

# Closing the Gap: Childcare in Wales - Summary

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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 effects 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 firsthand 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 priorities 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.

Jane Dodds

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

## Key Facts

- Wales has the most expensive childcare in the whole of the United Kingdom. The total costs of accessing before and after school is, on average, £2,822 a year, per child.
- In 2022-23, Wales saw the biggest increase in childcare costs (85%), despite having the highest poverty rates. Families are spending up to 60% of their income on childcare
- Holiday care has increased by 9% since 2022, the highest in the UK. It costs, on average, £168.20 per week, per child.
- Since the pandemic, 15% of out of school settings that were open have remained closed.
- In the 2021-22 tax year, less than 20,000 families utilised Tax-Free Childcare
- In the 2022 Childcare Sufficiency Assessments (CSA's), not one local authority was able to provide childcare for all children in their area.
- Increase in children classified as children in need by social services since the pandemic, yet only 3% of Childcare Offer applications in 2021 were for children with additional needs.
- The lack of affordable and accessible childcare disproportionately affect women; two-thirds of women are solely responsible for childcare.
- Since 2018, there has been a year on year fall in the number of registered childcare settings, especially childminders.
- Only 15% of settings can deliver a Welsh-medium service.
- A decline in the amount of families using the Childcare Offer.
- Eligibility criteria for the Childcare Offer continues to widen the development gap between children and their peers.
- Parents are facing additional financial sanctions and financial pressures to return to work in the early years.
- Providers offering the Childcare Offer are given the lowest funded hourly rate out of all four nations. The shortfall per child is £2,500 per year.
- In 2021-22, 60% of childcare providers said they were turning families away because they didn't have enough spaces.
- CWLWM reported, in 2022, that 54% of providers had to replace staff that left in 2021.
- 71% of local authorities are finding it difficult to recruit staff with the appropriate qualifications

## **Our Proposals**

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 more support.

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.

We will:

1. Make childcare affordable for families.
2. Give parents more choice.
3. Provide easily accessible information for all families on funding and availability.
4. Ensure that all childcare is inclusive and easily accessible.
5. Support an attractive and resilient cohort of paid and unpaid carers.
6. Improve childcare for school aged children – both wraparound care and holiday provision.

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

- Launch a Welsh 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 registered School Holiday provision to increase the availability of 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.
- 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 whereby Welsh Government will provide financial support to providers who take on new staff at the Real Living Wage, mirroring the support available through ReAct+ programme.

### **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 CSA's.

There is a clear case for changing the structure and delivery of childcare and early years education. The existing system is failing families, children and the workforce.

We envision a structure that leaves no one behind, closes the gap and focuses on the family as a whole.

### **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, on the basis that there are roughly 28,000 live births per year in Wales.

Our analysis of economic impact<sup>1</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>1</sup> [The economic impact of extending state-funded childcare \(pwc.co.uk\)](https://www.pwc.co.uk)

## Childcare and Early Years: the policy background

The majority of childcare and early years is devolved, but some elements remain with UK Government. Under the Welfare system, parents or carers can access financial support through the Tax-free Childcare scheme and the childcare element of Universal Credit.

The main aim of Welsh Government is to fund childcare for more families, across all ages; it was a priority in the 2016 Welsh Government's Programme for Government. All work on children's rights is based on the commitment to the principles of the United Nations Convention on the Rights of the Child (UNRC). These rights are law through The Rights of Children and Young Persons (Wales) Measure 2011, and all ministers must have due regard to the UNRC when considering policies surrounding children.

There are two existing policies for pre-school children:

- The Childcare Offer; a combination of early years education and childcare, up to 30 hours a week, 39 weeks a year, subject to eligibility.
- The childcare element of Flying Start that was previously constrained by postcode, but is being expanded to all 2 year olds.

There are a series of frameworks that set out the aims and objectives for these policies. The Early Years Outcomes Framework supports and ensures that early years policies are effective, and the Childcare, Play and Early Years Workforce plan sets out a strategic 10 year ambition for the childcare sector.

For school aged children, there is support in out of school care through breakfast clubs and holiday provision, but it remains limited.

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), regulated by the Care Inspectorate Wales (CIW), that aim to reach these objectives. However, not all settings need to be registered with the CIW – they are exclusionary categories; these tend to be out of school clubs.

There are different types of regulated childcare:

1. Childminding
2. Full day care
3. Sessional day care
4. Out of school childcare
5. Creches
6. Open access play provision

The provision of childcare is monitored every five years by local authorities who, under the Childcare Act 2006, have a duty to prepare and publish CSA's.. Within them they must identify gaps and shortfalls in their areas, and identify possible solutions. These are submitted to Welsh Ministers, but the CSAs do not specify further action by Welsh Ministers.

In addition to Welsh Government support, families can access Tax-Free Childcare, Childcare Vouchers and up to 85% of childcare costs re-imbursed under the Universal Credit system.

# The Challenges

## Affordability

The cost of childcare remains one of the strongest challenges for parents. Families are facing some of the highest childcare costs in the developing world, alongside increased cost of living pressures. Tackling childcare costs would have a positive impact on cost of living and child poverty by increasing household income and parental employment.

When families are struggling to put food on the table, it is our job to support them with the foundations of family living, including childcare. Yet there are no state funded hours for children from 9 months to 2 years. For 25 hours of childcare per week, per child, the average cost is £134.92 a week, and for 50 hours it is £250.95 per week, per child. For a child aged between 2-3 years, the cost is very similar.

Although the costs decrease as the child progresses to pre-school, they still exist. The current structure of the Childcare Offer doesn't correlate with working hours, so families have to top-up the hours to match the 9-5 working pattern, costing an additional £98.79 per child, per week. This doesn't include extras, such as food or trips.

It doesn't stop when the child reaches school age. Due to the school structure not matching typical working patterns, families need additional childcare. The average price for a week of wraparound care is £67.42 per week, or £2,629 per year, per child.

The cost of holiday provision during the school break is higher, rising by 9% since 2022. It is twice as expensive as wraparound care, costing £168.20 per week, per child. There are no regulations on holiday care costs, it varies per region because of local market conditions. Settings are having to be forced into setting high costs to remain financially viable, due to a difficult economic climate. Unfortunately, these costs are too high for some families.

As costs soar and childcare becomes unaffordable, those with the majority of parenting responsibilities deal with the consequences - two thirds of parents solely responsible for childcare are women. The care gap from maternity to 3 years creates an impossible decision for women; motherhood or career. This lack of affordable childcare is often reported as the main barrier women face when returning to work, with some choosing to leave employment entirely or accept lower paid, part-time positions, driving the gender gap.

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, but a cost to those family members who are giving up their retirement.

These statistics show the true depth of financial difficulties families are facing when trying to access childcare. Parents and carers are being forced out of work, or choosing to reduce their hours and income to meet the timing demands. Children are being pulled out of settings where they are happy, settled and secure. Time and time again, affordability is stopping families from accessing an important service.



## Out of school care

The nature of the current school structure creates a need for out-of-school care, either as wraparound care or holiday provision. Children spend 25% of their time outside of the classroom, leaving families struggling to find suitable childcare that fits around their employment.

However, the out of school childcare sector continues to face challenges that have only been exacerbated by the pandemic. This includes accessing a venue to host, retention and recruitment of staff, a low-uptake in numbers and also family costs.

- Topping up childcare, to match a typical 9-5 working pattern, costs, on average, £67.42, per child, per week (using an after-school club).
- The average weekly cost of using holiday provision is £168.20, per child. Wales has seen the highest increase of holiday care costs across the UK, rising by 9% since 2022.

These are some of the costs parents are facing, if they can find a provider. Since 2018, there has been a year on year fall in the number of registered childcare settings, especially childminders. The decline in childminders has increased availability difficulty in accessing hours outside of typical childcare provision. Parents are also finding it increasingly difficult to find holiday care in their local areas, dividing the burden with families and friends.

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. However, it is not available to every child in Wales. For example, in Powys in 2023, only 7 schools out of 78 were able to offer SHEP.

Families that require ALN support have further challenges – in the 2022 CSA's, only 5% of local authorities claimed to be able to offer full support and provision, including out of school care for children with additional learning needs or disabilities.

Many families are not accessing the Tax-Free Childcare system for out of school care. Some are unaware of the support; in 2021-22 only 17,825 families applied for the scheme. Some settings remain unregistered, which means that families cannot use the funding for the provision they can access.

## Awareness and Information

The current system surrounding childcare policies is complicated and hard to navigate, and parents and carers are left unsure on the complicated systems of eligibility structure and welfare support. It is also predominantly online, exacerbating the digital divide and financial literacy. As a result, families are not accessing all the help and advice that they are entitled too because they are unaware of its existence.

## Accessibility

Not every family can access the childcare that they need. This broad area includes availability, atypical hours, ALN provision, global majority communities, Welsh-medium provision and eligibility – all areas that restrict equal access to childcare that could be prevented.

The CIW is reporting a decline in services, particularly in childminding. Similarly, the 2022 CSA's showed that not one local authority was able to provide childcare to all that needed it. Only 60%

of authorities said they were able to provide atypical hours in childcare, and no local authority was able to provide 100% support in ALN provision for disabled children. Instead, parents are being turned away from settings that are unable to accommodate their needs. As a direct result, some parents are relocating in order to access the childcare that they need.

In some areas families are unable to access provision, or support, in their preferred languages. In the Childcare Offer's annual evaluation in 2023, only 15% of settings were able to deliver a Welsh-medium service and 10% offered a bilingual service.

A huge barrier in accessing childcare is eligibility criteria that surrounds state support. Current restrictions around the childcare element are increasing the developmental gap between disadvantaged and advantaged children because unemployed families are unable to access the offer. These eligibility constraints are directly attacking the most disadvantaged families. Early childhood is a critical development stage; it lays the foundations for social, emotional, cognitive and physical development. Removing eligibility will ensure equality for all children. It will create a level playing field at the start of their life, closing the gap and opening opportunities for play based learning.

We believe that all children have a right to equal opportunities, and they should not be denied the same chances as their peers because of family employment. While we commend the work that has been done to increase eligibility, we would like to see all restrictions removed, and for every child in Wales to have the same chances.

## Parental Choice

There is an invisible network of unpaid carers supporting a network of children at home; many at-home parents rely on Universal Credit payments to provide day-to-day care for their children. Research shows that the first 1001 days, 1:1 care and secure attachment to the child's primary caregiver can increase social and emotional development, as well as lifelong wellbeing skills. It also reduces the pressure on carers to return to work which could lessen mental health issues for the parent.

Under the 23-24 Spring Budget these parents, who are typically women, will face increasing pressure from the child's first birthday to return to work. Existing leniency on stay at home parents will decline, commitments will increase, and more parents, typically single parents and mothers, will face financial sanctions for choosing to care for their child at home. We think this significantly devalues to role of unpaid care and parental choice, but could also impact on child development.

We will pilot a Welsh Child Care Allowance, offering 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. This would increase parental choice alongside the option of more accessible, flexible and inclusive childcare providers.

## The Childcare Sector

Providers across the industry are questioning their financial sustainability. Increased costs, and financial losses, are creating huge problems within the childcare sector, with some settings closing solely due to financial difficulties.

Increase overheads, such as higher salaries to match minimum wage increases, rising bills and increase food costs are placing huge financial strains on settings. Food bills alone have risen by 18% in the past year.

Out of all four nations, Wales has the lowest funded hourly rate for subsidised childcare for 3-4 year olds. It stands at £5 per child, and is due to be reviewed in 2025 and every three years after. In comparison, Scotland offers up to £8.50 per child, and the UK Government will increase theirs to £5.50 from September. In March, NDNA released statistics showing that the shortfall per child on the 20 hours of the Childcare Offer was £2,500 per year or £2.60 per hour, per child.

To help soften the blow of these costs, providers are cross-subsidising to other areas of their care; parents of children below 3 years are paying higher rates to cover the losses from providing the Childcare Offer. Families in Wales are having to pick up the costs of poor decisions made in Government.

### Recruitment and Retention

Settings are reporting the need to reduce their capacities and in worst case scenarios, close, because they cannot hire qualified staff. The uptake in choosing childcare as a career pathway is relatively low, and providers continue to experience difficulties in hiring staff with the expected, and required, qualifications and skills outlined by Care Inspectorate Wales (CIW). Alongside this, settings often cannot offer competitive salaries or stable contracts, because of the ongoing difficulties they face in trying to remain sustainable.

Like many other carers that are over worked and under paid, employment within the childcare sector has been directly affected by the pandemic. Staff levels are much lower than before, and turnover is much higher. In 2022, 54% of providers, when asked, had to replace staff who were leaving. They are voicing feelings of underappreciation and little motivation, and we need to listen to them. If they are not there, this is no childcare.

### Diversity

The diversity of the current workforce is not representative of all communities in Wales; without this variation, children and families are left unrepresented. Increasing the diversity, through direct campaigning to under-represented groups, would improve awareness and understanding around individual differences. This would be beneficial to all – providers, families and the children.