

Local Government Association Briefing

Costs and benefits of free childcare

House of Commons

19 February 2019



Briefing

Key messages

- Effective, high quality early years provision makes a difference to young children, helping to break the cycle of disadvantage, improving social mobility and offering them a good start in life.
- Recent changes to early years provision, including the 30 hours free childcare scheme for working families, are positive. The current funding rates are insufficient, this is risking both the sustainability of many providers and the sustainability of high quality provision. Research suggests that the deficit between the cost of delivery and funding paid via local authorities has grown to an average of £2,166 per year per childⁱ.
- As providers seek to offer children spaces within the current funding constraints, there is a risk to provision for disadvantaged two-year-old children and those with special educational needs and disabilities (SEND), for whom provision is more expensive.
- Highly qualified staff improve the quality of nursery settings. Unfortunately many councils are concerned about the quality of staff in their local areas, citing issues with pay, professional development and career progression when it comes to recruiting and retaining high quality staff. Increased wages are difficult for providers to offer at a time of significant funding constraints.
- Maintained nursery schools (MNS) offer an exceptionally high standard of education and support disproportionately high numbers of disadvantaged children and those with SEND. The supplementary funding provided to enable them to do this ends in 2019/10. We are calling on the Government to extend the supplementary funding into 2020/21. This will provide certainty to providers while a sustainable solution is found as part of the Spending Review.
- The new Early Years National Funding Formula (EYNFF) reduced the proportion of the early years funding block that councils could retain for central services, including support for providers and families. This is resulting in less outreach work to encourage take-up of childcare and less training for early years staff.

Further information

Benefits of early education and childcare

The early years are key to a child's education and social mobility, with evidence showing that attending high quality early years setting can have a significant positive impact on a child's early development and school readiness, particularly for those children growing up in poverty.ⁱⁱ

Children who grow up in poverty are more likely to experience poorer outcomes than their peersⁱⁱⁱ and those children in workless households are five times more

likely to live in poverty than those in homes where all adults work.^{iv} Support with childcare costs is a positive step towards making employment more accessible, particularly to those on low incomes.

Funding for early years services

30 hours free childcare

In September 2017, the Government introduced 30 hours free childcare for children of working parents. Whilst this is welcome, we have significant concerns about the current funding levels for this. Research suggests that the deficit between the cost of delivery and funding paid via local authorities has grown to an average of £2,166 per year per child. This is placing additional pressures on nurseries and many providers are saying that the current funding rates from government are unsustainable. We are concerned that if funding rates do not increase, there will either be a reduction in the overall capacity of providers to provide childcare as settings close, or that the quality will reduce with less qualified staff taking on roles, or less support for children with additional needs.

Funding rates are also problematic in the face of additional funding pressures facing nurseries, such as increases in the national minimum and living wages, pension contributions and business rates. We urge the Government to reassess the funding rates with some urgency to secure the long-term sustainability of the nursery sector.

Maintained nursery schools

Maintained nursery schools (MNS) have historically received a higher level of funding than private, voluntary and independent (PVI) sector nurseries as they have additional statutory responsibilities that make them more expensive to run – for example they must have a qualified teacher, and a designated special educational needs coordinator. However, this additional provision means that they provide more support for children with SEND, and they are also of high quality, with two thirds being rated outstanding by Ofsted in March 2018^v compared to 17 per cent of other nurseries.^{vi} They are also concentrated in areas of higher deprivation, providing high quality early education where it is most needed.^{vii}

Changes to the Early Years National Funding Formula will see funding for maintained nurseries significantly reduced. Under the formula, they have protected funding until 2019-20, however there is a lack of clarity about the level of protected funding beyond this. A recent survey of our members indicated that without protected funding, many MNS are likely to close, resulting in less provision for disadvantaged children and those with SEND.^{viii}

Urgent clarification is needed on future funding arrangements for MNS so that councils can make informed decisions on the future of these nursery schools, and provision for the children who attend them. In particular, we are calling on the Government to extend the supplementary funding into 2020/21 to provide certainty to providers while a sustainable solution is found as part of the Spending Review.

Early years national funding formula

The new EYNFF means that councils now have to pass through 95 per cent of the early years funding block to providers. Previously, more may have been withheld some funding for areas like training, outreach work to encourage take up of early entitlements, or early years staff at the council to support providers and parents.

Almost half (48 per cent) of responding councils in our survey^{ix} identified that the high pass through rate would result in less support for providers, with the most

common impacts being an increase in charging for services, reduced council staff numbers and a reduction in training for PVI settings.

The introduction of the 30 hours offer has also resulted in significant increases in enquiries and administration for councils, with 38 per cent of councils in our survey reporting increases of over 50 per cent.^x Combined with the new high pass through rate, this is placing great strain on the abilities of councils to support providers and families to ensure children have access to high quality early education that suits their needs.

Quality of provision

There is evidence that while high quality childcare can support children's development and increase academic skills, low quality childcare produces either no benefit or even negative effects.^{xi} The quality of provision locally, therefore, is at least as important as the quantity.

The presence of well-qualified staff improves the quality of a setting.^{xii} There are however, concerns nationally about the quality of the workforce, with qualification levels on a downward trend.^{xiii} A recent survey of local authorities^{xiv} found that three quarters (76 per cent) of councils were 'very' or 'fairly' concerned about the quality of level three practitioners in their areas (at least one practitioner in each nursery setting must hold a full and relevant level 3 qualification). Higher wages, improved professional development and better career progression were all considered to be ways to increase the quality of practitioners, however increased wages are difficult for providers to offer at a time of significant funding constraints.

Take up of childcare schemes

All 3 and 4-year-old children, and disadvantaged 2-year-olds, are entitled to 15 hours free childcare per week for 38 weeks of the year, while 3 and 4-year-old children of working parents receive an additional 15 hours on top of that.

Take up of the free early education entitlements for 3 and 4-year olds is high, at 92 per cent and 95 per cent respectively.^{xv} Take up of the two year old offer is lower, at 72 per cent^{xvi} though there is a range of reasons for this, including the use of informal childcare for younger children.

Councils have a duty to encourage take up of early childhood services and the childcare entitlements. However, the reductions to the funding available to early years teams outlined above have impacted on the extent to which councils can carry out this duty. A third of councils responding to our survey^{xvii} had already had to reduce the outreach work that encourages greater take up of childcare.

The range of childcare schemes currently available, for example, 15 hours for disadvantaged two-year-olds, 30 hours for 3 and 4-year-old children of working parents, and tax-free childcare, is currently complex and schemes appear to have competing aims, for example improving social mobility or getting parents into work. This can make it difficult for parents to know the best option for their family, and can result in varied support. We would encourage a more streamlined approach to provide a more coherent offer to families, encourage take up and support development of the right provision in the right areas.

We would also welcome consideration of the overall aim of childcare support for families. The Government has been clear on its ambitions to support social mobility for all, and we know that a good early years education can significantly improve social mobility. Reviewing early years support in its entirety will help to identify whether investment being made is contributing as much as it can to delivering this

aim, including ensuring the sustainability of the nursery sector.

Provision for children with SEND

We are concerned that provision for children with SEND who require additional support in nursery settings will reduce as settings try to remain sustainable and can no longer afford to pay for the additional help. With demand for SEND support increasing across all school stages and insufficient uplifts to the high needs block of school funding (from which some support for children in the early years can be funded), there is a risk that children will miss out on the support they need to take up the provision they are entitled to.

In addition, 2-year-olds are not eligible for support from the Disability Access Fund, Early Years Pupil Premium or SEN Inclusion Fund, all of which could be used to improve their access to early years provision.

Social mobility

We know that children in the most deprived areas are less likely to reach a good level of development by age 5 than those in the least deprived areas^{xviii} and while many councils are targeting resources at the most deprived areas, these resources are limited. Additional support is needed to tackle the attainment gap between children from the most and least deprived backgrounds. This includes outreach work to encourage take up of the free childcare offer and support for parents. 3 in 10 disadvantaged two-year-olds are still missing out on a free childcare place, and those in the most deprived areas are twice as likely to miss out on free childcare as their peers in more affluent areas.^{xix}

While free childcare can make employment more accessible, concerns have been raised by some of our members about the flexibility of support on offer, for example:

- a) 30 hours free childcare for working parents applies to term-time only (unless “stretched” over the full year, offering fewer hours per week), requiring alternative arrangements to be made during school holidays
- b) It can be difficult to secure childcare outside of ‘normal’ working hours or for irregular work such as zero-hours contracts

Additionally, it would be helpful for support with childcare to be provided for those in training as well as in employment, to support people into skilled jobs available locally.

Research shows that PVI settings in deprived areas are more likely to be of poor quality than those in more advantaged areas, offering disadvantaged children a poorer standard of childcare and early education.^{xx} Families and children in deprived areas would benefit if the ability and resources to monitor and intervene on quality were returned to councils.

A recent survey of local authorities in London^{xxi} found that the number of free places for disadvantaged two-year-olds was falling as an unintended consequence of the 30 hours free childcare policy and the new early years funding formula, including because two-year-olds are more expensive to care for due to higher staff to child ratios. We encourage the Government to look into this issue to ensure that these policies do not negatively affect those children most in need of early education to improve their life chances.

ⁱ National Day Nurseries Association,

https://www.ndna.org.uk/NDNA/News/Press_releases/2018/30_hours_nearly_one_year_on_government_must_wake_up_to_warning_signs.aspx

ii Save the Children (2016)

<https://www.savethechildren.org.uk/content/dam/global/reports/education-and-child-protection/untapped-potential.pdf>

iii Joseph Rowntree Foundation <https://www.jrf.org.uk/report/child-poverty-and-its-consequences>

iv <https://www.gov.uk/government/news/one-million-people-lifted-out-of-absolute-poverty>

v <https://www.gov.uk/government/publications/state-funded-schools-inspections-and-outcomes-as-at-31-march-2018/state-funded-schools-inspections-and-outcomes-as-at-31-march-2018-main-findings#further-information>

vi <https://hansard.parliament.uk/Commons/2017-02-01/debates/60D822FE-9B15-4DE5-8649-A291034BF064/MaintainedNurserySchoolsFunding>

vii Early Education (2015) *Maintained Nursery Schools: The State of Play* <https://www.early-education.org.uk/sites/default/files/Nursery%20Schools%20State%20of%20Play%20Report%20final%20print.pdf>

viii Local Government Association (2018) *Early Years Provision: Survey Results*

<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

ix Local Government Association (2018) *Early Years Provision: Survey Results*

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x Local Government Association (2018) *Early Years Provision: Survey Results*

<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

xi Sutton Trust (2014) *Sound Foundations* <https://www.suttontrust.com/wp-content/uploads/2014/01/1sound-foundations-jan2014-3-1.pdf>

xii Nuffield Foundation (2014) *Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?*

https://www.nuffieldfoundation.org/sites/default/files/files/Quality_inequality_childcare_mathers_29_05_14.pdf

xiii Education Policy Institute (2018) *The Early Years Workforce: A Fragmented Picture*

https://epi.org.uk/publications-and-research/early-years-workforce_analysis/

xiv Local Government Association (2018) *Early Years Provision: Survey Results*

<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

xv <https://www.gov.uk/government/collections/statistics-childcare-and-early-years>

xvi Department for Education (2018) *Education Provision: children under five years of age, 2018*

<https://www.gov.uk/government/statistics/education-provision-children-under-5-years-of-age-january-2018>

xvii Local Government Association (2018) *Early Years Provision: Survey Results*

<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

xviii Social Mobility Commission

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569410/Social_Mobility_Commission_2016_REPORT_WEB_1_.pdf

xix Social Market Foundation, <http://www.smf.co.uk/failure-invest-early-years-provision-risks-creating-lost-generation-hitting-social-mobility-warns-senior-labour-mp/>

xx Nuffield Foundation (2014) *Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?*

https://www.nuffieldfoundation.org/sites/default/files/files/Quality_inequality_childcare_mathers_29_05_14.pdf

xxi London Councils <https://www.londoncouncils.gov.uk/node/33577>