

Submission from the National Day Nurseries Association (GRC0019)

Impact of Coronavirus on Early Years and Childcare

This submission from the National Day Nurseries Association aims to provide some general background on the impact of Coronavirus (Covid-19), and the measures in place to control its spread, on the early years and childcare sector. The submission looks at the background to the sector, some underlying issues present as the COvid-19 outbreak hit, measures impacting on the sector and future challenges.

This is a rapidly changing policy environment as the Government issues new guidance and information to providers. As such this submission may need to be updated as the regulatory landscape changes.

In answer to the Committee's specific questions we have provided some response below with more detailed briefing points following which set out some of the reasoning and data behind the responses.

NDNA can provide further information on these points should it be needed and can provide a spokesperson to give evidence to the Committee if needed. We can also support any engagement with members of NDNA who have direct experience of delivering emergency childcare or the challenges posed by Covid-19.

About NDNA:

- The National Day Nurseries Association (NDNA) is the national charity and the voice of the sector representing private, voluntary and independent (PVI) children's nurseries across the UK. NDNA provides information, training and advice that support nurseries and their 250,000 employees to deliver world-class early learning and childcare.
- NDNA's vision is for all children and families to flourish through excellent early years care and learning. Our mission is to lead and empower the early years and childcare sector so that nurseries and the early years workforce deliver sustainable and high quality care and learning.
- Working closely with local and national government, we advise and campaign on the cost, choice and quality of childcare to benefit children, nurseries, families and the economy.
- Research repeatedly shows that good quality early years education and childcare can help to narrow the attainment gap between disadvantaged children and their peers from more affluent backgrounds¹.
- NDNA believes that high-quality, accessible, flexible and affordable childcare has a central role to play in maximising children's opportunities as well as parents' ability to work and so support working families.

Specific Questions:

Do you have a sense of whether a large number of childcare providers might struggle to reopen due to financial pressures as a result of coronavirus?

NDNA gets feedback directly from our members through the communication they have with us, through regular member surveys and through a network of volunteer 'Local Network Chairs' who are providers themselves who coordinate local groups of NDNA members.

¹ See for example https://www.ippr.org/files/images/media/files/publication/2013/08/early_developments_August2013_11073_11073.pdf and https://www.suttontrust.com/wp-content/uploads/2017/09/Closing-GapsEarly_FINAL.pdf

Through feedback from members we believe that the majority are looking to try and re-open on or shortly after 01 June. Many have surveyed their parents to assess demand but the picture is very uncertain for them. There is a very varied picture across the country. We know that nurseries who have stayed open will look to increase the number of children attending because many have been operating at a loss to support critical worker children.

For those settings who did not have enough children to make staying open a viable option many have indicated that they are making preparations to open but we don't have quantitative information on this. The late notice of 28 May for whether it is still deemed safe for settings makes it more difficult as providers will need to un-furlough staff to prepare. If the announcement comes on the 28th that there-opening is delayed by less than 3 weeks they won't be able to re-furlough staff and bring them back in again in time so settings will run the risk of paying 100% of staff wages without being able to open.

Do you think prices might be driven upwards if, for example, capacity is reduced in light of social distancing or closures for economic reasons?

As set out below, there are several elements of the new operating landscape for providers that will drive up costs. These will include but aren't limited to:

- Increased infection control measures – for example buying disposable equipment and cleaning products more frequently and taking more staff time to clean and prepare settings
- Rising cost of PPE supplies – providers have told us that the price of items like hand sanitiser, dispensers and other necessary supplies have increased due to rising demand
- Increased staffing – measures to keep children in small groups or 'bubbles' while at the same time minimising adult-to-adult contact will mean a higher staff to child ratio might be needed than under normal operating conditions.
- Alterations to settings – whether changing the layouts of rooms, installing extra sinks and facilities, cleaning stations or buying more partitions or replacing high risk items like soft toys and furnishings

At the same time these increased costs are likely to be incurred caring for fewer children which will mean either providers are unable to deliver the service and will close, or the price will increase for those parents using the service and to the Government for the rate it pays for childcare hours.

Areas where the Government could provide more support:

- **Flexibility in the Coronavirus Job Retention Scheme:** since the CJRS was launched NDNA have argued that it works well for sectors like retail and hospitality where businesses are either open or closed. However, childcare providers have been asked to provide emergency childcare with much smaller teams without the flexibility to rotate staff or bring people back early to cover sickness absence. As the sector accepts more children from 01 June – but not all, providers tell us that they can't afford to pay 100% staff costs as there isn't the work and they would benefit from being able to take staff on part time and furlough them part time.
- **Factor in fixed costs to the furlough scheme and public funding calculation:** Childcare providers are being asked to divide their income from private and public sources to calculate the amount they can claim from the CJRS. Once they have an income ratio they must apply that to their wage bill and only furlough staff up to the proportion of their wage bill that can be attributed to private income. However, this only takes into account staff costs and they receive no support with fixed costs to which the public funding contributes to as well. By allowing providers to allocate 30% of their public funding to fixed costs prior to making the furlough entitlement calculation this would help providers remain more sustainable.
- **Establish a Transformation or Recovery Fund:** Childcare providers face an incredibly uncertain future with demand unknown, the possibility of a second wave of infections, rising

costs and a lack of business interruption insurance cover for pandemics. The Government should establish a Transformation Fund so that all early years and childcare settings - including childminders; private, voluntary and independent providers and maintained nursery schools - can apply for a government grant. This should cover the remainder of this financial year to help them adapt their service if they continue to experience reduced levels of children in attendance.

- **Allow Access to more Government Grant schemes:** The Government have made two grants available but nurseries struggle to benefit from either of them. The £10k Small Business Grant is available to those who qualify for small business rates relief under normal circumstances. The cut-off for this is a rateable value of £15,000 but due to the size of nurseries and the space they have to give children to allow them to play, learn and develop most are not eligible. The Chancellor has also announced a £25,000 grant for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000. In most local authority areas nurseries have been excluded from applying for this kind of grant. Nurseries have been given business rates relief for this year but not access to the same grants that other businesses have. These grants would help nurseries cover the fixed costs they have faced during the lockdown which they haven't been able to cover through funding payments.
- **Address chronic underfunding of early years:** As shown in the data below, many childcare providers were operating at a loss or just breaking even before the crisis struck. Groups of MPs and the Treasury Select Committee have already shown that the funding rates are not based on actual costs and have not kept pace with inflation and above inflation increases in National Minimum and Living Wage increases. Funding rates and how it is distributed consistently by local authorities should be reviewed in line with growing additional costs to nurseries due to Covid-19. This is necessary to ensure that high quality, affordable childcare and early education for families. The levels of investment should reflect the costs of delivering **high-quality** care and early education and this should be updated to reflect the new reality for childcare providers. If providers aren't sustainable then they won't be able to offer the childcare places people need.

1. Background to the Early Years and Childcare Sector in England

- 1.1. Ofsted's last annual report² stated that there were over 24,200 nurseries and preschools offering over 1.1 million places to children across England alone. The sector was broken down into 14,500 single setting nurseries, 7,600 in small chains (one to ten nurseries in the group), 700 nurseries in medium chains (11 to 21 nurseries) and around 1,400 in large chains of 21 nurseries or more.
- 1.2. At their most recent inspection, 97% of childcare providers in non-domestic settings were good or outstanding by Ofsted. This was made up of 73% of childcare on nondomestic premises judged 'good' and 24% 'outstanding'³.
- 1.3. The Government is now the main purchaser of childcare and early education places according to Department for Education statistics. Analysis of the Early Years Providers' survey in March 2019 showed that the Government funded hours now makes up 46% of an average private provider's income against 45% from parent paid fees. For voluntary providers it represents 63% of income against 27% from parental fees.

² The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2017/18 -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761606/29523_Ofsted_Annual_Report_2017-18_041218.pdf

³ <https://www.gov.uk/government/publications/childcare-providers-and-inspections-as-at-31-march2019/childcare-providers-and-inspections-as-at-31-march-2019-main-findings>

- 1.4. PVI providers are essential to the delivery of free entitlement NDNA's 2018 Annual Survey found 90% of respondents were offering three & four-year old places and 89% were offering two-year olds.
- 1.5. The majority of two & three year-old places (86% and 65% respectively) are taken up in PVI settings with 22% of four year olds in these settings as well⁴.
- 1.6. Funding challenges facing the early years sector are well documented. MPs on the All Party Parliamentary Group (APPG) for Childcare and Early Education have recently published a report estimating a £662m a year shortfall in the funding of the sector⁵.
- 1.7. NDNA's 2018 Annual survey found that 90% of respondents were delivering Government funded places for three and four year olds but that 87% said the funding available did not cover the cost of delivering those places.
- 1.8. The average rate for three & four year olds that providers reported receiving was £4.25 per hour and where that didn't meet delivery costs the average shortfall was £1.90 p/h per child.
- 1.9. The Treasury Select Committee report on Childcare⁶ found that the average rate passed on to PVI providers for extended entitlement hours (30hours) was £4.34 per hour.
- 1.10. The impact of this underfunding is that the DfE's providers' survey⁷ showed 54% of private providers and 74% of voluntary providers were either making a loss or just breaking even.
- 1.11. Chronic underfunding for years has meant that a lot of the early years and childcare sector has entered the crisis in a more precarious financial state which affects their ability to respond to and survive any crisis.

2. Impact of Coronavirus

- 2.1. On the 18 March the UK Government announced that schools and nurseries in England were to close to all children except those classed as those of critical worker parents or those identified as vulnerable.
- 2.2. NDNA surveyed⁸ our membership in the first week of April and found that half of respondents were planning to open for these eligible children. This survey also showed that those who were open had an average of 12% of the usual number of children attending suggested overall attendance at around 6%.
- 2.3. As of 15 May, about 25,000 early years providers⁹ were open which is about 36% according to the Department for Education. They estimate that 80,000 children are attending early years setting which is about 5% of usual numbers. This number has been gradually increasing week on week.
- 2.4. Support to employees was announced on 20 March in the form of the Coronavirus Job Retention Scheme, with 80% of an employees' salary being covered through a government grant. Further guidance was announced on 17 April to clarify that early years employees would not be able to be furloughed in the same way as other sectors. Childcare and early years providers now need to calculate the proportion of their income that comes from

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811683/Provision_for_children_under_5_2019_-_text.pdf

⁵ <https://connectpa.co.uk/wp-content/uploads/2019/07/Steps-to-sustainability-report.pdf>

⁶ <https://publications.parliament.uk/pa/cm201719/cmsselect/cmtreasy/757/757.pdf>

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/795332/Frontier_-_SCEYP_2018_Finance_Report_v2.pdf

⁸ https://www.ndna.org.uk/NDNA/News/Press_releases/2020/Half_of_UK_nurseries_able_to_remain_open_for_critical_workers.aspx

⁹ <https://www.gov.uk/government/publications/coronavirus-covid-19-attendance-in-education-and-early-years-settings>

private vs public funding and can now only furlough staff to the equivalent proportion of their wage bill as their private funding.

- 2.5. There is large variation between providers in different areas with some receiving as much as 80% of their income from private sources while others receive less than 10%, especially in areas of deprivation.
- 2.6. This approach treats the funding providers receive from local authorities for the 15 or 30 hours entitlement as only for staff wages when around 30% of expenditure is on fixed costs such as property, maintenance and service contracts that are needed to run an early years setting.
- 2.7. NDNA has called for the Department for Education and Treasury to recognise these unmet costs which could force childcare providers out of business.
- 2.8. NDNA has also joined with other early years representative organisations to suggest a transformation support fund¹⁰ for childcare providers to help them meet the costs of re-opening and the likelihood that demand for places will be slow to pick up.
- 2.9. Demand is predicted to be lower due to: parental reluctance to return children to settings, whole sectors of the economy remaining closed until at least July and reductions in working families due to rising unemployment.
- 2.10. Data referred to above already shows the majority of childcare providers were struggling to operate above break-even point before the crisis. With reduced parental income, funding rates from Government that do not cover costs and increased regulation to manage the risk of spreading the virus, this situation will become worse. Recent surveys have suggested that 15.5%¹¹ of providers are worried about their ability to reopen at all.

3. Challenges of re-opening

- 3.1. On Sunday 10 May the Prime Minister announced plans to start re-opening schools and early years settings from 01 June subject to the scientific evidence.
- 3.2. Guidance has been issued to early years settings in England on [Implementing protective measures in education and childcare settings](#) and [Actions for education and childcare settings to prepare for wider opening from 1 June 2020](#) . However, the Department for Education is still to publish a Planning Guide for early years settings in line with the one already produced for schools¹².
- 3.3. The scientific evidence published by the Government¹³ suggests there are much lower infection rates, clinical impact and deaths among children than among adults.
- 3.4. However, we are aware that local authorities and parents have concerns about children returning to schools and early years settings.
- 3.5. NDNA's workforce survey¹⁴ among nurseries in England found that 12% of the workforce were aged 55 or over. This matched data analysed by the Education Policy Institute which suggested that the proportion of early years workers, excluding managers, aged 55-64 has increased from 10.7% in 2013 to 12.6% in 2018¹⁵. This figure rises to over one in four when

¹⁰

https://www.ndna.org.uk/NDNA/News/Press_releases/2020/NDNA_sends_letter_with_EYA_PACEY_and_Early_Education_to_DfE_and_Treasury.aspx

¹¹ <https://www.nurseryworld.co.uk/news/article/coronavirus-warning-that-250-000-childcare-places-could-be-lost>

¹² <https://www.gov.uk/government/publications/preparing-for-the-wider-opening-of-schools-from-1-june/planning-guide-for-primary-schools>

¹³

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/885570/Overview_of_scientific_information_on_coronavirus_COVID-19_.pdf

¹⁴ https://www.ndna.org.uk/NDNA/News/Reports_and_surveys/Workforce_survey/nursery_workforce_survey_2019.aspx

looking at those aged over 50. While many providers and early years professionals are eager to work with more children as lockdown conditions are relaxed, a significant proportion remain concerned about the risk to children and staff from increased exposure.

- 3.6. Measures designed to limit the spread of Coronavirus in settings will increase costs of running childcare. Whether that is the use of more protective equipment such as masks, gloves and aprons, increased cleaning costs or having more staff:children to help maintain and separate small groups within settings.
- 3.7. At the same time as providers face increased costs they are likely to see lower numbers of children in their settings. This will either be through their own efforts to limit contact within the setting, parents reluctant to send children to settings, fewer working parents and increasing costs. The result will be higher delivery costs spread across fewer children meaning the cost will go up to parents or the Government will need to subsidise childcare places to a higher level if providers are to remain sustainable.

4. Areas where the Government could provide more support:

- 4.1. *Flexibility in the Coronavirus Job Retention Scheme:* since the CJRS was launched NDNA have argued that it works well for sectors like retail and hospitality where businesses are either open or closed. However, childcare providers have been asked to provide emergency childcare with much smaller teams without the flexibility to rotate staff or bring people back early to cover sickness absence. As the sector accepts more children from 01 June – but not all, providers tell us that they can't afford to pay 100% staff costs as there isn't the work and they would benefit from being able to take staff on part time and furlough them part time.
- 4.2. *Factor in fixed costs to the furlough scheme and public funding calculation:* Childcare providers are being asked to divide their income from private and public sources to calculate the amount they can claim from the CJRS. Once they have an income ratio they must apply that to their wage bill and only furlough staff up to the proportion of their wage bill that can be attributed to private income. However, this only takes into account staff costs and they receive no support with fixed costs to which the public funding contributes to as well. By allowing providers to allocate 30% of their public funding to fixed costs prior to making the furlough entitlement calculation this would help providers remain more sustainable.
- 4.3. *Establish a Transformation or Recovery Fund:* Childcare providers face an incredibly uncertain future with demand unknown, the possibility of a second wave of infections, rising costs and a lack of business interruption insurance cover for pandemics. The Government should establish a Transformation Fund so that all early years and childcare settings - including childminders; private, voluntary and independent providers and maintained nursery schools - can apply for a government grant. This should cover the remainder of this financial year to help them adapt their service if they experience reduced levels of children in attendance.
- 4.4. *Allow Access to more Government Grant schemes:* The Government have made two grants available but nurseries struggle to benefit from either of them. The £10k Small Business Grant is available to those who qualify for small business rates relief under normal circumstances. The cut-off for this is a rateable value of £15,000 but due to the size of nurseries and the space they have to give children to allow them to play, learn and develop

¹⁵ <https://epi.org.uk/publications-and-research/the-early-years-workforce-in-england/>

most are not eligible. The Chancellor has also announced a £25,000 grant for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000. In most local authority areas nurseries have been excluded from applying for this kind of grant. Nurseries have been given business rates relief for this year but not access to the same grants that other businesses have. These grants would help nurseries cover the fixed costs they have faced during the lockdown which they haven't been able to cover through funding payments.

- 4.5. *Address chronic underfunding of early years:* As shown in the data below, many childcare providers were operating at a loss or just breaking even before the crisis struck. Groups of MPs and the Treasury Select Committee have already shown that the funding rates are not based on actual costs and have not kept pace with inflation and above inflation increases in National Minimum and Living Wage increases. Funding rates and approaches should be reviewed once a new normal is established to ensure access to high quality, affordable childcare and early education for families. The levels of investment should reflect the costs of delivering high-quality care and early education and this should be updated to reflect the new reality for childcare providers. If providers aren't sustainable then they won't be able to offer the childcare places people need.

May 2020