

**Questions to Susanna Kalitowski, Head of Policy and Research, Professional Association for Childcare and Early Years (PACEY).**

***The 2017 extension of free child-care:***

1. What is your initial assessment of how the sector has adapted to the roll-out of the 30-hour free childcare offer for working parents in London?

Anecdotal evidence suggests that most eligible families in England who have tried to secure a 30 hour place during the autumn term have been able to do so, and that a majority of providers are offering 30 hours. Government statistics published in December show that 202,800 children were in a 30 hours place during the autumn term, which represents 96% of validated codes and 90% of all codes issued.<sup>1</sup>

However, a regional breakdown of these figures reveals that London had the lowest percentage of codes validated of any region in England at 89% (seven points lower than the national average), with 90% of these validations resulting in a child in a 30 hour place. For Inner London, the validation figure was 91%, and for Outer London, the figure was 88%. This suggests that fewer children in London, particularly Outer London, have been able to secure a 30 hour place than in any other part of the country. London authorities with particularly low validation rates include City of London (59%), Bexley (79%), Enfield (80%), Harrow (76%), and Merton (80%).

Figures have also just been published for the spring term, with even lower validation rates for London, and a number of London-based authorities failing to provide data.<sup>2</sup> We need more information to understand the reasons for the lower rates in London, but the figures suggest that providers in London are offering fewer 30 hour places than those in other parts of the country.

In addition, we do not yet have adequate information about the financial impact of offering 30 hours on providers, and in London in particular, and therefore how sustainable it will be in the long term. The independent evaluation of the early implementation of 30 hours in eight different local authorities (though only one in London) found that 40 per cent of providers reported a decrease in profits, despite many increasing their occupancy rates.<sup>3</sup> Private providers and childminders were more likely to report an impact on costs, compared to voluntary and maintained settings. The evaluation concluded whilst delivering the extended hours will be financially sustainable for 'some providers', it will not be for others.

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<sup>1</sup> Department for Education (2017), [30 hours free childcare, England, Autumn term 2017 \(Experimental Statistics\)](#) (London: Department for Education).

<sup>2</sup> Department for Education (2018), [30 hours free childcare: eligibility codes issued and validated: January 2018](#) (London: Department for Education).

<sup>3</sup> G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

PACEY's own research, conducted in the summer of 2017, found that a majority of childminders (61%) were planning to offer 30 hours, but many were doing so 'reluctantly' and even 'under duress' because they felt that they would lose business if they did not.<sup>4</sup> Many commented that they have been forced to put limitations on the number of 30-hour places they are offering, or charge additional extras to make ends meet. There are big questions around how sustainable it will be for many providers to offer 30 hours in the long run, particularly in London, where the gap between the market and local authority funding rates are the most significant.

2. What do you consider are the barriers to childminders delivering the free early education entitlement in London?

Childminders have long been significantly under-represented in all of the early education and childcare entitlements. Whilst overall take-up of the universal entitlement is very high, it is primarily delivered through group settings such as nurseries and pre-schools. Only three per cent of two-year-olds and one per cent of three- and four- year-olds who are taking up a universal free place do so with a childminder.<sup>5</sup> This is despite the fact that childminders offer around a fifth of all early years places in England.<sup>6</sup> We do not yet know what percentage of 30 hour places are being delivered by childminders, but in the early implementation of the policy in eight local authorities, the figure was only seven per cent.<sup>7</sup> The barriers that prevent childminders from delivering the free entitlement are largely the same throughout the country, and are not specific to London, though they may be more significant there.

The primary barrier is the **low hourly rate**. Many childminders do not find it viable to deliver the entitlement due to the two-tier funding system, with one rate for two-year-olds and another for three- and four-year-olds. This system was designed for group settings, where ratio requirements for two-year-olds are half that of those for three- and four-year-olds (1:4 compared to 1:8). Childminders operate a 1:3 ratio for all children under five. The Government's funding review<sup>8</sup>, and a recent independent study<sup>9</sup> both found that childminder's costs are higher as a result. However, the Early Years National Funding Formula (EYNFF) requires that all providers are paid same universal base rate.<sup>10</sup> In London, the hourly rate paid by the

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<sup>4</sup> See [www.pacey.org.uk/news-and-views/news/archive/2017-news/september-2017/childminders-rising-to-the-challenge-of-30-hours/](http://www.pacey.org.uk/news-and-views/news/archive/2017-news/september-2017/childminders-rising-to-the-challenge-of-30-hours/).

<sup>5</sup> Department for Education (2015), [Provision for children under five years of age in England: January 2015, Statistical First Release](#) (London: Department for Education).

<sup>6</sup> Ofsted (2017), [Childcare providers and inspections as at 31 August 2017](#) (Manchester: Ofsted).

<sup>7</sup> G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

<sup>8</sup> Department for Education (2015), [Review of childcare costs](#) (London: Department for Education).

<sup>9</sup> S. Blainey and G. Paull (2017), [Study of Early Education and Development \(SEED\): The cost and funding of early education](#) (London: Department for Education).

<sup>10</sup> See [www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance](http://www.gov.uk/government/publications/early-years-national-funding-formula-allocations-and-guidance)

local authority is significantly less likely to approach the childminder's own rate than in other parts of the country.

A number of key **non-financial barriers** also discourage childminders from offering funded places, and are nearly as important. The local authority systems administering the entitlement – notably the payment structures – do not work for many childminding businesses. Most providers, and childminders in particular, are accustomed to weekly or monthly payments. Local authorities, on the other hand, have historically dispensed payments in arrears on a termly basis in line with school administration systems, and delays or errors are not uncommon. This can cause serious cash flow problems, which can be very damaging for small businesses operating on very low or no profit margins. Although the statutory guidance advises local authorities to pay childminders monthly by September 2018 at the latest, it is PACEY's understanding that this is simply not happening in a number of areas.

In addition, excessive paperwork, red tape and administrative errors are common complaints throughout the country. We are currently hearing many reports of problems with local authority portals, and logistical difficulties 'stretching' the offer across the calendar year. Under the regulations, Ofsted is meant to be the sole arbiter of quality, and local authorities are not meant to impose any additional requirements on providers as a condition of providing funded places. However, we are continuing to hear reports of local authorities requiring providers to hold certain policies, training, or even participate in mandatory quality visits.

Another key barrier faced uniquely by childminders is a lack of demand for funded places. As mentioned earlier, only seven per cent of 30-hour places in the eight pilots were delivered by childminders. The independent evaluation asserts that this was primarily due to lack of parental demand for their involvement.<sup>11</sup> There is still an absence of understanding on the part of many parents, health visitors and others that childminders can deliver funded places, and that they are Ofsted-regulated in the same way as other providers and deliver the Early Years Foundation Stage curriculum. This is compounded by the fact that childminders have less time and fewer resources to promote and market their services than larger centre-based settings. PACEY research conducted in August found that 40% of childminders had not been asked by parents to deliver a 30-hour place, either in full or in part.<sup>12</sup>

In addition, childminders are currently not permitted to deliver the early years and childcare entitlements to any related children, whom they may already be looking after for payment. However, other important forms of childcare support in England – for example Tax-Free Childcare and the Working Tax Credit/Universal Credit – do permit parents to use related childminders, as long as they are Ofsted-registered and

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<sup>11</sup> G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

<sup>12</sup> See [www.pacey.org.uk/news-and-views/news/archive/2017-news/september-2017/childminders-rising-to-the-challenge-of-30-hours](http://www.pacey.org.uk/news-and-views/news/archive/2017-news/september-2017/childminders-rising-to-the-challenge-of-30-hours).

caring for the child outside the child's home. In the context of falling numbers of registered childminders and an under-representation of childminders in delivering funded places, the ban is another factor contributing to a decline in childminder morale and sustainability. It is forcing many parents to take their child out of a relative's setting, regardless of their personal preferences and the best interests of the child and the wider family, including siblings. It is also perceived by childminders as deeply unjust, as it does not affect staff in non-domestic settings such as pre-schools and nurseries.

***15-hour extension impact on childcare provision for disadvantaged children:***

3. Is there any evidence that providers in London might have stopped offering the 15-hour free childcare to low income families and instead only offer places to those who qualify for 30 hours?

PACEY is not aware of any evidence to suggest that this is happening, but it is certainly a realistic possibility. We await the Government's annual publication of [statistics on provision for children under 5 years of age in England](#), which are due to be published in June. This report should reveal whether there has been any noticeable decrease in take-up of the two-year-old entitlement.

***Challenges to the delivery of the Government's 15-hour free childcare extension:***

*Insufficient funding and cross-subsidising:*

4. What has been the impact of the new funding formula on providers in London? In your experience, does the new hourly rate better cover childminders costs of delivery?

Unfortunately, PACEY's view is that the new funding formula still does not recognise the true cost of providing a childminding place, particularly in London and the South East. Recent research conducted by PACEY revealed that whilst the average childminder in England charges £4.64 per hour, the average local authority base rate in 2017-18 is only £4.28, amount to an hourly shortfall of -£0.36.<sup>13</sup> Over a year this amounts to an average shortfall of over £400 per child, a significant amount for a microbusiness with limited cash flow and little or no profit. As childminders are permitted to care for up to three children under the age of five, some could lose as much as £1,231.20 per year. This deficit is likely to have an extremely detrimental effect on the sustainability of a childminder's business, given the average net income is just £10,100<sup>14</sup> per year.

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<sup>13</sup> PACEY (2017), [Childminder Fees Survey 2017](#) (Bromley: PACEY).

<sup>14</sup>S. Panayiotou, S. McGinigal, J. Kent, C. Smit, C. Witsø and E. Edwards-Hughes (2017), [Survey of Childcare and Early Years Providers: England 2016](#) (London: Department for Education).

In London, the funding gap is even greater. In Inner London, we found that childminders charge £6.80 per hour on average, but the average local authority base rate is £5.58, leaving an average hourly shortfall of -£1.22. In Outer London, childminders charge £5.64 on average, but the average local authority base rate is £4.69 – an average hourly shortfall of nearly a pound an hour (-£0.95).

Whilst some childminders will be able to make up the shortfall through funding supplements – or for charging for consumables (including food) or extra services – many will be not be in a position to do so. This could be because they will not qualify for the supplements on offer, and/or because they already charge parents for meals and consumables – or ask parents to supply their own. Moreover, current government guidance is clear that additional charges must be voluntary and cannot be a condition of offering a place. In addition, funding supplements are complex and could change in the future.

It is vital that government recognises that the current commitment to 30 hours can only be achieved with a long term sustainable funding plan, which must be subject to regular review. Childminders also need improved guidance on how they can charge for meals and additional services, as well as effective business support to enable them to work in partnership with other providers deliver funded hours more sustainably.

#### *Lack of flexible childcare provision in London*

5. What are the strengths and weaknesses of a mixed-model<sup>15</sup> approach to providing free childcare to parents? Is a collaboration between providers realistic and feasible?

Around half of families already use more than one type of childcare.<sup>16</sup> A number of childminders have been sharing government-funded places with other settings for several years. They work closely with other childcare and early education providers, including primary schools, nursery schools, pre-schools, day nurseries and children's centres, delivering 'shared' or 'blended' education and care.

This can be very beneficial for young children, particularly as they prepare for school. Government-funded research on the impact of early education has found that different setting types tend to produce specific benefits.<sup>17</sup> For example, childminders were found to have a particularly positive impact on young children's cognitive development, and verbal ability in particular. Children attending a childminding setting were also found to have fewer emotional symptoms (like anxiety and stress),

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<sup>15</sup> A mixed-model of free childcare provision means a combination of providers (such as schools, children's centres, PVI sector and childminders) working in partnership to deliver early years childcare education to parents.

<sup>16</sup> A. Simon, C. Owen et al. (2015), [Provision and use of preschool childcare in Britain](#), Institute of Education.

<sup>17</sup> E. Melhuish, J. Gardiner & S. Morris (2017), [Study of Early Education and Development \(SEED\): Impact Study on Early Education Use and Child Outcomes up to Age Three](#) (London: Department for Education).

and more behavioural self-regulation. Group settings were associated with more prosocial behaviour, such as sharing and showing empathy, and fewer peer problems and emotional symptoms. Children attending both setting types therefore are likely to have greater access to all of these benefits.

However, partnerships between different settings are not without significant challenges. Childminders in particular can face substantial barriers when working with other settings.<sup>18</sup> Their expertise and professionalism is frequently questioned, and they are typically seen as the junior partner – if they are seen as a partner at all. While 70 per cent of group settings are currently working with schools, less than half (42 per cent) of childminders are. We recently asked childminders how willing schools were to work with them. Whilst just under half (46 per cent) reported that they are willing, well over a third (38 per cent) said they were not willing.

Theoretically the 30 hour entitlement provides increased scope and incentives for partnership working between multiple settings. However, only 20 per cent of 30 hour places in the pilots were delivered in partnership, with the evaluation noting that successful partnerships could be attributed in large part to effective support from the local authority.<sup>19</sup> Some of the key challenges to partnership working included tensions between different providers and a strong parental preference for using a single provider; two-thirds of parents said they thought it was better for a child to have just one formal provider.

PACEY surveyed childminders last summer to find out whether they would be delivering 30 hours in full or in part. Around 61 per cent of childminders in England<sup>20</sup> reported that they had been asked by parents to deliver a 30-hour place, and of these, 35 per cent had been asked to provide a place in part. The most common delivery partners for childminders are pre-schools (52 per cent) or school nursery classes or nursery schools (43 per cent). As 30 hours beds in, PACEY is hearing reports of childminders finding it difficult to share both the hours in the entitlement, and information about children's progress. It will take time; a significant change in attitudes; and, crucially, support from local authority to make these partnerships work effectively.

6. Childminders can offer a unique type of flexibility for families in London; what can the Government, the Mayor and Local Authorities do to support them more?

Childminding in England is at a crossroads. Childminders have made great strides in recent years. Sixty-nine per cent have a full Level 3 early years qualification<sup>21</sup>, up

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<sup>18</sup> See [www.pacey.org.uk/buildingblocks](http://www.pacey.org.uk/buildingblocks)

<sup>19</sup> G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

<sup>20</sup> Unfortunately this data cannot be broken down by region or local authority.

<sup>21</sup> S. Panayiotou, S. McGinival, J. Kent, C. Smit, C. Witsø and E. Edwards-Hughes (2017), [Survey of Childcare and Early Years Providers: England 2016](#) (London: Department for Education).

from 41% in 2009.<sup>22</sup> Ninety-three per cent now have a 'good' or 'outstanding' grade from Ofsted.<sup>23</sup> However, in spite of these achievements, the number of registered childminders in England<sup>24</sup> has been steadily falling over the past five years, with a drop of more than a quarter (26%) since 2012.<sup>25</sup> According to Ofsted, the decline in the number of childminders is driven by more providers leaving than joining the childcare sector. The proportion of childminders per children in London is similar to the national level.

PACEY is very concerned that the introduction of the 30 hours entitlement may push childminders further out of the market and lead to an even bigger drop in their numbers, particularly in London. We are clear what needs to be done to help halt this decline and make childminding sustainable. Childminders need more help with start-up and training costs, and a removal of the key barriers preventing them from delivering funded places. This means a higher hourly rate; an end to delayed payments and unnecessary unlawful red tape from local authorities; and a removal on the ban on childminders providing funded places to related children. These are all factors contributing to a decline in childminder morale and sustainability that government could resolve, and that the Mayor and local authorities in London could also support.

We also know many childminders would like to deliver funded places but are not able to simply because no parent has asked them to. So childminding must also be actively championed by national and local government and the health service to parents, so they understand that childminders are Ofsted-registered and deliver the EYFS just like other settings.

PACEY is calling on government and local authorities to take action in the three areas below. These are also areas that would greatly benefit from the support of the London Mayor and local authorities in London.

**1. Ensure the entitlement is sustainable for *all* providers**

- Pay childminders a sustainable rate for delivering funded places, reflecting their true cost
- Make prompt monthly payments a requirement
- Improve local authority administration and reduce red tape

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<sup>22</sup> R. Phillips, O. Norden, S. McGinigal and D. Oseman (2010), [Childcare and Early Years Providers Survey 2009](#) (London: Department for Education).

<sup>23</sup> However, it should be noted that London has a lower than average proportion of childminders judged 'good' or 'outstanding', at 89% (compared the national average of 93%). Research is needed to understand why this is the case. Ofsted (2017), [Childcare providers and inspections as at 31 August 2017: main findings](#) (Manchester: Ofsted).

<sup>24</sup> This is in contrast to Wales and Scotland, where childminder numbers are more stable and even on the rise in some places. See J. Rutter (2016), [Childcare Survey 2016](#) (London: Family and Childcare Trust).

<sup>25</sup> Ofsted (2017), [Childcare providers and inspections as at 31 August 2017: main findings](#) (Manchester: Ofsted).

- Remove the wide variation of requirements providers must meet to deliver the entitlement
  - Ensure multiple settings can easily share delivery of the entitlement
  - Harmonise the criteria for using childcare provided by relatives, so that parents can use related childminders for the early education and childcare entitlements, as long as the childminder is registered with Ofsted and the care is being provided outside the child's home.
- 2. Support childminders to start-up, improve and grow their businesses**
- More help with recruitment, start-up costs, training, business advice and peer to peer support
  - Ensure that existing and new forms of support for early years providers, for example through schools and childcare hubs, is accessible to childminders.
- 3. Raise awareness of childminding**
- Increase parental awareness of childminders, so that they understand they are regulated the same as other early years providers, offer unique, flexible high quality care, and can deliver funded places
  - Ensure local authorities promote childminders as an option to parents seeking a funded place.

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