

Update on OXERA Report

Friday 31st January

Progress update: Phase 1

- Diagnostic analysis near complete. Oxera has developed a good understanding of the sector through discussions with a wide range of private sector providers, policy officials and States nurseries. Internal GOJ team currently discussing with Oxera some emerging conclusions in relation to the sector generally.
- Data is proving challenging – in particular:
 - Private settings are reluctant to share any financial information to support statements in relation to financial sustainability.
 - Oxera are also looking at the historic profile of the NEF rate, average earnings and inflation. Where possible, they would like to also look at staff wages in the sector (but this is also proving challenging).
- Therefore, Oxera is focusing their analysis on aggregate level data, with a particular focus on the pre-school year, where data is most robust and also drawing out insights based on qualitative assessment of the sector and using what they have learnt from discussions with professionals within the sector.

Phase 2 – Scenario's

- Settings have not been willing (and are not obliged to) share information regarding their cost base to support the assertion that the NEF hourly rate is below the cost of provision. In addition, the heterogeneity of settings means that the situation is likely to vary significantly by setting.
- Oxera therefore proposes that for the second part of this work, where they will consider the potential impact on the sector of a number of policy changes, they will focus on modelling potential outcomes.
- In relation to changes to NEF policy (increasing hours and extending the age range) they plan to examine the impact on the price that settings need to set for non-funded hours of a NEF hourly rate that is below their 'true' cost of provision. They will model a number of scenarios representing different assumptions about the gap between the NEF hourly rate and the underlying cost of provision.
- This will enable the EYPDB to gain a clearer understanding of the sensitivity to changes in policy of the commercial sustainability of Early Years settings.

Emerging Conclusions Only

- **Choice for families:** Mixed model offering good choice for parents – location, price, hours, etc.
- **Most pre-school children now attend an Early Years setting:** [supporting children in getting ‘the best start in life’: the role of government policy in incentivising this and also sending a message that this is what is ‘good’ for a child. Most settings supportive of the principle of universal access]
- **The sector requires holistic policy making:** There are a number of government policy areas that affect provision of ECEC. Given the vital role played by the private sector in this market, a co-ordinated approach to decision making is likely to be valuable and to the benefit of families with young children on the Island.
- **Provision of NEF-funded hours makes it more affordable for parents to return to work:** NEF-hours essentially provide a subsidy (rather than a free provision) for working parents. This is because most jobs will require childcare in excess of 20 hours a week, term-time only.
- **States nursery capacity is well-matched to demand but there are significant local variations:** Capacity marginally higher than demand. Some surplus facilitates choice and improved matching of preferences for parents. [perhaps disguises regional variation - School nursery places in town are in high demand and are often over-subscribed (e.g. Rouge Bouillon, D’Auvergne, Janvrin and Springfield).
- **Spare capacity in States nursery classes in the afternoons:** more optimal use of resources possible – significant underutilisation at present due to the structure of NEF hours combined with opening times
- **The NEF hourly rate is unlikely to cover costs:** add commentary/refs to analysis in report - The NEF rate has not increased in line with inflation, particularly in rental and staff costs
- **Most settings implicitly subsidise NEF-hours through the price for non-funded hours:** additional hours, younger children, wrap around care for school age children
- **Sector capacity generally exceeds demand:** Conclusions still being tested given evidence limitations in relation to private sector capacity