

## Early Years Wales Report into the Childcare Rate for Wales 2025



In November 2024, the Welsh Government announced its childcare offer rate for 2025/26. Early Years Wales surveyed its membership to gain a snapshot of the sector's response to the rate increase.

The survey used mirrored questions asked in a previous survey conducted in 2023, when the Welsh Government confirmed that there would be no changes to the childcare offer rate ahead of the planned review and the end of the three-year cycle. This allows the responses of this survey to be contextualised with trends in the sector.

The childcare offer increase was stated to be a 20% increase in the hourly rate for children eligible. In practical terms, this increased the rate from £5 per hour to £6 per hour. Positively, the Minister for Children and Social Care, Dawn Bowden MS, committed to an annual review of the rate, something Early Years Wales and NDNA Cymru had been campaigning for over the last 18 months. This is a step in the right direction because the combined impact of high inflation and increased wage costs transitioning from 2023 to 2024 was an area of concern that our members were vocal about.

From the perspective of a provider, another positive is the increase in the daily amount of money allocated for a child for food, increasing from £9.00 - £10.80. There is wide recognition that food and utility costs necessitated this increase, although clearly concerns that the pressures on family budgets are also a nation-wide issue.

This does allow providers to continue to meet food and nutrition guidelines and offer parents choices depending upon the contracts the providers use and the provisions they make for children's food and nutrition. The increase in support for food provision also showcases the value in which the Welsh Government places on the role of early years settings in nurturing children's development, benefitting their life outlook for later childhood and adolescence.

Our latest survey opened in December 2024 and closed on Friday 24<sup>th</sup> January 2025.

## Survey Summary

The latest survey received 83 responses representing 7.3% of the total of our provider membership at the time of reporting (for comparison, in 2023/24 159 of our members responded (14.9% of the membership at the time of reporting)).



*Figure 1 – providers responding to the survey on the childcare rate in 2025.*

As in 2023/24 respondents came from 20 of the 22 local authorities. The two local authority areas where no responses were received differed between the two surveys. This still allows us to infer a national response to the questions posed. It is evident that the current position motivated more full day care providers to respond making up 69% of this survey total, compared to 54% in 2023/24.



*Figure 2 – Legal status of respondents 2025*

Further comparisons between the two surveys demonstrate that the providers responding in 2024/25 are represented by a higher proportion of corporate providers (65% compared to 56%). There was no significant shift in the areas of service delivery, with approximately 50% registered to deliver Flying Start alongside the childcare offer and 50% delivering both Flying Start and early education.

## Funding

The following data related to the perception of our members about whether the funding meets their needs to provide the childcare places funded by the Welsh Government.



*Figure 3 - Would you agree that the uplift in wages is affordable within your current income/expenditure.*

Living wages are going up by 6.7% in April 2025. This takes the hourly rate from £11.44 to £12.21 per hour for all 21-year-olds in employment. From the respondents to the survey in 2023/24 84% felt that the funding did not support their costs in meeting wage increases. Similarly, in 2024/25 89% of the respondents feel the rate is not supporting them meet the increased costs of wages in their settings.

As outlined in 2023/24, childcare remains a low-paid sector. Early Years Wales states that the value of the work that the practitioners undertake is not reflected in the pay and conditions that the practitioners are currently faced with. Whilst we recognise that the Welsh Government does not set or control the salaries that providers pay practitioners, we remain concerned about the difference between education and childcare professionals in their pay and conditions. This is despite the recent Welsh Government emphasis on the importance of the first 1,000 days of a child's life, which recognises the need for a financially stable and high-quality early years sector to support this crucial stage of development.

We continue to advocate for a strengthening of the Early Childhood Play, Learning and Care (ECPLC, known internationally as Early Childhood Education and Care – ECEC) approaches in Wales. This is not unique to Wales, and the OECD recently concluded that governments should, 'When possible, public funding for early years policies should be increased to develop a stronger workforce and support the implementation of policies that reduce inequalities.'<sup>1</sup> We want to recognise that there 74 providers from corporate full daycare that

---

<sup>1</sup> [https://www.oecd.org/en/publications/reducing-inequalities-by-investing-in-early-childhood-education-and-care\\_b78f8b25-en.html?adestraproject=OECD%20Education%20and%20Skills%20Newsletter&utm\\_campaign=OECD%20Education%20%26%20Skills%20Newsletter%3A%20January%202025&utm\\_content=Read%20the%20Report&utm\\_term=edu&utm\\_medium=email&utm\\_source=Adestra](https://www.oecd.org/en/publications/reducing-inequalities-by-investing-in-early-childhood-education-and-care_b78f8b25-en.html?adestraproject=OECD%20Education%20and%20Skills%20Newsletter&utm_campaign=OECD%20Education%20%26%20Skills%20Newsletter%3A%20January%202025&utm_content=Read%20the%20Report&utm_term=edu&utm_medium=email&utm_source=Adestra)

are raising concerns about their ability to match pay increases, and that from our membership data it is clear that the corporate providers often have larger staff teams (particularly when some corporate providers run multiple childcare provisions with staff of over 115 practitioners).

Provider comments included:

'It will put the business in jeopardy of closure with the big increase in wages and national insurance threshold.'

'We thank you for uplifting the rate, but it will in no way cover the minimum wage that has kept increasing. We currently charge £7.50 per hour and by April we believe this will be £8.50.'

'My prices will have to considerably increase to cover the costs. It also means I cannot afford to pay long time experienced staff any more than some who walks in tomorrow!'

'The uplift in minimum wages will significantly impact our business operations, forcing us to adjust our fees by up to 20% to cover the shortfall. Unfortunately, while staffing costs are increasing due to the rise in wages, funding provided by local authorities and other sources has not kept pace with inflation. This has created a financial gap that private payers, who do not receive funding, are now being burdened to fill.'

'Any increase in wages are passed onto parents, my staff are worthy of so much more for the work they carry out, living wage will always be the bottom end of the scale regardless of increase as everything goes up in price so no better off. I pay 5 pence above living wage for level 2 staff and 10p above for level 3. in a childcare setting I use 1 to 3 ratio and 1 to 4, we never operate on a 1 to 8 when children turn 3 as this is hard work especially with children with emerging needs within the numbers.'

Inevitably, in light of the comments above the vast majority of respondents felt the need to increase costs for parents as they did in 2023/24



Figure 4 – To manage any increase in staff costs would you be considering increasing fees to parents?

Similarly to 2023/24, providers are measuring any increases they charge in the context of the impact on families, the market within which they operate and their individual circumstances. Again, as highlighted in our October presentation to the event sponsored by Jane Dodds MS, The First 1,000 Days; The Right to Childhood, the brunt of the costs are leveraged against childcare costs for places that are not funded by the Welsh Government programmes (childcare offer, Flying Start, or early education). Therefore, the childcare provided to children aged under 2 years of age and those who do not qualify for the childcare offer frequently has a higher price point and off-sets the deficit providers describe for funded places. The OECD also reflected this in their report,

'Total investment in education and families need to remain more stable throughout early childhood. At the moment, many countries see a sharp decline in spending between age 1, coinciding with the end of maternity leave entitlements, and the beginning of pre-primary education (usually around age 3).'

As in 2023/24, the providers taking the time to respond to the survey feel comprehensively that the funding they receive is not meeting their operating costs (95% in 2024/25 and 94% in 2023/24). Recognising the shift in data from a more balanced sector response in 2023/24 to a corporate providers dominated response in 2024/25 does not lessen the impact of this for childcare and children and their families. Estyn and CIW data demonstrates that many corporate providers provide excellent services and, in Wales, we have a mixed economy of childcare providers. Therefore, public funding should seek to provide equity and not to disadvantage (either intentionally or unintentionally) one segment of the sector over another. The negative impact of this disadvantage is felt only by the children. To facilitate the expansion of Flying Start to cover all 2-year-olds in Wales, the corporate sector is a vital component and currently has a sizeable share of the childcare places, and importantly, the suitably qualified staff.

Respondents' perceptions of what the effective rate would be for their business vary from £7/hour to £10/hour. There is a realisation that the public funding cannot make this a universally workable solution for the childcare sector in Wales.

"The Childcare offer is a funded offer. It's ridiculous that they think they can dictate a flat rate that is viable to all settings that provide the offer. A childminder, a 30-place setting in a church hall and a 60-place setting with an acre of land cannot possibly have the same overheads and that is why since time began, we all charge differently. It's basic business practice. It is not an acceptable business model in any industry. Unless they allow settings to charge the shortfall and leave it to parental choice as to whether they attend that setting, this can never work"

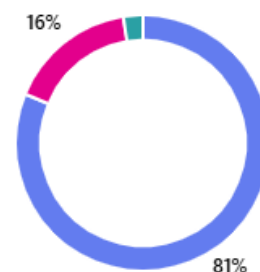
Whilst we have become used to the provision of funded places for childcare in Wales over the last 5 years since the Childcare Offer commenced, there was a

childcare sector before this. Bevan Foundation have proposed a more impactful way of using public funding, not dissimilar to the requests from corporate providers to deviate from a policy of universal funding covering 30 hours and utilise public funding for a proportion of universal hours and charge parents where affordability is there to contribute to additional hours above 12.5 hours. In some ways, this position, whilst more problematic at administration level cannot be ignored when the funding is constraining business models. More simplistically, the corporate providers are asking to be allowed to charge top-up fees and let parental choice influence the take-up of places.

In simple terms, the complexity of the childcare and funding landscape would not be as it is currently if we were designing the system from scratch today with the current level of public investment; nor can this system meet the commitments that we aspire to. This includes aspirations in Wales to have excellent early years provision, the best start for children in their First 1,000 days, and recruiting the best qualified and highest quality staff into the workforce who we retain and reward suitably with clear career pathways.

In terms of looking forward, Early Years Wales remains concerned when providers indicate they are confident for 1-2 years and not 5 years. This short-termism does not promote positive working conditions, nor contribute positively to mental health, and is destabilising to the children, parents and the community at large which rely on support from the setting

● 1 years time	65
● 2 years time	13
● 5 years' time	2



*Figure 5 - Based on your current income (fees and funded provision), expenditure and projections, do you think your business is sustainable and have confidence that you will be able to provide the same service level in:*

Providers are looking for solutions to the issues they face and are pragmatic. They realise that the Welsh Government cannot fund everything. There are a wide range of perceptions and if we are to move on from the position since Covid-19, of fire-fighting one challenge to another, Early Years Wales would call for a review of what childcare is fundamentally set out to achieve in Wales , followed by an action plan that moves childcare forward in line with the social justice committee report, 'Their future: our priority?' The evidence for early investment is robust and the return on investment is arguably one of the highest that public money can secure.

Investment is needed now, more than ever before. Recent research from the Bevan Foundation and Barnardo's Cymru has found that more than half (54 per cent) of all children in poverty in Wales live in a household with a 0-4 year old. Early Years settings provide a crucial role in helping mitigate the plethora of negative effects of poverty on young children, by providing a space for children to explore, play and make friends. Every child, no matter their background, receives the same high-quality care and access to developmental opportunities. Therefore, early years settings are crucial in helping the Welsh Government achieve its equality targets which will benefit future generations. In order to realise this ambition, building a future with children at its epicentre, all settings require sustained financial support which values the role played by practitioners and enables settings to build a long term future,

The comments below are views from our members' perspectives that illustrate how they perceive the situation might be addressed. As we move towards the Senedd elections in 2026, it has never been more timely for the Ministers across the Senedd to reflect on what they feel childcare should focus on, and how we retain our high-quality settings, recruit a vibrant, motivated and capable workforce, and position the early years sector to be able to support families, mitigating some of the social pressures and systemic challenges we have to address in Wales for our future generations.

"An additional pressing issue is that while capital grants for building work and furnishings may seem helpful on the surface, they are not what the childcare sector urgently needs right now. Providers are struggling with rising operational costs, from wages to utilities, and these grants do not address the immediate financial challenges we face daily. Simply put, we cannot pay bills with furniture or fund wages with building improvements. What we need is money in the bank to keep our settings running and to provide the high-quality care and education that children deserve."

"We must be able to deduct the Childcare offer from our normal fees and be allowed to charge the shortfall between the funding and the daily rate all our other parents pay, to cover our costs and keep our doors open. It isn't fair that parents of younger children will have to pay higher fees to cover the shortfall from funded children. Welsh Government must change the wording of their scheme, as it is not 'Fully Funded', WG do not pay our hourly rate to cover our costs. It's a lie, and we are subsidising their Childcare Offer scheme."

"Why is it that we receive more funding for Flying Start than Early Education one is no more important than the other. The government has big plans for supporting child outcomes but without sufficient funding this is not going to happen."

"In order to continue high quality provision, the sector needs to be better funded. There are limited prospects for staff and no incentive to get

additional qualifications as the pay is so poor. Staff retention is poor, and staff are leaving the sector to get better paid employment elsewhere with less responsibility. The sector is becoming more highly regulated (quite rightly so) but the additional commitments from the revised National Minimum standards are adding pressure onto the sector. There always seems to be more change and it's hard to keep up. Easier routes to qualification (or recognition of prior experience - e.g teachers who have worked in early years but aren't recognised as qualified members of staff as their qualification doesn't appear on the approved list)."

"My setting will not survive another year if they do not allow us all to charge the shortfall. As I have mentioned above, I lost £65K last year and that was £65K I didn't have to lose. I don't have any money to re-invest into my business because my Nursery is funding parents to attend it. CIW Standard 17 : Financial procedures : Outcomes Children and their parents are safeguarded by the registered person operating sound financial procedures. I did this at a huge sacrifice to myself over the years and then the childcare offer came along and destroyed my business. 120 children will be looking for a place to learn when I close my doors and that's just my setting."

"As a small family-owned private business, we opened in 2020 and have met the massive demand for childcare places in *our LA (redacted for anonymity)*, which was highlighted in the Child Sufficiency Audit. We have always endeavoured to offer high-quality childcare and have reached a point where we need put a huge increase to the fees for parents who pay for their childcare place, in order to cover the shortfall from funded places. Unfortunately, due to our proximity to a primary school and the fact that parents provide packed lunches to save money, we cannot charge extra for food or transport."

"To truly follow through on their commitment to the first 1,000 days and prioritising children, Welsh ministers must ensure that investment in early years services is both meaningful and sustained. This means:

1. Increased Funding for Early Years Provision – Affordable, high-quality childcare and early education must be accessible to all families, particularly those in disadvantaged areas. Funding should support providers in maintaining well-trained staff and ensuring high standards of care.
2. Greater Support for Families – Early intervention is key. Expanding access to perinatal mental health services, parenting support programmes, and community initiatives will empower families to give children the best start in life.
3. Workforce Development and Retention – Investment in training, fair pay, and career progression for early years professionals is essential to



maintaining a skilled and motivated workforce that can provide consistent, high-quality support to children and families.

4. Holistic Health and Wellbeing Support – Ensuring seamless collaboration between health visitors, midwives, early years settings, and other family services will provide families with wraparound care, identifying and addressing issues early.

5. Listening to Practitioners and Families – Policies should be shaped by those on the frontline—early years professionals, parents, and caregivers—so that decisions truly reflect the needs of those they impact.”

“Rhetoric alone won’t change outcomes for children. Investment, collaboration, and a long-term commitment to early years support will. Ministers must now translate their words into tangible actions that ensure every child in Wales has the strongest possible start in life.”

“Early years should have its own minister, and funding should not be in control of the local authority.”

“The first 1000 days are critical to the future development of all children. After many years of delivering early years childcare I have observed a worrying decline in children’s behaviour and development that the schools and state will have to deal with further down the line. The early sector needs more support for the benefit of all.”