

CMA Childcare Market Study

Greater Manchester Response to Statement of Scope Call for Views.

- Submitted by [REDACTED]
[REDACTED] Greater Manchester Combined Authority (GMCA) on behalf of the GMCA.
E: [REDACTED]
- GMCA has developed this response in collaboration with our ten local authority early education leads.

Questions

Q1: Do you agree with our proposed scope (both the services and geographic scope) for this market study, as set out in paragraphs 23-26, 28. If not, what areas would you suggest we include, exclude or prioritise, and why?

Yes

Additional comments for consideration;

- Breadth of engagement will be integral, to understand the particular context of local areas in England, including Greater Manchester, and local communities.
- The level of engagement from the sector may be impacted by:
 - The period in which the study is being launched.
 - The study being launched at the same time as the funding review.
 - The perception that the study will have a negative impact on the sector.
- Engagement with parents and carers must be:
 - Broad and inclusive, recognising the diverse nature of our communities and the diverse needs of children and families, considering the full spectrum of challenges and experiences.
 - It will be especially important to engage with families who may fall through entitlement eligibility gaps – the ‘squeezed middle.’
 - Engagement with vulnerable families should consider broader role of sector, beyond childcare and importance of stable, trusted relationships to ensure sector can provide high quality family support alongside childcare.
- **Access to high quality services** – it is important that this review frames the role of high quality, inclusive early education and childcare as first and foremost supporting children to thrive and improving early years development and school readiness. Alongside social outcomes, the sector is a vital enabler of economic growth.
 - Applying a place-based lens will be integral given the significant variance in running costs across the country.
- **The role of public bodies** GMCA has a longstanding history of collaboration to improve access to high quality and inclusive early education. This includes recent commissioning of a market case study to identify market composition, issues, funding flows and levers required at CA/LA level to drive improvements and would be happy to engage with the review to share our objectives in more detail. As outlined below we feel MCA's are well placed to address many of the issues currently impacting on the provision and hope this work will further our policy development.

Q2: Do you agree with our articulation of the characteristics of a 'well-functioning market' for childcare services as set out in paragraph 30? If not, what should be changed and why?

Q3: Do you consider that the childcare sector currently displays the characteristics of a 'well-functioning market' set out in paragraph 30? For each 'yes' and 'no' response, please explain why you consider this to be the case, what is driving this, and for 'no' responses how this could be remedied.

Response to question 2 and 3

No

- **Availability of supply** - Current funding formulas do not adequately cover delivery costs, especially when considering local variations in rent, wages, and other expenses. We know from our work in Greater Manchester that while the expansion of funded childcare is welcome, it has widened variance in access and quality across the city region. With funding rates largely set centrally, leaving local authorities with limited influence.
 - The increase in the government proportion of the market has reduced providers' ability to generate additional income, particularly affecting smaller providers in areas of high deprivation who may rely entirely on government funding.
 - It has also enabled the growth of larger, extractive private equity models of provision, which are less likely to reinvest funding in workforce and quality of provision and more likely to require parents to pay costly add on charges for food and activities.
 - The additional costs applied by settings can create barriers to families taking up their entitlement. However, we also recognise that in some cases, they may be necessary for settings to cover costs and remain viable.
- Workforce pressures continue to place operational challenges on providers and impact on sufficiency, particularly for children with additional needs. In addition, some providers increasingly demonstrate preferences towards children on the working parent entitlement given ability of families to cover supplementary charges. While our work in GM is mitigating some of the recruitment and retention challenges, these are being exacerbated by the national model. The sectors inability to pay real living wage impacts negatively on workforce retention, quality, and stability. High quality early education and childcare and relational care is integral to achieve positive outcomes for our children.
- **Effective competition between providers** - There is currently an inequity in the additional funding the sector can access which can impact on competition.
 - For example; school-based nurseries can access additional benefits which PVI's cannot such as the ability to provide free school meals for eligible families.
 - Wider cross-policy developments can impact on particular providers for example; rising business rates disproportionately impacts PVI's, the introduction of free breakfast clubs can impact on childminders.

How could this be remedied

- Revised funding model which moved away from demand led model, towards core funding for settings which covers the totality of costs, enables payment of the real living wage and supports workforce progression. A revised model should also consider flexibility to apply a place-based approach to funding that reflects the differences between settings e.g., rent prices, business rates, real living wage rates.

- Consideration of devolved powers to strengthen role of mayoral combined authorities to support market management. Combined authority spatial footprint would enable a suitable scale of approach to support more transformational market reform addressing sub-regional/regional issues around sufficiency and quality. This can be challenging for LAs given the geographical size of boroughs combined with lack of resource, skills and capacity to do this well.

Q5: Are there any specific areas we should focus on in relation to the consumer journey and choice, including families' ability to make informed choices, access and switch childcare services, or aspects of the consumer experience? Why?

Barriers to accessing entitlements

- Any consideration of the consumer journey also needs to consider the entitlement policy and processes. The parental journey is currently complex requiring a more streamlined, automated, and equitable system to reduce barriers for families, especially the most vulnerable.
- Challenges include:
 - Confusion due to the expansion of childcare entitlements and specific eligibility criteria can make it complex for parents / carers to understand and navigate.
 - Parents are often eligible for multiple entitlements, which are not captured in one coherent system complicating the consumer journey with multiple application processes required (e.g., working parent and early learning for two's)
 - Reconfirmation requirements are too frequent and over complicated. Missed deadlines leave families facing unexpected bills, or unable to access their childcare entitlements.
 - Government payments do not cover the full costs of childcare entitlements which means that providers need to apply additional costs which can confuse parents and carers and leave them unable to take up entitlements. The 'free childcare' branding is misleading.
 - Switching providers mid-term can cause issues for parents and carers and logistical challenges and market destabilisation which can become unmanageable for local authorities.
 - Consumers are falling through the eligibility gaps, due to competing Government policies for example; some families are no longer eligible for early learning for twos due to minimum wage increases.
 - Accessibility and proportionality are more important to parents than competition. Parent and carer needs should be front and centre of this review.
- Proximity of settings is often a key driver for families who only want to access specific settings based on need for example; settings close to their home, place of employment, or caring responsibilities.

Q6: Are there any specific areas that we should focus on because they have the potential to disproportionately affect vulnerable consumers (for example, those who may be at greater risk of poor outcomes or face additional barriers, including due to low income, disability, mental health, or because they are making decisions under stress or emotional pressure)?

- Expansion of entitlements, dual eligibility, and complex enrolment and reconfirmation processes. Consideration of whether this process is understood (or not) by breadth of families but particularly those at greatest risk of poorer outcomes.
- The ‘squeezed middle’ – families that are no longer able to access entitlements due to wider policy drivers e.g., increases in living wage.
- The impact of supplementary charges on families accessing early learning for 2s. While we know that underfunding leads to providers needing to add additional costs this can impact on access, particularly for vulnerable families.

Q8: Are there any specific issues we should focus on in terms of how, and the extent to which, childcare providers compete to gain consumers and are incentivised/disciplined to meet consumers’ preferences and needs? Why?

- The expansion of childcare has impacted on competition. However, competition does not always lead to better outcomes for children, the focus must be on ensuring high quality, inclusive and accessible early education and childcare.
- Accessibility and proximity are often most important to parents and carers than competition.
- Adopting ‘childcare’ terminology undervalues the professional and educational aspects of the work, and how they enable our children to thrive and start school ready to learn.
- Consideration of terminology used in policy and by providers and to what degree this can influence consumers.
- Use of Ofsted ratings to attract consumers’ needs consideration. Quality as determined by Ofsted is not comparable across the sector for example; PVI’s will be subject to full inspections whereas school based nurseries will be inspected as part of a whole-school inspection.
- Inequity in funding and regulatory requirements between different types of providers will affect competition e.g., a smaller provider will not be able to compete with a larger nursery chain, school based nurseries can access additional benefits that PVI’s cannot.

Q9: Are there any particular types of conduct or practices we should focus on that may adversely affect consumers or competition? What are they and why should we focus on them?

See earlier answers for further context

- 80% of market is Government funded, but this does not cover the totality of childcare costs faced by the sector, leading to parents and carers being subject to additional costs.
- How parents and carers understand and access entitlements.

Q11: More generally, are there any barriers to entering the provision of childcare services, or to expanding existing businesses, that you believe are unnecessary or disproportionate? If yes, please explain. Are there any particular barriers for smaller businesses?

See earlier answers plus:

PVI's

- PVI have to pay business rates and find suitable premises.
- This is likely to not be driven by where provision is needed, unless supported by capital grant allocations which are minimal when compared to SBN grants.
- More likely that new provision would be driven by availability of premises, costs, planning permission and business rates, not where the need is.
- Smaller PVI business do not have the same opportunities nor background support found in both Academy Trusts and large nursery groups, placing strain on the provider/maintained school and Local Authorities attempting to support them.

School Based Nurseries

- Current policy context means that SBN applications are benefitting disproportionately from local authority support.
- There is significant variance in the size of capital grants that can be accessed by SBN's as opposed to PVI's.
- There is significant differences between academy schools and maintained school's ability to apply for SBN funding as larger academies have the infrastructure to be able to put in quality applications.