WELSH GOVERNMENT INTEGRATED IMPACT ASSESSMENT

Title of proposal:	**SLR-1025 – *The Restricted Children's Services (Wales) Regulations 2026***	
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Department:	**Health and Social Services Group**	
Head of Division/SRO (name):	**Alistair Davey**	
Cabinet Minister/Minister responsible:	**Delyth Jewell AS** **Deputy Minister for Social Care, Mental Health and Women's Health**	
Start Date:	**1 April 2027**	

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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

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 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.

The 2025 Act sets out a series of arrangements –some of which came into 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:

a) have objects or purposes that primarily relate to the welfare of children (or any other public good the Welsh Ministers may prescribe); and

b) operate under one of four types of undertaking:

- a charitable company limited by guarantee without a share capital;
- a charitable incorporated organisation;
- a charitable registered society; or,
- a community interest company limited by guarantee without a share capital.

To ensure this 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 taken into account by the Welsh Ministers when deciding if a provider is a fit and proper person to be registered.

Action proposed

The Welsh Government is taking a phased approach to implementing the removal of profit from children's care, through subordinate legislation, to support stability, integration and effective system planning.

On 1 April 2026, restrictions came into force preventing the registration of new for-profit children's homes, secure accommodation and fostering services and preventing existing 'for-profit' providers of these services from varying their registration to add a new service or place.

From 1 April 2026 the amended sufficiency duty under section 75(1) of the Social Services and Well-Being (Wales) Act 2014 Act ('the 2014 Act') also came into force, requiring local authorities to take *all reasonable steps* to secure suitable accommodation for looked-after children in their area; prioritising options within or near to their area; and using only local authority or not-for-profit providers.

By 1 December 2026, local authorities will be required to submit their first annual sufficiency plans to Welsh Ministers for approval, with these required to be published by 31 March 2027 and annually thereafter.

Further measures (which are the subject of this impact assessment) are intended to take effect from 1 April 2027 to prevent the expansion of existing for-profit children's homes and the approval of new foster carers by for-profit fostering service providers.

From 1 April 2030, it is intended that children will only be placed with for-profit providers in exceptional circumstances, and subject to Ministerial approval.

The Welsh Government intends to introduce regulatory changes under the *Restricted Children's Services (Wales) Regulations 2026 ("the proposed regulations"). These aim* to restrict the expansion of for-profit children's services. The intention of regulations is to prevent further growth of for-profit provision, while wider reforms to children's care and support services are implemented.

These proposed regulations support the Welsh Government's statutory commitment, established through the 2025 Act, to enable transition to a not-for-profit model of care for children who are looked after. Introducing these restrictions at this stage is intended to stabilise the current care market and avoid further entrenchment of for-profit provision during the transition period (intended to run until April 2030).

The proposed regulations would introduce restrictions on existing for-profit providers of children's services. Specifically, the regulations would provide that, from 1 April 2027:

- no additional beds may be added to existing for-profit children's homes; and
- no new foster carers may be approved by existing for-profit providers of fostering services.

These restrictions are prospective in nature and would apply only to future expansion. They would not:

- require existing for-profit providers to cease operating;

- affect existing placements or young people currently receiving care;
- affect foster carers already approved by for-profit fostering services; or
- reduce the existing registered capacity of children's homes or approved capacity of fostering services.

The Welsh Government considers that continued expansion of for-profit children's services may undermine the effective delivery of the reforms introduced through the 2025 Act. Further for-profit market expansion could make it more difficult for local authorities to meet their sufficiency duty and to plan, commission and develop sustainable not-for-profit provision within their areas.

How the five ways of working in the Well-being of Future Generations (Wales) Act 2015 apply to the proposed action, throughout the policy and delivery cycle

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 specific legislative changes proposed in the regulations are designed to embed these principles into the regulatory framework over the long term.

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. By mandating that providers of restricted children's services are not-for-profit entities, the Welsh Government is proactively addressing potential negative impacts on vulnerable children.

The Welsh Government considers that continued expansion of for-profit children's services may undermine the effective delivery of the reforms introduced through the 2025 Act. Further for-profit market expansion could make it more difficult for local authorities to meet their sufficiency duty and to plan, commission and develop sustainable not-for-profit provision within their areas. The measures in the proposed regulations are therefore intended to prevent these conditions occurring.

Integration

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.

Integration is demonstrated through coordinated alignment across regulatory oversight, commissioning arrangements, and service delivery. Care Inspectorate Wales (CIW) oversight, local authority sufficiency planning and provider transition processes are designed to operate cohesively, ensuring that regulatory assurance, placement capacity and market stability are maintained in parallel. This joined-up approach recognises the interdependencies between these elements and supports a consistent, system-wide response to transition.

The proposed regulations will reinforce and enable wider reform activity, including the development of a not-for-profit provider base, strengthening of local and regional commissioning, and efforts to improve outcomes for care-experienced children through stability and early support. By reducing constraints during provider transitions, it ensures these reforms can progress in a complementary and mutually reinforcing way, while also contributing to improved outcomes across related policy areas such as health, education and community cohesion.

Collaboration and Involvement

The proposed regulations have been developed through engagement with key stakeholders, including:

- Foster carers and networks
- Providers (for-profit and not-for-profit)
- Care Inspectorate Wales
- Local authorities
- Sector representative bodies

Delivery will continue to rely on collaboration between providers, CIW and local authorities to manage transitions, ensure compliance and maintain placement stability.

Impact

The proposed regulations will deliver clear benefits. They are intended to:

- stabilise the current landscape of children's services provision;
- prevent further expansion of for-profit services during the transition period;
- support local authorities in planning for sufficient not-for-profit provision; and
- ensure that public funding and system capacity are focused on improving outcomes and stability for children and young people.

Risks include a potential impact on sufficiency if providers are unable to expand their services and local authorities are unable to implement the wider system reforms that are needed in a timely way.

These will be mitigated through continued funding and oversight by the Welsh Government of local authority sufficiency planning and a collaborative approach to implementation with all relevant partners.

SECTION 8. CONCLUSION

(Please note that this section will be published)

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

In developing the proposed regulations, extensive engagement will be 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.

A formal public consultation will be undertaken, inviting responses from a wide range of stakeholders including foster carers, providers (for-profit and not-for-profit), local authorities, CIW, and representative bodies.

The consultation will seek views from organisations representing care-experienced children, including advocacy groups and the Children's Commissioner for Wales. This will ensure the proposal reflects children's priorities, particularly stability, continuity and maintaining trusted relationships.

The consultation will aim to capture views from relevant organisations and representative groups to identify potential impacts on children and carers from different backgrounds, including those with protected characteristics and Welsh speakers. This will help ensure the proposal promotes equality, avoids unintended barriers, and takes account of Welsh language needs.

The Eliminating Profit Programme Board and its associated workstreams include representation from across relevant sectors, including public, not-for-profit and for-profit providers of children's residential and fostering services. The Programme Board has been kept informed of this work and has provided input at key stages. It will continue to be engaged as the policy develops, with opportunities for members to offer feedback and inform ongoing implementation and review.

Feedback from consultation will be used to refine the proposal and will continue to inform implementation, monitoring and review.

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

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

The proposed regulations support the Welsh Government's statutory commitment, established through the 2025 Act, to enable transition to a not-for-profit model of care for children who are looked after. Introducing these restrictions at this stage is intended to stabilise the current care market and avoid further entrenchment of for-profit provision during the transition period (intended to run until April 2030).

The proposals deliver clear benefits. They will:

- stabilise the current landscape of children's services provision;
- prevent further expansion of for-profit services during the transition period;
- support local authorities in planning for sufficient not-for-profit provision; and
- ensure that public funding and system capacity are focused on improving outcomes and stability for children and young people.

There could be a potential impact on sufficiency if providers are unable to expand their services and local authorities are unable to implement the wider system reforms that are needed in a timely way. However, this will be mitigated through continued funding and oversight by the Welsh Government of local authority sufficiency planning and a collaborative approach to implementation with all relevant partners.

In summary the proposed regulations are expected to have limited impacts across people, culture, the Welsh language, the economy, and the environment. Any potential negative effects are anticipated to be minimal and can be managed through the ongoing and planned support and guidance.

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 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 certainty brought by a timeline for the commencement of the restrictions supports the underlying policy intent behind the 2025 Act and the implementation of it. It supports CIW's monitoring and enforcement of new arrangements as they ensure only not-for-profit providers can expand their existing provision of restricted children's services going forward. The certainty also strengthens the long-term planning and effective use of public money by giving local authorities clearer data on sufficiency requirements. The proposed regulations therefore provide a basis to improve services and workforce development, strengthening the social care economy, with less money being extracted as profit.
- **A Resilient Wales** – The arrangements will prevent circumvention of the eliminating-profit policy and avoid a "last-minute expansion" of for-profit provision prior to the 1 April 2030 deadline under which children cannot be placed into the care of a 'for-profit' service provider, apart from in exceptional circumstances. Local authorities, will be required to plan for sufficient not-for-profit provision to meet identified need and will be able to undertake their preparations with greater certainty. As mentioned above

the proposed regulations support the overarching policy intent, thereby supporting a robust and transparent monitoring and enforcement process for the removing profit policy.

- **A Healthier Wales** – For-profit providers would continue to operate within their existing registered capacity, ensuring that current placements are not disrupted. By restricting the further expansion of those services but allowing the expansion of not-for-profit ones, the proposed arrangements support the effective implementation of the broader removing profit policy aims. Local authorities will be able to plan with greater certainty and can consider any scope for supportive models of care that support a child's health and wellbeing at an earlier stage, rather than manage any risks of for-profit providers existing the sector. By underpinning the broader policy intent, the proposed arrangements will promote those models of care and support that directed surplus monies towards improving services and workforce development, supporting closer-to-home placements that prioritise children's well-being, continuity of support, and stability—factors linked to better health outcomes.

- **A More Equal Wales** – The proposed restrictions support the broader policy aims of focussing funding for children's social care on need rather than the profit motive, supporting fairer access to quality care and strengthening accountability for outcomes.

- **A Wales of Cohesive Communities** – The proposed restrictions will support the effective implementation of the broader removing profit policy, and its preparations and planning at a local level. Restricting the expansion of for-profit services supports the creation of local, community-based not-for-profit provision. It reduces reliance on out-of-area placements, helping children stay near their support networks, reinforcing safe, supportive, resilient communities.

- **A Wales of Vibrant Culture and Thriving Welsh Language** – The proposed restrictions will support the effective implementation of the broader removing profit policy which will encourage locally rooted not-for-profit services which can be better placed to reflect community identities, including Welsh language provision and cultural needs.

- **A Globally Responsible Wales** – The proposed restrictions will support the effective implementation of the broader removing profit policy. This will support greater transparent and local reinvestment, aligning with sustainable development principes as well as aligning with more local placements which can reduce travel and related emissions.

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 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.

Regarding broader evaluation the overall removing profit policy is expected to be subject to a formal evaluation over the coming years.