined processes to minimise delays regarding registration CIW has reduced its average time spent reviewing applications for registration over recent months and has issued additional guidance to providers to clarify expectations for what must be submitted as part of the registration application. This should minimise CIW time spent following up on missing documentation within applications, further reducing the potential for delays.

We recognise the potential benefits highlighted by providers alongside the need for appropriate guidance and training on the new processes. CIW has held regular events and advice surgeries with providers alongside issuing regular bulletins to providers on the key changes. As referenced in the response to question 1 CIW has established a provider reference group who will give feedback on any developments in regard to policies and procedures being developed (where appropriate) and will continue to engage with the wider sector at key points.

**Question 3. We will work to ensure that the proposed changes to the registration regulations are supported by robust guidance to help both providers, children looked after, their families and carers understand how the system should operate.**

**What specific topics or issues should the guidance cover to further support understanding of the changes to regulations?**

Respondents felt guidance should be clear, practical, and accessible to all stakeholders and be co-produced with the sector to ensure it meets their needs. Respondents emphasised that continuous stakeholder engagement would be key for effective and stable guidance.

It was felt that any guidance should provide a clear definition of 'not-for-profit' models, and the four permitted operating models under the new legislation. It should set clear expectations to providers around compliance and the evidence required to support any application. It was also felt that particular attention should be given to financial arrangements, reserves and examples of fair and unfair practices and that there should be clarity around escalation and monitoring processes to support understanding and enforcement.

Respondents felt that providers need step-by-step guidance on registration requirements, documentation, and timelines. Guidance should outline additional responsibilities, such as publishing annual accounts and demonstrating not-for-profit status. Support for reestablishing as a not-for-profit—such as case studies, advisory services, and practical resources—will help providers navigate changes smoothly. In addition, it was noted that any guidance, including step-by-step instructions for navigating the new registration requirements should be produced bilingually.

Respondents provided additional suggestions to aid new registration processes. These included

- a single, authoritative register of providers, integrated with existing systems, to ensure transparency and consistency in oversight.
- local authorities are set clear expectations and supported in monitoring their children's services, and that they develop contingency plans for placements and workforce retention to minimise disruption if providers cease operation or fail to register.

### **Welsh Government analysis and response:**

We recognise the need for robust, clear and accessible guidance to support the implementation of the new requirements in the registration regulations. As referenced in the responses to previous questions CIW will be updating its registration guidance and processes and has been doing so with the involvement of the sector. Guidance will be available online with changes clearly communicated to the sector.

Regarding guidance clearly defining the not-for-profit models these four models are already clearly defined with the 2025 Act, specifically within section 3(3) which

inserts new Section 6B - Registration in respect of a restricted children's service: definitions – into the Regulation and Inspection of Social Care (Wales) Act 2016 ("The 2016 Act"). However we will consider with CIW whether this needs to be reiterated within any additional guidance. On setting clear expectations around compliance and the specific evidence required to support any application CIW also recognise this and will consider how this is incorporated into updated guidance. Regarding financial arrangements this relates more to the monitoring and enforcement approach elements of the consultation so will be addressed within the response to those questions (questions 7 to 9).

On the points raised regarding the need for step-by-step guidance on registration requirements, documentation, and timelines we are grateful for this specific feedback and these points are being considered by CIW as part of their updating of guidance relating to the registration process. Regarding guidance and support for re-establishing as a not-for-profit organisation we would consider this would be primarily linked to the support provided by Cwmpas. Both Welsh Government and CIW will continue to engage with Cwmpas as their engagement with individual providers progresses and will consider whether any additional practical resources or case studies can be shared. Regarding guidance being available bilingually we can confirm that this is standard practice for CIW, in line with Welsh language standards.

Regarding a single register of providers CIW already maintains a register of regulated service providers, including services for children, as part of its regulatory duties. Information about regulated services registered with CIW is published on the care service directory on the inspectorate's website.

We recognise the need for local authorities to have clear expectations and support with implementation. We are supporting ADSS Cymru to coordinate and oversee local authority planning, implementation and support to ensure that provision across Wales can provide for future need and any potential disruption is minimised.

#### **Question 4. What are your views on the proposed timings and transitional approach to registrations?**

**Please identify any implications or risks associated with these arrangements including the proposal for a cut-off date for applications to be treated as though the previous legislation applies**

Several respondents found the proposed timings and cut-off dates for registration reasonable but emphasised the need for clarity and consistency. Some felt that the introduction of a hard cut-off date may encourage last-minute applications, potentially from organisations seeking to profit rather than align with the spirit of the new legislation.

Some respondents suggested that a phased, flexible approach around any approach to regulations is necessary, with extended lead-in periods, rather than simultaneous implementation for all providers. They felt this, combined with robust monitoring arrangements and sharing of broader intelligence across the sector, such as workforce data, would help address any risks, emerging pressures around workforce or sufficiency of placements and ultimately provide continuity of care.

As with previous responses, clear communication and guidance around deadlines were recommended to ensure providers have adequate time to prepare. Respondents highlighted the need for clear, practical guidance for providers, especially regarding the process for re-establishing as not-for-profit. Support from CIW and Welsh Government, in terms of engaging with providers and helping them to prepare was seen as essential to help them navigate the new arrangements and avoid rushed or poorly prepared applications.

#### **Welsh Government analysis and response:**

We note the feedback regarding the risk of a hard cut-off date encouraging last-minute applications however we consider setting a specific date to be vital in ensuring a clear, consistent approach (the need for clarity and consistency around timings also being areas highlighted by respondents). This need for clarity and consistency is also why we have adopted a consistent cut-off date for all restricted children's services.

Regarding the specific cut-off date following feedback from providers we have [announced](#) that the final date under which applications to register or add a restricted children's service or place will be considered under the old legislation will be adjusted from 9 January 2026 to 31 March 2026. The new arrangements will provide additional flexibility to those considering whether to register new services, or those considering varying their registration to add additional services or places.

On the need for clear communication and guidance around deadlines we recognise this and have been working closely with CIW and key stakeholders to ensure consistent messages are communicated to providers. This will continue as implementation progresses.

## **Question 5: What are your views regarding the proposed changes to the annual returns regulations?**

**Please share any suggestions for any changes or additions you would like to see.**

A number of providers expressed broad agreement on the general principal of annual returns being essential for maintaining compliance, accountability and transparency. Some respondents supported continued publication of these returns for continued transparency but stressed that returns be accessible and meaningful to the public. Additional suggestions were made for annual returns including summaries showing reinvestment into children's care, proportional requirements for smaller providers, and inclusion of Welsh language provision and child-centred outcomes.

While the principle of annual returns was broadly supported by several respondents some cited practical challenges, especially for Responsible Individuals (RIs) who bear legal accountability. They cited that smaller providers may struggle with the administrative burden, risking errors and enforcement actions. Suggested solutions included clear guidance, templates, training, digital tools, phased implementation, and tailored expectations based on provider size and complexity. Similarly several respondents expressed concerns that the proposed changes will increase administrative workload and costs for providers. More broadly there was also some scepticism about the Welsh Government's ability to prevent private equity-backed organisations from exploiting loopholes, particularly through the adopting the Community Interest Company model. A broader point was made that requiring all Independent Fostering Agencies (IFAs) to operate as charities is the only way to fully prevent the extraction of profit.

Some responses highlighted the need for stronger financial scrutiny to prevent profit extraction. Recommendations include requiring detailed accounts, disclosure of related-party transactions, ownership structures, and declarations of auditors and advisers. Access to specialist forensic financial advice for CIW is seen as critical. Without these safeguards, some respondents expressed concern that some providers may manipulate arrangements.

As referenced in response to previous questions concerns were raised by some respondents about CIW's ability to monitor compliance effectively given current resource constraints. Some respondents called for additional funding and staffing to review returns, investigate financial practices, and provide guidance.

### **Welsh Government analysis and response:**

We recognise the support for annual returns in maintaining compliance, accountability and transparency and the proposed changes to the regulations will support this. Publication of annual returns will continue albeit the responsibility for publication is intended to change to providers. Regarding suggestions for annual returns to include accessible summaries while we are not currently intending to make further changes to the annual returns process other than those described in the consultation given the need to manage impacts on the sector of the existing changes, we will keep this under consideration and reflect on whether this is an area which can be explored in future years.

Regarding the potential practical challenges because of the proposed changes we recognise the concern regarding the potential administrative burden on RI's and smaller providers however the risk is considered to be very low given this should be a straightforward exercise that should not be onerous to complete. We appreciate the suggestions regarding mitigating this risk – CIW are currently updating guidance and tools as well as considering how to ensure clear communications regarding tailored expectations. Regarding a phased implementation this is already part of the implementation at a programme level with restrictions commencing on 1 April 2026, 2027 and 2030 respectively. However we consider adopting a consistent date for the implementation of the changes to annual returns across all restricted children's service to be necessary to ensure the necessary clarity for both providers and CIW.

On the risk of providers potentially exploiting loopholes, particularly via the Community Interest Company model this relates more closely to the proposed monitoring and enforcement approach section of the consultation and will be covered in the Welsh Government's response to related questions 7 to 9.

As per the response to previous questions relating to CIW's resourcing we have provided additional funding to CIW to support them with the costs of implementing the removing profit work. Alongside the cost of additional staffing relating to the proposed changes to registration processes this also includes support for the additional costs relating to monitoring and enforcement as a result implementing the removing profit work.

**Question 6. What impact (including any costs or benefits) do you think the proposed changes to the annual returns regulations might have on different organisations or sectors within health and social care?**

Regarding impact a number of respondents highlighted concerns about increased paperwork and time demands resulting from the proposed changes. While one respondent said that larger IFAs may only face moderate adjustments, smaller providers could experience significant resource pressures. Concerns were raised by some about potential unintended consequences, particularly for smaller providers. Increased administrative and financial burdens could threaten their viability, leading to fewer placement options and greater instability for children with complex needs. Suggestions include using template-based reporting systems to reduce complexity and avoid duplication of information requests.

On potential benefits several responses acknowledged that annual returns could improve transparency, public confidence, and enable better planning by local authorities. Clear financial reporting would help monitor compliance with the not-for-profit model and reduce risks of profit extraction. However, some respondents stressed that these benefits depend on robust implementation and monitoring, supported by clear guidance and proportionate requirements.

As a more general point several respondents called for clarity on enforcement stages, penalties, and thresholds under Section 47 of the 2016 Act. They noted that compliance costs could rise and may be passed on to local authorities through higher placement prices. Respondents also cited that effective monitoring will require additional resources and specialist financial expertise for CIW and local authorities.

Some respondents also referred to the proposed changes to publication of provider annual returns contained within the [other Welsh Government consultation](#) on proposed changes to the regulation of social care services which also proposed changes to annual returns. Related to this, potential operational challenges raised by respondents included the need for digital infrastructure to publish annual returns, particularly for organisations managing multiple homes. Respondents suggested options such as collective returns for multi-site providers and alternative publication methods for those lacking digital capacity. Training, administrative support, and phased implementation were recommended to mitigate risks and ensure compliance without creating excessive bureaucracy.

**Welsh Government analysis and response:**

As with responses to the previous question we recognise the concerns regarding the potential additional administrative burden however the risk is considered to be very low given this should be a straightforward exercise that should not be onerous to complete. CIW guidance will set clear expectations regarding what is required, reducing the risk of any potential duplication. We will continue to work closely with CIW to ensure that processes relating to the new annual returns requirements are proportionate and efficient.

We recognise the potential benefits of the proposed changes to annual returns cited by several providers and agree these will be a key mechanism for transparency and public confidence.

Regarding clarity on enforcement practices CIW will continue to communicate with providers at key stages and ensure clear CIW guidance is made available as appropriate.

Finally, on the challenges cited regarding the proposed changes to annual returns these are addressed within the separate consultation response to the consultation on proposed changes to the regulation of social care services published [here](#).



**Question 7. What are your views regarding the proposed approach to monitoring and enforcement for unreasonable or disproportionate financial arrangements?**

Some respondents expressed scepticism about the proposed approach to monitoring and enforcement, suggesting that it may encourage poor practice and fail to prevent profit extraction. Concerns centred on the perceived inability to police complex financial structures, particularly those backed by private equity, and the risk that providers will exploit loopholes such as the CIC model (as also cited in responses to previous questions). One respondent warned that some providers could spend more on accountants than regulators can on enforcement, risking making monitoring ineffective.

There was broad agreement from those who responded to this question that clarity and certainty are essential. Some respondents highlighted the need for clear definitions of “unreasonable” and “disproportionate” financial arrangements, supported by practical guidance and thresholds. Without this, some respondents raised the risk of legal uncertainty and potential enforcement action. Some specific suggestions included publishing examples of acceptable reserves and contingency planning to avoid ambiguity.

Capacity and resourcing also emerged as a theme amongst several responses. Some respondents questioned whether CIW has the expertise and funding to monitor complex financial arrangements effectively. Respondents noted that forensic accounting may be required to detect hidden profits, which could be costly and resource intensive. The proposed approach of working with other regulators such as the Charity Commission was seen as sensible by several respondents although others also expressed concerns regarding the risk of duplication and effective coordination. Recommendations included clear reporting channels for concerns, and mechanisms to protect placement stability during investigations. Without these safeguards, respondents warned that the approach could become bureaucratic, costly, and ineffective, undermining the core aim of improving outcomes for children.

Respondents also stressed the importance of proportionality and child-centred enforcement citing the risk that sudden de-registration or enforcement could destabilise placements, causing disruption for children with complex needs. Several called for early intervention mechanisms, clear escalation policies, and notice periods to allow local authorities to plan for continuity of care. In terms of the monitoring and enforcement approach some respondents highlighted that this should prioritise remediation over punishment.

**Welsh Government analysis and response:**

We recognise the concerns raised regarding the challenges of monitoring complex financial structures and the potential risk of providers being able to identify and exploit potential loopholes. The Welsh Government remains committed to ensuring that the not-for-profit principle is upheld. To achieve this, we will work closely with CIW and other regulators to monitor oversight in the initial years of implementation. While we acknowledge that some providers may have access to significant resources, our approach will focus on clear reporting requirements and proportionate enforcement to maintain confidence in the system. We will keep the monitoring and

enforcement approach under review and make additional changes if deemed necessary.

Regarding the need for clarity and certainty cited by a number of respondents we agree this is essential. Our and CIW's aim is to ensure that providers have a clear understanding of expectations and can operate confidently within the framework and we will ensure this is communicated. We acknowledge however that there is still additional work to do and the monitoring and enforcement approach may have to necessarily evolve over time depending on the types of not-for-profit organisations registering and the type and volume of monitoring and enforcement issues that subsequently emerge.

We acknowledge the concerns raised by some respondents about capacity and expertise. As previously referenced CIW are being supported with additional resources and there is contingency in place to consider access to specialist financial advice where required. CIW are in the process of establishing formal agreements/memoranda of understanding with other regulators, to share information and avoid duplication. In addition we recognise the importance of clear reporting channels to enable concerns to be raised promptly and this is something CIW are also aware of.

We share the view that enforcement must be proportionate and this is in line with CIW's existing enforcement policies. As with those the enforcement principles will be centred around the principle of a clear, graduated, and proportionate enforcement pathway. This will continue to align with CIW's primary concern to ensure that providers support children to achieve the best possible outcomes and keep them safe. This includes considering the need for continuity of care and minimising disruption for children with placement stability remaining a key consideration.

**Question 8. What impact (including any costs or benefits) do you think the proposed approach to monitoring and enforcement for unreasonable or disproportionate?**

**What impact (including any costs or benefits) do you think the proposed approach to monitoring and enforcement for unreasonable or disproportionate financial arrangements might have on different organisations or sectors within health and social care?**

Several respondents reiterated that monitoring and enforcement will require significant additional resources for CIW. Insufficient staffing, expertise and oversight could risk inconsistent or delayed enforcement, ultimately undermining the policy's effectiveness.

The broad view of respondents was that any approach would need to be managed carefully. In line with previous responses some respondents noted that improved monitoring could enhance fairness, transparency, and public confidence, deterring exploitative financial practices. Effective enforcement to curb profit extraction would deter the risk of financial misconduct and promote higher levels of reinvestment, thereby creating value for money for commissioners and the public. Successful measures depended on coordination between CIW and other regulators, supported by formal information-sharing agreements and investment in training and systems

Similar to previous responses it was also felt that larger organisations might use overly complex structures to avoid scrutiny, while smaller providers could be overburdened. The impact of any increased costs and operational burdens, particularly for smaller providers, could lead to market withdrawal and reduced placement availability for children, particularly in terms of emergency placements. This would in turn create additional emotional toll both on workforce and children in care, especially if enforcement is perceived as punitive or inconsistent.

Finally, respondents stressed the need for clear, fair enforcement arrangements and coproduced guidance to avoid creating unnecessary burden and costs. This approach would reinforce integrity and accountability across the sector.

**Welsh Government analysis and response:**

As with our response to previous questions regarding resources CIW have received additional resources to support the costs of their implementation of the removing profit work.

We recognise that there is broad support for the aims of the proposed approach to monitoring and enforcement but are mindful of concerns raised about practical implementation and potential unintended consequences. We agree that careful management is needed, and CIW are working with other regulators to ensure a considered approach, engaging key stakeholders as appropriate. This includes work to explore scenarios and mechanisms where profit may be extracted, as well as considering existing tools that monitor market costs and identify outliers. Collectively this aims to address potential scenarios where overly complex structures are adopted to circumvent scrutiny however as with the previous response we recognise

the monitoring and enforcement approach may have to necessarily evolve over time depending on the monitoring and enforcement issues that subsequently emerge.

Regarding the need for clear, fair enforcement arrangements we agree with this. As per our response to the previous question the principle of fairness is in line with CIW's existing enforcement policies alongside the principle of a clear, graduated, and proportionate enforcement pathway.

**Question 9: We will work to ensure that the proposed approach to monitoring and enforcement for unreasonable or disproportionate financial arrangements are supported by robust guidance to help both providers, children looked-after, their families and carers understand how the system will operate.**

**What specific topics or issues should the guidance cover to further describe the proposed approach?**

In line with previous responses, there was a call for clear, accessible, and timely communication for providers. Similar to previous responses several respondents emphasised the need for clear definitions of what constitutes “unreasonable” or “disproportionate” financial arrangements alongside examples, thresholds, and case studies to illustrate acceptable and unacceptable practices.

There was also a call for clarity over what is considered a reasonable surplus and how it may be used in terms of reinvestment and remuneration, as well as transparency around the use of loans and financial structures within not-for-profit providers.

Guidance should also address escalation routes, enforcement stages, timelines, and the rights of providers to reply or appeal decisions. There was a strong emphasis on ensuring that guidance is role-specific and proportionate, with detailed operational guidance for both providers and CIW, outlining the processes for investigation, enforcement, and appeals, as well as the roles and responsibilities of CIW and local authorities.

Whereas some respondents called for easy-to-read financial summaries for parents, carers, and young people to help them understand the system, others felt children and families should not be burdened with financial details. Instead they should be reassured that decisions are made in their best interests. Accessible information on how to raise concerns and the support available in the event of provider deregistration was also recommended.

### **Welsh Government analysis and response:**

In line with our responses to previous questions regarding guidance we agree with the need for clear, accessible guidance and timely communication and where appropriate CIW are engaging a specific provider reference group as part of updating their guidance and processes. This engagement is expected to continue through implementation, supported by proactive communication at key points. Welsh Government works closely with CIW to coordinate communications, as well as engaging with local authority and Social Care Wales partners to coordinate consistent messaging. We appreciate the specific suggestions for guidance which have been shared with CIW for consideration as part of their ongoing process to update their suite of guidance and processes ahead of implementation.

**Question 10: What, in your opinion, would be the likely effects of the proposals on the Welsh language?**

**We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.**

- **Do you think that there are opportunities to promote any positive effects?**
- **Do you think that there are opportunities to mitigate any adverse effects?**

Of those who responded to this question a number were in line with a common theme that while the proposals may not drastically alter current practices, they presented a meaningful opportunity to reinforce the use of the Welsh language within the care sector. Some respondents thought not-for-profit provision could boost Welsh language use, especially if providers must consider Welsh in reinvestment plans. Others expressed concern that smaller Welsh-speaking providers may struggle with new requirements, risking reduced access to Welsh-medium care..

Respondents highlighted the need for all materials to be fully bilingual, meeting Welsh language standards and cultural context. They stressed equal treatment for English and Welsh-medium services, recommending an “Active Offer” of Welsh to serve Welsh-speaking users.

Some respondents felt guidance should embed Welsh language standards throughout all processes and that all providers share responsibility for delivering bilingual services. Some felt there should be support for smaller providers who may lack resources for bilingual service delivery.

A number of respondents also felt there was a need for the registration process to actively monitor Welsh language provision and compliance, in terms of both service delivery and reporting.

As a general point some respondents advocated that workforce development should include investing and developing Welsh language skills within the workforce, and active recruitment of Welsh-speaking carers. Guidance could also specify the use of training and seminars offered by regulators are available in both Welsh and English.

**Welsh Government analysis and response:**

Under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards (No. 7) Regulations 2018, local authorities and health boards are required to publish documents in both Welsh and English. Where these organisations provide a regulated service, this will include their annual returns. Other regulated service providers have the option to publish their annual returns in English only, Welsh only, or both languages.

**Question 11: In your opinion, could the proposals be formulated or changed to:**

- **have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or**
- **mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?**

A range of views were expressed in response to this question. While some respondents felt that the proposals would have a neutral effect, others identified clear opportunities to strengthen the approach, to promote linguistic inclusion and cultural identity, and ensure the Welsh language is treated no less favourably than English.

The proposals could enhance the use of Welsh by incentivising Welsh-medium foster carer recruitment. They could also require providers to publish Welsh language plans and report on provision. The publication of guidance and communications in both Welsh and English, would actively promote bilingual provision and equal treatment of the Welsh language.

Several practical measures to enhance the positive impact of the registration regulations on the Welsh language. These include incentivising and supporting the recruitment of Welsh-medium foster carers, requiring providers to publish Welsh language plans and report on Welsh language provision in annual returns, and offering grant funding to help expand Welsh language capacity. Targeted support for smaller providers in Welsh-speaking areas was also suggested.

Some providers felt that Welsh language provision may be overlooked or under-resourced under any new arrangements, especially by smaller providers. To mitigate those risks, ongoing monitoring of language metrics could be established. Facilitating proper consultation and dialogue between providers, regulators, and Welsh language advocates would also help to identify and address any emerging negative impacts.

Overall, the responses suggest that the proposals could be strengthened by mandating bilingual publication, offering practical support to providers, and embedding Welsh language considerations more firmly within the regulatory framework. These measures would help promote linguistic equality and ensure that the Welsh language is not treated less favourably than English in the delivery of care services.

### **Welsh Government analysis and response:**

The Welsh language is promoted and protected under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards (No. 7) Regulations 2018. *In line with these requirements, services must make an Active Offer by providing Welsh services proactively, so people can access them without asking, ensuring equality and respect for language choice.*

CIW plays an important role in monitoring and enforcing Welsh language requirements within social care and childcare services. CIW ensures that forms, guidance documents, and most publications are available in both Welsh and English. At registration, CIW confirms the provider's language of choice and checks this through annual data collection. Social care service providers are required to include information about their Welsh language provision in their Statement of Purpose, and CIW monitors this as part of its registration and inspection processes.

A wide range of support for providers to strengthen Welsh language provision is already in place. CIW provides bilingual templates and guidance to assist providers in meeting their obligations.



## **Question 12: We have asked a number of specific questions.**

**If you have any related issues which we have not specifically addressed, please use this space to report them.**

Those respondents who answered this question within their responses raised a variety of issues.

One respondent recommended that all registered providers be required to commission independent residential visiting advocacy, considering it vital for protecting children's rights, welfare, and continuity of care.

One respondent repeated a point made in previous questions regarding the concern for-profit companies could exploit legislative arrangements, specifically by leasing capital assets to CIC's at inflated rates. Respondents advise strong collaboration between Welsh Government and providers to ensure the process remains rigorous and effective.

One respondent suggested that assessments of placement sufficiency and market viability were undertaken to ascertain the likely number of new entrants and the potential loss of existing providers. Instability may arise if local providers exit, potentially reducing nearby care and increasing dependence on out-of-area placements.

Some respondents used this question to reiterate the need for clear guidance and planning in cooperation with the sector, although suggestions frequently referred to the broader policy intent. Those suggestions included greater clarity over cross-border placements, and allowing greater legislative flexibility to adapt or reverse changes should loss of provision threaten service continuity and child welfare.

### **Welsh Government analysis and response:**

Some issues raised in response to this question have been addressed elsewhere in the summary response report and are not repeated here. We nevertheless welcome the broad engagement and constructive feedback received on the proposed registration regulations and the wider policy to eliminate profit from children's care.

Regarding the suggestion that registered providers be required to commission independent residential visiting advocacy while we recognise the value of advocacy this is not something currently considered to be within the scope of the removing profit work.

On the suggestion to undertake assessments of placement sufficiency and market viability in future local authorities will be required to prepare annual sufficiency plans. The 2025 Act inserts new section 75A into the Social Services and Well-being (Wales) Act 2014 relating to preparation and publication of local authority annual sufficiency plans. These plans are intended to promote a coherent approach to the planning and provision of not-for-profit services within local authorities, according to local needs and the rebalancing of care and support provision more widely. We have been working with ADSS Cymru to consider the content of these plans and intend to consult on proposals in spring 2026.

## Next steps

The Annual Returns (Miscellaneous Amendments) (Wales) Regulations 2026 and The Regulated Services (Registration) (Wales) (Amendment) Regulations 2026 will be laid before the Senedd in January 2026.

Subject to those relating to annual returns being approved by Senedd Cymru, and those relating to registration not being annulled by Senedd Cymru, they will come into force on 1 April 2026.

All of the draft documents will be available on the Senedd website: [Subordinate Legislation \(senedd.wales\)](https://www.senedd.wales).

Once in force, from 1 April 2026, new providers seeking to register with CIW to provide a restricted children's service must confirm they are one of the four not-for-profit models at registration. Providers of restricted children's services will also have to make a declaration within each of their subsequent annual returns, that they are (and continue to meet) the definition of a not-for-profit entity.

From 1 April 2026 no new restricted children's services will be permitted to register with CIW unless the provider is one of the specified types of not-for-profit organisation. Existing providers of these services will not be able to apply to CIW to vary their registration to add a new service or place, unless the provider is one of those specified types of not-for-profit organisation. Following feedback from providers the cut-off date for when CIW would be able to consider an application to register or add a restricted children's service or place under the previous legislation has been adjusted from early January (as set out in the consultation) to 31 March 2026. This 31 March 2026 date was specified within [the Health and Social Care \(Wales\) Act 2025 \(Commencement No. 1 and Transitional and Saving Provisions\) Order 2025](#) made on 28 November 2025

From 1 April 2027 it is intended that no additional beds will be able to be added to existing 'for-profit' children's homes and no new foster carers can be approved by existing for-profit providers of a fostering service.

The impact of the regulations will be closely monitored. Officials regularly engage with partners across the sector to obtain market intelligence, including regular engagement with CIW and through the national body of work undertaken through the Eliminating Profit Programme Board, alongside broader reporting to ensure equity and effectiveness. More broadly, the overall removing profit policy is expected to be subject to a formal evaluation over the coming years.

Any further arrangements associated with the legislation and these proposed regulations will be subject to further policy decisions and consultation.

## **Annex A: List of consultation respondents**

List of respondents who completed the form and were happy to share their details:

1. TACT
2. Royal College of Nursing
3. TGP Cymru
4. National Fostering Group
5. Social Care Wales
6. NYAS Cymru and TGP Cymru (Joint Evidence Submission)
7. Revolution Consulting Ltd
8. Wales Council for Voluntary Action
9. Nationwide Association of Fostering Providers
10. Gwynedd County Council
11. Llais Cymru
12. Torfaen County Borough Council
13. Conwy County borough Council
14. Wrexham County borough Council
15. Flintshire County borough Council
16. Action for Children
17. Association of Directors of Social Services Cymru (collective response with the Children's Commissioning Consortium Cymru, Foster Wales and the Welsh Local Government Association).

Ten respondents declined to give permission to share their details.