

# WELSH GOVERNMENT INTEGRATED IMPACT ASSESSMENT

**Title of proposal:**

The Annual Returns (Miscellaneous Amendments) (Wales) Regulations 2026 and the Regulated Services (Registration) (Wales) (Amendment) Regulations 2026- elements related to implementation of removing profit from children's care

**Official(s) completing the Integrated Impact Assessment (name(s) and name of team):**

Enabling People Division

**Department:**

Health and Social Services Group

**Head of Division/SRO (name):**

Alistair Davey

**Cabinet Secretary/Minister responsible:**

Minister for Children and Social Care

**Start Date:**

Summer 2025

## **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 Regulation and Inspection of Social Care (Wales) Act 2016 ('the 2016 Act')

provides the statutory framework for regulating and inspecting social care services and the social care workforce in Wales. To help achieve this, the 2016 Act provides the Welsh Ministers with a range of regulation-making and other subordinate legislation powers.

The [Health and Social Care \(Wales\) Act 2025](#) ('the 2025 Act') received Royal Assent on 24 March 2025. It includes provisions intended to restrict the extraction of profit by providers of children's home services, secure accommodation services and fostering services (which the 2025 Act defines and refers to collectively as "restricted children's services"). It also inserts a new section 6A into the 2016 Act. Section 6A(1) states: "To be registered in respect of a restricted children's service, a person who is not a local authority must be a not-for-profit entity". 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

### Action proposed

Following Royal Assent changes to secondary legislation were identified as necessary to enable implementation of the removing profit policy. Specifically, to enable implementation of the section 6A not-for-profit requirements, changes will need to be made to the Regulated Services (Registration) (Wales) Regulations 2017 ("the registration regulations"). This is because the registration process will need to change so that CIW receives the necessary information to determine whether new providers seeking to register from 1 April 2026 meet the definition of a not-for-profit entity. In addition, changes will need to be made to the Regulated Services (Annual Returns) (Wales) Regulations 2017 ("the annual returns regulations") to require providers of restricted children's services to confirm that their organisation continues to meet the definition of a not-for-profit entity. These changes are being taken forward via the Annual Returns (Miscellaneous Amendments) (Wales) Regulations 2026 and the Regulated Services (Registration) (Wales) (Amendment) Regulations ("The 2026 Regulations").

## **How the five ways of working in the Well-being of Future Generations (Wales) Act 2015 are applied the proposed action, 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 specific legislative changes proposed in the 2026 regulations are designed to embed these principles into the regulatory framework over the long term. The proposed changes to registration processes will strengthen the regulatory framework, giving Care Inspectorate Wales (CIW) the tools it needs to monitor compliance effectively over the longer-term. The changes to the annual returns regulations to require providers of restricted children's services to confirm their not-for-profit status via their annual return will enhance transparency and accountability, building public confidence as well as providing CIW with a formal mechanism to verify ongoing compliance with section 6A, benefitting regulatory oversight.

### **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. 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. Regarding the specific legislative changes proposed in the 2026 regulations the requirement for providers to confirm their not-for-profit status annually acts as an ongoing preventative safeguard, ensuring compliance is maintained over time. Collectively the changes protect the integrity of the policy intent, ensuring both transparency and accountability.

### **3. Integration**

As referenced within the [Integrated Impact Assessment completed](#) for 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<sup>1</sup>](#). To deliver this wider transformation programme governance arrangements have been put in place. We have taken a three-tiered approach to provide the right direction and scrutiny to achieve our aims and to ensure connections with other relevant policy agendas. The structure has three key groups:

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- 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
- A Transformation Delivery Group to lead work to drive forward the delivery of the Transformation Programme by 2026
- 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 16 July to 8 October 2025 covering the proposed changes to registration and annual returns as well as the proposed approach to monitor and enforce the 2025 Act's provisions around prohibiting unreasonable or disproportionate financial arrangements entered into by restricted children's services providers. 27 consultation responses were received from 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.

More broadly the development of the amendments has involved close collaboration with CIW with other key stakeholders kept updated via the Eliminating Profit Programme Board and its supporting workstreams. Ongoing collaboration is planned through implementation, particularly in collectively communicating the key changes to providers and ensuring CIW can support them in meeting the new requirements.

#### **5. Involvement**

As above a consultation on the proposals ran from 16 July to 8 October 2025, which sought views on the proposed changes. A summary of the consultation including Welsh Government's responses can be found [here](#).

## 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 amendments to the regulations, extensive 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. A formal consultation was carried out with responses received from a cross-section of those most likely to be affected including 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. Targeted engagement was also conducted during the consultation period including an event held for care providers where Welsh Government officials presented on the consultation detail and gave attendees an opportunity ask questions.

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 2026 regulations are expected to have limited impacts across people, culture and the Welsh language, the economy, and the environment in Wales.

Regarding annual returns the changes to require an annual declaration of not-for-profit status will give providers a simple way to show compliance, reducing uncertainty and avoiding potential extra queries from CIW. For CIW, it creates a formal mechanism to check compliance and makes false declarations enforceable, allowing swift action against breaches. Welsh Government benefits by embedding these checks into routine processes, supporting the policy objective of removing profit from children's care.

Introducing clear registration requirements to demonstrate not-for-profit status gives providers a simple way to demonstrate compliance from the outset, reducing ambiguity and avoiding reactive queries. For CIW, these requirements ensure providers meet the not-for-profit definition upfront and provide valuable information for ongoing monitoring and strategic planning. Welsh Government benefits by embedding the requirement in law at registration, supporting the policy objective to remove profit from children's care and reducing the risk of policy failure by requiring clear evidence early on.

Providers may face some limited additional work as a result of the changes in respect of collating additional information and training staff however these are expected to be minimal.

In summary the proposed changes 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 2026 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** – Using annual returns to evidence ongoing not-for-profit status benefits CIW's monitoring and enforcement, helping ensure that only not-for-profit providers of restricted children's services operate going forward. This links to one of the broader aims of the removing profit policy- that funding for children's social care is directed towards improving services and workforce development, strengthening the social care economy rather than being extracted as profit.
- **A Resilient Wales** – The proposed changes to registration and annual returns will benefit resilience by supporting a robust and transparent monitoring and enforcement process for the removing profit policy.
- **A Healthier Wales** – By enabling a robust and transparent monitoring and enforcement process for the removing profit policy the proposed changes to registration and annual returns will support the effective implementation of the broader removing profit policy aims. These include a system where funding for children's social care is directed 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 changes to registration and annual returns 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 changes to registration and annual returns will support the effective implementation of the broader removing profit policy broader removing profit policy which in part aims to support local, community-based provision and reduce 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 changes to registration and annual returns 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 changes to registration and annual returns will support the effective implementation of the broader removing profit policy. This will support greater transparent and local reinvestment, aligning with sustainable development principles 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 2026 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. Using the evidence gathered to date within the RIA and the intelligence gathered as part of the 2024 Delphi exercise, we will commission 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 these regulations). 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 validate the 2024 Delphi findings, assess current perceptions of the 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 agreement, the study will be procured by the end of the 2025/26 financial year. This timeline will enable preparation of the formal evaluation specification and commencement of work in 2026/27.