



Childcare Sufficiency and Sustainability in disadvantaged areas

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Introduction and background

Childcare providers in disadvantaged areas are more susceptible to financial difficulties, because of fewer parents using childcare. As a result they are more financially vulnerable than providers in other more affluent areas. Childcare providers in disadvantaged areas face challenges in terms of remaining sustainable and improving quality (Ofsted Annual Report, 2009/10).

As part of the Fairness Premium announced by the coalition government, from September 2013, the least advantaged two-year-olds will be entitled to 15 hours of free early education. For this policy to be successful there will need to be enough places available. The purpose of this project was to:

- Explore how successful local authorities feel that they have been in securing the sustainability of childcare places in disadvantaged areas;
- Examine the challenges local authorities and childcare providers face in providing sustainable childcare and what factors explain sustainable provision of places or otherwise;
- Explore if more support is needed for local authorities to ensure there are enough places for two-year-olds for the roll out of free hours from 2013.

Key findings

- This research has found that sustainable childcare provision in disadvantaged areas needs to be publicly funded in one form or another. In those areas where a free market model of childcare operated, there were enough childcare places to meet parental demand, but these places were threatened by the financially difficult situations many of the providers felt they were in.
- Quality was higher in the disadvantaged areas **where the local authority subsidised and directed the shape of provision. For PVI** providers, maintaining quality was both costly and risky. Key concerns, associated with quality improvement mentioned by all providers included: the removal of free training, paying for and retaining better qualified staff and paying for staff time to complete paperwork associated with training.
- Local authority childcare planning in disadvantaged areas was focused on increasing the capacity of group based providers and childminders, increasing the sustainability of PVI providers and improving the quality of childcare provision.
- Providers in disadvantaged areas were heavily reliant on providing funded places as demand for paid for places was low. Core running costs had increased and providers were often struggling to keep their fees low and remain flexible. Financial sustainability was affected by the extent to which providers were able to attract better-off fee paying families, whether local populations were transient, local

attitudes towards the use of formal care, the accessibility of the setting, the extent of local competition, rent costs and the business skills of individual providers. Whilst providers were reliant on the funding for two, three-and-four-year-olds places, not all felt that it was adequate to cover their costs.

- Whilst there was considerable support and enthusiasm for the roll out of the two-year-old entitlement among local authorities and childcare providers, they strongly felt that that it will not be possible to achieve enough high quality places through market forces alone. The reasons for this varied across the different types of providers involved in the case study areas:
 - Private providers did not think it would be financially worthwhile to deliver places for disadvantaged two-year-olds under the roll out.
 - Voluntary and independent sector providers and local authority-funded providers will need capital funding to expand or adapt their premises.
 - Voluntary and independent sector providers will also need considerable support to deliver the entitlement, for example, revenue funding to cover gaps between the extension of premises and the filling of places, funding for workforce development and funding to allow them to increase staff ratios.
 - Childminders in these areas may respond to market demand to a certain extent but many parents in disadvantaged areas perceive childminders as a less attractive option than group based care.¹ Childminders were also concerned that involvement in the two-year-old entitlement will lead to an increase in what they already regard as an onerous level of paperwork.

Method

The study looked at ten local authorities and used a case study approach. The project involved:

- Analysing local authority Childcare Sufficiency Assessments;
- A literature review of parental demand for and knowledge about childcare in disadvantaged areas;
- Interviews with local authority strategists;
- Interviews with up to five group-based pre-school providers (such as children's centres, and private, voluntary and independent sector nurseries, daycare and sessional care providers) and two childminders in each local authority.

Interviews with local authority strategists and childcare providers were carried out between March and May 2012. The research findings presented here are based on this evidence, and should not be generalised to other local authority areas.

Main Findings

Models of childcare provision in disadvantaged areas

Four different models of childcare provision in disadvantaged areas were identified. Under Model 1, a range of provider types were operating self-sufficiently in the market, with no local authority funding. Model 2 providers also operated self-sufficiently, with the occasional exception of sustainability

¹ Vincent, C., Ball, S. and A. Braun, (2008). Local childcare cultures: Working class families and pre-school childcare. London: Institute of Education/ESRC. Roberts, J. (2011), 'Trust and early years childcare: parents' relationships with private, state and third sector providers in England', *Journal of Social Policy*, 40 (4), 695:715; Andrew Irving Associates, (2008) Promoting Take-up of Formal Childcare Among Low Income Families: Message testing research, Research Report RR068: Department for Children Schools and Families.

funding from the local authority. In Models 3 and 4, there was a strong history and presence of local authority subsidised and run provision. In the case of Model 3 this formed the bulk of the available provision, in Model 4 local authority-run provision was complemented by local authority funded voluntary sector provision. In Models 1 and 2 there was lot of choice for parents because of the range of provider types operating and because there was spare capacity. There was also choice in Model 4 and spare capacity in the voluntary sector provision. Some providers in the PVI sector in Models 1 and 2 and voluntary sector in Model 4 were struggling financially because of low demand for daycare, childcare funding being insufficient to cover increasing overheads and maintain quality and competition between each other and the maintained sector. In Model 3 parental choice was more limited and providers carried few vacancies. The subsidised providers in Models 3 and 4 whilst more financially sustainable were dependent on future public funding.

Provision Planning

Local authorities were carrying out a range of activities and planning in relation to pre-school provision in disadvantaged areas. These included:

- **Increasing the capacity for group-based funded places** for the two-year-old roll out and increasing three-and-four-year-old places in areas with increasing birth rates.
- **Helping the financial sustainability of PVI providers** by providing business support and support to improve quality. There was particular concern about the financial situation of PVI providers because of increases in childcare costs and changes to the childcare element of the Working Tax Credit.
- **Increasing childminder capacity** by recruiting new childminders and providing training to improve the skills of new and existing childminders.
- **Improving knowledge about and access to childcare to increase demand** by providing information to parents about childcare costs, three and four-year-old places and early education; by working with employers, childcare providers, Jobcentre Plus, community advice services, minority ethnic groups, health visitors, social care and parent support agencies.
- **Improving the quality of childcare** by assessing all providers against local authority quality standards and giving support to lower quality providers from higher quality providers, link teachers and specialist childcare consultants. Support and access to training had, however, been cut in some areas.

The local authorities in our study were also working to **improve how they measure whether there are sufficient childcare places locally and improve access to childcare for children with Special Education needs or a Disability (SEND)** across the whole authority, in both disadvantaged and non-disadvantaged areas.

Financial sustainability of providers

Local authority strategists and childcare providers interviewed felt that the financial stability and sustainability of childcare providers was affected by a range of different interrelated factors.

- **Economic factors.** A key overarching factor was that in many areas the cost of daycare was felt to be too expensive for many local parents, which left providers reliant on providing funded places. This was exacerbated for many by the increasing costs of providing childcare alongside the perceived need to keep fees low to attract parents.
- **Central government policies.** The current two, three and four-year-old funding played a pivotal role in the financial sustainability of providers. While some relied on it to stay in business, the extent to which the funding level covered their costs depended on their experience of local and provider level factors discussed below. The childcare element of the Working Tax Credit had helped to create demand for childcare among low income parents in disadvantaged areas, but providers had already started to feel the effects of the changes to it through parents reducing the amount of childcare they

used. Quality standards required by central government (such as those needed for the Early Years Foundation Stage) were seen as being costly as they resulted in additional training, having to pay better quality staff higher salaries and additional paper work. Providers with high Ofsted ratings found it helped their financial situation as it attracted parents.

- **Local area characteristics.** Important local area characteristics which could also have a strong impact on providers' financial sustainability were: the extent to which a local area contained a transient population, which could cause fluctuating levels of demands for childcare; the cost of property, which was often higher in urban areas, resulting in higher outgoings for providers; whether a provider had to pay full rent for their premises; the extent to which travel costs posed a barrier to access for local families (a particular problem in rural areas); cultural and attitudinal barriers to using childcare in the local community which could result in lower parental demand for childcare; the extent to which a provider was able to attract more affluent families, which depended on where they were situated; and whether a provider was experiencing competition from other local childcare providers or the maintained nursery sector.
- **Provider level factors.** Important factors here were whether providers were able to attract better-off fee paying parents, or benefited from low rent or other charitable contributions such as donations of time or resources. The business skills of providers in terms of the ability to forward plan, be flexible and creative, fundraise and effectively use marketing tools were also seen as influential factors in relation to financial sustainability.
- **Local authority approach.** The extent to which the local authority subsidised childcare was crucial to the sustainability of childcare providers. In Models 1 and 2, (a free market model with limited local authority involvement), some providers were concerned about their financial sustainability due to their negative experiences of the factors listed above. In Models 3 and 4 where the local authority subsidised daycare and wraparound care, these funded providers were more financially secure. However, local authority intervention in the free market models remained key. Business advice, support with safeguarding and quality issues and sustainability funding were highly valued by providers and seen as critical to their survival.

Parents' perspective

Evidence from the case study areas, analysis of Childcare Sufficiency Assessments and relevant literature explored why parents in disadvantaged areas might perceive that there is not enough childcare available even though providers in these areas are often operating with vacancies.

- **Sufficiency of childcare places in disadvantaged areas.** The evidence from the analysis of Childcare Sufficiency Assessments suggests that families living in disadvantaged areas and who want daycare may in some cases find it difficult to find a place. This was particularly the case if they needed flexible childcare, childcare for atypical hours,² or childcare for children with SEND.³ However, providers in our study felt that demand was not high enough for them to be able to fill vacancies.
- **Perceptions about childcare.** Evidence from the literature also showed that the perceptions of childcare amongst parents, who were facing multiple or different forms of disadvantage, could inform their views about what was available locally:

² Singler, R. (2011) Open all hours? Flexible childcare in the 24/7 era, Daycare Trust

³ Cheshire, H., Brown, V., and Wollny, I. (2011) Impact evaluation of the Disabled Children's Access to Childcare pilot (DCATCH), Research Report DFE-RR168: Department for Education. Speight, S., Smith, R., Lloyd, E. (2010) Families experiencing multiple disadvantage and views on childcare provision. Research Report DCSF-RR191: Department for Education. Green, E. and Knight, G. (2007) Evaluation of the Childcare Taster Pilot and Extended Schools Childcare Pilot Programmes: Further Qualitative Research into Implementation, Research Report SSu/2007/FR/026, Department for Children Schools and Families;

- **The role of information.** Parents in disadvantaged areas were more likely to say they did not have information about childcare and relied more on word of mouth, than those in more advantaged areas.⁴
- **Perceptions of suitability of childcare.** Strong cultural and attitudinal barriers narrowed the choices available to some parents in these areas, for example, preferences for group-based nursery care over childminders and perceptions about what sort of care is 'for them'.⁵
- **Perceptions about the quality of childcare.** Parents in disadvantaged areas were more likely to have concerns about the quality of childcare provision than better-off families.⁶
- **Cost of childcare.** There is strong evidence from our research and from the literature that the cost of childcare was a key barrier to parents facing disadvantage,⁷ particularly for parents of children with SEND.⁸ However, there was also evidence that the perception of childcare as unaffordable may occur in part because of a lack of information about the actual cost.⁹

Roll out of the two-year-old entitlement

There was great willingness among providers to take two-year-olds under the roll out. A lot of preparation for the roll out was also already underway among local authorities.

The roll out was seen by providers as being very beneficial to two-year-olds and their families as it could improve children's outcomes and provide important parenting support for families and could help them back into employment. Some providers also felt it gave them opportunities to fill vacancies, secure a more reliable source of income and raise quality standards.

Both providers and local authority strategists had some concerns and thought there would be challenges with the roll out, due to the short timescale for the roll out and uncertainty about how it might work in practice.

Roll out of the two-year-old entitlement- concerns and challenges for providers

- One of the main concerns for providers was that the **level of funding** for the entitlement would not be enough to meet the additional needs of children and families (such as speech and language needs, parenting support), extra administrative demands (such as attending multi-agency meetings, arranging specialist support) or the rising salary costs of providing quality childcare.
- Another concern was that there would not **be a level playing field** for different types of providers to be involved because of local authority policies that prioritised some types of providers over others.
- Some providers were also concerned about how to deal with **high numbers of eligible children** and that they may have to turn away other children in favour of funded two-year-olds.

⁴ Speight, et al (2010) op cit

⁵ Vincent et al, (2008) op cit. Roberts (2011) op cit. Irving Associates (2008) op cit

⁶ Speight, et al (2010) op cit

⁷ OPM, (2008), Reviewing Childcare Sufficiency Assessments, Department for Children Schools and Families. Smith, R., Poole, E., Perry, J., Wollny, I., Reeves, A. and Bryson, C. (2010) Childcare and Early Years Survey of Parents 2009, Research Report DFE-RR054: Department for Education. Speight, et al (2010) op cit.

⁸ KIDS (2011) Are Cuts to Local Authority Budgets Denying Families the Right to Childcare? London: KIDS

⁹ Speight, et al (2010) op cit

Roll-out of the two-year-old entitlement - concerns and challenges for local authorities.

A key concern for local authorities was how to raise the **quality standards** in sufficient numbers of childcare settings to provide enough places. They were also concerned that there were not enough qualified staff available to work with two-year-olds, and were unsure how training and workforce development to improve quality standards could be funded.

Another issue for local authorities was how to **develop systems to identify and monitor eligible children**. Local authority strategists and providers also felt that **broader income based eligibility criteria** may mean that some children miss out on the places, such as children of low income working parents and children with SEND.

A **lack of support services** such as family support and speech and language therapists was an issue in some local authorities. There was also a concern that **cultural and attitudinal barriers** to using formal childcare would make it difficult to encourage parents to take up the entitlement in certain areas within local authorities.

Capacity for the roll out

In areas operating under the free market model (Models 1 and 2) there was some capacity to take funded two-year-olds. This was mostly in the voluntary and independent sector that had vacancies or could convert vacant baby or three-and-four-year-old places to be suitable for two-year-olds. There was also some capacity under Model 4, within the voluntary sector. However, across all the models the vacancies that were available would not be sufficient to be able to meet the numbers needed for the roll out. There was less capacity in Model 3, because the local authority funded settings were full and PVI sector provision was limited.

Support needs to ensure sufficient capacity for the roll out

The providers and local authority strategists interviewed identified a number of support needs necessary to ensure there will be sufficient capacity for the roll out.

- **Capital funding to expand or adapt premises** of local authority funded providers in Models 3 and 4 and voluntary and independent sector providers in Models 1, 2 and 4.
- **Revenue funding** for voluntary and independent sector providers and childminders to keep places open until they could be filled by two-year-olds.
- **Funding for workforce development** to bring enough staff up to the qualification levels required to deliver the entitlement and to equip them with the skills to work with younger children, many of whom, providers felt from their experience of the current two-year-old initiative, may have additional needs.
- **Funding to allow providers to increase staff ratios** needed for working with two-year-olds and to deal with the additional meetings, and paperwork requirements anticipated under the roll out.
- **Clarity and better information on the specifics of the roll out** which had not been provided when the fieldwork was taking place, on exactly which two-year-olds would be eligible, what quality standards will be required, what funding will be available and what support there will be for local authorities to prepare.

Conclusion

This research has found that whilst providers and local authority strategists were generally very supportive of the roll out of the two-year-olds entitlement, they did not feel that it would be achievable without additional funding to create the requisite extra places and to raise quality standards.

Additional Information

The full report can be accessed at <http://www.education.gov.uk/publications/>

Further information about this research can be obtained from Rachel Jones, 5th floor , 2 St Paul's Place, 125 Norfolk Street, Sheffield, S1 2FJ.

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