

# Closing the Gap: Childcare in Wales

October 2023

Welsh Liberal  
Democrats  

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## **Introduction by Jane Dodds MS, leader, Welsh Liberal Democrats**

Things are tough for us all right now, but particularly so for children. Children have borne the brunt of the pandemic, and are now bearing the brunt of the cost of living crisis. Missed opportunities, lost chances, and feeling the strain of family budgets under pressure.

For that reason, I believe we need to continue to challenge ourselves to do better by our children, and to ensure every child has the best start in life. Affordable, high-quality childcare is a cornerstone of that mission.

Childcare provides opportunities for children to develop in play opportunities that support learning in safe nurturing spaces, and provides support for parents and carers to work.

We have seen huge improvements in childcare and early education over the years, but we know that access to high-quality, affordable and accessible childcare continues to be a problem for so many. Families across Wales either face paying thousands of pounds in childcare fees, leaving work, or have their children miss out on vital early years support. We know that the developmental gap between children continues to widen. We know that parents, who are already struggling with the cost of living, are choosing to skip meals for the benefit of their children. We know that the childcare gap disproportionately affects women. This needs to change.

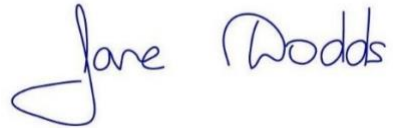
Our research shows that it is unaffordable, unsustainable and falling short in supporting both families and providers. Affordability remains the biggest barrier in parental employment, and families are unsure on what financial support they can access. Children from low-income backgrounds are missing out, and families of children with Additional Learning Needs or disabilities face even harder obstacles in accessing provision.

I want to see Government, Local Authorities, organisations and communities working together to ensure a robust and resilient sector that has the necessary tools to support high-quality, play opportunities that support learning and care. The benefits of excellent childcare and early years are well known; cognitive, social, emotional and physical growth that is critical for development. Investing in our youth is the best thing we can do for our future.

I have met with providers and have heard first hand the challenges they are facing. The work of paid and unpaid carers of children helps us all, supporting society and economy. Many of these carers are under huge pressure, feel undervalued and are struggling financially. I have also met with leading organisations within the sector, who have advised, commented and challenged our work. Thank you for supporting us on our path; creating plans and advocating for change.

Our plan sets out a fair start for every child, and a plan for a flexible and affordable offer for parents and carers. It aims to deliver reform that prioritises equity for children and families but also excellence and sustainability within the sector. It's an investment in our families, our economy and our future.

The Welsh Liberal Democrats, are working to build a more generous society, where each of us, wherever we live and whoever we are, have the tools to shape a brighter future and lead happy, healthy, and fulfilling lives. That begins with childcare and early years education.

A handwritten signature in blue ink that reads "Jane Dodds". The signature is written in a cursive style with a large, looped initial 'J'.

**Jane Dodds MS/AS**  
**Leader, Welsh Liberal Democrats**

## Executive Summary

Childcare is a core part of family lives, our society, and our economy. Whether it be informal, at home care with family or high-quality providers, it is essential for child development, family wellbeing, equality and our economy. But for many parents and carers, the choice of how they care for their child is taken away.

Issues such as affordability, accessibility, flexibility and availability continue to restrict families. Childcare costs are at an all-time high, pricing families out. Those who chose to work are sacrificing employment opportunities and reducing hours, while parents who opt for informal care at home, either by themselves or a family member, are unsupported. Two thirds of these parents are women. Children are being denied their right to crucial early learning, developmental and social opportunities. The development gap between peers is increasing at an alarming rate. The number of settings continues to decline, from early years to out of school care. Providers are working tirelessly, but remain undervalued and under supported.

It doesn't have to be this way. The Welsh Liberal Democrats priorities are to:

1. Give parents more choice and flexibility in the type of care for their children.
2. Deliver high-quality, affordable childcare and early years provision for all families from 9 months to 11 years.
3. Unlock the economic potential of women and carers, through financial support that provides choice to families.
4. Create a well-funded, sustainable sector which attracts and maintains a diverse workforce, underpinned by competitive wages, personal development, and career progression, whilst improving the recognition of care as a skilled and essential workforce.

We realise that while the challenges are significant, they are not unsurmountable. Childcare and Early Years Education in Wales must:

- Be recognised as a priority for the Welsh Government and be treated as a vital component of our social infrastructure with workers being identified as key workers.
- Reflect the needs of parents and carers, and reflect their views and needs in policy making.
- Be affordable.
- Recognise the importance of the rights of the child and take these into account during decision making processes.
- Be representative, supportive and inclusive of all communities, including children with additional learning needs.
- Deliver higher levels of Welsh-medium provision.
- Be flexible in providing support to typical and atypical working patterns of families.
- Become a respected career path with adequate pay and progression.

These are the principles that inform the Welsh Liberal Democrats' strategy to create provision that is accessible to all.

**We will work towards a system that will:**

- Provide greater choice and flexibility to parents in the early years of a child's life.
- Provide funded part-time childcare from 9 months to date of the child's third birthday for all families, regardless of work status, for 50 weeks of the year;
- Increase holiday and after school provision;
- Ensure more provision is registered with Care Inspectorate Wales to help reduce costs;
- Review funded hourly rates annually compared to the current three-year review.

This report sets out our analysis of childcare and early years, and our action plan for reform. Outlining a vision for childcare and early years education, through a body of research and evidence, will support the development of better policies by showing the return investment of a childcare guarantee.

We would like to acknowledge those that have given their time to talk to us, including organisations and providers working in childcare and early years. But especially the families that took part in our survey and who shared their stories of difficulties and challenges.

## Why Childcare?

Whether it be through informal care of friends and family, or registered provision in the childcare sector, it's important that all families have access to everything they need to make informed and personal decisions on how to raise their child.

Providing parents with accessible and affordable childcare not only supports families in employment, but also offers a safe environment for children to develop. Our research has also shown the challenges for parents, carers and providers, including:

- Affordability;
- Out of school care;
- Information and awareness;
- Availability, inclusivity and flexibility;
- Parental choice;
- Workforce difficulties in the sector.

Families are facing some of the highest childcare costs in the world alongside the cost of living crisis, which has been identified by Public Health Wales as a public health emergency<sup>1</sup>. With costs up to 60% of income, parents are being forced into part-time, low paid work, or unemployment, because of childcare difficulties. Parents, typically women, are adjusting their employment to work around limited childcare. It can lead to loss of confidence, skills, career progression and pay, as well as increasing financial dependency for women.

Some parents are simply unable to send their children to childcare because they cannot afford it. This affordability issue spans from 9 months up to school age. Costs of out of school care such as holiday or wraparound provision, are typically higher than pre-school prices. As a result, parents are opting out of childcare at this age, affecting both the social and play opportunities that support learning for the child, but also the sector. Numbers of children using the provision continues to decline and the sector continues to struggle.

Many parents are unaware of the financial assistance they can access to help cover the cost of childcare – most parents who took part in our parental survey on childcare were unsure of what they could access, from eligibility to financial backing. Confusion and uncertainty over funded hours or tax top ups are preventing families from utilising existing support.

The eligibility restrictions with existing policies, such as the Childcare Offer and the childcare element of Flying Start, are preventing some of the most vulnerable in society from accessing opportunities. Children from low-income backgrounds, and parents out of employment, are unable to access additional funded childcare from 3-4 years. This goes against all evidence that shows the long and short term benefits of early education and high-quality childcare can have upon children<sup>2</sup>, reducing the developmental gap between peers.

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<sup>1</sup> [PHW-Children-and-cost-of-living-report-ENG.pdf \(phwwhocc.co.uk\)](#)

<sup>2</sup> [Study of Early Education and Development \(SEED\): Impact Study on Early Education Use and Child Outcomes up to age five years \(publishing.service.gov.uk\)](#)

Difficulties of availability, inclusivity and flexibility are a big issue for parents accessing formal childcare. Families including children with Additional Learning Needs or disabilities are facing additional challenges – we’ve heard stories of children being turned away from provision. Families in rural areas face particular challenges. Families are facing less choice in the type of childcare they can access, due to a decline in registered services and the number of places available, especially childminders.

As well as looking for lower costs, more funded hours, and clearer information parents are calling for more choice in how they care for their child. Parents that are choosing to stay at home full-time during the early years are feeling undervalued, unsupported and are facing financial penalties if they do. Yet evidence suggest this 1:1 care during those early years can generate long term benefits, both socially and economically<sup>3</sup>.

Equally important are the struggles that childcare providers are facing. Recruitment and retention issues remain a huge challenge, causing some settings to close or reduce the number of spaces they can offer. The funded hourly rate of £5 is not enough to provide the high-level of care they aspire too, resulting in higher costs elsewhere for parents and lower wages for workers. Like parents they are feeling undervalued and unsupported.

### **How it is done elsewhere?**

Other parts of the UK are offering more support than Wales. Scotland and England are offering greater funded hours. Scotland currently offers 1,140 hours per year (30 hours per week) to all children, and the UK Governments Spring Budget 23-24 announced funded hours from 9 months of age. Scotland has gone one step further and removed all eligibility requirements for 3-4 year olds, and is aiming for the same for younger years.

Looking internationally, Quebec in Canada, has reaped huge rewards both economically and socially, from their increased investment in childcare. When the Québec Educational Childcare Act was enacted, levels of female employment were 4% points lower than the Canadian average – today it is 4% points higher. Women with children under three in Quebec have some of the highest employment rates in the world<sup>3</sup>. Childcare alone has raised the GDP by 1.7% and every dollar spent on early childhood education creates a \$1.50 and \$2.80 in return for the broader economy. <sup>4</sup>It has proven so successful that the rest of Canada is following suit.

Finland and France offer an alternative system, similar to a parental care allowance, giving parents more flexibility in how they care for their child. Families in France receive a mix of benefits that are aimed at enabling parents to stay at home whilst minimising financial pressures. Parents with children under three can claim a Shared Allowance, that is designed to help parents stop work and look after their child. Similarly in Finland, parents can receive a Child Home Care Allowance for children that do not attend municipal early childhood education and care.

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<sup>3</sup> [Early Years Commission submission Mothers at Home Matter \(squarespace.com\)](#)



## **Background – Early Years and Childcare Provision in Wales**

### **The Welsh Policy Background**

The Welsh Government's main aim is to fund childcare for more families, giving parents the opportunity to engage in education or training, and providing children with the opportunity to develop through play-based learning. A key commitment in the 2016 Programme for Government was to provide additional funding for 3 to 4 year olds, building on the existing 10 hours. The Childcare Funding (Wales) Act (2019) paved the way for more funding allocation for families of young children. It led to the development of the Childcare Offer for 3-4 year olds, made up of both childcare and early education.

Alongside early years education, additional childcare policies have been implemented. This includes the childcare element of Flying start, currently in expansion, and supporting local authorities in providing wraparound and holiday care. Local Authorities must produce a Childcare Sufficiency Assessment every five years to assess provision within their regions, and identify any gaps that need additional support. The aims of these policies are to:

- Continue to improve early years services and offer early years services to more children;
- Deliver the 7 core aims of the Children and Young People: Rights into Action (2004), ensuring that all children have the best start in life;
- Develop play-based learning in early years and childcare;
- Support parents and carers with further education, training and employment opportunities;
- Offer a high level of Welsh medium services within early years.

All registered childcare, including childminding, day care and play provision for children up to 12 years of age, must meet the national minimum standards (NMS)<sup>4</sup>, regulated by Care Inspectorate Wales (CIW). However, not all settings need to be registered with the CIW – there are exclusionary categories outlined in the NMS. The Welsh Government also maintains a Childcare, Play and Early Years workforce plan, last published in 2016, that sets out its 10-year strategic ambition through quick wins and long term goals.

Welsh Liberal Democrats support these objectives, and the vision that underlies them. However, gaps within provision continue to be identified, and shortfalls continue to worsen. These challenges need to be tackled head on, and a recovery based plan implemented, to support families and the sector.

## **How is the sector being supported?**

### Childcare Sufficiency Assessments (CSA)

Under The Childcare Act 2006 (Local Authority Assessment) (Wales), each local authority has a duty to prepare and publish an assessment of the sufficiency of childcare provision. The Act outlines the local authorities' duty to ensure sufficient childcare to enable parents to remain in or take up employment, education or training. It must be completed every five years and they must be reviewed

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<sup>4</sup> [National Minimum Standards for Regulated Childcare \(NMS\) \(gov.wales\)](#)

annually. It is vital in identifying and addressing gaps to then create action plans to meet the childcare needs of their area. These are submitted to Welsh Ministers, but the CSA's do not specify further action by Welsh Ministers.

### Cwlwm

A consortium of five leading organisations that monitor the sector, alongside Welsh Government, Business Wales, local authorities and family information services. They work collaboratively with CIW and have a huge influence in the sector.

### Spending

Childcare and early years policies are funded by a mix of three Welsh Government Major Expenditure Groups (MEGs): Health, Education and Local Government Revenue Support Grant. The final budget for 2022-23 for funding for childcare and early years related areas was £113.556m, and the draft budget for 2023-204 was £288.591.<sup>5</sup> In September 2022<sup>6</sup>, an additional capital investment of nearly £100m was awarded to improve childcare availability, fund part-time places and boost Welsh language provision. £26m was allocation to the expansion of part time Flying Start childcare; £70m available to all childcare settings for improvements and maintenance and £3.8 million for Welsh language provision.

### Additional spending

The Childcare and early years capital programme was launched in 2023<sup>7</sup>, providing an additional £42m budget to strengthen and support the childcare sector by addressing gaps identified by Local Authorities in the Childcare Sufficiency Assessments. A total of 139 schemes in 21 local authority areas delivered the School Holiday Enrichment Programme (SHEP) to 194 cohorts in 2021, providing 7,740 places. £4.85m has been allocated to the summer 2022 programme allowing delivery of up to 300 cohorts (offering 12,000 places).

The Childcare and Communities Grant ring fences seven programmes that are delivered through local authorities, with the aim of helping disadvantaged children.

## **Current Provision**

There are several different types of regulated childcare, outlined by CIW<sup>8</sup>:

### **1. Childminding**

Childcare provided by one or more people from birth up to the age of 12 years withing a domestic premise, that is not the child's home, and for more than 2 hours a day, paid.

### **2. Day care and Open Access Play Provision**

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<sup>5</sup> [Microsoft Word - MA\\_EM\\_3814\\_22 - Children Young People and Education Committee - Welsh Government Draft Budget scrutiny session - Briefing - Doc 1 - written evidence.docx \(senedd.wales\)](#)

<sup>6</sup> [Children in Wales to benefit from £100m investment in childcare \(gov.wales\)](#)

<sup>7</sup> [Childcare and early years capital programme | GOV.WALES](#)

<sup>8</sup> [National Minimum Standards for Regulated Childcare \(NMS\) \(gov.wales\)](#)

Defined as a person who provides day care for children up to the age of 12 on a non-domestic premise. It includes a range of different provisions:

- **Full day care** from birth to 12 years, over a continuous period or 4 or more hours. It can include playgroups, Cylchoedd Meithrins, wrap around care, funded education places and funded childcare places.
- **Sessional day care** from 2 onwards, mainly used by children from 3-5. It can include playgroups, Cylchoedd Meithrin, wraparound care, funded education places, and funded childcare places.
- **Out of school childcare** more than two hours a day, for more than five days a year, including before and after school and holiday provision. It does not include wraparound care and the Welsh Government funded breakfast in primary schools scheme.
- **Creches** occasional care from birth until 12 on non-domestic premises.
- **Open access play provision** operating for more than two hours, over five days a year.

Day Care settings offering early years education through the Foundation Phase curriculum must follow the Foundation Phase Framework (Revised 2015) made under the Education Act 2002.

## Financial support and funded hours

Families can access financial support for childcare through the welfare system, overseen by UK Government, through reimbursed childcare costs under Universal Credit, Childcare Vouchers and Tax Free Childcare.

### 1. Universal Credit

If families are in receipt of Universal Credit, they may be eligible for the Childcare Element (up to the child's 16<sup>th</sup> birthday). Usually, both parents must be working or have employment lined up. For one child, a parent can access up to £950.92 in childcare support, or £1,630 for two children, per month. It can be used for any CIW registered setting.

### 2. Tax Free Childcare

Available to children of all working parents from 0-11, or up to 16 if your child is disabled, subject to meeting the eligibility criteria. Parents or carers must be earning under £100,000 a year and more than £152 a week. For every £8 you pay into the online system, the UK Government tops it up by £2, up to a maximum of £2000 a year, and it can be used in any CIW registered setting.

Families can also access Welsh government funded hours through schemes such as:

### Flying Start (2-3)

Flying Start is an early years programme that was launched in 2007 that covers four core elements – one of which is the childcare element; a funded, high-quality part-time childcare for all eligible two to three year olds. Families receive 2.5 hours a day of fully funded childcare, for five days a week,

during term time following the child's second birthday. The scheme was geographically limited and aimed at lower income families - not all children in Wales were in receipt of this support. However, as part of the Programme for Government's commitment to deliver a phased expansion of early years provision to include all two-year-olds, the scheme was expanded in 2022.

### Childcare Offer (3-4)

The Childcare Offer came from the 2016 Programme for Government. It was built upon the existing provision of 10 hours, increasing to a potential of 30 hours for working families. The application can be done online through Government Gateway. Families must provide the following: birth certificate, 3 months' payslips or job contract, proof of address, utility bill. The application is then subject to eligibility, per adult in the household:

- Income must equal, or be higher than, 16 hours at national living wage;
- Or, if not working, enrolled in education or training (subject to criteria);
- Live in Wales;
- Not earn above £100,00 per annum, per person.

If successful, families can access 30 hours of funded childcare, made up of a combination of early education (universal) and childcare hours. The hours can be used day, night or weekend, but subject to provider's availability, and the setting must be registered with CIW and meet the National Minimum Standards for registered childcare. The full 30 hours can be used during term time, but outside of term there are no early education hours. It is also accessible for only 48 weeks a year – there are four weeks of unfunded provision that parents must acknowledge that they must pay themselves when applying for the offer. Settings are noticing a decline in numbers and parents taking up the offer.<sup>9</sup>

Some families in Wales can access PaCE, a programme that contributes towards helping more parents to work, including financial help towards the costs of childcare. It is aimed specifically at families where childcare has been the main barrier in accessing education, employment or training. Families can pay into the account at any point of the year and can either be deposited immediately, or used when needed. With this system, parents can spread the cost of childcare (including holiday and out-of-school care) throughout the year.

### **School Holiday Enrichment Programme (SHEP)**

Funded government support in delivering holiday provision for children in school, which is administered by the Welsh Local Government Association. In 2022, 139 schools were able to run the school-based education programme, providing over 7800 places for children each day that it ran. The Welsh Government have allocated a £4.85 budget to fund SHEP. The main outcomes focus on improving diet, wellbeing and education, alongside physical activity, improving aspirations and helping parents meet the costs of school holiday.

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<sup>9</sup> [Childcare Sufficiency Assessment - Pembrokeshire County Council](#)

# The Challenges

## Affordability

A recurrent problem with childcare across all ages is its cost. It is well known, from OECD studies<sup>10</sup> and subsequent reports, that families in the UK, including Wales, face some of the highest costs in the developing world for childcare. Affordability as a barrier is becoming even more concerning as poverty and in-work poverty rates increase, and the cost-of-living pressure continue. The Make Care Fair Coalition found that Wales saw the biggest increase in childcare across the four nations in the last year (8%), despite having the lowest median incomes and the highest poverty rates<sup>11</sup>.

### Early Years Childcare Costs in Wales, per week<sup>12</sup>

	Under 2	2 years
Part time (25 hours)	£134.92	£135.67
Full time (50 hours)	£250.95	£249.24

During the first two years of a child's life, there are no state funded hours and limited financial support. Referred to as 'The Care Gap', due to the lack of provision from 9 months to 2 years, it is usually the most expensive period of childcare. With limited financial assistance, and the impact of settings cross-subsidising to cover costs elsewhere, parents and carers can be paying up to £70 for a full day nursery placement. If a parent is earning National Living Wage and working 9-5, this is 60% of their net income.

This period of a childcare is commonly associated with parents, typically women, giving up employment or taking on lower-paid, part time roles, due to the costs. In our childcare survey, aimed at parents, one family reported that the cost of childcare was "detrimental" to their employment. Both parents were in well paid roles, but were having to wait until their eldest child started primary school to have another child, as the cost of placing two children in childcare was more than the mother's salary.

There are two policies in place from the age of two; Flying Start and the Childcare Offer. While we welcome any offer of funded hours, the current structure does not fit in with a modern working family. The subsidised hours do not align with the working day and create further costs. For example, topping up on the Childcare Offer to match 9-5 pattern costs families an extra £98.79, per week<sup>13</sup>. In addition to this, families are covering the cost of extras, such as food, which can be £20 a week.

### The impact of affordability

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<sup>10</sup> [Benefits and wages - Net childcare costs - OECD Data](#)

<sup>11</sup> <https://wenwales.org.uk/wp-content/uploads/2023/05/Make-Care-Fair.WenWales.2.pdf><sup>1</sup>

<sup>12</sup> [Childcare-Survey-2023 Coram-Family-and-Childcare.pdf](#)

<sup>13</sup> [Childcare-Survey-2023 Coram-Family-and-Childcare.pdf](#)

Parents are giving up employment, having to reduce their hours or take up part-time work to accommodate the balance of childcare vs family income. The October 2021 Welsh Government parent/carer survey had 49% of parents stating that childcare had caused problems at work, 19.5% had experiences issues preventing them from continuing work; 19% has stopped them from working or getting a job and 13% had stopped accessing training because of childcare issues<sup>14</sup>.

There is overwhelming evidence that the costs of childcare have an unequal impact on women. The Bevan Foundation argues that the lack of affordable childcare, combined with typical unequal caring responsibilities, has an enormous impact on mothers<sup>15</sup>. Leaving women with no choice but to take gaps in their career affects their ability to develop their skills, and maintain sustainable employment, which can impact mental wellbeing. In our childcare survey, it was often women who were giving up employment – one mother, at the top end of her pay scale, had to take extended leave after the birth of her child because the cost of childcare was more than her salary.

The result is women stepping away from employment all together, or taking lower-paying roles or part-time hours to fit around their care roles. Maternal mental health issues continue to rise, and women are facing difficult life choices, often faced with the decision of career or motherhood. It also has a negative economic impact on businesses, economic productivity, and tax revenues, and in turn, a detrimental impact on GDP.

Single parent families are hit harder by affordability costs than two-parent families. Recent statistics from the Bevan Foundation show that 46% of single-parent households are already in poverty, and 86% of single parents are mothers<sup>16</sup>.

To help with the burden of these costs, family members, such as grandparents, are being used as informal childcare. A recent study revealed that, across the UK, grandparents are committing, on average, 22 hours a week of unpaid childcare. This is saving families £43 billion<sup>17</sup>, but a cost to those family members who are giving up their retirement.

#### What support exists to tackle affordability?

As discussed earlier, there are no funded hours until a child reaches their second birthday. Although the Flying Start offer is in the process of expansion, not every family can currently access this support. In Carmarthenshire, only 11% of parents asked in the sufficiency assessment survey, were using the funded childcare element of Flying Start<sup>18</sup>. In addition, the hours on offer are the lowest of all four nations with only 12.5 hours per week available; in comparison, Scotland offers 30 hours and England 15 hours for similar schemes.

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<sup>14</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>15</sup> <https://www.bevanfoundation.org/views/wen-wales/>

<sup>16</sup> <https://www.bevanfoundation.org/views/wen-wales/>

<sup>17</sup> [Grandparents Save UK £96bn in Childcare | News | SunLife](#)

<sup>18</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

Families can access UK government support such as Tax-Free Childcare, Childcare Vouchers and up to 85% of costs covered if they are in receipt of Universal Credit – while these do not offer complete funding, they offer partial discount on existing costs to those that are eligible. However, vouchers can only be used for registered settings, which is not currently a requirement for all providers. Childcare Sufficiency Assessments highlighted this as a recurring issue.

## Out of school care

As it stands, Wales has one of the least generous approaches for supporting families with childcare outside of school hours. In 2021, the Scottish Government's Programme for Government committed introducing funded wraparound care before and after school, and during the holidays, for the lowest income families. Those who earn more will pay, but the cost will be fair and affordable. The Spring Budget 2023 in England saw the UK Government commit to increased funding for the supply of wraparound care for children. With settings opening for longer, it will reduce the impact on parents or carers working hours.

The school day creates a need for out-of-school care, either as wraparound care, breakfast clubs, after school clubs or holiday provision. Children spend 25% of their time outside of the classroom, and this leaves families trying to find suitable childcare to work around their employment. However, as with other stages of childcare, families are finding it difficult to access affordable and available care for school aged children. Parents in Carmarthenshire have said that this loss of care has made it 'impossible to work'<sup>19</sup>. It has seen a decline in services, with many after school clubs not reopening since lockdown. On the contrary, there has been a decline in the number of children using the service because of parents working from home. Flexibility with work, a direct result of the pandemic, has given parents the opportunity to collect their child and return to work, saving them huge costs.

The cost of out of school care varies greatly between local authorities. The average price for a week of out of school club is £67.42 per week, or £2,629 a year; a childminder, until 6pm, costs £73.26 per week or £2,822 a year<sup>20</sup>. Statistics from the Coram Holiday Childcare Report 2023 show that<sup>21</sup>:

- Costs have risen by 9% since 2022 - the highest increase of all four nations.
- Average weekly cost, per child, is £168.20.
- Holiday childcare is 2.54 times more expensive than term-time care.

Prices are driven by local market conditions and vary locally. In some areas, the cost of a full day of holiday care is £30 – at five times a week, that's £150 per week, for one child. Settings are forced into setting high costs to remain financially viable, due to the difficult economic climate. Unfortunately, these costs are too high for some families. In Carmarthenshire, over half of parents asked in a parental survey, said that unpaid family and friends were there most used type of childcare during term time<sup>22</sup>.

To help with costs of registered settings, families can access the Tax-Free Childcare scheme under the UK Government. However, many families are unaware that they can access the support. Uptake, although increasing, remains low. In the 2021-22 tax year, less than 20,000 families received costs towards their childcare<sup>23</sup>.

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<sup>19</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>20</sup> [Childcare-Survey-2023\\_Coram-Family-and-Childcare.pdf](#)

<sup>21</sup> [Holiday-Childcare-Survey-2023\\_Coram-Family-and-Childcare\\_0.pdf](#)

<sup>22</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>23</sup> [Almost 18,000 Families in Wales Used Tax-Free Childcare in the Last Year \(businessnewswales.com\)](#)



Families are also unsure on how the system works. It is online based which exacerbates the digital divide and financial literacy, and also makes it harder for families to understand how the scheme could best benefit them as a family. For example, parents can pay into the account at any time of the year, essentially allowing them to split the cost of holiday care throughout the year, yet most families do not know this is possible. Families are also unaware that the support is also available for pre-school aged children, and up to 17 if the child has a disability.

But it's not just affordability pushing childcare beyond most families' reach. The availability of out of school care is also challenging. Since 2018, there has been a year on year fall in the number of registered childcare settings, especially childminders. In Powys, there has been a 21% decline since March 2020<sup>24</sup>. A reduction in this setting has a direct impact on parental choice, as does the decline in out of school clubs. The percentage of out of school clubs that remain closed, due to covid, remains high in 2022 – 15% of settings that were open before, are still shut<sup>25</sup>. Additionally, take-up of places is slow. However, some areas are finding the demand too high for what they can offer, so are sending children to after-school clubs in neighbouring counties.<sup>26</sup>

There has been an increase in the number of out of school clubs running as unregistered settings, meaning that parents cannot access the tax-free childcare scheme. Settings are able to be unregistered if they do not fit the registration criteria, which can include running under a certain length of time, how many days per year the course runs, or when the course provides coaching or tuition in certain activities<sup>27</sup> - not being registered means no inspections. Settings that compete under the exceptions order of the NMS are not constrained by staffing qualifications and training, so are able to offer cheaper services than their regulated and registered alternatives. The impact is a decline in children accessing registered services because the unregistered provision is often cheaper, which leads to less parental choice.

The majority of holiday clubs are run by private providers, some are registered and some are not. Currently, the Welsh Government does not provide holiday provision but does offer schemes such as the Summer Holiday Enrichment Programme (SHEP), that are aimed at engaging families into school life, rather than as childcare opportunities<sup>28</sup>. Still, not every family is able to access it.

SHEP is funded by the Welsh Government and administered by Welsh Local Government Association (WLGA) with an allocated budget of £4.85m committed for 2023<sup>29</sup>. Schools can apply via their councils, but they must meet criteria (at least 16% of the school population must be in receipt of free school meals). However, all learners can attend. The scheme has many benefits, including improved wellbeing, school engagement, diets, physical activity and skill learning amongst others, but it is not

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<sup>24</sup> [Independent Review of Childminding \(gov.wales\)](#)

<sup>25</sup> [Annual Report 2021/2022 - Clybiau Plant Cymru \(EN\)](#)

<sup>26</sup> [Family Information Service - Powys County Council](#)

<sup>27</sup> [National Minimum Standards for Regulated Childcare \(NMS\) \(gov.wales\)](#)

<sup>28</sup> Written evidence from Clybiau Plant Cymru, 2023.

<sup>29</sup> ['Food and Fun' School Holiday Enrichment Programme - WLGA](#)

available to every child in Wales. In Powys, only 7 schools<sup>30</sup> could offer the holiday programme in the summer of 2023, out of the 79 primary school in the region.

Families that need additional support, through ALN, are typically finding it even harder. One parent reported that they had to reach a crisis point<sup>31</sup> before they got any additional support for summer holiday care for their disabled child. Staff reported that there were huge difficulties in hiring staff with the necessary qualifications to support child with high levels of need, and that it was difficult to fund the 1:1 ratio needed in these settings<sup>32</sup>.

Creating an offer similar to that seen in Scotland will create huge social and economic benefits for all involved; children will have access to play opportunities and activities that can support their well-being and development and parents or carers can access employment or training. The Bevan Foundation argues that having adequate provision for school aged childcare will especially benefit those on the lowest pay, helping them to get better salaries or more hours<sup>33</sup>. It will also reduce inequalities that children from poorer families face by giving them the same opportunities as their peers.

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<sup>30</sup> ['Food and Fun' School Holiday Enrichment Programme - WLGA](#)

<sup>31</sup> [AEC 03 Individual.pdf \(senedd.wales\)](#)

<sup>32</sup> [Holiday-Childcare-Survey-2023\\_Coram-Family-and-Childcare\\_0.pdf](#)

<sup>33</sup> <https://www.bevanfoundation.org/wp-content/uploads/2021/07/Fair-Work-what-should-be-done-FINAL.pdf>

## Understanding

Families, and providers, continue to remain unaware of the services and support they can access; this shortfall was a priority in the Minding the Future report. A survey conducted by WEN reported that 67% of respondents wanted more transparent information about what they could access<sup>34</sup>. Arad Research confirmed this, arguing that the level of understanding surrounding current policies was significantly low, with confusion around eligibility, hours, and availability highlighted as focal points.

A holistic, single system approach, much like the Kela system in Finland, is an alternative structure that some parents have suggested as an preferred option. Kela, the social insurance institution for Finland, provides all information and support for childcare from birth onwards, on one easily accessible website. Instead, families are faced with a complex system that is incredibly hard to navigate, spread out across many different platforms from different organisations, even more so if English is not your first language. It would be difficult to implementing new policies and offers if families remain unclear about what it entails and to what they are entitled.

### The Current Structure:

- UK Government Childcare Choices website, including a Childcare Calculator.
- Welsh Government website with further information on what childcare is available, eligibility and how to access.
- Local Authorities provide information to families through their Family Information Services (FIS), local health boards and the Dewis website. The FIS is the main point of contact and source of guidance for childcare provision in that area, including early years, wrap around care, holiday clubs and other services. The Childcare Offer and Flying Start are promoted within the service, including specifically Flying Health Visitors within the communities.
- In addition to this, CWLWM, an umbrella groups of leading childcare organisations, were given grant funding in 2021-22 to revitalize the existing online booklet "Choosing Childcare". It was published in 2022 and is updated every 6 months.

Although these mechanisms are in place, it continues to fail to reach many carers. In Carmarthenshire, 29% of families asked strongly believed that they did not know where to find information on financial assistance<sup>35</sup>. This multi-layered system makes an already complicated system harder to navigate. It is also predominantly online, which contributes to the digital divide. These difficulties contribute towards gaps within provision, with some families choosing not to access childcare because of a lack of awareness or inability to do so. The impact of this system is felt by both families and childcare settings: children miss out on care, families miss out on financial support, and providers see numbers fall.

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<sup>34</sup> <https://business.senedd.wales/documents/s122062/Report.pdf>

<sup>35</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

## Accessibility, Inclusivity and Flexibility

Every five years, Local Authorities must conduct a Childcare Sufficiency Assessment (CSA) to identify the needs, gaps, and provision of childcare within their areas and provide an action plan to address these shortfalls. The 2022 assessment reported gaps in provision throughout all local authorities, particularly for parents or carers working atypical hours and children who require ALN provision. There were also significant gaps in wraparound care, holiday provision and under 5, including sessional and full day care settings<sup>36</sup>.

### Issues and Implications

Families are reporting issues such as location, spaces within settings, and a lack of choice in deciding which type of setting they would prefer. Some families have resorted to drastic measures such as moving home to be closer to suitable childcare<sup>37</sup>. Supporting this evidence, the 2021-22 annual report from CIW recorded a 3% reduction in the number of registered day care services from 2021, with a 2% reduction in the number of places available for children<sup>38</sup>. 60% of childcare providers acknowledged, in the annual government review of the Childcare Offer, that they had been unable to accommodate all requests for space and had turned families away<sup>39</sup>. Ceredigion Council reported a decline of 375 childcare places, across all childcare types, since their last sufficiency assessment<sup>40</sup>. The pandemic was frequently cited as a catalyst for this reduction with financial sustainability and infrastructure issues being the main reasons.

With this general reduction in availability comes a decline in the types of provision that families can access. The biggest loss within the industry since the pandemic has been the decline in childminders – since 2021, there has been a 13% reduction in the number of registered childminders. This was due to a 51% decline in the number of new registrations, and an increase of 58% of registration cancellations<sup>41</sup>. The shortage has created new demand for day care or sessional settings that cannot be met, and has left families without provision, and children without stability.

Many families are unable to access childcare in their rural, local communities – some are reporting travelling long distances. In Aberdaron, Gwynedd, there is a large area without any early education, after school or holiday provision, except the small provision from childminders<sup>42</sup>, forcing families to either travel or give up on childcare. The Welsh Liberal Democrats have long campaigned for community focused schools that could host all levels of childcare for families in one location. Reducing the need for families to travel would benefit both the families and the children by creating continuity and stability for the children and reducing the parents or carers.

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<sup>36</sup> [Childcare-Survey-2023\\_Coram-Family-and-Childcare.pdf](#)

<sup>37</sup> <https://www.pembrokeshire.gov.uk/childcare-sufficiency-assessment/key-findings>

<sup>38</sup> <https://www.careinspectorate.wales/sites/default/files/2022-10/221020-annual-Report-2021-22-EN.pdf>

<sup>39</sup> <https://www.gov.wales/evaluation-childcare-offer-wales>

<sup>40</sup> [Executive Summary inc. Table.pdf \(ceredigion.gov.uk\)](#)

<sup>41</sup> <https://www.careinspectorate.wales/sites/default/files/2022-10/221020-annual-Report-2021-22-EN.pdf>

<sup>42</sup> [Childcare-Sufficiency-Assessment-2022-27.pdf \(llyw.cymru\)](#)

## **Atypical hours**

No local authority can claim to offer full sufficiency to parents or carers working atypical working hours. In 2022, 60% said they were only able to offer this in some areas, whilst 40% said there was nothing available<sup>43</sup>. Workforce shortages make it unfeasible to provide services outside of core hours - typically 8am to 5pm – and parents are using family or friends for support.

The annual review into the Childcare Offer reported that some childcare providers had refused families because they do not have the staff to accommodate the demand for provision outside of their typical operating hours<sup>44</sup>. According to Child Poverty Action Group (CPAG)<sup>45</sup>, parents or carers who work atypical hours are more likely to be part of low-income families and in-work poverty.

## **ALN Provision**

The pandemic has seen an increase in children classified as ‘children in need’ by social services<sup>46</sup>, increasing the demand for ALN or accessible provision. Unfortunately, no local authority has been able to offer full support to those that needed it in their latest CSA’s<sup>47</sup>, infringing on their opportunities.

Families are reporting how difficult it is to find appropriate childcare that is suitable and easily accessible. Evidence to the Children, Young People and Education Committee for the inquiry “Do disabled children and young people have equal access to education and childcare?” highlighted the real difficulties families are facing. One parent spoke of being unable to receive the hours they were entitled to because settings were unable to provide the support they needed, either suggesting they look elsewhere or not responding to their inquiry. This resulted in the parent suffering a breakdown due to the stress, and the child’s health further deteriorating<sup>48</sup>.

A recurrent theme within parental response has been focused on children with autism – parents/carers are reporting significant difficulties in finding provision that meets the need of their family, and the child. In Carmarthenshire, families have been unable to find specialist attention or one-to-one childcare, with one parent saying that in their experience, there has been no childcare available for their child with autism<sup>49</sup>. Unfortunately, this experience is widespread. The concern regarding the lack of ALN provision spans across all childcare types. Caerphilly council noted a parental concern specifically for holiday care for children who require additional support. Statistics from Cwlwm, in their written evidence to the ESJC, shows that only 3% of the 47% of Childcare Offer applications in 2021 were for children with additional needs<sup>50</sup>.

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<sup>43</sup> [Childcare-Survey-2023\\_Coram-Family-and-Childcare.pdf](#)

<sup>44</sup> <https://www.gov.wales/evaluation-childcare-offer-wales>

<sup>45</sup> <https://business.senedd.wales/documents/s122062/Report.pdf>

<sup>46</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>47</sup> [Childcare-Survey-2023\\_Coram-Family-and-Childcare.pdf](#)

<sup>48</sup> [AEC 04 Individual.pdf \(senedd.wales\)](#)

<sup>49</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>50</sup> <https://business.senedd.wales/documents/s122062/Report.pdf>

But settings, from nursery to childminders and out of school clubs, are finding it increasingly difficult to accommodate children with additional needs, largely because of insufficient funds. Disabled children and young people require additional support, including higher levels of staffing with extra training and qualifications, and sometimes extra facilities. Clybiau Plant Cymru Kids' Clubs report that this is even harder when children reach a school age and families need wraparound or holiday care, as sometimes the funding for 1:1 support ends in line with the Childcare Offer, and cannot be carried through to out of school care.

### How is support being provided?

It is local authorities' responsibility to address the situation and decide the best way to approach it. There is an annual £2.2m Welsh Government fund to address this discrepancy and provide additional support<sup>51</sup>. July 2023 saw an additional investment through the subsidy scheme "childcare and early years capital programme". In addition to this, local authorities can access the Additional Support Grant that can be used towards enabling children with additional learning needs to access the offer. It does not require children to have undergone a formal assessment to access the support and can be used for a variety of additional support. Although local authorities can draw on this funding for support in training for providers, additional staffing, administration costs and facility specific needs, some settings are still unable to provide the support families need to create accessible provision.

In 2022 the Welsh Government announced £18m of funding to strengthen the level of support: £8 million to move learners from the old SEN system to the new ALN system, and £10million to support learners with ALN affected by the pandemic. However, an announcement in March 2023 shared that the timescale of this development would now take place over four years, rather than 3.

### **Global Majority Representation**

The Minding the Future report highlighted the shortfall in cultural and ethnic diversity in the sector, with language barriers at all stages of provision and an unrepresentative workforce. Some ethnic minority groups are not taking up the Childcare Offer due to this lack of cultural awareness of the needs of children. Alongside the needs of children, families are reporting that they cannot access support from in the language that they need, creating a further barrier.

Cwlwm recognise the need to address this and Wales TUC argued that the current structure of childcare and early years suffers from systemic racism and does not represent the diverse population and demographics<sup>52</sup>. Under the Anti-Racist Wales Plan, Cwlwm are strategically working with DARPL (Diversity and Anti-Racist Professional Learning) to promote and embed anti-racist practises in Childcare, Early Years and Playwork through self-study courses online<sup>53</sup>.

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<sup>51</sup> [gen-ld15034-e.pdf \(senedd.wales\)](#)

<sup>52</sup>Welsh Government Research, Evaluation of the Childcare Offer for Wales: year 5, 2023  
<https://www.gov.wales/evaluation-childcare-offer-wales>

<sup>53</sup> [Anti-racist Practice Resources | cwlwm](#)

## **Welsh-medium provision**

While the current early years and childhood policy vision emphasises strengthening Welsh medium provision, in line with reaching the target of 1 million Welsh speakers by 2050, CIW report revealed that in 2021-22 there was a decline in the number of Welsh or Welsh/English places in settings especially under the Childcare Offer. The annual evaluation of the Childcare Offer, published in March 2023, showed that only 15% of settings delivered a Welsh medium service and 10% offered a bilingual service<sup>54</sup>

### What is in place to help Welsh-medium provisions thrive?

- An allocation of over half of the £80m investment for childcare for Welsh medium provision from the Welsh Government.
- Further funding has been given to external organisations, particularly Mudiad Meithrin, to implement a variety of support structures to enable childcare practitioners to boost their Welsh provision and build their career in a Welsh setting.
- Policy strategies such as the More Than Just Words (2013) framework, that support early learning and childcare staff to promote an Active Offer. Although a great concept, providing a service in Welsh without someone having to ask for it, it is not being successfully rolled out across Wales.
- CYMell<sup>55</sup>. A collaboration with Welsh Government and the CWLWM partnership to support Welsh medium and bilingual out of school care to become registered.

As an example of the shortage of Welsh-medium settings, Denbighshire council recorded that only 20 of the 71 registered day care providers in their area can offer primarily Welsh childcare. Only 5 out of 29 childminders were able to offer Welsh or bilingual services. 10.53% of parents in Denbighshire listed a lack of Welsh medium or bilingual childcare as their main barrier for accessing childcare<sup>56</sup>. Reasons for not being able to access Welsh medium provision within the Childcare Offer (3-4 year olds) came down to availability; settings were not available in local areas and could not offer the flexibility families needed. As a result, families are going for English provision not out of choice, but because of geographical discrepancies.

## **Eligibility**

Until recently, the childcare element of Flying Start has been subject to a post code lottery – only families living within certain areas were eligible for support. The ongoing expansion of this offer aims to include all 2-3 year olds, providing 12.5 hours of funded childcare for 39 weeks of the year, for all families. We welcome this ambition. However, the Childcare Offer continues to restrict access; it excludes some of the most disadvantaged families.

### The Background

To access the additional 20 hours of funded childcare under the Childcare Offer, parents must meet the strict eligibility criteria. September 2022 saw the eligibility increase to include parents who are

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<sup>54</sup><https://www.gov.wales/evaluation-childcare-offer-wales>

<sup>55</sup> [CYMell - Clybiau Plant Cymru\(EN\)](#)

<sup>56</sup> <https://www.denbighshire.gov.uk/en/childcare-and-parenting/childcare-sufficiency-assessment.aspx>

undertaking education that is at least 10 weeks in length. Under this structure, children from a non-working, lone-parent families are ineligible for the offer, as are children of two-parent families where only one person works. Since its launch, concerns have been raised about the impact of eligibility criteria. The Children, Young People and Education committee voiced their apprehension in 2018, arguing that the Bill's provision risks increasing the developmental gap between disadvantaged and advantaged children<sup>57</sup>. Five years later, they've been proved right. The Bevan Foundation pointed out, in its written evidence to the ESJC, that children of families from low-income households will end up excluded, when often they are the families and families who most need this offer.

The time of entry for children is also causing disadvantages. At present, families can access the offer the term after a child has turned 3. For some children, this can be soon after their birthday, but for some it is many months after.

Placing restrictions on which children can access funded childcare creates a system that is unequal. The first five years of a child's life are critical for their development: socially, cognitively, emotionally and physically. Restricting access to these lifelong skills not only has an immediate impact upon the child, but also affects their social and economic achievements later in life. It directly impacts the most disadvantaged families, those that are unemployed or not in education, when, as a society, we should be promoting equal opportunities and creating a level playing field for all children during those critical years.

We believe that every child has a right to access childcare. Whilst we appreciate the work that has been done to date, we would like to see an approach which progressively removes all eligibility criteria. This has already been done in Scotland. Creating a universal provision has enabled every child in Scotland to have the same, high quality start in life. It is closing the gap and ensuring that no child is left behind – we should be doing the same.

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<sup>57</sup> [Lessons must be learned on the childcare offer for Wales – Assembly committee \(senedd.wales\)](#)



## Parental Choice

As well as focusing on the child's right to equal opportunities through high-quality childcare, we also believe that parents should be given the choice on how they care their child. This includes having access to various types of providers that are accessible, flexible and inclusive, but also the option to stay at home with their children, without undue financial strain.

Research is showing that during the first 1001 days of a child's life, 1:1 care is increasingly important for development. Experts are pointing to the importance of social and emotional development in children; the evidence shows that if a child has a secure attachment to their primary caregiver, they will be able to create the lifelong wellbeing skills<sup>58</sup>. Not only this, but releasing the pressure on parents or carers to return to work could lessen mental health issues and, in the long term, improve the stability of the future workforce.

Countries such as Finland offer an alternative model of childcare alongside daycare. Families can access a 'Child Home Care Allowance' with further payments according to family income, empowering parents or carers to stay at home with their young children. In Wales, however, stay at home parents are facing new financial pressures for choosing to be the carer of their own child.

Many at-home parents rely on Universal Credit payments to provide day-to-day care for their children. Under the 23-24 Spring Budget these parents, typically women, will face increasing pressure from the child's first birthday to return to work. Meetings with job coaches will be increased and working hour requirements will increase – failure to meet them will result in financial penalisation. Scrapping the leniency in childcare that was supporting parental choice devalues unpaid care, disproportionately affecting women and single mothers, but also impacting on child development.

We are proposing piloting a Welsh Child Care Allowance over a three year period to assess the impact on parental choice, child development, family incomes, and on providers. Further information is provided in our Plan chapter.

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<sup>58</sup> [Have we forgotten the child in the childcare debate? \(prospectmagazine.co.uk\)](https://prospectmagazine.co.uk)

### **Welsh Child Care Allowance (Pilot)**

We will pilot direct payments to parents of children 0-3 years to make personal and informed choices about the care of their children, and giving parents the choice of informal care at home or with family. A Welsh Child Care Allowance would:

- Give parents more choice and flexibility in the type of care for their children, including greater support for parents seeking to provide parental or kinship care
- Provide greater financial support to parents in the early years of a child's life when childcare costs are greater
- Examine how Welsh Government could establish a permanent Child Care Allowance to provide flexible early-years support to parents and children.

Funding would follow an individual child so their parents can make the best care choices for their children, whilst also ensuring that parents are adequately supported to care for their children.

The payment would be made direct to parents from birth or after maternity pay has ceased until the child starts to access early years services after their third birthday.

We propose piloting a Welsh Child Care Allowance over a 3 year period, with a full evaluation of the pilot and ongoing support for parents to monitor the impact on families, children, and to consider the level of payment and payment frequency. There would be no criteria for eligibility.

The payment would be made direct to parents from birth or after maternity pay has ceased until the child starts to access early years services after their third birthday.

## **The Childcare Sector**

Challenges within the workforce across all types of provision are well documented. These underlying problems, such as funding, infrastructure, recruitment and retention, prevent the delivery of good-quality childcare in all communities. The pandemic also created additional pressures on the workforce. There has been a huge increase in the demand for ALN provision, as an increasing amount of children are showing signs of development delay and additional needs. All types of childcare in Ceredigion are reporting low morale<sup>59</sup> and fatigue, as well as extra pressures within areas of childcare

### **Funded Rates**

In comparison with other nations, Wales has the lowest fund rate for 3–4-year-olds - £5 per hour, per child. The Scottish Government delivers a funded rate of £5.30 to £8.50 per child<sup>60</sup>, per hour and

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<sup>59</sup> [Executive Summary inc. Table.pdf \(ceredigion.gov.uk\)](#)

<sup>60</sup> <https://www.gov.scot/publications/overview-local-authority-funding-support-early-learning-childcare-providers-2022-23/pages/2/#:~:text=35-.Local%20authorities%20who%20have%20confirmed%20rates%20for%202022%2D23%20report,to%20%C2%A38.50%20per%20hour.>

the UK Government's 2023 Spring Budget announced an increase, in line with inflation, from the current national average rate of £5.29 per hour to over £5.50 per hour from September 2023<sup>61</sup>.

Concerns about the rate of funding were raised from the start. Leading organisations and providers were concerned that the rise was not high enough to provide high quality care, and that a three year review was too lengthy. Although the improved hourly rate was a step in the right direction, it is not covering the costs of providing spaces. The latest findings from NDNA, published in March 2023, show that the shortfall per child on the 20 hours of the Childcare Offer is £2,500 per year or £2.60 per hour<sup>62</sup> - in 2021, the shortfall was £1.46. Setting providers are contributing this increase of costs to higher salary bills (at least a 15% increase from April this year), rising bills, particularly energy, and an 18% increase in food costs. With these costs rising faster than economy wide inflation, the increase announced in 2022 is already far behind in real terms. 88% of the nurseries questioned in NDNA survey are expecting to just break even, or to be at a loss. Without the ability to generate surplus because of insufficient levels of investment, settings are unable to reinvest<sup>63</sup> and quality of care declines.

To compensate for economic loss from low subsidies, nurseries are cross-subsidising from other age groups; families are picking up where the Welsh Government is falling short. On the other hand, settings are choosing to provide a service for the ages in which they will receive funding other older groups that do not receive subsidies, such as out of school care.

The rate of funding for Flying Start provision is slightly higher than the Childcare Offer. However, the staffing ratio to deliver care in this age bracket (2-3 years is 1:4, compared to the Childcare Offer (3-4 years) ratio of 1:8, which increases costs significantly. As such, the funded rate does not equate to the funding provided. Any potential increase in subsidised needs to ensure that Flying Start funding needs to be in line with the Childcare Offer. Unlike the Childcare Offer, the funding rate varies greatly between local authorities – some are receiving £6.80 per hour, while others are receiving as little as £5 per hour<sup>64</sup>.

PACEY Cymru<sup>65</sup> have heard from childminders, on a national level, that have been impacted, financially, by the loss of children to settings who can deliver commissioned services. This also impacts on well-being of children and parental choice of childcare. The opportunity to deliver funded provision through the expansion of Flying Start is not universally open to childminders in all Local Authorities with barriers in many areas to delivery. Unless this is addressed this will contribute further on the already falling number of childminders, and their sustainability. Without equal access

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<sup>61</sup> <https://www.gov.uk/government/publications/early-education-entitlements-and-funding/early-education-entitlements-and-funding-update-march-2023#:~:text=Funding%20uplifts%20for%20existing%20entitlements&text=The%20national%20average%20%20to,per%20hour%20from%20September%202023.>

<sup>62</sup> <https://ndna.org.uk/news/wales-nursery-crisis-88-expect-to-make-a-loss-or-break-even/>

<sup>63</sup> <https://meithrin.cymru/news/the-childcare-offer-for-wales/?lang=en>

<sup>64</sup> [CWLWM-report-Issues-Affecting-the-Early-Years-Sector-from-the-Expansion-of-Flying-Start.pdf \(ndna.org.uk\)](#)

<sup>65</sup> PACEY Cymru Written Evidence 2023

to funding for all registered providers of childcare, parental choice and access to childcare will be reduced.

### **Infrastructure**

In addition to staffing issues, many settings are reporting that they do not have the infrastructure to cope with demand and are regularly turning away children. This was a recurrent theme in the 2022 CSA's: Conwy Council spoke of their difficulties in providing diverse types and locations of childcare, due to the problematic sourcing of suitable premises in the area<sup>66</sup>. New build developments in areas are also adding to the infrastructure pressure; new households creates an increased demand for childcare.

Overhead costs are also driving financial insecurity. Costs are escalating rapidly, partly due to the pandemic but also the ongoing cost of living crisis. Although settings are offered a Business Rates Relief Scheme, many providers are unaware of it. In Carmarthenshire, 79% of childcare providers that were asked did not know that the scheme was extended until 2025<sup>67</sup>. The result is increased overhead costs combined with insufficient investment and, subsequently, the need for higher rates for early years and childcare provision.

### **Qualifications and Skills**

The CSA's showed that 71% of local authorities are finding it very difficult to recruit staff with the appropriate qualifications<sup>68</sup>. In evidence for this report, a private nursery in Powys spoke of the difficulties they face with CIW's qualification regulation as a border town setting. Although struggling with recruitment issues, as many other settings are, they had to turn away applications from potential carers, due to them having English, not Welsh, qualifications. Reports are also showing a skills shortage, particularly around the delivery of Welsh-medium provision. Mudiad Meithrin have focused heavily on the difficulty settings are facing in recruiting staff with Welsh language skills to meet Welsh Governments existing Welsh language policies and targets<sup>69</sup>. This challenge is reinforced by the evidence found in the low percentage of settings offering either Welsh or bilingual provision, as mentioned earlier in the report.

### **Diversity**

The diversity of the current workforce is not representative of all communities; without this variation, children and families are left unrepresented. Ruth Coombs, Wales Equality and Human Rights Commission, stated that not only will diverse recruitment provision for ethnic minorities, but it would also improve awareness and understanding for workers, families and children who are not

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<sup>66</sup> <https://www.conwy.gov.uk/en/Resident/Education-and-Families/Family-Information-and-Childcare/Have-your-say-on-the-CSA.aspx>

<sup>67</sup> [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

<sup>68</sup> [Childcare-Survey-2023\\_Coram-Family-and-Childcare.pdf](#)

<sup>69</sup> <https://business.senedd.wales/documents/s122062/Report.pdf>

minority groups<sup>70</sup>. The benefits of advocating and implementing a more diverse workforce, through recruitment, would be beneficial to all involved.

### **Recruitment and Retention**

Some settings are requesting to reduce the number of places they were registered to provide. Not only is this challenge creating a reduction in capacity, but in some cases, causing temporary closures, consideration of de-registration or permanent closure. CIW sets out strict criteria for qualifications that prospective staff must meet. Settings are finding it hard to find knowledgeable and experience staff, that meet these expectations. The uptake in childcare as a career pathway is relatively low, and we believe this must be improved.

Another explanation for retention difficulties, is the salary. The level of pay that settings can offer does not match the qualifications and experience they are asking for, resulting in small numbers of applications. When asked, settings would like to provide higher salaries but due to increased costs elsewhere, they are unable to do so.

#### Retention

Many childcare workers are not paid the real living wage. Wages are much lower than in other areas of similar employment, and do not match the responsibility of the role. Providers would like to increase their salaries, but due to increased overhead costs, they are finding it difficult to offer - since 2022, average staffing costs for nurseries have increased by 14.7%<sup>71</sup>. In a report commission by Cwlwm, it was reported that 9% of staff had to take up two jobs to make ends meet<sup>72</sup>. As well as low wages, staff are often dealing with precarious contracts that are unfixed and unreliable. Cwlwm also found that only 33% of settings asked offered year-round contracts. Due to the positions unreliable and low pay nature, settings are reporting difficulties in hiring childcare workers, and in retaining them. The majority of childcare workers are women,<sup>73</sup> meaning the wage problem significantly affects women more than men, driving gender inequality.

The Scottish Government are taking steps to address this shortfall by securing payment of the Real Living Wage for those working within the industry. Working with local authorities, as part of their ELC Living Wage Commitment, all staff within early learning and childcare receive additional revenue funding to ensure they are paid a 'real' living wage. Increasing the salary will create an attractive career that, in turn, will create staff that feel rewarded and motivated and who will deliver high quality care. Ireland, however, has introduced the minimum pay rates for the childcare and early learning sector, outlining a robust pay rate for childcare workers. The Employment Regulation

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<sup>70</sup> <https://business.senedd.wales/documents/s122062/Report.pdf>

<sup>71</sup> <https://ndna.org.uk/news/wales-nursery-crisis-88-expect-to-make-a-loss-or-break-even/>

<sup>72</sup> [Early Years Survey | Arad Report | cwlwmc](#)

<sup>73</sup> <https://wenwales.org.uk/wp-content/uploads/2023/05/Make-Care-Fair.WenWales.2.pdf>

Order, that began in 2022, offers an initial pay above minimum wage on a rising pay scale, that will be funded through the government's Core Funding Scheme<sup>74</sup>.

This low salary plays a huge part in the issue of retaining staff members. The role of a childcare provider comes with huge responsibility and a heavy workload, but the current pay does not reflect the importance of the position. Staff are leaving the industry to find better paid jobs in other sectors - CWLWM reported that in 2022, 54% of providers had to replace staff that had left in 2021.<sup>75</sup>

There are also reports of care workers in childcare feeling undervalued and under supported by government. The pandemic has compounded these difficulties, increase stress and anxiety within childcare workers<sup>76</sup>. The Make Care Fair outlined the reduction of staff members due to pay and conditions and the detrimental impact of a high turnover rate. The result is a gap in provision that not only impacts other workers within the setting but affects the children under their care.

#### How are the current Welsh Government driving recruitment?

- Social Care Wales 'WeCare' Campaign: a bilingual campaign, championed by external organisations in the sector, to raise awareness and understanding of the care sector, including childcare.
- In response to the Minding the Future report, the Welsh Government committed to improving the diversity of the workforce, developing new pathways, attracting people from diverse backgrounds and continuing with existing additional funding support. This will be done through a mid-term review of their 10 year Childcare, Play and Early Years Workforce Plan
- Progress for Success scheme. A European Social Fund programme that includes an investment of just £9.2m in training and upskilling from 2016-2023. Although ending soon, the Welsh Government are looking into alternative opportunities.

However, the Welsh Government has little ability to define working conditions or set financial criteria because settings are either private or charitable providers.

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<sup>74</sup> Nursery World, Ireland introduces first ever minimum pay rates for early learning and childcare sector, 2022. [Ireland introduces first ever minimum pay rates for early learning and childcare sector | Nursery World](#)

<sup>75</sup> Cwlwm, Early Years Survey: Arad Report, 2022. [Early Years Survey | Arad Report | cwlwmc](#)

<sup>76</sup> FIS, Carmarthenshire, 2022 [Childcare Sufficiency Assessment - Carmarthenshire Family Information Service \(gov.wales\)](#)

## The Welsh Liberal Democrat Plan

Every child deserves the best start in life, and every parent should have the flexibility and support to provide it for them. Providing affordable and flexible childcare will give parents more choice over the care of their children, their employment, but will also tackle the gender gap.

While the challenge of childcare and early years is not unique to Wales, we could be unique in how we tackle it. It is the country that created the Well-being of Future Generations Act (2015) – it can be a leader of childcare reform.

The Welsh Liberal Democrats will provide families with flexible, affordable and inclusive childcare that works towards giving parents more choice, children more opportunities, and childcare workers stability.

We need to work on the existing challenges and build back an infrastructure that delivers social, economic and cultural well-being for children, families and providers. To do this, we will tackle each shortfall identified in this report and outline key aims for the future. We will create a simple, affordable, and equitable childcare system for all families. Our priority will be to re-imagine a:

- 1) Simple offer that's easy to navigate
- 2) Universal and affordable offer
- 3) Flexible offer that provides choice
- 4) Equitable offer
- 5) Sector underpinned by excellence
- 6) Parents equipped with choice

We recognise that reform of the childcare sector and offer will take time, and we must avoid creating uncertainty within the sector. We will institute a parallel programme of reform to deliver short-term change and long-term reform.

### **Short-term reform (2026-2030; 7<sup>th</sup> Senedd)**

- Launch a Child Care Allowance pilot to understand how direct payments to parents of children 9 months to school age can improve parental choice and flexibility.
- Invest in School Holiday provision to increase the availability of registered, funded school-holiday activities for children and young people up to age 11.
- Improve the availability and accessibility of information about funded childcare and the financial support available.
- Work with local authorities to increase the number of registered providers to improve financial support available for parents, and also to recognise the value of paid and unpaid care work within childcare.
- Improve take-up of Business Rate Relief among providers.
- Launch a target recruitment campaign, with a particular focus on improving the diversity of the workforce, including ethnicity and language provision.

- Introduce an employment guarantee, providing financial support to providers who take on new staff at the Real Living Wage.

### **Long-term reform (2030-2034; 8<sup>th</sup> Senedd)**

- Reform the childcare offer to create a single offer, providing funded part-time care from 9 months to 11 for all children, regardless of background.
- Support the resilience of the sector by gradually increasing the amount per funded hour from £5 per hour per child to £7, to ensure providers can invest in services and their staff.
- Introduce a time-limited capital programme of investment to increase provision and capacity and create high-quality environments for children.
- Improve the diversity of the local care provision available for children through the introduction of progressive, statutory targets on local authorities informed by local Childcare Sufficiency Assessments.

### **We will make childcare affordable for families.**

Childcare costs are disproportionate to wages. Families are struggling to cover the costs of accessing childcare, often taking them out altogether. It's unacceptable that some families are paying up to 60% of their income on childcare.

#### **In order to address this, we will:**

- Reform the childcare offer so that all parents of children from 9 months to school age (4) have access to 1,500 hours of funded childcare a year to use over 50 weeks.
- Provide all parents of children from school age (4) to 11 with 260 hours of registered, funded childcare a year over 13 weeks (school holidays).
- Pilot a Welsh Child Care Allowance for parents of children 9 months to school age to understand how direct payments to parents can improve parental choice and flexibility.
- Ensure that all settings, from 9 months to 11 years, are registered to allow families to access all financial schemes, such as Tax Free Childcare.

### **We will improve childcare for school aged children – both wraparound care and holiday provision.**

Year after years families are calling out for assistance with wraparound and holiday care. The cost of holiday provision can be as much as £30 per day, per child. The average working day does not fit with the current school structure, and families are left with no support during these hours. The decline of childminders, who often operate within these hours, has left a huge gap in provision. Families are giving up employment, or reducing their hours, and children are missing out on play opportunities with their peers.

#### **In order to do this, we will:**

- Invest in School Holiday provision to increase the availability of registered, funded school-holiday activities for children and young people up to age 11, through schemes similar to the School Holiday Enrichment Programme.



- Assist school aged childcare in becoming community based settings that are easily accessible with opportunities to learn through play, alongside a review of funding.
- Invest in additional Playworker training, whilst working with organisations to raise the profile and benefits of registered out of school clubs.

**We will ensure that all childcare is inclusive and easily accessible.**

Provision across Wales is not equal. Families with disabled children are being left behind in the current system because of a lack of support. Families with atypical working hours are being left behind because the working day format of childcare doesn't support their family structure. Families in rural locations are unable to access local services.

**To do this we will:**

- Introduce a time-limited capital programme of investment to increase provision and capacity and create high-quality environments for children.
- Improve the diversity of the local care provision available for children through the introduction of progressive, statutory targets on local authorities informed by local Childcare Sufficiency Assessments.
- Increase investment towards staff training in Welsh language provision and encourage further learning for all children.
- Invest in continued 1:1 support beyond pre-school childcare, ensuring that it continues into out of school care and follows the child on their entire learner journey.

**We will provide clear information for all families on funding and availability.**

The existing system is multi-layered, complicated and hard to navigate, and is not available in all languages. Families are missing out on childcare or additional support because they are not accessing the support they need because of the difficulty in accessing it.

**To do this, we will:**

- Reform the system to create a single childcare offer for all children from 9 months to 11 years.
- Ensure that all information is available in the families preferred language, using translation services when needed.
- Ensure that all Local Authorities are providing easily accessible information, both online and offline, making use of communal spaces such as libraries and schools as information hubs to do so.
- Ensure that all settings are up to date with what financial support is available, and assist them in sharing this with families.

**We will support an attractive, resilient sector workforce.**

It's important to remember that those within the sector are doing the best in the current climate. The funded hourly rate does not match the actual cost of providing subsidised offers, recruitment and retention remain huge issues, and providers are vocalizing their disappointment about feeling undervalued and underappreciated.

**To support them we will:**

- Raise the funded hourly rate for subsidised childcare from £5 to £7 per hour, with a bi-annual review of fees.
- Raise the funded hourly rate across all provision, ensuring they are in line with inflation and relative to ratios, tracked against agreed external evidence.
- Introduce an employment guarantee, providing financial support to providers who take on new staff at the Real Living Wage.
- Actively promote the importance of childcare and early years providers as key workers in the Welsh infrastructure, ensuring that their voices are heard, and they feel valued and appreciated.
- Ensure that all childcare workers earn a Living Wage, as a minimum.
- Create greater diversity in the workforce.
- Work alongside the sector and external organisations on strengthening qualifications and career pathway through funded training programmes. Including a national, universal programme of funded training and support for home-based childcare providers, existing and incoming.
- Enable equal access to government funded provision across Wales, for all registered settings.
- Promote the uptake of Business Rates Relief to support the financial resilience of providers.

**Cost**

We estimate that the additional costs of the closing the childcare gap (care for children 9 months to school age) will be in the region of £184m per year. Our figures take into account current take-up of the childcare offer as of 2022/2023.

Our estimates suggest that an additional 90,000 children 9 months to school age could benefit from funded childcare under our plans, on the basis that there are more than 28,500 live births per year in Wales.

Our analysis of economic impact<sup>77</sup> assessments of the economic benefit of investment in childcare suggest that the return on the investment of expanding funded childcare to more children would be in the region of £1bn per annum in GVA.

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<sup>77</sup> [The economic impact of extending state-funded childcare \(pwc.co.uk\)](https://www.pwc.co.uk)