

# **Childcare and the economy**

Submission by Prospect to the Treasury Select Committee

**7<sup>th</sup> February 2018**

[www.prospect.org.uk](http://www.prospect.org.uk)

## **Introduction**

1. Prospect is the trade union for professionals, experts and specialists. Prospect's Education and Children's Services (ECS) group represents nearly 3,000 professionals in the education, children's services, early help, commissioning and children's social care field. They are based throughout the UK, and work across a range of sectors serving the interests of children and young people, including the public, private, faith, voluntary and community sectors
2. Prospect supports a high quality childcare sector that provides world class support to children, is affordable for parents, and is a great sector to work in. We believe that involving childcare providers in the design of childcare policy is essential to achieving this aspiration and we are concerned that the voices and experiences of childcare providers are often lost in this debate.
3. This submission will focus on the experience of childcare providers in delivering government childcare policy. It is based on evidence collected from our members working in the sector and their representatives.

## **Executive Summary**

4. The government's childcare policy is overly complex and difficult both for parents to navigate and for providers to administer. This is compounded by errors in government communication that have caused confusion and distress.
5. The administration of policies such as free childcare hours by the government is often done with no comprehension of the challenges faced by childcare providers, many of whom are tiny businesses without the resources to deal with the administrative burdens placed on them by government. The government frequently places the burden of delivering their policies onto a sector that is fragmented and ill-equipped to deal with policy shocks.
6. Policies such as the free childcare hours are critically under-resourced and have placed a huge financial strain on childcare providers. The completely inadequate and inflexible funding for the 30 hours scheme means that providers are forced to either raise their prices for extra hours or to not offer 30 hours places.
7. This is compounded by other policy changes and additional administrative burdens. This has contributed to a sector attempting to deliver high quality childcare with limited resources and staff who are often underpaid and overworked.
8. This in turn contributes to an environment where it is extremely difficult to recruit and retain qualified staff. All the evidence suggests that qualified staff are essential in order to deliver the outcomes that government have set out in terms of educational attainment and social mobility, yet government policy works directly against the delivery of these outcomes.
9. Late payments to childcare providers for delivery of the free hours and the time lag between parents entering work and qualifying for free hours are creating an environment where both parents and providers are stretched to the limit financially.

## Navigating the system

10. Prospect members in the childcare sector report on a complicated and interlocking set of government policies that make it a minefield for providers and parents alike. This has been exacerbated by the roll-out of tax free childcare which did not take into account the extra burden the system would place on providers who are already stretched to the limit.
11. Prospect members tell us that the system is a nightmare to set up and that parents struggle to understand the information given on the websites. There was an error recently on the government website which informed parents that they could not combine tax free childcare and the 30 hours. This is wrong, it was meant to say they could not combine tax free childcare and childcare voucher schemes.
12. Payments take a long time to come through to the nursery, at least 3 days and at weekends or bank holidays they are not sent at all. As a result settings are having to chase parents and the parents then have to chase up tax free childcare causing embarrassment and distress.
13. Payments are also received by nurseries with incomprehensible string of letters and numbers as an identifier. This is not such a problem in a small nursery where they can take the time to figure out that 'OROG1234567' is probably 'Oliver Rogan' in the baby room and not 'Orson Rogers' in the preschool, but a nightmare in larger settings.
14. Prospect members report several examples of parents struggling to get their codes for the 30 hours. These range from highly parents whose salaries are made up of dividends, rather than PAYE and parents changing their employment recently and being told they did not have sufficient evidence of their income. We have also received reports of applicants making a mistake on the website and because of that error cancelling their eligibility.
15. There is frequent confusing and contradictory advice about which elements of the administration of childcare policy are the responsibility of the providers and which are the responsibility of the government. For example a provider told Prospect that they had been given advice by government on how to identify when a parent's 30 hour code was up for renewal and chase them to renew, despite originally been informed that this was the responsibility of the government.
16. An additional problem for parents is that many do not feel incentivised to enter work by the additional free hours policy. Members reported parents feeling like they were in a 'Catch 22' situation where they were not eligible for hours because they were not in work, but that the lack of 30 hours made it impossible to enter work. For example, a parent entering work at the end of January would not be eligible for additional hours until the end of March, a gap that many parents find it impossible to bridge.
17. The result is that it is exactly the parents who the government would like to see incentivised into work by these policies that are unable to benefit from them because of the cliff edges built into the system.

## **Funding government policies**

18. The main concern raised by Prospect members working in the sector is that the underfunding of the government's flagship childcare policies is placing intolerable financial strain on providers.
19. One estimate by the Pre School Learning Alliance puts the underfunding of 'free' childcare hours at 20%. It is clear that those providers who opt to provide the free hours are doing so at below the market rate and therefore increasing financial pressure on their businesses.
20. What is more, the lack of flexibility caused by having such a large proportion of their income effectively fixed by local authorities means providers are not able to adjust according to their circumstances, increasing the strain and constraining the options available to providers.
21. Funding to settings has decreased again this year and there is no provision for any increases until 2020. Yet this is against a background of rising costs in other areas. Prospect members cited rises in the National Minimum Wage, business rates, the cost of food due to inflation, pension contributions, and the cost of compulsory training schemes as additional costs which were not taken into account when setting rates for free hours.
22. An additional concern that has been raised by some members is the behaviour of some local authorities in attempting to claw back payments when children have not received the full time funded due to lateness. For example some local authorities will not pay for a free hour of child care if the child has arrived 10 minutes later, so the providers are expected to fund the 50 minutes that were provided for free. These reductions can be presented to providers as a bill for thousands of pounds at once, leaving them in difficult financial situations.

## **Additional pressures**

23. The final concern of Prospect members was the rise in additional responsibilities and pressures being placed on childcare providers which consume additional time and resources. Examples of these include but are not limited to:
24. The fact that settings are rarely financially compensated for the additional cost of taking on children with additional SEND requirements or child protection issues. Despite this, staff are expected to attend meetings, write reports and provide individual support to children and families. This consumes many hours of staff time that is not reflected in the funding arrangements.
25. Increased need for paediatric first aid training. This arose through the amendment to the Early Years Foundation Stage in 2017 that states that: "All newly qualified entrants to the early years workforce who have completed a level 2 and/or level 3 qualification on or after 30 June 2016, must also have either a full PFA or an emergency PFA certificate within three months of starting work in order to be included in the required staff:child ratios at level 2 or level 3 in an early years setting."<sup>1</sup>
26. Whilst settings had always had to have at least one qualified first aider on site at all times, this amendment means that they now are unable count a member of staff in their ratios if they haven't done their first aid training, or in the event that they are unable to get them booked

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<sup>1</sup> Early Years Foundation Stage framework, April 2017, Annex A

onto a course when their first aid qualification expires after 3 years. Although intended to apply to newly qualified staff, providers are experiencing in practice that they are being expected to train all their staff in paediatric first aid every three years. For example, at a recent Ofsted inspection last year an inspector told one of our members that although they were meeting all the statutory requirements, she felt that the fact that only 18 out of their 22 staff had first aid was not really good enough. This is quite a large added cost as paediatric first aid training can cost up to £65 per person and it takes 2 days to complete.

27. Additional regulations on food and drink provision have also increased the burden on providers. The operational guidance for the 30 hours says: “Children should be able to take up their free hours as part of continuous provision and providers should avoid artificial breaks in the day wherever possible. For example, the lunch time hour/session should form part of the provision where a child is attending a morning and afternoon session. ...Providers can charge for meals and snacks as part of their delivery of the free entitlement as long as parents are not required to pay as a condition of taking up their child’s free entitlement place. Providers may give parents other options including waiving or reducing the cost of meals or snacks, or allowing parents to bring in a packed lunch.”<sup>2</sup>
28. In addition to this, in November 2017, the government published non-statutory guidance detailing the kinds and amounts of food that early years providers should be offering to children to help them to meet the Early Years Foundation Stage welfare requirements for food and drink.<sup>3</sup> Although this guidance is non-statutory, Ofsted already look at menus and nutrition and Prospect members feel that they will focus on this further following the publication of this guidance. One of our members commented that the cost of the cook they already employ is not catered for in the funding for the free hours and that as a result they are charging parents for food, however if parents do not want to pay the advice they have received is that they should simply ‘waive the cost’.
29. Finally our members highlighted the rising number of compulsory training events they are required to attend in order to remain eligible for funding. This is contributing to the additional pressures being placed on providers as they feel they are being asked to jump through more hoops in order to access a very limited amount of funding.

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<sup>2</sup> Early years entitlements: operational guidance for local authorities and providers. April 2017, p.31

<sup>3</sup> <https://www.gov.uk/government/publications/example-menus-for-early-years-settings-in-england>