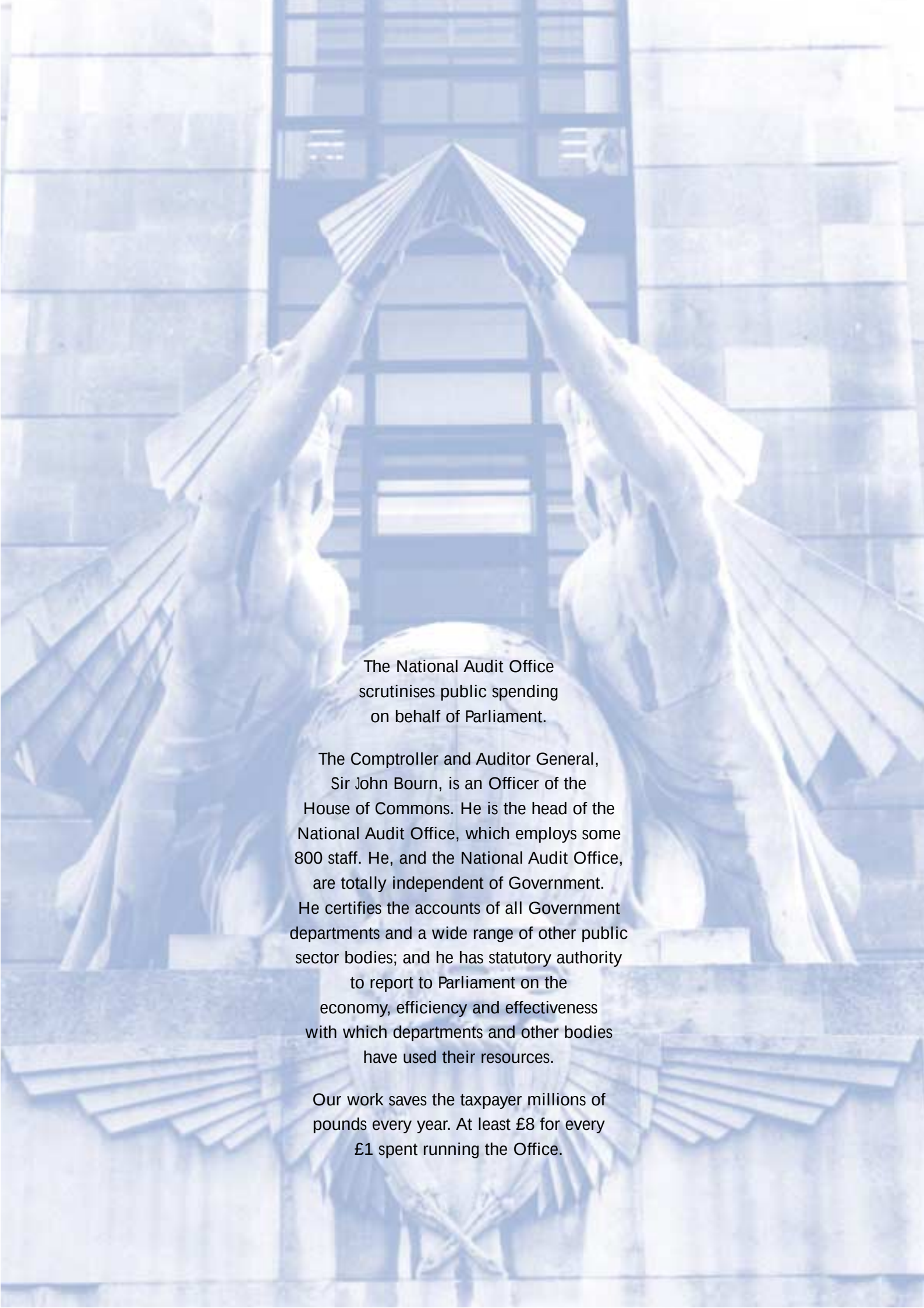


Early Years

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





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Early Years

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John Bourn
Comptroller and Auditor General

National Audit Office
6 February 2004

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Preface

Early childhood is a crucial period in human development. High quality care and education has wide-ranging impacts on social, cognitive and emotional development. At the same time, a lack of good quality, affordable provision can be a barrier to parents of young children wishing to take up employment. Increasing childcare provision is thus important for educational reasons and as part of the Government's strategies for helping people into work and combating child poverty.

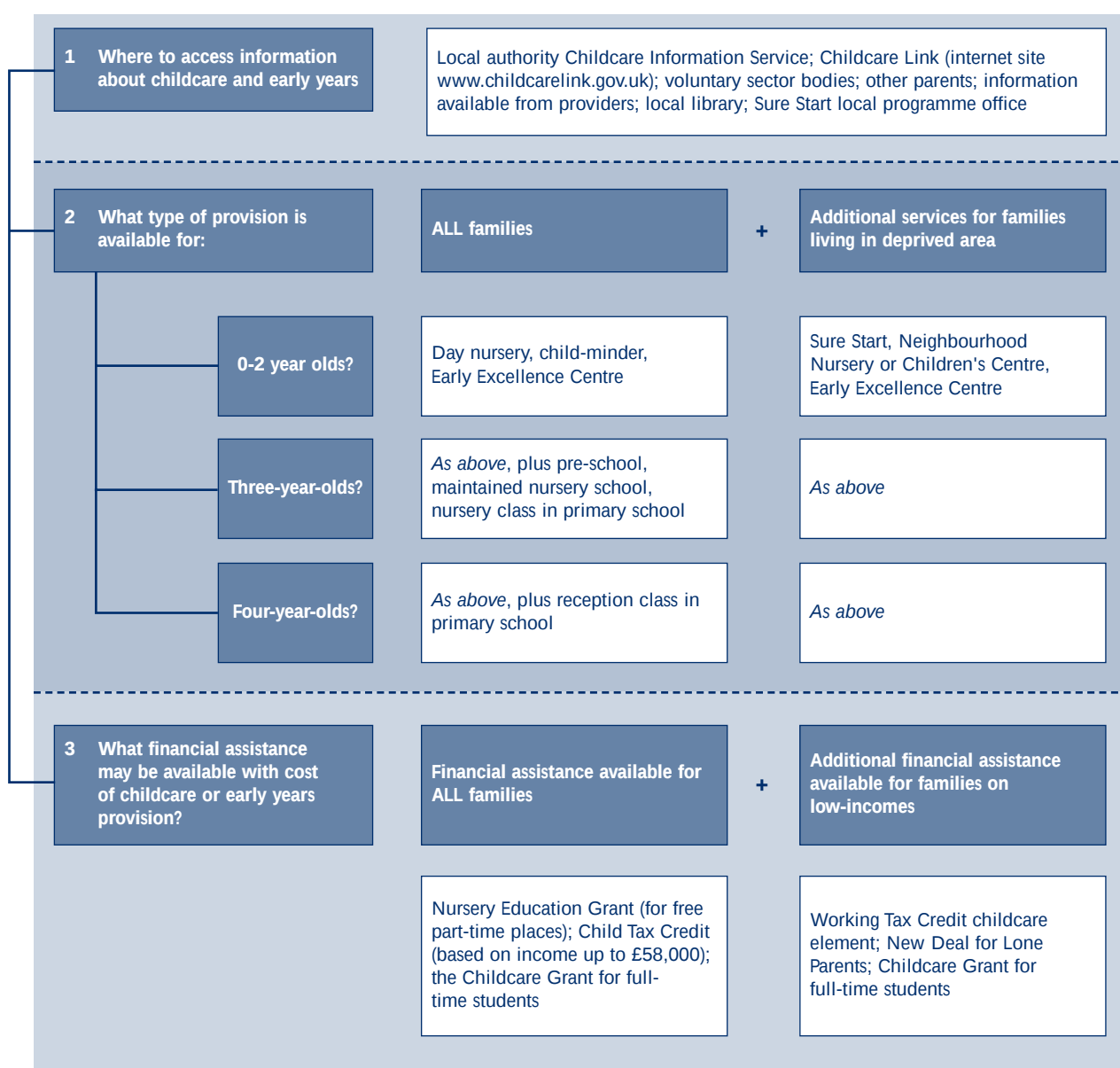
This report examines childcare and education provision for children below compulsory school age in England and specifically developments since the 1998 National Childcare Strategy was introduced. In particular, it looks at progress in improving accessibility (including in providing free part time early education places for all three and four-year-olds, creating sustainable new childcare places, and increasing the level of provision for disadvantaged groups); in making provision more affordable for parents; and in ensuring that it is of high quality.

To do this, we surveyed more than 700 early years providers, asked 900 parents of 0-4 year olds about their experience of early years services, and made use of a range of data sources on the extent of early years provision, including our analysis of the Early Years Development and Childcare Plan for each local education authority area in England. We found that:

- the Government spent £3.6 billion in 2002-03, and has spent some £14 billion on early years services since 1998, primarily through local authority funding for early education and initiatives to improve the availability of childcare. In addition, parents pay a further £3 billion annually towards childcare costs;
- the Department for Education and Skills (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;
- in the region of 96,000 more childcare places have been created for pre-school children since 1998, but there have been net losses in some types of provision and threats exist to the sustainability of this new provision;
- affordability has improved for those targeted by the policies of providing free part-time places and the childcare tax credit, although for others, costs have risen;
- the Department has put in place a detailed framework of measures to improve the quality of childcare;
- proportionately less provision is available for disadvantaged groups (such as children with special educational needs or from ethnic minorities), but the situation is improving; and
- the Department has run recruitment campaigns to attract workers to the sector, but there is still a long way to go to attract sufficient staff for the future.

1 Key stages for parents looking for early years provision

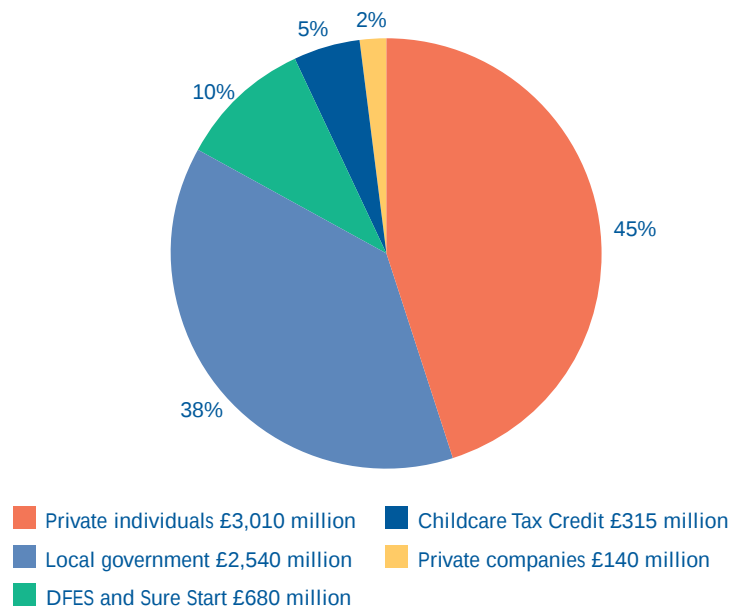
Key Stages



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	■ Provide full or part-time day care, education and play for children below compulsory school age (5 years). ■ Nurseries can be profit-making or non-profit-making. ■ Generally open 8am to 7pm.	0 to 5 years	Public, private, or voluntary
Nursery school	■ Educate pre-school aged children. ■ Staffed with a high ratio of qualified teachers. ■ Work in partnership with other trained professionals. ■ Many staff have special qualifications for the age group.	3 to 4 years	Public or private
Nursery class	■ 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.	3 to 4 years	Public
Pre-school playgroup	■ Playgroups are usually part-time or 'sessional', and operate for two to three hours per session.	2½ to 5 years	Private or voluntary
Childminder	■ A self-employed person who provides day care for more than two hours per day. ■ Usually in the childminder's own home. ■ Hours tend to be flexible.	Usually up to 8 years	Private
Reception class in a primary or infant school	■ 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.	4 to 5 years	Public or private
After school, out of school care, breakfast clubs and holiday schemes	■ Cater for children of school age and to help meet the needs of working parents. ■ A range of activities are offered including sports, drama, arts and crafts, and music.	Compulsory school age	Public, private or voluntary
Crèches	■ 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. ■ Crèches may operate all week on a sessional basis, but will usually cater for different children at each session.	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.

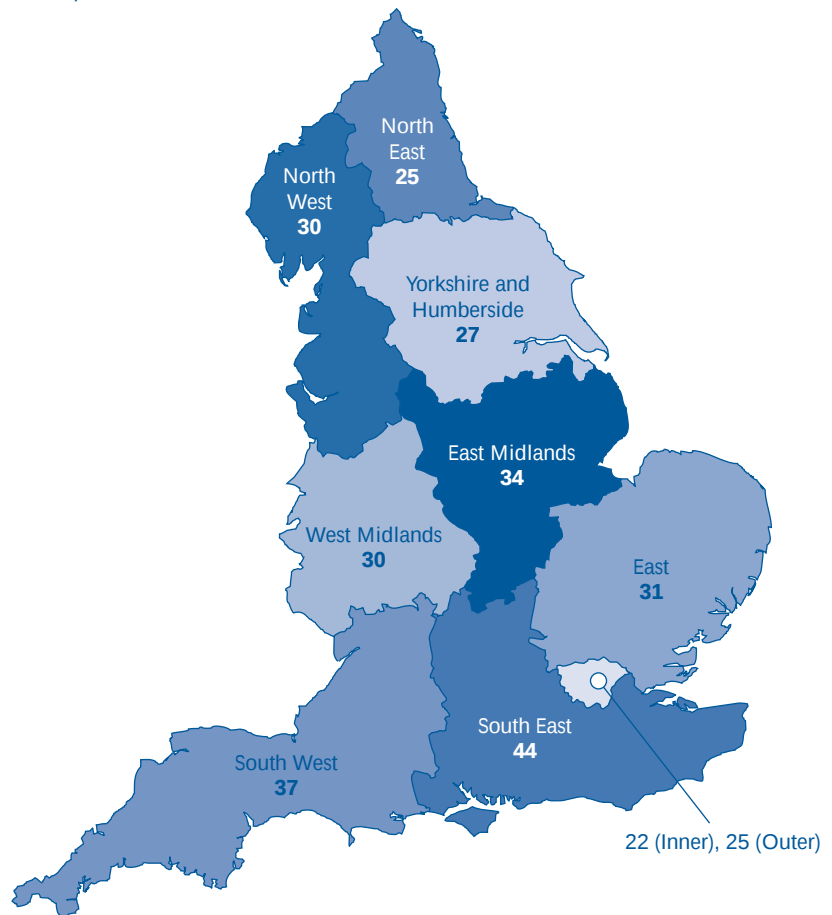
There are gaps in provision for some groups and geographical areas

- 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:

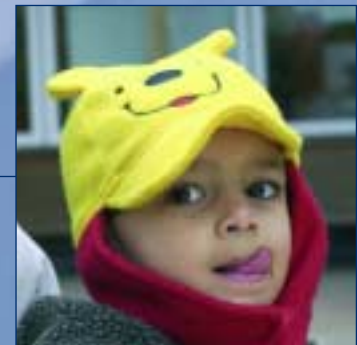
to expand provision where it is needed

- 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.



Part 1

Introduction

What is early years provision?

- 1.1 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 an individual's life. "Early years" provision is generally used to describe services for children under compulsory school age^{1,2}, sometimes including the first two years of compulsory education. It includes childcare and early education, for part or all of the day, provided by schools, public, private and voluntary sector nurseries, pre-schools and playgroups and childminders. Childcare tends to cover children from birth to the age of 14. This study focuses on formal childcare and early education provision in England for children below the compulsory school age of five, referred to as "early years provision".
- 1.2 In the past, childcare and early years provision was largely informal and unregulated. There were no clear links to formal education, and services were generally provided by staff with few or no childcare qualifications. The picture has changed considerably in recent years, with provision becoming more structured and diverse.
- 1.3 There are now many different types of early years settings³ which cater for different age groups (see Figure 2). They offer a range of more or less formal care and education. Provision may be for the whole or part of the day. It may be all the year round, during school terms or specifically during school holidays. Some settings provide an integrated range of services for pre-school children of all ages, which means they provide care and education, and in some cases health services and advice to parents. Most children now receive a mix of informal care, from

parents and relatives in the home, and more formal care in other settings. They move from informal to formal arrangements as they get older (daily routines in two types of setting are outlined in Box 1). Some 80 per cent of four-year-olds in England now attend a school-based early education setting for at least part of the week.

Why is early years provision important?

- 1.4 Early years provision is important because a very high proportion of learning takes place between birth and the age of six, making it a time when children need high quality care and education. Learning at home with parents has a crucial role to play. The Effective Provision of Pre-School Education (EPPE) study⁴, for example, found that where parents are actively engaged in activities with children in the home, the intellectual and social development in all children was promoted. But, in addition, there is much research to suggest that the impacts of early intervention on disadvantaged groups in particular are very important (see Appendix B, and for the full paper, www.nao.gov.uk/publications).
- 1.5 In addition to helping children develop socially, emotionally and educationally, the Government believes the development of childcare and early years provision will contribute to meeting its aims in several other policy areas. These include:
 - to reduce child poverty⁵ by a quarter by 2004, to halve it by 2010, and abolish it within a generation;
 - to ensure a higher proportion of people than ever before in work by 2010, and specifically 70 per cent of lone parents in work by 2010;

¹ The compulsory school age is defined in the Education Act 1996 as the beginning of the term after a child's fifth birthday.

² However, some groups define provision for three and four-year-olds in reception classes as *primary*, rather than *early years provision*. The term "early years" is variously used to describe 0-2 year olds, 0-3 year olds, 0-4 year olds and 0-5 year olds.

³ A setting is defined as formal early education or childcare provision, as outlined in Figure 1, where the service is paid for by parents, the state (local or national government) or an employer on behalf of parents.

⁴ EPPE is a long-term research project into the impacts of pre-school education by the Institute of Education, Birkbeck, University of London and the University of Oxford.

⁵ The Department assesses progress against its target on child poverty by monitoring the number of children living in households with income below 60 per cent of median income. However, it recognises that income distribution provides a narrow view of poverty, and in 2002 initiated a review to consider how child poverty should be measured in the long term.

BOX 1 DAILY ROUTINES IN TWO EARLY YEARS SETTINGS

Leapfrog Day Nurseries (Burton upon Trent): Daily Routine for 3 to 5 year olds (August 2003)

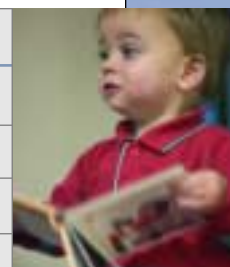
7.00 am	Welcome and early morning session: During this time staff welcome children and serve their breakfast. They are given a choice of things to do.
8.00 am	Welcome and free play: The full day begins. All children start to arrive and are welcomed into the 3-5's unit. They register their names and choose free play activities.
9.00 am	Focus activities begin: The children are gathered together and staff engage them in discussion about the day. They begin their topic related activities. Some work in small groups with an adult, others have the choice of activities such as role play, construction, mark making and painting. The children can eat mid morning at the snack bar. There is also outdoor provision, including activities working with adults.
11.30 am	Carpet time / Circle time: The children are brought together and enjoy activities such as stories, songs and group discussion about the morning's activities.
12 noon	Lunch: Children enjoy a healthy range of foods which they are encouraged to serve for themselves. After lunch they play outdoors.
1.00 pm	Focus activities begin: Children attending in the afternoon register. Similar to the 9 - 11.30 am session.
3.30 pm	Carpet time / Circle time: Similar to the 11.30 to 12 session.
4.00 pm	Tea time: During this time the children can use the Tea Bar where they are encouraged to serve themselves with the support of an adult. They have access to free play, self choice activities, and outdoor activities when the weather permits.
6.00pm	Nursery closes: Parents collect children.
6.00pm to 7.00 pm	Evening session: For children who remain for the evening hour, extra refreshments are available. They also have access to a variety of resources and free play. Parents collect children.



DAILY ROUTINES IN TWO EARLY YEARS SETTINGS **BOX 1**

Hartcliffe Early Years Centre (Bristol): Daily routines for 2 to 4 years

	Morning children	All day children	Afternoon children
8.15 am	Free play		
9.00 am	Welcome circle	Welcome circle	
9.10 am	Group areas	Group areas	
9.15 am	Small group time and milk	Small group time and milk	
9.50 am	Free play	Free play	
10.00 am	Inside and outside play	Inside and outside play	
10.40 am	Tidy up time	Tidy up time	
11.00 am	Recall	Recall	
11.10 am	Story or circle	Story or circle	
11.25 am	Toilet and wash	Outside activity	
11.30 am	Lunch		
12.15 pm	Home time	Lunch	
1.00 pm		Welcome circle	Welcome circle
1.10 pm		Free play	Free play
1.40 pm		Tidy up time	Tidy up time
1.50 pm		Group areas	Group areas
1.55 pm		Small group time and milk	Small group time and milk
2.30 pm		Outside and inside play	Outside and inside play
3.15 pm		Home time	Tidy up time
3.25 pm			Recall time
3.35 pm			Story or circle time
3.55 pm			Toilet and wash
4.00 pm			Tea time
4.30 pm			After tea activity
5.00 pm			Home time



- to deliver world-class public services, tackling poverty and social exclusion;
- to enable all young people to develop and to equip themselves with the skills, knowledge and personal qualities needed for life and work; and
- to encourage and enable adults to learn, improve their skills and enrich their lives.⁶

1.6 Although the number of children was projected to fall by 600,000 between 2000 and 2011 (from 10.6 million to just under 10 million 0-16 year olds), an increase in employment rates, particularly amongst women, changes in work patterns, and an increase in the number of lone parents are all expected to lead to an increased demand for childcare.⁷ In addition, reducing the number of families with no-one in work is an important part of the Government's strategy to reduce child poverty. The link between childcare and the ability to work is clear. Recent research for the Department found 63 per cent of non-working mothers (and 78 per cent of non-working lone mothers) said they would prefer to go out to work or study if they had access to good quality, convenient, reliable and affordable childcare.⁸

A National Childcare Strategy was introduced in 1998, building on policies to improve nursery education

- 1.7 In 1997, the Department launched a number of policies to improve the extent and quality of nursery education. These included:
- providing a free part-time nursery education place for three terms for all four-year-olds whose parents wanted one from 1998 (replacing the nursery education voucher scheme introduced for 1997-98) and extending it to all three-year-olds by 2004;
 - the extension of Ofsted inspection of nursery education provision to private and voluntary sector providers from 1998; and
 - a pilot scheme to develop 25 Early Excellence Centres to develop high quality integrated early years services and provide models of good practice.
- 1.8 In support of the wider aims, a National Childcare Strategy for England was set out in the 1998 Green Paper *Meeting the childcare challenge* (Cm 3959). The Strategy recognised there was no sensible distinction between early education and care, and aimed to improve the accessibility, affordability and quality of childcare provision. The core elements of the Strategy were:

- an increase in childcare places to reach a target, announced in the subsequent Spending Review, of new places for 1.6 million children by 2004;
- creation of Early Years Development and Childcare Partnerships in each local education authority area, including local authorities, private and voluntary providers, schools and parents, to draw up childcare plans at a local level for how to achieve the planned expansion, provide training and improve quality;
- lottery funding for Out of School Hours childcare for children up to the age of 14 (16 for those with special needs);
- a childcare credit to fund up to 70 per cent of the cost of childcare for low-income parents as part of the working Families Tax Credit from 1998; and
- new quality standards for early years provision, and the transfer of responsibility for registration and inspection to Ofsted from 2001.

There have been many initiatives in the early years sector

- 1.9 Since 1998, policy on early years has continued to develop, partly in response to early indications that the Strategy as initially conceived was not reaching enough children in deprived areas and disadvantaged groups. The 2002 inter-departmental review of childcare⁹, for example, found that shortages of childcare provision were particularly acute in deprived areas because providers often struggle to be viable financially. The most recent early years policy development is the 2003 Green Paper *Every Child Matters*. In relation to childcare and early years provision, this set out the Government's plans to:
- create Sure Start Children's Centres in each of the 20 per cent most deprived neighbourhoods. (These combine nursery education, family support, employment advice, childcare and health services on one site);
 - promote full service extended schools which are open beyond school hours to provide breakfast clubs and after-school clubs and childcare, and have health and social care support services on site; and
 - increase the focus on activities for children out of school through the creation of a lottery-funded Young People's Fund with an initial budget of £200 million.

⁶ Department for Education and Skills, *Delivering results: a strategy to 2006*, 2001.

⁷ Source: *Inter-departmental Review of Childcare: Delivering for Children and Families. The Strategy Unit, November 2002.*

⁸ Woodland, S; Miller, M; and Tipping, S (2002) *Repeat Study of Parent's Demand for Childcare. DfES Research Report 348.*

⁹ *Inter-departmental Review of Childcare: Delivering for Children and Families. The Strategy Unit, November 2002.*

5 The key initiatives in the early years and childcare sector

Initiatives	Overview	Introduced	Cost
Early Excellence Centres	107 Centres nationwide, generally, but not exclusively, in poorer areas. "One-stop-shops" for integrated care, child and adult education and family support. - Provide a setting for parents to learn about caring for their children.	Dec 1997 (pilots)	£95 million 1997-2003
Out of School Childcare Scheme	Provides care mainly for children of school age outside of normal school hours (including school holidays), usually in non-domestic premises.	April 1999	£235.5 million 1999-2003 through the New Opportunities Fund
Sure Start Local Programmes	- Supports families with children up to the age of 4. - Aims to achieve better outcomes for children, parents and communities by promoting the physical, intellectual and social development of babies and young children. This is done through: increasing the childcare available; improving health, education and emotional development for young children; and, by providing a range of support for parents. - The focus is upon helping services to develop in deprived areas. - Programmes work with Early Years Development and Childcare Partnerships. - Each of the 500 programmes is run by a local partnership and has a catchment area of some 400-800 children under four years of age. - As at October 2003, 522 programmes had been approved.	April 1999	£760 million 999-2004
Neighbourhood Nursery Initiative and Neighbourhood Childcare Initiative	- Found in the 20 per cent most deprived areas, with the target of offering 45,000 places by 2004. - Aim to meet the needs of local children and parents, through a mixed economy of providers from the private, voluntary and maintained sectors. - Most provide nursery education along with the obligatory full day care for children from birth to school age. - Linked to development of Neighbourhood Childcare and Out of School Clubs in deprived areas.	January 2001	£203 million revenue DfES 2001-04 and £100 million New Opportunities Fund capital
Mini Sure Starts	Small scale Sure Start Local Programmes found in rural areas and small pockets of deprivation.	March 2002	£22 million over two years
Children's Centres	- Building on and re-branding Early Excellence Centres, Sure Start local programmes and Neighbourhood Nurseries. - Found in the 20 per cent most deprived wards in England, with the target of reaching 65 per cent of children in those wards by 2006. - Aimed at addressing local needs by raising standards and integrating care, education, family support and health services. - Designed to develop and disseminate models of excellence in the delivery of centre-based integrated multi-agency services. - All centres will be open at least five days a week, 48 weeks a year and for ten hours a day so that daycare is suitable for parents in work or training.	March 2003	£435 million 2003-2006 (including funds previously allocated to Neighbourhood Nurseries Initiative)

1.10 The key government initiatives focusing upon deprived areas and disadvantaged groups are outlined in **Figure 5**. In 2001 we reported on progress with Sure Start and Early Years Development and Childcare Partnerships as case examples in the report *Joining Up to Improve Public Services* (HC 383, 2001-02). This report does not comment further on the impact of Sure Start local programmes, which will not be evident for some years.

1.11 Ultimately, the effectiveness of early years expenditure will only become apparent in the coming years if it can be seen to have led, for example, to higher achievements at school, more opportunities for parents to work, reduced crime and progress in tackling child poverty. To track these impacts, the major initiatives such as Sure Start local programmes, Early Excellence Centres and the Neighbourhood Nurseries Initiative have had comprehensive independent evaluation mechanisms built into the projects from the start. The Department also sponsors the Effective Provision of Pre-school Education (EPPE) study, a collaborative project to study how different types of early years provision affect child development, and regular surveys of parents' demand for childcare.

Responsibility for delivering the strategy is shared

1.12 Following an interdepartmental childcare review in 2002¹⁰, central government responsibility for early years has been with the **Sure Start Unit**, staffed by officials from the Department for Education and Skills and the Department for Work and Pensions. The aims of the Unit include:

- ensuring delivery of free early education for all three and four-year-olds;
- ensuring affordable, quality childcare and out of school activities in every area; and
- developing children's centres and health and family support in deprived areas.

1.13 **Local authorities** maintain schools, which provide nursery education, and distribute most central government funding for childcare providers. They are advised by Early Years Development and Childcare Partnerships, established in each local education authority area under the National Childcare Strategy to co-ordinate and support local early years education providers, disseminate information about childcare options and services, co-ordinate training and retention of sector workers, and produce three-year local childcare plans.

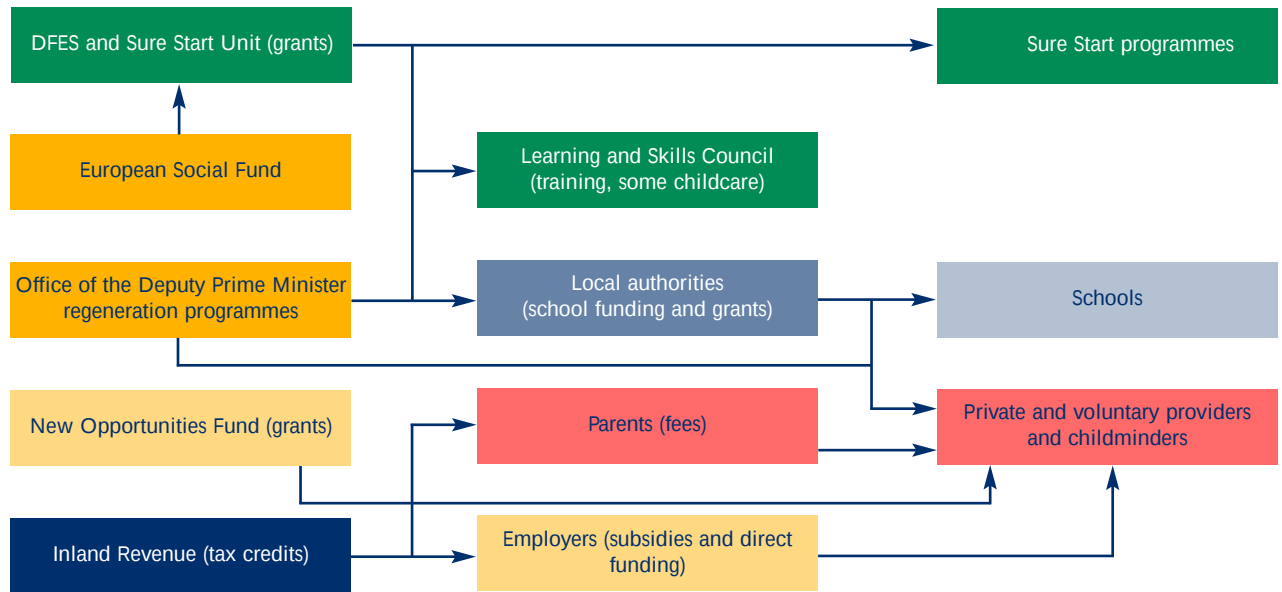
1.14 Since 1998 the **Office for Standards in Education (Ofsted)** has had responsibility for the inspection of funded nursery education in the private, voluntary and independent sectors. This is in addition to responsibilities for the inspection of nursery classes in maintained schools and nursery schools. Ofsted's responsibilities were extended further in 2001, following the Care Standards Act 2000, to include the regulation of childminding and day care, previously inspected by local authorities. The Children Act 1989, as amended by the 2000 Act, sets out the legal framework which covers services for children under eight years of age.

Since 1998 Government spending on the sector has increased

1.15 Until 1997, most childcare was privately provided, and nearly all public expenditure on early years provision was by local authorities, which chose whether or not to provide nursery education and childcare services. Since 1998-99, the Department has increased funding to support the supply of early education and childcare provision in the form of additional earmarked grants, mainly through local authorities, totalling some 1.6 billion. Of this, £976 million was for the Nursery Education Grant to fund part-time early education places. Early education funding was consolidated into local authorities' standard spending assessments for four-year-olds in 2001-02 and for three-year-olds in 2003-04. Local authorities' own expenditure on early years has also continued to rise.

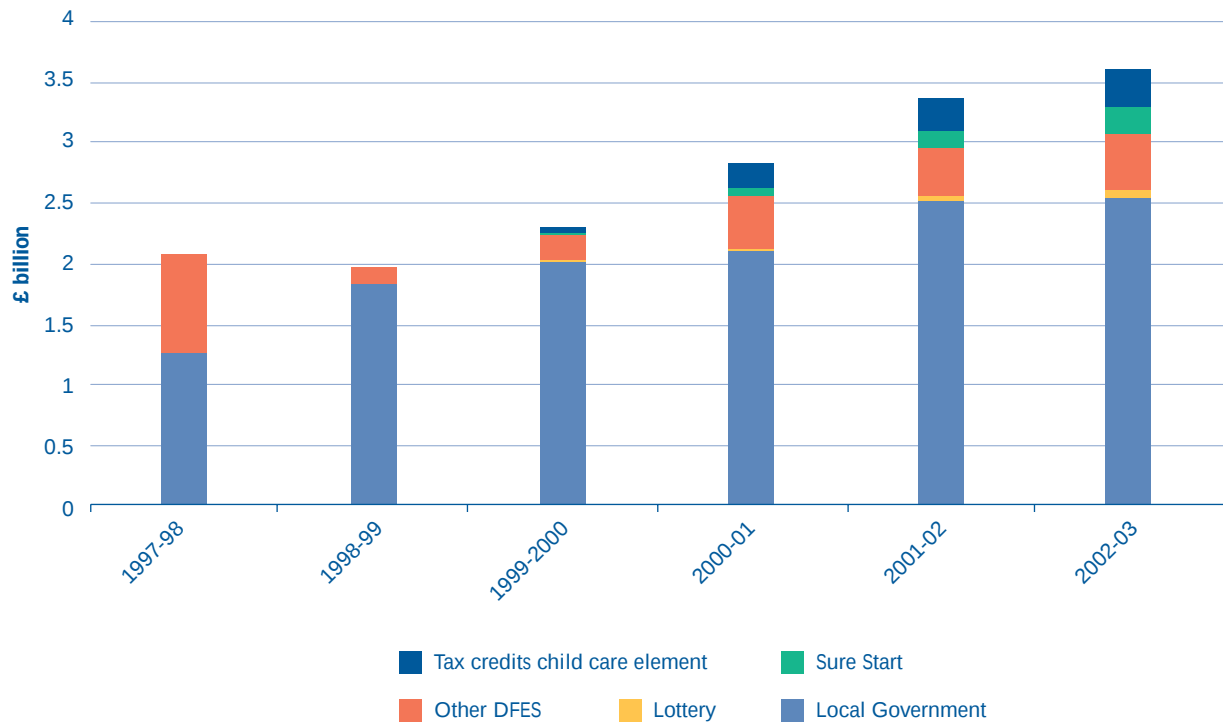
1.16 The flow of funds from government to the sector is complex. **Figure 6** shows the main flows. **Figure 7** shows expenditure since 1997. Despite the increases in public funding, parents remain the most important contributors to the cost of early years provision (Figure 2).

6 Principal ways in which early years provision is funded



Source: National Audit Office

7 Government expenditure on early years since 1997



NOTE

Expenditure is at 2002-03 prices, adjusted using the GDP deflator. In 1997-98, DFES funding includes £527 million transferred from local government for the nursery voucher scheme, transferred back to local authorities in 1998-99. From 2001-02, funding for nursery education for 4 year olds was transferred to local authorities.

Source: National Audit Office based on figures from the Department for Education and Skills, Inland Revenue and New Opportunities Fund

1.17 There are several other sources of public funding for childcare:

- the **New Opportunities Fund**, a National Lottery distributor, has contributed £194 million of lottery funds to out of school childcare since 1999;
- the childcare element of the **Working Families Tax Credit** (and now the **Working Tax Credit**) (see Figure 18), which represented expenditure of some £310 million in 2002-03;
- the **Learning and Skills Council** provides funding of over £100 million a year for childcare training, delivered through a number of routes including further education providers and modern apprenticeships;
- the **Neighbourhood Renewal Fund**, **Single Regeneration Budget** and **New Deal for Communities** funding can be used for childcare; and
- £88 million for recruitment, and training and other programmes in 2001-04 is provided through the **European Social Fund**.

How we undertook this examination

1.18 In view of the significance of the high levels of new government investment in early years provision and the consequences for the development of future generations of citizens, we examined progress against the main elements of the National Childcare Strategy - the accessibility of provision (Part 2), its affordability (Part 3) and its quality (Part 4). We examined national initiatives and progress at a local level. The main methods used were:

- a survey of 733 early years providers on the provision they offer (see separate report at www.nao.gov.uk/publications);
- analysis of Early Years Development and Childcare plans for each local authority in England;
- two omnibus surveys of 379 and 524 parents of children aged 0-4 (see separate report at www.nao.gov.uk/publications);
- an externally-commissioned literature review of the impact of early years provision on young children (see Appendix B and separate report at www.nao.gov.uk/publications);
- secondary analysis of data sources on the availability and use of early years services. Particularly for staffing and quality aspects, we drew conclusions from survey work commissioned by the Department from external contractors, and from Ofsted, as well as our own fieldwork;
- interviews with key officials, interest groups and providers, and consultation with a reference panel.

Our methodology is set out in detail in Appendix A.

Part 2

Early years: accessibility

The Government set targets affecting the 0-4 year age group

2.1 This Part examines the accessibility and availability of early years provision. In 1998, the government's National Childcare Strategy included measures to increase the accessibility of childcare by making more places available. The main measures proposed were:

- free early education places for 2.5 hours during the day for all four-year-olds;
- the establishment of Early Years Development and Childcare Partnerships in each local education authority area, with responsibility to conduct local childcare audits and develop local childcare plans, supported by targeted government funding for areas of need; and
- funding from the New Opportunities Fund to set up new out of school childcare places for four to twelve-year-olds between 1999 and 2003.

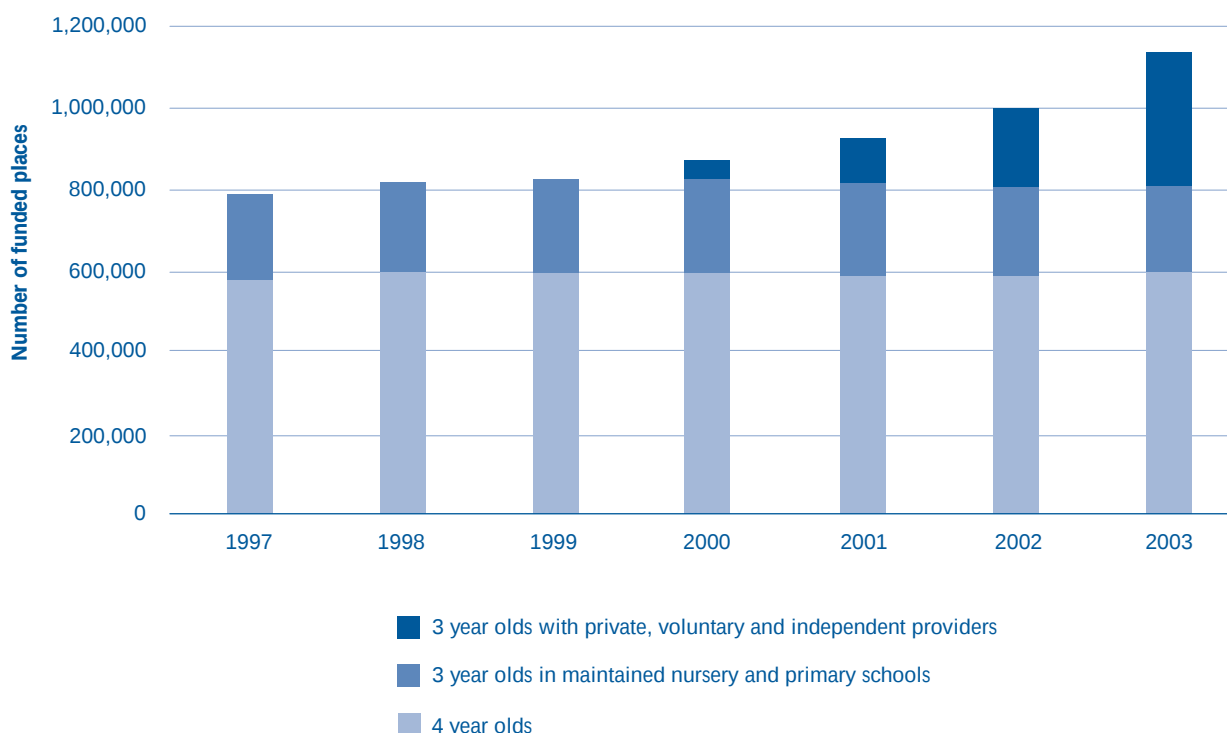
2.2 The government announced an overall target of creating sufficient new places to benefit one million children aged 0-14 between 1997 and 2004. A total of 360,000 of these were to be out of school places, supported by start-up funding from the New Opportunities Fund. Successive spending reviews built on the policy of free places for all four-year-olds by announcing that the Department would fund similar free places for 66 per cent of three-year-olds by 2002, and for all whose parents wanted them by September 2004.

The Department is on track to meet its target in respect of free early education places

2.3 **Figure 8** shows the number of three and four-year-olds taking up free early education places and places in primary schools since 1997. In that year, local authorities were already providing places for 82 per cent of four-year-olds and 34 per cent of three-year-olds using their own budgets. The Department has provided additional grant funding for local authorities to make free places available to all four-year-olds from September 1998. Additional funds were transferred to local authorities' standard spending assessments from 2001-02. In 2002, 98 per cent of the four-year-old population took up a place.

2.4 For three-year-olds, the Department provided funds for new places in 64 local authorities in 1999-2000 and across the country from 2000-01. Based on its own research, and experience in the areas where local authorities already provided places for three-year-olds, it estimated parents would want places for 85 per cent of children. It therefore agreed targets with local authorities to raise the number of free places available to cater for 85 per cent of three-year-olds by the spring term of 2004. By January 2003, 509,000 three-year-olds - equivalent to 88 per cent of the three-year-old population, were participating in at least one free early education session a week with a maintained, voluntary or private provider.¹¹

11 Provision for children under five years of age in England - January 2003, Department for Education and Skills. Note that children attending more than one provider may have been counted twice.

8 Number of children in funded early education 1997-2003

Source: Department for Education and Skills annual statistical release: Provision for children under 5 years of age in England

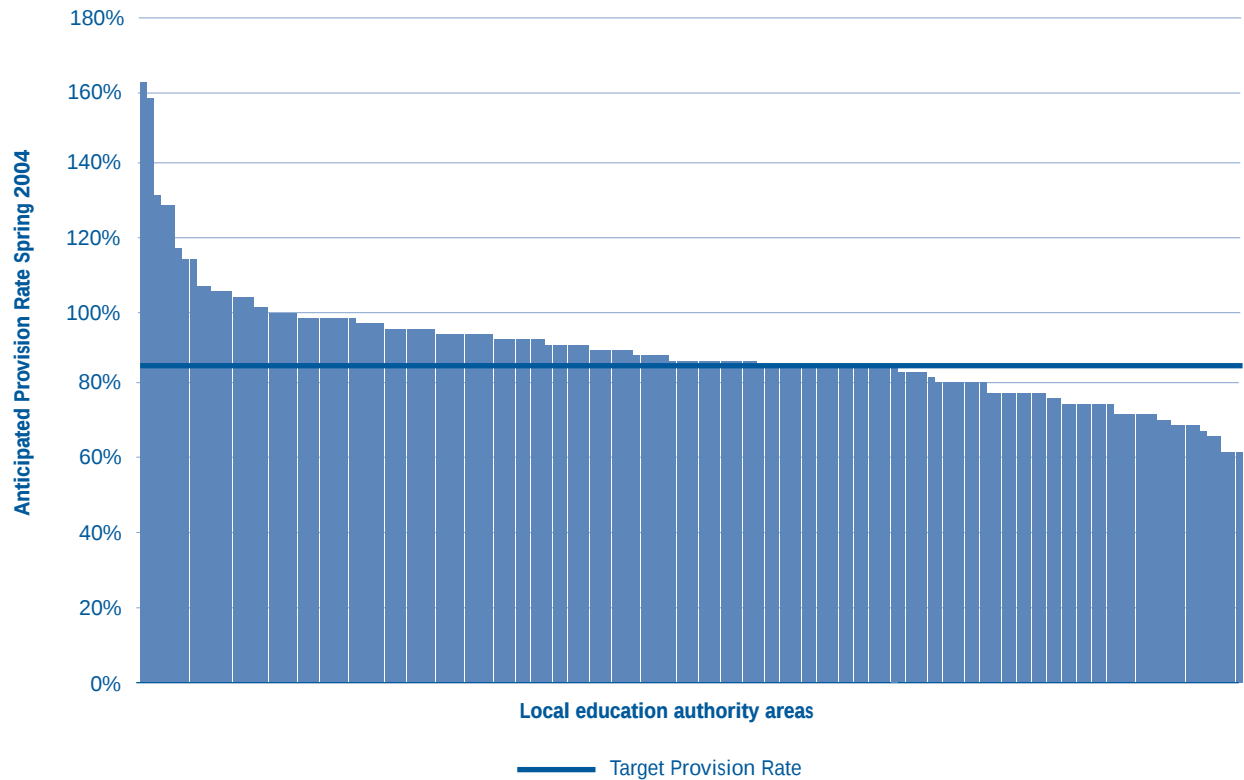
2.5 There is wide variation in coverage across the country. Some 75 local authorities provided places for fewer than 85 per cent of three-year-olds in the summer term of 2003, and as at March 2003, 45 did not expect to reach that figure by March 2004 (**Figure 9**). Recognising that some local authorities in disadvantaged areas were having difficulties, the Department made additional funds (£40 million over two years) available to assist. Subsequently, the Department received written assurance from all authorities that they will reach the target by spring 2004. The Department plans to monitor all authorities twice in the months leading up to that date to check on progress.

2.6 Since 1998 the pattern of early education provision has changed. The percentage of four-year-olds attending schools has remained constant at about 80 per cent. 20 per cent of provision is in the private and voluntary sectors, but more children now attend school reception classes and fewer nursery classes and nursery schools. Most of the additional places for three-year-olds have been provided by the private and voluntary sectors. Since 2000 they have provided places for 59,000 more three-year-olds, while the proportion in schools has remained at 38 per cent. Because the pre-school population is falling, this represents 11,000 fewer children.

Good progress has been made in creating new childcare places but more than expected have closed

2.7 When the Government announced that they intended to create new childcare places for 1 million children of all ages up to 14, the Department assumed that some places - particularly for those of school age - would benefit more than one child. This is because not all children take up a place on a full-time basis. Drawing on previous experience, for example, out of school hours childcare places were funded on the basis that they would each benefit two children. The Department was aware there was considerable turnover of childcare places, and so calculated that to reach their target they would have to create 900,000 new places - enough for 1.6 million children.

9 Early education provisions for 3-year-olds: What local authorities expected to provide by March 2004



Source: Early Years Development and Childcare Implementation Plans 2003-04

2.8 Between March 1999 and March 2003, 626,000 new childcare places were created in England. The majority were out of school places funded through the New Opportunities Fund (420,000 by August 2003). At the same time, 301,000 closed (**Figure 10**). Using the Department's assumptions on the numbers benefiting from each place, we calculate that this net increase of 325,000 should provide places for 610,000 children. Local authorities have been asked to predict the number of new places and closures they expect, and project that another 136,000 places will have been created by March 2004. Therefore, taking into account 59,000 net places that the Department estimates were created before the National Childcare Strategy took effect, there will have been a net increase of 520,000 places by then. 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.

10 Change in total number of childcare places 1999-2003 by year



Source: Data provided by local authorities to the Department for Education and Skills

2.9 The rate of childcare place closures has been higher than the Department expected, and is most marked amongst childminders (Figure 11). Between 1999 and 2003, 188,000 places were created with childminders, and 193,000 closed. In their 2003 Early Years Development and Childcare Plans local authorities reported on the reasons for shortfalls in creating childcare places. A total of 91 local authorities said they expected to meet targets for increases in places, whilst 52 did not. Partly this was due to local factors (see Box 2), but common issues included:

- some childminders were put off by the requirement to register with Ofsted and delays in initial registration slowed the creation of new places, whilst in 25 local authorities childminders offered fewer places, partly because of changes to regulations on the number of children that could be looked after;
- in 62 areas local authorities reported insufficient take-up of existing places to sustain provision, or insufficient demand to support new provision; and
- some local authorities - 72 and 59 respectively - reported problems recruiting staff or finding premises for new provision.

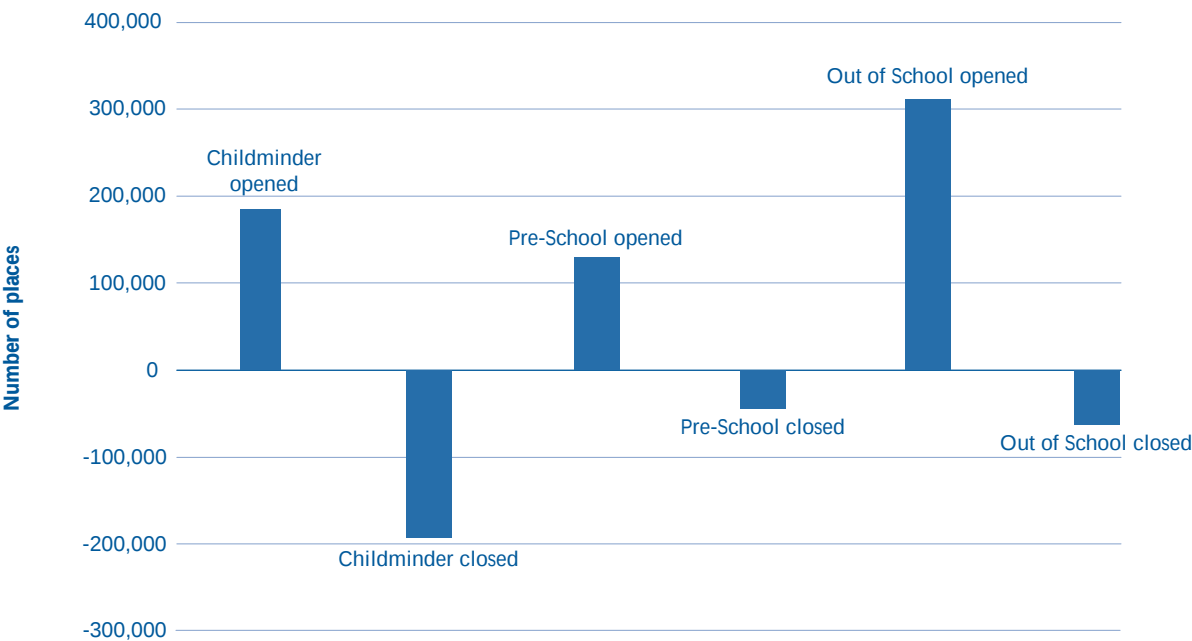
The Department has aimed since the launch of the National Childcare Strategy to arrest the decline in the number of childminders. An increase in 2001-02 was reversed in 2002-03, when Ofsted removed from the register childminders who were no longer active. Growth subsequently resumed with a net increase of 8,100 places between March and September 2003.

The increase in childcare has mainly been in out of school and holiday places

2.10 The Department collects data from local authorities quarterly on the number of childcare places which have opened and closed, although not on the total stock of childcare places¹². It is not possible, therefore, to present a consistent picture of how the total amount of childcare provision has changed since 1997. However, it is clear that the mix of provision has changed substantially. Using a variety of data sources¹³, we estimate there has been:

- a 134% increase in the number of out of school and holiday scheme places;
- a 90% increase in private sector day nursery places;

11 Change in number of childcare places 1999-2003 by type of provision



Source: Data provided by local authorities to the Department for Education and Skills

12 Before OFSTED were given responsibility for the registration of childcare in 2001, local authorities reported numbers of childcare places they had registered annually to the Department. OFSTED needed 18 months to complete the registration of childcare providers in England, and during this time there was no complete source of registration data, as local authority registers were increasingly out of date. These data sets also used different definitions of a childcare place - for instance, childcare for children over 8 is not required to be registered, but the Department collects information on growth because it is relevant to their targets.

13 The Daycare Facilities Survey, based on local authority registers, from 1997 to 2001 adjusted for a change to the way holiday schemes were counted in 1999, surveys by the Department of the childcare workforce in 2001, and OFSTED data on registered providers from March 2003.

DIFFERING LOCAL CIRCUMSTANCES AFFECTING THE NATURE OF EARLY YEARS PROVISION

BOX 2

Blackpool

- The borough is very compact and 14 of its 22 wards are deprived.
- Very few available and affordable premises due to dominance of tourist industry.
- High population turnover makes it hard to assess demand and maintain sustainable provision.
- Seasonal and informal employment means many parents are unable to claim Working Families Tax Credit or Childcare Tax Credit to help them access childcare.

Islington

- All wards are in the 20 per cent most deprived in the country.
- Due to high levels of poverty, providers are dependent on funding to remain open.
- Childminders experience high vacancy rates.
- The higher cost of employing staff in London, and high property prices, make it difficult to keep provision affordable.
- High levels of lone parent families and low take-up of Working Tax Credit compared with the national average.
- Specialist staff, training programmes and publicity are needed to reach some groups including asylum seekers and those whose first language is not English.

North Yorkshire

- Deprived wards in urban areas have sufficient provision but a lack of take-up, whilst rural areas have very limited provision.
- Low numbers of children and lack of public transport in rural areas means some provision, such as Out of School clubs, is unsustainable.
- There is a culture of caring for children at home in the isolated rural communities in the region.
- Geographical factors make access to training difficult for childcare workers operating in rural areas.



- a 22% decrease in places in playgroups and pre-schools; and
- a 24% decrease in childminder places.

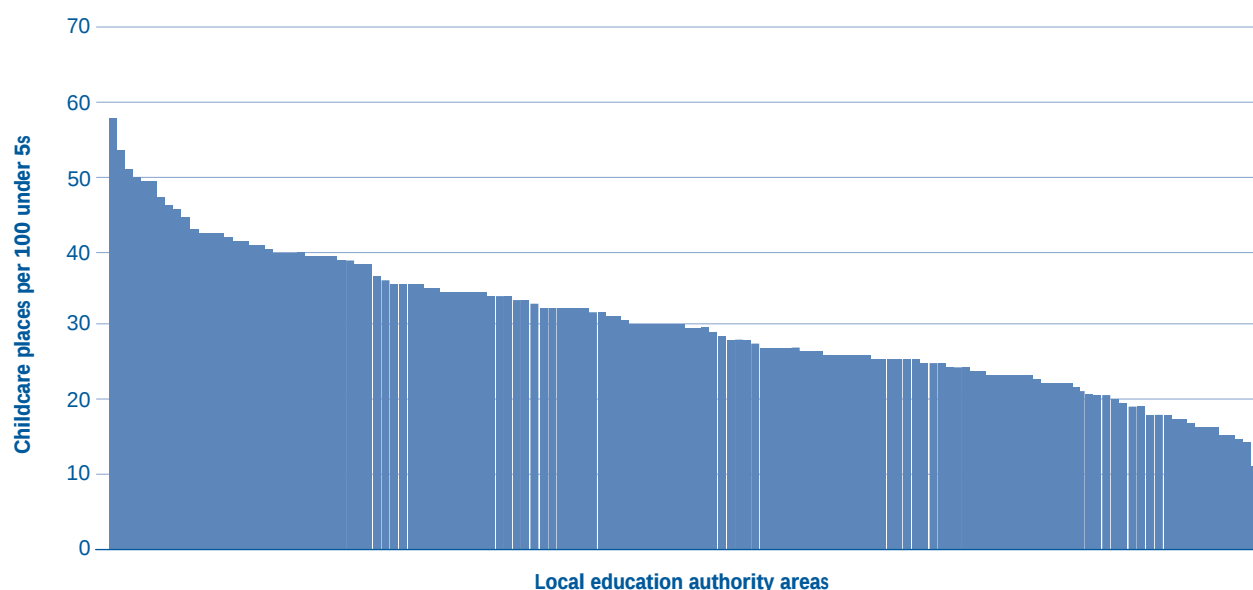
The change in the balance of pre-school provision partly reflects the aim of the National Childcare strategy to encourage playgroups offering short sessions to convert into day nurseries offering full day care, in order to provide more assistance to working mothers.

2.11 These changes have not been uniform across England. The biggest decline in the number of childminders, and the biggest rise in day nursery provision, have both been in the South East region. In contrast, the North East region has proportionately more childminder provision

than the rest of England, with a net increase in places since 1999, while the number of day nursery places here has grown less than in other regions.

2.12 Drawing on Ofsted data, we examined the extent to which new provision was for pre-school children. We estimate that of the net increase in places of 325,000 in 1999-2003, 96,000 were for pre-school children. Across England, 933,000 childcare places were available in March 2003 for the 2.9 million children of pre-school age. However, the extent of provision relative to the population varies considerably, between 11 and 58 places for every 100 under-fives (**Figure 12**), with the highest proportion (44 for every 100 children) in the South East and the lowest (22) in inner London.

12 Childcare places per 100 children under 5 in local authorities in England



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

More information is now available for parents but they still rely more on friends, family and neighbours to choose a provider

2.13 Lack of information on childcare can limit parents' choice of suitable providers. Under the National Childcare Strategy, each local authority was required to provide an information service. From December 1999, Early Years Development and Childcare Partnerships and their Children's Information Services have provided information on childcare provision in their area and have also helped those wishing to set up new childcare provision. A national ChildcareLink service was also introduced to advise to parents on childcare options through both a national website (www.childcarelink.gov.uk) and freephone information line (08000 96 02 96).

2.14 To assess the impact of these new arrangements, we asked parents of 0-4 year olds which information sources they used to help select their current childcare or early years provider. Around a fifth had used information from their local authority, but more important were informal sources (Figure 13). Official sources were used much more frequently for finding childminders than other types of provider. When asked whether the information they accessed helped them decide which provider to choose, 77 per cent of parents responded that it did.

2.15 Our survey of early years providers found similar results to our survey of parents (Figure 14). Childminders were more reliant than other providers on the Childcare

Information Service for distributing information about their services. However, for most types of provider other than schools, word of mouth was the most common method for advertising services.

Early years provision does not always provide sufficient choice and flexibility for parents

2.16 We asked parents what factors influenced choice of provider and what they thought their child gained most from attending early years settings. The key factors related to provision being local, accessible and having good facilities. Some 14 per cent of parents said the setting they use was the only one available locally, but very few said a lack of suitable settings prevented them using childcare. They saw the main benefits for children as related to interacting with other children. The detailed results are shown on our website at www.nao.gov.uk.

2.17 Research for the Department¹⁴ also provides evidence about parents' preferred childcare arrangements. If cost and availability were equal, parents state that they would prefer a mixture of formal and informal childcare. Roughly equal numbers reported formal or informal childcare would be ideal, and 78 per cent of working mothers of pre-school children considered crèche or nursery provision ideal (Figure 15). Our survey of parents found 57 per cent of parents of pre-school children regularly used formal early years provision, while 30 per cent of parents did not use any form of childcare regularly.

13 How parents select their early years provider

Results from two omnibus surveys of parents of 0-4 year olds (percentages).

Sources of information	Percentage of parents (N= 390)
Family, friends & neighbours	45
Word of mouth	28
Local Authority/Council/Social Services	19
My other children use it	15
Advertising	4
Internet	2

NOTE

Percentages sum to over 100 because respondents could select more than one answer.

Source: National Audit Office

14 How providers distribute information

(Percentages of providers. Base: All providers).

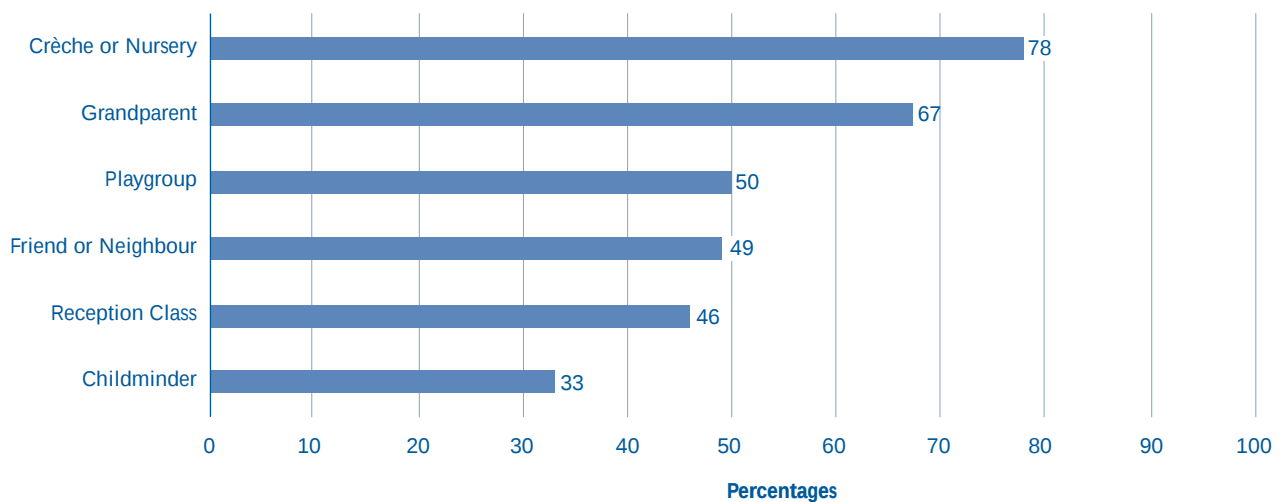
	Playgroups (n=180)	Day nurseries (n=175)	Childminders (n=175)	All School-based (n=184)
Word of mouth	32	21	35	9
Directly to parents	14	18	15	18
Internet	8	21	15	16
Local advertisement	26	22	11	17
Childcare Information Service	4	6	20	3

NOTE

Percentages sum to over 100 because respondents could select more than one answer.

Source: National Audit Office

15 Working mothers' ideal types of childcare (percentages)



NOTE

Percentages sum to over 100 because respondents could select more than one answer.

Source: Department for Education and Skills Repeat Survey of Parents' Demand for Childcare (May 2002)

2.18 The Department's research also identified that about 26 per cent of families with pre-school children had unmet demand for childcare in the previous year, and 77 per cent thought there should be more pre-school places. The main areas of concern were:

- parents in deprived areas (the 20 per cent most deprived wards) were more likely to think there were insufficient pre-school places, and less likely to use childcare. (We examine provision in deprived areas in paragraphs 2.35 to 2.43);
- although most unmet demand was during weekday working hours, about a quarter of parents of pre-school children had experienced problems finding childcare outside normal working hours. Lone parents were more likely to have experienced unmet demand and more likely to say lack of childcare at suitable times was a problem. Local authorities report lack of provision out of hours and at weekends as a barrier to providing enough childcare for lone parents, and we found few offered childcare after 8 pm or at weekends; and
- most unmet demand was in London, which has the smallest ratio of places to children (paragraph 2.12). Growth of places in London since the survey has been around the national average.

There are barriers to further expansion of early years provision

2.19 In order to meet the Department's targets to 2006, early years provision will need to expand further. We asked the providers we surveyed about the scope for this. Only a minority intended to extend provision in the next year. More childminders (33 per cent) planned to create new places than other types of providers, although they were less likely to have waiting lists for places. There appears no correlation between the existence of waiting lists and plans to expand. Schools were least likely to have plans to expand - only 12 per cent hoped to offer more early education places and 17 per cent to extend their provision to childcare beyond the 2.5 hours of statutory education.

2.20 Most providers who planned to expand intended to do so by creating new places. Other plans included extending or moving premises, providing other services, operating longer hours or for more days and employing more staff. Most providers, except childminders, said they would need to obtain additional funding to expand. Of those who had set up or expanded in the last year, however, established providers were much less reliant on government funding to expand than new ones.

2.21 Of those providers not planning to expand, the main reasons related to capacity and difficulties finding new premises. 52 per cent of playgroups, 49 per cent of day nurseries and 61 per cent of childminders not planning to expand stated that this was because they were already at maximum capacity. 20 per cent of playgroups and 20 per cent of day nurseries also stated that requiring suitable premises was a reason for not expanding.

There are a number of threats to sustainability

2.22 We examined threats to sustaining early years services. We found:

- high turnover of staff was by far the biggest threat cited by providers. Private providers told us that staff cost increases, including training costs, were threats to sustaining their provision, as was the increasing cost and difficulty in finding locations for centres;
- playgroups and childminders were most likely to mention not attracting sufficient numbers of children, but day nurseries were most likely to cite competition from other providers;
- playgroups most frequently cited paperwork and administrative demands as a major threat to providing childcare; and
- childminders most frequently responded that competition from unregistered childminders and parents' ability to pay threatened sustainability.

2.23 In addition, fewer than half of providers reported that they were always covering their costs, and there was evidence that many providers do not understand their costs and issues affecting their viability or whether they were covering them. For example, many could not tell us how many places they needed to fill to break even (**Figure 16**).

2.24 There was also evidence of a need for more assistance with business planning, and many of the providers who received start-up funding are at risk of being unable to sustain their services once the funding runs out. Only 52 per cent of providers which had received time-limited funding knew what they were going to do when funding ran out. Those who had planned for the future stated they would either be self-supporting by the time funding ran out, increase the number of children attending or increase fees.

16 Covering costs

(Base: All childcare providers).

	Playgroups (n=129)	Day nurseries (n=173)	Childminders (n=175)
How often costs were covered in the last 12 months (percentages)			
All of the time	46	38	39
More than half the time	18	20	25
About half the time	14	13	16
Less than half the time	6	4	7
Never	3	6	7
Don't know	12	19	5
How many places needed to be filled to cover costs (percentages)			
1-8 places	-	3	87
9-16 places	22	12	1
17-25 places	24	14	-
26-50 places	17	25	-
51 or more places	3	5	-
Don't know	34	40	10

Source: National Audit Office

2.25 The Department is aware of the sustainability issues in the sector and in particular the business support needs of providers. It has required each local authority to employ a Business Support Officer to advise potential and existing providers and direct them to specialised assistance they are unable to offer. It is developing guidance for local authority business start-up planning, and encouraging local authorities to employ marketing officers and strengthen the staffing of their childcare information services. It provides funds to local authorities to support childminder sustainability and plans to make a Sustainability Grant available to childcare providers in deprived areas experiencing temporary difficulties. Research for the New Opportunities Fund found that some provision needed longer than the start-up funding period to reach a viable level of occupancy, and needed to seek alternative funding sources to survive.¹⁵

2.26 The 2002 interdepartmental review of childcare recognised the potential role schools could play in delivering sustainable, integrated childcare. The review made reference to schools playing an important role for disadvantaged children and families and in areas where there is a shortage of high quality accommodation. Schools could offer childcare provision on site and also be a source of information. The Department plans to increase the role of schools by building childcare into the Extended Schools programme, with schools establishing a range of services and facilities on their premises in partnership with a range of voluntary, private and public sector bodies. The Department is appointing childcare co-ordinators to each area involved in the initiative.

There is less provision for children from minority ethnic groups, with special needs, or with disabilities, than for others

2.27 The Department's research into demand¹⁶ shows that there is less use of childcare by children from minority ethnic groups or those with special educational needs¹⁷ or disabilities. We therefore asked how many providers now cater for children from these groups.

¹⁵ New Opportunities Fund, *Changing the landscape*, October 2003.

¹⁶ Repeat Parental Demand Survey 2001.

¹⁷ Under the Education Act 1996, Part IV, Section 312, a child is defined as having a special educational need (SEN) if he or she has a learning difficulty or disability which calls for provision which is 'additional or otherwise different from' the provision generally made for pupils of that age in local schools.

2.28 Our survey showed the majority of playgroups, day nurseries and school based providers catered for children from minority ethnic groups, but childminders were less likely to do so (Figure 17).

2.29 A sizeable minority (around 30 per cent) of playgroups, day nurseries and school based providers make it easier for parents from ethnic groups to access their services by producing information in languages other than English. This compared to only six per cent of childminders, who may have limited resources to do so. Providers offering services for children from minority ethnic groups were more likely to cater for parents whose first language was not English. Other language provision was most commonly afforded through the employment of bilingual staff or, to a lesser extent, by providing translated leaflets.

Provision is more widely available for children with special educational needs than for those with disabilities, but limitations and barriers still exist

2.30 The majority of playgroups, day nurseries and school based providers offer services for children with special educational needs (Figure 17). Provision for children with disabilities was more limited, and school-based providers were the only type to offer facilities for disabled children in more than 50 per cent of cases. Fewer childminders offered services for children with special educational needs (19 per cent) or disabilities (10 per cent).

2.31 Of those providers catering for children with special education needs and disabilities, the vast majority had places for a small number of children from these groups - 62 per cent could only offer one place for disabled children. Only bigger providers offered places for larger numbers of children from these two groups. The three most common barriers to greater provision were:

- lack of suitable premises;
- lack of trained staff; and
- the need for funding to pay for extra staff.

2.32 Whilst providers said that lack of trained staff was a barrier to providing for children with special education needs or disabilities, they were able to obtain training. More than four-fifths of providers other than childminders had attended training to work with children from these groups. Just over one-fifth of childminders had done so. Where childminders did offer services for children with special educational needs or disabilities, 65 per cent had received no training.¹⁸

2.33 In order to increase support for the early education of children with special educational needs the Department introduced a requirement for local authorities to appoint area Special Educational Needs Co-ordinators to provide support in non-maintained (private and voluntary) early years settings. The Department has a target to ensure one co-ordinator for every 20 non-maintained settings that deliver funded early education, and provided £10 million in specific funding to assist local authorities in reaching this target. Local authorities' plans indicate that this target is unlikely to be met. They would need to employ nearly 1,000 by 2004, but expect to fall about 120 short of this. Some authorities only had one per 100 settings, and in one case the ratio was as high as 240.

17 Provision for children with special education needs, disabilities or children from minority ethnic backgrounds

(Percentages of providers. Base: All providers).

	Playgroups (n=180)	Day nurseries (n=175)	Childminders (n=175)	All School-based (n=184)
Children from minority ethnic groups	69	82	29	62
Children with special education needs	81	75	19	84
Children with disabilities	41	49	10	55
None of these	7	5	59	12

NOTE

Percentages sum to over 100 because respondents could select more than one answer.

Source: National Audit Office

¹⁸ Please note that respondents were not asked to specify whether the training they attended was for children with special education needs or for children with disabilities.

There is a gap between provision in deprived and non-deprived areas, but it is narrowing

- 2.34 In 2001 there were about 8 childcare places per 100 children of 0-14 in the 20 per cent most deprived wards in England, compared with about 13 places in other areas. The Department launched the Neighbourhood Childcare Initiative (paragraph 1.10, Figure 5) to address this gap in provision, and set a target of reducing the difference to 3.70 places per 100 children by March 2004. Although there are regional variations, local authority plans suggest that this target will be met early and that by 2004 the difference will be reduced to 1.69 places. However, there is a great deal of variation between local authorities. Although some had up to 14 more places per 100 children in deprived wards than in other wards, others had as many as 28 fewer places in their deprived wards.
- 2.35 Although nationally the childcare gap is closing, 24 local authorities reported it had grown in their area. The reasons given for this included:
- the need to tackle pockets of deprivation outside as well as inside deprived wards areas;
 - development in non-deprived wards growing faster than that in deprived wards;
 - closures in deprived wards;
 - planning delays; and
 - changes in population, data inaccuracies and delays in registering providers.
- 2.36 Under the Neighbourhood Childcare Initiative, the Department has a target to create 70,000 new childcare places in deprived areas by 2004, some 25,000 with childminders and 45,000 places in about 900 Neighbourhood Nurseries. The target for childminders had almost been met a year early by March 2003, and local authorities expect a further 15,000 places will be created by 2004.
- 2.37 The Department has made less progress towards the target of developing places through the Neighbourhood Nurseries Initiative. Neighbourhood Nurseries are targeted in the 20 per cent most deprived wards and pockets of deprivation across 142 local authorities. The Initiative aims to create 45,000 new childcare places by March 2004 with a further 28,000 places as part of Children's Centres by 2006. By October 2003, 375 Neighbourhood Nurseries were open, offering around 10,700 places, and a further 1,000 projects (planning to offer 39,000 places) were still in development.
- 2.38 Neighbourhood Nurseries were provided with start-up funding by the Department and the New Opportunities Fund, but were expected to seek private sector loans to fund additional capital costs and be self-sustaining within three years. Local authorities consider slow progress is due to the lack of affordable and/or suitable premises and the complexity of funding arrangements. Officials and service providers told us commercial banks had serious concerns about funding streams after the three year start-up funding ended.
- 2.39 Following the 2002 interdepartmental review of childcare, the Department introduced plans to develop Children's Centres as part of its strategy to improve provision in deprived areas. These are to be based in the 20 per cent most deprived wards in England, and will be developed from local provision, including Early Excellence Centres, existing Neighbourhood Nurseries, and the existing Sure Start local programmes. In a small number of cases, Centres will be entirely new build. They will act as the hub for local childcare services, providing five key services: early education, childcare, health, family support and help into employment.
- 2.40 In addition to those covered by Sure Start local programmes, Children's Centres are intended to reach 300,000 more pre-school children across 136 local authorities by April 2006, bringing the total to 650,000. They will offer just over 43,000 new childcare places. Funding previously allocated to Neighbourhood Nurseries has been amalgamated with Children's Centre resources to encourage local authorities to integrate these daycare places with other Children's Centre services. The Department has learned from the Neighbourhood Nurseries Initiative and is providing more direct capital funding for Children's Centres.
- 2.41 The issues surrounding provision of early years services in deprived wards did not vary greatly from those in non-deprived wards, with a few exceptions. Playgroups located in deprived wards, for example, were more likely to have a waiting list than playgroups in non-deprived wards, while other providers saw lack of demand as a problem. Childminders located in deprived wards were twice as likely to mention not attracting enough children as a threat to sustainability. Lack of demand was more often cited as the reason school based providers in deprived wards did not intend to expand their provision beyond the free two and half hours early education places.



Part 3

Early years: affordability

- 3.1 This Part examines what progress the Government has made towards making childcare more affordable. In particular, it examines what assistance is available, the impact of assistance, and the costs of provision.
- 3.2 The costs of childcare can be a major barrier for some parents wanting to work or train. A Daycare Trust report in March 2003, for example, reported that lone parents see rising day care costs as a major barrier to getting and staying in the workforce. Thirty per cent of lone parents pointed to the lack of affordable childcare as a reason for not working, and 78 per cent said they would prefer to work or study if they had access to childcare.¹⁹ Research commissioned by the Greater London Authority for its draft childcare strategy²⁰ found that some well-qualified women were unable to work because of the growing costs of care in London. Evidence from a Joseph Rowntree Foundation study shows that mothers who identified childcare costs as a barrier to employment found these increased in direct relationship to the numbers and ages of children in their family.²¹
- the Nursery Education Grant which funds the provision of free places;
 - tax credits;
 - provision under the New Deal for Lone Parents; and
 - the Childcare Grant for university students.
- 3.4 Other less mainstream sources of help with childcare costs include:
- **The Access to Learning Fund.** University students have access to the new Access to Learning Fund, which nationally replaces the previous Hardship Fund from 2004-05. Each university receives central government funding to assist students who need extra financial support because they have higher than expected costs, including childcare costs.
 - **Help from employers.** The National Childcare Strategy encourages employers to get involved in childcare. Ten per cent of employers²² offer help towards childcare through work-life balance policies. This can consist of childcare allowance or Childcare Vouchers, or provision of childcare services in partnership with other employers. These can often be used for any type of childcare, including relatives.

There is now more assistance available towards the cost of childcare

- 3.3 In recognising that childcare costs are unaffordable for some parents, the Government committed itself to making childcare provision more affordable as a key part of the National Childcare Strategy. The Government has provided free part-time early years places for all four-year-olds since 1998 and aims to provide free places for all three-year-olds by 2004. The main sources of assistance with childcare costs (**Figure 18**) include:

¹⁹ Daycare Trust (2003) "Making Childcare Work: Changing Childcare For A Better Work-Life Balance" (March 2003).

²⁰ March 2003.

²¹ The Joseph Rowntree Foundation, "Running around in circles: Coordinating childcare, education and work" (May 2003).

²² Daycare Trust.

18 Key sources of financial assistance available for childcare costs

Assistance available	What it is worth	How it is paid	Who is eligible?	To which settings does it apply?
Nursery Education Grant	The grant is set at £7.40 per session (from April 2003), which gives a maximum of £407 per term. Parents are entitled to up to five 2½ hour sessions a week, free of charge.	The Education Authority pays the provider directly.	Not based on income. Payable for all four-year-old children, and from April 2004, all 3-year-olds, after the child's third birthday.	■ All schools and all school nursery classes (subject to Admissions Policy) registered with Ofsted. ■ All pre-school playgroups and private day nurseries registered with the EYDCP and Ofsted. ■ Childminders only if part of an approved childminding network and registered with Ofsted. ■ BUT NOT: after-school clubs; nannies; or crèches.
Working Tax Credit (Replaced the Working Families Tax Credit in April 2003)	Up to 70 per cent of Eligible Child Care Costs can be claimed. Up to £135 maximum for one child and £200 per week for two or more children can be claimed.	WTC is paid through payroll (and direct to the self-employed) but the childcare element is paid directly to the main carer, in addition to payments of Child Tax Credit. Claims last for up to 12 months. A renewal form is then automatically sent out.	Based on income. Lone parents (over 16 years) with dependent children and working at least 16 hours a week. Couples (over 16 years) either both working at least 16 hours per week, or one working at least 16 hours and the other receiving disability benefit, in hospital or in prison. Payable up to the first September after child's fifteenth birthday (sixteenth birthday if child is disabled).	■ Ofsted registered day care (e.g. nursery or playgroup) and childminders for under 8s, and out of hours clubs on maintained school premises run by school or local authority. ■ Out of school childcare run by an approved provider within a scheme accredited by the Department for over 7s. ■ Since April 2003, approved child-care workers in the parents' home (either from a registered agency or a registered childminder approved as a home childcarer by Ofsted).
Child Tax Credit	The family element and baby element are each £545 per year. The child element is £1,445. The disability element is £2,155. The severe disability element is £865.	Paid to the main carer. A separate child element is payable for each child in the household. There is also a child disability element and an additional element for families with a baby under one year. Claims last for up to 12 months, when a renewal form is automatically sent out.	Based on family income up to £58,000 (£66,000 for families with a baby under one), regardless of work status. Available to a household with: At least one dependent child under 16 or at least one dependent young person under 19 in full time non-advanced education. At least one dependent young person under 18 registered with the Careers or Connexions service.	This can be spent on children in any way that the carer chooses.
New Deal for Lone Parents	Maximum of £135 per week for one child, or £200 per week for two or more children.	New Deal personal advisor sends a form to childcare provider explaining that Jobcentre Plus will pay the agreed amount. Confirmation of this amount will be required from the provider before payment is made directly to the provider.	Lone parents on Income Support with a dependent child. The youngest under five. Help with childcare costs offered over the course of a year while they attend interviews or appointments with their New Deal personal advisor, attend approved training courses, or attend job interviews.	■ Providers must be registered or exempt from registration. ■ Childminder ■ Out of school scheme ■ Playscheme ■ Nursery ■ Pre-school or playgroup

18 Key sources of financial assistance available for childcare costs (continued)

Assistance available	What it is worth	How it is paid	Who is eligible?	To which settings does it apply?
The Childcare Grant	For one child: up to £114.75 a week (85 per cent of the actual costs of up to £135 a week) throughout the year. For two or more children: up to £170 a week (85 per cent of the actual costs of up to £200 a week) throughout the year. This Grant does not have to be repaid.	In three instalments, from the Student Loans Company.	Full-time students with dependent children. Students whose partners receive the childcare element of the Working Tax Credit from the Inland Revenue are <i>not</i> eligible.	■ The provider must be registered or approved. ■ Ofsted registered nursery, childminder, after-school or holiday playscheme. ■ Approved childcare for children aged between eight and 14. The provider has to be approved by an accredited organisation's Quality Assurance Scheme.

The impacts of assistance with childcare costs vary

- 3.5 Our survey of parents confirmed that income influences take-up of childcare, with low-income families much less likely to use formal childcare of all kinds, especially paid childminders. However, state support for childcare costs was also having an impact. Some 65 per cent of parents with low incomes who used early years provision said they got it free or that the state paid for it. On the other hand, 20 per cent of low income parents said they received no financial assistance and paid all costs.
- 3.6 The Department conducts an annual survey of usage of early education by three and four-year-olds.²³ In 2002 this found that 26 per cent of parents reported the cost of education fees (as opposed to other fees, such as meals and outings) was a factor that restricted the amount of nursery education they used. Parents of older children and unsurprisingly higher income households were less likely to say that cost was a restricting factor. For the former, this reflected children's movement into free provision in maintained nursery and reception classes. However, the survey also found that 31 per cent of parents paid nothing towards the costs of their main nursery education provider. Parents earning less than £10,000 were least likely to pay any of the costs for their nursery education provider. Between 1997 and 2001, the Department's surveys have shown that the number of parents paying less than £25 per term for nursery education has increased significantly, from 27 per cent to 35 per cent for parents of three-year-olds; and from 49 per cent to 55 per cent among four-year-olds.
- 3.7 The Inland Revenue have monitored the take-up of the new Working Tax Credit and Child Tax Credit since their introduction in April 2003. In October 2003 around 236,000 families (82,000 with adult couples and 154,000 single adult families) in England were benefiting from the childcare element of Working Tax Credit, receiving an average of £50 per week help with their childcare costs. This represents annual expenditure of some £614 million, and in terms of take-up is 58 per cent higher than the peak of 149,000 families receiving the childcare credit under the previous arrangements for Working Families Tax Credit and Disabled Persons Tax Credit.²⁴ The Inland Revenue's data also showed that one third of families benefiting are the poorest families, receiving the maximum level of support.

The cost of early years provision is increasing

- 3.8 Whilst this suggests improvements in affordability for some parents, survey results indicate that the cost of childcare has increased. The Department's *Repeat Study of Parents' Demand for Childcare*²⁵ found that between 1999 and 2001, the weekly costs of childcare for families with children not yet attending school increased from £27 to £35. For lone parents working full-time, weekly childcare costs increased from £25 to £37, whereas couples where both parents were in full-time work were paying £6 per week more. The Daycare Trust asked all Childcare Information Services (paragraph 2.13) to report typical weekly costs of childcare in their area in January 2002, 2003 and 2004. They found the figure for a full-time nursery place for a child under two is £128 a week. This is nearly £7,000 a year, an increase of 11 per cent in the last two years.

²³ Fitzgerald, R et al (2002) *Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services*. DfES (June 2002) Table 5.8.

²⁴ Inland Revenue, *Child and Working Tax Credit Quarterly Statistics, October 2003 and Working Families' Tax Credit and Disabled Person's Tax Credit Quarterly Statistics, November 2002*.

²⁵ Woodland, S; Miller, M; & Tipping, S (2002) *Repeat Survey of Parents' Demand for Childcare*. Department for Education and Skills Research Report No 348. May 2002. Page ix.

3.9 The increase in costs appears to be attributable to a number of factors. Three of the largest early years providers in the private sector²⁶ with whom we consulted attributed rising costs to:

- the introduction of minimum wage legislation, given that typically 60 to 70 per cent of childcare running costs are staffing related;
- the lack of qualified staff and the need to train unqualified staff; and
- rising property-related costs.

3.10 Fees paid for nursery education provision covered a range of services (**Figure 19**)²⁷, with charges for refreshments and meals the most common. However, there are variations in charging practices between different types of providers, with reception classes the least likely to make charges, and day nurseries most likely.

Costs vary widely between regions and according to age of children

3.11 The cost of a nursery place varies widely around the country. The Department's study of parents' demand for childcare found that the median childcare cost in London was three times that in the East Midlands.²⁸ The Daycare Trust found that in inner London the typical cost of a nursery place in January 2004 was £168 a week (over £8,730 a year); compared to £107 in the West Midlands. The House of Commons Work and Pensions Committee report on "Childcare for Working Parents"²⁹ recommended that further action be taken to deal with the regional variations in costs because Government assistance currently does not vary between regions.

3.12 The Department's survey of parents of three and four-year-olds also found variation in cost according to the age of the child. The Department concluded this reflected the entry of older children into nursery and reception classes in maintained infant and junior schools.³⁰ The average payment per term for three-year-olds, for example, was £298 compared to £126 for four-year-olds. Also 44 per cent of parents of three-year-olds paid £250 or more per term compared with just 16 per cent of four-year-olds.

19 What services and items parents pay for (percentages or parents)

Services and items	Total
Education fee	25
Childcare fees	12
Refreshments/meals	50
Use of equipment	21
Trips/outings	15
Donation to school fund	8
Other fees	2
No payments	31
Base	3185

Source: Department for Education and Skills (Fitzgerald et al)

Cost is not the most important factor in the choice of provider

3.13 Whilst cost may be a barrier to accessing provision for some parents, only a small proportion of parents in our surveys identified cost as one of the three most important factors in their choice of nursery or childcare provider. **Figure 20** shows the most important influencing factors. In our second omnibus survey, a representative sample of 347 parents was asked what helped them select a childcare provider, and 22 per cent said cost. However, when asked to select the three most important influencing factors, only 4 per cent mentioned cost.

3.14 The Department's study of parents' demand for childcare³¹, found that overall two-thirds (67 per cent) of the providers used in the previous year were chosen by parents because they could be trusted. The next most common reason was that the provider would show their child affection. Many parents (39 per cent) who used formal registered childcare providers stated that a good reputation was an important selection criterion. Other factors were having trained staff, offering education, cost and lack of alternative provision.

26 Jigsaw Day Nurseries, Asquith Court, Leapfrog Nurseries.

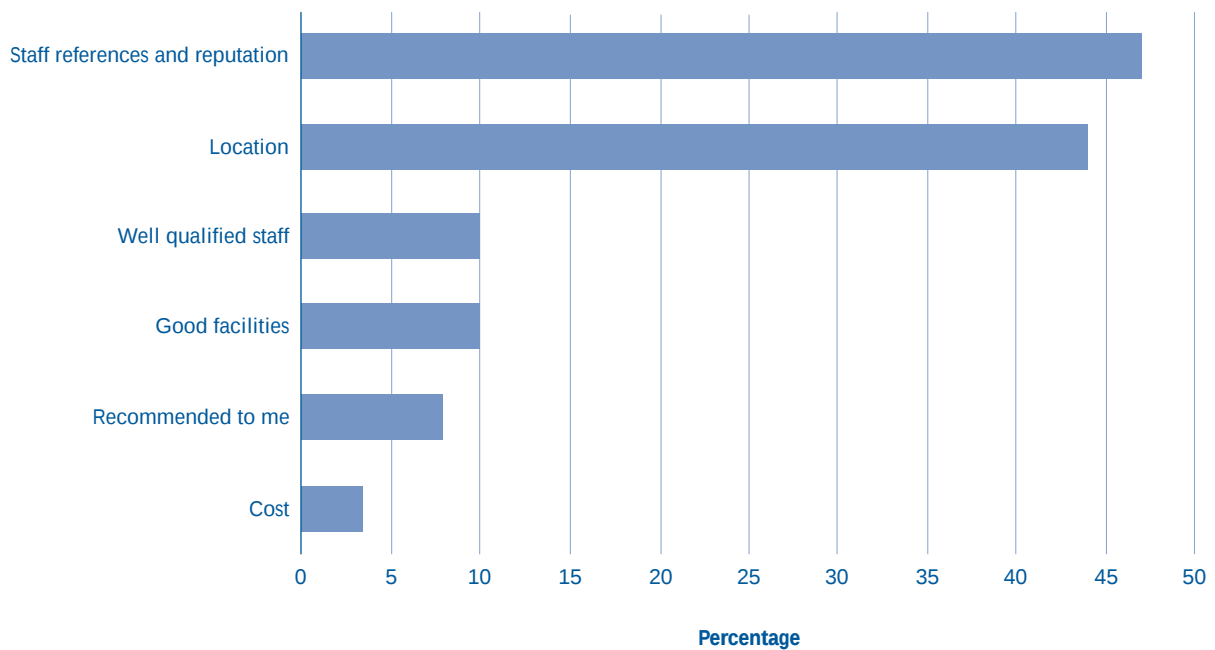
27 Fitzgerald, R et al (2002) Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services. DfES (June 2002) page 90.

28 Woodland, S; Miller, M; & Tipping, S (2002) Repeat Survey of Parents' Demand for Childcare. Department for Education and Skills Research Report No 348. May 2002. Page ix.

29 Fifth Report of Session 2002-03. Volume I. HC 564-I.

30 Fitzgerald, R et al (2002) Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services. DfES (June 2002) Table 5.8.

31 Woodland, S; Miller, M; & Tipping, S (2002) Repeat Survey of Parents' Demand for Childcare. Department for Education and Skills Research Report No 348. May 2002. Page vii.

20 The most important factors influencing parents' selection of nursery or childcare providers

Source: National Audit Office survey of parents of 0-4 year olds

3.15 Of the 177 parents in our second omnibus *not* using nursery, early years or another childcare setting, very few (2 per cent) said it was because it was too expensive, which may be indicative of the impacts of government assistance with costs. Instead, this omnibus survey³² found that 32 per cent of parents not using provision felt their child was too young for the local provider; and 24 per cent preferred to look after them at home. Ten per cent also said that the child was not yet developed enough to benefit from attendance. The Department's survey of parents³³ similarly found the most common reason for parents not wanting to use nursery education or childcare was that they preferred to look after them at home.

³² March to April 2003.

³³ Fitzgerald, R et al (2002) *Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services*. DfES (June 2002) Table 3.3.3; Page 91.



Part 4

Early years: Quality of provision

4.1 This part examines what standards are currently in place to measure the quality of early years services, commitments to which were made in the National Childcare Strategy. It also evaluates progress made against these standards and identifies areas where further improvements in standards are most needed.

Research shows that good quality childcare matters, especially for disadvantaged groups

4.2 We commissioned a literature review looking at what British and international research have found to be the impacts of early years provision on child development. The review identified seven factors indicative of good quality (pre-school) provision (**Figure 21**).

21 Indicators of quality identified in literature review

- 1 Adult-child interaction that is responsive, affectionate and readily available
- 2 Well-trained staff who are committed to their work with children
- 3 Facilities that are safe and sanitary and accessible to parents
- 4 Ratios and group sizes that allow staff to interact appropriately with children
- 5 Supervision that maintains consistency
- 6 Staff development that ensures continuity, stability and improving quality
- 7 A developmentally appropriate curriculum with educational content

Source: Literature review by Professor Melhuish for National Audit Office

4.3 Early years provision is important in terms of giving a child a good start in life, with the aim of avoiding their starting school at a disadvantage. Our review of the literature suggests the effects of early intervention were strongest on children from disadvantaged backgrounds

(see Appendix B). High quality childcare for disadvantaged children in their first three years, for example, can produce benefits for cognitive, language and social development, whereas low quality childcare has been found to produce either no benefit or have negative effects. The review also found disadvantaged children from the age of three onwards benefited particularly from high quality pre-school provision, especially in more socially mixed groups.

4.4 Research evidence also suggests that early childhood interventions boost confidence and social skills amongst children, providing a better foundation for success at school. This is represented by lower levels of special education and higher educational achievement. Studies into adulthood have indicated that this educational success is followed by increased success in employment, social integration and sometimes reduced criminality.

4.5 The review also found that stable, quality provision can enable mothers to focus more consistently on employment because when they feel their children are secure and well cared for they will be in a better position to participate effectively in the labour market. The Government's targeting of early provision on the 20 per cent most deprived wards - such as through the introduction of Children's Centres - recognises the impacts of good quality early intervention for disadvantaged children.

4.6 In addition, interim research findings³⁴ from the Effective Provision of Pre-school Education (EPPE) project show good quality pre-schools are beneficial to children's intellectual, social and educational development - although it also found the quality of the home learning environment was very important for the child's development. The impacts on children were found to vary between individual pre-school settings, with some more effective than others in promoting positive child outcomes. Overall, there is evidence that children attending fully integrated centres and nursery schools tended to make better intellectual progress.

Clear and extensive quality standards are in place for the early years sector

4.7 In June 2001, 14 *National Standards for Under Eights Day Care and Childminding* were established for inspecting childcare provision (Appendix C). This followed extensive consultation with both providers and parents and reflects the definition of childcare under the Children Act 1989.

4.8 The implementation of the National Standards varies according to the type of setting being inspected. These are:

- Sessional care - *mainly playgroups and pre-schools*
- Full day care - *extended day pre-school groups and day nurseries*
- Out of school care - *care provided before and after the school day and school holidays*
- Crèches - *mainly short term or temporary arrangements while parents shop or study*
- Childminders - *childcare in domestic premises but mainly outside the child's own home*

4.9 Until September 2001, local authorities were responsible for regulation and had their own criteria and procedures for regulation and maintained their own records. Since then, Ofsted's Early Years Directorate has been responsible for registering and inspecting providers of childcare services in England against the National Standards. The current process involves one or more inspectors assessing childcare providers against the National Standards for the purpose of initial registration, and subsequently within a two year period. Ofsted takes action where providers fall short, ranging from an action plan for improvement to cancellation of registration or prosecution where the deficiency is serious.

4.10 The indicators of quality identified in our literature review closely match with the National Standards in place for Ofsted inspections (Appendix C). In line with these, the Department has introduced a framework for children from birth to three and the Foundation Stage for children aged three to the last year of reception.

4.11 From September 2002, a Foundation Stage curriculum - which prepares children of three years to the end of the reception year for primary school - was established. There are six Early Learning Goals which represent areas of learning. They are:

- personal, social and emotional development;
- communication, language and literacy;
- mathematical development;
- knowledge and understanding of the world;
- physical development; and
- creative development.

4.12 The Early Learning Goals are broken down according to the needs of each child in the form of 'Stepping Stones' which help practitioners to identify progress being made. All settings receiving funds to provide free nursery education are required to offer high quality educational provision, which includes helping children make good progress towards the Early Learning Goals underpinning the Foundation Stage.

4.13 The Department requires local authorities to ensure all settings delivering the Foundation Stage curriculum have access to the input and advice of a teacher with qualified teacher status. The target ratio for involvement is one teacher to every ten non-maintained settings by 2004.

The introduction of Ofsted inspections has been received positively

4.14 Providers we contacted reported to us that the new approach to inspection was welcome, and an improvement on previous local level approaches. One of the larger providers of day nurseries, for example, commented that it was happier to work with only one set of regulations as opposed to dealing with several local authorities. Others commented that the National Standards were a positive way forward and that the new inspections were fair.

4.15 Those criticisms about Ofsted reported to us, and to the Department by local authorities, mainly related to the administrative delays, especially for childminders who have dropped out of the registration process due to the time taken. Some concerns were also expressed that the registration inspections did not focus enough on quality, but more on health and safety and the environment.

4.16 Our findings largely confirmed a 2002 survey commissioned by Ofsted which found that childcare providers (after their first contact) were generally positive about their inspections.³⁵ Ninety per cent of respondents confirmed they were satisfied with the process overall. Almost all providers responded that the inspector was professional and courteous, and had offered clear explanations for what providers needed to do next. Almost all also agreed that the inspection was efficient and caused minimal disruption.

Early inspections show standards across the sector are acceptable

4.17 In August 2003 Ofsted's Early Years Directorate published the findings of its regulation and inspection of childminding and day care between 1 September 2001 and 31 March 2003.³⁶ The details of providers are now held on the first national database of childcare providers, which at 31 March 2003 consisted of 99,300 registered providers. During this period Ofsted met its target of inspecting 81,500 providers, including those transferring from local authority regulation in September 2001.

4.18 Ofsted's report concluded that on the whole, childcare providers have reached the level set out in the National Standards, and that very little action needed to be prompted by them to ensure that the standard of care, learning and play delivered by providers met the National Standards. **Figure 22** presents the key findings from this report.

Perceptions of the quality of nursery education have improved since 1997

4.19 The Department's surveys of parents' use of early years services³⁷ covering 1997 to 2001 show that perceptions of the quality of nursery education available have improved slightly since 1997. Half the parents surveyed thought the quality was excellent or very good in 1997, compared with 58 per cent of parents in 2001 (**Figure 23 overleaf**).

22 Key findings from Ofsted Early Years report

On registration:	Four out of 10 providers required a condition of registration* to ensure they were compliant with the National Standards. 220 applicants were refused registration.
At inspection:	Six out of ten providers were issued with conditions or had actions* raised against them; but in the majority of cases childcare providers operated in safe premises, demonstrated a suitable level of qualification, and met the National Standards.
Complaints received:	Ofsted received 10,500 complaints about childcare providers. Most complaints related to suitability of the persons providing the care and the organisation of the provision (e.g. staff:child ratios). Ofsted prevented 178 providers continuing to operate (<i>fewer than 2 cancellations and suspensions of regulations per 1,000 providers</i>).

NOTE

Registered childcare providers (as at 31 March 2003): 68,200 childminders + 31,100 day care providers = 99,300

* A condition is a permanent requirement of registration. An action is a requirement which, if not completed in a set timescale, will lead to registration being cancelled.

Source: Ofsted

³⁵ Ofsted press release 31 March 2003.

³⁶ Early Years: The First National Picture, OFSTED Early Years Directorate.

³⁷ Fitzgerald, R et al (2002) Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services. DfES (June 2002) (Table 9.10).

23 Parents' opinion of the quality of nursery education and childcare places available, 1997 to 2001

	1997 %	1998 %	1999 %	2000 %	2001 %
Nursery Education					
1 Excellent	9	10	11 ¹	10	11 ¹
2 Very good	41	42	44 ¹	41	47 ¹
3 Fairly good	39	37	36 ¹	38	3 ¹
4 Not very good	9	9	8	9	7 ¹
5 Not at all good	2	2	1 ¹	2	1 ¹
Base ²	4517	2678	2939	3949	3040
Childcare					
1 Excellent	9	4 ¹	6	5	5
2 Very good	41	33 ³	34	33 ³	37
3 Fairly good	39	48	48	48	45
4 Not very good	9	13 ³	11	12	10
5 Not at all good	2	2	1 ¹	2	2
Base ²	2194	2279	2601	3466	2556

NOTES

Bases shown are unweighted.

- 1 Significantly different from 1997 at the 99% confidence interval.
- 2 All except younger and older fives (excluding those who didn't know).
- 3 Significantly different from 1997 at the 95% confidence interval.

Source: Fitzgerald, R et al (2002) *Fifth Survey of Parents of Three and Four-Year-Old Children and Their Use of Early Years Services*. DfES (June 2002) (Table 9.10)

The Department is seeking to improve quality assurance arrangements

4.20 The Department expects local authorities to ensure by 2004 that at least 40 per cent of providers nationally have been accredited by a quality assurance scheme. However, our analysis of local authorities' plans suggests that this target will not be met. In particular, 77 authorities have reported that they will not meet the target. The reasons vary. In many cases local authorities mentioned delays in getting accreditation or delays due to the process of setting up their own accreditation schemes. In addition, in some areas there are no schemes for childminders to join which impacts on meeting the target.

4.21 There are currently 67 quality assurance schemes in operation in the childcare sector. Following consultation, the Department launched a new quality assurance scheme - known as Investors in Children - to

endorse individual quality schemes. The Department suggests that good quality assurance schemes help providers improve by assessing the quality of their provision for themselves, comparing their own practices with descriptions of best practice and identifying their strengths and weaknesses.

4.22 Under Investors in Children, individual schemes have been assessed against ten published criteria by a panel of experts from academia, the voluntary sector and practitioners from the sector. By May 2003 - the closing date for initial applications - 47 schemes had applied. Of these, 24 have been endorsed. A second round is now under way.

4.23 Once Investors in Children status has been awarded it will be held for three years with annual monitoring taking place. After this period, new applications must be made to the panel by the individual schemes.

There remain problems in attracting staff to the sector

- 4.24 Recruitment and retention of staff is essential to support childcare expansion and sustainability. Our survey of providers shows high turnover of staff was by far the biggest threat to sustainability (paragraph 2.22), with 84 per cent of day nurseries and 81 per cent of playgroups reporting this.
- 4.25 The Department estimates that 175,000 to 180,000 new recruits are needed between 2003 and 2006, and that workforce growth of 8 to 10 per cent per year is likely to be needed. This figure, which is not a target but an indicator of likely requirements, is derived from a model created by the Department which takes into account the number of childcare places to be created and the number of staff likely to leave the profession. However, the actual number of staff required could be very different because the growth figure is an estimate and because of uncertain retention levels.
- 4.26 The Department has run an ongoing national recruitment campaign - carried out at the local level by Early Years Development and Childcare Partnerships - to attract workers to the childcare sector. The campaign targets groups of workers under-represented in the early years workforce such as men, minority ethnic groups, and people with disabilities. The Department has launched, for example, a £4 million campaign, one aim of which is to recruit men as childcare workers across England. Older workers³⁸ have yet to be targeted, and this could be an important group.
- 4.27 The national recruitment campaign has to date relied mainly on television advertisements supported by a national free-phone number and information pack. By August 2003, 160,000 calls had been made to the recruitment free-phone number, although this does not include calls made to local authorities following the advertising. The campaign will continue into 2004. The Department plans to expand to the radio and internet and strategies are being developed to form stronger links between national and local levels to improve the effectiveness of the campaign. The Department provides recruitment and retention guides for individual providers and for Partnerships in support of the recruitment campaign.
- 4.28 In 2001, the Department commissioned a workforce survey to track changes since 1998 in childcare provision, including workforce growth and diversity and qualifications. Over this period, there was a 21 per cent growth in the size of the childcare workforce, with 48,200 more childcare workers in 2001 than 1998. A further survey was commissioned for 2002-03 and results are due to be published this year. But provisional findings are that growth has slowed since 2001 and is well short of the level the Department previously estimated would be needed to meet its targets.
- 4.29 The recruitment campaign has targeted three groups under-represented in the childcare workforce. **Figure 24** shows the percentage of these in 2001. In 1991, around one per cent of childcare workers were men, showing progress by 2001 had been slow.

24 Under-represented groups in the childcare workforce, 2001 (per cent)

	Male	People with disabilities	People from ethnic minorities
Full Day Care	2	1	8
Playgroups	1	1	4
Out of school	11	2	13
Childminders	1	1	11

Source: Department for Education and Skills Workforce Survey, 2001

38 The Department refers to people aged 40 and over.

4.30 The Department will have to break down barriers which currently limit the number of these groups joining the childcare workforce. For men, these include perceptions that childcare work is traditionally associated with women, that the level of pay was insufficient to support a family, and concerns that they might inadvertently contravene regulations and make themselves vulnerable, for instance, to accusations of child abuse. However, research commissioned by the Daycare Trust found that 77 per cent of British adults are in favour of men working in childcare, and 84 per cent said they would be willing to place their child in a childcare setting which employed a male.³⁹

The Department has sought to raise the profile of childcare workers by investing in training and qualifications

4.31 Ensuring access to suitable training is potentially a barrier to developing the workforce and to raising and maintaining the quality of provision. The Department faces a challenge in developing the skills of the early years workforce owing to its diversity. There are three inter-related groups: the *childcare workforce* consisting of child-minders, nurseries, and play groups; the *early education workforce* in schools and voluntary and private settings; and, the *workforce in integrated centres and programmes*. The Department has developed a "climbing frame" model, which ensures staff moving between sectors are not required to completely re-train. Instead, progression between groups is to be less restrictive than in the past, with greater recognition of transferable skills. The Department has worked with the Children and Young People's Unit to create a common core of skills and knowledge for early years and play worker qualifications. The 2003 Green Paper,⁴⁰ announced plans to develop a strategy to address recruitment and retention, as well improve the skills and effectiveness of the children's workforce.

4.32 The Department has also developed new routes with the introduction of the two-year Early Years Foundation Degree and employment-based routes to gaining qualified teacher status. The aim is to make the sector more attractive and to help raise the quality of provision through a more highly qualified workforce. The Early Years Foundation Degree has proved popular, and at October 2003 accounted for one in ten of all students undertaking Foundation Degrees.

4.33 The Department's latest figures in the 2001 Childcare Workforce Survey found over three-quarters of nursery managers were qualified to NVQ level 3 or above. This compared to one-third of managers in playgroups and just under half of those in out of school clubs, who were required to upgrade their qualifications. Child-minders are required by the National Day Care Standards to complete a local authority approved child-minder pre-registration course within six months of offering child-minding services. The Workforce Survey found two-thirds had completed these courses. The Department estimated in 2003 that 130,000 will need training to NVQ levels 2 and 3 over 2003 and 2006, although this is subject to a number of assumptions about workforce growth and turnover. This presents a major challenge for the Department considering that only 26 per cent of providers have a training budget.⁴¹

4.34 Local authorities and local Learning and Skills Councils have been working to agree shared targets for level 2 and 3 training to 2006. The Department is supporting this through funding allocated to local authorities, who are also responsible for managing funds provided for training through the European Social Fund. As at March 2003, over 50 local authorities had ensured all managers were suitably qualified, but in some the proportion was less than one-third. For other staff, the proportions were lower but there was similar variation. The most effective authorities monitored closely the early years training taken up by providers, worked in partnership with the local Learning and Skills Council, colleges and voluntary bodies, and funded training for people who wanted to work in childcare, as well as existing workers.

³⁹ "Beyond Caring" - Thomas Coram Research Unit, July 2003.

⁴⁰ "Every Child Matters".

⁴¹ Results from 2001 Workforce Survey (NOP).

Appendix A

Methodology

- 1 We adopted a variety of methods in our examination of early years provision. The methods were chosen in order to:

- measure progress against targets;
- evaluate the implementation of initiatives which relate directly to the early years sector; and
- examine how successful the Department has been overall in implementing its National Childcare Strategy.

- 2 The main methods we adopted were:

Literature review of the impacts of early years provision

- 3 We commissioned Professor Edward Melhuish of the Institute for the Study of Children, Families & Social Issues at Birkbeck College, University of London to undertake a literature review. This looked at the impacts of early years provision on young children, and included an emphasis on research findings related to children from disadvantaged backgrounds.
- 4 We asked Professor Melhuish to look at what evidence exists of the impacts on pre-school age children of early years provision, and what evidence exists to suggest the impact varies for children from disadvantaged groups. We were also interested to know whether particular types of provision have had additional benefits for children from disadvantaged groups; what gaps have been identified in UK early years provision; and whether research identifies examples of good practice both in the UK and abroad.

Secondary data analysis

- 5 We analysed data on the availability and use of early years places from a range of sources: data supplied quarterly by local authorities to the Department on changes in childcare provision; the Department's annual early years education census; local authorities' annual early years and childcare plans; Ofsted registration data; and regular surveys conducted by the Department. These are the annual surveys of Parents of Three and Four-Year-Old Children and Their Use of Early

Years Services; the 1999 and 2001 studies of Parents' Demand for Childcare; and the 2001 Childcare Workforce Survey.

Omnibus survey of parents of 0 to 4 year olds

- 6 We commissioned Carrick James Market Research to undertake two national omnibus surveys of parents of 0 to 4 years olds. The first - pilot - survey took place in late 2002. 379 face-to-face interviews were completed across the 75 randomly selected sampling points around Great Britain. The second survey ran in Spring 2003. 524 parents were interviewed from the 45 randomly selected sampling points also around Great Britain. For both surveys the sampling frame was based on statistics from the Office of National Statistics Population Estimates for mid-2000.
- 7 The pilot survey asked how many hours the respondent's child spent in nursery education or childcare services in a typical week; what kind of financial assistance respondents received if any; what the three most important factors were that helped them to select their provider; what sources of information they looked at about providers; and whether this information helped them to choose their current provider.
- 8 The second survey followed up on these questions asking parents whose children stayed at home or with family, why their child did not attend a childcare or early years settings; and, also of those parents using childcare or early years provision, what they believed their child gained most from attending the setting.

Survey of providers

- 9 We commissioned BMRB Social Research - part of BMRB International - to conduct a survey of 733 childcare and early years providers. The survey was designed to examine issues of financial viability, sustainability, expansion, and the type of provision offered, including provision for disadvantaged groups. It did not re-examine issues covered by recent surveys conducted on behalf of the Department (paragraph 5) - in particular, we avoided overlap with the coverage of the 2003 Workforce Survey.

10 The interviews took place across England in June 2003 and respondents were interviewed by telephone using BMRB's computer-assisted technology (CATI). The survey aimed to achieve an equal number of interviews from each type of provider. The different types of school-based providers were sampled as a proportion of the overall school population. A total of 12 nursery schools, 155 nursery classes and 233 reception classes were selected. The providers' contact details were obtained from Opportunity Links (for playgroups, day nurseries, childminders and integrated services) and Edubase (for school-based providers: nursery schools, nursery classes and reception classes). The following interviews were completed:

- 180 among Playgroups (24 per cent of the total)
- 175 among Day Nurseries (24 per cent)
- 175 among Childminders (24 per cent)
- 184 among school-based providers (25 per cent of all interviews). This included 11 interviews among respondents from nursery schools, 70 among nursery classes and 103 among reception classes.⁴²
- 19 interviews among integrated services (three per cent of all interviews).

11 Quotas were set to ensure that at least 20 per cent of interviews were completed with providers in the 20 per cent most deprived wards in England. Of the original interviews, 26 per cent had been achieved among the most deprived wards in England. As a result of weighting, this proportion was reduced to 24 per cent.

Analysis of Early Years Development and Childcare Implementation Plans for each local authority in England

12 We obtained the Early Years Development and Childcare Implementation Plans for each Local Authority in England. From these we performed an extensive analysis against each of the targets relating to early years provision. The analysis focused upon issues such as progress towards creating free places for three years olds; training; the childcare gap and sustainability of places; and accreditation by quality assurance schemes.

Consultation with the Department and other bodies

13 We consulted widely with the Department's Sure Start Unit on a range of issues. This involved a series of interviews with teams responsible for finance and monitoring, statistical analysis, business support, retention and recruitment of childcare workers, Children's Centres, and quality assurance. We also liaised with Ofsted's Early Years Directorate about the new arrangements for inspection of settings.

Consultation with providers and interest groups

14 Throughout the preparation and planning for this examination, and during the fieldwork stages, we consulted widely with the voluntary sector and with key interest groups on a range of issues. These groups included:

- Asquith Court Schools Limited
- Barnardo's
- British Association for Early Childhood Education
- Daycare Trust
- Demos
- Jigsaw Day Nurseries Limited
- Kids Club Network
- Leapfrog Day Nurseries
- National Childminding Association
- National Children's Bureau
- National Children's Society
- National Day Nurseries Association
- National Early Years Network
- Pre-school Learning Alliance

15 We also organised an expert panel to comment on our methodological approach and preliminary findings. The members of the panel were:

- Sue Owen - Director, Early Childhood Unit, National Children's Bureau
- Joanna Boyd-Barrett - Senior Project Officer, Education Department, Local Government Association
- Eva Lloyd - Senior Lecturer in Early Childhood Studies, School for Policy Studies, University of Bristol
- Nick Tooze - Department for Education and Skills
- Jane Simmonds - Department for Education and Skills
- Steven Burke - Director, Day Care Trust
- Julie Fisher - Oxfordshire Early Years Advisory Group, Oxfordshire County Council

Visits to providers

16 We visited two day nurseries, three pre-schools and a Children's Centre (previously an Early Excellence Centre), to follow-up some of the issues raised in our survey of providers and also to see how settings worked on the ground. We asked about the provision they offered, their relationship with central and local government and parents, and their future plans.

⁴² Unweighted figures.

Appendix B

A literature review of the impact of early years provision on young children - summary

This report reviews international research on the impact of early years provision upon young children. Emphasis is given to work related to disadvantaged children. The issues of timing, duration, type, quality and quantity of early years provision are considered in terms of developmental effects upon children and when possible parents. An evaluative summary of the literature on cost benefit analyses of early years provision is also included. Conclusions tempered by the relative rigour and extensiveness of the evidence are produced.

Early research was primarily concerned with whether children attending institutions developed differently from those not attending such centres. Later work recognised that childcare is not unitary and that the quality or characteristics of experience matters. Further research drew attention to the importance of the interaction between home and out of home experience. High quality childcare has been associated with benefits for children's development, with the strongest effects for children from disadvantaged backgrounds. There is also evidence that sometimes negative effects occur. The studies have largely been American but research elsewhere, including the UK, indicates results are not culture-specific.

While the research on pre-school education (3+ years) is fairly consistent, the research evidence on the effects of childcare (0-3 years) upon development has been equivocal with some studies finding negative effects, some no effects and some positive effects. Discrepant results may relate to age of starting and also probably at least partly to differences in the quality of childcare received by children. In addition childcare effects are mediated by family background with negative, neutral and positive effects occurring depending on the relative balance of quality of care at home and in childcare. Recent large-scale studies (EPPE, NICHD) find effects related to both quantity and quality of childcare. The effect sizes for childcare factors are about half that for family factors. However, family effects incorporate genetic factors. Hence, family and childcare effects may be more equivalent than this comparison implies. Family factors and childcare quality covary, low-income families tending to have lowest quality care. The analysis strategy of most studies attributes variance to childcare factors only after family factor variance has been extracted. Where the two covary this will produce conservative estimates of childcare effects.

Summary of evidence for the general population

The evidence on childcare in the first three years indicates that for children who are not disadvantaged in their home environment, high quality childcare has no strong effects upon cognitive and language development. However poor quality childcare may produce deficits in language or cognitive development. There is evidence that high levels of childcare, particularly group care in the first two years, may elevate the risk for developing antisocial behaviour. In the UK this is not the case for childcare by relatives, which is associated with improved social development. There is some evidence that maternal employment and childcare in the first year of life may have negative effects upon cognitive and social development.

For provision for three years onwards the evidence is consistent that pre-school provision is beneficial to educational and social development for the whole population. The effects are greater for high quality provision. In England and Northern Ireland the evidence indicates that part-time provision produces equivalent effects to full-time provision and that the more months of provision from two years of age onwards the stronger the improvement. In England the types of provision with the most positive effects are integrated centres and nursery schools, and the least effective are Local Authority (Social Services) day nurseries.

Summary of evidence for disadvantaged children

The evidence on childcare in the first three years for disadvantaged children indicates that high quality childcare can produce benefits for cognitive, language and social development. Low quality childcare produces either no benefit or negative effects. High quality childcare with associated home visits appears to be the most effective package of services. With regard to provision for three years onwards, disadvantaged children benefit particularly from high quality pre-school provision. Also children benefit more in socially mixed groups rather than in homogeneously disadvantaged groups. Some interventions have shown improvements in cognitive development, but in relatively few

cases have these persisted throughout children's school careers. However, early childhood interventions do boost children's confidence and social skills, which provides a better foundation for success at school (and subsequently in the workplace). Reviews of the research infer that it is the social skills and improved motivation that lead to lower levels of special education and school failure and higher educational achievement in children exposed to early childhood development programmes. Studies into adulthood indicate that this educational success is followed by increased success in employment, social integration and sometimes, reduced criminality. There is also an indication of improved outcomes for mothers. The improvements appear to occur for those problems that are endemic for the particular disadvantaged group.

Characteristics of early years provision and child development

The research demonstrates that the following characteristics of early years provision are most important for enhancing children's development:

- 1 Adult-child interaction that is responsive, affectionate and readily available
- 2 Well-trained staff who are committed to their work with children
- 3 Facilities that are safe and sanitary and accessible to parents
- 4 Ratios and group sizes that allow staff to interact appropriately with children
- 5 Supervision that maintains consistency
- 6 Staff development that ensures continuity, stability and improving quality
- 7 A developmentally appropriate curriculum with educational content

In England the most effective types of provision are integrated centres and nursery schools. There are currently few integrated centres but the expansion of Children's Centres, if handled appropriately, may partly alleviate this deficit in provision.

Cost benefit analyses

The results of the few cost benefit analyses undertaken are unambiguous in showing substantial benefits. These analyses have been applied where high quality childcare has been used as a form of intervention for disadvantaged families. A striking feature of these results is that the size of the benefits allows a very substantial margin of error and interventions would still be economically worthwhile. However the applicability of these indications of savings to the general population is open to considerable doubt in that so much of the benefit in these studies of disadvantaged populations derives from reductions of negative outcomes e.g. crime, remedial education, unemployment, where the incidence of these negative outcomes is dramatically less in the general population and therefore the scope for savings is similarly dramatically less. However the 'prevention paradox' is relevant in considering poor outcomes such as learning difficulties or behaviour problems, in that while the rate of incidence is greater for disadvantaged populations, the absolute number of cases is greater in the general population.

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Appendix C

National Standards

The *National Standards for Under Eights Day Care and Childminding* include standards in all the areas identified in Appendix B as most important for enhancing children's development.

National Standards and corresponding indicators of quality		
The 14 National Standards for Under Eights Day Care and Childminding (Care Standards Act 2000, Part VI)		Relevant indicators of quality identified by Melhuish
Standard 1	Suitable person - the care provider is a suitable person to look after children.	Well-trained staff who are committed to their work with children
Standard 2	Organisation - the provider can meet the required adult: child ratios and provide space and resources to meet the child needs.	Ratios and group sizes that allow staff to interact appropriately with children
Standard 3	Care and Learning - provider meets children's individual needs and provides a range of activities to develop emotional, social and intellectual capabilities.	A developmentally appropriate curriculum with educational content
Standard 4	Physical environment - premises are safe, secure and suitable for the purpose. All necessary facilities provided.	Facilities that are safe and sanitary and accessible to parents
Standard 5	Equipment - furniture, equipment and toys suitable design and condition for their use.	Facilities that are safe and sanitary and accessible to parents
Standard 6	Safety - proper precautions are taken to prevent accidents.	Facilities that are safe and sanitary and accessible to parents
Standard 7	Health - provider promotes good health and takes steps to prevent spread of infection when they are ill.	Facilities that are safe and sanitary and accessible to parents
Standard 8	Food and drink - children are provided with regular food and drink, properly prepared and complying with dietary and religious requirements.	Well-trained staff who are committed to their work with children
Standard 9	Equal opportunities - promote equal opportunities and anti-discriminatory practice for all children.	Adult-child interaction that is responsive, affectionate and readily available
Standard 10	Special needs - providers are aware that some children have special needs and steps are taken to promote the welfare of such children in consultation with parents.	Well-trained staff who are committed to their work with children
Standard 11	Behaviour management - adults caring for children are able to manage a wide range of children's behaviour in a manner promoting their welfare and development.	Adult-child interaction that is responsive, affectionate and readily available
Standard 12	Working in partnership with parents and carers - providers work in partnership with parents to meet needs of the children; information is shared.	Supervision that maintains consistency
Standard 13	Child protection - provider complies with local child protection procedures.	Facilities that are safe and sanitary and accessible to parents
Standard 14	Documentation - records, policies and procedures which are required for efficient and safe management are maintained.	Staff development that ensures continuity, stability and improving quality