

Information Statement for Early Years

The October Budget meant cost increases for nurseries of between 8.5% and 9.0%. This is chiefly because of a 6.7% increase in the NLW for anyone 21 and over and 16.3% to 18.0% for younger employees. In addition, there is a massive increase in the employer's NI contribution for all employees in the region of £1,000 per employee in NICs alone.

The Institute for Fiscal studies has identified that the threshold change has meant that employers in lower paying sector face a proportionally higher impact as more low paid and part time staff were brought into attracting NICs.

The combined effect of statutory wage changes and NICs meaning a typical overall increase in overall staffing costs much larger than the statutory wage increases.

Given that a typical nursery's wage cost represents 75% of its total costs and that all other costs have been increasing substantially including food, energy, insurance and all other consumables and that nurseries, unlike schools, have to pay ever increasing business rates, property costs and VAT on purchases, it is not difficult to see how fees will inevitably have to increase substantially.

As early years providers in the private and voluntary sector, we represent the majority of delivery in the local area. We want to have a constructive relationship with the local authority. That can only be built on mutual understanding and respect.

All nurseries have only two sources of income: fees paid by parents and funding from Government. By September 2025 it is estimated that 80% of provision will be Government funded.

The Government itself, after many years of calling their involvement 'free' to parents, have now changed this description to 'funded' in line with their acknowledgement that not all costs are covered by them. This fact is reflected in the statutory guidance to local authorities on delivering funded childcare which states: "Government funding is not intended to cover the costs of meals, other consumables, additional hours or additional services."

The inescapable reality is that if funding continues to fall short and all cost increases, including the employer's NI changes are not taken into account, then fees to parents will inevitably have to increase to cover costs.

There are some things which local authorities can do to support providers. We can look at the proportion of hourly rates retained to administer the scheme, underspends in early years can be retained in this budget to support children and families, business rates can be subject to discretionary relief and we can work together to ensure that charging guidance is applied in a way that supports transparency and parental understanding of the charges applied but that doesn't undermine providers' sustainability.