

Explanatory Memorandum to The Regulated Services (Inspection Ratings) (Wales) Regulations 2025

This Explanatory Memorandum has been prepared by Health and Social Services Department and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Regulated Services (Inspection Ratings) (Wales) Regulations 2025. I am satisfied that the benefits justify the likely costs.

Dawn Bowden MS
Minister for Children and Social Care

28 January 2025

1. Description

1.1 The Regulation and Inspection of Social Care (Wales) Act 2016 (“the 2016 Act”) provides the statutory framework for the regulation and inspection of social care services and the regulation of the social care workforce in Wales. To achieve this, it provides the Welsh Ministers with a range of regulation-making and other subordinate legislation powers.

1.2 This Explanatory Memorandum relates to the Regulated Services (Inspection Ratings) (Wales) Regulations 2025. These Regulations make provision about ratings in relation to the quality of care and support provided by a care home service or domiciliary support service provider who has been inspected.

1.3 The Regulations will come into force on 31 March 2025.

2. Matters of special interest to the Legislation, Justice and Constitution Committee

2.1 No specific matters have been identified.

3. Legislative background

3.1 The powers enabling the Regulated Services (Inspection Ratings) (Wales) Regulations 2025 be made are contained within sections 37, 45 and 52 of the 2016 Act. Further details are set out below:

- Section 37(1) is a regulation making power which allows the Welsh Ministers to make provision about ratings that may be given in relation to the quality of care and support provided by a service provider who has been inspected. Section 37(2) specifies that regulations may make provision about the display of ratings, may specify the criteria to be applied when arriving at a rating, and must include provision for appealing against a rating included in an inspection report.
- Section 45 of the 2016 Act gives the Welsh Ministers the power to bring forward regulations making it an offence for a service provider to fail to comply with a specified provision of regulations made under section 37(2)(a) (provision about the display of ratings).
- Section 52 enables the Welsh Ministers to give a penalty notice to a person whom they are satisfied has committed an offence prescribed by regulations made under section 45.

3.2 This instrument is subject to the draft affirmative procedure.

4. Purpose and intended effect of the legislation

4.1 The 2016 Act aims to improve the quality of care and support in Wales, providing greater transparency and comparability across social care services. To help achieve this, the 2016 Act includes a regulation making power to establish a system of inspection ratings which is considered to be a key driver for the improvement of regulated social care services.

4.2 The purpose of the Regulated Services (Inspection Ratings) (Wales) Regulations 2025 is to make provision for a system of inspection ratings for care home service providers and domiciliary support service providers. The Regulations mandate the publication of inspection ratings on a service provider's website and within service premises, where appropriate. They also provide for a system of appeals.

4.3 Publicly available, clearly displayed inspection ratings will assist those who have an interest in the quality of individual services including existing and potential users of services and commissioners of services, to make an objective comparison between two or more providers. Publishing inspection ratings is also anticipated to drive improvement amongst providers.

5. Consultation

5.1 A 12-week public consultation was undertaken on these Regulations between 29 July and 14 October 2024:

PART 2 - REGULATORY IMPACT ASSESSMENT

Options

Two options have been considered in the analysis of the costs, benefits, and risks of creating regulations which require providers of care home services and domiciliary support services to display inspection ratings. These are:

- **Option one: do nothing - do not require service providers to display inspection ratings for care home and domiciliary support services**

This option reflects the current position. Under this option, providers of care home services and domiciliary support services will not be required to display their inspection ratings.

- **Option two: create regulations which enable the publication of inspection ratings for care home and domiciliary support services**

Under this option, regulations would be created which require providers of care home services and domiciliary support services to display their inspection ratings on their website (if they have one) and within service premises (with certain exceptions). The Regulations include provision for appealing against a rating included in an inspection report. They also create an offence of failure to display an inspection rating, which may be dealt with by way of a penalty notice.

Costs

- **Option one: do nothing - do not require service providers to display inspection ratings for care home and domiciliary support services**

Costs for Care Inspectorate Wales (CIW)

This is the baseline option and as such there are no additional costs for CIW under option one.

Costs for service providers

There are no additional costs for service providers under option one.

Costs for the public

There are no additional costs for the public under option one.

- **Option two: create regulations which mandate the publication of inspection ratings for care home services and domiciliary support services**

Costs for CIW

The case for inspection ratings was made during the development of the Regulation and Inspection of Social Care (Wales) Bill (“the Bill”) in 2016. Pages 167 to 172 of the Regulatory Impact Assessment for the Bill outlined the anticipated costs, benefits, and risks of introducing inspection ratings. The document can be accessed here under Explanatory Memorandum: [Regulation and Inspection of Social Care \(Wales\) Act 2016 \(senedd.wales\)](https://www.senedd.wales)

As such, CIW has been laying the groundwork for the introduction of published inspection ratings since 2019. It has already received nearly £3.4million from the Welsh Government to recruit additional staff, update the ICT system, train staff and undertake an independent evaluation of silent (unpublished) ratings. The below table shows the breakdown of funding CIW has received from the Welsh Government by financial year:

Funding to CIW to support the implementation of inspection ratings

Financial year	Funding to CIW	Reason
2019-20	£455k	Recurring staff costs for implementation
	£284k	ICT development
	£16k	Staff training
2020-21	£454,336	Recurring staff costs for implementation
2021-22	£402,767	Recurring staff costs for implementation
2022-23	£540,000	Recurring staff costs for implementation
2023-24	£602,748	Recurring staff costs for implementation
	£14,807	Independent evaluation of silent ratings
2024-25	£615,531	Recurring staff costs for implementation
	£14,807	Independent evaluation of silent ratings
Total	£3,399,996	

CIW staff

Under option two, the recurring costs for additional CIW staff at £615,531 per year would continue. This is because additional inspectors are needed for CIW to maintain the overall number of inspections per year due to the increase in inspection time because of introducing ratings. This is based on evidence from the introduction of silent ratings for childcare and play services.

Before the introduction of silent ratings for childcare and play services in 2016-17, an inspector spent on average 3.28 hours per inspection, compared with 4.71 hours in 2016-17 and 5.24 hours in 2017-18. This demonstrates an average increase in inspection time of 62.5% per inspection. CIW has

calculated that maintaining the average number of inspections for regulated adult and children's services therefore requires an additional 7.4 inspectors, as well as two Team Supports and one Team Manager at a cost of £615,531 per year. The cost has increased in 2024-25 compared to previous years due to the recent pay award.

ICT system

The implementation of inspection ratings will require updates to CIW's ICT system to enable an integrated system of ratings for care home and domiciliary support services. This includes revisions to inspection templates, enabling the CRM system to record the rating and the facility to automatically pull ratings information from the CRM system into the inspection report template and onto the CIW website. Funding of £284,000 has already been provided to CIW for these updates. For the purpose of the RIA, this is a sunk cost and is disregarded from the analysis. As such, there are no additional ICT costs anticipated under option two.

Training

Training is required for inspectors to ensure they understand the ratings approach and how to apply the thresholds consistently in practice. CIW has already provided two days of training for all inspectors at a cost of £16k (a sunk cost). Under option two, an additional day of training for inspectors will be required to inform them of the changes arising from the independent evaluation and lessons learnt during the pilot phase. CIW anticipate this additional training would cost approximately £8k.

Updating guidance

Existing inspection guidance and associated materials would also need to be revised to include ratings. CIW anticipate that it will take an SEO 3 months to revise the guidance at a cost of approximately £14,160 based on the average salary for an SEO of £56,633. Whilst this would be carried out by existing CIW staff, it does represent an opportunity cost.

Handling appeals

With regards to potential increases or decreases in the number of appeals following the implementation of published ratings, CIW's data shows that in 2022-23 (before the silent ratings pilot began in June 2023), the number of inspection report challenges was 125. This dropped to just 80 in 2023-24. CIW has said this may not be attributable to the introduction of silent ratings as they made other changes to their decision-making framework at that time.

Using the data from childcare and play services instead, the number of inspection report challenges was 146 in 2018-19 before published ratings were introduced in April 2019. This rose to 158 in 2019-20. This demonstrates an 8% increase in the number of appeals following the introduction of published ratings for these services. From this we can assume there may be a small increase in the number

of appeals relating to care home and domiciliary support services from April 2025 onwards. As CIW received 80 inspection report challenges in 2023-24, an 8% increase would create an additional 6.4 challenges for CIW to deal with in 2024-25. Estimating that it takes CIW 3 days on average to handle a stage 1 and stage 2 appeal, this would lead to an additional 19.2 days' work. Assuming this is undertaken by an SEO with an average salary of £56,633, the total additional cost would be £2,980 in 2024-25. It is unclear whether this increase would continue year on year. The data for childcare and play services after 2019-20 is affected by the reduction in inspections and the temporary suspension of ratings as a result of the COVID-19 pandemic.

Printing and distributing inspection ratings certificates

The Inspection Ratings Regulations will require providers of care home services for adults and domiciliary support services to display inspection ratings on their website and within their service premises (with some exceptions). For domiciliary support services this will mean displaying ratings within the public office from which the service operates, if it has one. For adult care home services with five or more individuals living at the service, this will mean displaying within the care home setting. CIW is intending to let a small contract to undertake the printing and posting of laminated A4 inspection ratings certificates for display by providers. The rationale is to ensure the certificates issued by CIW, on behalf of the Welsh Ministers, for display purposes are consistent and professional in appearance and to reduce the burden on providers. Care home services with four or fewer individuals and care homes for children are exempt from the requirement to display the certificate but will be provided with an inspection ratings certificate for their records. The anticipated cost is £16,000 per annum.

Costs for providers

The cost for providers to display ratings on their website will be negligible.

Under option two, there will be a cost for providers associated with the time they will need to familiarise themselves with the new system of ratings. Whilst CIW has already engaged extensively with providers on ratings since 2019, further time will be needed once the details of the ratings system have been established. We anticipate it will take each provider 10 hours to familiarise themselves with the new Regulations and guidance documents in preparation for the introduction of published ratings.

The Annual Survey of Hours and Earnings (ASHE) provides figures on hourly earnings for different occupations. The below table sets out the figures for the two most relevant occupations in the survey data. Estimating that it will take 10 hours for a Responsible Individual and manager to familiarise themselves with the Regulations and guidance, we estimate this is likely to cost £614 per provider. Based on there being 690 care home providers and 451 domiciliary support

providers in Wales as of 10 July 2024, the aggregate cost for this is estimated to be £700,570.

Occupation	Hourly gross pay (Wales, median, 2022)	Hourly gross pay including on-costs (30%)	Cost for RIs and managers to familiarise themselves with ratings (assumes 10 hours)
H&SS Managers and Directors	27.15	35.30	£353.00
Managers and Proprietors in Health and Care Services	20.07	26.09	£260.90

[Earnings and hours worked, region by occupation by four-digit SOC: ASHE Table 15 - Office for National Statistics \(ons.gov.uk\)](#)

As described in the RIA for the Bill, service providers may experience some additional costs associated with staff spending more time in discussion with the inspector. As set out in page 169 of the RIA for the Bill, assuming that the inspector spends an additional 30 minutes with the service manager and with four care workers in individual discussions, the additional cost was estimated to be £32 per setting in 2018. This has been recalculated for 2024. Based on the hourly rate of a service manager (£20.07) taken from the most recent Annual Survey of Hours and Earnings, and a care worker (£12.00) based on the Real Living Wage plus on-costs of 30%, the additional cost of an inspector spending an additional 30 minutes with four care staff and a service manager in 2024 is estimated to be £44.25 per inspection. According to CIW’s annual report for 2022-23, a total of 1,433 inspections were performed across all services. As care homes and domiciliary support services make up around 95% of all services in Wales, the aggregate cost per year is estimated to be £60,224.

The four inspection ratings will be ‘excellent’, ‘good’, ‘requires improvement’, and ‘requires significant improvement’. Requiring providers to display their inspection ratings could have a negative financial impact on services that receive a ‘requires significant improvement’ (previously described as “poor”) rating for any of the four themes against which a rating will be provided (Well-being, Care and Support, Environment, and Leadership and Management). Whilst inspection reports already describe the quality of care for each of these four themes in narrative form, having a rating for each theme will highlight more clearly where the service is underperforming. This is likely to deter people from wanting to use the service which could have an impact on the provider’s income for that service. However, ratings are unlikely to affect commissioner behaviour as CIW already communicates with local authority commissioners about services which are underperforming.

Data from CIW’s silent ratings pilot shows that, out of 2,920 ratings awarded to providers between 1 June and 31 December 2023, just 7.8% of ratings were

“poor”. Most providers were rated as good. This gives an indication of the percentage of the market that may be affected by poor ratings.

Silent ratings awarded between 1 June and 31 December 2023

Theme:	Number of ratings awarded:			
	Excellent	Good	Needs Improvement	Poor
Well-being	86	421	198	81
Leadership and Management	83	490	147	66
Care and Support	92	478	138	56
Environment	33	462	63	26
	294	1851	546	229

Costs and savings for the public

It is likely to be less time consuming for the public to make a comparison between similar services once inspection ratings have become established. This is likely to create a saving in terms of people’s time, however, it has not been possible to monetise this saving.

Summary of costs, 2024-25 to 2028-29 (£)

	2024-25	2025-26	2026-27	2027-28	2028-29
CIW					
Guidance	14,160				
Training	8,000				
Annual inspections	615,531	615,531	615,531	615,531	615,531
Appeals	2,980	2,980	2,980	2,980	2,980
Service Providers					
Familiarisation	700,570				
Time during inspections	59,490	59,490	59,490	59,490	59,490
Printing Certificate	640	640	640	640	640
Total	1,341,881	619,151	619,151	619,151	619,151

Benefits

- **Option one: do nothing - do not require service providers to display inspection ratings for care home services and domiciliary support services**

Benefits for CIW

The implementation of inspection ratings is a resource-intensive process for CIW, requiring significant investment in time to develop ratings criteria, update guidance documents, train inspectors, and engage with providers, commissioners, and the public. As such, under option one, CIW would have more time to focus on other areas of work.

Benefits for service providers

The outcome of the independent evaluation of silent ratings demonstrated there were mixed views from service providers regarding the efficacy and appropriateness of ratings amongst service providers. Those who were less supportive raised concerns about the impact of poor ratings on the morale of managers and staff, as well as potential threats to the sustainability of individual providers and the wider market. As such, under option one, some providers may see the benefits of maintaining the status quo.

Benefits for the public

We do not see any clear benefits to the public under option one.

- **Option two: create regulations which enable the publication of inspection ratings for care home services and domiciliary support services**

Benefits for CIW

The draft Regulations include provision for a service provider to appeal against a rating. The Regulations state that providers can appeal on the grounds of factual inaccuracy and/or incomplete evidence. Specifying the conditions on which a provider can appeal against their inspection ratings should limit the number of groundless or vexatious appeals made to the regulator, thus saving CIW time (although we do anticipate a small increase in the overall number of appeals as providers adjust to the new system). The appeals process replicates that which is already in place for providers to challenge inspection reports. As such, CIW staff will not need to spend time familiarising themselves with the appeals procedure.

Benefits for service providers

Service providers who achieve a “good” or “excellent” (or equivalent) rating will benefit from being able to demonstrate the quality of the service they are delivering compared to other service providers.

Describing the appeals procedure within regulations is intended to provide clarity and certainty for providers so they are clear on the grounds on which an appeal can be made, the timescales and the process. The Regulations will be supported by updates to CIW’s operational guidance.

Benefits for the public

Under option two, having published inspection ratings should make it easier for those who have an interest in the quality of individual service settings, such as people who need care and support or their family members, to undertake a comparative assessment between services of a similar size and description. Having the assurance of accurate information on which to base choices should make the process of choosing a service provider less time consuming.

Publishing inspection ratings is also expected to incentivise providers to make continual improvements in the way they provide care. Thus, service users are likely to benefit from the expected improvements to the quality of service they receive.

Risks

- **Option one: do nothing - do not require service providers to display inspection ratings for care home and domiciliary support services**

Risks for CIW

If Inspection Ratings Regulations are not created, there is a reputational risk for CIW and the Welsh Government, as £3.4 million has already been spent laying the groundwork for this new system. Public announcements have also already been made stating that published ratings will be introduced as part of the implementation of the 2016 Act.

Risks for providers

We have not identified any obvious risks for providers under option one.

Risks for the public

Under option one, there is a risk that people looking for a service for themselves or others, and commissioners, may struggle to differentiate between services delivered at a high standard and those that only meet the basic compliance standards. It is likely that a lot of time is spent trying to identify high-quality services, a task that would be much easier and less time-consuming if ratings were available.

- **Option two: create regulations which enable the publication of inspection ratings for care home and domiciliary support services**

Risks for CIW

Under option two there is a risk that the positive working relationship between CIW and providers could deteriorate because of published ratings, as providers may perceive that CIW is placing an additional burden on them. The independent evaluation of silent ratings showed that some providers felt ratings could affect the morale and well-being of managers and staff. This risk is mitigated by CIW's ongoing engagement with providers on ratings. CIW has published an action plan in response to the recommendations from the evaluation, which can be found

here: [Ratings for care home and domiciliary support services – our action plan | Care Inspectorate Wales](#)

Risks for providers

The independent evaluation of silent ratings identified a risk that a poor rating could have a negative impact on staff morale and well-being which could lead to low performance or staff leaving the organisation. There is also a risk that a poor inspection rating will have a negative impact on a provider's business, as it may deter people from using the service and could impact on the ability of organisations to secure financial loans and insurance. It could also deter staff from wanting to work there.

Conversely there may be a risk of complacency for providers who achieve excellent ratings, particularly if they may not be reinspected for a few years.

Risks for the public

Under option two, there is a risk that people may only rely on ratings to choose between services rather than reading the full inspection report for additional context. This may result in people overlooking services that could be suitable for themselves or others.

Conclusion

Based on an appraisal of the costs, benefits and risks of both options, option two is the preferred option.

Competition Assessment

A competition filter test has been completed. The Regulations may have an adverse impact on those service providers receiving a 'requires significant improvement' rating, however, the intention behind the policy is to improve transparency and standards in the sector. This will benefit service users. Overall, the Regulations are not expected to have a negative impact on competition in Wales or the competitiveness of most businesses.