

Senedd Cymru | Welsh Parliament

Y Pwyllgor Cyllid | Finance Committee

Cyllideb Ddrafft Llywodraeth Cymru 2026-27 | Welsh Government Draft Budget 2026-27

Ymateb gan Fforwm Gofal Cymru, | Evidence from Care Forum Wales,

---

## **1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?**

(We would be grateful if you could keep your answer to around 500 words).

The UK Government's Autumn Budget 2024 increased the rate of Employer's National Insurance Contributions (eNICs) from 13.8% to 15%. In addition, the secondary threshold—the point at which employers begin paying NICs on an employee's salary—has been reduced from £9,100 to £5,000 per annum. Whilst we are aware that this is a UK government decision, the Welsh Government provided Welsh public services with extra funding to meet the shortfall. The funding made available to public services within Wales was not extended to commissioned services which has left an already strained adult social sector, that faces significant financial pressure, forced to face difficult decisions. Commissioners in local authorities have excluded the increases in eNICs from the inflationary uplifts provided to care providers. In some cases, a minimal portion of the increase has been covered, with commissioners citing insufficient funding as the reason for their limited support. In most cases, the change has not been acknowledged at all by any uplift. For the most part, health boards too have failed to pass on increases related to the Real Living Wage (RLW) and employer National Insurance contributions (eNICs), leaving care providers to absorb these additional costs without adequate financial support.

A Care Forum Wales membership survey indicated that 92% of respondents stated that they either could not (71%) afford the eNIC increases or may be able to afford them (21%). The decision by Welsh Government to not provide funding to alleviate these concerns threatens the stability of an essential sector that underpins the NHS. We would expect the Welsh Government to act on its recognition that social care underpins the NHS by allocating a greater share of available resources to social care to support providers in sustaining essential care provision. The increase in employer National Insurance contributions has the potential to push these critical social care providers over the edge, with many facing increases of tens of thousands of pounds. This poses a huge risk to not only the sector, but also to the ability of local government and the NHS to deliver their statutory duties. Most importantly, this could be devastating for people who rely on social care services to enable them to live fulfilled lives.

The following examples indicate the scale of the additional costs resulting from the changes to employer NI contributions:

	Estimated cost of NI increase	Estimated cost of RLW increase
Third sector provider	£875,000	£1,174,000
Private provider	£520,000	£700,000
Housing association provider	£660,000	£680,000
Third sector provider	£590,000	£780,000

Since April 2025, providers have largely absorbed these additional costs; however, there is no assurance they can continue to do so indefinitely. It is imperative that the Welsh Government provides targeted support to the independent sector, which remains heavily dependent on commissioner-set rates, effectively positioning them as price takers rather than price makers.

Secondly, one of the Welsh Government's key pledges in its 'Programme for Government' is to ensure social care workers in Wales are paid the Real Living Wage. While the government maintains that the funding allocated to Local Authorities for 2025/26 is sufficient to meet this commitment, including the necessary uplift in the RLW, care providers have not received the funding they need from local authorities to actually deliver on this promise. Care providers in Wales have received an average funding uplift of 6.93% across residential care, residential EMI, nursing, and nursing EMI rates. However, the sector continues to face rising operational costs that significantly exceed these increases, placing considerable financial pressure on providers. Forcing providers to unsustainably absorb additional costs threatens the sustainability of the care market in Wales.

Care providers have also reported significant variation in how local authorities are

## **2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?**

(We would be grateful if you could keep your answer to around 500 words).

Since 1 April, providers have been grappling with the consequences of the UK Government's Autumn Budget, attempting to absorb the additional financial pressures arising from the increase in National Insurance Contributions (NIC), with little to no support from commissioners. To date, the Welsh Government has not provided either financial relief to providers or assurances of future support. We remain deeply concerned that, without intervention, many providers will be forced to reduce services or, in some cases, cease operating altogether.

Providers will face additional pressures from April 2026 following the introduction of the Employment Rights Bill. While we fully support the Bill's objectives of strengthening worker protections and improving pay for care staff, these measures risk creating unintended challenges if not accompanied by corresponding reforms in funding, commissioning,

regulation, and service provision. Without sufficient funding in local government settlements, and if local authorities fail to cover the costs associated with the new employment rights, there is a significant risk that more individuals will be pushed towards direct payments and reliance on unregulated personal assistants. The additional costs created by the Bill must be funded by both governments to protect providers and their employees.

Furthermore, the Real Living Wage (RLW) uplift will not be announced until October 2025, leaving care providers in Wales unable to plan or forecast for these additional costs. While the Welsh Government has reiterated its commitment to funding the RLW, the absence of transparency and the lack of clear hypothecation of funds within local government settlements mean that providers are unlikely to see the intended benefits in full.

The consequences of reduced or withdrawn services are severe. They include increased pressure on unpaid carers and family members, higher rates of hospital admission, longer discharge delays, and rising levels of unmet need across communities.

Given these risks, it is essential that funding for National Insurance Contributions is allocated directly from the Welsh Government and ring-fenced to ensure it reaches providers.

We therefore urge the Welsh Government to:

- Provide additional funding in the 2026/27 budget to cover the increased costs of National Insurance Contributions and the Real Living Wage for commissioned social care services across Wales.
- Ring-fence this funding to ensure clarity and assurance for commissioners and providers that these costs are fully covered.
- Work collaboratively with local government, the NHS, and provider representative bodies to guarantee that funding reaches providers at the start of the financial year.

The not-for-profit and independent social care sector is vital to the delivery of services across Wales, delivering a significant share of domiciliary care, supported living, and residential care. Ensuring the financial sustainability of this sector is therefore essential to protecting the wellbeing of people who rely on social care and to maintaining the resilience of the wider health and care system. Without greater support, the challenges currently faced by charities such as Anheddau, including the potential for up to 400 redundancies as a result of increases in the RLW and eNICs with serious implications for the 140 vulnerable people they support, will inevitably extend to other organisations across the sector.

### **3. What action should the Welsh Government take to:**

- **help households cope with cost of living issues;**
- **address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?**

(We would be grateful if you could keep your answer to around 500 words).

(continuation of response to question 10) are addressing the Real Living Wage (RLW) uplift. While some authorities claim to have incorporated the RLW increase into their fee uplifts, providers have indicated that these adjustments are insufficient to meet the actual cost implications. Other authorities have stated that they are unable to fully fund the RLW increase due to limitations in the funding received from the Welsh Government. In certain cases, local authorities have removed the requirement for providers to pay the RLW, acknowledging that current funding levels do not support its implementation when challenged.

This inconsistency creates challenges for providers in maintaining fair pay practices and sustainable service delivery. A more coordinated and transparent approach is needed to ensure that the RLW can be implemented effectively across all regions.

### **4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?**

(We would be grateful if you could keep your answer to around 500 words).

### **5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?**

(We would be grateful if you could keep your answer to around 500 words).

### **6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?**

(We would be grateful if you could keep your answer to around 500 words).

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

**7. Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**

(We would be grateful if you could keep your answer to around 500 words).

**8. How could the budget further address gender inequality in areas such as healthcare, skills and employment?**

(We would be grateful if you could keep your answer to around 500 words).

**9. Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)?**

(We would be grateful if you could keep your answer to around 500 words).

**10. How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?**

(We would be grateful if you could keep your answer to around 500 words).

**11. How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?**

(We would be grateful if you could keep your answer to around 500 words).

**12. How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?**

(We would be grateful if you could keep your answer to around 500 words).

**13. Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning?**

(We would be grateful if you could keep your answer to around 500 words).

**14. Has there been adequate investment from the Welsh Government in basic public sector infrastructure?**

(We would be grateful if you could keep your answer to around 500 words).

**15. How should the Budget support young people?**

(We would be grateful if you could keep your answer to around 500 words).

**16. How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?**

(We would be grateful if you could keep your answer to around 500 words).

**17. Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and additional costs following increases to National Insurance Contributions, sufficient?**

(We would be grateful if you could keep your answer to around 500 words).

**18. What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?**

(We would be grateful if you could keep your answer to around 500 words).

