October 2011

**Submission to the London Assembly’s Health and Public Services Committee**

**Review of access to childcare in the capital for children up to the age of five.**

**About 4Children**

4Children is the national charity all about children and families. We have spearheaded a joined-up, integrated approach to children’s services and work with a wide range of partners around the country to ensure children and families have access to the services and support they need in their communities. We run Sure Start Children’s Centres as well as family and youth services across Britain. We run 23 full day nurseries, including in the London Boroughs of Newham, Bexley and Greenwich.

We develop, influence and shape national policy on all aspects of the lives of children, young people and families. As the Government’s strategic partner for early years and childcare we have a crucial role in co-producing policy with the Department of Education and representing the sector’s views and experiences. Our national campaigns, like Give Me Strength, change policy and practice and put the needs of children and families on the political and policy agenda.

During 2009 and 2010 4Children ran The Family Commission, a national inquiry into family life. During the 18 month inquiry we spoke to 10,000 families across Britain about their experiences, needs and aspirations.

**Context**

Childcare for children under the age of 5 serves two complimentary purposes – to support child development by providing high quality early education during the crucial foundation years; and to provide working parents with safe and nurturing care for their children whilst they are at work or in training.

The EPPE[[1]](#footnote-1) research shows that high quality childcare is good for children and in particular that it is beneficial for children from disadvantaged backgrounds.

Early education and childcare in London is provided by a patchwork of nurseries, nursery schools, reception classes within infant schools, child minders and nannies operating in the public, private and voluntary sector. Because it is recognized that the childcare ‘market’, without intervention, fails to provide sufficient accessible and affordable childcare to meet the needs of children and families, since the late 1990s the Government sought to stimulate and manage the ‘market’ with both ‘supply side’ funding eg the free entitlement for 15 hours of childcare for all 3 and 4 year olds and some ‘deprived’ two year olds; and ‘demand side’ funding via help for the cost of childcare from tax credits and employer childcare vouchers. In addition, in the Childcare Act 2006, Local Authorities were given a statutory duty to manage their local childcare market to ensure it provided sufficient childcare to meet the needs of families. These interventions have had a significant impact with, for example, the number of childcare providers offering full day care rising by more than 70% between 2001 and 2010[[2]](#footnote-2).

The Mayor, through the LDA, has previously recognized the importance of childcare to supporting parental employment in London and to tackling child poverty. The Childcare Affordability Programme saw the Mayor working closely with the Borough’s to provide subsidized childcare for families that would benefit from it. Whilst the context has changed since this programme was launched in 2005, there remain important ‘levers’ the Mayor can utilize to help ensure more families in London have access to the childcare they need.

**Recent childcare trends**

However, after a decade of expansion in childcare the period since the recession of 2008 has seen a real terms reduction in childcare places and the coming period looks set to continue to be a challenging time for childcare providers and parents.

Between 2008 and 2010, demand for nursery places fell by just over 6 per cent, due to the recession. Supply mirrored demand, as the total number of UK nursery places fell by an estimated 6.5 per cent, with an estimated net loss of 1,150 nurseries[[3]](#footnote-3). Occupancy also fell, with UK nurseries on average operating with a vacancy rate of 18.25 per cent in March 2011, compared with 17.5 per cent the previous year. However, this is an improvement from vacancy rates in the midst of the recession at the start of 2009 when they were 20.5 per cent[[4]](#footnote-4).

According to the Laing Buisson industry report, 39 per cent of nursery operators feel optimistic that business conditions will improve in the next 12 months, however, 31 per cent said they expected things to get worse, and just under a quarter of anticipated no change in conditions.

Recent figures[[5]](#footnote-5) published by the Department for Education show that the proportion of full daycare providers operating at a loss rose by 13 to 19 per cent and from 15 to 20 per cent for sessional providers between 2009 and 2010. ‘These,’ notes the report ‘were the highest loss-making levels seen since the survey began.’

The tough times being experienced by childcare providers can be attributed to two key factors; firstly, the fall in female employment which is now at its lowest level since the 1980s[[6]](#footnote-6). The second, is the reduction to the childcare element of Working Tax Credit in April 2011 which reduced the funding for childcare by £270m in 2011/12, rising to £385m per year by 2014/15. Daycare Trust’s London Childcare Providers Survey 2011 found that parents’ inability to afford childcare is now the biggest issue affecting providers’ sustainability.

Meanwhile, nursery fees, which the report says have not grown significantly in real terms in the last six years, have increased by 3.5 per cent in the last 12 months against inflation.

**The role of the Greater London Authority and the London Mayor**

4Children believes that widening access to high quality childcare should be an explicit aim of social policy both for central and local Government including the Mayor of London. The need for economic growth to return demands that parents are able to take up job offers when they are available and key to this is the availability and affordability of appropriate childcare.

In addition, with children from disadvantaged families in London facing a multitude of challenges during their earliest years the opportunities that high quality childcare can provide to learn and develop and ensure that children are ‘school ready’ is vital. Recent, figures on the Early Years Foundation Stage Profile published by the Department for Education[[7]](#footnote-7) have shown the investment in early education and care can raise the level of attainment across the social spectrum and narrow the gap between disadvantaged children and their better off class mates.

The geography, cost of living and profound inequality that characterize daily life for families in London mean that there is a vital role for to be played by the Boroughs and London government in promoting and supporting childcare in the Capital. London can be a tough place to bring up children but by taking some relatively small and practical measures it would be possible to make a real difference.

The Mayor and GLA should use all available levers and resources to work with the Boroughs to:

1. Facilitate a vibrant and competitive childcare market capable of delivering quality, choice and affordability;
2. Ensure parents are aware of the full range of childcare options available to them and feel informed as consumers when making childcare choices;
3. Ensure all parents know about the help that is available to help meet childcare costs, especially as we transition to Universal Credit which will be a potentially confusing and disruptive time;
4. Identify and support innovative childcare models which seek to better meet the needs of parents.

**In detail – the consultation questions**

**What more can be done to ensure Londoners know about the childcare options and financial support available?**

Research for 4Children’s Family Commission showed that only 29% of families knew where to go for help with childcare[[8]](#footnote-8). In addition to this, estimates suggest that the take up rate for the childcare element of tax credits is around 25%, with only round 470,000 parents claiming any help for childcare costs, compared to the total of 1.8 million parents eligible for the child tax credit (most claimants who are eligible for CTC are eligible for the childcare element).

These two pieces of evidence alone suggest that there is a real need to improve the information available to families about childcare and the available financial support.

4Children is also concerned that this situation will be exacerbated by reductions in local authority spending which may see a loss of funding for Family Information Services and associated publications, websites and newsletters which – when done well – can be a really important source of information for families.

However, we also acknowledge that not all Family Information Services have been as effective as others. We believe that this is really important that information is provided using methods that families are comfortable and familiar with. That means for example utilising websites where we know parents go for information eg Netmums, Mumsnet, NCT, www.foundationyears.org.uk. But also, taking information out into the community to where parents of young children gather.

4Children believes that all Children’s Centres should become hubs for information and services for families when their children are in the foundation years – including about childcare and financial support. Whilst many Centres do this already, our experience is that this is not always the case. There is still more that can be done to bring JobCentre Plus advisers into Centres to help for example with tax credit forms.

Data[[9]](#footnote-9) shows that the number of Children’s Centres providing full time day care has fallen quite substantially. This is a trend that is likely to continue since the statutory duty to provide it was removed for Phase 1 and 2 Centres in April. This will be put even greater onus on Centres and their partners to be a genuine source of up to date information about the full range of childcare support available in the local community.

4Children recognises that in some ways London is different from many other parts of the country in that the significant numbers of families will live and work in different Boroughs and may be looking access childcare in either of those Boroughs or even in a different area altogether. This means that there is a need for many parents to be able to access information about childcare outside their own Borough boundary. We believe there is a role for the Mayor, Boroughs and London Councils to work together to consider whether or not this need is being effectively met. With Borough budgets under pressure there may considerable added value in the provision of a city wide online hub for this information.

Recommendations:

1. Children’s Centres as hubs for information and advice.
2. An effective, up to date, London-wide online childcare information hub.

**How could childcare be made more affordable for Londoners?**

4Children is a provider of high quality, early years childcare in London and across Britain. We know from our experience as a provider that it is possible to operate sustainable, high quality childcare services, without significant subsidy from the local authority, at a cost to parents that is below that charged by private providers. We are able to do this through our innovative, social enterprise model, which has been shown to be successful even in deprived communities where local authorities and the private sector has previously considered it impossible to run sustainable childcare.

4Children is extremely concerned that the decision by the Department for Education not to require Phase 1 and 2 Children’s Centres to provide full day care any longer is already leading to the withdrawal of childcare facilities from parents as a result of cost cutting by local authorities who in many cases have been substantially subsidising this activity. This loss of childcare risks reducing supply considerably, particularly in deprived areas, which will allow private providers to increase costs and make childcare even less affordable for families.

This is avoidable. As described above, voluntary organisations and social enterprises like 4Children are able to provide high quality childcare on behalf of local authorities at no public subsidy, yet many local authorities are not exploring these alternative options before closing childcare provision.

A second, issue which is pushing up costs for childcare providers which they are then forced to pass on to parents are rising costs. This includes rents and business rates and other professional and training services. These rising costs are often being caused by local authorities raising charges or charging for services that formerly were free eg safeguarding training for early years staff. Whilst we fully acknowledge the need for local authorities to reduce spending, raising costs particularly on charitable or not-for-profit providers who offer and invaluable service to families is short sighted and a false economy in the long run.

There is a further issue that we are aware of, which appears to be largely affecting, breakfast and after school club providers but which may become an issue in the early years sector. With an increasing number of schools becoming free schools or academies some are taking the opportunity to begin charging rent for the use of school property eg the school hall, when in the past no rent would have been charged. In some cases this is a considerable sum which is making provision unsustainable for the future and risks a loss of available services. Where childcare and children’s centres exist on school sites, this will need to be monitored as the status of large numbers of schools changes.

Access to financial support

Key to the affordability of childcare for families on middle and low incomes is availing themselves of all potential financial support. We have already highlighted the low take up for the childcare element of tax credits. There are other schemes like Care to Learn – aimed at supporting young parents into training – that are not as well publicised as they could be.

4Children believes there is an absolutely vital role for the Government, Boroughs and the Mayor in doing more to promoting the help that is available and importantly supporting parents to complete the necessary forms, which can be daunting particularly for those with poor English or literacy. Taking this support out into the community – into Children’s Centres, community centres, to play groups, churches etc – will ensure that more parents know about the help that is available and apply for it.

The introduction of the new Universal Credit offers both an opportunity and a risk in this area. The opportunity comes from the introduction of support for childcare costs for those working less than 16 hours a week, for the first time. This offers a potential route back into work for many parents and should be should be seized as an opportunity to open up a dialogue about working with many of London’s poor families. The simple message of Universal Credit, that claimants will always be better off in work should also be a helpful one. However, this will also be a time of great change and there is bound to be confusion and glitches along the way. Ensuring that any problems are minimised in the roll out of Universal Credit will be important and the Mayor, Boroughs and London Councils should work proactively with Government to help ensure this transition is as smooth as it can be and that Londoners are well informed and get the help they need.

Role of employers

It is often overlooked just what a stake employers have in the provision of sufficient affordable childcare. As the economic recovery begins and employers look to expand their workforces, they will need to be able to attract sufficient, skilled people to take their businesses forward. Parents of young children are a key part of the labour market, particularly women, who are too often not able to participate in the way they would like to because of a lack of childcare.

Whilst the provision of crèches and workplace nurseries has fallen in recent decades there remains an easy way that employers can help employees meet childcare costs and that is through Employer Supported Childcare Vouchers. These vouchers provide tax exempt support for the cost of childcare and can be done on the basis of ‘salary sacrifice’ which brings only a minimal cost to employers but whilst still offering support to employees.

Currently on a minority of employers offer childcare vouchers and more could be done to encourage a greater number of London’s employers to adopt the scheme.

Recommendations:

1. The Mayor should work with the Boroughs and London Councils to champion the role of the voluntary and not-for-profit sector in providing high quality childcare, with strong encouragement for the Boroughs to consider transferring provision into the hands of the sector if they can no longer run it directly. Also, the Borough’s should be encouraged to listen to childcare providers who are struggling with rising costs, which in some cases come as a result of local authority decisions.
2. A more proactive approach to providing information on available financial support for childcare costs and practical help with making applications taken out in the community.
3. The Mayor should champion the need for more employers to offer childcare vouchers – setting a target for the number that he would like to see sign up in the next year. Companies that begin offering vouchers could be highlighted to encourage others to join in.

**What more could be done to improve access to suitable childcare, including childcare outside office hours?**

Research for 4Children’s Family Commission showed that 16% of families want to see childcare available at evenings and weekends[[10]](#footnote-10). Research from the Resolution Foundation[[11]](#footnote-11) has highlighted that only a minority of parents work exclusively between 9am and 5pm. In London in particular, with many parents travelling an hour to and from work, the traditional 8am to 6pm childcare model is failing to meet many families’ needs.

The majority of childcare also requires pre-payment and the booking of regular slots, which also does not fit with the way many of us work in the modern economy and are a long way away from the ‘pay as you go’ flexibility we expect as consumers in other areas of service provision.

These are well recognised problems without a simple solution. Because formal childcare is not routinely available beyond traditional hours, this suppresses demand for that childcare creating a lack of an obvious market for providers to step into. Whilst there are a few innovative models which have been highlighted by the Resolution Foundation and Daycare Trust[[12]](#footnote-12) these are very limited. And flexible availability and ‘pay as you go’ is a challenge for childcare providers working to statutory staffing ratios, in a relatively low margin business area. 4Children has sought to lead the way in this area and does offer a wider range of sessions, from as little as two hours at a time, for parents using our nurseries.

Recommendations:

1. The Mayor should consider working with a small number of innovative providers and some key employers to explore the opportunities to develop pilot models capable of meeting the needs of London’s families.

**For further information about anything in this submission please contact 4Children Public Affairs on 020 7522 6929 or email** **claire.mccarthy@4children.org.uk** **. One of 4Children’s experts would be happy to provide oral evidence to the Committee if that would be helpful.**

1. ‘Effective Provision of Pre-school Education’, Institute of Education [↑](#footnote-ref-1)
2. Social Trends, ONS, 2010 page 28. [↑](#footnote-ref-2)
3. Laing Buisson, 2010 [↑](#footnote-ref-3)
4. Ibid [↑](#footnote-ref-4)
5. Early Years and Childcare Providers Survey, 2010 [↑](#footnote-ref-5)
6. Labour Force Survey. [www.esds.ac.uk](http://www.esds.ac.uk) [↑](#footnote-ref-6)
7. EYFS profile data published Thursday 20th October 2011. [↑](#footnote-ref-7)
8. Family Commission survey 2. 4Children (2010) Starting a Family Revolution: putting families in charge. [↑](#footnote-ref-8)
9. Early Years and Childcare Providers Survey 2010 [↑](#footnote-ref-9)
10. 4Children, 2010 [↑](#footnote-ref-10)
11. Resolution Foundation (2011) Childcare: failing to meet the needs of working parents. [↑](#footnote-ref-11)
12. Daycare Trust (2010) Open All Hours? Flexible childcare in the 24/7 era [↑](#footnote-ref-12)