

# Early Years

Progress in developing high quality childcare  
and early education accessible to all

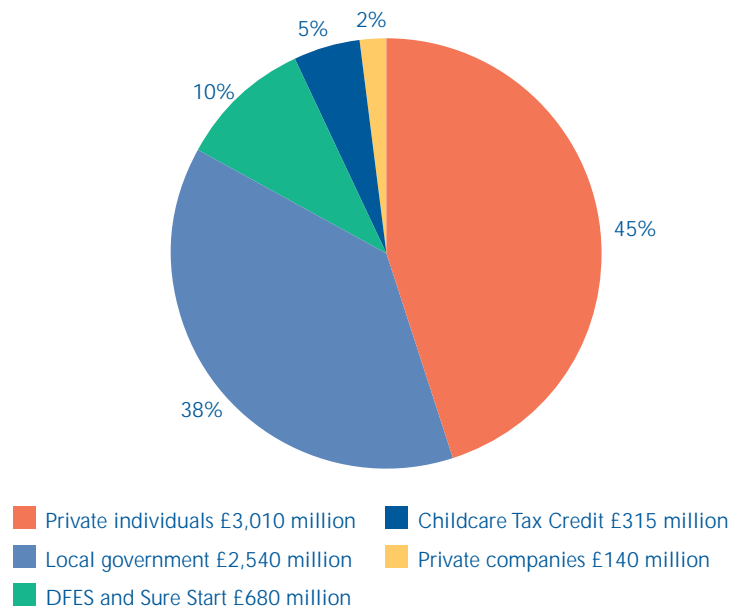


REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
HC 268 Session 2003-2004: 27 February 2004

# executive summary

- 1 There are 2.9 million children in England below compulsory school age. Early childhood is a crucial period for human development and can shape the remainder of people's lives. It is, therefore, a time when children need high quality care and educational experiences. Evidence suggests this is particularly the case for those from currently disadvantaged groups such as children with special educational needs or from ethnic minorities. Early years provision, including childcare and pre-school education, is thus aimed at supporting children's learning and development and is also a key element of the Government welfare to work policies. The Government has given priority to services for disadvantaged groups in particular, in order to tackle social exclusion.
- 2 Having childcare in place is also vitally important for parents. A lack of available and affordable childcare can be an obstacle to parents of young children taking up employment, which the Government believes is a key way of tackling poverty, and which in turn is important for children. Parents want early years provision to be local and accessible, with good facilities, and for their children to be safe. **Figure 1** shows what assistance is available for parents to obtain early years provision. Parents are also the main contributors to the costs of early years provision, paying in the region of £3 billion a year for childcare (**Figure 2**).

## 2 How early years provision is paid for 2002-03



### NOTE

The Childcare Tax Credit was replaced by the childcare element of the Working Tax Credit in 2003-04 (paragraph 3.7).

Source: National Audit Office based on figures from the Department for Education and Skills, Inland Revenue and Laing and Buisson

- 3 The early years sector covers a range of services including childcare (care in a registered setting such as a crèche, nursery, or with a childminder), early education (in a classroom setting for children under compulsory school age and in nursery schools) and other services for young children and their families, such as parenting advice. The Government now spends over £3 billion a year on these services, mainly through local government, but also through the Department for Education and Skills (the Department), which spent £680 million in 2002-03 (Figure 2). The early years sector has become considerably more structured and diverse in recent years, and services, catering for children of different ages, are offered by a variety of providers in the public, private and voluntary sectors (Figure 3). This report examines childcare and education provision for children prior to compulsory schooling across all these sectors.
- 4 Since 1997, the National Childcare Strategy and a number of other government initiatives have sought to increase the accessibility, affordability and quality of childcare and early education. The key elements of these policies are:
  - an increase in the number of childcare places designed to reach a target to provide new places for 1.6 million children by 2004;
  - a free nursery education place for all four-year-olds whose parents want one from 1998, and for three-year-olds by 2004, funded by a Nursery Education Grant to local authorities totalling £976 million for the years 1998-99 to 2002-03 inclusive;
  - Early Year Development and Childcare Partnerships in each local education authority area to draw up childcare plans at a local level for how to achieve the planned expansion, provide training and improve quality;
  - £235 million of lottery funding for Out of School Hours childcare for children up to the age of 14 (and up to 16 for those with special needs);
  - a childcare tax credit to fund up to 70 per cent of the cost of childcare for low-income parents from 1998; and
  - new quality standards for early years provision, and the transfer of responsibility for registration and inspection of childcare to Ofsted.
- 5 Policy on early years has continued to develop, partly in response to early indications that the National Childcare Strategy as initially conceived was not reaching sufficient children in deprived areas and amongst disadvantaged groups, and that more joined up services were needed. Since 2002, these initiatives have been the responsibility of the interdepartmental Sure Start Unit, staffed by officials from the Department for Education and Skills and the Department for Work and Pensions. Against this background, we examined what progress the Department for Education and Skills has made in improving the accessibility of early years provision (Part 2), its affordability (Part 3) and quality (Part 4). Our methodology is outlined in Appendix A.

### 3 Types of early years provider

Service	Overview of services	Age range catered for	Type of provider
Day nursery	<ul style="list-style-type: none"> <li>■ Provide full or part-time day care, education and play for children below compulsory school age (5 years).</li> <li>■ Nurseries can be profit-making or non-profit-making.</li> <li>■ Generally open 8am to 7pm.</li> </ul>	0 to 5 years	Public, private, or voluntary
Nursery school	<ul style="list-style-type: none"> <li>■ Educate pre-school aged children.</li> <li>■ Staffed with a high ratio of qualified teachers.</li> <li>■ Work in partnership with other trained professionals.</li> <li>■ Many staff have special qualifications for the age group.</li> </ul>	3 to 4 years	Public or private
Nursery class	<ul style="list-style-type: none"> <li>■ Can be attended either full time or part time one year before a child starts compulsory education. Full time refers to school term time, not holiday.</li> </ul>	3 to 4 years	Public
Pre-school playgroup	<ul style="list-style-type: none"> <li>■ Playgroups are usually part-time or 'sessional', and operate for two to three hours per session.</li> </ul>	2½ to 5 years	Private or voluntary
Childminder	<ul style="list-style-type: none"> <li>■ A self-employed person who provides day care for more than two hours per day.</li> <li>■ Usually in the childminder's own home.</li> <li>■ Hours tend to be flexible.</li> </ul>	Usually up to 8 years	Private
Reception class in a primary or infant school	<ul style="list-style-type: none"> <li>■ Children in a reception class are usually completing the final year of the Foundation Stage. They then move on to Year One of the primary or infant school on reaching statutory school age.</li> </ul>	4 to 5 years	Public or private
After school, out of school care, breakfast clubs and holiday schemes	<ul style="list-style-type: none"> <li>■ Cater for children of school age and to help meet the needs of working parents.</li> <li>■ A range of activities are offered including sports, drama, arts and crafts, and music.</li> </ul>	Compulsory school age	Public, private or voluntary
Crèches	<ul style="list-style-type: none"> <li>■ Offer short term childcare for young children, while parents are unable to look after them, for example, if they go on a residential course, training or leisure activities.</li> <li>■ Crèches may operate all week on a sessional basis, but will usually cater for different children at each session.</li> </ul>	0 to 5 years	Private or voluntary

## Progress in improving accessibility

The Department is on course to provide free part-time early education places for all three and four-year-olds whose parents want it by 2004

- 6 The Department achieved the 1998 target of providing sufficient early education places to give a free part-time place to all four-year-olds whose parents want one. It aims to provide similar places for three-year-olds by 2004, and from 1999-2000 provided grant funding to local authorities to enable them to do so. By spring 2003, it had created enough places nationally to achieve this, although there are gaps in some localities. The Department has identified where these are and is taking action to provide sufficient early education and childcare places by spring 2004.

More childcare places are available for pre-school children since 1998, but there has been a net loss of some types of provision and there are wide variations between areas

- 7 In aiming to create new childcare places to benefit one million children by 2004, the Department took into account expected turnover of places and assumed that some would benefit more than one child. They calculated that 900,000 new places would need to be created. From the launch of the measures announced in the National Childcare Strategy to spring 2003, 626,000 new childcare places for all ages were created in England. However, 301,000 places have closed - more than the Department expected. Taking into account local authority projections for 2003-04, we estimate that there will have been a net increase of 520,000 places by 2004. Most new places have been in out of school and holiday provision, mainly funded by the New Opportunities Fund (420,000 places had been created by August 2003), but 96,000 are for pre-school children. Whether this will be sufficient to meet the Government's target depends on the mix of full-time, part-time and out of school places.

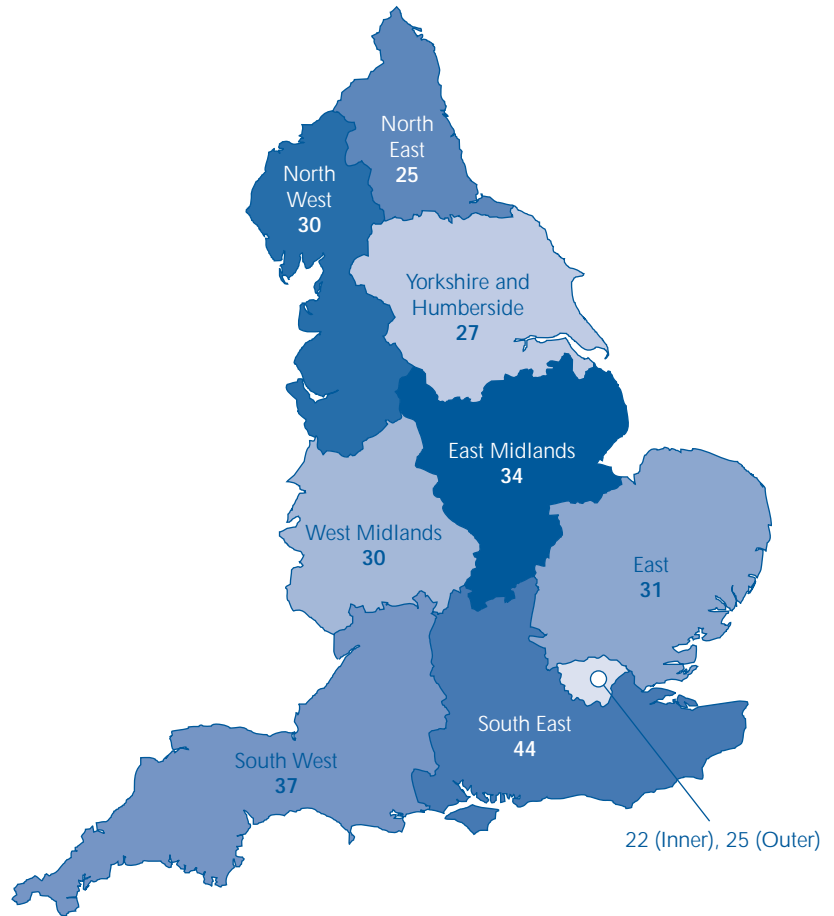
There are gaps in provision for some groups and geographical areas

- 8 In our surveys, few parents reported that lack of available provision prevented them using childcare, but 14 per cent said there was no local choice for their child. There is insufficient provision available at flexible hours to meet the needs of some, especially lone parents, and there are also gaps in provision geographically and for disadvantaged groups. More specifically:
  - despite the increases in total numbers of places, there is much regional and local variation (Figure 4). For instance, the number of pre-school childcare places varies between 11 and 58 per 100 pre-school children between local authorities;
  - few providers, especially childminders, are currently able to cater for disabled children and many are not trained to do so; and
  - although disadvantaged children benefit more from it, less early years provision is available in the 20 per cent most deprived wards in England than in other areas. Since 2001, the Department has targeted new funding at the most deprived areas, and the gap in provision is now narrowing.



#### 4 Regional variation in childcare places for pre-school children

Places per 100 children.



Source: National Audit Office analysis of data from Ofsted and Early Years Development and Childcare Implementation Plans 2003-04

There are a number of threats to the sustainability of this new childcare provision

- 9 Although the Department aims for further growth in the sector to 2006, few early years providers are planning to expand. Providers consider lack of space and a need for bigger premises to be the main barriers to expansion. The size of the workforce is also a potential barrier. Since 2001, workforce growth appears to be well short of the 8-10 per cent the Department estimates will be needed to meet its targets. Our survey showed that most new provision started up using government funding, although this was not so important for expansion of existing providers.
- 10 There are also threats to the sustainability of early years provision, especially new provision. Only half of new providers know what they will do when their start-up funding ends. Perceived threats to existing provision include high staff turnover, competition from other providers and, for some types of provider, the burden of administration. Many existing providers fail to cover their costs, and significant numbers lack sufficient understanding of their costs to judge their future viability.



- 11 To make it easier for parents to access provision, the Department has improved childcare information services. Such services have been established in each local authority and on the internet, and providers, especially childminders, rely on them to publicise their services. But they are not used by the majority of parents, who rely much more on informal sources of information in choosing providers.

## Progress in improving affordability

### Affordability has improved for some parents but costs have risen for others

- 12 The affordability of provision affects whether parents use it. There is evidence that lower income households use early years services less than other households, and childcare costs can be a barrier for parents wanting to work or train. Government have made free part-time provision available for three and four-year-olds (paragraph 5), and subsidised childcare for some low-income parents through tax credits. The childcare element of the Working Tax Credit, formerly the Working Families Tax Credit, subsidises childcare for about 236,000 families, mainly lone parents. According to our surveys of parents, around 40 per cent of low-income parents receive free provision, but 20 per cent pay all costs themselves. For other households, the costs of childcare increased in 2002-03. Childcare costs more for under-twos, reflecting the availability of free early education provision for older children and higher per capita costs for this age group, and there is survey evidence that costs vary widely around the country. For instance, a full-time nursery place for under-twos varied from £168 a week per place in London to £107 in the West Midlands in January 2004.

### Cost is not the major factor in take-up

- 13 Despite this, cost does not appear to be the key factor in deciding whether parents use early years provision or what type they choose. About a fifth of parents told us that cost was an important factor, but location, reputation, the quality of staff and facilities and availability at suitable hours were more important. Very few parents of children who did not use early years provision said this was because it was too expensive. Instead, the most common reasons were that the child was too young or that they preferred to look after them at home.

## Progress in improving quality

### The Department has put in place a detailed framework of measures to improve the quality of childcare provision

- 14 A wealth of research shows the quality of childcare and early education provision. The review we commissioned shows that good quality childcare has a positive impact on child development - although the quality of the home learning environment is also key for the child's development - but poor quality childcare can have a negative impact. From age three upwards, early education is also beneficial. The impacts are strongest for children from disadvantaged backgrounds, who benefit particularly from high quality pre-school provision from the age of three onwards. The Government's targeting of early years provision on the 20 per cent most deprived wards - such as through the introduction of Children's Centres - recognises this. The research we commissioned shows the following factors have positive impacts on children:

- adults interact with children in a responsive, affectionate way and are readily available;
  - well-trained staff who are committed to their work with children;
  - facilities that are safe and sanitary and accessible to parents;
  - ratios and group sizes that allow staff to interact appropriately with children;
  - supervision that maintains consistency;
  - staff development that ensures continuity, stability and improving quality; and
  - a developmentally appropriate curriculum with educational content.
- 15 Government has taken action to secure improvements in all these areas. National standards, which address issues of physical safety, child protection and provision for special needs as well as care and learning, have been set for childcare provision, and group sizes are established in law.
- 16 The Office for Standards in Education (Ofsted) inspects childcare providers against these standards every year. Our evidence suggests providers have received the introduction of inspections positively, and the first round indicates that standards across the sector are acceptable. Parents' perception of nursery education is that it has improved since 1997, although there has been no significant change in their perception of the quality of childcare services.
- 17 The Department has worked with local partners on a national recruitment campaign for staff, and developed new training routes, including an early years Foundation Degree. They have developed the Birth to Three Matters framework and the Foundation Stage curriculum, setting early learning goals for children below compulsory school age.
- 18 There has been less progress in introducing quality assurance mechanisms for providers themselves. Fewer than 40 per cent of providers are accredited to one of the 67 quality assurance schemes currently in operation in the sector. To rationalise the situation the Department has developed an umbrella scheme, Investors in Children, which has now endorsed 24 schemes.

### Further improvements to accessibility and quality will depend on a faster expansion of the childcare workforce

- 19 Increasing the number of skilled and qualified childcare workers is a key aspect of improving the quality of early years provision. Lack of trained staff could be a barrier to expansion and the Department faces a challenge in increasing the size and skills of the workforce in line with its targets for creating additional places. They have a strategy in place, but estimate that over 175,000 new recruits will be needed between 2003 and 2006, and 130,000 staff will need training.



# Recommendations

- 20 For the Department to make further progress in improving provision, we recommend that:

to expand provision where it is needed

- 1 **The Department should focus more on developing integrated provision and ensuring it is sustainable** - The Department has been successful in creating part-time early education places and places in out of school hours and holiday schemes. But there is evidence that parents require more provision through the day and at flexible hours, while children benefit from integrated care and education. To ensure best value for money, the Department's strategy for further expansion should make it a priority to support provision which meets these needs and can demonstrate that it is sustainable.
- 2 **Childminders offer good scope to provide more places** - Although over 60 per cent are at maximum capacity, many childminders told us they could expand provision without additional government funding. Childminders can also offer more flexibility for meeting parents' needs than other provision at fixed hours of the day. However, they need more training and business support. It is more difficult for independent childminders to take up training than for workers who are part of a larger organisation, so the Department should promote the development of childminder networks and local arrangements for links between providers. Encouraging more informal childminders to register with Ofsted would also raise quality.
- 3 **The Department needs to ensure that schools play a key role in expanding provision in deprived areas** - Finding suitable premises is a key barrier to expansion, and the Department intends that new provision is developed in schools, especially in deprived areas, to overcome this. But this strategy is at risk because few schools currently plan to provide additional early years services. The Department needs to work with local authorities to encourage schools to provide these services where they have facilities available.
- 4 **Better information is needed to measure the size of the sector and progress towards targets** - Targets are currently stated in terms of the number of children helped, which cannot be measured directly using current data. The Department, therefore, makes a number of assumptions, and has to ask local authorities to make a number of reports on local provision, using different measures of numbers and types of places. It needs to find ways to measure progress robustly, using existing data as much as possible. Ofsted has succeeded in overcoming early delays in registering childcare providers and its work creates the opportunity for independent and robust measurement of the sector.



### to improve sustainability

- 5 **Providers need more business support, particularly to understand costs and plan for the future** - Many providers do not understand their costs and how many places they need to fill to break even. Providers need to develop better business planning, and the Department's investment in new provision is at risk if providers are not viable once start-up funding runs out. Local authorities now employ early years Business Support Officers, and they need to work with providers, especially in disadvantaged areas, to help them understand their costs, how to set prices, how to plan for the long term and how to market themselves effectively to parents.
- 6 **Local authorities should have greater co-ordination and planning powers** - Many local factors affect the early years market, and competition between providers is a threat to the sustainability of provision. To date the Department has required each local authority to meet national targets, but different approaches may be more appropriate in different localities. Planning for new provision should take place at a local level. For example, local authorities could have discretion about whether or not to fund new early education provision, so that funding is concentrated on sustainable providers.
- 7 **Targets should measure the extent of provision, not increases in places** - Current targets for childcare encourage the creation of new places which may not be sustainable. Targets based on the total number of places required would be more effective, and the production of independent data on numbers of providers by Ofsted facilitates this. To reflect variations in local provision and demand, it may make more sense to have regional rather than national targets.



### to ensure quality

- 8 **Further expansion will require greater efforts to expand the workforce and provide training** - Expanding the sector while maintaining quality depends on increasing the size and improving the skills of the workforce. It will be challenging for the Sure Start Unit to expand the workforce at the rate it currently estimates. But there is scope to learn from good practice at a local level, where the best performing authorities work in partnership with colleges and the voluntary sector, provide training opportunities for potential childcare workers as well as existing staff, and monitor staff training in detail. There is also scope to do more, especially to attract older workers to the sector.
- 9 **More training is needed (especially for childminders) in caring for disabled children and those with special educational needs** - A minority of providers cater for children with disabilities or special needs, but although training is available, few have taken it up, even among those who do look after disabled children.
- 10 **Providers should be encouraged to improve the quality of the early education and care they offer** - This could be through approaches, including joining an Investors in Children-endorsed quality assurance scheme, making use of the Birth to Three Matters framework and Foundation Stage curriculum guidance, raising the qualification levels of their staff and offering opportunities for continuing professional development.