

# Tackling disadvantage through childcare in Wales

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JOSEPH ROWNTREE  
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## About the Joseph Rowntree Foundation

At the Joseph Rowntree Foundation, we work to speed up and support the transition to a future free from poverty, in which people and planet can flourish.



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## Executive Summary

Finding good quality, affordable, childcare has long been a challenge for families across Wales. Over recent years significant efforts have been made to address some of these challenges. Despite this, new insights gathered by YouGov on behalf of the Bevan Foundation this January, has found that 70 per cent of Welsh parents whose youngest child is 10 or younger do not think that the cost of childcare is affordable.<sup>1</sup>

This year is set to be significant year for Wales' childcare system. With the Welsh Government pledging in its new Child Poverty Strategy to "*work across government to find affordable solutions to childcare*",<sup>2</sup> and with universal, part-time childcare due to fully available for all two-year-olds by April 2025, parents across the nation will begin to expect to see the availability of funded provision increase. There continue to be concerns that even after this reform the system will not realise its potential in particular with regards to reducing poverty and inequality.

In May 2023 the Joseph Rowntree Foundation and Coram Family and Childcare published a landmark report *Tackling disadvantage through childcare*.<sup>3</sup> The report identified five principles that must underpin a childcare system if it is to tackle disadvantage. There is action that can be taken in Wales with regards to each of these principles to ensure that we have a childcare system that truly tackles disadvantage.

- **Affordable:** Childcare must be affordable in order to enable parents to work. This is currently not the case for too many parents in Wales. **A female worker with a child aged 2 and under, working full-time at the 25th percentile of earnings must currently spend more than half her weekly earnings on the cost of childcare.** The Welsh Government's Foundation Learning, Childcare Offer and Flying Start (Childcare) programmes offer valuable support to parents with the cost of their childcare. Significant gaps remain however, in particular with regards to the availability of funded childcare for the youngest children. This locks parents out of work and deprives children from the opportunities provided by good quality childcare for their development.
- **Quality:** Provision must be high quality in order to improve outcomes. Whilst there is broad agreement that the quality of childcare in Wales has improved, there is still progress to be made. **One in five parents whose youngest child is 10 or under do not think that childcare is good quality.** There are concerns that a lack of funding means that providers struggle to recruit and retain highly qualified staff, undermining efforts to further improve quality further.
- **Accessed:** Disadvantaged children need to be able to take up early education and childcare. This is a significant problem in Wales. **A lack of available childcare and the lack of cohesion between the three Welsh Government funded childcare programmes mean that many children miss out.** Many of the most disadvantaged children are at a heightened risk of not being able to access childcare given difficulties faced by parents working a-typical hours in finding provision, and the fact that children living in the lowest-income households are locked out of the Childcare Offer.
- **Family-focused:** Childcare must support a positive home-learning environment. Whilst there is evidence to suggest that Flying Start is effective in developing a



positive home-learning environment, **there is less clear evidence about how successful the broader Welsh childcare system is in meeting this aim.**

- **Integrated:** Childcare must be a pillar of a wider support system. Given that the various Welsh Government childcare programmes are not well integrated with each other, it is perhaps not a surprise that there is broad consensus that **there is scope to improve how the childcare system is integrated with other services.**

The childcare system in Wales could come under further pressure over the coming years. The UK Government has already embarked on a significant childcare reform programme in England, with more radical reforms possible after the upcoming General Election. Such reforms could have a direct impact on parents in Wales and on the devolution settlement. It is vital that Welsh politicians and stakeholders begin to explore how such reforms might affect Wales. In particular, there is a need to consider how any new powers that are devolved to Wales to enable England-only reforms, might affect Welsh provision.

### Working towards solutions

We need our childcare system to tackle, not entrench, disadvantage. To achieve this, the Welsh childcare system needs to strike a better balance between providing children with early education, supporting parents to return to work, and ensuring that parents are provided with choice about what sort of provision works best for them.

Developing a more integrated and rounded childcare policy is vital to ensure that an appropriate balance is struck. In the medium to long term, we believe that the Welsh Government should develop a radical, new childcare offer. This offer would see the Welsh Government **provide funded, good quality, part-time care** (approximately 15 hours a week) **for all children aged 0 to 4**, for 48 weeks of the year. This offer would be available **for all parents irrespective of their work status**, with **additional hours available on a sliding scale of fees** for parents who want them.

We recognise that introducing such a radical change could take time and resources to develop and implement. There are short-term changes that could be made to the childcare system that address some of the weaknesses we have identified whilst moving us in the desired direction.

These short-term changes include:

- Expanding Flying Start (Childcare) on a universal basis to all children aged 9-months to 23-months upon completion of the roll-out of Flying Start (Childcare) to all two-year olds in Wales in April 2025.
- Work with Welsh local authorities to review the availability of childcare in all Welsh communities and to develop a plan for a fully integrated childcare system which brings together all three Welsh Government funded childcare programmes.
- Making it easier for parents to apply for funded childcare by developing a single application form for all three of its childcare programmes.
- Developing the existing partnership between Care Inspectorate Wales and Estyn to address childcare providers' concerns about double regulation, whilst maintaining high levels of regulation as a whole.
- Ensure greater clarity as to regulatory expectations faced by childminders. This could improve access to funded childcare for parents who work atypical hours or who live in rural areas.

- Commission a review of childcare funding in Wales with a particular focus on ensuring that childcare providers can recruit and retain a highly qualified workforce.

# 1. Introduction

Finding good quality, affordable, childcare has long been a challenge for families across Wales. Over recent years significant efforts have been made to address some of these challenges, with further reform on the horizon. There continue to be concerns however, that the system is not as effective as it could be, in particular with regards to reducing poverty and inequality.

A well-designed and functioning childcare system is a key tool in tackling poverty and inequality. It can both help families boost their incomes, moving families out of poverty, and improve outcomes for disadvantaged children. The Welsh Government's new Child Poverty Strategy recognises this fact, with a pledge within it to "*work across government to find affordable solutions to childcare*".<sup>4</sup>

In May 2023 the Joseph Rowntree Foundation and Coram Family and Childcare published a landmark report *Tackling disadvantage through childcare*.<sup>5</sup> The report identified five principles that must underpin a childcare system if it is to tackle disadvantage.

- **Affordable:** Childcare must be affordable in order to enable parents to work.
- **Quality:** Provision must be high quality in order to improve outcomes. Only high-quality childcare helps to narrow the attainment gap between disadvantaged children and their peers.
- **Accessed:** Disadvantaged children need to be able to take up early education and childcare. Families face a range of barriers to taking up early education, including understanding a complex system and the availability of places that meet their needs.
- **Family-focused:** Childcare must support a positive home-learning environment. There is strong evidence of the importance of a positive home-learning environment and programmes that successfully enable parents to improve their ability to support their children's learning.
- **Integrated:** Childcare must be a pillar of a wider support system. In order to fully support children's outcomes, childcare professionals must be a part of a wider support system, joining up to identify and address any additional needs early on.

The JRF and Coram Family and Childcare's report focused on the childcare system in England. This report will seek to build upon their work. It will examine whether the childcare system that we have in place in Wales is in-keeping with these key principles, and what changes are necessary to improve the Welsh system.

The report will do so in four sections. The first will provide an overview of current childcare provision in Wales. The second will assess how the current provision meets the JRF and Coram Family and Childcare's five key principles. The third will explore some future challenges facing the childcare system in Wales whilst the report will conclude with a summary of our findings and our ideas for reform.

## 2. What support do parents get with childcare?

Parents in Wales are entitled to support with their childcare costs through a mixture of UK and Welsh Government programmes. This creates a complex picture with different support available to families depending on the age of their child, where they live and their own work status.

Table 1: Available childcare support for children in Wales

	Child Under 2	Child aged 2	Child aged 3	Child aged 4
Welsh Government	Nothing	<b>Universal:</b> nothing	<b>Universal:</b> Foundation Learning - 10 hours per week early years education, starting in the term after 3 <sup>rd</sup> birthday.	<b>Universal:</b> Foundation Learning - 10 hours per week early years education, for 39 weeks, starting in the term after 3 <sup>rd</sup> birthday.
		<b>Deprived areas:</b> Flying Start - 12.5 hours funded childcare per week for 39 weeks	<b>Deprived areas:</b> Flying Start - 12.5 hours childcare p.w. up until the end of the term they turn 3.	
		<b>Working parents:</b> nothing.	<b>Working parents:</b> Childcare Offer- 20 hours childcare per week for 48 weeks for working parents or parents in training.*	<b>Working parents:</b> Childcare Offer- 20 hours childcare per week for 48 weeks for working parents or parents in training.*
UK Government	<b>Working parents:</b> Tax-free childcare - pays 20% of childcare costs up to an annual cap of £2,000			
	<b>Working and low income:</b> Universal Credit – covers 85% of costs			

\* Can be combined with universal provision. Increases to 30 hours for 9 weeks when universal provision is unavailable.

The landscape is set to change over the next 18 months. The Welsh Government is in the process of rolling out universal access to 12.5 hours of funded childcare to all two-year-olds.<sup>6</sup> It is expected that the rollout of the policy will be complete by April 2025.<sup>7</sup> The mechanism being used to achieve this is Flying Start – meaning support will be available to all parents, not just working parents.

This does have the potential to cause some confusion. Prior to 2023, Flying Start was only available for families living in the most deprived areas of Wales. It combined both funded part-time childcare and the provision of broader support such as enhanced visits by Health Visitors and programmes to support parents with their parenting skills. It is only the childcare element of Flying Start that is being rolled out across the whole of Wales. To distinguish between the two elements of the policy the universal childcare offer for two-year-olds will be referred to as Flying Start (Childcare) throughout the remainder of this report, with all references to Flying Start referring to the original, area based scheme.



### 3. The five key principles of a childcare system that tackles disadvantage

The JRF and Coram Family and Childcare's report provides a clear evidence base as to why the five principles outlined within it are the key ones from the perspective of developing a childcare system that tackles disadvantage. This section sets out to explore the extent to which the Welsh system tackles disadvantage.

#### 3.1 Affordable

How much does childcare cost in Wales?

As set out in section 2 families in Wales are provided with support towards the cost of their childcare through a variety of different programmes. The availability of support varies depending on the age of the child, where a child lives and the employment status and income of their parents.

Given the lack of universal funded childcare for children aged 2 and younger, it is not surprising that childcare is especially expensive for children in this age group. This is compounded by the fact that the cost of providing childcare to two-year-olds is often greater, due to stricter staff to child ratios. For example, day care providers must ensure that there is one staff member for every three children aged 2 and younger, one staff member for every four children aged 2, but only one staff member for every eight children for children aged 3 to 7.<sup>8</sup> Coram Family and Childcare estimate that the average weekly cost for a child under two to attend nursery full-time between November 2022 and February 2023 in Wales was £250.95 a week,<sup>9</sup> which amounts to £13,049 a year.

Even for children aged 3 and 4, where greater financial support is available, childcare costs can still be significant. On average it costs £98.79 a week for a 3-year-old child to be in nursery for 50 hours a week, even when 30 of those 50 hours are funded through Foundation Learning and the Childcare Offer, £5,137 a year.<sup>10</sup>

**Table 2: Childcare costs for children in Wales by provider type and number of hours accessed**

Age	Nursery 25 hours a week	Nursery 50 hours a week	Childminder 25 hours a week	Childminder 50 hours a week
Under 2	£135.67	£250.95	£121.63	£239.15
2	£134.92	£249.94	£121.15	£237.78
3 and 4	£51.31*	£98.79**	£48.50*	£95.10 **

\* Estimate based on child accessing 10 hours funded childcare through Foundation Learning but not the 20 hours Childcare Offer

\*\* Estimate based on child accessing 30 hours funded childcare through Foundation Learning and the Childcare Offer

Source: Coram Family and Childcare, *Childcare Survey 2023* (March 2023) available at - [https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202023\\_Coram%20Family%20and%20Childcare.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Childcare%20Survey%202023_Coram%20Family%20and%20Childcare.pdf)

To put this data into context it is possible to compare the data on childcare costs with data on earnings. A full-time female worker earning at the 25<sup>th</sup> percentile in 2023 would

have had to have spend more than half of her weekly earnings on her childcare costs if sending her child to a nursery (53 per cent) or childminder (51 per cent) on a full-time basis.<sup>11</sup>

**Table 3: Full-time childcare costs as proportion of gross weekly earnings by childcare provider and income percentile.**

	Gross weekly pay	Full-time nursery cost for child aged 2 and under as % of gross weekly pay	Full-time childminder cost for child aged 2 and under as % of gross weekly pay
Median full-time worker	£636.10	39	37
Median female full-time worker	£595.10	42	40
25 <sup>th</sup> percentile full-time worker	£496.60	50	48
25 <sup>th</sup> percentile female full-time worker	£469.50	53	51

Source: Bevan Foundation analysis of Office for National Statistics, *Annual survey of hours and earnings - resident analysis*, accessed via Nomis

The challenge facing part-time workers is even greater. A part-time worker earning at the 25<sup>th</sup> percentile would have to spend a staggering 91 per cent of their earnings on the cost of nursery, even if only sending their child on a part-time basis.<sup>12</sup>

**Table 4: Part-time childcare costs as proportion of gross weekly earnings by childcare provider and income percentile.**

	Gross weekly pay	Part-time nursery cost for child aged 2 and under as % of gross weekly pay	Part-time childminder cost for child aged 2 and under as % of gross weekly pay
Median part-time worker	£240.30	56	51
25 <sup>th</sup> percentile part-time worker	£149	91	81

Source: Bevan Foundation analysis of Office for National Statistics, *Annual survey of hours and earnings - resident analysis*, accessed via Nomis

Families in Wales often face additional costs on top of these fees. A number of providers charge extra for providing meals, pick up and drop off services and off-site activities. These charges can be levied on parents even if they are receiving funded childcare through the Childcare Offer.<sup>13</sup> For instance, providers are permitted to charge up to £9 for meals per full day that a child is receiving childcare.<sup>14</sup> That's an extra £45 per week for a child that is in childcare 5 days a week, over £2,300 a year. Between September 2021 and August 2022 44 per cent of providers of the Childcare Offer charged additional fees, nearly double the figure two years previously.<sup>15</sup>

## What impact are childcare costs having on disadvantage and poverty?

The affordability of childcare will mean different things to different people. The most basic meaning is that, financially, a parent must earn more than they spend on childcare

and so be financially better off as a result of working, including once they have paid the other costs of working, such as travel. But this is a bare minimum and in reality, we should expect families to feel noticeably better off as a result of working.

The vast majority of Welsh parents think that childcare is unaffordable. New data gathered by YouGov on behalf of the Bevan Foundation, in January 2024 found that 70 per cent of parents whose youngest child is 10 or younger thought that the cost of childcare was unaffordable, compared with only 11 per cent who thought that these costs were affordable.<sup>16</sup> A survey of Welsh parents and guardians undertaken by Oxfam Cymru in 2023 found that 92 per cent of parents feel that childcare costs are too high relative to their income.<sup>17</sup> Perhaps more concerning, 70 per cent reported that they had no surplus income after allocating funds for childcare.<sup>18</sup> These issues are particularly acute for parents that are on low incomes.<sup>19</sup>

The impact of “unaffordable” childcare is significant. On the one hand, “unaffordable” childcare can lead to children whose parents can’t afford to send them to childcare or to the best quality childcare, missing out on the education and developmental benefits it provides. On the other it can lead to parents (predominantly mothers) to quit work or to work reduced hours, reducing their household income and increasing their risk of living in poverty in both the short and long term.<sup>20</sup> These effects are particularly prominent among families with children aged 2 and under where childcare costs are greatest due to the lack of universal support.

The Senedd’s *Equality and Social Justice Committee* found in 2022 that parents need support at the point that their parental leave ends.<sup>21</sup> Failure to provide this means that many parents have already left the workforce or are working reduced hours by the time they become eligible for support when a child turns 3. The Welsh Government’s own data on who takes up its Childcare Offer supports the committee’s view. In 21/22, only 13 per cent of parents who accessed the Childcare Offer were not already accessing formal childcare prior to their child turning 3, suggesting that the policy is not particularly effective in supporting parents back into work at the point that funded childcare becomes available.<sup>22</sup> Where the policy may be more successful however, is in attracting mothers back into the workforce at the end of maternity leave, given that they know that funded childcare will become available for them within two years.

The rollout of Flying Start (Childcare) to all two-year-olds will address some of these challenges, in particular with regards to accessing the educational benefits of childcare. Whilst the expansion will partly close the opportunity gap, one-year olds from low-income families will continue to be at a greater risk of missing out on the educational benefits of childcare due to its cost.

The impact that Flying Start (Childcare) could have on parental employment is less clear. Parents are only eligible for 12.5 hours a week of funded childcare through Flying Start (Childcare). Research by the Institute for Fiscal Studies has shown that the provision of funded part-time childcare only marginally affects labour force participation of mothers whose youngest child is eligible.<sup>23</sup> By contrast, the provision of funded full-time childcare can have more significant effects.<sup>24</sup> The Office for Budget Responsibility estimate that the rollout of 30 hours a week of funded childcare in England will see an extra 60,000 parents enter employment by 2027/28.<sup>25</sup>

The mixed evidence on the effectiveness of funded part-time childcare on female employment combined with the continued gap in provision between the end of Statutory Maternity leave and a child turning two means that the childcare system in Wales fails to address poverty and inequality, even after the upcoming reforms are implemented. The availability of funded childcare is not the only factor that has an impact on childcare affordability. The way that funded childcare is itself funded has an impact on affordability more broadly. The JRF and Coram Family and Childcare found that the underfunding of funded childcare in England led to childcare being more expensive for parents who had to pay, with providers moving costs onto younger children, or being more likely to charge additional fees.<sup>26</sup> There was mixed evidence from the stakeholders that we engaged with as to whether this was common practice in Wales. There was widespread concern, however, about funding and whether it is set at a sufficient level to recruit and retain staff within the sector.

## 3.2 Quality

High-quality childcare can have positive and long-lasting impacts on children's outcomes, particularly for disadvantaged children.<sup>27</sup> New data gathered by YouGov on behalf of the Bevan Foundation in January 2024 found that a plurality of Welsh parents whose youngest child is aged 10 and under are satisfied with the quality of the childcare that is available in Wales. In total 42 per cent of Welsh parents reported that they think childcare is of good quality.<sup>28</sup> A sizeable proportion, 20 per cent, did not think this was the case, however.<sup>29</sup>

Data held by the Welsh Government provides some insights as to why a plurality of parents believe that childcare in Wales is of high quality. A survey of parents undertaken by the Welsh Government found that 93 per cent felt that the Childcare Offer had had positive effects on their child's social development, 86 per cent reported improvement in their child's cognitive skills and 78 per cent had seen health and fitness benefits for their children.<sup>30</sup> Similarly positive reviews are available for Flying Start.<sup>31</sup>

Stakeholders working within the childcare sector have a more unanimously positive view of the quality of childcare provision in Wales than Welsh parents. Through our research we have engaged with providers, representative bodies, local authority staff and other public officials. All agreed that there had been improvements in the quality of childcare in Wales.

If we look at quality, for example, I would say we've seen quality increase massively over the last few decades.<sup>32</sup>

The experience and qualifications held by staff was the primary reason given by stakeholders as to why they thought Welsh childcare was of high quality.

### The workforce

The availability of well trained, good quality staff is a bedrock of any good quality childcare system. This extends to both the experience of the workforce and staff qualifications.<sup>33</sup>

Childcare settings in Wales are subject to minimum standards that they must comply with, with regards to staff qualifications. For example, for full day care providers, the person in charge of the setting must have achieved at least a level 3 qualification, with at least

another 30 per cent of the staff working at the setting also requiring a level 3 qualification, a further 30 per cent being required to achieve at least a level 2 qualification and at least another 20 per cent of staff being required to be working towards a level 2 or 3 qualification.<sup>34</sup>

Stakeholders broadly agreed that the introduction of such minimum standards had improved the quality of the childcare provided in Wales. However, there are also clear concerns that the ability of providers to recruit and retain such staff is a challenge. With low pay endemic within the industry, providers often lose staff members to better paid jobs, in particular in the education sector, or to jobs with less responsibility such as those in the retail sector. This does not only have an impact on their ability to fill vacancies but also means that valued experience is lost from the sector, undermining quality.

The childcare sector's ability to increase staff pay to improve retention was felt to be limited under current funding models. Without any increase in funding provided by the Welsh Government, providers would pass on the costs to parents. This in turn would make childcare more unaffordable, possibly leading to fewer children using childcare. This would not only have a detrimental effect on the children who would miss out but would also have cost implications for providers, providing pressure to increase costs further to make up for lost revenue.

## Settings

There is evidence that the quality of childcare varies by childcare setting, with maintained settings being of a higher standard.<sup>35</sup> This is largely attributed to the fact that more funding is made available for maintained settings, making it easier to recruit and retain staff. The data available on the relative size of maintained and non-maintained sectors in Wales is difficult to compare, but it does show that the maintained sector is a significant provider of childcare and early learning for three- and four-year-olds.

In total 32,496 children attended a nursery in a maintained setting in Wales in 2022/23.<sup>36</sup> Of these, 27,140 attended Nursery 2, provision that is available to three- and four-year-olds.<sup>37</sup> To give an idea of just how significant this number is, it is possible to compare the number of children who attended Nursery 2 with the number of children attending Reception in the following academic year. Over the past four years, the number of children in attendance at Nursery 2 have accounted for 88 per cent of children in Reception the following academic year.<sup>38</sup> This means that the vast majority of three- and four-year-olds in Wales access at least some childcare and early learning in a maintained setting.

There are likely to be a number of reasons for why Wales' maintained nursery sector is so large, with historical, cultural and political factors all having an impact. It should be remembered however, that the maintained sector does not work in isolation. Much of this childcare is provided on a part time basis. This is in part the result of the limited evidence that full time attendance improves educational attainment more than part time attendance.<sup>39</sup> Many children therefore access childcare in both maintained and non-maintained settings, with children attending a maintained setting for part of the day and a private setting for another. For younger children, the non-maintained sector is the primary provider of childcare and early learning. Only 5,245 children aged two or under accessed childcare in a maintained setting in 2022/23.<sup>40</sup>



## Regulation and funding

Regulation and funding are other key factors that have an impact on the quality of childcare. There are differences between the regulatory requirements faced by providers, and the funding available, depending on which, if any of the Welsh Government's funded childcare programmes they deliver.

All childcare and play services in Wales must be registered with the regulator Care Inspectorate Wales.<sup>41</sup> Registered providers can provide the Childcare Offer and Flying Start as long as they are registered with their relevant delivery authority.<sup>42</sup> To deliver Foundation Education, childcare providers must also be registered with the education regulator, Estyn.<sup>43</sup>

There were some concerns raised by stakeholders about whether there is a hierarchy of quality among the Welsh Government's programmes. The Welsh Government have published an explainer page for parents as it expands Flying Start (Childcare) to all two-year-olds. One of the issues that the page touches on is why the Welsh Government is expanding its Flying Start (Childcare) programme as opposed to expanding its Childcare Offer.<sup>44</sup> The reason given by the Welsh Government is:

As one of the overarching aims of this early years expansion programme is to tackle poverty and deprivation, Flying Start is a more appropriate vehicle for delivery. Research tells us that high-quality childcare produces greater longer-term benefits for our children and strongly influences their future life chances. The right childcare can help tackle some of the more entrenched issues that result from living in deprivation, including low skills and poor health that will take time to overcome.<sup>45</sup>

This raises the question as to whether the Welsh Government believes that Flying Start (Childcare) offers better quality childcare than the childcare provided through its Childcare Offer? This question is especially pertinent given that it is the only the childcare element of Flying Start that is being rolled out universally, rather than the broader programme.

There are funding factors that might explain the Welsh Government's position. A different funding model is used for Flying Start (Childcare) and the Childcare Offer. One childcare provider told us that, even allowing for the cost of higher staff to child ratios for younger children, the funding for Flying Start (Childcare) felt "gold plated".<sup>46</sup> Providers themselves were less certain whether there was a real difference in the quality of childcare offered through the two programmes and questioned whether such a funding and regulatory distinction could be justified.

### 3.3 Accessed

Children will only benefit from early education and childcare if they are able and motivated to attend it.<sup>47</sup> The most high-profile barrier to accessing childcare in Wales at present is that many children living in low-income households miss out on funded childcare. A child whose parents don't work 16 hours a week (both parents in couple households) or who are not in training are not eligible for funded childcare through the Childcare Offer.<sup>48</sup> However, even parents who can afford the cost of childcare or who qualify for funded childcare face significant challenges. For example, data held by the

Welsh Government suggests that only 55 per cent of eligible parents actually access the Childcare Offer.<sup>49</sup> There are two primary reasons for this.

### The availability of appropriate childcare

The availability of childcare is a key factor in determining whether it is accessed by children.

As noted in the section above, the vast majority of three- and four-year-olds in Wales access at least some childcare and early learning in a maintained setting. For younger children, the non-maintained sector is the primary provider of childcare, with many three- and four-year-olds also accessing childcare in non-maintained settings alongside the services they access in the maintained sector.

Care Inspectorate Wales provide data on the number of places available in the non-maintained sector by different provider types.<sup>50</sup> In total there are 63,204 childcare spaces in Wales through the non-maintained sector (not including open play provision and out of school care), with two thirds of these spaces available at Full Day Care settings (40,510).<sup>51</sup>

**Table: Number of non-maintained childcare spaces available by provider type year ending 31/03/2023**

Provider type	Number of spaces
Childminder	12,820
Crèche	474
Full Day Care	40,510
Sessional Day Care	9,400
<b>Total</b>	<b>63,204</b>

Source: Care Inspectorate Wales, *Chief Inspector's Annual Report 2022—23* (2023) available at - <https://www.careinspectorate.wales/sites/default/files/2023-10/261020-CI-Report-22-23-en.pdf>

Despite the large number of childcare spaces available in the non-maintained sector, and local authorities having legal duties to make sure there is enough childcare in their areas,<sup>52</sup> there are concerns that these are simply not sufficient to meet demand. For instance, Coram Family and Childcare's Annual Childcare Survey, found that in 2023 only 15 per cent of Welsh local authorities had sufficient childcare supply to meet demand in all areas for children aged under 2.<sup>53</sup> Finding childcare that meets their needs is an especially acute challenge for parents of some children.

Parents who work atypical hours face significant challenges when seeking to access childcare, especially funded childcare.<sup>54</sup> The vast majority of funded childcare can only be accessed between the hours of 8 and 6 on a weekday. Given that low-income parents are disproportionately likely to work atypical hours, children in low-income households are likely to face greater barriers in accessing childcare.<sup>55</sup>

There are further concerns about the ability of parents to access childcare in rural areas. During our research we spoke with one provider that was shutting a childcare service in rural Wales. One of the reasons given was that a lack of children locally meant there simply were not the economies of scale to run a nursery without making a significant loss based on current funding models. The Bevan Foundation's recent work on poverty in Arfon highlighted the impact of this on parents.<sup>56</sup> Parents often have to travel significant distances to access any form of childcare in rural areas. For low-income parents,

especially those who do not have access to a car, the distance required to travel to access childcare may present insurmountable challenges.

The Senedd's Equality and Social Justice Committee have identified other groups that struggle to access childcare that meets their needs. Among the groups of children identified by the Committee were disabled children and children that are of Black, Asian or Minority Ethnic heritage.<sup>57</sup> Whilst some work has been undertaken to address these challenges, there was agreement among the stakeholders that more work needs to be undertaken in this area, in particular for disabled children and children with special educational needs.

The Equality and Social Justice Committee also identified that a lack of access to Welsh medium childcare is a challenge in many Welsh areas, due to demand outstripping supply. Stakeholders were more positive about the progress that is being made in increasing the provision of Welsh medium childcare, driven in part by the focus on it in the expansion of Flying Start (Childcare) to all two-year-olds, though there is agreement that there is further progress to be made.<sup>58</sup>

### A disjointed system

Issues presented by the lack of availability of appropriate childcare are often exacerbated by the disjointed way that the childcare system works. As set out in section 2 there are five different UK and Welsh Government programmes that provide parents with support with the cost of childcare. Navigating these various schemes is complex and leads to children missing out on early education and childcare. The JRF and Coram Family and Childcare's report looks at the challenges of accessing the UK wide schemes in detail,<sup>59</sup> this report will therefore focus on the challenges faced by parents and guardians seeking to access the Welsh schemes.

The fact that the Welsh Government supports three funded childcare programmes creates challenges. The Welsh Government has identified that a lack of awareness of available schemes as a barrier preventing parents accessing funded childcare.<sup>60</sup> With three different schemes on offer, it is perhaps not surprising that parents are not aware of what they are entitled to. This issue is compounded by the fact that parents who are aware of the schemes they are eligible for must then submit multiple applications to access their entitlements.<sup>61</sup> It is hoped that the introduction of a new Childcare Offer digital service may address some of these issues.<sup>62</sup> Access problems run much deeper, however.

The most significant of these problems is the lack of integration between the various childcare programmes. We have uncovered a number of examples of where the lack of integration between the three Welsh Government schemes is undermining delivery.

Many parents find it difficult to find a provider that can offer all the various schemes in one location. Foundation Learning is often accessed in a school setting, however, not all schools have a childcare provider on site that can offer parents the funded hours they are entitled to through the Childcare Offer. There are a number of nurseries on the other hand that do offer funded childcare through the Childcare Offer but do not offer Foundation Learning. Over half of providers of the Childcare Offer (56 per cent) provide childcare to children who access Foundation Learning elsewhere.<sup>63</sup> Parents that are not able to access both programmes in one location and who cannot find access to a provider that offers pick up and drop off services are therefore either required to disrupt their working day to move their child from one setting to another, or, must choose which

programme why wish to access. There are concerns that this challenge could be replicated with the expansion of Flying Start (Childcare), presenting particular difficulties for parents who have children of different ages who are entitled to different schemes.

Many stakeholders felt that the lack of integration between the various childcare programmes meant that parents of disabled children often can't access childcare in a setting that best meets the needs of their child. As one stakeholder told us:

The system is not child centred. The child is following the funding not the funding following the child.

#### **The difficult decisions faced by parents of disabled children**

An example that was shared with us to illustrate the challenges faced by parents of disabled children was of a parent of a child that had been diagnosed with autism. The child had been looked after by a childminder since the end of parental leave and was well settled. The child's parents were very happy with the quality of the care their child was receiving and working in partnership with the provider, they could see that the child was making progress. The childminder was not registered to provide Foundation Learning, however, therefore the child's parents would have to choose between a setting that was meeting their child's additional learning needs or the provision of funded childcare.

A lack of integration is not only limiting the ability of parents to access more than one childcare programme, but also having an impact on the availability of childcare. Perhaps the best illustration of this can be found when looking at regulation. Whilst Care Inspectorate Wales and Estyn do undertake some joint inspections, stakeholders reported concerns that providers that offer the Childcare Offer and Foundation Learning feel that they are subject to double regulation. This perceived double regulatory burden was cited as a reason why some providers opted out of offering more than one of the Welsh Government's programmes, increasing the risk of families struggling to have their childcare needs met in one location.

There is particular confusion with regards to the regulatory expectations placed on childminders. This may be leading to some childminder to incorrectly conclude that they are not able to offer some of the Welsh Government's funded childcare programmes. Ensuring greater clarity as to what are the regulatory expectations faced by the sector could lead to an increase in the availability of childcare in rural areas, or over the weekend, a move that would particularly benefit children of low-income workers.

### **3.4 Family Focused**

The home-learning environment is a primary influence on the attainment gap between disadvantaged children and their better-off peers.<sup>64</sup> The JRF and Coram Family and Childcare's report provides extensive evidence of the central role of the family in early infancy in determining child outcomes.<sup>65</sup> There is a consensus among stakeholders that whilst there are some strengths within the Welsh childcare system with regards to this principle, there is scope for improvement.

There are very limited evaluations on the impact of the Welsh Government's various childcare programmes on broader families and on home-learning. The limited data we

have does indicate that the various programmes are having a positive effect. The Welsh Government's review of the Childcare Offer, for example found that 86 per cent of parent/s reported that the Childcare Offer had had a positive effect on their wellbeing.<sup>66</sup> More extensive data is available for Flying Start.

Families that live in Flying Start areas are provided with a range of support through the programme that extends beyond the provision of funded childcare. For example, families can benefit from courses designed to help parents and children learn together through play and fun activities or benefit from an enhanced number of visits by Health Visitors.<sup>67</sup> These additional activities do have a very positive impact on home-learning with Welsh Government reviews consistently finding evidence that parents have seen their confidence as a parent increase, that they better understand their child's development and that they are more likely to take part in home-learning activities such as signing<sup>68</sup>. Given that these additional services are not being rolled out nationally as part of the expansion of Flying Start (Childcare) to all two-year-olds, it is likely that these positive effects will be less pronounced.

### 3.5 Integrated

Childcare will be most effective in improving children's life chances when it acts as a seamless part of a wider support system.<sup>69</sup> As this report has already demonstrated, there is a real need to improve how Wales' various childcare programmes are integrated with each other. There is also a need to better integrate the childcare system with other services.

There are examples of good practice in Wales when it comes to integrating childcare and broader services. For example, data shared with the Equality and Social Justice Committee showed that where early years education and childcare is available on school sites, 96 per cent of children who attend Welsh medium services went on to attend Welsh medium education, compared to 90 per cent of children where these services were located off-site.<sup>70</sup> Integrated childcare and education services eases the transition into formal education, something that is especially beneficial for children from low-income households.

Such an integrated approach between schools and childcare providers is not always present. The "*them and us*" relationship identified by Equality and Social Justice Committee was still felt to be present by some stakeholders.<sup>71</sup> Stakeholders also informed us that relationships with the health sector had still not recovered from the pandemic, with scope to improve communication between Health Visitors and providers given as one example.

Whilst not perfect, integration between various services was felt to be much stronger in Flying Start areas. For instance, with enhanced Health Visitor visits a key component of the programme, this was felt to improve understanding between the health service and the childcare sector. Stakeholders were sceptical whether this would be replicated across Wales more broadly as Flying Start (Childcare) is rolled out universally. Many of the features that drive integration between services will not be extended outside Flying Start areas, given that it is only the childcare element that is being extended.



## 4. Future challenges

It is very likely that the expansion of Flying Start (Childcare) will not be the last reform of childcare in Wales. The gap in the availability of funded childcare, the lack of integration between the various childcare programmes and the continued affordability challenges faced by many are all features of the system that will put pressure on the Welsh Government to undertake greater reforms. It is not only Welsh factors that will put pressure on the Welsh Government to reform childcare, however. The ongoing childcare reforms in England are likely to also have an effect.

The English childcare system is set to be significantly reformed. From April 2024 working parents of two-year-olds in England will be eligible for 15 hours of funded childcare a week.<sup>72</sup> This will be expanded to working parents of children aged from 9 to 23 months from September 2024, and by September 2025 all working families in England will be entitled to 30 hours of funded childcare for children under 5 and over 9 months.

Concerns have been raised about these reforms. These have ranged from whether the sector in England will have the capacity to deliver them,<sup>73</sup> whether the reforms are too focused on getting parents into work at the expense of the quality of provision,<sup>74</sup> and about their impact on children from low-income families who may miss out on funded childcare if their parents are not in work.<sup>75</sup> Despite this, the impact of the reforms on Wales are likely to be two-fold.

First, we have already seen working parents in Wales call on the Welsh Government to replicate the English reforms. More than 10,000 people have signed a petition submitted to the Senedd's petitions committee calling on the Welsh Government to "*Offer Welsh working parents the same financial support for childcare as England*".<sup>76</sup> Such calls are only likely to increase over time as parents become more aware of the different levels of financial support that they are receiving as a result of living in Wales compared to friends and family living in England.

Second, the decision to expand childcare in England could have financial implications. Any increase in spending on childcare in England may lead to the Welsh Government receiving greater funding via the Barnett Formula, increasing its ability to invest in strengthening the Welsh childcare system. It is important to remember that the Welsh Government will look at its budget in the round. Any increase in the funding it receives due to childcare expansion in England could be offset by cuts in other departments. There is therefore no guarantee that increased expenditure on childcare in England will lead to an increase in the Welsh Government's block grant over the medium term.

Even if increased expenditure on childcare in England did lead to an increase in the Welsh block grant there is no guarantee that this would lead to increased expenditure on childcare in Wales. Indeed, the Welsh Government's Draft Budget for 2024/25 actually cuts spending on the Childcare Offer by £11.2m, changes that will come into effect as expenditure in England increase.<sup>77</sup> Comments by the Deputy Minister for Social Services suggests that this may not be a one off.<sup>78</sup>

Looking to the medium term, there may be some more significant reforms on the horizon. There has been a flurry of reports in England<sup>79</sup>, that explore how a more effective childcare system could be developed. These reports include recommendations that would make reforms not only to how England-only programmes operate but would also

reform Tax Free Childcare and the childcare element of Universal Credit, programmes that benefit Welsh families. Finally, the Labour Party announced at its autumn 2023 conference that Sir David Bell would undertake a review into a modern childcare system. Were any of these ideas taken forward by a UK Government the impact on families in Wales could be significant.

Another area where reform could be on the horizon is with regards to benefit conditionality. When announcing its plans to expand childcare provision in England, the UK Government announced that changes would be made to work conditionality for parents. These changes will see increased expectations on parents across the UK to look for work or risk having their benefits sanctioned. If these conditionality requirements are amended further as funded childcare is expanded in England, Welsh parents could face an income squeeze unless the availability of funded childcare in Wales is increased to match England.

It is vital that Welsh politicians and stakeholders begin to explore how a reformed UK system would work in Wales. There is also a need to consider whether any new powers could be devolved to Wales to enable England-only reforms. Such a move would not be unprecedented. Powers over the Council Tax Reduction Scheme were devolved to Wales in 2013, for example, as an effective by-product of England focused reforms by the UK Government. It is vital that the childcare sector takes a proactive approach to engaging with such questions.

## 5. Conclusion and solutions

We need our childcare system to tackle, not entrench, disadvantage. To achieve this, the Welsh childcare system needs to strike a better balance between providing children with early education, supporting parents to return to work, and ensuring that parents are provided with choice about what sort of provision works best for them. The need to strike such a balance is made even more pronounced by the Welsh Government's limited resources.

From an education perspective, there is strong evidence that the provision of high-quality, part-time childcare delivered by expert staff may deliver the best results.<sup>80</sup> Evidence suggests that part-time provision is not as successful in helping parents back into work following the end of statutory parental leave as full-time childcare.<sup>81</sup> This increases the risk of children living in poverty as they get older, meaning that some of the benefits of the high-quality childcare and early education are lost. A childcare system that places too great a focus on enabling parental employment on the other hand may be effective in reducing child poverty if it helps parents into work, but it risks entrenching disadvantage at an early age as children miss out on the educational benefits of high-quality childcare. There is a sense that the policies of both the Welsh and UK Governments are tilted too far on either side of this spectrum.

### 4.1 A long-term vision for childcare in Wales

Developing a more integrated and rounded childcare policy is vital to ensure that an appropriate balance is struck. In December 2019 the Bevan Foundation and Chwarae Teg published a report that called on the Welsh Government to develop a "*radical, new childcare offer*".<sup>82</sup> We believe that the need for the Welsh Government to develop such an offer remains.

In our report we called on the Welsh Government to:

- Develop an offer that provides funded, good quality, part-time care (approximately 15 hours a week) for all children aged 0 to 4, for 48 weeks of the year. This offer would be available for all parents irrespective of their work status, with additional hours available on a sliding scale of fees for parents who want them. Such a scale would see low-income workers (e.g. those in receipt of Universal Credit) provided with additional hours on a fully funded basis, whilst the highest income workers would be charged in full for additional hours.<sup>83</sup>

The exact number of additional hours provided, and the income thresholds for the sliding scale should be determined by the Welsh Government following consultation with stakeholders and parents. Such an offer would provide parents access to consistent levels of funded childcare and eradicate changes in provision as a child gets older, as is currently the case. It would also ensure that provision is universally available, offer flexibility that fits better working parents' circumstances, and it would be affordable for parents in all income groups. Our report also called for reforms for wrap around childcare for school age children.<sup>84</sup>

### 4.2 Short to medium term reforms

We recognise that introducing such a radical change could take time and resources to develop and implement. There are short to medium term changes that could be made to

the childcare system that address some of the weaknesses we have identified whilst moving us in the desired direction.

Perhaps the most obvious place for such reforms to start are with regards to the integration of the Welsh Government's existing childcare programmes. We must develop a system where the funding follows the child rather than the child following the funding.

From a parent's perspective, the area where there is greatest need to improve integration is with regards to ensuring that their child can access more than one programme without them having to make arrangements to move their child from one setting to another. This is especially pertinent for working parents and could become even more important as Flying Start (Childcare) is rolled out. To this end the Welsh Government should:

- **Work with Welsh local authorities to review the availability of childcare in all Welsh communities and to develop a plan for a fully integrated childcare system which brings together all three Welsh Government funded childcare programmes.**

To boost take up of the various programmes it is imperative that parents and guardians can easily apply for their entitlements. To this end the Welsh Government should:

- **Develop a single application form for all three of its childcare programmes that parents can access via any channel of their choice.**

From a provider's perspective, there are further changes that could be made to improve integration. These include:

- **Developing the existing partnership between Care Inspectorate Wales and Estyn to address childcare providers' concerns about double regulation, whilst maintaining high levels of regulation as a whole.**
- **Ensure greater clarity as to regulatory expectations faced by childminders. This could improve access to funded childcare for parents who work atypical hours or who live in rural areas.**

Even if the Welsh Government were to introduce all of these reforms, significant gaps would remain with regards to the provision of funded childcare in Wales. The most significant of these gaps will be the availability of funded childcare for children aged 9 months to two. To address this gap the Welsh Government should:

- **Expand Flying Start (Childcare) on a universal basis to all children aged 9-months to 23-months upon completion of the roll-out of Flying Start (Childcare) to all two-year olds in Wales in April 2025.**

To deliver a childcare system that effectively tackles disadvantage it is vital that it is adequately funded. Whilst there have been recent reviews of how individual childcare programmes are funded, a review of how childcare is funded in the round is overdue. The Welsh Government should therefore:

- **Commission a review of childcare funding in Wales.**

Among the issues that such a review should consider are:

- **The levels of funding providers receive through each of the Welsh Government's childcare programmes.**

- Whether funding levels are adequate to enable childcare providers to recruit and retain a highly qualified workforce.
- Whether there are opportunities for greater investment in the Welsh childcare system in light of reforms in England.



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- <sup>79</sup> Institute for Public Policy Research and Save the Children, *Delivering a Childcare Guarantee*, (December 2022) available at - <https://www.ippr.org/files/2022-12/delivering-a-childcare-guarantee-dec-22.pdf>
- <sup>80</sup> JRF and Coram Family and Childcare n(3)
- <sup>81</sup> IFS n(23)
- <sup>82</sup> Bevan Foundation and Chwarae Teg, *Trapped: poverty amongst women in Wales today* (December 2019) available at - <https://www.bevanfoundation.org/resources/trapped-poverty-amongst-women-in-wales-today/>
- <sup>83</sup> Similar models are already in place elsewhere such as the Republic of Ireland.
- <sup>84</sup> *ibid*