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National Children's Bureau response to Department for Education consultation on the review of the cost of providing childcare: call for evidence

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1) Introduction

The National Children's Bureau welcomes the opportunity to contribute to the Department for Education's Childcare Funding Review, which will inform the proposed extension of free childcare to 30 hours per week for three-and-four-year-olds of working parents. We recognise the positive impact that high quality and inclusive early education and childcare can have on children's learning and development.

Young children and their families have been significantly affected by local authority funding cuts. Whilst the Dedicated Schools Grant, which includes funding for the free entitlement to early education and childcare at ages 2, 3 and 4 has been protected, other sources of early years funding have been severely reduced. According to research published recently by the National Children's Bureau and The Children's Society, children's centres and related early years services (excluding the free entitlement), have been most greatly affected by cuts to local authority spending over the past five years, with spending on children's centres reduced by over a third (37%).¹

The House of Lords Affordable Childcare Committee recently called for early years funding and resources to be more targeted on supporting early years providers to work with disadvantaged children and those with Special Educational Needs and Disabilities (SEND).² NCB's response to this consultation focuses on addressing the core elements of the early years funding system that are limiting these children from accessing free early education and childcare provision that is high quality, inclusive and supports their learning and development.

NCB recommends that:

- Local authority allocations within the Early Years Block of the Dedicated Schools Grant should be reviewed so that they better reflect levels of deprivation and demographic need;
- Providers should receive sufficient funding through the Early Years Single Funding Formula in order to meet the full costs of securing and delivering places to children accessing the current free entitlement, and the extension to 30 hours. A revised funding formula should

¹ National Children's Bureau & The Children's Society (2015) [Cuts that Cost](#)

² House of Lords (2015) [Select Committee on Affordable Childcare](#): report of session 2014-15

include a supplement to take account of the additional costs of securing suitable quality provision for children with SEND;

- A national workforce strategy should be published setting out how the government intends to support the early years sector to increase both the capacity and quality of the workforce in order to meet the demands of expanding free childcare to 30 hours per week;
- Dedicated funding should be provided to raise the qualification levels of the early years and childcare workforce. Funding streams should be made available to support both graduate leaders and new and existing practitioners working towards Level 3 qualifications;
- The Early Years Pupil Premium should be increased to £1,300 for three-and-four-year-olds accessing 30 hours of free childcare to ensure that early years providers and primary schools delivering full time places receive equal amounts of funding;
- Additional funding must be made available via the High Needs Block to ensure adequate top-up funding is available for all children with SEND in the early years. The High Needs Block should be reformed to distribute funds according to need.

2) The impact of inequalities in the early years funding system on disadvantaged children

Both the amount of childcare funding received by providers and how it is subsequently spent have an impact on young children's learning and development. Drawing upon the views and expertise of the National Quality Improvement Network (NQIN)³, NCB has identified the following funding challenges that are affecting the delivery of high quality early education and childcare provision, with the impact being felt most acutely by disadvantaged children and those with SEND:

i) Local authority allocations do not reflect levels of deprivation or demographic need

The funding allocations which local authorities receive through their Dedicated Schools Grant (Early Years Block) to pay providers for the cost of delivering the free entitlement are based on historical formulae set by government. These allocations neither reflect levels of deprivation in the local area, nor are they informed by cohort data: for instance the number of children aged 2-4 with Education, Health and Care Plans or who speak English as an Additional Language. Consequently, there are large disparities in the allocations received between local authorities experiencing similar levels of deprivation, resulting in the free entitlement being better funded in some areas than others. For instance, Salford and Sunderland are statistical neighbours; but whilst Sunderland offers £4.97 per hour to Private, Voluntary and Independent (PVI) providers for delivering the free entitlement to three-and-four-year-olds, PVI providers in Salford receive only £3.50 per hour. (The national average is £3.95.)⁴

Some local authorities are able to offer providers small amounts of additional funding through a deprivation or quality premium within their Early Years Single Funding Formula (the mechanism for allocating free entitlement funding to providers) in order to improve the quality of early education and childcare in more disadvantaged areas. However, those local authorities who receive lower Dedicated Schools Grant allocations will be less able to offer these premiums, and will also be more

³ NQIN is a specialist body that support quality improvement managers and policy makers working in early years, play and extended services to improve outcomes for young children and their families, by providing peer support, training and guidance.

⁴ [Early Years Benchmarking Tool](#)

restricted in the resources and support they are able to utilise in order to meet their duty to provide information, advice and training to weaker providers (section 13, Childcare Act 2006).

Recommendation:

The government should review local authority allocations within the Early Years Block of the Dedicated Schools Grant so that they better reflect levels of deprivation and demographic need. These allocations should be sufficiently high to ensure that providers have the funds available to deliver high quality free early education and childcare to *all* children for up to 30 hours per week.

ii) Providers do not receive sufficient funding through the Early Years Single Funding Formula to cover the cost of delivering the free entitlement

Evidence shows that the free entitlement is insufficiently well-funded. Ceeda research for the Pre-School Learning Alliance estimates that the Early Years Single Funding Formula funding received by Private, Voluntary and Independent (PVI) for the free entitlement covers only 80% of delivery costs, resulting in a shortfall of £800 per child per annum.⁵ Consequently, many providers are reliant on requesting parents to pay ‘top up fees’ (additional costs) for the free entitlement in order to break even.

An expansion of free childcare to 30 hours per week for three-and-four-year-olds of working parents without firstly addressing the chronic underfunding of early education and childcare, will pose significant challenges to the sustainability of providers. Many providers are already struggling, with 21% of group settings operating at a loss in 2013⁶. In addition, they will be required to increase salaries from April 2016 in line with the National Living Wage. Consequently, some providers may choose not to offer 30 hours of childcare or may go ahead at risk to their business.

The deficit in Early Years Single Funding Formula funding, coupled with a reduction in specialist local authority services (e.g. SENCOs, quality improvement support) is affecting the quality and accessibility of places. Providers are having to use their funding and resources more economically, particularly as they can no longer rely upon local authority support services. As a result, many providers are less able to invest in the development of staff, and purchase resources and equipment, which are needed to support the learning and development of disadvantaged children and children with SEND. (See points (iii) and (iv)).

Recommendation:

Providers should receive sufficient funding through the Early Years Single Funding Formula in order to meet the full costs of securing and delivering places to children accessing the current free entitlement, and the extension to 30 hours. A revised funding formula should include a supplement to take account of the additional costs of securing suitable quality provision for children with SEND.

⁵ Ceeda (2014) [Counting the Cost](#): an analysis of delivery costs for funded early education and childcare

⁶ Department for Education (2014) [Early Years and Childcare Providers Survey 2013](#)

iii) No dedicated funding is available to support workforce training and qualifications

The extension of free childcare to 30 hours per week will require a significant increase in the capacity of the early years workforce working with three-and-four-year-olds. However, the government has so far not announced how it plans to support the early years sector to expand its workforce and ensure that those working with young children are well-qualified, confident, and experienced.

There are significant gaps in the skills and expertise of the current workforce, particularly in terms of working with disadvantaged children or those with SEND.⁷ The Parliamentary Inquiry into Childcare for Disabled Children reported that the early years workforce is not suitably qualified and trained to deliver high quality childcare to children with SEND⁸ and an NCB evaluation on the delivery of the free entitlement for two-year-olds in schools, commissioned by the Department for Education, identified that many school-based practitioners are not equipped to work effectively with this age group.⁹ Alongside this, staff are being expected to take on wider responsibilities, such as leading the Integrated Review or supporting early intervention initiatives.

Despite recognition that employing a graduate leader improves the quality of provision, since the Graduate Leader Fund ended in 2011, there has been no dedicated national funding available for local authorities to support the training and qualifications of early years practitioners. In addition, reductions in local government budgets have meant that many local authorities can no longer subsidise training for new and existing practitioners.¹⁰ An enhanced Early Years Pupil Premium, above the current rate of £300 per child per annum, could provide a route to improving the skills and confidence of staff to work with disadvantaged children.

NQIN members have reported that providers' inability to pay competitive wages is affecting the recruitment and retention of well-qualified and experienced staff in their local area. Without sustainable free entitlement funding streams that cover the full cost of places, many providers will be unable to invest in the training and professional development of their staff.

Recommendations:

The government should publish a national workforce strategy setting out how it intends to support the early years sector to increase both the capacity and quality of the workforce in order to meet the demands of expanding free childcare to 30 hours per week.

⁷ A significant minority of practitioners are working in the sector despite not holding a Level 3 (A-Level) qualification, the minimum recommended by the Nutbrown Review of Early Education and Childcare Qualifications in order to deliver high quality services to young children and their families.

⁸ Every Disabled Child Matters, Family and Childcare Trust, and Contact a Family (2014) [Parliamentary Inquiry into Childcare for Disabled Children](#): Levelling the playing field for families with disabled children and young people

⁹ National Children's Bureau & Frontier Economics (2015) [Process Evaluation of the Two-Year-Olds in Schools Demonstration Study](#)

¹⁰ At present, only 14% of Private Voluntary and Independent settings employ a graduate with few opportunities for these providers to fund graduate training.

Dedicated funding should be provided to raise the qualification levels of the early years and childcare workforce. Funding streams should be made available to support both graduate leaders and new and existing practitioners working towards Level 3 qualifications.

The Early Years Pupil Premium should be increased to £1,300 for three-and-four-year-olds accessing 30 hours of free childcare to ensure that early years providers and primary schools delivering full-time places receive equal amounts of funding.

iv) The early years funding system does not take into account the additional costs of supporting children with Special Educational Needs and Disabilities

Whilst there is a notional SEN budget available to support school-age children, there is no equivalent funding stream in the early years. In evidence given to the Parliamentary Inquiry into Childcare for Disabled Children, early years providers repeatedly stated that a lack of additional funding was preventing them from developing inclusive childcare. Similarly, a Department for Education commissioned review of the provision of SEN funding for children and young people has identified that providers find it difficult to fund the free entitlement for children with SEN because there is no recognition that the cost of meeting their needs is greater than the standard per-child funding they receive.¹¹ In addition, most local authorities require children to be attending a setting before the provider is able to request additional funding from the High Needs Block. This situation is limiting the access of children with SEND to high quality early education and childcare and is undoubtedly contributing to the relatively low uptake (58%) of the free entitlement for disadvantaged two-year-olds.¹²

Local authorities are able to provide top-up funding to childcare providers from their High Needs Block of the Dedicated Schools Grant. The High Needs Block must meet the additional needs of children and young people through the 0-25 SEND system: yet when top up funding was introduced in the early years in April 2013, the High Needs Block did not receive additional funding to reflect this larger cohort. As a result, the Parliamentary Inquiry found that the availability of top up funding is inconsistent and not always adequate in order to enable a disabled child's participation in a setting. Moreover, NQIN members have reported that it can be difficult for providers to access High Needs Block funding unless a child has an SEN statement or EHC Plan, which few children do by age 3.

Challenges and inconsistencies in accessing top up funding from the High Needs Block, is impacting on equality of access to early education and childcare for children with SEND. NQIN members have informed us of instances where children with SEND are being turned away by PVI providers, as they are unable to incur the additional costs of working with these children. The Parliamentary Inquiry reported similar findings. The Childcare Funding Review must therefore consider the funding

¹¹ Parish, N & Bryant B (2015) [Research on funding for young people with special educational needs. Department for Education](#)

¹² Ofsted (2015) [The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2015: early years](#)

implications for providers of working with children with SEND in order to create and ensure equal access to both the existing free entitlement and the extension to 30 hours.

NCB hosts the Special Educational Consortium and Every Disabled Child Matters. We support their response which addresses in greater detail the funding challenges facing providers in ensuring that children with SEND can access high quality, accessible and inclusive free entitlement places. (Enclosed with the covering e-mail.)

Recommendation:

Additional funding must be made available via the High Needs Block to ensure adequate top-up funding is available for all children with SEND in the early years. The High Needs Block should be reformed to distribute funds according to need.