

## Key data on early education and childcare

### Picture of the Sector:

- [Evidence shows](#) that high quality early education is effective at improving children's outcomes especially for the most disadvantaged children.
- [Childcare in the UK is a £6.7 billion sector](#) that supports the national economy and is a key part of our social infrastructure.
- There were [27,200 nurseries and pre-schools at 31 March 2021](#) - a decrease of 2% (400) since 31 August 2020. They provide 1.1 million childcare places for children.
- [Take up of funded two-year old places is at 62%](#), below the DfE's [target of 73-77%](#)
- Children from disadvantaged backgrounds are already 11 months behind their peers when they start at primary school and [evidence suggest that the gap has started to widen](#).
- MPs on the [APPG for Childcare and Early Education](#) have called for a catch-up premium of £2,964 per child, per year to ensure the early years sector can play its role in meeting the needs of our children and supporting parents getting back into work.
- Between April 2020 and July 2021 there has been a [net loss of 3,847 providers from the Ofsted early years register](#), of which 302 were non-domestic premises (eg nursery/preschool).

### NDNA Nursery Sustainability Research:

- **95.4% of providers say funding rates do not cover their costs** in delivering three & four year-old places while 78.8% of providers say the same for two year-old places
- The estimated **shortfall in funding is £1.87 per hour or £2,132 a year** per three & four year old and £1.57 per hour or £895 a year per two year old.
- 84.8% of providers expect to operate at a loss or break even this year. That's up from 54% in 2018.
- **39.1% of providers say they expect to operate at a loss** this year. This rises to 46.3% in areas of deprivation.
- Providers estimate that the **Government now funds 55% of hours** in settings – this makes it the largest purchaser of childcare places. In areas of deprivation, the proportion is much higher at 72%.
- **41.1% of respondents said that they had to increase the charges** for non-funded hours by more than 2% and 34.3% had taken out Government backed loans this year.
- The average nursery faces an **annual bill of £12,640 if business rates support is removed** from March 2022. 27% of providers currently operating at a loss say that would make them unsustainable and 41% who are currently breaking-even say it will push them into making a loss or closing.

### [NDNA Closures Research](#)

The rate of nursery closures increased by 35% between 2019/20 and 2020/21 and more than a third of closures (34.5%) were in the top 30% deprived areas. Over 11,000 children's places are affected by these closures.

Closures took place in areas with the lowest funding rates - 72.4% of closures were in areas receiving a funding rate of £5.00 p/h or lower.

### [APPG for Childcare and Early Education CSR asks](#)

MPs on the APPG have called for the Government to use the upcoming CSR to provide a catch-up premium of £2,964 per child, per year, under the 30-hours entitlement to ensure the early years sector can play its role in meeting the needs of our children and supporting parents getting back into work.

They have also recommended a review of early years funding covering six key areas:

- A multi-year funding settlement to allow providers certainty and planning over the coming years.
- Developing a mechanism for funding allocation to address rising costs, especially ensuring providers can pay early years professionals the National Living Wage.
- Simplifying the funding system to ensure that Government funding follows child and that parental understanding around the entitlement is improved, especially for two-year olds and tax-free childcare.
- Ensures effective use of public money and maximum investment in children's early education and care by minimising barriers like VAT and business rates on providers delivering publicly funded places.
- All allocations of early years funding are undertaken considering of the needs of children with SEND across all settings.
- Setting out a clear vision for the early years and childcare workforce and a restatement of the crucial importance of achieving a well-qualified, high status and better rewarded professionals.

### **Other views on early years funding:**

- [The National Audit Office](#) cited a number of issues with the DfE's costing methodology saying "*the Department's studies potentially under-stated the average hourly cost.*"
- [The Treasury Select Committee in 2018](#) recommended that: "*The Government must ensure that the hourly rate paid to providers reflects their current costs... [and] is updated annually in line with cost increases. Setting the funding level with reference to wage and overheads data that is more than five years old is unsatisfactory.*"
- [The Low Pay Commission](#) has previously highlighted that childcare providers are 'price-takers' saying in their 2020 report, "*Childcare has continued to face similar issues to the care sector, caught between a flat funding settlement (albeit with some extra funding in the most recent year) and rising employment costs.*"
- [The DfE's own research](#) showed that, before Coronavirus, 54% of private providers and 74% of voluntary providers were either making a loss or just breaking even.

**About NDNA** – We are the national charity representing private, voluntary and independent (PVI) children's nurseries across the UK. We are the voice of the 24,000-strong nursery sector, an integral part of the lives of more than a million young children and their families.