



Eich cyf/Your ref P-06-1530
Ein cyf/Our ref DB/00454/25

Carolyn Thomas MS
Chair - Petitions committee

08 August 2025

Dear Carolyn,

Thank you for your letter dated 23 July regarding the petition submitted to the Senedd by Lisa Owen.

I appreciate you sharing with me Lisa Owen's comments. I can assure the committee and Ms Owen that her concerns and those of the sector are being listened too and balanced alongside all other considerations. I acknowledge the financial pressures the childcare sector is facing, including the changes to employer National Insurance contributions and the new National Living Wage, which came into effect in April.

We recognise the need to support an environment in Wales where the childcare sector can thrive and grow if we are to deliver our ambitions set out in our *Early Childhood, Play, Learning and Care Plan*. That is why we have put in place a package of measures to support this vital sector.

In demonstrating our recognition of the difficult decisions taken by the sector when determining their charges, the 2024 Rate Review for the Childcare Offer focussed on the costs associated with delivering childcare. This differed from the 2021 Rate Review which focussed on the cost of purchasing childcare and therefore this time we were able to take a more in-depth look at the challenges faced by the sector and respond accordingly.

As you are aware, this resulted in the increase in the hourly rate paid to childcare providers to £6.40. This represents an increase of 28% and took effect from 7 April 2025. Additionally, the review included consideration of evidence from the sector and Cwllwm partners in respect of inflationary increases, the impact of UK Government decisions and the need to respond more quickly to pressure which resulted in the commitment that future Childcare Offer rate reviews would be undertaken on an annual basis, along with the terms and conditions of the Offer.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Our evidence, gathered through the review process, indicates that the experience outlined by Ms Owen is not shared by the majority of providers delivering the Offer. We [estimate](#) 80 per cent of childcare services caring for 3 and 4 year-olds were charging less than £6.40 for an hour of this care, resulting in a financial gain arising from the Rate Review. Newport, where Ms Owen is based, is estimated to have the second highest childcare fees for care of 3 and 4 year-olds of all Welsh local authorities.

On the matter of top-up fees, the Welsh Government does not have the necessary regulatory powers over childcare providers in Wales to mandate business models of operation and childcare providers are permitted to stipulate their own operational hours for the Childcare Offer. However, it has always been clear in our guidance that childcare providers who chose to deliver the Offer, must agree to the terms and conditions, and are not permitted to charge parents any hourly top-up fees for the 3 and 4-year-olds who are attending under the terms of the Offer, or any other additional charge which it does not also charge parents who are not in receipt of the Offer

Ms Owen contacted Welsh Government officials, via her local authority, in April 2025, regarding the update in the Terms and Conditions of the Childcare Offer. At that time the minimal changes that reflected the rate uplift were detailed to her. This included the following paragraph, which was identified as being retained from the previous version of the Terms and Conditions, but adjusted to reflect the new rate.

Top-up rates when your normal rate is higher

You cannot charge for hourly top-up rates if you normally charge more than £6.40 per hour. Providers who are found to breach the terms of the Childcare Offer and charge hourly top-up fees may no longer be funded to deliver the Offer.

Ms Owen has suggested that a variation in the costs of childcare are a feature of parental choice, where parents choose to pay more for a setting with larger overheads. In practice, not all parents' are able to exercise choice in selecting childcare. The [childcare capacity](#) of local areas in Wales is influenced by factors including socio-economic deprivation, population change and rurality, meaning that many families face more restricted options. In this context, additional fees for funded programmes would introduce a cost to some families that they would not be able to avoid, therefore restricting their ability to access an entitlement.

We have also seen increasing representation from parents regarding top-up fees, and they tell us that additional costs introduced by their childcare provider are putting them under considerable financial pressure. In any review of our current charging policy, we would need to carefully balance what is affordable for the provider and what is affordable for parents, while supporting both.

As a result of the representations from parents and providers, my officials are currently undertaking engagement with Cwlwm partners, local authorities, childcare providers, and parents across Wales, through our annual parent and provider surveys, to gather evidence on the prevalence and impact of additional charges and top-up fees on the Childcare Offer Policy. These surveys are live until 15 August and will inform discussions and decisions on a way forward for this issue.

We are also aware of the administrative burden on the sector, which is why since November 2022, the Childcare Offer has been delivered via a single, national digital service. This has brought a more consistent experience for parents and childcare providers across Wales, improved compliance with Welsh language standards, streamlined administrative processes, and robust data security. This has also brought a consistent payment schedule across Wales, with childcare providers able to claim payments as frequently as once a week and receive payment within 4-5 working days.

We recognised there was a difference in funding between funded childcare and nursery education in some local authorities and have committed to ensuring funding is aligned. As a result of the rate review, we have increased our allocation to local authorities for nursery education funding rates. This ensures that each local authority is able to offer a consistent funding rate equivalent to that offered by the Welsh Government for the funded childcare element of the Childcare Offer, per hour per child, to all non-maintained settings funded to deliver nursery education.

It's disappointing to hear that the paperwork Ms Owen's is required to complete, as part of the local authority process, to allow her to deliver nursery education is a barrier. We will continue to discuss this with local authorities to ensure that effective and efficient processes are in place.

I take note of Ms Owen's feelings regarding the participation of her setting in the Flying Start Programme. The Welsh Government remains committed to our Programme for Government commitment - to "Deliver a phased expansion of early years provision to include all 2-year-olds, with a particular emphasis on strengthening Welsh medium provision".

All local authorities have set out plans for how they will continue to expand Flying Start childcare in their areas. Local authorities have deliberately focused their resources on their most disadvantaged communities in the first instance. This ensures that support reaches families in greatest need at the earliest opportunity. We are working closely with the sector to gradually build capacity to ensure that any increase to provision is sustainable. The rate paid to settings through the Flying Start Programme is set by the local authority based on the local market conditions.

The number of children reached by Phase 3 Flying Start will depend on take-up rates, but we would expect Phase 3 to reach more than 4,000 additional children in 2025-26. Ms Owen may wish to contact the Flying Start team in Newport to confirm their plans for rollout.

The childcare sector in Wales is a rich tapestry of different types of organisations, all with distinct operating models and particular challenges. We must support the whole sector if we are to ensure there is choice for families and appropriate support for all of our children.

I and my officials will continue to engage regularly with childcare sector partners across Wales who represent the voice of the sector, help us to refine childcare policies and take forward Welsh Government priorities.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dawn Bowden', written in a cursive style.

Dawn Bowden AS/MS

Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care