

P-06-1530 Save Childcare Provision in Wales - Demand Fair Funding and a Fair Process for Providers and Parents

Y Pwyllgor Deisebau | 14 Gorffennaf 2025
Petitions Committee | 14 July 2025

Reference: RS25/11480

Introduction

Petition Number: [P-06-1530](#)

Petition title: Save Childcare Provision in Wales – Demand Fair Funding and a Fair Process for Providers and Parents

Text of petition:

“Childcare Providers across Wales are at risk of closing due to an unsustainable funding model imposed by the Welsh Government. The flat rate schemes do not cover the true costs of delivering childcare and providers are not allowed to charge the parent the true cost of care when it exceeds the set rate. Since every setting operates differently, many are being forced to run at a loss. This is despite Welsh Government regulations stating our businesses must be sustainable to safeguard our children.

What This Means For You



✘ Without urgent change, many Childcare Providers will be forced to close leaving childcare employees without employment.

✘ Fewer quality childcare provisions mean fewer childcare places, longer waiting lists, leaving families unable to access childcare including Childcare Offer & Flying Start places.

✘ Parents may have to cut working hours or leave jobs due to a lack of childcare and what places are left will charge higher costs to the paying parents as Childcare Providers look to re-coup losses.

✘ Children will lose access to vital early years education that shapes their future, a fact that Welsh Government promotes this when highlighting their scheme when looking to attract your votes.

Settings have closed already!

Childcare Providers should not have to fight to survive. Families should not have to struggle to find care for their children. If we don't act now, the future of Childcare and Early Years Education in Wales is at serious risk."

The text provided above is submitted by the petitioner. The petitions team make every effort to ensure it preserves their authentic voice. This text has not been verified for accuracy, or errors, and may contain unverified opinions or assertions.

Background

There has been much scrutiny about the hourly rate paid to providers in Wales who deliver childcare as part of Welsh Government's free provision.

In April 2022 the hourly rates paid to providers increased from £4.50 an hour to £5.00, and remained at this level until it increased in April 2025.

From April 2025 the rate is £6.40 an hour.

Welsh Government has committed to review this rate annually from now on.

- A survey of providers in this Early Years Wales report into the childcare rate for Wales 2025 found respondents' perceptions of what the effective rate would be for their business varied from £7/hour to £10/hour. Inflation, increased wage costs and changes to employer national insurance contributions were cited as concerns. The survey also sets out the percentage of respondents saying their business is sustainable over time.
- While welcoming the increase, the National Day Nurseries Association Cymru says the new funding rate for Wales of £6.40 is 'expected to still leave most private nurseries with a shortfall'.
- Funding is provided using a different methodology elsewhere in the UK. In England, the national average hourly funding rates for local authorities for three and four-year-olds in 2025-26 is reported to be £6.12 per hour and increases for younger age groups. Latest statistics show the hourly rates paid to providers in Scotland in 2024-25 for three to five year olds was £6.55 per hour.

Welsh Parliament action

The Equality and Social Justice Committee has undertaken scrutiny of childcare provision during this Sixth Senedd publishing two reports. Both include commentary of a number of issues relevant to the petition, including its findings on the main challenges facing the childcare sector in Wales.

2022 report

The 2022 report [Minding the future: The childcare barrier facing working parents](#) said:

The role that childcare workers play in early years development is key; however pay does not match the responsibilities of the role. Providers told us that increasing the hourly payment they receive under the Childcare Offer is a good way to boost wages, to attract new people into the sector and improve retention in the existing workforce.

It recommended:

Recommendation 14. We recommend that Welsh Government sets out in its response its plan to deliver a sufficient increase in the hourly payment to providers under the Childcare Offer to enable an increase in staff pay, and a timeframe by which all childcare workers will be paid the Real Living Wage, learning from the Scottish Government’s incorporation of this into their childcare expansion plans.

The Welsh Government [accepted this recommendation](#) and from April 2022 [increased the hourly rate paid to providers from £4.50 to £5.00](#).

2024 report

The 2024 report [Their Future: Our Priority?](#) included examining how childcare providers and the workforce have been impacted by cost-of-living pressures, and what effects these had on the sector.

The Committee heard “serious concerns” about the hourly rate paid to childcare providers despite the increase to £5.00 an hour as of April 2022.

It referred to a [paper on the funding rate by Early Years Wales](#), published March 2024, which suggested:

- 94% of providers do not think the hourly rate covers their costs.
- Almost all providers believe the hourly rate should be reviewed each year or go up in line with inflation.

The Equality and Social Justice Committee went on to recommend:

Recommendation 9. The Welsh Government should act with urgency to shore up the financial sustainability of the sector by:

** Making an announcement on the hourly rate paid to Childcare Offer providers for 2025-26 by the end of October 2024. Based on all of the evidence we have received, we expect to see, and call on the Welsh Their Future: Our Priority? Follow up inquiry into childcare provision in Wales 10 Government to provide, a significant increase in the Childcare Offer hourly rate for 2025-26.*

** Moving to annual reviews of the Childcare Offer hourly rate, and ensuring that the methodology for conducting these reviews takes a flexible approach that considers all relevant factors such as inflation, rates of pay and productivity.*

The [Welsh Government's response](#) in August 2024 rejected the first part of this recommendation, saying a review was underway at that time but an announcement could not be made by the end of October due to evidence gathering and analysis being on-going.

Welsh Government accepted the second part of the recommendation 'in principle', saying:

*Taking into account the views of the sector **we will move to annual reviews** following the completion of the current three year review later this year; this approach is intended to support the sector with planning and improve sustainability. Annual reviews will need to be accommodated within existing resources and as a consequence this may impact on the methodology we are able to adopt. It should also be noted that implementing the findings of the reviews will be subject to annual budget considerations. [Bold is our emphasis]*

On 20 November 2024. Welsh Government issued a [Written Statement: Childcare Offer for Wales: Rates Review](#) confirming it would “**move to annual reviews following the completion of the current three-year review**”.

Increase in hourly rate from April 2025

In December 2024 Welsh Government published a further [Written Statement: Review of the Childcare Offer for Wales hourly rate and continued support for Flying Start childcare](#) (the bold is our emphasis).

*To continue supporting this sector, we are **increasing the hourly rate paid to childcare providers from £5.00 to £6.00 per hour.** This 20% increase will take effect from 7 April 2025 – the first Monday of the new financial year. We will also be providing additional funding to support the continued alignment of Nursery Education and Flying Start childcare.*

*We have also reviewed the guidance for providers on permissible food charges. We must carefully balance what is affordable for the provider and affordable for parents whilst recognising continued pressure in food, utility and energy prices. This is why, from April 2025, the **daily rate for food will increase from £9.00 to £10.80.***

It also pointed to [Written Statement: Making 100% Small Business Rates Relief for registered childcare premises permanent](#) published the previous month.

Hourly rate increase to £6.40 from April 2025

Welsh Government's [Final Budget 2025 to 2026](#) was published on 20 February and confirmed the **actual increase to the hourly rate from £5.00 to £6.40** for childcare providers for this current year. This media release provides some more detail: [Budget agreement secures extra £100m for public services](#)

The [Final Budget 2025-2026: explanatory note](#) says as below:

The funding will also support a further uplift in the hourly rate to £6.40 for childcare, to support providers with cost pressures. This is in addition to our recent announcement about moving to annual rate reviews from 2025-26 and our decision to make 100% rates relief for all childcare premises permanent.

This is an additional increase to £6.40 per hour from the initial increase to £6.00 per hour (from £5.00) for the hourly rate for the Childcare Offer (as first announced in this [Review of the Childcare Offer for Wales hourly rate](#) issued on 11 December 2024) .

Welsh Government response to this petition

In her response to the Petitions Committee (23 May 2025), the Minister for Children and Social Care says:

In 2025-26, the Welsh Government will be investing over £150m to sustain and grow high quality childcare in Wales. This support underlines our commitment to the sector here in Wales.

Other points include references to recent announcements of:

- The increased hourly rate for childcare providers delivering the Childcare Offer for Wales by from £5.00 to £6.40 per hour from April 2025.
- A 20% uplift in permissible food charges to support providers who offer meals to children receiving the Childcare Offer.
- 100% Small Business Rates Relief for registered childcare premises, which the letter says leads to 'saving settings circa £3m per annum'.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.