

Senedd Finance Committee Consultation

Welsh Government Draft Budget 2025-26

A response from Cymorth Cymru

December 2024

1. Introduction

- 1.1. We are grateful for the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget for 2025-26.
- 1.2. Cymorth Cymru is the representative body for providers of homelessness, housing and support services in Wales. We act as the voice of the sector, influencing the development and implementation of policy, legislation and practice that affects our members and the people they support.
- 1.3. We are extremely proud to represent approximately 90 organisations that provide homelessness, housing and support services across Wales. This includes third sector support providers, housing associations and local authority teams. Our members deliver a wide range of services that support people to overcome tough times, rebuild their confidence and live independently in their own homes. This includes people experiencing or at risk of homelessness; young people and care leavers; older people; people fleeing violence against women, domestic abuse or sexual violence; people living with a learning disability; people experiencing mental health problems; people with substance use issues; and many more.
- 1.4. This consultation response focuses on two specific areas of the Welsh Government budget:
 - **Housing Support Grant** (page 2)
 - **Learning Disability care and support services** (page 10)
- 1.5. In addition, we also want to make clear our support for **increased funding for social housing** in Wales. This is absolutely critical to making progress towards the ambition of ending homelessness in Wales.

2. Housing Support Grant

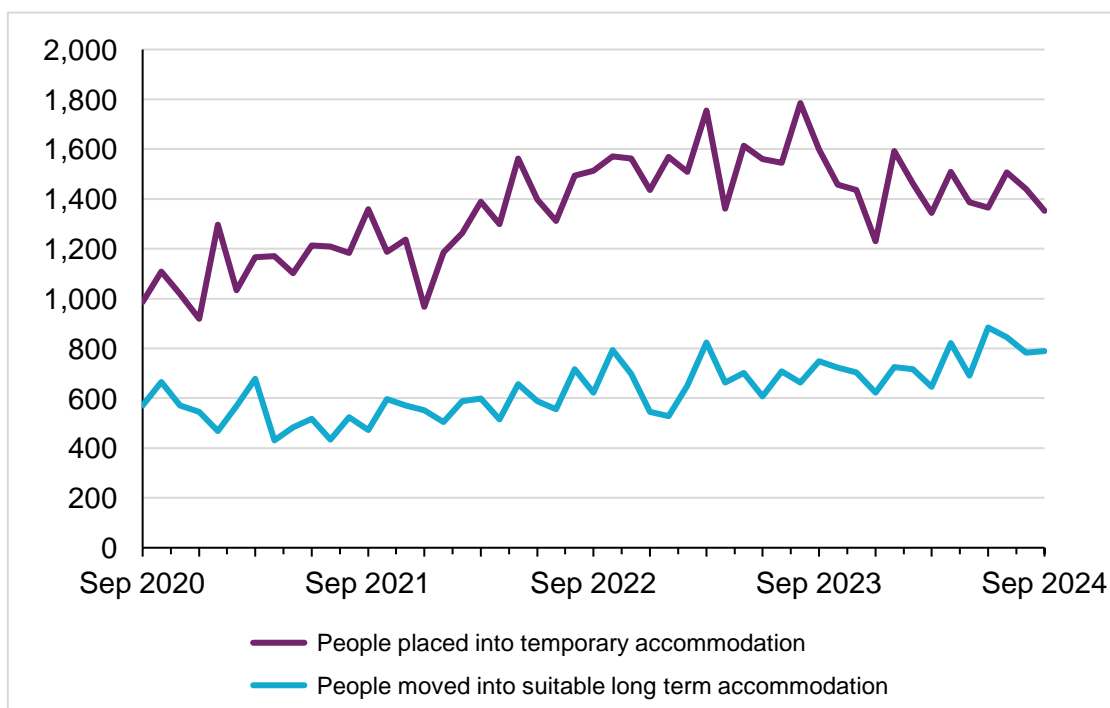
- 2.1. Everyone has the right to a safe and stable home. Housing support services play a vital role in preventing and alleviating homelessness, helping tens of thousands of people every year to recover from trauma and to live safely and independently in their home. However, services have been under constant pressure over the last decade, with funding constraints, huge growth in demand, and an increase in complexity of support needs, all pushing the sector closer and closer to breaking point.
- 2.2. **Over the last few weeks we have been collecting evidence from providers of homelessness and housing support services in Wales.** We received data from 36 organisations, including small charities operating in one or two local authorities, larger charities operating regionally or nationally, and housing associations. These organisations provide the majority of homelessness and housing support services in Wales and we are therefore confident that our data is representative of the sector. The information we have collected evidences the **significant pressure and challenges** facing services and organisations. It highlights the **growing complexity and risk** that frontline workers are facing on a daily basis, the **impact on their wellbeing**, and the need to make further progress on ensuring they receive the **recognition, reward and support** they deserve.
- 2.3. Housing support providers should not have to continuously fight for fair funding, and fair reward and recognition for their workers. However, this situation is not new. The campaign for housing support funding has now been running for over a decade. Ultimately, we need to secure a long term, sustainable multi-year funding settlement that ensures these vital services continue for as long as they are needed in Wales.
- 2.4. **As the Welsh Government makes key decisions about its budget for 2025/26, the message from the homelessness and housing support sector is clear. The Housing Support Grant must be increased to ensure that services can meet growing demand and complexity, pay frontline workers at least the Real Living Wage, and cover the costs of increased National Insurance contributions.**

The importance of the Housing Support Grant

- 2.5. The Housing Support Grant (HSG) funds the vast majority of homelessness and housing-related support services in Wales, including tenancy support, supported accommodation, domestic abuse refuges, Housing First, and much more. It plays a key role in preventing homelessness, helping people who are at risk of eviction to overcome challenges and remain in their home. It also provides a range of emergency and supported accommodation for people who are homeless or fleeing abuse and violence. These services are critical to helping local authorities to respond to people's needs and meet their legal obligations to provide accommodation and support.
- 2.6. In addition to preventing homelessness, the HSG also reduces pressure on a myriad of public services, by reducing hospital admissions, supporting people's mental health, avoiding social services interventions and preventing people from going to prison. It is an excellent example of an invest-to-save intervention. [Research](#) conducted by Cardiff Metropolitan University in 2020 found that every £1 invested in HSG services delivers £1.4 net savings to public services in Wales, including health, social care and criminal justice services. Based on the current £182m HSG budget, this translates to a total gross saving of £442m, with £204m to the health service, £177m to social care services and £70m to criminal justice services.

Context: Homelessness in Wales

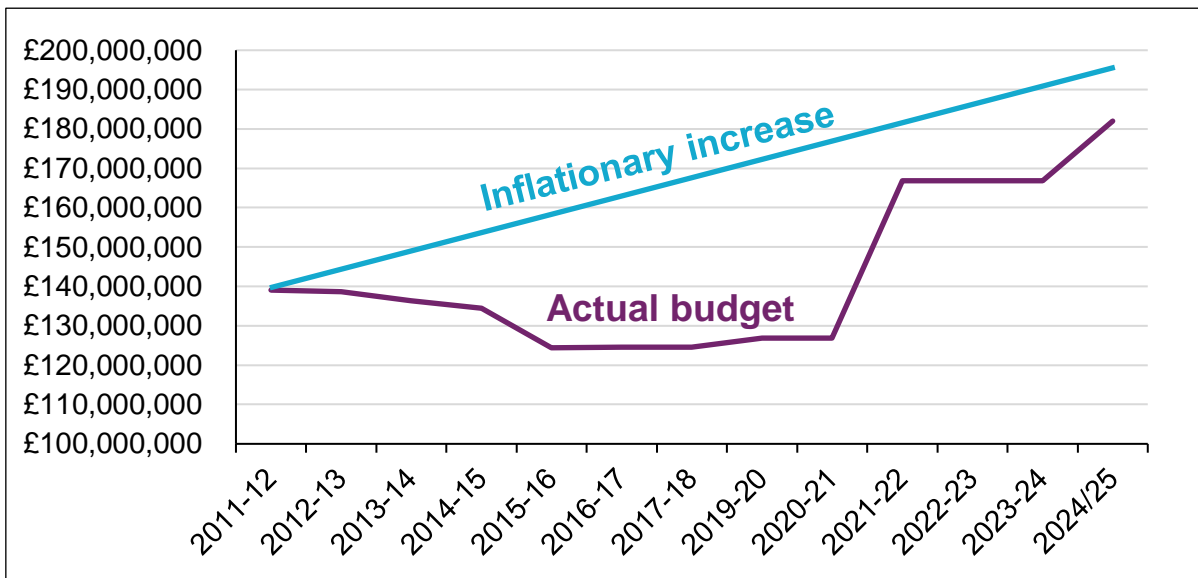
- 2.7. The pressure on the homelessness and housing support system has never been greater. Welsh Government [statistics](#) show that 173 people were sleeping rough and 11,363 people were in temporary accommodation on 30 September 2024.
- 2.8. Ever since the pandemic, the number of people entering temporary accommodation has far exceeded the numbers who are moving out of temporary accommodation and into settled homes (see graph below). In September 2024, there were 1,353 occurrences of homeless people placed into temporary accommodation, with only 790 people moving into suitable long-term accommodation.



- 2.9. While the availability of suitable, affordable housing stock is critical to helping people to move swiftly out of temporary accommodation, **housing support services also have a vital role to play**. The number of people in temporary accommodation is too high, but housing support services prevent even more people from losing their homes. In addition, housing support services are incredibly important in helping people to cope in temporary accommodation, and then move into (and maintain) a settled home.

Reduction in real terms budgets

- 2.10. In 2011/12 the Supporting People budget was £139 million. Over the next few years, it endured a series of cuts and was reduced to £124 million in 2015/16. In 2018, it was merged with two other grants to form the Housing Support Grant, with a total budget of £126 million. During the pandemic it was increased to £167 million to reflect the increased pressure on services as a result of the 'everyone in' approach. It remained at that level for three years, before it was increased by £13 million in 2024/25. Some of the smaller homelessness grants were also merged into the HSG in 2024/25, meaning the HSG current stands at £182 million.
- 2.11. **In real terms, the budget has reduced by £13 million since 2012.** We have calculated this figure using the Bank of England inflation calculator, which shows that £139 million in 2012 equates to approximately £195 million in October 2024.



2.12. This would be concerning if demand for homelessness and housing support services had remained the same. Unfortunately, we know that both demand for services and the complexity of support needs has increased significantly in the last few years, meaning that the current Housing Support Grant budget falls far short of what is necessary.

Impact of last year's budget

2.13. Last year the homelessness and housing support sector was in a very precarious position, with many services warning that they would be forced to reduce capacity or even close if additional funding was not provided. Given the significant pressures facing the Welsh Government, **we were delighted that the Housing Support Grant received a £13 million uplift** in the final budget. Providers warmly welcomed the additional funding and it enabled some organisations to reverse planned cuts to their services and avoid staff redundancies.

“We had significant and advanced plans to reduce number of units (people we could support) as well as plans to lay off certain roles based on a static budget assumption. The increase was hugely well received as it meant these plans were never enacted.”

2.14. However, **only 17% of providers said it enabled them to reverse plans** (based on the draft budget) to reduce service capacity and/or make staff redundant. The evidence collected from providers suggests that the increase was not enough to cover all costs. **Only 14% of respondents to our survey said the final budget settlement was sufficient to cover all of the costs of running a high quality, well-staffed service.**

“The rise was welcomed (and will make a positive difference) however we are still struggling to cover the costs of support staff and running costs.”

“In real terms, it has been cut dramatically - we are nearly at the same level of funding as we were receiving in 2011 but with inflation it is a huge reduction.”

2.15. Unfortunately, the additional £13 million came too late for many services, as it was not announced until the final budget on 27th February 2024. Local authorities and providers based their financial planning for 2024/25 on the draft budget in December 2023, which featured a cash-flat HSG budget. **17% of respondents to our survey said it was announced too late** to avoid some service reductions and/or staff redundancies.

“The announcement was also made very late in the budget setting process therefore decisions about service priorities had already been made.”

Subsidising services due to funding shortfall

- 2.16. Despite the increase in the budget, **81% of support providers are running HSG services at a deficit** - i.e. costing more to run than the funding they receive from local authority commissioners. As a result, organisations are having to subsidise HSG services from the following sources:
- 64% are using income from other parts of the organisation (e.g. rental income, training income)
 - 52% are using their organisation's reserves
 - 27% are using fundraising revenue (from trusts/foundations/the public)
- 2.17. **Support providers are clear that this is not sustainable.** Most organisations cannot afford to subsidise services in the future and will need to hand back contracts if the funding deficit is not resolved. The boards of these organisations are becoming increasingly concerned about these deficits and some have told their leadership teams to hand back contracts if this continues.
- 2.18. When asked how long they could continue to subsidise HSG projects with funding from other sources, the most common answer was one year or less (15 respondents). The maximum length of time quoted by respondents was 3 years (4 respondents).

"We are currently in negotiation with a Local Authority, unless they can find the additional funding required, we will have no choice but to serve notice and terminate the contract."

"Cost of living rises over the past three years have impacted on our reserves. Our reserves are now at a level where we cannot use them to sustaining operational costs."

Real Living Wage

- 2.19. Homelessness and housing support workers in Wales do incredibly challenging and skilled work, but funding constraints mean they do not receive the reward and recognition they deserve.
- 2.20. **The story last year:** In December 2023 we gathered data on the salaries of more than 3,000 workers funded by the Housing Support Grant. This showed that:
- 41% were being paid below the upcoming (April 2024) minimum wage of £11.44/hour
 - 67% were being paid below the 2023/24 Real Living Wage of £12.00/hour
- 2.21. In January 2024, we [wrote](#) to the First Minister and highlighted the disconnect between the wages in the homelessness sector and the Welsh Government's commitment to Fair Work and the Real Living Wage. We called for an increase in the HSG budget to enable support providers to increase frontline worker wages. Once the £13 million uplift to the 2024/25 budget was announced, we were delighted that the Minister for Climate Change [wrote](#) to local authorities to state her 'very clear expectation' that this should be used to address pay pressures and support providers to deliver the Real Living Wage:

"In recognition of the inflationary pressures on housing support services and as the main homelessness prevention grant, I have allocated an additional £13m to the Housing Support Grant (HSG) budget which takes HSG funding to £182,348,128 in 2024-25.

"This increase equates to a 7.8% increase on 'core' HSG funding of £166,763,000 and I have allocated this additional funding with the very clear expectation that this should be used to address pay pressures in the first instance, and assist commissioners in supporting providers to deliver on our broader commitment to Fair Work and the Real Living Wage."

- 2.22. While we, and the Welsh Government, recognised that this was unlikely to be enough funding to cover the Real Living Wage, it was viewed as the first step towards achieving this aim. Over the next few months, we worked with providers, local government and the Welsh Government to try and ensure that the uplift was passed onto providers to enable them to increase wages.
- 2.23. In our most recent survey of providers (October 2024) we asked them to share whether they had been able to pay staff the Real Living Wage, and whether they had received enough HSG funding to cover the whole cost of this.
- 91% of organisations say they are paying frontline staff the RLW
 - However, **only 21% are able to pay for this wholly with HSG funding**. The remaining 79% are having to subsidise wages using their reserves, fundraising or other income.
 - Only 20% said that their HSG funding enables them to maintain appropriate differentials for immediate managers.
- 2.24. It is clear that there needs to be further increases in the HSG to cover the costs of the Real Living Wage in homelessness and housing support services. We hope that the Welsh Government maintains a commitment to ensure that this becomes a reality on next year's budget. On average, providers say **they would need a 17% increase in their HSG funding to cover all of the costs of paying the RLW next year** and maintaining appropriate differentials for immediate managers.

Increased demand and complexity

- 2.25. The pressure on the homelessness and housing support system has never been greater. Welsh Government [statistics](#) show that 11,363 people were in temporary accommodation on 30 September 2024. Many of these people will need support to help them cope in temporary accommodation and then move into a settled home. Housing support services are also playing a key role in preventing even more people from entering temporary accommodation.
- 2.26. Evidence we have collected from support providers demonstrates that demand for homelessness and housing support services has increased over the last year, as well as the complexity of people's support needs.
- **91% said demand for their services had increased since last year**
 - **94% said the complexity of support needs had increased since last year**
- 2.27. A number of homelessness and housing support providers have shared how the increased levels of complexity and risk is affecting services.

“Increased incidents involving alcohol. Increased incidents involving mental health. Increased incidents of suicide attempts. Increased incidents involving violence.”

“Recently 62% of residents have experienced suicide ideation and have attempted suicide and/or are self-harming in response to the trauma they have experienced. For some, this is coupled with substance usage, chaotic lifestyles and no support networks. [...] In addition, it is also very difficult for the other residents and their children who are living with the day-to-day fear that a death will occur.”

“Staff in services are dealing with significant issues. Within the last quarter, staff have had to deal with suicide attempts, self-harm, violent crime.”

“We are working with far more YP and women with significantly higher mental health needs, including serious self-harm and suicide ideation. For the first time ever, we are seeing many young people we support threaten staff with weapons and are carrying weapons.”

“We are now dealing with intensity of support needs we wouldn’t have come across a few years ago. The high need cases are now the norm in our services. We are supporting residents through the most complex safeguarding, domestic abuse, substance use and mental health issues.”

Impact of the current environment on staff

2.28. We have become increasingly aware of the impact of increased demand and complexity, coupled with restricted funding and job uncertainty on staff health and wellbeing.

2.29. **91% of providers who responded to our survey said there had been a negative impact on staff wellbeing, sickness and burnout**, with 41% saying this had been extremely negative. Many provided further detail about how this was affecting staff, with some hugely concerning comments about staff mental health.

“I have sadly lost a staff member through suicide, I have also had more significantly more staff off work for long periods citing stress, anxiety and compassion fatigue/ burn out.”

“Staff are tired. One member of staff recently said 'it shouldn't be this hard to help people' and that's how it feels. Everything is a challenge due to shrinkage of services.”

“Higher staff turnover, shorter tenure in role. Increased staff sickness absence due to work related stress and anxiety.”

“We believe staff wellbeing has been negatively impacted by increased complexity. We have seen higher numbers of staff leaving than previous years. Further to this, numbers of staff referrals to our counselling services have doubled.”

“We have seen an increase in sickness absence, increased use of agency (which impact on continuity of support provided to residents). The sector is poorly funded which makes recruitment and retention difficult as people can earn the same in far easier, less complex roles.”

“We have a high staff sickness rate with the majority of cases being stress-related.”

Impact of staff sickness and turnover

2.30. 50% of respondents to our survey said there has been an increase in staff turnover over the last year. Of those who said that turnover had stayed the same, several wanted to highlight that turnover had increased significantly in previous years and still remained very high.

2.31. Support providers were keen to outline how high staff turnover affects people using services, who have often experienced a lifetime of trauma and system failure. We asked people to tell us how staff turnover affected people using services.

“It has had significant impact - support is based on relationships and staff turnover directly negatively impacts the person we support through having to repeat stories and build trust over and over again.”

“The quality of the support received by a service with high turnover is much decreased, the client is continually having to work to trust a new person and possibly tell their story again and there is a high chance of disengagement.”

“The people we support rightly complain about not seeing the same people delivering support when we have to use agency. This inevitably makes it hard for them to build positive relationships, feel safe and achieve their outcomes.”

2.32. We also asked about the impact on remaining staff members, who are already under significant pressure

“Higher workloads during vacancies, increased risk of burnout.”

“Puts pressure on other staff to cover rota's, having to work additional hours. Can't take their annual leave.”

“Staff having to pick up one or more on the caseload for a week or two (or three). General fatigue on staff who remain in service.”

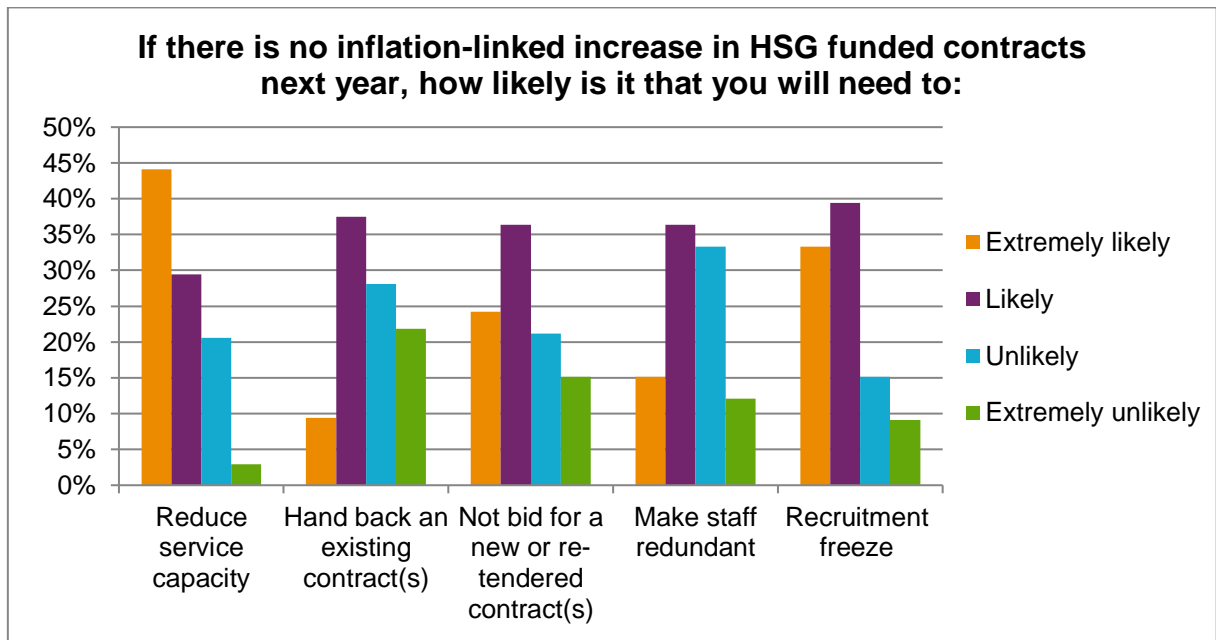
“Staff shortages are significantly burning out the rest of the team. Therefore, when one person is off long-term sick we often find other staff are impacted and more sickness occurs. It is a constant strain and battle.”

Looking to the future: HSG budget 2024/25

2.33. We asked support providers to consider the impact of a cash flat settlement (real-terms cut) for 2025/26. The data paints an incredibly concerning picture, with a large proportion of service providers likely to reduce capacity, hand back existing contracts and choose not to bid for new or re-tendered contracts if there is no increase in funding.

2.34. Our survey of support providers showed that a cash-flat budget would have the following impact:

- 74% will likely need to reduce service capacity / support hours
- 73% will likely need to freeze recruitment / leave vacancies unfilled
- 61% will likely not bid for new / re-tendered contracts
- 52% will likely make staff redundant
- 47% will likely need to hand back existing contracts



Changes to employer National Insurance contributions

2.35. The survey referenced throughout this report was conducted before the UK Government Autumn Budget, and there are now significant concerns about the impact of the increase in National Insurance contributions. This poses an additional huge risk to the sustainability of high-quality services, which could leave local government without the tools they need to prevent and alleviate homelessness. Most crucially it could result in people who are

experiencing or at risk of homelessness being unable to access the housing and support they desperately need.

2.36. In the last two weeks, we have collected further data from 22 providers of HSG funded services about the increase in costs resulting from the changes to employer National Insurance contributions. **The costs are significant. The highest figure quoted is £621,000 and the average estimated cost is £120,162.**

2.37. Given the financial pressures outlined earlier in this report, the risk facing the homelessness and housing support sector is huge. We also asked providers how much their HSG funding would need to be increased in order to cover the additional NI costs. **The average response was 8.8%.**

“The impact of the NI increase and a commitment to the RLW will cost us £859k. This is a significant sum.”

“Charity’s long term viability at risk due to employer NI changes coupled with National Minimum Wage increase.”

“The NI Increase and lowering of the threshold has a significant negative impact upon our organisation. [...] Should no budget increase be forthcoming, we would have to reduce our workforce and a proportion of support hours to make the projects financially viable.”

“We are extremely worried about these additional costs. We want to pay RLW next year but at this point it looks extremely unlikely. However we will legally have to pay the NI increases and NLW - how on earth are we expected to fund this? The NLW increase and the NI increases will cost us an extra £700,000 next year (4%). Paying NI, RLW and keeping salary differentials would cost us an additional 8%.”

“As an organisation, the total cost as a result of the increased contributions for the whole organisation will cost us £50,000+ per annum. We are having a budget review meeting next week and tough decisions may need to be made to reduce staffing [...] We are in a very precarious position because we are unable to reduce frontline staff due to the increased demand for all our services. It is proving very difficult to access revenue funding from other sources and we feel we are on the verge of crisis point. It feels very unstable at the moment and very concerning.”

2.38. The increase in employer National Insurance contributions is a UK Government decision, and the UK Government should ensure additional funding is made available to cover the additional costs facing homelessness and housing support services. It is imperative that any financial support is not restricted to ‘in-house’ public services, but includes commissioned services.

2.39. However, given uncertainty surrounding this issue, the Welsh Government also needs to make appropriate preparations to ensure that homelessness and housing support services get the financial support they need. We have written to the [First Minister](#) and the [Cabinet Secretary for Housing and Local Government](#) about this issue.

2.40. If the UK Government does not provide additional support for homelessness and housing support services, we are asking the Welsh Government to:

- Provide additional funding in the Welsh Government’s budget for 2025/26 to cover the additional National Insurance costs facing Housing Support Grant and other Welsh Government-funded homelessness and housing support services in Wales.
- Work with local government and providers to ensure that the required funding reaches providers at the start of the financial year.

3. Learning Disability Supported Living Services

- 3.1. Cymorth also represents our members who provide housing and support services to people with learning disabilities, including but not limited to Supported Living services. These are usually delivered alongside or with support from social housing providers.
- 3.2. It is important to note the differences between Supported Living Settings and Care Homes. Supported Living is, essentially, people with learning disabilities living either alone or with small numbers of other people with learning disabilities, in their own tenancies, with support of varying intensity depending on their needs. Some care is provided alongside support, but often the support is as much about enabling people in supported living to socialise, engage in hobbies, travel to work, etc, as it is about physical care. The model enables people to live in their own homes and live fulfilled lives, rather than being in more restrictive care settings.

Real Living Wage

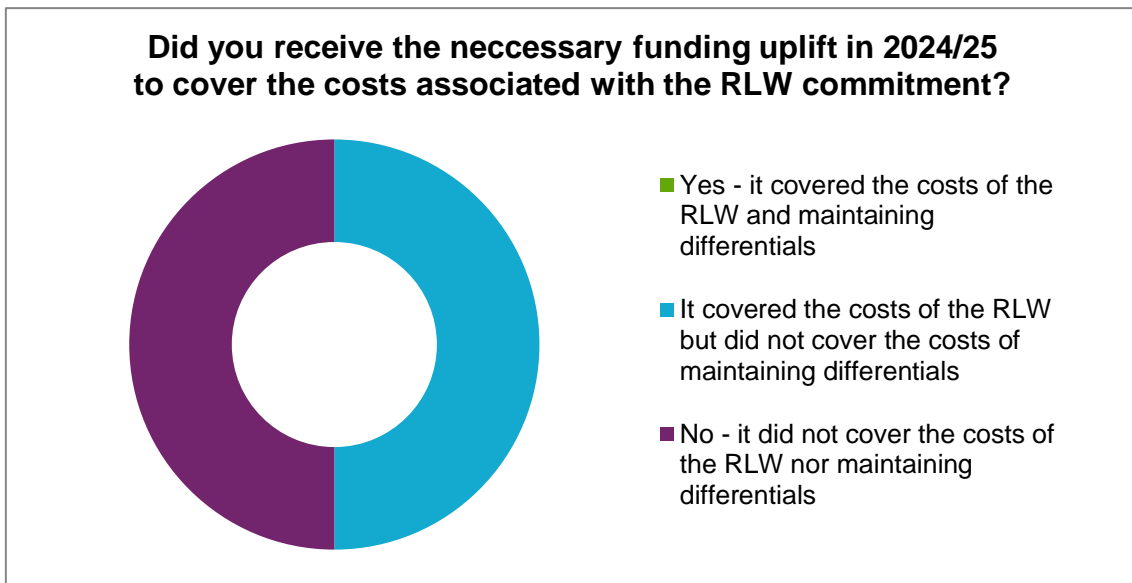
- 3.3. The Welsh Government made a commitment in its [Programme for Government](#) to pay social care workers the Real Living Wage (RLW), something that our members believe should be the bare minimum for the skilled work their staff undertake. The Welsh Government has committed to provide additional funding to local authorities and health boards each year, to enable them to provide the required funding to commissioned social care providers to uplift staff wages to the Real Living Wage.
- 3.4. Welsh Government [guidance](#) on administering the RLW for social care workers says that local authorities and health boards should aim to agree the required amount with providers and deliver the uplift to cover the RLW at the earliest opportunity. The guidance also states that the Welsh Government's expectation is that administration of the uplift to the new RLW rate should commence from April each year and they would expect workers to start to feel the benefit by June of that year at the latest.
- 3.5. However, this commitment has not been delivered in 2024/25, with many social care providers facing significant shortfalls in funding.

Challenges with the RLW policy during 2024/25

- 3.6. The RLW increased by 10.1% in October 2023, and the new rate was applied to Welsh social care services from 1st April 2024. However, we are now three quarters into the financial year and many social care providers have not received sufficient funds to cover these costs. This is putting vital social care providers at risk. We have raised this issue with the Welsh Government Ministers and officials on several occasions since March 2024, but this is yet to be resolved.
- 3.7. The Welsh Government has said the funding for increasing social care wages to the RLW is included in the local government settlement for 2024/25. However, this is not ring-fenced, meaning that requests for RLW funding are competing against all of the other local government priorities and statutory responsibilities.
- 3.8. Social care providers have estimated that they needed an increase in funding of approximately 9-10% in order to cover the costs of the significant RLW increase for 2024/25. However, given that the funding was not ring-fenced, and was part of a local government settlement that increased by only 3.3% in 2024/25, it has proved extremely difficult for providers to access the level of funding uplift they require. Local authorities are facing well-documented and significant financial pressures, and some have told their commissioned

social care providers that they do not have enough funding to pay the required uplift to social care providers to cover the increase to the RLW. Some social care providers have only been offered an uplift of 3%, others have been offered 4-6%, all of which falls far short of the funding required. Some have offered the full 9-10%, but this does not reflect the picture across Wales.

- 3.9. Our members, who are not-for-profit social care providers, are honouring the commitment to pay the RLW and have done so since the start of the financial year. However, their commitment to this policy means that they are facing significant funding shortfalls of **up to £1million for this year**, creating a huge risk to organisational sustainability. They are not-for-profit organisations, who are having to use reserves to prop up a Welsh Government commitment that hasn't been adequately funding. This is unacceptable.
- 3.10. We have recently conducted a survey of our social care provider members and asked them a series of questions about the impact of the RLW commitment this year. None of them said that they had received the necessary funding to deliver the RLW commitment, which includes pay for staff and maintaining appropriate differentials for immediate managers.



- 3.11. **Funding shortfall associated with RLW for frontline workers:** We asked our learning disability support providers to estimate the funding shortfall they had faced this year, related to the costs of paying the RLW.
- The highest figure was £740,000
 - The average funding shortfall was £331,020
- 3.12. **Funding shortfall associated with maintaining appropriate differentials:** The RLW policy makes reference to maintaining differentials at the lower end of pay scales. As a result, we also asked learning disability support providers to estimate the shortfall they were facing this year in relation to maintaining appropriate differentials for immediate managers.
- The highest figure was £262,500
 - The average funding shortfall was £123,167
- 3.13. It is unacceptable that this issue has not been resolved, and we urge Members of the Senedd to do all they can to encourage the Welsh Government to find a solution and ensure that social care providers receive the funding they need to implement this policy.

Delivering the RLW commitment in 2025/26

- 3.14. The latest increase in the Real Living Wage was [announced](#) on the 23rd October by the Real Living Wage Foundation. It now stands at £12.60 for the UK (outside London), which is an increase of 5%.
- 3.15. In our survey of our social care providers, we asked them what this equated to in terms of additional costs. The highest figure quoted was £1,168,340 for one provider, and the average across all providers we surveyed was £689,470.
- 3.16. The RLW uplift must also address differentials within the structure of services. Maintaining an appropriate pay differential for managers is critical to recruiting and retaining people at manager level, especially with the responsibilities associated with management within registered services. There will be long term challenges in recruiting managers and senior workers in an already challenging time if this is not addressed, and meeting the Welsh Government's desire for workforce planning will be extremely difficult.
- 3.17. In terms of being able to maintain appropriate differentials for immediate managers, the highest cost quoted was £280,270, with the average being £129,705.
- 3.18. Care and support providers want to see a clear commitment from Ministers that they will fund the uplift in care worker salaries in line with the RLW during 2025/26. Confirmation of this in the draft budget will enable services to plan appropriately for the next financial year, with many setting their organisational budgets over the coming weeks and months.
- 3.19. **Bearing in mind the significant issues with the funding of this policy in 2024/25, we are calling for the RLW uplift funding to be clearly ring-fenced for this purpose. This will provide transparency for both commissioners and social care providers about the amount of funding available, and will help to ensure that it reaches services quickly. We cannot have a repeat of this year.**
- 3.20. With an ageing population and a rising demand for social care, Wales needs a sustainable social care workforce supported by a Real Living Wage that offers job security and recognition. The sector needs support to offer fair pay and terms and conditions in order to build sustainable services that can focus on quality and consistency of care.

National Insurance contributions

- 3.21. The social care sector has serious concerns about the impact of the increase in employer National Insurance contributions announced by the UK Chancellor in the Autumn Budget. Alongside the increase in the Real Living Wage, these additional costs pose a significant risk to the sustainability of the sector and its ability to continue to provide vital social care services on behalf of local government and the NHS in Wales.
- 3.22. In a recent survey of our learning disability support providers, one organisation said that the additional costs related to the employer NI increase is estimated at £852,000. The average costs across the providers we surveyed was £547,158.
- 3.23. These additional costs pose 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 not-for-profit social care sector is absolutely critical to the delivery of social care services in Wales, providing a huge proportion of domiciliary care, supported living and residential care services.

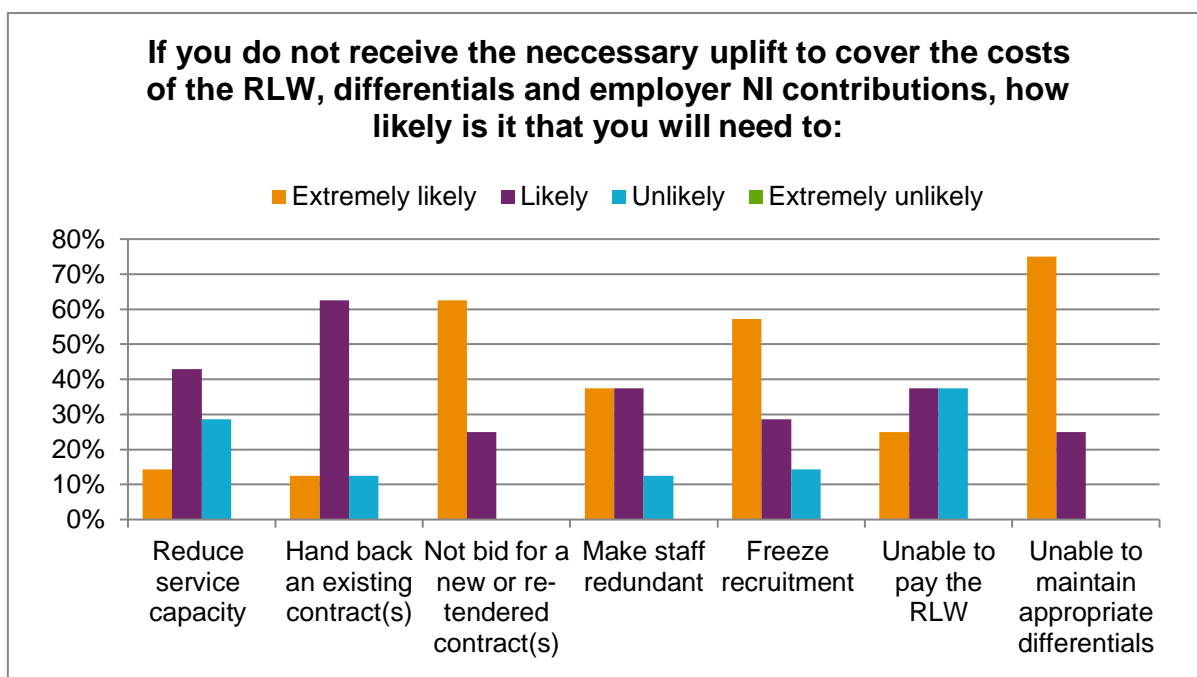
3.24. This is a UK Government decision, and the UK Government should ensure additional funding is made available to cover the additional costs facing care and support services. It is imperative that any financial support is not restricted to ‘in-house’ public services, but includes commissioned care and support services. However, given uncertainty surrounding this issue, the Welsh Government also needs to make appropriate preparations to ensure that key social care and support services get the financial support they need. We have written to the [First Minister](#) and the [Cabinet Secretary for Health and Social Care](#) about this issue.

Overall outlook for 2025/26

3.25. Given the increase in the Real Living Wage and the additional costs associated with the changes to employer National Insurance contributions, there are significant concerns about the impact on social care services in Wales. We asked our learning disability support providers to estimate the increase in funding that would be required, in order to cover the costs of the RLW, maintaining appropriate differentials for immediate managers, and the increase in employer NI contributions. **On average, they will need an increase in funding of 8.5%**

3.26. We also asked them to tell us what was likely to happen in the event of them not receiving the necessary uplift to cover these costs. The answers are extremely concerning:

- 57% said they were likely to have to reduce service capacity
- 75% said they were likely to have to hand back an existing contract(s)
- 88% said they were likely to not bid for a new or re-tendered contract(s)
- 75% said they were likely to have to make staff redundant
- 86% said they were likely to have to freeze recruitment or leave staff positions unfilled
- 63% said they would likely be unable to afford to pay the RLW
- 100% said they would likely be unable to maintain appropriate differentials



3.27. The not-for-profit social care sector is absolutely critical to the delivery of social care services in Wales, providing a huge proportion of domiciliary care, supported living and residential care services. **It is essential that the Welsh Government’s budget for 2025/26 enables it to continue doing this vital work, and provides sufficient funding, that is clearly ring-fenced to cover the increased costs of the RLW and NI contributions.**

3.28. The following quotes from some of our social care members provide further evidence of the financial challenges facing these vital services:

“The cost pressures we face for the RLW and National Insurance changes are catastrophic if we are not properly funded. The main cost of a care and support organisation is staffing and therefore these changes affect us more than most other organisations. If we are not funded, this will wipe us out within 2 years and we risk losing more staff if we cannot maintain a decent wage. The recruitment challenges are already extremely difficult, this would make it impossible.”

“We have had to dip into our reserves over the last couple of years, but this year we will need to dip into a significant amount of reserves and I anticipate that next year will be even higher with the significant impact of Employers NIC's. We are seeing ENICS increasing by ~46% for full time staff compared to the current year, Unfortunately the cost increases for part timers is very high due to the threshold uplift and in some cases this in leading to an increase in NI contributions of 4 times the current cost. We are not going to be replenishing our reserves anytime soon and the level of reserves we have will not sustain beyond a few years if we do not get the funding.”

“The lack of any real commitment to the funding of commissioned adult social care makes the market volatile, uncertain and risky. The inefficiency of fighting for uplifts and survival year on year is both draining and pulls focus from our joint aims of providing effective care and in professionalising the workforce. Commissioning practice continue to drive prices down as providers fight for short-term survival which in turn justifies the artificial assessments that local markets are sustainable.”

“Due to our income being dictated to by the Local Authority contract uplifts (that have constantly been below inflation) we have been unable to increase rates of pay (other than RLW). This has meant that staff have sought different sector careers that pay a more realistic / competitive salary. Moreover, as the care sector has been held to ransom by Central Government and Local Authorities funding (underfunding) and the cost of living crisis, it has meant that in real terms our staff are financially worse off and ultimately subsidising care services. This has led to lower moral and mental health issues amongst the teams.”