

Submission to the Treasury Committee inquiry on childcare policy

Introduction to PACEY

1. PACEY is the Professional Association for Childcare and Early Years. Our aim is for all children to experience high quality childcare and early learning. We support our 30,000 members provide first-rate provision through training, resources, advice and peer support, and we champion the vital role they play in helping prepare children for a bright future.
2. PACEY welcomes the Treasury Committee's timely inquiry into childcare policy and its influence on the economy. As the Committee undertakes its work, childcare in England is at a crossroads. Whilst the overwhelming majority (94 per cent) of early years providers are now 'good' or 'outstanding' according to Ofsted, they are also under increasing pressure to survive. Growing costs alongside poor funding levels for government-funded places are beginning to take their toll. On top of this, the number of registered childminders has dropped by more than a quarter (26 per cent) in the past five years.¹
3. Our submission will focus on the issues of access to childcare, and to 30 hours in particular, as well as the funding and administration of the new 30-hour scheme.

Access to childcare

4. It has become a truism of our time that there is not enough affordable, flexible childcare to go around. Last year, half of local authorities reported that they did not have enough childcare for parents working full time.² However, when parents are asked about their own experience, the picture is more mixed. In the Department for Education's (DfE) latest parents' survey on childcare, forty-two per cent of parents felt the number of local childcare places was 'about right', while well under a third (29 per cent) said there were not enough.³ One in five (21 per cent) reported problems with finding childcare flexible enough to meet their needs; 37% reported they did not have problems. Just over half (52 per cent) of parents who paid for childcare said it was easy or very easy to meet their childcare costs, with one in five (21 per cent) finding it difficult.
5. Research from the Social Mobility Commission found that parents' *perception* of the cost of childcare deters many from working, with nearly half of parents (45 per cent) citing this as a reason for not working at all or working longer hours.⁴ However, there is also a widespread lack of understanding of what government childcare support is available, with 'the very parents who are most likely to want to work more hours (but are put off by the cost of childcare)...also more likely to have a poorer understanding of the support available'.

¹ Ofsted (2017), [Childcare providers and inspections as at 31 August 2017](#) (Manchester: Ofsted).

² And even fewer have sufficient childcare for parents working atypical hours. C. Harding, B. Wheaton and A. Butler (2017), [Childcare Survey 2017](#) (London: Family and Childcare Trust).

³ Department for Education (2017), [Childcare and early years survey of parents: 2017](#) (London: Department for Education).

⁴ B. Gulc & K. Silversides (2016), [Parents' experiences of services and information in the early years](#) (London: Social Mobility and Child Poverty Commission).

6. The childcare element of Working Tax Credit covers up to 70 per cent of childcare costs for low-income working parents, and is increased to up to 85 per cent of costs under Universal Credit. However, the Education Policy Institute has estimated that 85 per cent of potentially eligible parents are not taking up this benefit.⁵ The main reasons cited are that parents are unable to pay the 30 per cent contribution required, and that the deep complexity of the system puts people off.
7. In spite of persistent reports of an undersupply of childcare, research from PACEY⁶ and DfE⁷ has found that half of England's nearly 43,000 registered childminders have at least one unfilled place that they would like to fill. Similarly, nearly half (49 per cent) of childminders surveyed said the reason why they didn't offer funded places was because no parent had asked for a place, indicating a lack of demand from parents – despite the more flexible service offered by childminders.⁸ When asked what would cause them to leave the sector in the next 12 months, 43 per cent of childminders cited a shortage of work as the main reason. The early years sector has lost 14,669 registered childminders in the past five years – a drop of over a quarter (26 per cent):
8. There is still a lack of understanding on the part of many parents, health visitors, and others that childminders can deliver government-funded places; must be Ofsted-regulated in the same way as other providers; and deliver the Early Years Foundation Stage (EYFS) 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. In PACEY's view, childminding needs to be actively championed by national and local government and the health service to parents.
9. In addition, local authorities should facilitate 'shared' or 'blended' childcare and early education, in which children regularly attend two different settings, for example a childminder and a pre-school. Government-funded research on the impact of early education has found that different setting types tend to produce specific benefits; children attending multiple setting types are likely to have greater access to all of these benefits.⁹
10. Theoretically the new 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 early implementation pilots were delivered in partnership, with the evaluation noting

⁵ R. Johnes and J. Hutchinson (2016), [Widening the gap? The impact of the 30-hour entitlement on early years education and childcare](#) (London: Education Policy Institute).

⁶ PACEY (2017), [Building Blocks 2017: A report on the state of the childcare and early years sector in England](#) (Bromley: PACEY).

⁷ 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).

⁸ A majority of childminders (85 per cent) offer care before 8am, compared with 35 per cent of nurseries and non-domestic childcare. 42% childminders provide care after 6pm - four times the amount of group settings. 35% offer emergency childcare (versus 11% of non-domestic childcare). See PACEY (2017), [Building Blocks 2017: A report on the state of the childcare and early years sector in England](#) (Bromley: PACEY).

⁹ 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 (such as anxiety and stress), 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. See 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).

that successful partnerships could be attributed in large part to effective support from the local authority.¹⁰ 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. 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.

Access to 30 hours

11. Anecdotal evidence suggests that most eligible families in England who have tried to secure a 30 hour place during the autumn and spring terms 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.¹¹
12. However, a regional breakdown of these figures reveals wide variation. 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. We need more information to understand the reasons for the lower rates, but the figures suggest that providers in some places, notably Outer London, are offering significantly fewer 30 hour places than those in other parts of the country.
13. Childminders remain an untapped source of potential for free entitlement places. At last count, only a third of childminders were delivering funded places¹², and forty per cent of childminder have not been asked by a parent to provide one.¹³ Only seven per cent of 30-hour places in the 30-hour pilots were delivered by childminders. The evaluation asserts that this was primarily due to lack of parental demand for their involvement.¹⁴ Childminders could deliver substantially more funded places if four key barriers were removed: the low hourly rate; delayed/uncertain payments and other red tape associated with the administration of the entitlement; and low levels of parental awareness about childminders.

30 hours funding

14. PACEY's view is that the new Early Years National Funding Formula, which was implemented last April, still does not recognise the true cost of providing a childminding place, particularly in London and the South East. Research conducted in 2017 by PACEY revealed that whilst the average childminder in England charges £4.64 per hour, the average local authority base

¹⁰ G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

¹¹ Department for Education (2017), [30 hours free childcare, England, Autumn term 2017 \(Experimental Statistics\)](#) (London: Department for Education).

¹² 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).

¹³ See www.pacey.org.uk/news-and-views/news/archive/2017-news/september-2017/childminders-rising-to-the-challenge-of-30-hours.

¹⁴ G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

rate in 2017-18 is only £4.28, amount to an hourly shortfall of -£0.36.¹⁵ 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 £10,100¹⁶ per year.

15. 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.
16. We do not yet have adequate information about the financial impact of offering 30 hours on providers, and therefore how sustainable it will be in the long term. The evaluation of the early implementation of 30 hours found that 40 per cent of providers reported a decrease in profits, despite many increasing their occupancy rates.¹⁷ 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.
17. 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 lawfully 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.

30 hours administration

18. 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, this is simply not happening in a number of areas.

¹⁵ PACEY (2017), [Childminder Fees Survey 2017](#) (Bromley: PACEY).

¹⁶ 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).

¹⁷ G. Paull and I. La Valle (2017), [Evaluation of Early Implementation of 30 Hours Free Childcare](#) (London: Department for Education).

19. In addition, excessive paperwork, red tape and administrative errors are common complaints throughout the country. We are hearing numerous reports of problems with local authority portals, and logistical difficulties ‘stretching’ the offer across the 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, PACEY is continuing to hear reports of local authorities requiring providers to hold certain policies, training, or even participate in mandatory quality visits. All of these serve to put off smaller providers, and childminders in particular, from delivering funded places. As sole operators without administrative support, childminders must do all of this late in the evening or on weekends when they are not caring for children.
20. Another key barrier is the ban on providing funded places to any related children. 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.
21. We are calling on the Government to harmonise at the earliest opportunity the criteria for using childcare provided by relatives, so that parents in England can use related childminders for the early education and childcare entitlements, just as they can for Tax-Free Childcare, childcare vouchers, and the childcare element of Working Tax Credit/Universal Credit – as long as the childminder is registered with Ofsted and the care is being provided outside the child’s home. The registration and inspection process with Ofsted is sufficiently rigorous that a person would be extremely unlikely to be motivated and able to successfully pass through it if she or he were not a genuine childminder. Indeed, there is no evidence that this is happening in relation to tax credits, which provides a greater degree of financial support (between 70 to 85 per cent of childcare costs for several years).

Conclusion: don’t neglect the childcare workforce

22. PACEY wants all children and families to have access to high quality, flexible and accessible early education and childcare provision, delivered by well-qualified, confident and experienced practitioners. Great strides have been made in recent years, and the workforce is more highly qualified than ever.¹⁸ Nearly all (94 per cent) of early years settings have been graded ‘good’ or ‘outstanding’ by Ofsted.¹⁹
23. However, underfunding of the free entitlement and a dramatic decrease in government and local authority support over a number of years is putting these gains – and the overall quality of early years provision in England – at risk. A recent report found that 30% of nurseries and pre-schools have cut their training budgets, training, 18 per cent have lowered ratios, and 13 per cent have lowered their qualification mix in order to cut costs.²⁰

¹⁸ 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).

¹⁹ Ofsted (2017), [Childcare providers and inspections as at 31 August 2017](#) (Manchester: Ofsted).

²⁰ Ceeda (2018), [About Early Years: autumn snapshot](#) (Stockton on Tees: Ceeda).

24. In 2012, the highly respected Nutbrown Review recommended that everyone working in childcare and early years should be supported to achieve a full and relevant Level 3 qualification, and that all group settings should be led by an early years specialist graduate.²¹ Graduate leadership has been associated with improving the outcomes of disadvantaged children in particular.²² However, nearly six years later, these are no longer aspirations being advocated by the Government.
25. There is growing concern that too many specialist Early Years Teachers are leaving the early years workforce, and non-school-based settings in particular, without being replaced by new graduates. PACEY will shortly be publishing new research that we have conducted in collaboration with Voice that demonstrates some of the challenges to overcome in order to increase recruitment and retention of specialist graduates in early years settings.

²¹ C. Nutbrown (2012), [The Nutbrown Review: Foundations for Quality](#) (London: Department for Education).

²² J. Hillman and T. Williams (2015), [Early Years Education and Childcare: Lessons From Evidence and Future Priorities](#) (London: Nuffield Foundation).