

# Local Government Association Briefing

## Sustainability of the nursery sector

### House of Commons

10 October 2018



# Briefing

#### Key messages

- Effective, high quality early years provision makes a difference to young children, helping to break the cycle of disadvantage, improving social mobility and offering them a good start in life.
- There have been welcome changes to early years provision recently, including the 30 hours free childcare scheme for working families. However, the funding rates are insufficient and this is risking both the sustainability of many providers and the sustainability of high quality provision.
- As providers seek to offer children spaces within the current funding constraints, there is a risk to provision for disadvantaged two-year-old children and those with special educational needs and disabilities, for whom provision is more expensive.
- Well qualified staff improve the quality of nursery settings, however many councils are concerned about the quality of staff locally, citing issues with pay, professional development and career progression when it comes to recruiting and retaining high quality staff.
- The new early years funding formula means that councils now have to pass through 95 per cent of all early years funding to providers. This 'high pass through' rate is resulting in less training and support for providers, including business support.

#### Further information

##### Sufficiency and quality of provision

All 3 and 4-year-old children, and disadvantaged 2-year-olds, are entitled to 15 hours free childcare per week for 38 weeks of the year, while 3 and 4-year-old children of working parents receive an additional 15 hours on top of that. Councils have a duty to ensure that enough childcare is available for every child in their area who wishes to take up this entitlement. They do this through working with schools and private, voluntary and independent (PVI) sector providers to set up and expand provision where it is most needed.

There is evidence that while high quality childcare can support children's development and increase academic skills, low quality childcare produces either no benefit or even negative effects.<sup>i</sup> The quality of provision locally, therefore, is at least as important as the quantity.

The presence of well-qualified staff improves the quality of a setting<sup>ii</sup>, however there are concerns nationally about the quality of the workforce, with qualification levels on a downward trend.<sup>iii</sup> A recent survey of local authorities<sup>iv</sup> found that three quarters (76 per cent) of councils were 'very' or 'fairly' concerned about the quality of level three practitioners in their areas (at least one practitioner in each nursery

setting must hold a full and relevant level 3 qualification). Higher wages, improved professional development and better career progression were all considered to be ways to increase the quality of practitioners, however increased wages are difficult for providers to offer at a time of significant funding constraints.

Councils' ability to intervene in poor quality settings is limited. For example, funding for the free early education entitlements can only be withdrawn if Ofsted rates a setting 'inadequate'. Ofsted, for their part, monitor providers on a four yearly cycle, with no course of action available to councils if they feel in the meantime that quality has dropped. Changes to the early years funding formula, in addition to cuts to local authority funding, also mean that councils are now less able to provide support and training to improve quality.

## **Funding for early years services**

### *Pass-through rate and 30 hours free childcare*

30 hours free childcare for children of working parents was introduced in September 2017. Whilst this is welcome, we have significant concerns about the current funding levels for this. Many providers are saying that the current funding rates from government are unsustainable. We are concerned that if funding rates do not increase, there will either be a reduction in the overall capacity of providers to provide childcare as settings close, or that the quality will reduce with less qualified and cheaper staff taking on roles or less support for children with additional needs.

Funding rates are also problematic in the face of additional funding pressures facing nurseries, such as increases in the national minimum and living wages, pension contributions and business rates. We urge the Government to reassess the funding rates with some urgency to secure the long-term sustainability of the nursery sector.

A new funding formula has been introduced which means that councils now have to pass through 95 per cent of all early years funding to providers. Previously, more may have been withheld some funding for areas like training, or staff at the council who supported providers and parents. Almost half (48 per cent) of responding councils in our survey<sup>v</sup> identified that the high pass through rate would result in less support for providers, with the most common impacts being an increase in charging for services, reduced council staff numbers and a reduction in training for PVI settings.

### *Maintained nursery schools*

Maintained nursery schools (MNS) have historically received a higher level of funding than PVI sector nurseries as they have additional statutory responsibilities that make them more expensive to run – for example they must have a qualified teacher, and a designated special educational needs coordinator. However, this additional provision means that they provide more support for children with special educational needs and disabilities (SEND), and they are also of high quality, with two thirds being rated outstanding by Ofsted at March 2018.<sup>vi</sup> They are also concentrated in areas of higher deprivation, providing high quality early education where it is most needed.<sup>vii</sup>

Changes to the Early Years Funding Formula will see funding for maintained nurseries significantly reduced. Under the formula, they have protected funding until 2019-20, however there is a lack of clarity about the level of protected funding beyond this. A recent survey of our members indicated that without protected funding, many MNS are likely to close, resulting in less provision for disadvantaged children and those with SEND.<sup>viii</sup> Urgent clarification is needed on future funding arrangements for MNS so that councils can make informed decisions on the future

of these nursery schools, and provision for the children who attend them.

### *Provision for children with SEND*

We are concerned that provision for children with SEND who require additional support in nursery settings will reduce as settings try to remain sustainable and can no longer afford to pay for the additional help. With demand for SEND support increasing across all school stages and insufficient uplifts to the high needs block of school funding (from which some support for children in the early years can be funded), there is a risk that children will miss out on the support they need to take up the provision they're entitled to.

In addition, 2-year-olds are not eligible for support from the Disability Access Fund, Early Years Pupil Premium or SEN Inclusion Fund, all of which could be used to improve their access to early years provision.

### *Take up of childcare schemes*

Take up of the free early education entitlements for 3 and 4-year olds is high, at 92 per cent and 95 per cent respectively.<sup>ix</sup> Take up of the two year old offer is lower, at 72 per cent<sup>x</sup> though there are a range of reasons for this, including the use of informal childcare for younger children. A good understanding of current and future take up locally, and use of other childcare schemes such as tax-free childcare, are important elements of the local childcare sufficiency plan to allow councils and providers to plan adequate and appropriate provision.

The range of childcare schemes currently available, for example, 15 hours for disadvantaged two-year-olds, 30 hours for 3 and 4-year-old children of working parents, and tax-free childcare, is currently complex and schemes appear to have competing aims, for example improving social mobility or getting parents into work. This can make it difficult for parents to know the best option for their family, and can result in varied support. We would encourage a more streamlined approach to provide a more coherent offer to families and to support development of the right provision in the right areas.

We would also welcome consideration of the overall aim of childcare support for families. The Government has been clear on its ambitions to support social mobility for all, and we know that a good early years education can significantly improve social mobility. Reviewing early years support in its entirety will help to identify whether investment being made is contributing as much as it can to delivering this aim, including ensuring the sustainability of the nursery sector.

## **Poverty and deprivation**

Research shows that PVI settings in deprived areas are more likely to be of poor quality than those in more advantaged areas, offering disadvantaged children a poorer standard of childcare and early education.<sup>xi</sup> This is a consequence of complex and interlocking factors, including constraints on councils' ability to intervene on quality or to expand maintained provision outside of school sites. Some private sector nurseries may also prioritise areas of lower deprivation. Families and children in deprived areas would benefit if the ability and resources to monitor and intervene on quality were returned to councils.

A recent survey of local authorities in London<sup>xii</sup> found that the number of free places for disadvantaged two-year-olds was falling as an unintended consequence of the 30 hours free childcare policy and the new early years funding formula, including because two-year-olds are more expensive to care for due to higher staff to child ratios. We encourage the Government to look into this issue to ensure that these

policies do not negatively affect those children most in need of early education to improve their life chances.

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<sup>i</sup> Sutton Trust (2014) *Sound Foundations* <https://www.suttontrust.com/wp-content/uploads/2014/01/1sound-foundations-jan2014-3-1.pdf>

<sup>ii</sup> Nuffield Foundation (2014) *Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?*  
[https://www.nuffieldfoundation.org/sites/default/files/files/Quality\\_inequality\\_childcare\\_matters\\_29\\_05\\_14.pdf](https://www.nuffieldfoundation.org/sites/default/files/files/Quality_inequality_childcare_matters_29_05_14.pdf)

<sup>iii</sup> Education Policy Institute (2018) *The Early Years Workforce: A Fragmented Picture*  
[https://epi.org.uk/publications-and-research/early-years-workforce\\_analysis/](https://epi.org.uk/publications-and-research/early-years-workforce_analysis/)

<sup>iv</sup> Local Government Association (2018) *Early Years Provision: Survey Results*  
<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

<sup>v</sup> Local Government Association (2018) *Early Years Provision: Survey Results*  
<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

<sup>vi</sup> <https://www.gov.uk/government/publications/state-funded-schools-inspections-and-outcomes-as-at-31-march-2018/state-funded-schools-inspections-and-outcomes-as-at-31-march-2018-main-findings#further-information>

<sup>vii</sup> Early Education (2015) *Maintained Nursery Schools: The State of Play*  
<https://www.early-education.org.uk/sites/default/files/Nursery%20Schools%20State%20of%20Play%20Report%20final%20print.pdf>

<sup>viii</sup> Local Government Association (2018) *Early Years Provision: Survey Results*  
<https://www.local.gov.uk/early-years-provision-survey-results-june-2018>

<sup>ix</sup> <https://www.gov.uk/government/collections/statistics-childcare-and-early-years>

<sup>x</sup> Department for Education (2018) *Education Provision: children under five years of age, 2018* <https://www.gov.uk/government/statistics/education-provision-children-under-5-years-of-age-january-2018>

<sup>xi</sup> Nuffield Foundation (2014) *Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?*  
[https://www.nuffieldfoundation.org/sites/default/files/files/Quality\\_inequality\\_childcare\\_matters\\_29\\_05\\_14.pdf](https://www.nuffieldfoundation.org/sites/default/files/files/Quality_inequality_childcare_matters_29_05_14.pdf)

<sup>xii</sup> London Councils <https://www.londoncouncils.gov.uk/node/33577>