

## CASE STUDY

SERVICE CATERS FOR 22 CHILDREN AGED BETWEEN 0-3

YEARS 5 Babies 0-1 yrs

5 wobblers 1-2 yrs

12 toddlers 2-3 yrs

Open 50 hrs a week

Open 50 weeks per year

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### BABY ROOM 5 BABIES 2 staff

#### Income

Core funding rate per hour Sept '23	Parental fee per hour	Hourly total rate	Daily total rate	Weekly total for 1 child	Total weekly income for 5 babies
€1.69	€3.40	€5.09	€50.90	€254.50	€1272.50

#### Wage costs [staff required to cover 100 hrs in total]

Staff	Hourly rate	Daily rate	Weekly rate @ 35 hours	Including employer PRSI
1	€14.75	€147.50	€516.25	€573.29
2	€14	€140	€490	€544.14
3 Relief [30 HRS]	€14	€140	€420	€466.41
				€1583.84

The cost to provide service to our 5 babies leaves the service with a deficit of **€311.34 per week** BEFORE any other costs are accounted for.

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### WOBBLER ROOM 5 WOBBLERS 2 STAFF

#### INCOME

Core funding rate per hour Sept '23	Parental Fee per hour	Hourly total rate	Daily total rate	Weekly total rates 1 child	Weekly total income for 5 children
€1.10	€3.40	€4.50	€45.00	€225	€1125.00

Wage costs [2 staff 50 hrs in total ]

Staff	Hourly rate	Daily rate	Weekly rate	Including employer PRSI
1 30 hrs per week	€14.00	€140	€420	€466.41
2 20 hrs per week	€14	€140	€280	€310.94
				€777.35

The income after paying wages is €347.65.

### **TODDLER ROOM 12 children** [requiring staff to cover 100 hrs per week]

Income

Core funding hourly rate Sept '23	Parental hourly fee	Hourly total rate	Daily total rate	Weekly total rate 1 child	Weekly total income for 12 children
€0.95	€3.40	€4.35	€43.50	€217.50	€2610.00

Wage costs to cover 100 hrs in the toddler room

Staff	Hourly rate	Daily rate	Weekly rate	Including employer PRSI
1 Grad lead 33 hrs per week	€15.50	€155.00	€511.50	€568.02
2 30 hrs per week	€14	€140.00	€420.00	€466.41
3 37 Hrs per week	€14	€140.00	€518	€575.23
				€1609.66

The income after paying wages is €1000.34

Income	€1272.50	Wage costs	€1583.84
	€1125.00		€ 777.35
	€2610.00		€1609.66
Total	€5007.50		€3970.85

**Total income left to cover all other costs per week is €1036.65.**

### Costs

Cook and cleaning	€433.09
Rent	€350.00
Food	€100.00
Heat & light	€ 80.00
Phone & Internet	€ 40.00
Arts Materials	€ 30.00
New equipment	€ 50.00
Stationary	€ 15.00
Maintenance	€ 50.00
Insurance	<u>€ 57.00</u>
<b>TOTAL</b>	<b>€1205.09</b>

**Costs exceed income by approximately €168.44 per week.**

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**If a €2 increase came in under an ERO the financial landscape for my service shifts dramatically**

Staff	Hourly rate & €2	Weekly rate	Including employer PRSI
1 Baby room 35 hrs	€16.75	€586.25	€651.03
2 Baby room 35 hrs	€16.00	€560.00	€621.88
3 Baby room 30 hrs	€16.00	€480.00	€533.04
4 Wobbler room 30 hrs	€16.00	€480.00	€533.04
5 Wobbler room 20 hrs	€16.00	€320.00	€355.36
6 Toddler room Grad lead 33 hrs	€17.50	€577.50	€641.31
7 toddler room 30 hrs	€16.00	480.00	€533.04
8 Toddler room 37 hrs	€16.00	€592.00	€657.41
<b>TOTAL</b>			<b>€4526.11</b>



**Based on the same income €5007.50 per week**

With a €2 increase wage costs rise to €4526.11 per week

Running costs coming in at €1205.09 per week

Total operational costs rise to €5732.10 per week.

**The service will operate at a loss of € 724.60 per week.**

**That is an annual loss of €37679.20 per week.**

**This service is no longer viable and would have to close its doors.**

Service Type	Full day Care
Location	Cork City Suburbs
Capacity	43 in 3 rooms
Age Range	1 to 3 years

Staff - in Ratio	14
Mgmt.	4 ( 2 Full Time 2 part time)
Ancillary	Cook & Cleaner
Teacher base rate	€13.5
Total weekly hours	675.75
Weekly Cost	€10,000

Weekly Running Cost	3.4k – Includes all overheads
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Cost to parent	€1,100 per month (part subsidised by NCS)
Income Fees & NCS	€48,000 per month
Core Funding	€10,000 per month

#### Bottom Line 2022 – 23

It costs €697k per annum to run our 43 capacity full day care service - €520k in wages and €177k in overheads.

We generate income of €696k annually - €576k in fees and €120k in Core Funding.

This service **loses €1,000** annually, which we accept as it feeds a lot of fulltime children into our preschool.

#### Bottom Line 2023 - 24

I pay for 675.75 hours per week which currently costs €10,000 if €2 is added per hour my wage bill increases by €1,351 which is €70k annually.

The core funding increase for the 1 to 3 year group is on average approx. which 3% equates to €300 weekly and will boost my income by €25,600.

Next year I am looking at a **loss of €45,500** which eats into my already challenged Full Day Care preschool.

With our fees frozen the only alternative source of revenue is Government Core Funding which at minimum has to keep pace with the ERO and spiralling overheads or I will close my 1 to 3 year service and focus on the more sustainable 3years and over.

## **REALITY AND IMPACT OF FEE FREEZE WHEN CPI IS ACCOUNTED FOR**

When considering the fee freeze imposed in 2022 in conjunction with drawing down core funding, we need to look closely at services with fee structures way behind the target fee freeze year of 2021. These services are now suffering with viability issues and also are struggling to meet the high quality standards desired by all. Looking at the landscape, pre the setting of the fee freeze, we need to recognise that many services were already in a voluntary fee freeze (as requested by our Department) during the EWSS phase, which was put in place to support ALL businesses in Ireland, as a response to the pandemic.

Looking at the CPI for the years 2017 to 2021 it had a cumulative effect of a rise in costs of 12.2%. And if one added in the following two years 2022 and 2023 that figure doubles to 24.2%.

### **THE REALITY FOR PROVIDERS**

In 2022 a fee freeze came alongside our new funding stream -an excellent well intentioned, well balanced and fair scheme BUT for one aspect- the rates were set before the oppressive rates of inflation which struck our country. Providers had a funding stream which had not accounted for inflation and their hands firmly tied behind their backs due to the fee freeze, leaving with them with no avenue to explore to respond to the unprecedented inflationary costs. The perfect storm for a viability crisis.

#### **Case Study**

A service charges €170 in 2017 and would have risen their fees must likely in 2020 but honoured the request of the Department to maintain a fee freeze. Still in receipt of EWSS right through to summer of 2022 the service continued to honour the voluntary fee freeze.

In that time frame the CPI had risen by 20.2%

Service fee 2017 €170

Service fee 2022 €170

22 children full time for 51 weeks of the year would net an income of €190740.00 at full capacity. This service is today running at a deficit of circa €10000.00

If the service had been allowed, when it requested in summer 2022 to raise its fees to at least 2021 levels, before the fee freeze was imposed, the service would have been able to raise its fees by 12.2% in line with the CPI, which would have meant the income would rise to €190.74 per week or an annual income of €214010.28

That's a difference of €23279.28. And more importantly the difference of operating in the black as opposed to the red !!!

That same service is also now staring down the barrel of a second ERO which will further put her in to debt by an additional €12600.00

True story!

The service provider notes with interest that other Departments secured cost of living grants by way of supports such as the €60m the Department of Education received in budget 2024, on top of a sizeable grant received in 2023 to enable the schools to try to offset the major rise in costs they were facing, while we received no such help.

The impact of the fee freeze for services such as the above needs to be addressed as a matter of urgency

Kind regards

Pauka Donohoe