

Case study: Wrexham Nurseries - the impact of low funding rates for Childcare Offer.

Since April 2019 eligible parents of 3 and 4 year olds have been able to claim up to 30 hours of early education and childcare a week for up to 48 weeks a year. The aim of the Childcare Offer has always been to support parents from all over Wales to return to work and in September 2022 the scheme was extended to parents who were in education or training.

Since January 2023 providers have been able to access payments via the National Digital Childcare Offer Service. This followed an increase of the rate by 11% from £4.50 to £5.00 per hour in April 2022. Welsh Government have also offered support to providers through the Small Capital Grants Scheme which is administered through Local Authorities and supports settings with capital resources and improving and maintaining their environment.

While these changes have been broadly welcomed the cost of living crisis, issues with recruitment and retention of staff and increased competition from maintained nurseries are seriously affecting the sustainability of settings. In March 2023 NDNA Cymru published a survey of its members with responses from 73 nurseries across Wales. Of these 88% expected to make a loss or break even. 90% of nurseries said the funding rate for the Childcare Offer of £5.00 per hour/per child was insufficient to meet their delivery costs with an estimated shortfall of £2.60 per hour/per child. Minimum wages have gone up by at least 10% pushing the average salary bill up by almost 15% after factoring in differentials for qualifications and experience.

In addition each Local Authority operates their own set of rules regarding the implementation of the Offer. For example Wrexham only offer early education funding in the non-maintained sector during the spring and summer terms meaning some parents of summer born children have to accept a place in a school nursery class or miss out on their entitlement for that term. Powys continue to use a formula to calculate funding rates that results in less than £5.00 per hour for full day care settings.

The following case studies have been obtained from a variety of full day care settings that come under Wrexham Local Authority. They have been selected for this case study to provide the experiences of nurseries of different sizes and legal structures. However all show the increasing difficulty in providing a high quality sustainable service on low funding rates.

Abbeyfield Day Nursery

Abbeyfield Day Nursery is registered with Care Inspectorate Wales (CIW) to provide full day care for up to 40 children. They have a nursery for babies and toddlers and a pre school room for older children.

Up until the Autumn term half of the children in the preschool room were accessing the Childcare Offer funding. Twelve children accessed the funding during term time and five children used the funding to access the holiday club. While these figures have remained consistent over the last few years, there is always a significant drop in the Autumn as many children leave to take up nursery places in schools.

“This September is the lowest numbers we’ve had in a long time; we’ve lost 18 to school.”

Of the seventeen children accessing Childcare Offer funding this year, 75% attend for additional hours on top of their funded hours with parents paying fees at the full rate of £47.00 a day. This will go up to £50.00 a day or £5.00 an hour in October. This is a substantial increase for parents to find.

Running costs for the nursery have increased by 20% over the last 12 months. The nursery now spends around £130 a week on food, and they do not charge for nappies or extras like offsite activities. The rent is expected to rise again this year, and the nursery is concerned that if Business Rates are reintroduced, they will not be able to manage.

“The rent is increasing and our ratable value, I am very worried they will reintroduce business rates because that will make a huge difference.”

However, the main concern is with increased staffing costs. The nursery has addressed recruitment issues by employing apprentices, however the remainder of staff are still paid at just above the statutory National Minimum Wage or National Living Wage. These have risen by around 10% from 2022/23 to 2023/24 and the Chancellor has announced plans to make the Living Wage at least £11.00 from April 2024. Low funding rates and increases in the National Minimum Wage mean they cannot pay the wages to staff they deserve and will ultimately have an impact on the long term sustainability of the nursery.

“We can’t afford to pay above National Minimum Wage.”

The nursery has had to restructure its staffing arrangements while they are quiet during the autumn months. However, this is not sustainable in the long term.

“We have had discussions about cutting hours for the staff.”

At the moment the nursery can maintain a high quality service for the children in its care and there has been no reduction in resources or standards. However, the nursery has serious concerns about its sustainability.

“If the funding stays low and the National Minimum Wage keeps increasing and we cannot differentiate between levels of qualifications we could be in trouble in the future.”

Active Childcare.

Active Childcare operates two nurseries in the Wrexham Area, Rossett House and Little Scholars. They offer full and part time care for children from 6 weeks old to school age.

Little Scholars is based in the grounds of Glyndwr University, and they have noticed an increase in numbers this year as students in full time education have been allowed to access the Childcare Offer. 80% of their 3-4 year olds are funded by the Childcare Offer. At Rossett House 56% of their 3-4 year olds receive a funded place. They have not noticed the same increase as a result of student parents being eligible and find that numbers can fluctuate each year depending on birth rates and how many children are likely to take up a nursery place in school. This makes it difficult to plan ahead, particularly where staff are concerned..

"It depends on how many children are born between the relevant months that can claim for it, so some years there may be more and other years less. It also depends on if the children attend nursery school rather than staying at the setting."

Both nurseries are funded for early education and can provide up to 10 hours of early education a week during the spring and summer term for children receiving Childcare Offer funding. Since COVID more parents are choosing to send their children to school for Foundation Learning as they are able to access the full 30 hours of funding. Children who have been with the nursery since they were babies are now having to move to nursery education in a school. The nursery is concerned that these children will struggle with this transition at this stage in their development and the hard work the nursery staff have put into settling the children and planning for their learning and development will be lost. The parents of these children have indicated they would prefer to keep their children at the nursery and access early education there, however they feel forced to relocate their children because of financial pressures.

"...a lot of families choose to go to school so they can access their full 30 hours which I think means they don't therefore stay with us. I think if they were able to access the 12.5 hrs that goes to the school here then quite a few of them would stay where they are settled."

This situation is exacerbated by the fact that Wrexham only allows parents to access early education funding in non-maintained settings in the spring and summer terms. Even so, 4 families out of a cohort of 20 have chosen to keep their children at the nursery rather than accept a school place. They recognise that the high quality care their children have always received cannot be achieved in a school setting.

Moving children to a school nursery class also has a knock on effect on costs for parents who find wrap around care expensive and not always available for the hours that they work.

"Parents are having to choose cost over quality and often school wrap around doesn't provide them with the hours they need so they then have to struggle to reduce hrs at work thus exacerbating the cost of living further."

Active childcare does not offer wrap around care at their nurseries as it is not viable given their position. They would need to take at least 2 members of staff out of the ratio to supervise drop offs and pick ups from local schools as well as vehicle costs and insurance.

Fees for 3-4 year olds who are not funded are calculated on the number of hours they attend.

	DAY RATE	HOURLY RATE
Full Time	51.74	4.93
4 Day Week	56.35	5.37
Daily Rate	58.34	5.56
Short Day	47.45	6.37
Morning (5hrs)	36.46	6.62
Afternoon (5.5hrs)	34.19	6.80

Children who attend full time pay £4.93 an hour, however they require a full 5 days of full time attendance. Parents of children who only attend an afternoon session (5.5hrs) pay £6.80p/h. Just over half (56%) of the children attending these nurseries pay for further hours above their funded hours.

The nurseries are able to supplement this by charging £8.50 a day for food, out of an allowance of £9.00. This allowance has not altered to reflect the high levels of food inflation over the last 12 months.

The nurseries have been forced to increase their fees by 10.5% over the last 12 months. A substantial increase for parents. At the moment the fees for non funded children do not subsidise funded places, however, the nurseries are having to consider this.

“There is a strong possibility this will happen next year, due to the increase in wages and running costs, if the funding rate does not increase alongside these.”

Running costs for the nursery such as gas, electricity, PPE (Personal Protective Equipment) and craft supplies have risen by 50%. The National Minimum wage has also increased and staffing costs and rent form a major part of the nurseries' expenses and are areas that cannot be cut back or reduced further.

The nursery has had to cut back on staff and is no longer able to “overstaff” above NMS (National Minimum Standards) ratios.

“We always used to overstaff the setting, however due to financial restraints we are not in a position to be able to do this. This obviously has had a negative impact on staff wellbeing as it adds additional pressures.”

The quality of provision is also affected by the impact on the resources budget, meaning there is less choice in resources and significantly fewer extras such as going on trips.

The most significant financial pressures are on the recruitment and retention of staff. Although the nurseries can meet all regulatory requirements on staff ratios, they do not have the flexibility that supernumerary staff members offer.

“We have enough staff as per the NMS requirements but haven’t been able to purposefully overstaff the nursery like we have in previous years.”

Active Childcare have been actively advertising for qualified staff for nine months without success. The main reason for this is the low wage structure in childcare. Increases in the minimum wage, that have not been matched by funding rates, have made it difficult to maintain a differential between the wages of qualified and unqualified staff. They have had to take on unqualified staff and support them through gaining their

qualifications. This puts added financial burden on the nursery and increases the pressure on other staff and is unsustainable in the long term without the qualified staff to meet the ratios.

“It also impacts staffing – due to the low funding we are unable to pay our staff what they deserve. This is making recruitment and retention extremely difficult – if we can’t find or get staff then we would not be able to stay open.”

Low rates of pay have led to the nurseries losing two fully qualified level 5 staff to schools, which pay more and offer more family friendly hours. This impacts their ability to offer high quality provision and could stop them from registering with Wrexham to offer Flying Start funded places.

“I don’t blame them, they have families to support. But schools are benefiting from the investment we made in their training and we can’t replace them.”

Less qualified staff can achieve higher rates of pay in retail work without the considerable amount of pressure (from CIW and Estyn inspections, parents, schools etc) and training requirements such as Paediatric First Aid and Safeguarding. There is also a requirement to keep up with new initiatives such as the new curriculum for Wales and ECPLC (Early Childhood Play Learning and Care).

The low rate of funding will have a significant impact on the future sustainability of the nurseries and will increase the burden on families.

“I have major concerns over future sustainability – if funding doesn’t increase and we have to pass this onto to non-funded parents it will make childcare too expensive, and parents will have no choice but to not use us. We wouldn’t be able to remain open just for funded children as the funding doesn’t cover the cost.”

Playlands Day Nursery.

Playlands Nursery in Wrexham is registered for 35 children and also offers an out of school club for children up to the age of 12. They currently have 19 children who are receiving Childcare Offer funding. This amounts to 54% of all 3 to 4 year olds at the setting.

The nursery feels that as parents have become more aware of the Childcare Offer through promotion by the Local Authority and Family Information Service, they have lost children to nursery places in the local schools.

“Parents are more aware of the Childcare Offer as it is promoted through the Family Information Centre and our website and will chose a school to receive the full 30 hours in September.”

Because Wrexham only offers early education funding in non-maintained nurseries in the spring and summer terms many parents choose to access foundation learning in schools where they can access the full 30 hours.

“We lose nearly all our 3 year old children to school in September as parents are only able to access the 12.5 hours in a school setting in the autumn term.”

The nursery has a sliding scale of charges depending on the length of the session.

	DAY RATE	HOURLY RATE
11 hours a day*	55.00	5.00
10 hours a day	47.50	4.75
9 Hours a day	45.50	5.00
Sessional (morning or afternoons)	N/A	6.00

*The nursery is not currently able to offer 11 hour days due to staffing difficulties.

Fees will rise by 10% in September 2023 and the nursery is considering further increases in April 2024 in line with the National Living Wage increases.

“– we will increase our fees in September in line with the academic year and then increase them again for new parents who start in April next year and see if this will work for us – otherwise our fees would have to increase significantly in September this year and risk pricing ourselves out of the market.”

Increased running costs have been a major problem for the nursery. The costs of food and other essential items such as PPE and bathroom goods have increased considerably above the rate of inflation.

“– vinyl gloves in particular have increased by 3 times the price they were before Covid as well as paper towels and cleaning products – so has waste disposal and costs of repairs and refurbishments.”

By far the biggest cost for the nursery is staffing costs. A 9.7% increase in the National Living Wage means the nursery is facing a massive £52,000 increase in their wages bill.

“Wages went up by 30k in the year 2021-2022 and are set to rise by 52K this year due to the 9.7% NLW increase and the cost of the differential payment to higher qualified staff or with management responsibilities.”

The low funding rate for the Childcare Offer has had a significant impact on staffing at the nursery. It has become increasingly difficult to recruit qualified staff, a situation that is not sustainable in the long term.

“The rate of pay that nurseries can afford – given that the NLW has increased by 9.7% this year – does not attract qualified experienced staff that need to deliver high quality childcare.

NVQ level 3 and 5 qualified practitioners rarely apply to job adverts. To stay within staff ratios, we are employing young or inexperienced staff and training them ourselves.”

This has also had a negative impact on staff wellbeing, increasing the pressure on staff at a time when they are dealing with the Curriculum for Wales and the introduction of the ECPLC quality framework as well as increased mandatory training because of the updated National Minimum Standards.

“We are now delivering the New Non-Maintained Curriculum for Wales ...Meeting the needs of the individual child... and the way it is delivered. Creating an effective free flow environment indoors and out.

It is not the curriculum that is the problem but having sufficient competent staff to deliver it. Even with experienced staff, it is not easy to deliver the curriculum on a 1:8 ratio in a free flow environment and cater for

the children's personal and emotional needs. Many staff find the days long and exhausting, trying to fit in with the paperwork and care, and maintaining the environment, at the same time as delivering quality experiences for the children.

Ideally, we would be overstaffed to cover sickness absence and holidays....and to have staff available to cover toileting... maintaining resources.... cover for planning etc. However, staff wages and shortage of staff willing to work in childcare, for us means that we do not have that luxury."

At the same time as these increased pressures on the nurseries' finances many parents are also facing the cost of living crisis and are trying to minimize their costs by cutting back on hours and using grandparents to fill the gaps. All of this has a considerable impact on the viability of the nursery as a business and its future sustainability.

"Whether we remain sustainable is yet to unfold. staff wages have increased significantly in the last two years and its troubling to contemplate that what is needed, or required to pay staff whether through the NLW or to maintain quality will outstrip our ability to charge parents enough for their childcare to cover the increased costs."

Peter Pan Nursery.

Peter Pan Nursery is based at the Wrexham Maelor hospital and is operated by SHAP, a charity based in St. Helens which supports young and vulnerable people in Merseyside and Cheshire. The nursery provides full day care for up to 62 children aged from 3 months to 5 years. In July 2023, the nursery had 15 children aged 3 to 4 years who were accessing Childcare Offer funding, this amounts to 62.5% of all 3 to 4 year olds attending the nursery at that time.

The nursery is funded to provide early education, meaning that children can access up to 10 hours of education a week during term time.

The nursery has had to increase fees over the last 12 months and charges a variable rate for 3 to 4 year olds depending on the number of hours they attend.

	DAY RATE	HOURLY RATE
Full Day (11 hours a day)	58.25	5.30
8 hours	51.00	6.37
Morning/afternoon (5hours)	37.10	7.42
Hourly rate		7.42

Of the 15 Childcare Offer funded children 53.8% attend for additional hours paid for at the full rate by parents/carers, which can place an additional financial burden during challenging times.

“Peter Pan effectively subsidise our funded places under the Childcare Offer. This is because the current rate of £5 an hour is insufficient to meet our actual cost of providing the service (7.42 an hour).”

Running costs for the nursery have increased by 11% over the last 12 months with staffing costs being a major concern. The nursery has also highlighted that the costs of supporting children with ALN (Additional Learning Needs) have increased substantially with the nursery spending £26789 in the last year on this alone.

“– we remain sustainable but vulnerable to further cost pressures if inflationary increases continue.”

However, the nursery has been determined to maintain its high standards and to offer high quality childcare. They have not cut back on staff or resources and have continued to support staff with training.

“We pride ourselves on offering age appropriate opportunities for education and development to all of our children and to fully delivering the new curriculum. Providing places under the Childcare Offer is therefore seen as an important part of that comprehensive offer.”

The constantly increasing financial concerns, from the cost of living to increases in the National Minimum Wage, have put the nursery under pressure and it has been forced to consider how it meets the needs of the children and their community in the future. It does not charge for extras such as food or off site activities.

“Several years ago, we took a clear decision to put delivering a quality service to funded children over making a profit. Whilst we have been able to achieve this within our overall budget every year has been more challenging than the last. Increasing cost pressures in 2023/24 have had a real impact and we are currently reluctantly reviewing our policy in relation to the Childcare Offer.”

Peter Pan nursery provides a valuable asset to the community and provided essential childcare and support to key workers during the pandemic. Its unique site and strong support from the SHAP charity mean that it has, so far, been able to maintain high standards and put the needs of children and their families first. However, the CEO of SHAP, Mark Weights, is clear about the pressures on childcare providers and the crucial role of Childcare Offer and other funded places in the sustainability of the sector.

“It is worth pointing out that Peter Pan is operated by a registered charity which means that we are able to balance quality outcomes against generating a surplus and potentially tolerate a lower return than a sole trader or commercial provider would be able to. Clearly generating some surplus is necessary but if we operated on a fully commercial basis, we would be unlikely to continue to provide funded places.”

The Childcare Offer supports working parents and provides high quality childcare and early education for 3 and 4 year olds across Wales. However, increases in the National Minimum Wage and recent inflationary pressures mean that many settings are subsidising the funded childcare places. This is clearly unsustainable in an already struggling sector. Providers are, therefore, having to increase fees for parents which places an increasing burden on family budgets and undermines the whole aim of funded childcare.

Further support and information

- <https://www.gov.wales/providers-get-help-childcare-offer-wales>
- <https://www.gov.wales/register-your-childcare-setting-get-childcare-offer-wales>
- [NDNA Cymru Survey](#)