

Removing profit from the care of children looked after: Frequently asked questions (FAQ)

We have captured some of your most frequently asked questions

Published: 3 June 2026 Last updated: 30 September 2026

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Overview and policy context

What is Care Inspectorate Wales's (CIW) role in the removal of profit from the care of children looked after?

CIW is responsible for regulating and inspecting care services in Wales. In the context of the Welsh Government's policy to remove profit from the care of children looked after, CIW (acting on behalf of Welsh Ministers) will implement the changes to the **Registration and Inspection of Social Care (Wales) Act 2016** (<https://law.gov.wales/regulation-and-inspection-social-care-wales-act-2016>) brought about by the **Health and Social Care (Wales) Act 2025** (<https://law.gov.wales/regulation-and-inspection-social-care-wales-act-2016>) ('the Act').

What does a 'not-for-profit' provider mean?

To qualify as a not-for-profit provider under the Act an organisation must meet the following criteria (unless it is a local authority):

- Its main purpose must relate to the welfare of children, or another public benefit as may be set out by Welsh Ministers.
- It must be structured as one of the following legal entities:
 - a charitable company limited by guarantee without a share capital
 - a charitable incorporated organisation
 - a charitable registered society, or
 - a community interest company limited by guarantee without a share capital.

Can for-profit providers continue to operate in Wales?

Yes, but with significant restrictions. The Welsh Government is committed to phasing out the extraction of profit from children's social care services, specifically children's homes, fostering services, and secure accommodation, as part of its wider reform under the **Health and Social Care (Wales) Act 2025** (<https://law.gov.wales/regulation-and-inspection-social-care-wales-act-2016>) ("the Act").

Key dates and changes:

- Since 1 April 2026: New providers registering or varying their registration with CIW to provide children's homes, fostering, or secure accommodation services must meet the not-for-profit requirements. Existing providers will not be able to add a restricted children's service to their registration or add new places at which restricted children's services are provided unless they meet the not-for-profit criteria.
- From 1 April 2027: Existing for-profit providers will be barred from expanding. They

will not be allowed to:

- Add new beds to children's homes which are already registered
- Approve new foster carers
- From 1 April 2030: Welsh local authorities may only place children with for-profit providers in exceptional circumstances, such as:
 - No suitable not-for-profit placement is available
 - To maintain sibling groups

In such cases, Welsh local authorities must seek Welsh Ministers' approval through a supplementary placement approval process.

For-profit providers will only be permitted to accept placements from English local authorities in exceptional circumstances that will be specified in regulations.

What about secure accommodation?

Although the policy also applies to secure accommodation services, there are currently no for-profit providers registered in Wales. The legislation will prevent any for-profit providers from registering or varying their registration to offer secure accommodation in future.

What are the implications of the forthcoming legislation for 16+ supported accommodation services?

'The Act' introduces a phased re-establishment to a not-for-profit model for what are defined as "restricted children's services." These include:

- Care homes for children
- Fostering agencies
- Secure accommodation

Post-16 support only services are not impacted by this change to legislation.

Does the legislation apply to respite care for disabled children who are not looked after?

If the service is registered as a care home for children, it likely falls under the legislation. If the care home service is also a school and does not accommodate children who are looked after children (or if it accommodates more children who are not looked after than children who are looked after) then it will not be subject to the legislation. CIW will assess on a case-by-case basis.

How many providers are currently registered that will fall under the definition of a restricted children's service?

Welsh Government publishes data every six months. Find the latest report on the [removing profit from the care of children looked after: transition to a not-for-profit model webpage \(https://www.gov.wales/removing-profit-care-children-looked-after-transition-not-profit-model\)](https://www.gov.wales/removing-profit-care-children-looked-after-transition-not-profit-model).

Registration process and timeframes

What is CIW's registration process for new not-for-profit providers?

The core registration requirements remain the same for new not-for-profit entrants to the market, although, where an application relates to a service which is one of the "restricted children's services" (see question 5 below) we request extra documentation which will evidence the type of undertaking (e.g. charitable company limited by guarantee with no share capital) and demonstrate the objects and purposes of the organisation e.g. the Article of Association and Memorandum of Association.

We are reducing the burden of re-registration on already registered services wishing to re-establish their business as a not-for-profit legal entity by only asking for what we really need in regard to the change of business model and confirming objects and purpose.

We have updated our guidance to reflect the changes introduced by the Act.

What is the anticipated timeframe for re-registration with CIW for services re-establishing as a new not-for-profit entity?

CIW aims to complete the re-registration process within its standard 14-week timeframe. However, it may be quicker if the service remains largely unchanged and CIW already has detailed knowledge of the provider.

As a small not-for-profit company already (e.g. CIC limited by guarantee), would we be expected to go through the same re-registration process?

Existing not-for-profits will need 'vary their registration' to avoid the conditions which will be imposed on providers from 1 April 2027. It is proposed this will involve the provider submitting documents confirming their legal entity and objects/purposes but won't need full re-registration.

Application deadlines and completeness

What was the final date for submitting for-profit applications?

All applications from organisations that are not one of the four Welsh Government approved models had to be submitted to CIW by 31 March 2026. This applied to applications to register a new restricted children's service or place (secure accommodation/care home for children/fostering service) or to vary current registration to add one of these services or places.

What happens to applications submitted after 31 March 2026?

All new or resubmitted applications must meet new legislative requirements and will be refused if not-for-profit status is not met.

Transitional arrangements

Who do the transitional arrangements apply to?

The transitional savings date applies only to those wishing to register or vary a service or place under the existing RISCA.

What if I'm not adding a new service or place?

If you are not adding a new service or place, you will automatically become a restricted children's service on 1 April 2026.

Registration requirements and scenarios

Do I need to have staff in place before applying?

You do not need to have employed staff or a registered manager to apply. However, registration will not be granted until a suitably qualified manager who is registered with Social Care Wales is appointed.

Is there an expectation that a for-profit foster care provider needs to transfer all foster carers over to the new not-for-profit entity immediately or can both entities run alongside each other to manage the re-establishment period?

It would be possible for a provider to run both entities alongside each other for a period of time and allow for gradual re-establishment of foster carers across to the not-for-profit provider. The details of the change to the not-for-profit entity will be a matter for individual provider's business planning.

If I have a dormant children's care home as part of my registration with CIW and I want to re-activate the service will it need to be not for profit?

Whether or not a service is dormant, if it is registered at the time that the provisions come into force then it will be subject to the Schedule 1A transitional arrangements and will be able to operate with restrictions.

What if I operate a care home for both adults and children?

If your home primarily cares for children and the service generally comprises more children than adults, then it would be likely be considered to be a children's home and would be affected by the restrictions on for-profit children's home providers.

CIW recognise that in a small number of cases there may be services who care for equal numbers of children and adults, or where numbers can fluctuate with more numbers of children being cared for than adults at certain times. Ultimately this will come down to the main purpose of the service and whether it is considered to care mainly for children or for adults. In some cases, CIW will need to make a judgement on this – they will work with individual providers to determine this where it is not immediately clear from their registration information.

In some cases, providers may wish to adapt their admissions policies to ensure that they avoid the risk of running a care home service wholly or mainly for children. In other cases, providers may choose to re-establish themselves as one of the not-for-profit bodies to enable them to operate "wholly or mainly for children" for periods where it is necessary to do so.

Local authorities working with landlords

When does a local authority and a care provider need to jointly register with CIW?

Under **Schedule 1, paragraph 1 of the Regulation and Inspection of Social Care (Wales) Act 2016** (<https://www.legislation.gov.uk/anaw/2016/2/schedule/1>), a care home service is defined as the provision of accommodation together with nursing or care for a person because of their vulnerability or need.

Where a local authority is the tenant renting a property from a landlord and commissioning care from a separate care provider, both parties are considered to be jointly delivering the regulated service - the local authority providing the accommodation and the care provider delivering the care and support.

In this situation, the local authority and the care provider must jointly register with CIW.

How can joint registration be avoided in these circumstances?

To avoid the need for joint registration, the care provider must be the tenant who holds the lease with the landlord.

In this arrangement, the care provider becomes solely responsible for delivering the regulated service and will therefore:

- Register solely with CIW, and
- Hold full responsibility for meeting all requirements of the inspection framework (Wellbeing, Care and Support, Leadership and Management, and Environment).

If CIW issues any Priority Action Notices, the responsibility for addressing these lies entirely with the registered provider, who must work directly with their landlord to resolve any environmental or accommodation-related issues.

Are there any restrictions on for-profit providers in relation to these arrangements?

Yes. For-profit providers of restricted children's services are no longer be able to add additional services or places to their registration, whether operating alone or as part of a joint arrangement.

Legal models and governance

Who can act as the responsible individual (RI) under each of the four approved not-for-profit models?

This would depend on the model - trustees, directors, or members. CIW will continue to assess the eligibility of the RI during the registration process. Please read section 4 of [Guide to Registration-RISCA \(https://www.careinspectorate.wales/sites/default/files/2025-06/250609-Guide-to-Registration-RISCA-en_2.pdf\)](https://www.careinspectorate.wales/sites/default/files/2025-06/250609-Guide-to-Registration-RISCA-en_2.pdf) for information regarding RI's.

Can an RI or other directors (e.g. HR, finance) be paid a salary under the not-for-profit models? What is considered a 'reasonable' salary?

Yes, salaries are permitted if reasonable and transparent and compliant with the relevant legislation for the particular model. The financial regulators who oversee the four permitted not-for-profit models, e.g. the Charities Commission, provide guidance around this.

Will Welsh Government or CIW set salary guidelines for CIC directors and RIs?

No, salary guidelines will not be set by CIW or Welsh Government. Existing financial regulators already have requirements and guidance about this.

Can a paid employee also be a trustee or director in a charitable model?

Yes, but only in limited circumstances. The charity's governing documents must allow it, and in most cases, explicit approval from the Charity Commission is required. The arrangement must be in the charity's best interests, and robust safeguards must be in place to manage conflicts of interest, including:

- The employee-trustee must declare their interest.
- They must withdraw from discussions and decisions about their own employment terms.
- The charity must record decisions transparently and ensure the payment is reasonable.

Read the [Charity Commission's guidance on the rules regarding paying a trustee \(https://www.gov.uk/government/publications/charities-paying-a-trustee-or-a-connected-person-understand-the-rules-cc11\)](https://www.gov.uk/government/publications/charities-paying-a-trustee-or-a-connected-person-understand-the-rules-cc11).

Support and guidance

What support is available for providers re-establishing as one of the permitted not-for-profit models?

CIW can offer advice regarding the registration process.

Cwmpas (<https://cwmpas.coop/careprovidertransition/>) can support you with advice on how to establish as one of the four models that the Act allows to be providers of restricted children's services.

Is Cwmpas a paid-for service?

No, it is funded by Welsh Government and free to providers.

Does Cwmpas have approval for valuers to be used for initial valuations?

Yes, though a formal framework is still being developed. Valuations can be arranged on a case-by-case basis.

Where can I get help with my application?

If you have any queries about this information, please email us at ciw@gov.wales (<mailto:ciw@gov.wales>). We are here to provide support and advice, and we are happy to meet with you to discuss your individual circumstances.

You can also find full details about the legislation and re-establishing as a not-for-profit model on the **Welsh Government removing profit from the care of children looked after webpage** (<https://www.gov.wales/removing-profit-care-children-looked-after>).

What guidance is available for for-profit providers wishing to re-establish as a not-for-profit entity?

To support providers who are considering re-establishing themselves as one of the permitted not-for-profit models under the **Health and Social Care (Wales) Act 2025** (<https://law.gov.wales/health-and-social-care-wales-act-2025>), Welsh Government is funding Cwmpas to offer tailored advice and practical support. This includes guidance on restructuring, governance, and choosing the most suitable legal form. Providers can find more information and access support via the **Cwmpas website** (<https://cwmpas.coop/careprovidertransition/>).

CIW also has a [removing profit from children's care webpage](https://www.careinspectorate.wales/removing-profit-childrens-care) (<https://www.careinspectorate.wales/removing-profit-childrens-care>). This will be kept updated with further information over the coming months.

The [Welsh Government removing profit from the care of children looked after webpage](https://www.gov.wales/removing-profit-care-children-looked-after) (<https://www.gov.wales/removing-profit-care-children-looked-after>) contains more information.

What is the anticipated timeframe, in regard to financial regulators, for re-establishing a limited company into a CIC or other approved model?

Basic registration with a financial regulator can be quick (1–2 weeks), but full re-establishment depends on complexity, ownership, governance, financing, etc.

Is there an estimated cost for re-establishing as a not-for-profit model?

Costs vary widely depending on the organisation's structure and services.

Inspection, monitoring and enforcement

Will inspection criteria change for not-for-profit children's services?

All services are inspected under the [Regulation and Inspection of Social Care \(Wales\) Act 2016](https://law.gov.wales/regulation-and-inspection-social-care-wales-act-2016) (<https://law.gov.wales/regulation-and-inspection-social-care-wales-act-2016>) and the associated Regulations and statutory guidance. However, CIW will have to include new aspects of 'the Act' such as the monitoring of unreasonable and disproportionate financial arrangements.

Will CIW monitor ongoing compliance with the not-for-profit status?

Yes, this may be via annual returns and collaboration with financial regulators. False declarations may lead to enforcement action. CIW may employ the use of accountancy specialists to help assess any concerns raised.

What happens if a provider is found to be extracting financial gain in a way that undermines its not-for-profit status?

CIW can investigate and take enforcement action, which could include cancellation of registration.



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