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An analysis of childcare provision and potential in Wales



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Executive summary

The Welsh Government's plan to expand funded childcare to 20 hours a week for children aged nine months to four years is a significant opportunity to improve outcomes for disadvantaged children, ease household costs, and support parental employment. Using novel modelling, Nesta has projected the current availability of childcare in Wales and how that availability could change under several expansion scenarios. We've also reviewed UK and international evidence to understand how the expansion of childcare might affect children and families in Wales.

Our evidence suggests that the success of the childcare expansion requires the Welsh Government to prioritise delivering high-quality provision for the core 2-4 year old cohort, before expanding to younger ages.

Currently, funded childcare in Wales operates through two main streams developed under the previous Welsh Government, with different eligibility.

- Flying Start (which is due to be rebranded, as recently announced) provides 12.5 hours of funded childcare per week over 39 weeks for two-, three- and four-year-olds in disadvantaged communities. The previous Welsh Government pledged to expand this into a universal offer for all two-year-olds regardless of postcode, but this expansion has not yet been completed.

- The Childcare Offer for Wales provides up to 30 hours per week of combined nursery education and funded childcare for up to 48 weeks a year for parents or caregivers with a gross income under £100,000, enrolled in higher/further education or employed earning at least the equivalent of 16 hours a week at national minimum or living wage.

Our key findings

- An estimated 65% of eligible two-to-four-year-olds currently have access to any childcare place, and just 34% are estimated to have access to one which is rated highly according to Care Inspectorate Wales.

- This deficit is not evenly spread: across local authorities, overall place availability ranges from 96% to just 41% amongst children eligible for the current offers. For highly rated place availability this range is 54% to 24% (and can be as low as 0% at Lower Super Output Area (LSOA) level). Just five local authorities account for approximately 50% of potential unmet demand.

- We modelled how current availability could meet future demand under four different uptake scenarios: current demand, a 10% increase, current Flying Start level uptake and universal uptake.
- Extending funded eligibility universally to two-to-four-year-olds modestly reduces the current place shortfall across most scenarios by removing current Flying Start postcode boundaries. Unlocking this previously underused capacity reduces the national deficit from 26,300 places today down to 23,700 at 86% uptake (the current Flying Start level). A similar pattern emerges for highly rated places, demonstrating that universal provision improves systemic efficiency for both overall capacity and high-quality care.
- Extending the policy to one-year-olds, however, is likely to reduce availability of any childcare place and highly rated places compared to current availability. At modelled uptake of 86%, availability of places and highly rated places specifically drops to 57% and 31%, respectively (compared to 65% and 34% today).
- Looking beyond the modelling, the developmental evidence for children under 2 years old is nuanced, but broadly points to the importance of consistency, responsiveness and quality of care for development. This is crucial as international evidence shows that scaling expanded childcare offers too quickly can compromise quality, with lasting effects on children's outcomes.

Our recommendations

- Sequencing the expansion by age and prioritising quality is our central recommendation. The Welsh Government should prioritise expanding high-quality provision for all two-to-four-year-olds and resist a fast-tracked rollout to under-twos until clear quality and capacity thresholds are met.
- Close data blind spots in quality monitoring, including evaluating the 26% of currently unrated settings and exploring lighter-touch tools to assess frontline quality on an ongoing basis, rather than relying solely on infrequent formal inspections.
- Target capital investment at both the local authority and neighbourhood level. Investment should be weighted by deprivation and population density within targeted authorities, not allocated by authority-wide totals alone, and directed to provide good quality, stimulating environments for all ages.
- Invest in workforce and leadership, particularly targeting support for leadership and management, higher qualification thresholds for baby room

leaders and genuine investment in the pay, autonomy, and professional status of the existing workforce.

- Strengthen the childminder sector as a distinct priority, given its potential suitability for younger children and more rural areas, as well as the decline in childminder-led settings seen year on year in Wales.

Introduction

The early years of a child's life lay the critical foundations for physical, emotional, and social growth, but children experiencing poverty are far more likely to miss out on the resources and experiences needed for healthy development. This disparity reduces their long-term chances of living long, fulfilling, and happy lives.

However, a child's background does not have to dictate their future. As well as reducing child poverty, there are protective factors that can be strengthened both inside and outside the family – particularly through access to high-quality early childcare settings – to give every child the opportunity to thrive.

The Welsh Government's plan to expand funded childcare to 20 hours a week for children aged nine months to four years offers a significant opportunity to act on this: giving disadvantaged children a better start in life, lowering household bills, and helping parents return to work. But to ensure that investment in early childcare in Wales leads to more children from disadvantaged backgrounds achieving their full potential, the Welsh Government will need to ensure that quality goes hand in hand with the pace and scale of expansion.

This report demonstrates why getting the childcare expansion right for babies, children and families in Wales is so important. In this document, we:

- synthesise UK and international evidence to examine the distinct developmental needs across different age cohorts
- analyse the current baseline of childcare provision in Wales to understand the implications of current capacity on the proposed childcare expansion
- present modelled projections across four different take-up scenarios, to understand availability of any type of place and availability of highly rated places specifically

Nesta is presenting these insights in order to support the Welsh Government, local authorities, and sector partners in considering how to build an equitable, sustainable childcare system grounded in developmental science and operational stability.

Why are the early years so important?

The first five years of life establish the fundamental neurological, physical, and socio-emotional foundations for lifelong wellbeing. However, children growing up in poverty are more likely to miss out on the resources and experiences needed for healthy development. Currently, 40% of under-fives in Wales live in relative income poverty – the highest rate among all UK nations (JRF, 2025).

While public expenditure often focuses on school-age interventions, neurodevelopmental evidence indicates that 90% of adult brain growth occurs before age six (Brown and Jernigan, 2013). Additionally, Nobel laureate James Heckman's research demonstrates that an early education programme in the US has yielded social rates returns of 7-10% per year, through improved outcomes and reduced need for healthcare, special education and criminal justice services. Updates to the research shows that every $1 invested generates an estimated $13.50 in long-term benefits over 60 years.

National attainment data proves that educational disparities in Wales take root long before children step into a classroom. According to Welsh personalised assessment data, the socio-economic attainment gap between pupils eligible for free school meals (FSM) and their non-FSM peers by Year 6 reaches:

- 23 months in procedural numeracy
- 26 months in English reading
- 28 months in reasoning numeracy
- 31 months in Welsh reading

This disparity widens further to 30–45 months in secondary school. School-based interventions alone cannot remediate a two-to-three-year developmental difference that originates in early childhood. The Welsh Government's upcoming Foundational Literacy and Numeracy plan for 0-16 year olds could offer a key vehicle to address these challenges, but to meet national attainment ambitions, policy must intervene during the foundational 0-to-5 window to prevent these gaps from taking root.

What did we do?

This report draws on three linked strands of work: a review of UK and international evidence, a descriptive analysis of current childcare provision in Wales, and a modelled projection of how access and quality might change under different expansion scenarios.

For the evidence review, we synthesised literature on the barriers facing low-income families in accessing childcare, developmental impacts by age group, and the labour market effects of universal provision, drawing on evidence from Wales, England and Scotland, and comparable international systems including Quebec in Canada, Nordic countries, Estonia and Italy. Full scope and research questions are set out in the Appendix.

For the descriptive analysis, we used data from Care Inspectorate Wales (CIW) to map the number, type, location, and quality rating of childcare settings across Wales. For the modelling analyses, we used CIW, Office for National Statistics (ONS), Welsh Index of Multiple Deprivation and Children in low income families (CiLIF) data to map the current availability of childcare and its quality using a Monte Carlo simulation. We then modelled possible future access to childcare places under four take-up scenarios. We defined 'availability' as the proportion of children who have a childcare place reachable within 25 minutes by public transport, 15 minutes by walking, or 15 minutes by driving, following Ofsted's methodology and Flying Start guidance.

Due to data constraints, our modelling is restricted to children aged 1- 4 and excludes 9- to 11-month-olds that would ultimately be eligible under the full proposed expansion. The 1-4 population used also includes some children who will already have started reception. These two issues may partially offset each other.

Full data sources, modelling methodology, and limitations are set out in the Appendix.

Why does quality of childcare matter? Age-differentiated development and quality nuances: a summary of the literature

Funded childcare is far more than an early education policy: it is a vital social and economic lifeline for families. Accessible, affordable provision can play a transformative role in enabling parents and caregivers – particularly mothers – to return to work, pursue training, and achieve long-term financial stability. In the context of an ongoing cost-of-living crisis, reducing household childcare expenses provides immediate, essential relief to family budgets. Parents and caregivers deserve to make the childcare choices that are right for them with absolute confidence, knowing that regardless of their child's age or postcode, every setting provides a safe, nurturing, and high-quality environment.

The discussion of the developmental risks presented below points to real risks, but risks that, with the right policy design, are manageable. Getting this right presents a crucial opportunity to build a system where every family has access to childcare that actively supports their child's growth – and that positive outcome depends on the Welsh Government treating these risks as seriously as it treats delivering the expansion at scale and pace.

The importance of childcare quality across age ranges

A substantial body of international and UK research demonstrates that high-quality early childcare and education delivers profound short- and long-term benefits for children, particularly those from disadvantaged backgrounds. However, as discussed below, developmental science demonstrates that the needs of an infant under two are fundamentally distinct from those of a three-year-old toddler. Applying childcare models designed for older children to infants can be developmentally unsuitable or even counterproductive.

For three- and four-year-old preschoolers, the evidence supporting high-quality early education is clear and consistent. UK longitudinal research, such as the Effective Pre-school and Primary Education 3-11 Project (EPPE), confirms that high-quality care delivers lasting cognitive and socio-emotional benefits. These gains are particularly pronounced for children from low-income households, who benefit significantly from structured developmental stimulation and language immersion. Notably, evidence indicates that state-funded maintained nursery settings often deliver distinct cognitive advantages compared to private, voluntary, and independent (PVI) settings due to higher average staff qualification levels.

For two-to-three-year-old toddlers, a 2023 European systematic review and meta-analysis showed that starting childcare/formal early education yields significant cognitive and language gains for disadvantaged children compared to peers cared for exclusively at home. However, the evidence also reveals that in low-quality settings, these developmental benefits completely disappear. Low-quality environments, characterised by underqualified staff and high turnover, fail to provide the cognitive enrichment needed to support learning at this stage.

For infants under the age of two, the neurodevelopmental evidence is nuanced and mixed, but clearly shows that the health of under-2s depends on stable, low-stress, and highly responsive interactions. Evidence then points to a threshold effect for the impact of early education on child outcomes: moderate use appears broadly safe or even beneficial, whilst very high hours can be risky, and some studies raise concerns about large-scale group care for this age group before a system is structurally mature.

- England's Study of Early Education and Development (SEED) found that starting formal care at or before age two benefits children—particularly those from disadvantaged backgrounds—provided attendance remains under 20 hours per week. Exceeding 20 hours weekly was linked to potential risks for socio-emotional development. Crucially, while earlier research associated extensive group care under age two with increased antisocial behaviour, researchers now recognise that this risk is driven by low setting quality rather than group care itself.

- The EPPE project (England) found that extensive group care before age two— exceeding 2,000 hours, or roughly full-time attendance—produced distinct, co-existing behavioral outcomes by age five. Evaluated on separate developmental scales, these children exhibited higher levels of prosocial behavior (like sharing, helping, empathy and cooperation) alongside a slightly elevated risk of antisocial behavior (such as aggression and disruption).

- Fort et al. 2020 (Italy) linked each additional month spent in formal, group daycare between the ages of zero and two to small reductions in IQ later in childhood, but this effect was specifically identified for girls and was larger and more significant in affluent families.

The risks of rapid expansion

The historic experience of Quebec, Canada, offers a compelling warning for policymakers. In 1997, Quebec introduced a universal childcare policy (for all children from ages 0-5) that rapidly scaled coverage across the province. However, the speed of rollout outpaced the supply of qualified educators (Kottelenberg &

Lehrer, 2017). Long-term evaluations revealed that children exposed to this rapid, lower-quality expansion experienced higher rates of emotional difficulties, elevated behavioural problems, and poorer health outcomes that persisted into adulthood (Baker et al., 2008; Baker et al., 2019). Quebec demonstrates that expanding childcare succeeds at driving workforce participation, but that prioritising rapid volume over guaranteed quality can actively compromise child development.

Rather than viewing these findings as a barrier to expansion, policymakers should see them as risks that can be mitigated via proactive policy design. The Welsh Government can directly mitigate these risks by embedding targeted structural solutions into the universal rollout. Key measures include maintaining low staff-to-child ratios in baby rooms; building a highly qualified and properly valued workforce overall, but, within baby rooms specifically; expanding support for the home-based childminding sector; and maintaining clear, transparent communication with families. Childminders operate out of small-scale, low-ratio home environments, and offer the continuity of a single, familiar carer. They may therefore be better placed to provide the nurturing, low-stress and stable attachment settings that infants need, and are particularly well suited to younger children's needs for stable, responsive relationships.

By embedding these quality safeguards into the foundation of the expansion, Wales can deliver a system that simultaneously empowers working parents and caregivers, and gives every child the best possible start in life.

Defining high-quality childcare in Wales

To ensure Wales's childcare expansion benefits children, we need clear, national shared definitions of high-quality childcare that are tailored specifically to each age group. A common assumption is that Care Inspectorate Wales (CIW) already fulfills this role. However, CIW operates as a regulatory inspectorate, ensuring settings comply with National Minimum Standards for baseline safety, safeguarding, and fundamental care. What CIW does *not* do is define, measure, or explore age-differentiated developmental practice or pedagogical excellence. Because baseline regulatory safety is fundamentally distinct from high-quality developmental care, establishing these explicit benchmarks remains critical for giving parents and caregivers confidence and holding both government and providers accountable to clear standards.

Achieving this standard requires understanding that setting quality consists of two distinct but deeply interdependent dimensions: structural quality and process quality.

- Structural quality refers to the tangible, policy-controllable inputs within an early years setting, including staff qualification levels, specialised training,

staff-to-child ratios, and workforce retention rates.

- Process quality captures the direct, lived experience of the child, encompassing the warmth, emotional consistency, and responsiveness of their interactions with educators, as well as their overall emotional well-being.

Structural elements serve as the essential enablers of process quality. Highly qualified educators working within low staff-to-child ratios are more likely to possess the pedagogical capacity and emotional understanding required to deliver sustained, nurturing co-regulation. While process quality is ultimately the strongest predictor of positive child outcomes, it cannot exist without these strong structural foundations.

Currently, Wales lacks both a shared sectoral definition of quality and an inspection framework designed to measure these dual dimensions effectively. Existing CIW inspection ratings evaluate regulatory compliance rather than age-differentiated process quality on the frontline. Compounding this gap is a severe strain on structural foundations across the Welsh early years sector, driven by low pay, high staff turnover, and a steadily declining childminder workforce. Without establishing clear metrics and support for both structural and process quality, a rapid national expansion risks creating physical childcare places that lack the stability and standards required to support children's development and narrow intergenerational disadvantage.

Current childcare provision in Wales

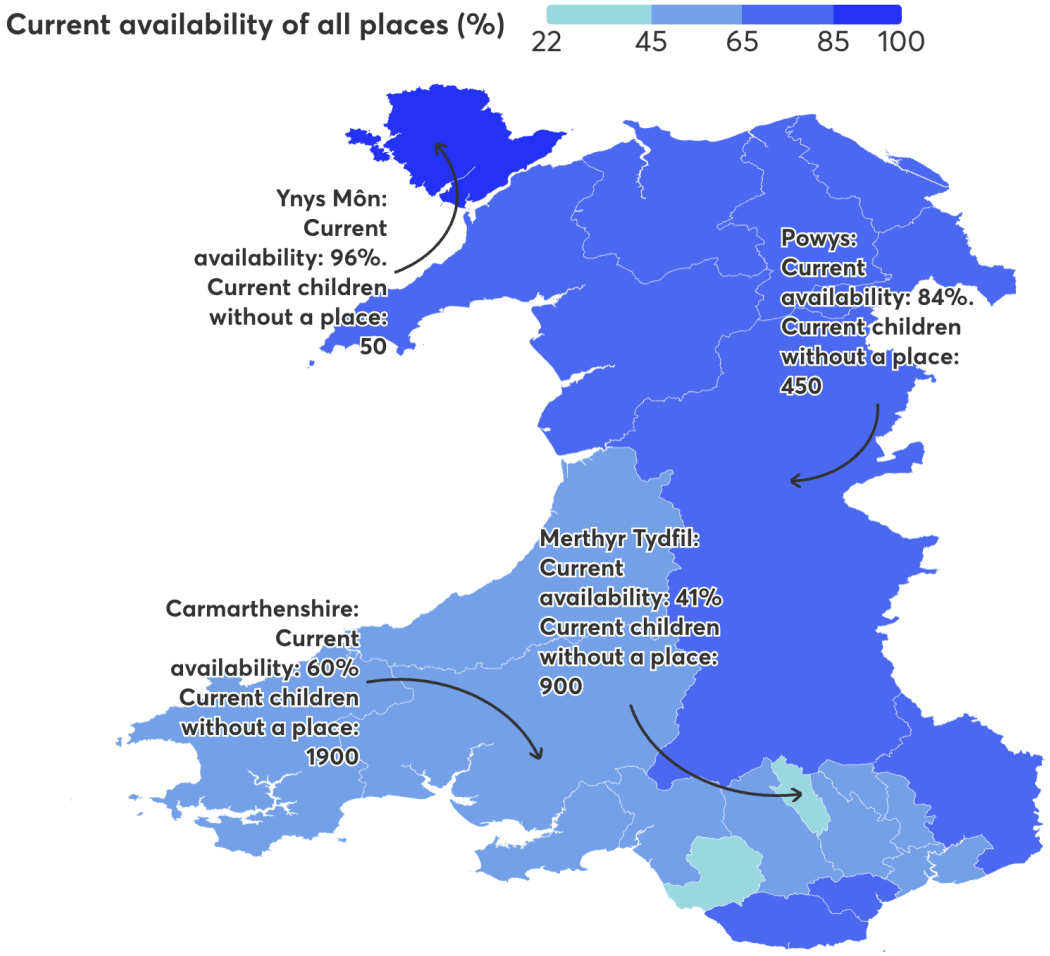
In this section of the report, we present our findings that map the current availability of childcare and its quality in Wales. Before examining these findings, it is vital to emphasise that while quantitative data provides a crucial analytical lens, it cannot capture the entire, nuanced reality of frontline early years delivery. The findings set out below are not intended to critique or assign blame to hardworking childcare settings, dedicated practitioners, or local authority delivery teams who are operating under severe structural constraints. Additionally, In the absence of a standardised national framework for capturing childcare capacity, reporting methods vary slightly across local authorities. While we acknowledge that localised nuances exist, this mapping seeks to establish an objective, shared overview of the current baseline in Wales today – identifying systemic patterns and regional disparities so that future policy, infrastructure funding, and sector support can be targeted where they are needed most.

Current availability of places

Nesta's modelling reveals a critical deficit in current childcare availability across Wales, as places exist for only 65% of eligible children (i.e., children who meet the current Flying Start or Childcare Offer for Wales criteria). This capacity shortfall leaves approximately 26,300 eligible children without an available childcare place in the current system.

The gap in current provision is heavily influenced by location, ranging from near-total coverage to severe shortages. For example, there are childcare places available for 96% of the eligible population in Ynys Môn, but only 41% of the eligible population in Merthyr Tydfil. Figure 1 below shows considerable variation in childcare place availability across Wales's local authorities.

Figure 1: A map showing the availability of places for children currently eligible for the Flying Start and Childcare Offer for Wales, by local authority



These baseline findings reveal that the Welsh Government may not be launching its expansion from a stable foundation, even in areas where overall place availability is high.

Quality of current provision

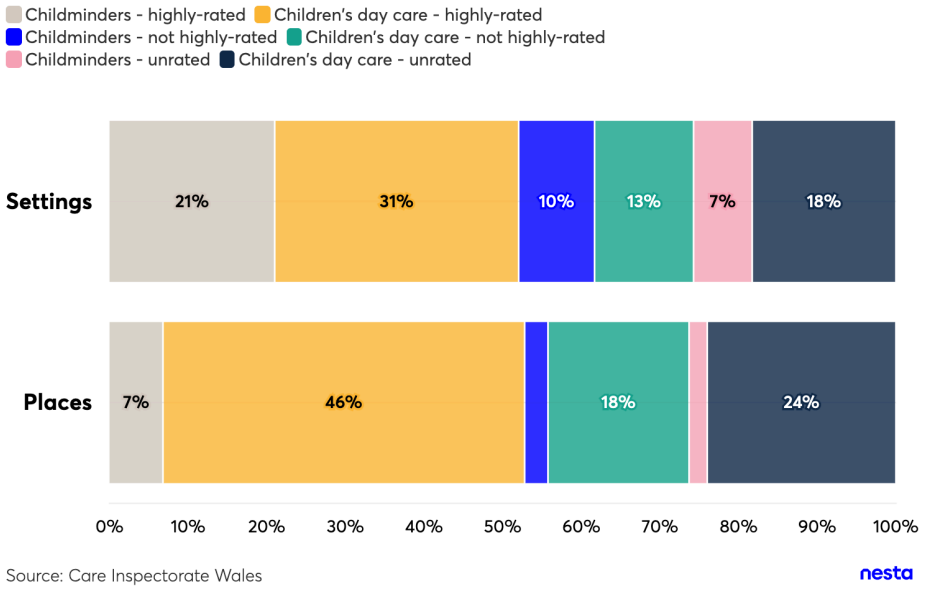
As discussed above, the developmental benefits of early childhood play, learning, and care (ECPLC) are highly dependent on setting quality. Wales currently has approximately 2,700 childcare settings, which consist of around 62% daycare centres and 38% childminders. Although childminders make up over a third of settings, they provide just 12% of Wales's childcare places, reflecting their much smaller size. CIW grades these providers (from poor to excellent) across four core domains:

- Wellbeing
- Care and development
- Leadership and management
- Environment

Because a universal definition of 'high quality' childcare does not exist, we need to adopt a proxy definition which is grounded in real data. Therefore, Nesta has adopted the following criteria for this analysis: a setting is deemed 'highly rated' if it scores 'good' or 'excellent' across all four CIW domains.

Using this metric, our modelling reveals that 52% of settings in Wales currently meet this standard.

Figure 2: The proportion of day care and childminder settings and places in Wales, by Care Inspectorate Wales rating



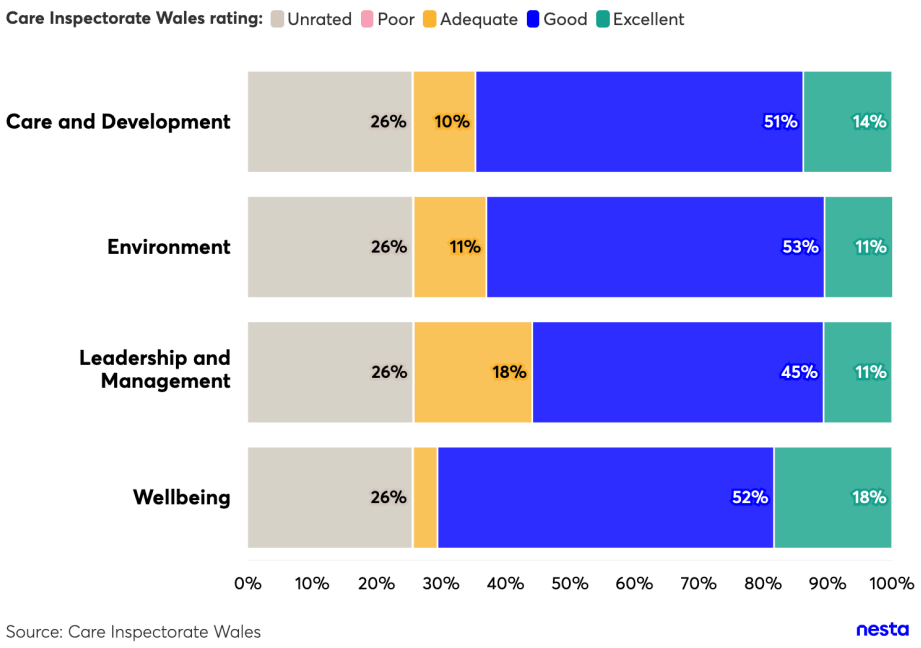
In the current system, out of Wales's 73,530 total available places, roughly 47% (34,720 places) are classified as not highly rated – a figure that includes both lower-rated and completely unrated settings. The pattern is similar across provider types: nearly 45% of childminder places are not highly rated.

Currently, 26% of all childcare places in Wales are unrated. This could primarily be because CIW only awards ratings during full, comprehensive inspections, which typically take place six months after the service becomes operational. The previous

government's childcare expansions likely mean that many settings fall under this 'new' category. However, it was difficult to clarify this reasoning completely. Nonetheless, even where a rating does exist, it is a point-in-time assessment of regulatory compliance rather than an ongoing measure of day-to-day process quality, which we know is a crucial driver of child outcomes. Both gaps leave policymakers with critical data blind spots and without the complete, current picture of quality needed ahead of the next major national childcare expansion.

Across all childcare settings in Wales, nearly 10% (259 providers) do not achieve a 'highly rated' status due to a single underperforming domain. Leadership and management is the sole barrier for 188 of these settings, accounting for 73% of all isolated downgrades.

Figure 3: The proportion of settings unrated or receiving poor, adequate, good or excellent ratings across the four domains in the Care Inspectorate Wales framework



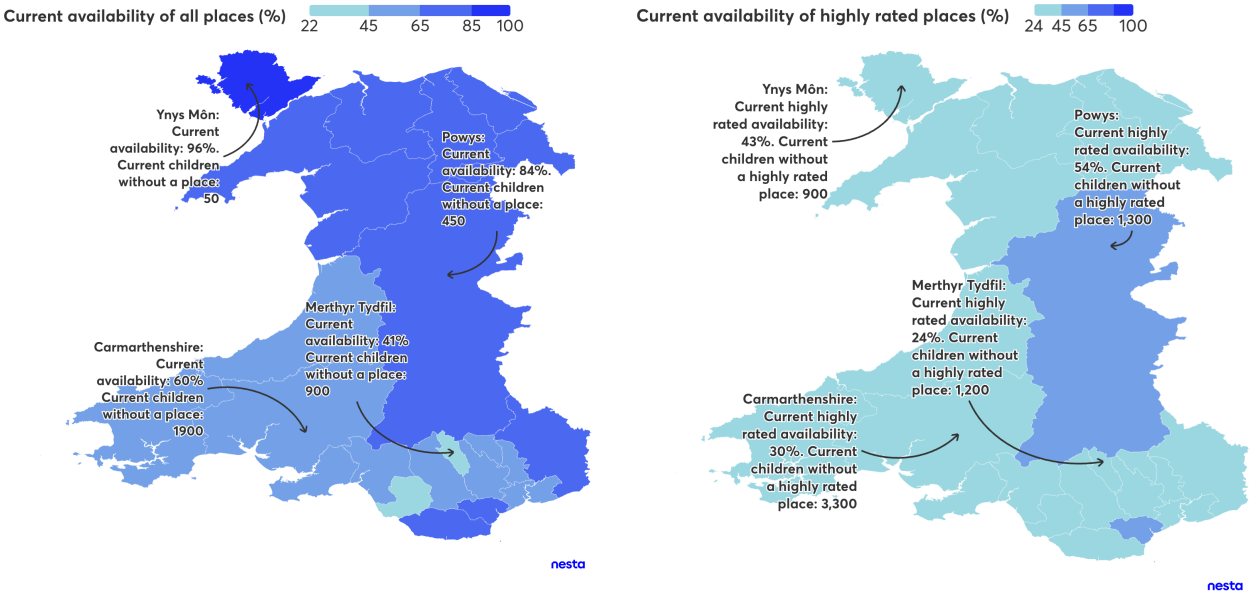
Effective management and leadership are critical to frontline childcare. Weak governance can undermine staff retention, supervision, and educator emotional stability – the exact structural enablers required for warm, responsive child-caregiver interactions. Because the leadership and management domain accounts for nearly three-quarters of isolated setting downgrades, targeted leadership upskilling may represent an efficient mechanism to raise standards across hundreds of existing providers. To protect child outcomes both now and throughout national expansion, the Welsh Government could explore prioritising dedicated support for leadership

and management, transforming a current challenge in the system into a primary driver of high-quality care.

Variability of ratings across local authorities

The availability of highly rated places within childcare settings is very variable. Nesta's modelling indicates that currently, only 34% of eligible children have a highly rated place available to them, meaning that there are approximately 49,100 children without one. The map below illustrates the low availability of highly rated places across Wales.

Figure 4: Map showing the availability of all places (left) and highly rated places (right) for children currently eligible for the Flying Start and Childcare Offer for Wales, by local authority



Currently, no local authority is providing highly rated places for more than 54% of eligible children living there. Despite nationwide low availability, where a child lives still determines whether they can access a highly rated place, ranging from 54% of eligible children in Powys to just 24% in Merthyr Tydfil, as shown in the table below.

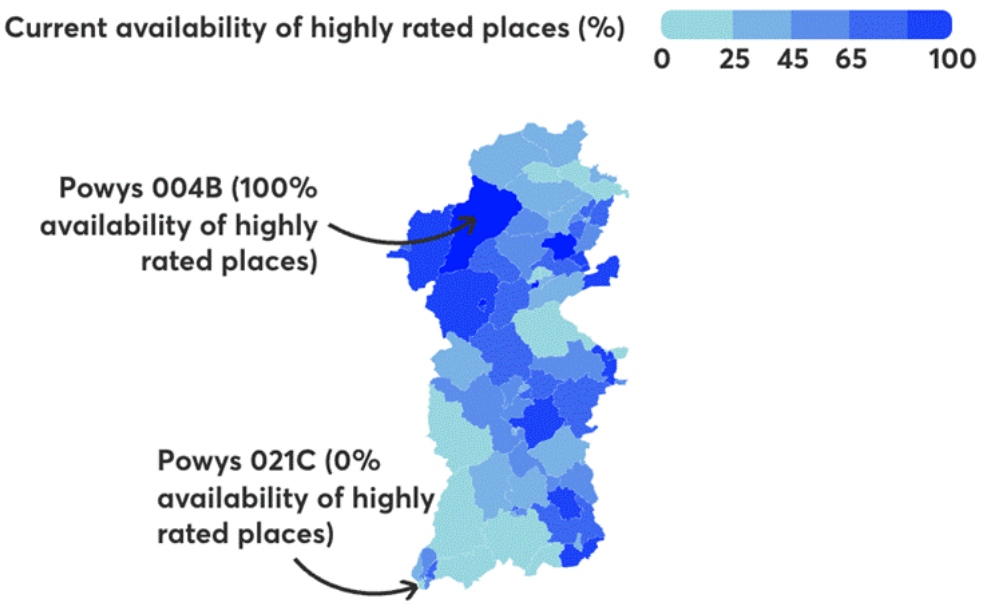
Table 1: The proportion and number of children with and without a place by local authority

Local authority	Proportion of children with a place available to them	Approx. number of children without a place available to them	Proportion of children with a highly rated place available to them	Approx. number of children without a highly rated place available to them
Blaenau Gwent	49%	900	27%	1300
Bridgend	42%	2000	27%	2600
Caerphilly	59%	2000	26%	3600
Cardiff	83%	1300	45%	4200
Carmarthenshire	60%	1900	30%	3300
Ceredigion	63%	600	31%	1000
Conwy	72%	700	39%	1600
Denbighshire	77%	500	35%	1500
Flintshire	70%	1100	39%	2300
Gwynedd	84%	400	32%	1900
Ynys Môn	96%	50	43%	900
Merthyr Tydfil	41%	900	24%	1200
Monmouthshire	70%	600	33%	1400
Neath Port Talbot	50%	1700	26%	2600
Newport	53%	2100	34%	3000
Pembrokeshire	63%	1100	37%	1800
Powys	84%	500	54%	1300
Rhondda Cynon Taf	54%	2800	30%	4200
Swansea	56%	2200	32%	3400
Torfaen	56%	1100	29%	1700
Vale of Glamorgan	68%	1000	35%	2100
Wrexham	81%	700	32%	2400

Current allocation models can create geographic imbalances, leaving childcare places sitting empty in some areas while families elsewhere face severe shortages. Continuing with the same allocation approach and simply expanding overall capacity will not solve the shortage of highly rated care. The new places are not guaranteed to be highly rated nor in the locations families need them most.

Even within a single local authority, there is huge variation in the availability of highly rated places. For example, Powys has the highest availability of places of any local authority, yet the availability of highly rated places ranges between 0% and 100% at the individual LSOA level. In our modelling for the Powys 021C area (shown on the map below), none of the 60 eligible children had a highly rated childcare place available to them. This is driven by a lack of local, highly rated options (0% currently available) combined with the long travel times required to reach a place elsewhere.

Figure 5: Map showing the availability of highly rated places for children currently eligible for the Flying Start and Childcare Offer for Wales across Lower Super Output Areas of Powys



We have selected Powys to highlight the extreme disparities identified within local authorities. However, we can provide this same level of granular data for all other local authorities upon request.

Availability of childcare and levels of deprivation

Our modelling also indicates that children in the most deprived areas are least likely to have a place overall, and a highly rated place, available to them. Childcare

places are currently available for 54% of children in the most deprived LSOAs, compared to 75% in the least deprived LSOAs, defined using the Welsh Index of Multiple Deprivation (WIMD). Highly rated places are available for 40% of children in the least deprived LSOAs, compared to just 28% in the most deprived LSOAs.

Because disadvantaged children stand to make the most significant developmental gains from highly rated provision, expanding access to low-rated settings in these LSOAs without supporting a quality uplift could reinforce, rather than narrow, the developmental outcomes gap.

It should be noted that population density-driven saturation of supply in urban areas is likely the more direct cause of this pattern than deprivation itself; out of all income deprived people in Wales, 77% live in urban areas. Looking at deprivation without accounting for density may, therefore, overstate how much of the gap in place availability is driven by deprivation, rather than by the population density. We have not modelled the interaction between density and deprivation to test this.

The childcare expansion: Projections for availability and quality under the universal funded offer

The Welsh Government's proposed universal funded offer will fundamentally alter the early years childcare landscape. We have sought to model the implications for availability of different demand scenarios using today's supply as a baseline. While exact uptake is difficult to forecast, we have modelled four uptake scenarios based on different evidence-informed assumptions.

Table 2: Our four modelled scenarios of possible uptake under a universal childcare offer

Scenario	Uptake: 3-4 years	Uptake: 1-2 years	What this scenario represents
No change in demand	43%	79%	Take-up stays consistent with today's existing childcare and Flying Start offer uptake.
10% increase	53%	89%	Take-up rises by 10 percentage points from current take-up figures across both age groups following removal of current eligibility restrictions.
Flying Start-level uptake	86%	86%	Take-up matches the current Welsh Government-reported Flying Start uptake rate.
Full participation	100%	100%	Every child in Wales aged 1–4 takes up a place.

Nesta has estimated the scale of demand across four prospective scenarios, but we are not setting a view on a desirable level of take-up. The percentages and underlying rationale for each model are detailed below and in the Appendix.

Availability of childcare places across uptake scenarios

Childcare place availability and capacity deficits shift across our take-up scenarios based on current supply (Table 3).

Table 3: Place availability and unmet demand under our four scenarios

Scenario	Estimated additional places needed		Total children eligible for a childcare place		Percentage of these children able to access a place within existing provision	
	2-4 year olds	1-4 year olds	2-4 year olds	1-4 year olds	2-4 year olds	1-4 year olds
Today's baseline (current levels)	26,300	-	-	-	65%	-
No change in demand	4,400	18,000	51,600	74,300	92%	76%
10% increase	8,900	28,000	61,100	86,600	85%	68%
Flying Start uptake	23,700	45,500	81,400	106,000	71%	57%
Full uptake	35,000	62,100	94,600	123,300	63%	50%

Universalism unlocks some spare capacity in existing settings

Comparing this modelling against today's baseline suggests that removing Flying Start's postcode restrictions could, in principle, unlock some pre-existing capacity. Our modelling suggests that if childcare was made universal for two-to-four-year-olds only, and uptake was the same as the current Flying Start offer (86%), the shortfall in availability would fall from 26,300 to 23,700 places. This could be because, historically, Flying Start provision has been strictly restricted behind hyper-local postcode boundaries, creating a scenario today where funded places sit empty or underutilised inside designated areas while families living just outside are excluded. However, this assumes that all available places are taken up by two-to-four-year-olds only, excluding children below two, and that demand rises no further than current Flying Start levels.

The shortfall in places available for the eligible population changes across our four scenarios. At lower uptake, consistent with current demand for the current Childcare Offer for Wales, the shortfall for two-to-four-year-olds would be smaller still, at 4,400 places; but should uptake rise even a little further, to a 10-percentage-point increase on today's figures, the shortfall climbs back to 8,900, and reaches 35,000 at full participation (100%). This suggests that removing postcode restrictions may be an effective way to make better use of existing capacity for two-to-four-year-olds, but is

not sufficient on its own if the expansion is to achieve universal provision for the full age range intended, including down to nine months.

Expanding to one-year-olds compounds the shortfall considerably

Extending eligibility to include one-year-olds reveals a shortfall that is significant even if uptake stayed at today's levels. Under a scenario where 43% of three-to-four-year-olds and 79% of one-to-two-year-olds took up their place – consistent with current demand – only 76% of one-to-four-year-olds would have an available childcare place, meaning nearly a quarter of eligible children would be without provision. This shortfall deepens sharply as uptake coverage increases across the range of hypothetical scenarios we modelled. At a 10-percentage-point increase in current uptake, availability falls to 68%; at Flying Start levels of uptake for both age groups, it falls further to 57%; and under our highest modelled scenario, where all eligible children take up a place, availability falls to 50%, leaving half of eligible children with an available place.

A rise in uptake to the middle of this range is more likely than either the current-demand or full-participation scenarios, yet even at these uptake levels the shortfall is substantial: an estimated 28,000 to 45,500 additional places would be needed. This modelling also does not take into account the suitability of these places for one-year-olds which is likely to be another critical factor not captured here.

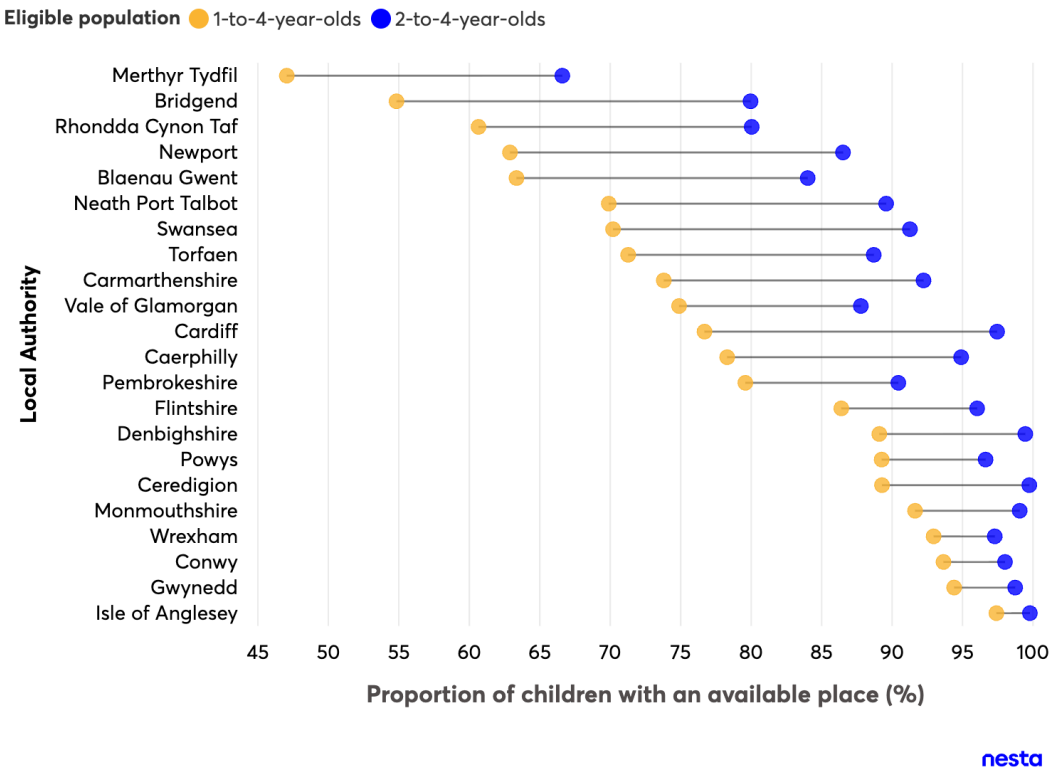
Across every uptake tier, the one-to-four cohort lags 13-16 percentage points behind the two-to-four group. Under a full participation scenario (where all eligible children want to take up a place), meeting demand for one-to-four-year-olds would require 62,100 additional places – almost double the 35,000 needed to meet demand for the two-to-four-year-old cohort alone, which shows how capacity-intensive extending the offer to under-twos might be. Recruiting more childminders, who may be particularly well suited to younger children, could help address both developmental and capacity concerns. However, childminders provide only 12% of Wales's places, and with the shortfall for one-to-four-year-olds estimated at 18,000 to 62,100 places, our modelling suggests that expanding the childminder workforce alone could not close the gap.

Place availability varies considerably at a local authority level

Beyond these national averages, place availability varies substantially by local authority, and this variation holds regardless of whether the policy covers one-to-four- or two-to-four-year-olds: an authority that performs well or poorly for one cohort tends to perform similarly for the other. This matters for planning because it

suggests an underlying constraint in most areas is likely to be local workforce, supply and space.

Figure 6: Availability at local authority level if expanding the offer to all eligible 1-to-4-year-olds versus all eligible 2-4 year-olds at levels of uptake identical to current demand

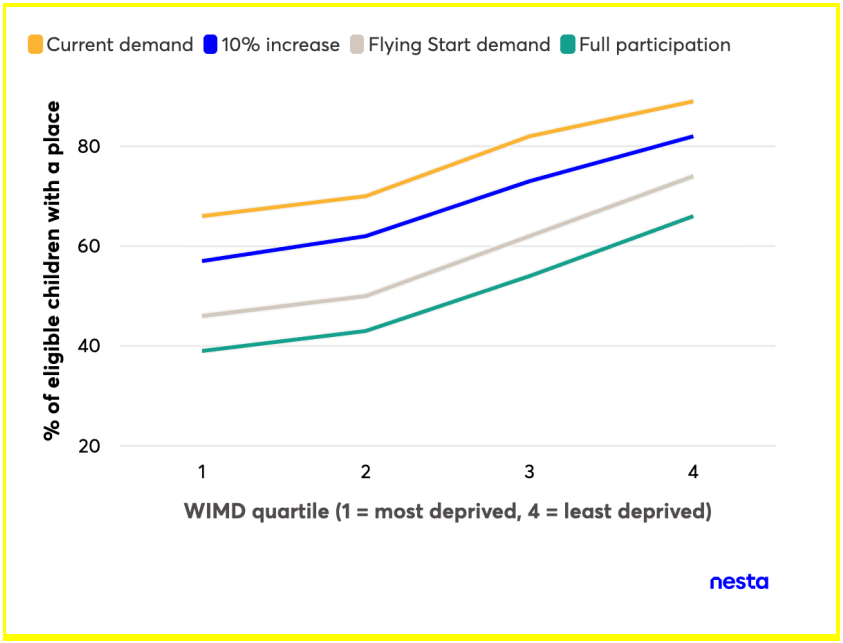


These relative figures do not show the absolute scale of the gaps. Regardless of the uptake scenario modelled or the age group included, the majority of the unmet demand is concentrated in the same five local authorities: Cardiff, Bridgend, Rhondda Cynon Taf, Swansea and Newport, which together account for between 46% and 53% of the availability gap. This is primarily, but not entirely, driven by population size: four of these five are among Wales's five most populous local authorities. Yet, this leaves the remaining 47 to 54% of unmet demand spread across the remaining 17 local authorities and smaller local authorities. For example, Merthyr Tydfil can face a shortfall just as severe when measured as a share of its eligible population, even though its absolute numbers mean they don't appear in a ranking of total places needed. This means that national totals or average local authority figures alone would understate how concentrated the problem is in specific neighbourhoods. Any capacity response will need to be designed and delivered in partnership with local authorities themselves, given their central role in local childcare planning and delivery.

The most deprived areas consistently have the lowest availability of places

Our modelling also indicates that under every uptake scenario, availability of places for eligible children living in the most deprived areas (defined as living in the 20% most deprived LSOAs according to the WIMD) is lower than if living in the least deprived areas, with access increasing with decreasing levels of deprivation.

Figure 7: Availability of places under our four uptake scenarios for roll-out of the offer to 1-to-4 year olds, by deprivation



These inequities hold at a national level: in 18 of Wales's 22 local authorities, children living in the most deprived areas are less likely to be allocated a childcare place. However, this pattern is not universal and, as described above, population density, which is strongly associated with deprivation, is likely also driving this pattern.

Availability of highly rated places across uptake scenarios

As detailed in Section 4, only 52% of Wales's childcare settings are currently rated 'good' or 'excellent' across all four Care Inspectorate Wales (CIW) inspection domains, while 26% remain unrated and 21% are not highly rated. Because evidence shows that high-quality care – particularly for infants under two – is vital to early child development, total place availability alone presents an incomplete picture. To address this, we have overlaid CIW inspection data onto our capacity modelling to estimate future supply of highly rated places across each uptake scenario.

A quality deficit exists even before expansion begins

Our analysis suggests that setting quality presents a far greater constraint on access than physical space alone. As described above, even within the current system before any expansion begins, availability of high-quality places is 34%.

If access is expanded to all 2-4 year-olds, access to high-quality places is below 50% in all uptake scenarios

Extending eligibility universally initially improves this picture, in the same way it improves overall place availability. At current demand levels, transitioning to universal eligibility increases the availability of highly rated places for two-to-four-year-olds from 34% to 49%. This jump occurs because removing Flying Start's postcode restrictions allows families to access high-quality capacity that is currently unavailable to them.

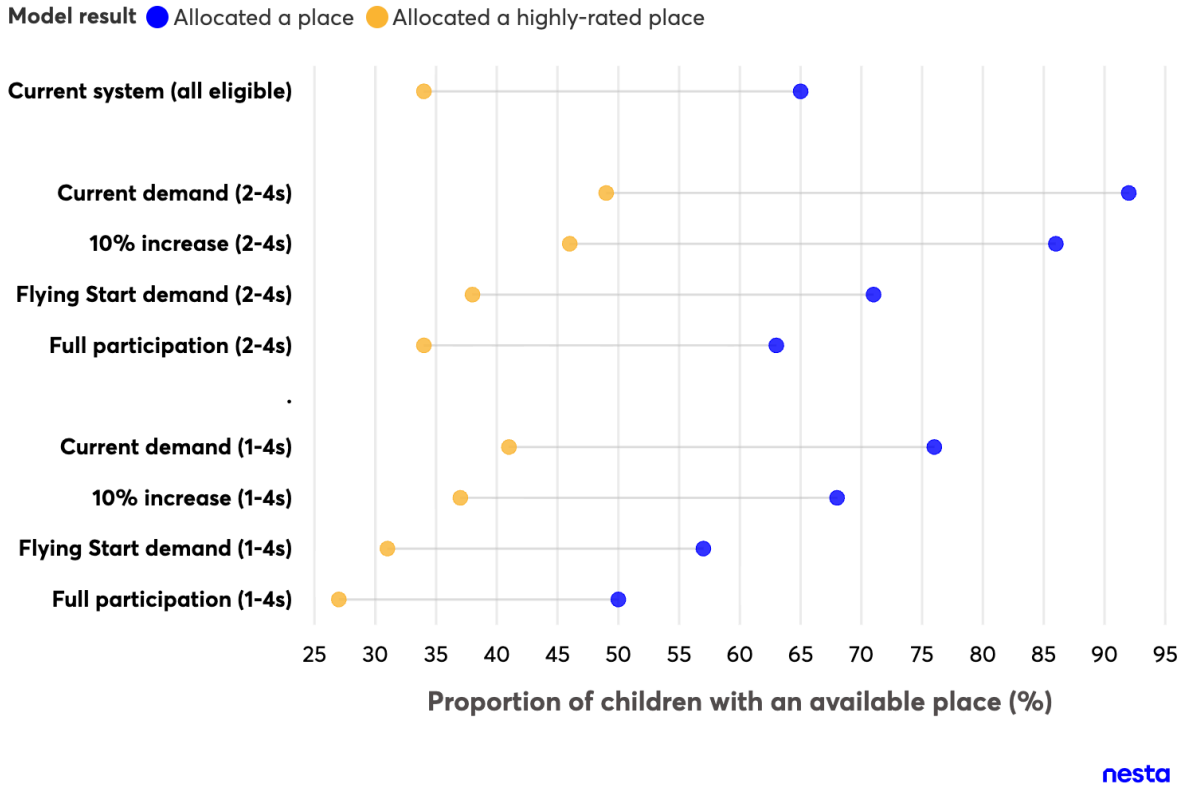
However, this improvement erodes as uptake increases. For two-to-four-year-olds, availability of highly rated places falls to 46% under a 10% increase in uptake, drops further to 38% if demand reaches Flying Start-level uptake, and falls again to 34% under full participation. This represents a central risk of the rollout: without an explicit quality strategy, even expanding provision for two-to-four-year-olds risks diluting overall standards and capping the proportion of children in highly rated care.

Including one-year-olds would leave nearly three-quarters without access to a highly rated place

The quality constraint becomes more severe again if the funded offer is extended to include one-year-olds alongside two-to-four-year-olds. Extending eligibility to a larger population intensifies competition for a largely fixed pool of highly rated settings. Across every modelled scenario, including one-year-olds reduces the proportion of eligible children with access to a highly rated place by an additional 7 to 8 percentage points, compared to limiting provision solely to two-to-four-year-olds (Figure 8). Under a full-participation scenario, availability of highly rated places drops to just 27% for the one-to-four cohort—meaning only approximately one quarter of eligible children would have access to a highly rated place.

This is particularly concerning given the developmental evidence set out earlier in this report: infants under two are the age group most sensitive to setting quality, and the group for whom low-quality group care carries evidenced risks. A lower availability rate is, therefore, a more serious concern when a larger share of the affected population is in the age group most vulnerable.

Figure 8: Percentage of children allocated a place and allocated a highly rated place in the current system and under our four uptake scenarios



Next steps and recommendations

We recognise that the Welsh Government is balancing the need for high-quality provision against the benefits of moving quickly – most notably, the potential for expanded childcare uptake to ease cost-of-living pressures and to support parental employment. This is a genuine trade-off, and our recommendations are intended to help the Welsh Government navigate this rollout, not to argue that speed has no value. A principal binding constraint on the policy delivering a positive impact on children's development is the supply of good quality settings, not simply the supply of places. Our recommendations reflect this: we set out one primary recommendation on sequencing below, followed by a set of supporting measures that could help build the conditions for a successful, evidence-led and quality-first rollout.

Sequence the expansion by quality and age

Policymakers should resist fast-tracking funded universal access for infants under two until the quality and structural deficits within the core two-to-four-year-old cohort are resolved. Adding infant care to a system that cannot currently supply enough highly rated places for its existing cohort risks disrupting supply further and diluting standards. There is a real risk of undermining progress rather than building on it: expanding provision for two-to-four-year-olds stands to make efficient use of existing capacity, but this gain could be lost if the sector is simultaneously asked to absorb a rapid rollout for under-twos. This risk extends beyond infant provision. The early years sector is already contending with workforce shortages, funding constraints, and limited physical capacity, and a rapid national rollout for under-twos risks placing unsustainable strain on a system with little room to absorb it. If providers are stretched too thin trying to meet capacity demands for under-twos, core provision for two-to-four-year-olds could suffer too, driving down place availability and quality standards across the entire sector.

To make this sequencing actionable, the Welsh Government should define the specific quality and capacity thresholds in the two-to-four cohort that would need to be met before under-two provision is expanded, for example, a target share of highly rated places, or resolution of the current data blind spot on unrated settings. The Welsh Government should also establish a shared, sector-wide definition of high-quality practice, particularly for infants, that clearly balances structural enablers (qualifications, ratios, retention) with process quality indicators (warmth, responsiveness, emotional consistency), so that "quality" is something the sector can

be planned for, funded and evaluated against rather than assessed only at inspection.

Supporting recommendations

The following recommendations could help build the conditions for a successful, quality-first rollout. We are less certain about the specific design of each than we are about the sequencing principle above, and would welcome the opportunity to test and refine these with the Welsh Government and sector partners.

Data and monitoring

Policymakers must eliminate systemic data blind spots and evolve quality monitoring mechanisms. Care Inspectorate Wales should be supported to rapidly evaluate the 26% of currently unrated providers to give ministers a complete view of national capacity. The Welsh Government should explore lighter-touch, complementary assessment tools designed to evaluate frontline process quality on a more ongoing basis rather than relying solely on infrequent formal inspections.

Capital infrastructure

Capital infrastructure investments must be both localised and deprivation-weighted. Unmet demand is concentrated in five local authorities – Cardiff, Bridgend, Rhondda Cynon Taf, Swansea and Newport – which account for 46-53% of the national shortfall across the range of uptake scenarios we modelled. These areas should be the focus of granular infrastructure audits to determine whether physical venue shortages, workforce recruitment barriers, or operational funding gaps are the key constraint in each area. Any new capital investment should also be tied explicitly to quality: new or expanded settings should be built to a standard that provides safe, stimulating environments suited to supporting learning and development across all ages. But authority-level targeting is not sufficient on its own: availability of highly rated places varies enormously at the neighbourhood level even within local authorities performing well overall. Additional targeting analysis should be done to understand how to allocate within authorities, so that meeting an authority-wide target does not mask underserved pockets within it. Nesta's model is set up to conduct this analysis and we would gladly work with the Welsh Government and local authorities to refine it or share more in-depth findings.

Workforce and leadership

The Welsh Government should launch a targeted national initiative to upskill childcare leaders and elevate workforce qualifications, with a specific focus on infant care and alongside genuine investment in the autonomy, pay, and

professional status of the existing workforce. Given that leadership and management accounts for nearly three-quarters of isolated setting downgrades, targeted management support represents an efficient mechanism to unlock higher quality across hundreds of existing settings without new capital spend. For baby rooms specifically, the Welsh Government should test higher qualification thresholds for baby room leaders (for example, Level 4/5 or graduate-level standards) to directly protect the neurodevelopmental health of under-twos.

Childminders

The Welsh Government should invest in strengthening and growing the childminder workforce as a distinct priority, given childminders make up 38% of childcare settings and may be a more developmentally appropriate model for infants and toddlers. This could include:

- Evaluating recruitment pathways and the future childminder pipeline, and understanding why qualified childminders are not currently in practice
- Exploring how existing childminders can be better retained and supported
- Designing funding models that specifically incentivise childminding capacity for younger children, and for lower-income and rural families
- Exploring the removal of known structural barriers, such as tenancy or housing association clauses that prevent childminding businesses operating from social housing

Nesta, through its A Fairer Start mission, is fully committed to supporting the Welsh Government, local authorities, and frontline practitioners as an expert analytical and delivery partner. By combining rigorous data modelling, behavioural insights, and early childhood expertise, Nesta stands ready to collaborate on designing adaptive pilot programmes, evaluating frontline quality mechanisms, and building an early childhood system that gives every child in Wales the foundation they deserve.

Appendix

Appendix A: Evidence review methodology

Key question

What are the primary socio-economic and structural barriers preventing low-income families from utilising childcare, and how will the removal of employment-based eligibility criteria change uptake patterns?

Scope

The review's geographic scope covered Wales; comparative analysis of England and Scotland; Quebec, as an example of a low-fee, bilingual universal system; European systems, particularly the Nordic countries, Estonia, and Italy; and selected US states.

Search strategy

We searched for key terms via Google Scholar and Nesta's own Policy Atlas tool, an AI tool that significantly reduces the time and effort needed to explore, synthesise, and apply relevant evidence in policy development.

Research questions

1. What are the key barriers to uptake of current childcare offers for working and non-working families, and how might removing employment-based eligibility criteria change uptake patterns?
2. How does the developmental and educational impact of childcare vary between infants (from nine months) and preschoolers (aged three to four), particularly within lower-income households?
3. How do demographic characteristics – including income, ethnicity, and additional learning needs, and their intersection – affect childcare uptake, and what evidence exists on the effectiveness of universal childcare in narrowing the school-readiness gap for these groups?
4. How does universal childcare affect the labour market and household incomes, including maternal labour supply, the participation tax rate, and take-up of further education or training?

Whilst the literature review was fairly expansive, we only report on the findings most relevant to this report.

Appendix B: descriptive and quantitative analyses of current and future availability of childcare in Wales

B1. Data sources and processing

Childcare settings

Data are drawn from the Care Inspectorate Wales, which provides data for childcare settings across Wales. Our analysis was conducted in the summer of 2026, using the most recently published data. This analysis included two types of settings: children's daycare and childminders. Settings were excluded if they offered out-of-school care (school-aged children only), or creche (short drop-in sessions). Data additionally included whether each setting was classified as a Flying Start provider, as well as the maximum number of places available at each setting. This analysis estimates the number of children that have a childcare place available to them.

Definition of highly rated childcare settings

The Care Inspectorate Wales provides quality ratings across four domains: well-being, care and development, environment, and leadership and management. Settings are rated as poor, adequate, good, or excellent in each of these domains. If a setting was rated as good or excellent in all four domains, that setting was considered highly rated. If a setting received a rating of poor or adequate in one or more domains, or was unrated in one or more domains, the setting was not considered to be highly rated at this stage.

Population estimates

Data for population estimates at the Lower Layer Super Output Area (LSOA) level were drawn from publicly available data from the Office for National Statistics and Children in Low-Income Families (CiLIF) local area statistics, using the most recently published data. An LSOA is a small geographic region, designed by the Office for National Statistics, containing approximately 1,000 to 3,000 individuals. The final dataset for population estimates contains estimates of the number of total children living in each LSOA (by single years of age), the number of children in relative poverty living in each LSOA, and the number of total and low-income children of working and nonworking parents and caregivers living in each LSOA.

To estimate the number of children with working parents and caregivers in each LSOA, we used MSOA-level data (middle layer Super Output Area, made up of a cluster of LSOAs), derived from the 2021 census. To produce LSOA-level estimates, we assumed that the proportion of 1-4 year-olds with working parents and caregivers is constant across all LSOAs within a given MSOA.

Adjusted population estimates

To approximate the currently eligible population for childcare places in each LSOA (ie, via the Childcare Offer for Wales, and Flying Start provision), the number of 3-4 year-olds with working parents and caregivers in each LSOA were summed. For Flying Start providers, the LSOA containing that setting was flagged as a Flying Start LSOA; for those LSOAs, the total two year-old population in that LSOA was additionally included in the eligible population in that LSOA. Given that the low-income and total population estimates came from different data sources, there were instances in which the estimate for the number of low-income children in an LSOA was larger than the corresponding estimate for the total children living in that LSOA. In these cases, the low-income population estimate was used as the total population estimate for that LSOA.

To approximate the forecasted eligible population under Plaid's proposed childcare expansion down to 9-month-olds, the number of 1-4 year-olds was summed, as age data were not available at the granularity of months. Assuming take-up rates of 73% for 1-2-year-olds and 93% for 3-4-year-olds (based on the childcare expansion in England), the 3-4-year-old population was adjusted by 93% and the 1-2-year-old population by 73%.

B2. Methodology for take-up scenario modelling

The four take-up scenarios presented in this report were developed using the following data sources and calculations. Due to data constraints, this modelling is restricted to children aged 1-4 and excludes the 9-11-month-old cohort that would ultimately be eligible under the full proposed expansion. The 1-4 population used also includes some children who will already have started reception rather than remaining in early years provision, since age data was not available at a finer granularity within the 3-4 cohort. These two issues may partially offset each other – one excludes younger eligible children from the model, the other includes some older children who are technically no longer in scope – and may therefore roughly cancel out.

No change in demand (43% take-up for 3-4s, 79% take-up for 1-2s)

This model assumes uptake rates remain consistent with the current childcare and Flying Start childcare offers.

For 3-4 year olds, current uptake was calculated as the number of 3-4 year olds who took up the offer in 2023/24, divided by the estimated number of eligible 3-4 year olds (based on 2021 census data, adjusted for changes in birth rate).

For 1-2 year olds, uptake of the Flying Start offer was taken directly from StatsWales data, summed across the three phases of the Flying Start childcare rollout.

10% increase (53% take-up for 3-4s, 89% take-up for 1-2s)

This model builds on the Current demand scenario, assuming that removing current eligibility criteria would boost uptake by 10 percentage points across both age groups.

Flying Start uptake (86% take-up for all ages)

This model assumes the new offer might achieve uptake rates similar to the current Flying Start scheme. For both age groups, uptake is assumed to be 86%, in line with baseline data from the Flying Start scheme, where 85.5% of eligible children have currently accepted either a full or reduced childcare place.

Although Flying Start is targeted to specific postcodes and age groups, we have assumed that this figure provides a robust, real-world proxy for anticipated demand once eligibility restrictions are removed.

Note on the difference between the 79%, 86% and 89% uptake figures for 1-2s under our first three scenarios: Three of the take-up rates for 1-2 year-olds (79%, 86%, 89%) are close in value but drawn from different data. The 79% figure is a blended rate combining Flying Start childcare uptake across all three phases of the rollout to date. The 86% figure comes from Welsh Government's own most recent published analysis of Flying Start childcare, covering April 2024 to March 2025, and is the figure Welsh Government has itself reported in its latest statistical release. The underlying between these two figures lies in how eligibility is defined. We have therefore retained both e as distinct scenarios rather than resolving them into a single figure. 89% then adds a further 10-point increase on top of the 79% baseline.

Full participation (100% take-up for all ages)

This scenario models the universal offer at maximum take-up: all children in Wales aged 1-4 have a childcare place available to them.

B3. Modelling approach

Calculation of catchment areas

Providers with postcode data

Postcodes were geocoded to obtain latitude and longitude coordinates of these providers. Using these coordinates, catchment areas were calculated around each childcare setting via the TravelTime API. Following Ofsted's methodology, catchment areas were calculated by reachability within 25 minutes of public transport, 15 minutes walking, and 15 minutes driving.

Providers without postcode data

Postcode data were not available for childminders. For these settings, catchment areas were taken as the smallest geographical unit containing the setting, drawn from three options: a town or city, a built-up area, or a local authority, drawn from publicly available data from the Office for National Statistics.

For each provider, the Output Areas intersecting with the calculated catchment area were identified as the areas where eligible children could live and access that provider.

Flying Start providers

For children's daycare settings that had postcode data available, if the setting was flagged as Flying Start, that setting's catchment area was defined as the LSOA containing that postcode. Childminders did not have postcode data. For the 191 childminders that were flagged as Flying Start, their catchment area was defined as a random draw of one of the Flying Start LSOAs that overlapped their original catchment area, selected at random on each availability estimation run. There was one setting without postcode data which, although flagged as a Flying Start setting, had no Flying Start LSOAs in its catchment area. This setting retained its original catchment area.

Simulation of availability of childcare places

The simulation analysis was carried out as follows:

- For each childcare setting, locations were simulated within their reachable catchment areas to represent where eligible children might live.
    - If a setting had postcode data, locations were drawn from a Gaussian decay function centred on the setting, with the standard

deviation set to half of the catchment's radius, so that locations closer to the setting were more likely to be sampled.

    - For settings without postcode data, locations were drawn randomly within the catchment area.

- Each simulated location was matched to the output area containing it, and from there to the LSOA it sits in. A child from that LSOA was then allocated to that setting. The LSOA's remaining eligible population was decremented by one, and the setting's allocated count was incremented by one.
- This process was repeated until either all available places in that setting were filled, or there were no remaining children in LSOAs overlapping with the setting's catchment.
- For each allocated child, a probability draw was made to record whether the child was from a low-income background, using the proportion of low-income children remaining in that LSOA.
- Additionally, the number of children in each LSOA allocated to highly rated childcare places was recorded.
- The simulation was repeated 200 times, based on stability estimates indicating that estimates converged after 200 simulations.
- The proportion of the LSOA population with a place available to them was calculated as the number of children in an LSOA that were allocated a place at a childcare setting/the number of eligible children living in that LSOA.
- The number of children without a place available to them was calculated as the number of eligible children in that LSOA minus the number of children allocated a place by the simulation.

B4. Limitations and assumptions of our quantitative analyses

These utilised data sources and methods have some inherent limitations and rely on a number of assumptions.

Individual circumstances and preferences

The simulation allocates children to settings based on proximity and available capacity within a catchment area. It does not account for the fact that a child's real chances of taking up a place – or being offered one – may differ depending on individual circumstances and preferences that our data does not capture. This

includes, but is not limited to: additional learning needs, which may mean a family needs a setting with specific provision or expertise rather than simply the nearest available place; low income, which may affect a family's ability to cover the non-funded portion of hours, transport, or other associated costs even where a funded place is technically available; a family's ability to navigate application and registration processes, which can vary based on confidence, time, digital access, or familiarity with the system; and language requirements, including the availability of Welsh-medium provision or providers able to support families whose first language is neither English nor Welsh. Because the model treats all eligible children within a catchment area as equally likely to be allocated a place, it likely overstates effective access for children facing one or more of these additional barriers, and understates the extent to which access is unequally distributed even within areas that appear well-served.

Data and location limitations

Childminders' catchment areas are based on the smallest available geographical unit rather than an exact location, which could overestimate their true reachability. Catchment areas capture areas reachable within given time thresholds but cannot account for where children actually live within those areas, meaning calculated catchments may extend into areas where, in practice, no eligible families reside.

Using MSOA-level estimates to represent LSOA-level availability of working parents and caregivers risks masking significant variation at the LSOA level, since an MSOA typically contains several LSOAs that can differ in population size and provider access. More granular LSOA-level data does not exist for Wales for this age group, so there is no way to quantify how far individual LSOA estimates may deviate from the MSOA-derived figures. This means current availability estimates could be meaningfully over- or under-stated in either direction.

Population estimates are also based on the most recent small-area data available, from mid-2022, so children who were the relevant ages at that time have since aged out of the brackets used in this analysis, and we do not have access to more recent population estimates.

Modelling assumptions

The travel-time thresholds used (25 minutes by public transport, 15 minutes walking, 15 minutes driving) are fixed assumptions about reachability and may not reflect individual family preferences, or the difference between what is considered reachable in urban versus rural areas - rural families with fewer local options, for example, may be willing or need to travel further than these thresholds assume. The model also does not account for the specific hours or times of year a childcare place may be available, and assumes any place is valid for a child of any age. We have also assumed that each place serves one child. The calculation of additional

settings needed further assumes that new providers will operate at the same average capacity as existing settings, that the current mix of provider types is maintained, that all new places will be filled, and that unmet demand remains static.

Scope exclusions

The model does not include informal childcare that is not registered with Care Inspectorate Wales, such as care provided by grandparents or other family members. It also excludes settings assessed by Estyn rather than Care Inspectorate Wales, as Estyn data does not specify the maximum number of places available for early years children specifically.

Further detail on this method, including additional limitations, is available in Nesta's published methodology for this approach.

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