



Cymru
National Day Nurseries Association

2018 Nursery Survey Wales



www.ndna.org.uk

***Brighter thinking
for early years**

Executive Summary

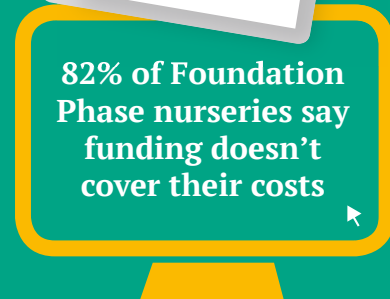
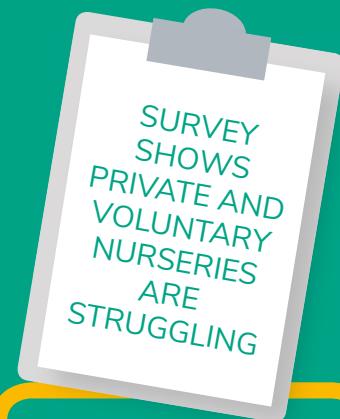
Stabilise the sector for 2020

Our annual survey this year shows nurseries are more optimistic about the Childcare Offer for Wales than they have been for some time.

The Welsh Government places great importance on early years and childcare, recognising the crucial role it plays in the lives of families in Wales. Affordable, available, and accessible childcare provides opportunities for child development and gives families much needed support with childcare costs. NDNA supports the Welsh Government's ambitious plan to expand Government funded early years education and childcare but there are however issues to resolve.

Increases in the National Living Wage and difficulties with staff recruitment and retention are affecting nurseries' business confidence and pose the biggest challenge for the sector. Making a surplus or a profit was the second biggest challenge facing the sector this year. The Welsh Government must reassure the sector that the funding rates they give providers will keep track of increases in wages along with other rising costs such as utilities bills, year on year.

This year's survey shows the majority of respondent nurseries in receipt of early education funding – Foundation Phase – still experience funding shortfalls. This was the third biggest challenge for nurseries, threatening sustainability and quality across the sector. With local authorities capping low funding rates, combined with the need to keep fees affordable for parents, private and voluntary nurseries are struggling.



While the Welsh Government's business rates relief plan is set to support many providers, high business rates remain a significant burden for the majority of nurseries in the sector. A number of nurseries called for extra help with business rates. More must be done to relieve this pressure.

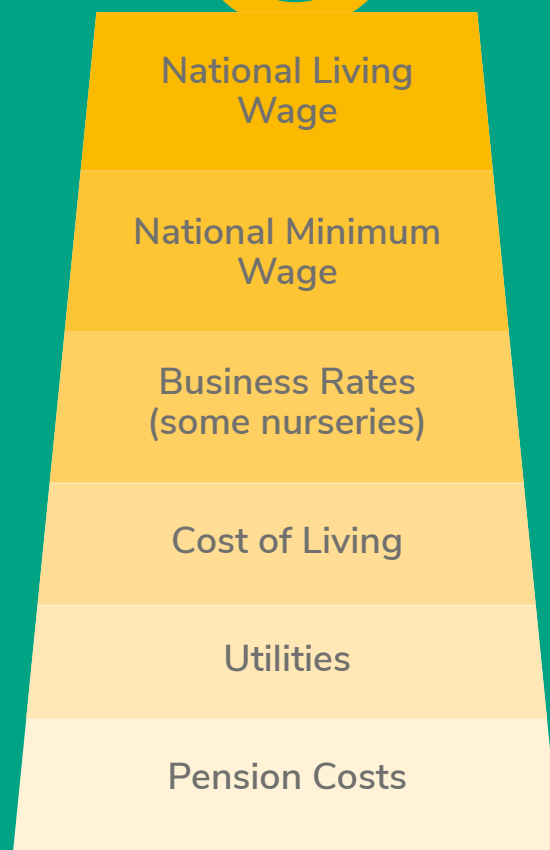
There remains a lack of true parental choice in respect of childcare providers, as many private and voluntary sector nurseries are not able to provide Foundation Phase places. This removes the option for a flexible, full day care place in a single setting for numerous families across Wales.

While the Childcare Offer for Wales is set to make a real difference to the lives of working families across the nation, nurseries still face challenges. As our survey shows, action is needed now to address these issues ahead of 2020, otherwise the programme will not be a success.

NDNA is calling on the Welsh Government to address poor funding rates from local authorities across Wales for the Foundation Phase programme so nurseries can cover their costs without hiking up fees for parents on non-funded hours. While the Welsh Government has recognised the need to support the workforce, they need to back up their words by giving nurseries the financial stability to be able to invest in recruitment and training.

At the heart of success is developing positive and strong partnerships between local authorities and the day nursery sector. This will be crucial to the Welsh Government's aim to deliver flexible, sustainable, year-round places for working families.

2018 COSTS



TOTAL BURDEN

Childcare offer for Wales: Nurseries feeling more optimistic

The Welsh Government's flagship Childcare Offer, providing 30 hours of funded early years education and childcare for all three and four-year olds for up to 48 weeks per year, is currently being piloted with full roll out across Wales by 2020.

According to this year's survey results, the sector is more optimistic, with the majority of nurseries saying they are likely or very likely to offer the scheme. The majority (59%) of those already delivering the 30 hour places through local authority pilots report that the £4.50 funding rate, alongside the permitted additional charges, are in line with costs at present. A total of 41% however say that this figure is less than their usual fee.

Shortfalls in Welsh Government funded early years education – Foundation Phase – places nevertheless remain, and as a result, nurseries are still having to push up fees for parents to recover their losses. Delivering a sustainable Foundation Phase offer has become the third biggest challenge facing nurseries this year with the majority of providers stating funding rates do not cover their costs of delivering the programme.

NDNA believes the Welsh Government has the perfect opportunity to demonstrate its long-term commitment to early years education. Ahead of 2020, the Welsh Government should seize the initiative to secure sufficient funding so nurseries can continue to provide sustainable, flexible, and high-quality early years education and care for children and parents.



87%

LIKELY OR VERY LIKELY TO GET INVOLVED IN CHILDCARE OFFER

97%

THINK THE FOUNDATION PHASE RATE **SHOULD BE THE SAME AS** THE CHILDCARE OFFER RATE



51%

OF NURSERIES CONCERNED CURRENT FUNDING WILL NOT COVER FUTURE COSTS

41% OF NURSERIES SAID THAT THE £4.50 FUNDING RATE IS LESS THAN THEIR USUAL FEE

Top three concerns

We asked nurseries what their biggest challenges are in 2018:

1. RISING STAFF WAGES

For the first time, higher staff wages, driven by increases in the National Minimum and National Living Wages, are having the biggest impact in Wales on nurseries ability to operate sustainably.



2. MAKING A PROFIT OR SURPLUS

Low Welsh Government funding rates coupled with higher staff costs are impacting business confidence. In the medium to long term, this presents a risk to nurseries' quality and sustainability.



3. DELIVERING A SUSTAINABLE FOUNDATION PHASE OFFER

This has become one of the most pressing challenges for the sector compared to previous years. Hourly funding shortfalls, and the challenge of keeping fees affordable for parents, are a risk to nurseries' business sustainability. This also caps workforce pay, contributing to recruitment and retention issues in the sector.



NDNA Recommendations

To address these concerns and protect quality, sustainable childcare provision, NDNA is calling on the Welsh Government to:

INCREASE THE CURRENT HOURLY FUNDING RATE FOR FOUNDATION PHASE, ENSURING IT ALIGNS WITH THE PRESENT CHILDCARE OFFER FOR WALES

Sustainable, flexible, expanded Welsh Government funded early education and childcare is only achievable with the right funding levels. Ensuring the same rate for both programmes will allow for continuity, reduce administrative burdens on providers, and provide nurseries with sufficient funding to recruit and retain a high-quality workforce. The rate must increase with inflation to support the sector going forwards, boosting confidence to help deliver the full 30 hours of the Childcare Offer for Wales in 2020 for 48 weeks of the year, in line with costs. All childcare funding must increase year on year in line with increased delivery costs.

GIVE ALL DAY NURSERIES 100% RELIEF ON BUSINESS RATES

NDNA welcomes the Welsh Government's small business rates relief scheme which is set to benefit many nurseries across Wales. While this is a step in the right direction, our research nevertheless suggests more than four in ten private nurseries may miss out. To relieve the additional pressure on the sector, we would like to see further support made available to those who fall outside of the rates threshold, supporting the sustainability of full day care nurseries in this challenging childcare market.



INCREASE INVESTMENT IN THE SECTOR TO SUPPORT THE TRAINING AND DEVELOPMENT OF NURSERY STAFF

To meet the Welsh Government's ambitious Early Years Childcare and Play Workforce Plan, it is imperative the Welsh Government supports Continuing Professional Development for the early years workforce.



THE WELSH GOVERNMENT SHOULD BRING IN A 'CHILDCARE PASSPORT'

NDNA believes there needs to be a complete overhaul of the childcare and early education funding system. A Childcare Passport would be a single, parent-held account, bringing together all childcare funding schemes including: funded early years entitlements, Tax-Free Childcare, Childcare Vouchers, and Tax Credits/Universal Credit. A complex administrative system, coupled with different, complicated funding streams, with ever increasing paperwork, is taking qualified professionals away from their roles. NDNA welcomes Welsh Government statements that recognise the case for simplifying the funding process. Ministers should feel emboldened by our survey findings and put a plan in place to introduce a Childcare Passport.



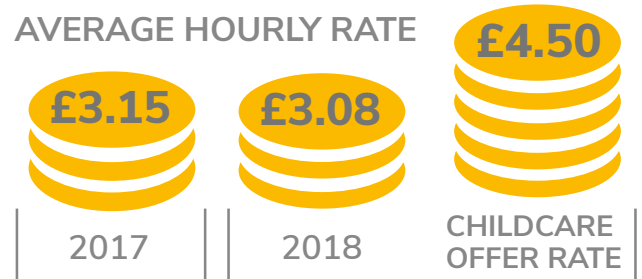
Key Issues - Funding

Three and four-year-olds

More than half (58%) of nurseries receive funding from their local authority for the Foundation Phase.

However, more than four in five respondent nurseries (82%) reported the hourly rate received from the local authority does not cover their costs for the delivery of early years education. The average hourly rate received by respondent nurseries is £3.08, less than 2017's figure of £3.15, and the lowest by a significant margin in the United Kingdom for the age group.

This is a pressing issue for the sector. More than two fifths (42%) of respondents said delivering a sustainable Foundation Phase offer was a significant or very significant challenge for their business.



Two-year-olds

Only a quarter (25%) of respondents receives funding from their local authority to provide Flying Start two-year old places.

While only a small number of respondents in this year's survey deliver 'Flying Start' and so were in a position to comment, nurseries told us that funding rates have improved. Nurseries receiving funding from their local authority reported rates averaging at £5.60. However rates vary depending on each local authority and individual nursery.



Plans for the 30 hour offer

This year, respondents were particularly optimistic about delivering the Welsh Government's Childcare offer for working parents.

The overwhelming majority (87%) of nurseries told us they are likely or very likely to offer places, with only 1% reporting they are unlikely to get involved. This is a marked shift from last year's results, where the sector was more divided.

At the same time, more than half the sector (51%) is concerned that the current funding rates will not cover business costs in the future, as they continue to rise.

A third of our respondents are currently delivering the piloted Childcare Offer. Of this proportion, four in five nurseries said the hourly rate of £4.50 per hour, per child, alongside the option of charging £7.50 per day for additional items, was about the same or in line with current costs.

Furthermore, almost a quarter (24%) of respondents said that delivering the Childcare Offer had helped with business sustainability.

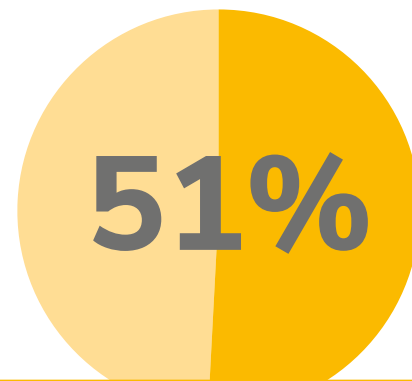
Given the relatively positive attitude in the sector, the overwhelming majority (97%) believe the rate for the delivery of the Foundation Phase should be the same as the Childcare Offer.

This would enable all nurseries to retain the full hourly rate, and would ensure continuity in funding. Having two different rates, one for early years education in the Foundation Phase and one for the Childcare Offer would place an unnecessary administrative burden on providers.



87% LIKELY OR VERY LIKELY TO OFFER PLACES

ONLY 1% UNLIKELY TO GET INVOLVED



ARE CONCERNED THAT CURRENT FUNDING RATES WILL NOT COVER BUSINESS COSTS IN THE FUTURE

97%

THINK THE FOUNDATION PHASE RATE SHOULD BE THE SAME AS THE CHILDCARE OFFER RATE

Key Issues - Funding

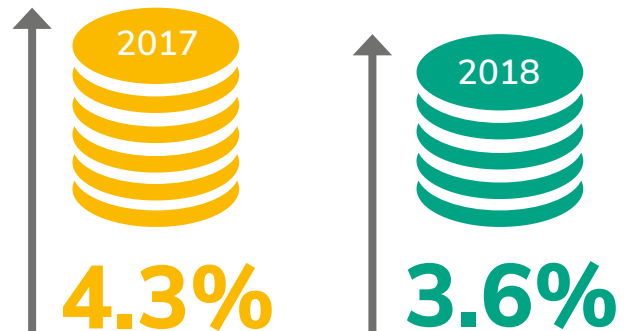
Fees and charges

Fewer nurseries intend to increase their fees this year (72% compared to 77% in 2017) and fee increases are set to be smaller than recent years.



PERCENTAGE OF NURSERIES INTENDING TO INCREASE THEIR FEES

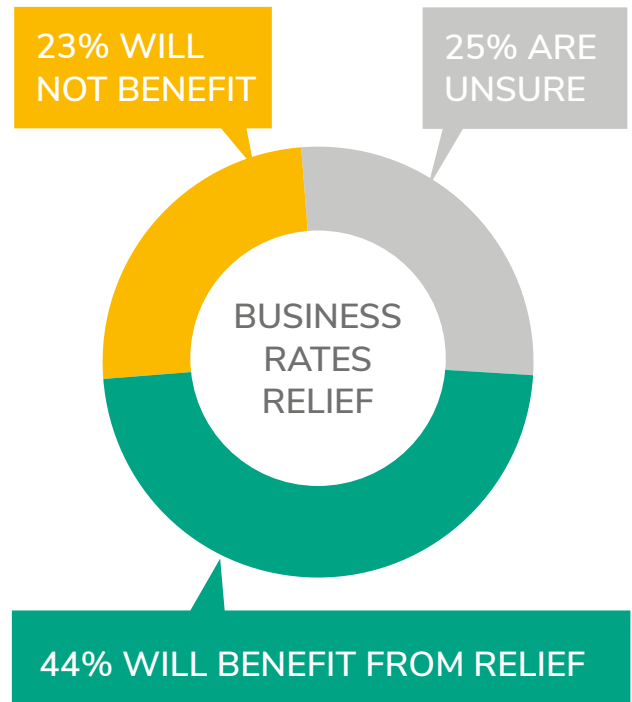
Nurseries intending to increase fees anticipate rises of 3.6% compared to the 4.3% reported in last year's survey, to keep fees affordable for parents.



Business burdens

Following NDNA Cymru's influencing and advocacy work in 2017-18, the Welsh Government announced a small business rates relief scheme. This was positively received by the sector. Almost half (44%) of respondents said their businesses will benefit from additional rate relief. Of this number, 40% said it would help them to sustain a healthy business. However, more than a fifth (23%) of respondents are not set to benefit whilst a quarter are unsure.

Nurseries said their second biggest challenge in 2018 was making a profit or surplus. As such, total exemption from business rates would make a real difference to their business confidence, and is a priority for the sector.



Key Issues - Workforce

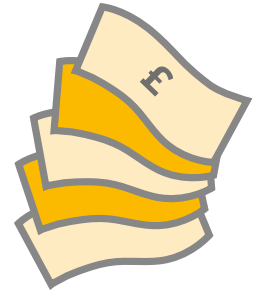
Wage increases

Increases in the National Minimum and National Living Wage rates are continuing to put pressure on nurseries' staffing costs. In fact, increases in staff wages was cited as the most pressing challenge for nurseries in Wales this year, with average total increases in payroll costs of 6% reported.

Recruiting new staff and retaining existing staff is also a problem for providers, with 40% of nurseries saying this was challenging or very challenging. Low funding coupled with the challenge of keeping fees affordable for parents has capped pay for the workforce, contributing to a recruitment and retention crisis in the sector. Nurseries are also finding it difficult to afford to pay for staff training with more than half (56%) reporting concerns.

6% ↑↑↑↑↑

AVERAGE INCREASE
IN PAYROLL COSTS



40% FIND RECRUITING AND
RETAINING STAFF CHALLENGING
OR VERY CHALLENGING

What do nurseries need?

Key recommendations

Our key recommendations to the Welsh Government are:

1. Increase the hourly funding rate for Foundation Phase, ensuring it aligns with the Childcare Offer for Wales.
2. Give all day nurseries 100% relief on business rates.
3. Increase investment in the sector to support the training and development of nursery staff.
4. Wales should bring in a 'Childcare Passport' to combine all funding streams and make access easier to navigate for parents.
5. Reassure the sector that the funding rates given to providers will be in line with increasing business costs.

Survey Details

The survey was conducted online in March and April 2018. The survey received 115 responses equivalent to 24% of all full day care settings in Wales. Single-site nurseries made up 80% of respondents and 20% were in nursery groups of two or more sites. Responses were received from nurseries covering all local authority areas in Wales, with the majority of respondents (92%) from private sector nurseries, and 8% from the not-for-profit sector. Note: figures throughout the report may not total 100% due to rounding.



Cymru
National Day Nurseries Association

Who we are

NDNA is a national charity representing children's nurseries across England, Scotland and Wales. At NDNA we don't just provide nursery membership, lobby government and offer training, we are dedicated to making a difference. We are the voice of the sector, which totals 21,000 nurseries and employs 250,000 people – an integral part of the lives of one million children and their families.


National Day Nurseries Association


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