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Funding early years education and care: can a mixed economy of providers deliver universal high quality provision?

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Funding early years education and care:

Can a mixed economy of providers deliver universal high quality provision?

'Your child will get a good quality early years education, regardless of the type of setting they attend' (Directgov, 2009a, p.2).

Introduction

Policies relating to early years education and care across the developed world and particularly within Europe have had a high political profile in recent years. The reasons are twofold. First, there has been a major focus on employment and in particular gender equality: in order to remove disincentives for female labour market participation, the Barcelona European Council in 2002 (CEU, 2002) called for Member States to provide childcare to at least 90% of children between 3 years old and the mandatory school age by 2010 and to at least 33% of children under 3. Second, it has increasingly been recognised that universal access to '*high quality pre-primary education'* can be particularly important for reducing inequalities including, for example, those associated with parents' educational background and socio-economic status (CEC, 2008, p. 140).

Recent education policy in England has tended to bring together 'educational' and 'childcare' functions in the location of services, the mechanisms for maintaining or enhancing quality of provision and also in the language of policy. Thus, the extended schools initiative has increased the availability of supervised activities for children before and after school and thus incorporated a 'childcare' function within schools. However, nowhere is the elision more important than in provision for the 'early years'. Indeed, the Early Years Foundation Stage, sometimes described as a national curriculum for under-fives, aims to apply a single set of standards, regardless of the childcare setting (with the exception of the family home) *'ending the distinction between care and learning in the existing frameworks [for early years providers] and providing the basis for the inspection and regulation regime'* (DCSF, 2008a, p. 7). Leaving aside the controversy surrounding the appropriateness of those standards, in understanding early years education and care it is crucial to note that, despite the development of a new policy language relating to ‘early years provision’, some services and service providers, such a childminders or day nurseries, approach the new policy environment from a care trajectory while others, such as nursery and primary schools, come from an educational trajectory.

Notwithstanding the importance of this distinction, the National Childcare Strategy (DfEE, 1998) acknowledged that the UK *‘lagged behind in developing good quality, affordable and accessible childcare’* (DfEE, 1998, pp. 5-6). A key focus of the strategy was on improving education provision (Lewis, 2003). In 2004, the *10-Year Childcare Strategy* set out the Labour government’s vision (HM Treasury, 2004). In 2009, *Next Steps for Early Learning and Childcare* (HM Government, 2009a) re-emphasised the importance of quality: *‘While the provision of early learning and childcare is paramount, the quality is equally important’* (p. 6). Major policy changes and increased investment in early years education in England have taken place since 1998. However, this paper argues that these changes may not be sufficient to meet EU objectives in terms of quality or the government’s policy goals of high quality, affordable and accessible early years education and care. There are major issues that appear to militate against achieving these goals; these relate to the levels of government funding and to the regulatory context. There are also divergences between the providers in terms of their own objectives and underlying values which mean that both quality may be variable and access to certain types of providers restricted.

The argument will be informed by answers to a series of linked questions:

i. How does the UK compare with other EU countries in terms of pre-primary participation and expenditure?
ii. How has participation and expenditure in England changed over time?
iii. How does resource allocation vary between providers of different types?
iv. How do providers in the public, private and voluntary sectors resource early years education and care?

The first section addresses question (i) and the second addresses questions (ii) and (iii). The third section addresses question (iv), focusing on the financing of early years providers of different types, drawing on in depth interviews carried out with key informants representing providers of different types, operating nationally or in selected local authorities (LAs); we explore funding streams, expenditure and fee charging policies. The final section draws on the findings and argues that current policy and practice may not achieve either overall EU objectives or the government's policy goals. Moreover, a number of tensions exist, relating to funding, regulation, staffing and ethos.

1 European context

Early years education is provided in different ways across Europe. National statistics for under-3s are not available across all countries, nor are they standardised as in international databases (Eurydice, 2009).[1] However, data are available for children aged three and over. Table 1 provides data on participation rates in pre-primary and primary education across the EU-15.[2]

Table 1 about here

There is marked variation between countries.[3] In the UK, 80% of three year olds are in education at the pre-primary (and primary) levels (International Standard Classification of Education (ISCED) levels 0 and1). Thus of the EU-15 countries, for children aged three, the UK is in eighth position in the 'league table' in terms of participation, with France, Belgium, Italy, Spain, Denmark, Germany and Sweden all having higher levels of participation.

In terms of public expenditure on pre-primary education, the UK is near the bottom of the 'league table' as shown in Table 2. Some of the variation is because compulsory education begins at different ages: 4 in Northern Ireland and 5 in Great Britain and the Netherlands, 7 in Finland and Sweden and at 6 in the remaining 11 countries (NFER, 2009). Notable amongst those that spend a high proportion on under fives education are Denmark and France, both of which also have high levels of expenditure, and to which we return.

Table 2 about here

2 Policy, participation and expenditure in England

Policy

Pre-school education policy in the UK has had a high political profile since the Conservative government introduced a nursery voucher scheme in 1996-97 in four local authorities (LAs) in England. It was extended to all LAs in 1997-98. Parents of eligible children were invited to apply for vouchers, which were used to 'purchase' a free part-time pre-school education place for their child in a school, nursery school, independent school, private provider or voluntary provider (Sparkes and West, 1998).

The Labour Government, elected in 1997, ended the voucher scheme and from April 1998, all 4-year-olds instead became entitled to a free part-time nursery education place for the three terms prior to compulsory education (the term after they reach 5 years of age); from April 2004, this was extended to all 3 year olds (DCSF, 2004). The entitlement originally comprised 12.5 hours of free early education per week for 33 weeks a year; this was increased to 38 weeks in 2006 (DCSF, 2009a). From September 2010 the entitlement will be extended to 15 hours (House of Commons (HC), 2009b) and will be able to be used more flexibly, over at least three days a week. From September 2009, all LAs were required to make this extended offer available to 25% of their most disadvantaged 3- and 4-year-olds (DCSF, 2009b).

In 2007, an extension of free early education was offered to disadvantaged 2-year-olds in just under half of LAs and was extended across England in September 2009. The focus is on delivering provision to *'the most disadvantaged two-year-olds in each LA across the country'* (DCSF, 2009c, p. 3). From 2011, all children will be entitled to start school in the September after their fourth birthday, or be able to take up 25 hours of free educational provision per week (HM Government, 2009b).

Funding for free early education is provided by central government. Since 2006-07 the funding has been via a grant to LAs (the Dedicated Schools Grant (DSG)), which in turn distribute funds to providers (West, 2009). Nursery education providers for children under statutory school age[4] are varied and comprise bodies in the public, private and voluntary (non-profit) sectors. As we have noted early years education is inter-related with day care: in particular, learning and development requirements are an integral part of the Childcare Act 2006. Providers include nursery schools, nursery classes and infant classes (part of primary schools),[5] where provision is restricted to term-time only (and therefore provision most closely matches the entitlement described above). Although a full school day is offered in primary schools and some nursery schools, this is not generally the case with nursery classes or pre-school groups (or playgroups) where a morning or afternoon session is the norm. Full day care all the year round is offered in day nurseries, which are run by providers in the public, private and voluntary sectors. While such providers may historically have been viewed as providers of childcare, they are also able to provide free early years education places. In addition, accredited childminders who are part of networks approved to deliver early education may also provide early years education (Directgov, 2009a). Providers in different sectors (particularly public, private and voluntary) may also be part of children's centres[6] (see Speight et al., 2009); children's centres located in the 30% most disadvantaged areas should have as part of their core offer the provision of all day, all year integrated early education and day care (HC, 2006).[7]

The funding mechanism is, in essence, a quasi-voucher with a set value (determined at a local level) being paid to registered pre-school education providers in the private, voluntary and independent sectors for every eligible 3- and 4-year-old in attendance. For schools, funding is via local funding formulae set by LAs; funds are distributed by a formula which is based primarily on the number of children on the school roll, but also takes account of the age of children and other factors including deprivation (West, 2009). However, from 2010 LAs must operate a single funding formula for both maintained schools on the one hand and private, voluntary and independent providers on the other. It is important to note however that this does not imply that different providers will be funded at the same rate and that, even under the new arrangement, there is a 'minimum funding guarantee' which ensures that all schools receive a specified minimum level of increase in their level of funding per pupil each year (Noden and West, 2008).

Policy changes have resulted from the Childcare Act 2006. Each LA has a legal obligation to '*secure, so far as is reasonably practicable, that the provision of childcare (whether or not by them) is sufficient to meet the requirements of parents in* *their area'* so that they can take up or remain in work or undertake education or training which could assist with this (section 6(1)). It must also *'must prepare assessments of sufficiency of childcare'* (section 11(1)). Amongst the factors that should be taken into account is that childcare places are affordable (DCSF, 2007, para 2.15): indeed affordability may influence whether or not provision is *'sufficient'* (para 5.18). Places must also be sustainable and *'sufficiently inclusive and meet particular needs'* (DCSF, 2007, para 2.15).

As was noted earlier, the government has also imposed a regulatory structure with a view to improving the overall quality of early years provision, the Early Years Foundation Stage (EYFS). This is applicable to all providers and is underpinned by the Childcare Act 2006 and accompanying regulations.[8] Providers have a legal duty to ensure that their early years provision complies with specified requirements and are also obliged to have regard to statutory guidance (DCSF, 2008a). The learning and development requirements relate to six areas: personal, social and emotional development; communication, language and literacy; problem solving, reasoning and numeracy; knowledge and understanding of the world; physical development; and creative development. Associated with each area are learning goals; throughout the final year of the EYFS each child must be assessed by a practitioner, who must use 13 assessment scales and 'have regard' to the nine-point scale set out in guidance (DSCF, 2008a).[9] Staffing ratios and qualifications have also been clarified with regulations which vary for different types of setting/provider as shown in Table 3.

Table 3 about here

A new category of staff has been introduced, called the Early Years Professional (EYP). This is open to graduates and requires the completion of an early years training programme (CWDC, 2009). The government is aiming for all children's centres offering early years provision to employ an EYP by 2010 (HC, 2009a) and has set a target for there to be one in one in every full day care setting by 2015 (HC, 2008b).

There is also government financial support to parents for early years education and care. The Working Tax Credit (WTC), available for parents on low incomes working at least 16 hours a week, includes a childcare element which meets 80% of childcare costs with a registered or approved childcare provider.[10] Students in higher education with dependent children may also be eligible for a means tested grant which covers up to 85% of childcare costs.[11] Free child care is also available for families where one parent is in work and another wishes to train in order to return to work; and childcare support is also available to single parents training for work (see Directgov, 2009b). Direct support is also available via employers who may provide childcare vouchers, which, up to a certain value (£55 a week in 2008) are exempt from tax and national insurance contributions (HMRC, 2008).[12]

While these three mechanisms - free nursery education via a quasi-voucher, the childcare element of WTC and employers childcare vouchers - all provide valuable assistance to parents, the onus is on parents to decide which will confer the greatest benefit. However this requires a level of knowledge that is doubtless beyond that of most parents.[13]

Participation

Participation rates in early years education in England are very high for three and four year olds as shown in Table 4.[14]

Table 4 about here

Amongst three year olds there has been an increase (from 44% to 58%) in the percentage of those taking up early education places, all in the private and voluntary sectors. The percentage taking up *free* early education has increased markedly (from 6% to 56%) as a result of early education being available from the age of 3 from 2002, indicating a willingness of parents/carers to take up the offer. Amongst four year olds, overall participation has remained more or less constant, but there has been an increase in the take up of free education places in private and voluntary providers and in infant (reception) classes and a concomitant decrease in nursery schools and classes.

Expenditure

Along with these policy changes, expenditure on under fives has increased sharply since 1997 as shown in Table 5.

Table 5 about here

Providers receive their funding for early years education via the government's Dedicated Schools Grant. Although this grant as a whole is hypothecated, the early years element is not ring-fenced for spending on early years education.

Table 6 about here

As shown in Table 6, there are differences in expenditure per pupil across different types of setting and between providers. Whilst the amount delegated for a child in a nursery schools was an average of £3,801, for a nursery class it was £1,798 and for a provider in the private, voluntary or independent setting £1,832. Nursery schools are known to be costly, although they also provide high quality provision (Sylva et al., 2004).

Planned expenditure in nursery classes and private, voluntary and independent (PVI) providers is not dissimilar although the average amounts conceal wide variation between LAs as indicated by the minimum and maximum planned spend, and in most LAs the reported rate of funding per hour was higher for maintained nursery classes in primary schools than for PVI settings. In addition the income of maintained schools may be supplemented by resources from a range of other central government initiatives (such as the Standards Fund and capital grants). In other respects implementation can be very different from one locality to another with some LAs basing funding of PVI providers on attendance and some on a headcount. In the following section, we explore the funding of providers of different types at the local level.

3 Funding early years provision: providers' perspectives

In depth interviews focusing on funding issues were carried out with key informants representing six different types of providers (see Table 7). In the maintained sector, the headteacher of a nursery school (which was also the lead setting of a children's centre), and the finance officer of an infant school with a nursery class were interviewed. In the private sector, the managing director of a large national chain of day nurseries and the owner of a small private nursery school chain were interviewed. In the voluntary / nonprofit sector, a contracts manager from a social enterprise that operated in several LAs and the local finance officer of a voluntary organisation that operated nationally were interviewed. Interviews lasted between one and two hours and were transcribed. This paper focuses on two key themes. First, it explores funding streams, the adequacy of resources provided by the government for early years education, any subsidisation from other funding streams and expenditure and staffing. Second, it examines fee levels.

Table 7 about here

Funding and expenditure

In the following sections we focus on funding streams and expenditure reported by the different types of provider. Figure 1 presents the funding sources.

Figure 1 about here

Nursery school / children's centre

The local authority allocates funds for the nursery school provision and via a separate funding stream for day care for children in need (from 18 months of age). The main income streams comprise the DSG (43%) and social services (30%) along with several other smaller funding streams from the local authority, including DCSF and local authority grants related to particular initiatives (19%) and other small streams (e.g., special educational needs statement funds, philanthropy, rental income). Once monies reach the school, the various funding streams are merged into one pot and spent as needed. The centre is expected to provide certain services in addition to early education and day care, including outreach, a drop-in and a toy library. Significant parts of the centre’s income were uncertain. Although there were several funding streams for different initiatives from different parts of the council, including education initiatives, the interviewee commented: *‘the school budget is the only one I can rely on’*.

The nursery education entitlement was seen to be adequately funded by the DSG, but there was evidence of there being a cross-subsidy, with funds from elsewhere being used to enable extra provision for those who were not entitled but felt to be in need.

In terms of expenditure, 81% of funds are spent on staffing, 4% on curriculum and 4% on utilities (figures exclude spending on capital improvements). All staff are at least at NVQ level 2. There is a mix in terms of staff, with teachers for nursery education sessions, and other staff with NVQ level 3 qualifications. The school is subject to different regulatory requirements for nursery education and day care sessions respectively.

Nursery class

Nursery classes are integral parts of primary schools. For the primary school with a nursery class, around 75% of the funding was from the DSG and around 17% from DCSF initiatives/funds. The remainder came from a range of other sources, the largest being lettings. All revenue resources were reported to be merged in one pot by the school: there is no separate budget for the nursery. There is also a separate capital funding stream. Staffing in all year groups is driven by the School Development Plan, which requires a teacher plus assistant structure in every class, including the nursery.

There were two sources of financial uncertainty. The first is a fall in the school roll: the school is oversubscribed in the nursery and reception years, but is suffering from loss of older children (and hence funding) due to high mobility in the area. The second source of concern is the limited reach of the government’s guaranteed ‘uplift’ (the minimum funding guarantee). The government has guaranteed a 3-year 5% uplift, but this only applies to the DSG, not the other funding streams (e.g., government initiatives and capital grants), which are essential to the budget.

In terms of revenue expenditure by the school, 77% is spent on staffing. The remainder is spent on a range of different items including learning resources, administration, maintenance of premises, utilities and rates. The school pays no rent and capital funding is via a separate stream. The staffing ratio is higher than required at 1:10. In each of the nursery classes there is one qualified teacher and one member of staff with an NVQ level 3 qualification.

Large private nursery chain

The main funding source is from parents' fees. The organisation also received funds from the government's Transformation Fund (now the Graduate Leader Fund) which is designed to raise the quality of the early years workforce.

There seemed to be lack of clarity with regard to the NEG's sufficiency. On the one hand, it *'supplements our overall occupancy quite nicely'*; '*it is important to us'*. On the other hand, the NEG is less than the normal fees charged: '*the way that the NEG is distributed and divided means that we actually end up subsidising the government's … free entitlement*'. However, there had been *'unintended consequences'* insofar as the free funding had encouraged parents to try out nursery provision for free and then purchase more hours at full cost.

In most nurseries the NEG income was reported to cover the nurseries' costs. In some parts of London, because operating costs (including staff costs) are much higher, there was reported to be a financial loss. The government's desire for increased flexibility in the provision of the NEG was felt to create challenges as the nursery could *'end up providing childcare to people with the NEG maybe in five hour blocks over three days and that's their full childcare required'*. This could be a *'threat'* to the provider as the normal fees are higher than those from the NEG. Interestingly, some nurseries run specific NEG sessions; they have *'separate rooms where they just take children in the morning for two and a half hours and in the afternoon for two and a half hours in term time'*.

In principle, all the nurseries in the chain offer the free NEG places without any requirement that it should be combined with further paid-for provision. However access to the free entitlement alone seems restricted and contingent on availability.

When a nursery opens there is likely to be space, but once it starts to fill up it is in the interest of the provider for children to attend on a weekly basis as opposed to a *'a couple days here or a morning here or an afternoon there'*. Thus, flexibility diminishes as the nursery fills up. Nevertheless, flexible solutions are sometimes found, such as combinations of NEG and other take-up so that in effect parents are sharing a full-time place. Thus, parents seeking stand-alone NEG places are encouraged to use less busy days of the week. The interviewee implied there was little demand for the free sessions alone: '*the sort of parents we're attracting…very few people come just for the two and a half hour sessions'*.

In relation to risk and uncertainty, the interviewee felt that there was *'a fair degree of certainty'* although particular challenges could arise as a result of the economic situation, which might reduce demand for childcare. Government policy was not felt to be driving the increased use of childcare – this was felt to be demand led.

In terms of expenditure, staffing outside the chain's head office accounts for 57% of turnover, overheads (rates, utilities, refurbishment etc.) count for 11%, and consumables (food, toys) for 4%. It is estimated that property costs are 9%. Operating profit is around 10% (after the deduction of debt interest repayments on the chain's properties).

In terms of staffing, the interviewee reported that the nurseries aimed to exceed regulatory requirements to demonstrate the quality of the product. Staff employed are at NVQ3 level for managers and nursery nurses and NVQ2 for nursery assistants. Nursery assistants without qualifications, but in the process of training for NVQ2, may also be used.

Small private nursery school chain

This is a small nursery school chain operating in two LAs. Three funding streams were identified. Fees accounted for about 80% of income; NEG accounted for 10%; other income included the government's Transformation Fund and funds for special educational needs for children particularly with higher level needs and deemed to need 'action plus' or with 'statements'.

Government funding through the NEG was seen to be totally insufficient: *'it's really nothing near it*'. The variation in the amount allocated by different LAs was also noted, with one providing considerably more than the other. Cheques for the NEG amount are returned on termly basis to the fee-payer for the amount of nursery grant. This includes cheques to multinational corporations if these pay childcare fees for employees. Although claiming the NEG is seen to be somewhat burdensome, the interviewees reported that they would not opt-out themselves, *'unless we're told we have to provide it free at the point of entry'*. There was criticism of the concept of flexibility in relation to the NEG – the idea that parents can chose when to take the free provision. This is seen as highly impractical.

Overall income levels were felt to be sufficient (this is unrelated to the NEG which is refunded to the fee-payer) and the interviewees were *'very confident'* regarding survival. One problem in relation to sustainability was mentioned and this was related to the landlord of one nursery.

In terms of expenditure, approximately 65% is on staffing. Equipment and capital refurbishment was 10%, rent 10% and the surplus was between 10% and 15% - some of this goes towards capital refurbishment and future investment in the business. The owners take remuneration for their own work out of surplus rather than through salary.

The staffing ratio was more favourable than required by statute, the prime motive is good practice and achieving higher quality: *'I don't think you can give them the kind of attention they need, the individual attention…if you have too big a group of children'* and *'we try and do things to such a high standard…'.* Similarly qualification levels exceeded statutory expectations. All nurseries were already led by graduates, and the organisation was increasingly looking to employ graduates at lower levels.

Voluntary provider 1

Voluntary provider 1 is part of a large voluntary organisation. Funding streams for this organisation in 2008-09 included parent fees (49%), local authority contract income and other government grants (40%) and other income such as charitable giving (8%). NEG funds amount to only 3% of organisational income. Contract funding is seen to provide medium term stability. There is a children-in-need block contract which is particularly important although contract variations have caused difficulties as the LA has reduced the number of required places. From these funds the organisation provides additional services, including training for the childcare workforce.

The NEG was reported to be refunded to parents through discounted fees. The nursery grant was reported to come *'nowhere close to paying how much money it actually takes to keep that child in the setting…'*. In common with the large private chain, the hours funded by the NEG were also seen to be insufficient, so that it was very difficult to provide the free entitlement on its own: '*it's incredibly rare that we can...for that short period of time in the day'*. For a nursery to be sustainable, it must reach a certain level of occupancy, but if places are filled piecemeal, then this undermines occupancy. Thus, if a parent only uses the nursery in school term time, the place will be unfilled in the holidays. Again, if a parent takes 2.5 hours per day, this may potentially knock out a full-time place. *'No one wants a two week place. No one wants a six week place for a six week holiday, then you've lost your income for that period of time as well'*.

The organisation rarely takes on parents simply for the 12.5 hours per week in term time. In other words, it may (effectively) withdraw from the scheme if parents only want to use the scheme and no further childcare. Again, the central issue is nursery and organisational sustainability.

Expenditure on staffing in 2007-08 was approximately 71%, property costs were 15% and consumables 9%; the remainder was for items such as recruitment and audit. In terms of staffing, statutory ratios were adhered to. Qualifications varied. Nursery managers required an NVQ3, although some had significantly higher qualifications. Some nursery assistants had no childcare qualifications, but were participating in the organisation's training programme.

Voluntary provider 2

The nursery has three prominent income streams: a large contract with the local authority, the NEG and parental fees. The Transformation Fund is also important. The nursery is part of a larger local organisation which receives approximately 41% of its income from the LA contract, 26% from the NEG, 21% from parental fee income and 9% from the Transformation Fund (the remainder comes from other sources including donations). Thus, 76% of the funding comes from government sources.

The NEG was not felt to be sufficient and without the local authority contract for the provision of childcare the organisation *'would close. It would absolutely fall apart'*. The NEG hours are offered free to parents. This provision is subsidised by the local authority contract: in effect, the local authority is subsidising the inadequacy of its own NEG payments.

In terms of expenditure, across the local organisation to which the pre-school belongs, 75% is spent on staffing, 11% on property costs (rent, maintenance, utilities, cleaning), 4% on administration, 3% on resources (e.g., supplies, equipment), the remainder on other items (3%) and a small surplus (3%). The staffing ratio is in line with regulations but volunteer parents are used as part of the ratio if a staff member is out of the pre-school. The pre-school is led by a supervisor with a level 3 qualification.

Fees

No fees are charged for nursery classes in schools in the maintained sector, or for the standard nursery school provision. Fees are charged by all other providers as shown in Table 8. The hourly rates of voluntary provider 2 and of the assisted scheme of voluntary provider 1 are similar to the local authority's NEG rate; other hourly rates of PVI providers are substantially in excess of this. Similarly with these two exceptions weekly rates are in excess of the maximum allowable costs against which financial help may be claimed through the childcare element of the Working Tax Credit.

Table 8 about here

Nursery school / children's centre

It was reported that on occasion extra provision is offered, and although technically parents should pay, in practice they are only very occasionally charged, and even then at a token level. There were two specific areas in which children were targeted to receive more provision than that to which they were entitled. First, early years education for non-social services children was provided in term time only. However, some parents were encouraged to bring children in during the holidays, at no charge. *'This is their childcare if you like because we're not in term. So there's no school meals, no free school meals'.* Second, social services day care places were part-time. Some children were effectively given full-time provision with decisions about which children or families to target for extra provision being made informally according to perceived need. Some children were specially targeted – those *'we know could benefit…as would their parents' mental health'.* Attending during the school holidays was felt to be *'incredibly beneficial'* as there are fewer children at the nursery.

Large private nursery chain

Fees were reported to be decided for each individual nursery on an annual basis. The process has some complexity and relates to competitors' fees, Ofsted standards, occupancy, provision and wage costs. The decision is based on *'quality of the provision'.* The interviewee commented that the nurseries tended to be purpose-built '*and we would put a premium on a purpose-built nursery…so it is about putting a fair price for the facilities and services you're offering'.* However, it was also noted that *'if you're in a situation where there are two or three other purpose-built nurseries around you, then…you…have to look at price and not be a million miles away otherwise, you could simply price yourself out'.* Ultimately it is a delicate balance between ensuring sufficient take-up (through competitive fees) while keeping fees high enough to create a profit.

Small private nursery school chain

Fees were reported to be based on similar provision in the local market; comparative prices are independent schools and nurseries and Montessori nursery schools or the equivalent in the local area. There were no explicit or formal discounts for more disadvantaged families. Nonetheless the owner operates an *ad hoc*, informal system if a parent is perceived to face difficult circumstances, with fees being either reduced or being paid in instalments. However, any fee reductions effectively come out of surplus, and so cannot be frequent: *'I don't do it too much cause we couldn't actually survive if I did'.*

Voluntary provider 1

Fees were reported to be determined on the basis of an annual assessment which looks at *inter alia* – inflation; amount needed to keep nurseries open; contracting income; occupancy levels; and realistic fee level. In general there is a 2-tier system of 'standard' and 'assisted' fees. There is a formal assessment of parents to determine what fees they should pay, with an apparent emphasis on equity of process. Needs assessments look beyond simply household income and could include single parent families and people in part-time or low paid work or at college, and additional needs of the child or family.

Voluntary provider 2

Fees were set to correspond to the NEG rate – *'If government can say it costs that, it should cost that and I thought, right, we should charge that.*' Such fees were relatively low and felt by the key informant to be at a level *'which makes it accessible for ordinary people'.* Provision was seen to be *'affordable childcare for those who need it'.*

4 Challenges to universal, high quality, affordable provision

In the UK, there is a relatively low level of participation of three year olds in early years education compared with other EU-15 countries and expenditure is also relatively low.[15] At this point, it is worth contrasting provision in two countries with high levels of participation and expenditure: Denmark and France. In Denmark, pre-primary education is publicly funded; institutions are typically open 10 hours a day, all year round. We might notionally see this as a childcare model. A monthly fee is paid which is means tested (Eurydice, 2008a; Cirius, 2009). In France, pre-primary education is provided in publicly-funded *écoles maternelles* which are open during the academic year, 26 hours a week, up to six hours a day; no fees are levied (Eurydice, 2008b). We might see this as a full-time nursery school model.

By way of contrast, in the UK publicly-funded free early years education is for fewer hours, not all the year round and not necessarily available as a ‘stand alone’ entitlement. Participation is dependent on the supply of places: indeed, 39% of parents of pre-school age children thought that there were ‘not enough’ formal childcare places in their local area. Moreover, 42% of parents of pre-school children in England described affordability as ‘fairly’ or ‘very poor’ (Speight et al., 2009) (although free early years education is available it may not be available without other provision being purchased).

As a result of policy changes – and particularly the entitlement to free early years education for three and four year olds – expenditure in England has increased markedly. Participation has also increased, particularly amongst private and voluntary providers and infant classes, but with a reduction amongst nursery schools and classes. This raises some important issues as research evidence suggests that quality is higher in nursery schools, integrated education and care centres and nursery classes than amongst other providers (Sylva et al., 2004; see also Lewis, 2003; Penn, 2000, West, 2006).

Resource allocation between providers of different types varies: allocations to nursery schools are very much higher than those allocated to other providers. However, the overall allocation to PVI providers is not dissimilar to that for infant schools with nursery classes. Nonetheless, quality has been found to be higher in the latter than the former (Sylva et al., 2004), even though the ratios required are less favourable. One reason for this relates to the legislative requirement for staff in nursery schools and classes to be school teachers.

Qualification levels are far higher in nursery schools and primary schools: over 30% of all paid staff are qualified to at least level 6 (first degree) compared with 4% in providers providing full day care or sessional provision (Nicholson et al., 2008). Teachers are of course more expensive to employ than staff with lower levels of qualification: the average hourly pay in school settings of all paid early years staff was around £13.00; in private and voluntary provision it was around £7.00 (Nicholson et al., 2008). Staff qualifications thus vary markedly depending on the type of provider, which is undoubtedly related to the quality of provision.

The question then arises as to the overall adequacy of government funding to provide high quality, accessible and affordable early years education. Interviews with key informants suggest that the overall allocation of resources is not sufficient. It appears that across most types of provider, funds outside the free early years funding are used to subsidise early years provision. It is not possible to generalise across all providers in the country on the basis of our analysis, but the research does raise issues about the adequacy of the funding regime.

Private and voluntary sector providers appear to subsidise the government's early years funding with parental fees and/or from other funds. Whilst a single funding formula for early years is to be introduced in 2010 (DCSF, 2008b) it is by no means clear that this will solve the problems highlighted as the key problem, except in the school settings, appears to be the unit of resource. And even in these settings there appears to be some cross-subsidisation. PVI providers receive no capital funding and have outgoings that schools do not. Private and voluntary providers also pay their staff less and their staff are less highly qualified. On the other hand they also have to operate higher staff: child ratios than nursery classes (and indeed reception classes in primary schools), which means that they need more staff. Where private providers do seek to improve the quality of staff – as in the case of the small nursery chain in this study – fees may become prohibitive and exclusive.

This raises a number of issues. If universal high quality early years education is to be available it might be expected that there would be a policy goal for the qualification levels of staff to be similar and for the staff ratios to be similar. All providers are subject to the same regulatory framework regarding the educational elements of the EYFS. Although government policy is moving in the direction of a more highly qualified workforce, there is some way to go – and it is not clear how the policy aspiration for a graduate worker in every setting will be achieved without a commitment to sustained extra public funding.

It would however be a retrograde step if eliding the distinction between the childcare and educational functions of early years provision had the effect of reducing either the quantity or quality of provision in the best early years services. For example, it remains to be seen how single funding formulae for early years providers will affect funding levels for different providers. Similarly, requiring high quality providers to offer more flexible models for the free entitlement may also have an impact on the quality of service provided. Also while the EYFS is intended to assure parents of the quality of service their children will receive it is important that it does not *obscure* differences in the quality of service provided in different settings.

In addition one informant saw current policy emphasis on the market working against the highest quality provision:

> *they call it the market, the childcare market… either you believe in high quality education and care or you believe that you're just looking after children while parents go to work and [the government have] never really sorted that out and increasingly it looks like the market is rising high.*

On the other hand another informant, from the private sector, made a number of criticisms of government policy and behaviour which broadly find fault with perceived deviation from market principles and consequent inefficiency. For this participant, it is historically the freedom of generous funding which has created higher costs in the state sector, including the employment of teachers.

Another issue relates to the potential for the system in England to result in segregation because of the different fees and policies, with some children being more likely to attend certain types of provider than others. Thus, in terms of access there is a challenge in that provision outside the free early years entitlement in the private and voluntary sectors is, in the main subject to fees, determined on the basis of what the market will bear. It is not clear that the ethos of the market is compatible with these various requirements.

To conclude this paper has argued that although progress has been made in terms of early years educational provision, policy militates against high quality, affordable and accessible provision for all children. Regulations differ, resource allocation differs, costs vary and fees charged vary. The highest quality provision is likely to remain that provided by certain maintained sector providers because of regulatory requirements for qualified teachers and indeed the pooling of resources at school level. Government policy is encouraging both a market and high quality provision, but high quality is likely to be related to highly qualified staff. Only when providers of all types are required to adhere to similar regulations and receive similarly high levels of funding is universal access to high quality provision a possibility. This of course will be dependent on increased public funding and a willingness of the tax payer to see the value of high quality early years education and care. This raises the notion of what provision should entail and whether a more holistic approach should be adopted. In Denmark, as elsewhere in continental Europe, there is a pedagogical discourse which sees learning, care and upbringing as indivisible activities; such a shift, along with the development of services, could, as in Denmark, change parents' views about upbringing and increase demand (Moss, 2006), so resulting in high quality provision being available to all children, including those most in need.

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Endnotes

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[1] According to international definitions, pre-primary education 'must recruit staff with specialised qualifications in education. Day nurseries, playgroups and day-care centres where staff are not required to hold a qualification in education are not included' (Eurydice, 2009, p. 63).

[2] The focus on the EU-15 is to make comparisons manageable.

[3] Compulsory education begins at different ages: 4 in Northern Ireland, 5 in Great Britain and the Netherlands, 7 in Finland and Sweden and at 6 in the remaining 11 EU-15 countries (NFER, 2009).

[4] In England, education is compulsory from the term after a child reaches five years of age.

[5] Including reception classes catering for children in the year before compulsory schooling begins.

[6] Children's centres, first established in 2003, support children under five and their families, via access to health services, support for parenting and families, support for the unemployed, drop in sessions and outreach services (DIUS, DCSF and WAG, 2009).

[7] In 2006, 40,050 children attended full day provision in 836 designated centres; half were under 3 (HC, 2008b).

[8] Early years providers include maintained schools, independent (fee-charging) schools, and childcare registered by Ofsted on the Early Years Register (DCSF, 2008a).

[9] The 13 scales which relate to the six areas include for example social development, emotional development, linking sounds and letters, writing, physical development. Each is associated with a nine-point scale ranging from progressing towards the achievements in the particular learning goal to achieving all the points in the goal in question (DCSF, 2008a).

[10] For 2008, the costs were up to a maximum of £175 per week for one child (in which case £140 would be the maximum amount of childcare element available) or

£300 for two or more children (£240 would be payable). The parent claims the childcare element by completing a tax credit claim form which entails the parent calculating the average weekly costs or likely costs (if different amounts are paid at different times). The parent is also required to provide details of the childcare provider which may be checked with the provider by HMRC (HMRC, 2009).

[11] For 2009, the childcare grant covers up to £148.75 per week for one child or £225 if more than one (Directgov, 2009b) (this rrequires completion of relevant sections on the student finance application).

[12] Employers may also contribute via directly contracted childcare or workplace nurseries and employees would similarly be exempt from tax and national insurance contributions (HMRC, 2008).

[13] Parents may not claim WTC for childcare provision covered by the NEG and so must decide which to claim. Similarly parents must decide whether to make use of employer vouchers or WTC as the two are mutually exclusive.

[14] The data in Table 1 relates to the UK and in Table 1 to England. The definitions used also differ.

[15] Lewis (2009) provides an extensive discussion of work–family policy packages, including childcare services, in the EU-15.