

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

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**Care Forum Wales response to the call for evidence by the Committees of the Welsh Parliament on the Welsh Government Draft Budget 2025-26**

**Introduction**

Care Forum Wales is the main representative body for health and social care providers in Wales, with over 400 members from the private and third sectors providing regulated care services to people of all age groups in residential care homes, supported living and in their own homes. This response addresses our views about what the Welsh Government draft budget for 2025-6 needs to include in respect of health and social care, rather than the specific questions forming the consultation.

**Outstanding issues to resolve**

The current state of social care is well known. Several years of underfunding combined with the lack of a standardised toolkit for calculating care fees resulted in the sector being fragile even before the covid pandemic wreaked havoc. Since then, budgetary restraints have widened the gap between commissioned fees and the actual cost of care, with many commissioners failing to follow the principles of “Let’s Agree to Agree” by imposing fees based on what they can afford. As a result, the post code lottery has become more evident than ever before. For instance, the annual difference in the cost of a residential EMI bed between Cardiff and Wrexham is £12,779.52. The assertion that the sector is in crisis is no exaggeration - Christie’s Wales Healthcare Market Insight 2024 report shows that 40 care homes have closed since 2020 and the four new homes that have opened are all offering services to private residents in affluent areas of South East Wales. Conversely, it is no coincidence that most of the closures have been in areas where the lowest fees are paid.

Welsh Government has now established the National Office that we hope will help guide commissioners towards a more transparent and consistent way of working in the longer term, but the sector requires greater assurance and more immediate action if it is to survive.

2024-25 was the first year that the majority of commissioning bodies confirmed fee levels by the beginning of the new financial year, but even this is too late to enable businesses to plan effectively. There are limited efficiencies that can be made in a business that is already under funded beyond giving notice to families of the need to charge them top ups, or the need to increase finance. Providers have also found themselves unable to confirm rates of pay for the year ahead which has made staff retention even more difficult.

Recruitment and retention of care workers has long been problematic and we welcomed the Welsh Government commitment to pay the Real Living Wage (RLW) to those working in registerable roles. However, RLW does not enable independent providers to compete with statutory sector terms and conditions or to pay the differentials that need to be maintained

if we are to retain more experienced staff. Above all, the additional funding provided by Welsh Government (which was not hypothecated) has not reached providers in many areas, with WLGA saying that the funding was insufficient. As a result of this impasse, providers have been left to either divert funds from other, limited resources or have not been able to pay staff the RLW. Meanwhile, Welsh Government have failed to take accountability for resolving the situation despite regular correspondence from CFW and other organisations within the National Provider Forum. The 2025 rate for RLW has now been announced and we await confirmation that Welsh Government will maintain its commitment to fund the increase.

### **Anticipated issues**

In addition to the issues outlined above, it should be noted that the reduction in the threshold for Inheritance Tax under the UK Autumn Budget is likely to impact care home ownership substantially. The social care sector in Wales is characterised by small, family run businesses that would not survive the changes in Inheritance Tax and may result in providers selling up. This makes it all the more important to ensure that funding issues are resolved.

However, the sector now faces a major new threat with the UK Government's Budget plans to increase employer national insurance contributions by 1.2% to 15% and to reduce the earnings threshold from £9,100 to £5,000. This will have a major impact on a sector where the largest element of costs relates to staffing – about 60% for care homes rising to 80% in domiciliary care. Early estimates suggest the impact could be around £30 per care home bed per week, equating to some £150 million annually across the sector. Unless UK Government can be persuaded to make an “exemption” for care commissioned by the public sector, these costs will need to be met through funding from Welsh Government, either in the form of additional funding or through long term funding to meet the true cost of care.

Either way, we need to learn the lessons from the funding of RLW to ensure that the funding is sufficient and that there are transparent, sound mechanisms in place to make sure that it reaches providers. We are, of course, happy to work with Welsh Government and other partners on these aspects but it will require urgent action to provide surety to providers and prevent further exits from the market.

We are keen to ensure that Welsh Government uses discretion in how it spends the additional £1.7 billion pounds allocated under the Barnett scheme and that spending reflects the vital role of social care in underpinning health services. We will be meeting with Welsh Government on 29 November to discuss concerns that any NHS recruitment activity as a result of the additional funding is risk assessed to avoid depleting staff working within the social care sector as has happened before.

### **Summary of requirements from the Welsh Government budget 2025-6**

Our asks of the Welsh Government budget are:

- Urgent confirmation of the commitment to pay the Real Living Wage.
- Urgent assurance that the additional costs of National Insurance Contributions (and on costs) will be funded.

- Review of the funding requirement and mechanisms for distributing it to providers (e.g. by ring fencing).
- Assurance that long term increases in funding will be built into a national fee toolkit.
- Commitment to budget decisions on social care being confirmed by January 2025.
- Assurance that any use of additional funding in health for recruitment will be risk based to ensure that no one provider is impacted disproportionately.

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