

Evidence for the Health and Social Care Committee **Welsh Government Draft Budget 2025-26**

A submission from Cymorth Cymru
December 2024

1. Introduction

- 1.1. 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.
- 1.2. 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.
- 1.3. This submission focuses on **Learning Disability care and support services**
- 1.4. We have submitted additional evidence to the Senedd Finance Committee, and the Senedd Local Government and Housing Committee, which includes additional evidence related to homelessness services.

2. 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.

4. Real Living Wage

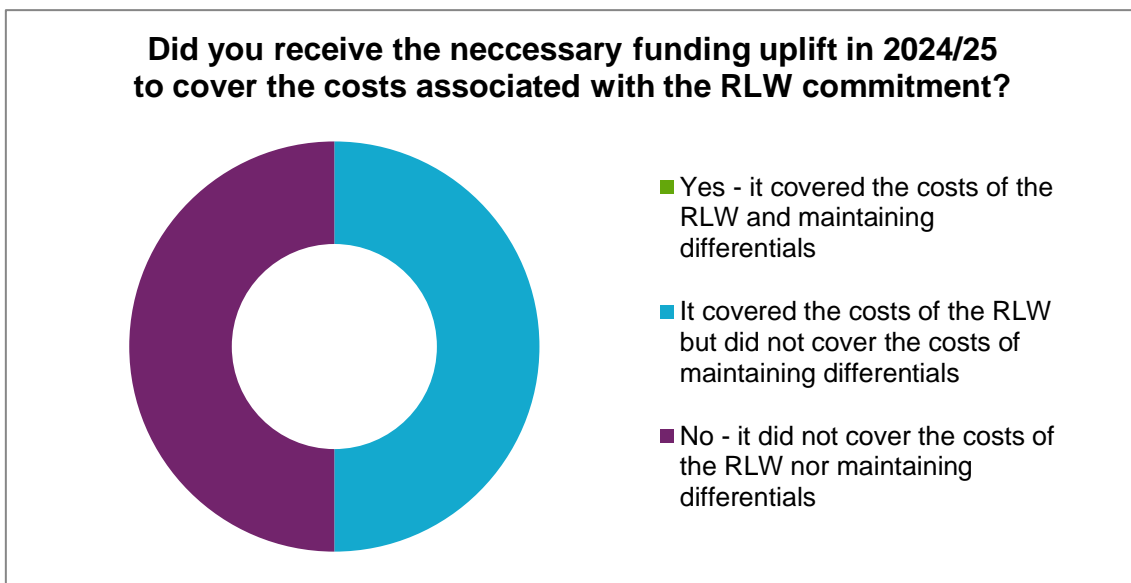
- 4.1. The Welsh Government made a commitment in its [Programme for Government](#) to pay social care workers the Real Living Wage (RLW), something that our members believe should be the bare minimum for the skilled work their staff undertake. The Welsh Government has committed to provide additional 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.
- 4.2. 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.
- 4.3. 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

- 4.4. 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.
- 4.5. 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.
- 4.6. 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.

- 4.7. 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.
- 4.8. 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.



- 4.9. **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
- 4.10. **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
- 4.11. 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

- 4.12. 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%.
- 4.13. 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.
- 4.14. 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.
- 4.15. 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.
- 4.16. 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.
- 4.17. **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.**
- 4.18. 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.

5. National Insurance contributions

- 5.1. 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.
- 5.2. 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.
- 5.3. 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.

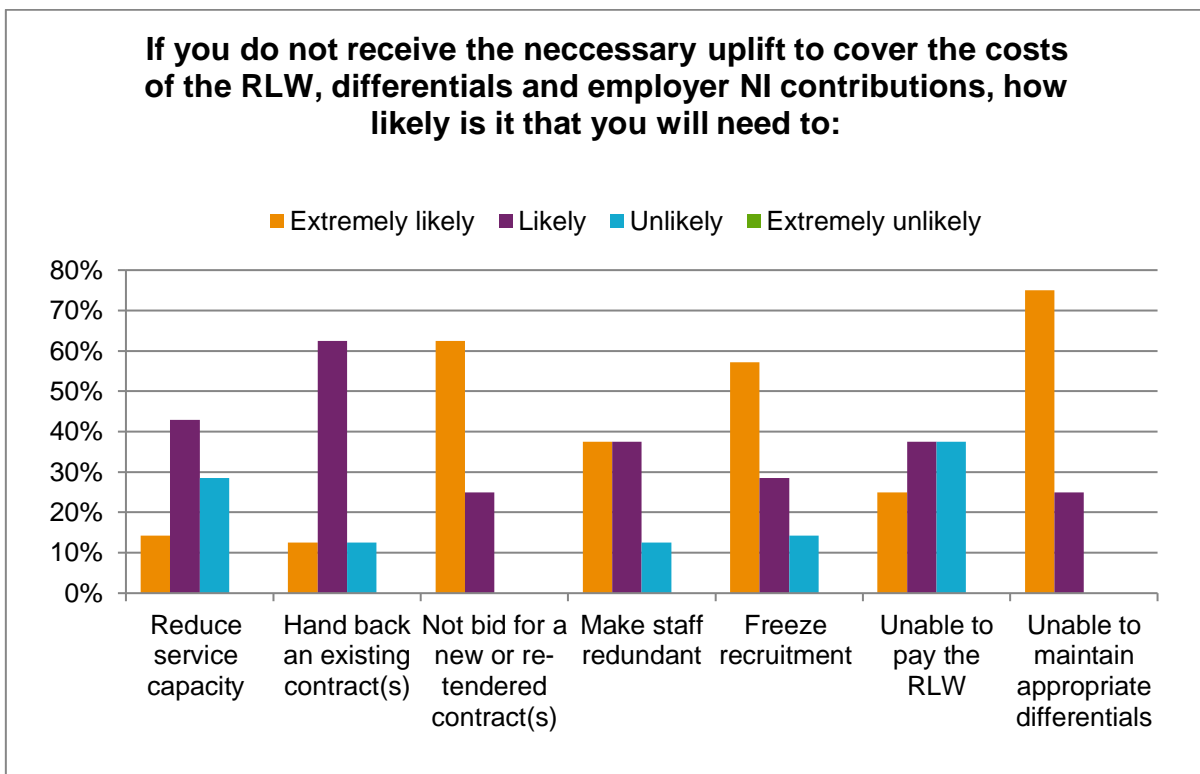
5.4. This is a UK Government decision, and the UK Government should ensure additional funding is made available to cover the additional costs facing care and support services. It is imperative that any financial support is not restricted to ‘in-house’ public services, but includes commissioned care and 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.

6. Overall outlook for 2025/26

6.1. 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%**

6.2. 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



- 6.3. 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.**
- 6.4. 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."