

# WELSH GOVERNMENT INTEGRATED IMPACT ASSESSMENT

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| <b>Title of proposal:</b>  | <b>Removing profit from children's care - implementation of local authority annual sufficiency plan duty</b> |
| <b>Official(s) completing the Integrated Impact Assessment (name(s) and name of team):</b> | <b>Enabling People Division</b>  |
| <b>Department:</b>   | <b>Health and Social Services Group</b>  |
| <b>Head of Division/SRO (name):</b>  | <b>Alistair Davey</b>  |
| <b>Cabinet Secretary/Minister responsible:</b>   | <b>Minister for Children and Social Care</b>   |
| <b>Start Date:</b>   | <b>1 April 2026</b>  |

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

**In narrative form, please describe the issue and the action proposed by the Welsh Government. How have you applied / will you apply the five ways of working in the Well-being of Future Generations (Wales) Act 2015 to the proposed action, throughout the policy and delivery cycle?**

### Issue

The Welsh Government's Programme for Government contains a commitment to 'eliminate private profit from the care of children looked after'. The policy intent is to ensure that public money invested in accommodation for care experienced children is not extracted out as profit, but instead any surpluses are reinvested back into the system to support better outcomes, services and professional development.

On 24 March 2025, the Health and Social Care (Wales) Act 2025 ('the 2025 Act') became law in Wales. It includes provisions intended to restrict the extraction of profit by providers of children's home services, secure accommodation services and fostering services (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 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 restricted children's services provider must be taken into account by the Welsh Ministers when deciding if a provider is a fit and proper person to be registered.

The 2025 Act also inserts a new section 75A into the Social Services and Well-being (Wales) Act 2014 ("the 2014 Act"). This requires local authorities to prepare and publish a plan (an 'annual sufficiency plan') regarding their section 75(1) duty. From 1 April 2026 the current local authority sufficiency duty in section 75(1) will be amended so that -

- local authorities must take all reasonable steps to secure accommodation for their looked after children.
- the duty extends to accommodation within or near the authority's area, recognising that in some circumstances a placement outside the county may still be closer to a child's home community.
- accommodation must be with providers who are either local authorities or who meet the not-for-profit requirements.
- local authorities must consider the benefit of having a range of accommodation within or near their areas that meets the different needs of their looked after children, this replaces the previous focus on the number of providers, allowing sufficiency to be met even if the accommodation is provided by a single provider (such as the local authority itself) as long as it meets the different needs of the authority's looked after children.

The 2025 Act also inserts new sections 75B, 75C and 75D into the 2014 Act. Section 75B requires local authorities to submit a draft of the sufficiency plan to the Welsh Ministers for approval, whilst section 75C sets out the procedure to be followed if the draft plan is not approved. Section 75D requires that in relation to each financial year for which an annual sufficiency plan has been made, the annual report prepared by a local authority under section 144A must set out -

- (a) how steps taken by the local authority in that financial year have increased (or are expected to increase) the amount of accommodation available to the authority that meets the requirements of paragraphs (a) to (b) of section 75(1);
- (b) the number of applications the local authority made in that financial year for approval to place children in a supplementary placement in accordance with section 81B;
- (c) the reasons for any difference between the number of applications provided under paragraph (b) and the number of applications the local authority had estimated under section 75A(3)(d)(i) it would make during the year.

New section 75A also contains new regulation making powers regarding:

- subsection (2)(a) regarding the form of plans.
- subsection (3)(d)(iii) and (iv) regarding information on for-profit providers who provide accommodation in Wales, and any information to be prescribed in regulations about for-profit providers who provide accommodation in England.
- subsection (3)(f) regarding other information to be prescribed in plans.

The intention of annual sufficiency plans is to promote and support a coherent approach to the planning and provision of not-for-profit placement sufficiency within local authorities, according to local needs, and in the context of the rebalancing of care and support provision more widely. Requiring publication of annual reports on sufficiency will ensure that local authorities' plans are transparent and accessible to other key stakeholders, promoting greater join-up and integration.

### **Action proposed**

Welsh Government proposes to make regulations under all the new regulation making powers within new Section 75A listed above.

Regulations under S75A (2)(a) would prescribe that sufficiency plans must be in the form of a template made available by Welsh Government

Regulations under S75A (3)(d)(iii) and (iv) about information on providers who are likely to be named in supplementary placement applications could potentially include

- provider identity and legal status: Provider name, registered address, company number, and confirmation of for-profit/not-for profit status.
- type of service provided: Whether the provider operates children's homes, fostering services, or secure accommodation.
- location and capacity: Location (approximate for anonymity) of facilities, number of registered places, and geographical coverage.

- re-establishment plans: If the provider is re-establishing as a not-for-profit entity, details of the process and timeline.

Regulations under S75A(3)(9)(f) would set out a number of further 'core' elements to be included in sufficiency plans in addition to those already set out in S75A (3). These could include:

- service context that focuses on needs profile of children and young people
- data and trends in children looked after numbers (current and projected)
- placement profile of children looked after and current placement provision
- future demand projections (minimum and maximum)
- detail about national, regional and local provision which is provided by or available to the local authority
- data on the number of children placed out of county/country
- data on the number of children in services operating without registration
- data on the number of children subject to Deprivation of Liberty Orders
- key risks and mitigation
- gaps in data and how these will be addressed
- links with relevant Welsh Government plans
- workforce plans

### **How the five ways of working in the Well-being of Future Generations (Wales) Act 2015 are applied, throughout the policy and delivery cycle**

#### **1. Long Term**

The Welsh Government's approach to removing profit from children's care reflects a long-term vision for sustainable, equitable care. By requiring providers to operate on a not-for-profit basis, the policy aims to ensure that resources are reinvested into improving outcomes for children rather than distributed as profit. This aligns with the long-term goal of creating a stable care system that prioritises well-being over financial gain.

The proposed regulations regarding annual sufficiency plans are intended to secure benefits over the long term, through supporting the sufficiency planning framework which will require local authorities to:

- Assess current and projected needs, including trends in looked-after children, future demand scenarios, and anticipated placement pressures.
- Plan for a range of accommodation within or near their area, reflecting the long-term wellbeing of children by reducing unnecessary distance from home.
- Develop workforce plans, recognising workforce resilience as a long-term determinant of placement stability and quality.

Annual sufficiency plans will enable local authorities and Welsh Ministers to evaluate long-term progress, identify shifts in demand and provision, and inform continuous policy development. This aligns with the long-term objectives of the overall removing profit and transformation agenda which emphasises sustained improvements in outcomes and reinvestment in public benefit

#### **2. Prevention**

The broader removing profit policy seeks to prevent risks associated with profit-driven care, such as potential instability in placements due to market-driven decisions and increasing costs.

The proposed regulations regarding annual sufficiency plans will support prevention by

- Requiring forecasting of future need specifically requiring authorities to estimate the number and type of placements required, allowing them to plan capacity in advance rather than relying on emergency or unsuitable placements.
- Mandating analysis of risks, gaps and workforce pressures specifically gaps in provision, data weaknesses and risks, along with the actions to address them.
- Including forward-looking actions to develop provision by requiring authorities to set out how they will ensure sufficiency in future years, promoting early market shaping, capacity building and investment, preventing shortfalls from materialising

Engagement with local authorities to develop the template specified in regulations will ensure that the preventative elements reflect operational realities and frontline experience.

### **3. Integration**

As referenced within the [Integrated Impact Assessment completed](#) for the removing profit elements of the then Health and Social Care (Wales) Bill these amendments form part of the wider removing profit work and Transformation Programme which connects and contributes to a number of broader Programme for Government commitments and the [Programme for Government Well-being Statement](#). To deliver this wider transformation programme governance arrangements have been put in place. We have taken a three-tiered approach to provide the right direction and scrutiny to achieve our aims and to ensure connections with other relevant policy agendas. The structure has three key groups:

- i. A Ministerial Oversight Board to oversee the Transformation Programme, providing political leadership and direction chaired by the First Minister and the Minister for Children and Social Care
- ii. A Transformation Delivery Group to lead work to drive forward the delivery of the Transformation Programme
- iii. The Eliminating Profit from the Care of Looked After Children Programme Board to provide additional expertise as we consider evidence, legislate and develop practical programmes for implementing this commitment.

### **4. Collaboration**

A consultation ran from 9 February to 7 April 2026 covering the proposed approach and potential content of regulations relating to sufficiency plans. This included:

- use of the regulation making powers under new section 75A:
- the proposed approach and processes relating to:
  - New Section 75B - Duty to secure accommodation: procedure for approval of sufficiency plan, and

- New Section 75C - Duty to secure accommodation: procedure if draft plan not approved by Welsh Ministers
- General feedback on implementation of the other requirements relating to sufficiency plans within new section 75 A, including:
  - Requirements to estimate the number of children that it will be looking after,
  - the amount of accommodation provided by local authority foster parents and children's homes that will be available to the local authority and
  - the number of applications the local authority anticipates making for approval of supplementary placements in accordance with section 81B inserted into the 2014 Act.

More broadly the development of the amendments has involved close collaboration with local authorities via the Association of Directors of Social Services Cymru (ADSS Cymru) with other key stakeholders kept updated via the Eliminating Profit Programme Board and its supporting workstreams. Ongoing collaboration is planned through implementation, particularly in developing the proposed sufficiency plan template and collectively communicating the key changes to local authorities and ensuring ADSS Cymru can support them in meeting the new requirements.

## 5. Involvement

As above a consultation on the proposals ran from 9 February to 7 April 2026, which sought views on the proposed changes. As previously outlined local authorities were closely involved from the outset through direct engagement with ADSS Cymru, which convened a dedicated group of local authority heads of service to scrutinise and shape the proposed approach to sufficiency plans. This group provided detailed feedback on the structure of the plans, the submission and approval processes, and the potential use of regulation-making powers.

## SECTION 8. CONCLUSION

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

In developing the proposed regulations regarding annual sufficiency plans, engagement was undertaken with those most likely to be affected, in line with the Well-being of Future Generations (Wales) Act 2015 and the Equality Act 2010 and a formal consultation completed.

The Eliminating Profit Programme Board and its associated workstreams contain wide-ranging representation from across the relevant sectors. These include public sector and not-for-profit care sector and for-profit sector providers of children's care home and fostering services. The Programme Board and its workstreams have been updated on this work at key points and members had an opportunity to contribute formally through the consultation process. The Programme Board and its associated workstreams will continue to be kept involved throughout the course of this work with opportunities to give feedback to officials.

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

Given their technical nature the proposed regulations regarding annual sufficiency plans are expected to have limited impacts across people, culture and the Welsh language, the economy, and the environment in Wales.

Regarding anticipated positive impacts by mandating consistent analysis of needs, demand trends, risks, and workforce capacity, the regulations will help local authorities anticipate pressures and shape provision more effectively, improving the likelihood that children can be placed close to home and in settings that meet their needs. This greater structure and consistency across Wales also enhances transparency and accountability, creating a stronger basis for national oversight and comparison. The requirement to align sufficiency plans with existing statutory documents—such as Population Assessments, Area Plans and Market Stability Reports—further strengthens integration and encourages a whole-system approach to improving care.

Regarding potential negative impacts the regulations do create new demands on local authorities. Producing detailed annual sufficiency plans represents a significant administrative and analytical obligation, particularly for smaller authorities. There is also a risk of duplication with existing strategic documents unless guidance is sufficiently clear. Challenges with ensuring consistent data quality, especially around forecasting and identifying gaps may also risk the comparability of plans. These potential negative impacts are intended to be mitigated through close working with local authorities to shape the accompanying template and guidance. This should ensure the requirements are practical and realistic with guidance and processes co-designed with those required to implement the regulations.

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

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

Given the changes in the proposed regulations regarding annual sufficiency plans are technical in nature and relate to existing processes they are not anticipated to impact significantly to the seven well-being goals. However potential impacts are set out below, in some cases linked to the broader removing profit policy:

- **A Prosperous Wales** – The proposed regulations strengthen long-term planning and effective use of public money by giving local authorities clearer data requirements and a consistent template, helping them direct investment toward the right types of local provision and avoid inefficient emergency or distant placements, while co-produced guidance reduces unnecessary administrative cost.
- **A Resilient Wales** – By requiring authorities to analyse future needs, risks, workforce challenges and sufficiency gaps, the proposed regulations help build a more stable, adaptable care system that is better able to withstand market pressures and minimise disruptions for children, while shared guidance helps authorities manage transitional risks.
- **A Healthier Wales** – Improved sufficiency planning will support children to access stable, appropriate accommodation close to home, which is essential for physical, emotional and mental well-being; clearer guidance will also help ensure that data and planning weaknesses do not undermine children’s outcomes
- **A More Equal Wales** – Standardised templates and clearer duties reduce variation between areas, helping ensure all children—regardless of location—benefit from the same level of planning, evidence and scrutiny, and that no group is disadvantaged by inconsistent practice or local capacity.
- **A Wales of Cohesive Communities** – The strengthened, more consistent planning supported by the proposed regulations will help more children remain connected to their families, schools and communities, supporting healthy relationships and community stability, while co-developed guidance encourages more joined-up working across authorities.
- **A Wales of Vibrant Culture and Thriving Welsh Language** – The structured planning approach supported by the proposed regulations will make it easier for authorities to identify and respond to Welsh-language placement needs, and shared national templates help ensure linguistic considerations are embedded consistently across Wales
- **A Globally Responsible Wales** – Requiring the strengthened evidence-based planning supported by the proposed regulations alongside co-produced guidance promotes responsible, ethical use of public funds and supports a care system designed around children’s rights and long-term sustainability, mitigating risks associated with uneven implementation.

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

The impact of the proposed 2026 regulations will be closely monitored. Officials regularly engage with partners across the sector to obtain market intelligence, including regular

engagement with local authorities via ADSS Cymru and through the national body of work undertaken through the Eliminating Profit Programme Board.

Regarding broader evaluation the overall removing profit policy is expected to be subject to a formal evaluation over the coming years. Using the evidence gathered to date within the RIA and the intelligence gathered as part of the 2024 Delphi exercise, we have commissioned a follow-up study to refresh sector intelligence to assess the effectiveness of the Eliminate provisions in the 2025 Act and any supporting legislation (including regulations relating to sufficiency plans). The approach to that evaluation has been agreed by Ministers and will be undertaken in collaboration with Government Social Research officials to determine the most effective evaluation method. It will include the collection of baseline data at the start of new arrangements in 2026.

This study will examine the 2024 Delphi findings , assess current perceptions of the 2025 Act, and identify new risks, assumptions, and areas of consensus or divergence. It will also generate actionable inputs such as candidate indicators, feasible data sources, and evaluation options.

The follow-up study will adopt a formal methodology to provide a wider evidence base and account for external factors and risks. In parallel, officials will engage with key stakeholders through the Eliminating Profit Programme Board to gather views and shape the evaluation approach collaboratively.

Subject to identification of a suitable supplier the study is expected to be completed during 2026. This timeline will enable preparation of the formal evaluation specification and commencement of work in 2026/27.