

P-06-1530 Save Childcare Provision in Wales – Demand Fair Funding and a Fair Process for Providers and Parents - Correspondence from the Petitioner to the Committee, 04 July 2025

Dear Petitions Committee

It was extremely disappointing to read the Minister's response as it is the same response we were originally given by the Childcare Offer team 6 months ago, so it appears that despite the information passed on from us through letters, via CWLWM and FSB (Federation of Small Business), nothing has been heard.

Funding Schemes which are Education, Childcare Offer and now the new Flying Start scheme are between Welsh Government and the Parent, so why are the childcare providers having to fund the difference between the rate Welsh Government have decided and the rate the setting needs to charge to be sustainable. If the parent chooses to pick a larger setting with extra facilities and therefore larger overheads instead of a childminder operating from their home or a playgroup that rents a hall, then they should pay the difference, which is as it has always been, simply parental choice.

Please note, we are not asking for an increased rate but for Welsh Government to give us back our businesses by allowing us to charge shortfalls if required, so we can protect the longevity of the business and the future jobs of our teams. We want them to engage with us about the sector because as the group of Child Care Providers that have come together trying to protect their businesses, has grown, we are finding more and more discrepancies in how funding is rolled out throughout Wales in the Child Care sector, but I know we are here to address the issue about the Fixed Rate and the refusal to allow us to charge the shortfall.

I have put the Ministers response in red and addressed it individually

We know that affordable, available and accessible childcare enables parents to work. Our Childcare Offer supports our drive to increase economic growth, by supporting low-income parents, particularly mothers back into the workplace or to increase their hours of work. This assists our efforts to tackle poverty and reduce inequalities.

While it's appreciated that the Childcare Offer is to help parents to get parents back into work, in reality parents will have already gone back to work and have been paying our rate for at least a year when their child becomes eligible. From experience then these parents simply increase the number of hours their child attends. I completely support the fact that all parents should have support towards childcare, but I should not be expected to subsidise this through my income and at the risk of losing my business. How will it help the 200+ parents of my 100 children when I have to close my doors due to the losses incurred?

Since the introduction of Education hours, Childcare providers have been expected to implement these schemes and subsidise the difference in the rate that was offered and the rate we need to charge. There have not been many of settings that have chosen to provide the 10- 12.5 hours (depending where you are) of Education due to the extra staff you need to complete assessments, cover extra training and complete paperwork that is required. We factor those losses in when doing our financial forecasts. However with the introduction of

the Childcare Offer this now means the losses per child per hour increase from 10 – 30. 3 year old groups are quite large and generally 50% of your business.

I appreciate the support from childcare providers who choose to participate in our government-funded childcare programs. Although these schemes are voluntary, I respect and appreciate the vital role these providers play in offering accessible childcare to parents in Wales.

We “chose” to take part in the Childcare Offer because it supported our parents, although we didn’t realise how much paperwork would be required and that we would have to work more hours or employ an extra member of staff. When we enrolled, the rate the Welsh Government offered was far in advance of the rates our settings were charging. No we didn’t increase our rates, we simply knew we weren’t under any threat, but we didn’t know that they could freeze the rate for 3 years when they “chose” to which they did. If we withdraw, any grants that a setting may have applied for in the previous years will have to be paid back, so some settings have no choice to remain until they are forced to close. Yes they have changed the terms and conditions to state that the rate will be reviewed each year but to review doesn’t mean they will increase, so that isn’t at all reassuring. What happens when the wage rate increases each year say by 10% but the review gives us a 2% increase. We know we are playing our part and that is why we are fighting for a change in its delivery as we don’t want parents to lose out.

As you will know, in April this year we increased the hourly rate for childcare providers delivering the Childcare Offer for Wales by 28%, raising it from £5.00 to £6.40 per hour. Alongside the hourly rate increase, we implemented a 20% uplift in permissible food charges to support providers who offer meals to children receiving the Childcare Offer.

It is getting increasingly annoying that the Minister keeps writing that the rate was increased by 28%.

but missing out the fact that in April 2022 the rate was frozen for 3 years.

For 3 years our overheads increased each year and our income dropped, money we will never be able to re-coup, a position we now cannot ever be in again.

In April 2025 they increased the rate from 2022 by 28% when wages in that same period increased by 37% plus the increase in Employers National Insurance to 15%.

We focus on wages as a minimum of 60% of our turnover goes towards staff wages due to CIW staffing regulations so that is a substantial impact.

Yes there has been an increase in the meals and extras charges but the amount will depend on the hours the child attends and in no way makes any substantial difference.

I have just had my accounts for year ending 2025 completed and I can see the impact in my income. My income growth was around 20% per year which left me with an operating profit to allow me to re-invest and to keep a business reserve as required by a limited company.

The freeze dropped that income and my profit which has meant

- I have had to stop an investment project that I was going to do as I need to put that money in my reserves

- Going forward I will be unable to take on and train apprentices (and we won an award last year for the way we train and the amount of people that we train) because every penny counts.
- Staff who qualify as Childcare Practitioners have received the Real Living Wage which I will be unable to do going forward.

These all stopped because Welsh Government will not allow me to charge what I need to be sustainable. Note my income hasn't dropped due to a drop in numbers of children, purely because of the Childcare Offer fixed rate.

Through the years that rate was frozen, that flat rate and the inability to charge the shortfall to parents, I lost about £75,000 in income, £50,000 of which was a pot I was building to build an extension for a disabled toilet, which will never happen now.

Note the Terms and Conditions for Childcare Offer state *"Financial Point 21 Clear procedures are in place to ensure financial stability. The provider will need to ensure that should financial sustainability be jeopardised, that the Council's Family Information Service and Childcare Offer Team is notified without delay so that support can be provided where reasonable practical"* well we have been doing that for 2 years and no-one cares.

Care Inspectorate Wales Minimum Standards Standard 17 states *"Financial procedures Outcomes Children and their parents are safeguarded by the registered person operating sound financial procedures. The registered person is responsible for ensuring that effective financial procedures are operated."* How can we do that when you have taken over the over control with no knowledge or interest how the individual settings operate.

The Ministers and Childcare Offer team response is that there are grants out there, but these are for specific items and not for loss of income due to the inability to be able to charge the shortfall. That is no way to run a business anyway.

We are also providing additional funding to support the continued alignment of nursery education, and the Final Budget for 2025-26 included over £25m of additional funding for further expansion of high-quality Flying Start childcare across Wales.

This does not answer our issue. Yes they increased the 10 hours of Education rate in line with the Childcare Offer rate but it still means we are operating at a loss. The funding for parents for 2 year olds is being rolled out through the Flying Start programme, a scheme started to support disadvantaged parents, which will now be watered down sadly. Many of us will not be taking on Flying Start settings due to the way we have been treated through the Childcare Offer and it will mean the whole setting is running at a loss.

Registered childcare providers in Wales now have certainty regarding the business rates. I have announced permanent 100% Small Business Rates Relief for registered childcare premises saving settings circa £3m per annum.

Yes we are all thankful for that because if they hadn't done that my business, along with many others, would have had to close almost immediately

Other discrepancies which Ministers have been made aware of but are being ignored While settings were losing money in Newport as Newport would not let us charge the shortfall, in the Vale of Glamorgan(that we know of), they were allowed to do so. So we lost money and they didn't. When Welsh Government were made aware, a meeting was arranged with Local Authorities and Welsh Government updated their guidance to LA's

They then updated provider T&C's and we had to agree to that update through the portal or we would not have been able to submit our current claim as we had to agree in the portal or could not go any further.

It shows that parents in the Vale were prepared to pay the shortfall for their choice of setting. Every parent in my setting has said they would pay just to ensure my doors stayed open. What parent would object to a bill dropping from £312 per week to £56 for the setting of their choice.

We ran a parental survey about the Childcare Offer – Out of 565 responses which includes Flying Start settings

Question : If your childcare provider had the option to charge the shortfall between the rate set by Welsh Government and the settings rate needed to cover costs, in order for their business to be sustainable, what would you do

211 – I would pay the shortfall to keep my child in the setting and allow them to continue offering the quality childcare at the setting I chose for them

196 – I would pay the shortfall only if it meant that the alternative is losing my child's place

175 – I would be unable to pay the shortfall, even if this meant losing my child's place at the setting

If your childcare provider is unable to meet costs, which of the following impacts would you be most worried about seeing

234 Closure ; 125 Reducing staff to minimum ratios; 110 employing less experienced staff; 51 inadequate resources; 25 limited activities and events; 24 lack of opportunity to re-invest into the setting

Thank you for taking the time to read this. Everyone I have spoken to outside Welsh Government completely understands our position and how simply this can be rectified. I hope you can see how unreasonable it is to expect a business to support your scheme and then be destroyed by it. I have run my setting for 25 years. We are one of 3 in Wales who gained excellent in all 6 areas in the new Joint CIW and Estyn Inspections. I am not rich, Nuseries are no longer "honey pots" due to the huge amount of regulations we have to adhere to and the training that we have to fund. Everyone is quick enough to say we are expensive but they are expensive to operate. You can't cut staff, turn the heating down, buy cheaper materials. It's a passion and we do what we do to survive. We don't want more money from you, we just want you to leave us alone to run our businesses as they need to be run. Engage with us as settings. CWLWM are not our representatives, they are yours. But if you don't want to take that time, then just leave us alone and let us charge the shortfall.

If you need any further information I am at your disposal.

Yours sincerely

Lisa Owen

4th July 2025