

Early learning and childcare delivering for disadvantaged children in England



A policy discussion paper by
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About Ark

Ark is one of the country's top-performing academy networks. We run 34 schools in London, Birmingham, Portsmouth and Hastings, educating around 21,000 pupils. Our GCSE results exceed the national average and our schools are more likely to be rated good or outstanding by Ofsted. Our aim is to create outstanding schools that give every pupil, regardless of their background, the opportunity to go to university or pursue the career of their choice. Ark's current early education offer consists of nursery places for nearly 1,000 children aged zero to four, across 16 nurseries, serving disadvantaged communities in London, Birmingham, Hastings and Portsmouth.

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Executive summary

There is a large and stubborn gap in outcomes between disadvantaged children and their peers by age 5 in England. This is in spite of substantial early years investment over 15 years and clear evidence that regular, high-quality early learning can transform life chances. This paper reviews the impact of policies to date, considers the outlook for disadvantaged children and the threat to their provision from the new 30-hour entitlement and proposes a new future direction.

Policy background: The government has pursued a mixed-market approach to the delivery of early learning and childcare. A consequence of that policy has been particularly pronounced disparities in provider quality. The policy-makers have sought to reduce these disparities primarily through a) continuing the tradition of targeting school-based provision at disadvantaged children and b) applying the rigour of the school system across the mixed market through building professional capacity and regulation – sometimes termed ‘schoolification’.

Impact on disadvantaged children: The approach to date has been partially successful for disadvantaged children.

- : A relatively large proportion of disadvantaged children attend school nursery classes and maintained nursery schools, where they benefit from a range of strengths that are intrinsic to schools, such as communities of high-skilled learning professionals and the ability to manage a seamless transition into Reception. ‘Schoolification’ policies have also helped raise qualifications and standards across all types of providers. Outcomes of disadvantaged 5-year-olds have thus risen overall, keeping pace with improvements across the wider population.
- : Disadvantaged children, however, remain 18 percentage points less likely to achieve a ‘good level of development’ at age 5 than their peers. The gap has only narrowed by 3 percentage points from 2007 to 2015. On this measure, disadvantaged children also remain disproportionately represented in poorer-quality settings and more likely not to take up any early years provision.

Experiences of disadvantaged families: The options for disadvantaged families are broadly polarised between good quality school-based settings and weaker private and voluntary providers. Good school-based provision is not accessible for many living in areas where free entitlement places are limited, and is unlikely to be a feasible option for low-income working families who require flexible hours or those with children aged two or younger. Expensive and/or weak providers dominate private and voluntary market alternatives for families in disadvantaged areas. Structural and financial factors limit the possibilities for such settings to embed quality deeply, as schools or strong nursery chains might. Low take-up amongst disadvantaged families is partially a reflection of their limited options.

The outlook for disadvantaged children: The current direction of early learning and childcare policy suggests a future decline in the prospects of disadvantaged children. The new 30-hour entitlement for working families poses a risk that children from the poorest families will be squeezed out of the settings where they thrive most as schools convert part-time nursery class places to a much smaller number of full-time places, for which disadvantaged children will not qualify. The viability of private settings serving deprived communities will also be disproportionately affected by the reduced opportunity to cross-subsidise local authority rates with parent fees, as their margins are tighter. In parallel, the decline of Children’s Centres is likely to continue as budget cuts undermine leadership and outreach. Maintained nursery schools could face a similar fortune.

A new path forward: Decisive action is needed so that early years investment fulfils its potential as a powerful vehicle for equalising life chances. Policy makers must respond fully to the economic challenges faced by settings serving disadvantaged communities, and should build on the benefits that schools already bring to many disadvantaged children. The aim should be to create a stronger and more school-led and linked system in deprived communities. We propose four areas for change:

- i. Provide more targeted investment in all providers serving disadvantaged children
- ii. Encourage schools in disadvantaged areas to form deep partnerships with outside providers to help drive quality
- iii. Encourage and empower schools to maintain and extend the reach of their nursery classes
- iv. Support strong schools and academy sponsors to deliver provision beyond the school gate, by setting up new social enterprises and providing leadership to Children's Centres and nursery schools that need support

This paper puts forward thirteen recommendations under these headings.

1 Introduction

Summary: There is a large and stubborn gap in outcomes between disadvantaged children and their peers by age 5 in England. This is in spite of substantial early years investment over 15 years and clear evidence that regular, high quality early learning can transform life chances. This paper reviews current policy, considers the outlook for disadvantaged children and proposes a new future direction.

Despite fifteen years of substantial investment in early years provision in England, the gap in development outcomes between disadvantaged children and their peers remains broad and stubborn. The latest results from teacher assessments at the end of reception show that children eligible for free school meals are some 18 percentage points behind their peers in achieving a ‘good level of development’¹. On this critical measure, the position has changed very little since outcomes started to be measured. On all measures the gap continues to be significant and a major obstacle to improving life-chances in the longer term. Evidence shows that approximately 40 per cent of the gap that exists at age 16 has emerged before school².

The persistence of the development gap at age five may in part reflect the limits of early learning and childcare per se. The capacity of nurseries to influence child and maternal health, parenting and the home learning environment – known to be the strongest predictors of later outcomes – will always be to some extent limited. It may be unrealistic to expect any early learning and childcare system to close the gap entirely.

Yet a wealth of evidence from the fields of neuroscience, developmental psychology and economics show that regular access to high quality early learning and childcare *can* transform life chances. The White House Council of Economic Advisers recently attempted to quantify the difference it can make to an individual financially, concluding that quality early childhood education can increase lifetime earnings by 1.3 to 3.5 percent each year when children are adults, or \$9,166 to \$30,851 over a career after subtracting the cost of the initial programme³. Taking the benefit to parental earnings and wider social impact into account, they estimated a financial benefit to society of \$8.60 to every \$1 spent.

As practitioners and policy makers, we have a responsibility to review the efficacy of our approach to early learning and childcare in light of the stark failure to narrow gaps. This paper asks whether early years policies have served disadvantaged children in England well. If not, why not? And what is the future outlook? The final section takes this analysis as a starting point for proposing a shift in policy direction. It recommends specific proposals for how the early learning and childcare offer to disadvantaged children might be strengthened.

1 Department for Education (2015) Early years foundation stage profile results, Additional tables by pupil characteristics SFR36/2015

2 Perera N, Treadway M (et al), (2016) Education in England: Annual Report, CentreForum, April 2016

3 Council of Economic Advisers (2014) The economics of early childhood investments, Executive Office of the President of the United States, January 2014

2 Policy background

Summary: The government has pursued a mixed-market approach to the delivery of early learning and childcare. A consequence of this policy has been particularly pronounced disparities in provider quality. The policy makers have sought to ameliorate the effects on disadvantaged children primarily through: a) continuing the tradition of targeting school-based provision at disadvantaged children and b) applying the rigour of the school system across the mixed market through building professional capacity and regulation – sometimes termed ‘schoolification’.

A mixed-market of providers

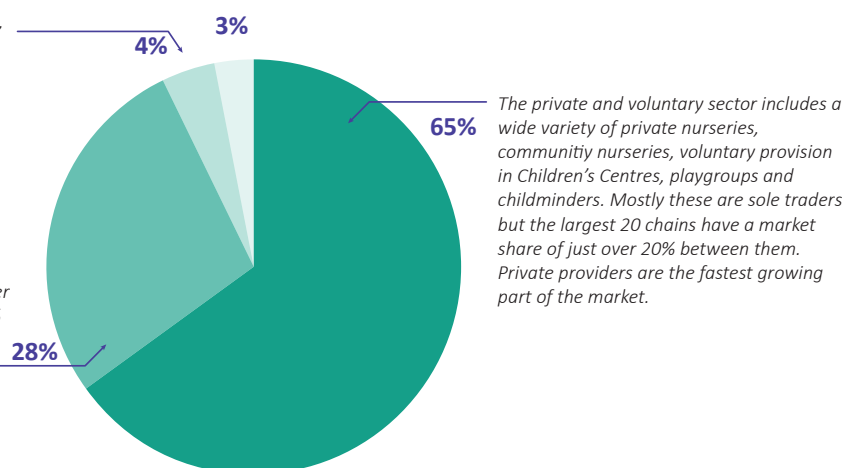
Over the past two decades, governments of all shades have advanced a vision for early learning and childcare as a ‘virtual’ public service, delivered through a mixed economy of voluntary, private sector and maintained sector providers. The scale of the universal entitlement ambition arguably created a pragmatic need to leverage the considerable pre-existing private and voluntary provider market to unlock necessary capacity. Echoing wider public service thinking, market diversity was also seen as the best way to maximise options and ensure choice for parents – in particular allowing working families the opportunity to access settings that provided greater flexibility than schools or maintained nursery schools could offer.

The result today is a system where schools are a significant minority provider of free entitlement provision, delivering 28 per cent of places to eligible 2-, 3- and 4-year-olds outside Reception classes. In contrast, 65 per cent of places come from private and voluntary providers.

Proportion of 2, 3 and 4 year old free entitlement places by provider type, 2015*

There are 408 maintained nursery schools, mostly in deprived areas. Numbers have reduced by one third since 1980.

School nursery classes are most likely to operate in disadvantaged areas. Most offer sessional provision only. They provide 33% of entitlement places for 3-4s but only 2% of places for 2 year olds.



The private and voluntary sector includes a wide variety of private nurseries, community nurseries, voluntary provision in Children’s Centres, playgroups and childminders. Mostly these are sole traders but the largest 20 chains have a market share of just over 20% between them. Private providers are the fastest growing part of the market.

Private and voluntary providers

Nursery classes

Maintained nursery schools

Independent schools

Source: DfE (2015) Provision for children under 5 years of age, Statistical first release.

*Excludes children in Reception classes

A consequence of this approach has been inherent differences in structures, staffing, funding levels and cultures across the sector, leading to disparities in quality. Historically, pay, qualification levels and quality were all judged lower in private and voluntary settings than in state-maintained settings⁴. Notably, a Nuffield study looking at over 1200 providers from 2007-2013 found that while maintained schools serving disadvantaged nursery children were of equal or better quality to those serving more advantaged populations, private and voluntary provisions located in deprived areas; with more disadvantaged user-bases; and attended by individual children living in disadvantaged areas were clearly lagging. This gap was most pronounced where private and voluntary settings were not graduate-led. It was evident in the quality of adult interactions with children, provision for diversity and individual needs and, in particular, support for learning, language and literacy⁵.

Targeting maintained and school-based provision

As the weight of evidence on the importance of quality in securing protective factors for disadvantaged children has grown⁶, so too has the impetus to address provider disparities and to level-up standards.

One part of the strategy has been the sustained targeting of primary school nursery classes and maintained nurseries in poorer inner city areas. This policy was initiated in the 1960s when the Plowden Report urged the setting-up of nursery schools and classes in areas of social deprivation⁷. Its continued influence has led to a situation where children aged 3 and 4 from disadvantaged backgrounds are over three times *more* likely to be able to access a school nursery class or maintained nursery school than their more advantaged peers⁸. 63 per cent of 3-year-old children living in the most disadvantaged decile of addresses attend maintained provision and 55 per cent across the bottom three deciles, in contrast to 17 per cent living in the least disadvantaged decile as reported in 2016 by the National Audit Office⁹.

‘Schoolification’ – a means for levelling up standards

Alongside targeting provision, attempts have been made to apply the rigour of the school system across all parts of the early learning and childcare market.

Professional capacity building across private and voluntary settings have been a significant focus. With the dream of a fully professionalised Nordic-style early years service, driven by Masters level ‘pedagogues’ with light-touch regulation was soon recognised to be out of reach, a more incremental approach has been adopted. The year 2007 saw the introduction of a new graduate-level professional accreditation (Early Years Professional Status), supported by targeted funding to providers and investment in training. This has evolved into Early Years Teacher Status with the same entry requirements as qualified teacher status. The Pupil Premium has also been extended from schools into early years, with encouragement for providers to use the additional funding they receive to employ graduates.

In the absence of plentiful funds or time, however, policy makers have relied on regulation above capacity building. Substantive changes in requirements that have attempted to systemise quality include:

4 Syla, K., Meluish, E., Sammons, P., Siraj-Blatchford, I. & Taggart, B. (2010). Early childhood matters: Evidence from the Effective Preschool and Primary Education project. London: Routledge.; Mathers, Syla & Joshi (2007) Quality of childcare settings in the Millennium Cohort Study DfES Research Report SSU/2007/FR/025.; Department for Education (2013) More Great Childcare: Raising quality and giving parents more choice, HM Government: London.

5 Mathers S and Smees S (2014) Quality and Inequality: Do three- and four-year-olds in deprived areas experience lower quality early years provision?, Nuffield Foundation

6 Since 2003, the EPPE study, which tracked a cohort-attending nursery in 1997, has highlighted significant differences in long-term outcomes amongst children who attended a quality pre-school and those accessing poorer-quality provisions. See Syla et al., ‘Effective Provision of Pre-School Education (EPPE) Project: Findings from the Pre-School Period’, 2003. The evaluation of the Pilot 2 year-old offer for disadvantaged families in 2009 suggested that no benefit at all was delivered to 2 year-olds where they had attended a provider rated by Ofsted as less than ‘good’, and that the greatest impact was through the strongest ‘outstanding’ settings Smith et al. (2009), ‘Early Education Pilot for Two Year-Old Children: Evaluation.

7 Plowden Report (1967) Children and their Primary Schools

8 See Gambaro L, Stewart K and Waldfogel J (2013) ‘A question of quality: Do children from disadvantaged backgrounds receive lower quality early years education and care in England?’, Centre for Analysis of Social Exclusion, London School of Economics, March 2013 NAO (2016) Op. Cit., Figure 14,page 39

9 NAO (2016) Op. Cit., Figure 14,page 39

- : The introduction of an integrated 0-5 play-based curriculum (2008);
- : The introduction of compulsory progress checks at age 2 (2012)¹⁰;
- : The introduction of a new Level 3 “Early Years Educator”, requiring staff to hold a “C” or above in both GCSE English and maths in order to fulfil ratio requirements (2015);
- : The Ofsted common inspection framework, which will ensure registered providers have a judgement on the quality of teaching (2016).

The ‘schoolification’ trend was perceived to have accelerated with the arrival of Michael Gove as Secretary of State for Education in 2010. This was partially a shift in the lexicon - ‘school readiness’ took over ‘child development’ as the primary objective of early years provision. The subsequent focus on three key curriculum elements (personal, social and emotional development; physical development; and communication and language) in the new Early Years Foundation Stage was justified on the basis it would ensure that “children are ready and able to learn at school.”

Critics and detractors

Some early years experts have been uncomfortable with what they have perceived as a narrowing of the approach to early learning from ‘schoolification’. In 2011 campaigners accused government of regarding toddlers as ‘fodder for the classroom,’ arguing that they should focus on making schools ready for children, not the other way around.¹¹ Progress checks at age 2 provoked concern about inappropriate labelling of young children. The new curriculum was criticised for being too narrow, with insufficient emphasis on the 0-3 stage or the broader characteristics of good learning or play¹².

Criticism which is more substantial has come from those who have argued that changes have not gone far enough and that much more investment is needed in frontline capacity to complete the transformation. Notably, the Early Years Pupil Premium was set at a far lower rate than the school Pupil Premium - £302 maximum as opposed to £1320 for primary children. There has also been no attempt to give Early Years Teachers entitlement to teacher’s standard pay and conditions which, given the tight margins under which most providers operate, would require significant financial subsidy. There is also broad concern that the requirement for English and Maths at level 3 is pre-emptive in terms of workforce readiness and will lead to a workforce crisis, given that less than half of 16-year-olds graduate with this level.

10 Requires that early education providers review each child’s progress and provide parents with a written summary of their child’s communication and language, personal, social, emotional and physical development between 24-36 months. Introduced following recommendations made by Tickell (2011)

11 See Cassidy S, “Early learning or a case of too much, too young?” in the Independent, 24th August 2011 <http://www.independent.co.uk/news/education/schools/early-learning-or-a-case-of-too-much-too-young-2343348.html>

12 See Paton G “New-style ‘nappy curriculum’ will damage childhood” in The Telegraphy, 6th February 2012 <http://www.telegraph.co.uk/education/education-news/9064870/New-style-nappy-curriculum-will-damage-childhood.html>

3 Impact on disadvantaged children

Summary: The approach to date has been partially successful for disadvantaged children. A relatively large proportion attend school nursery classes and maintained nursery schools where they benefit from a range of strengths that are intrinsic to schools – such as communities of high-skilled learning professionals and the ability to manage a seamless transition into Reception. ‘Schoolification’ policies have also helped raise qualifications and standards across all types of providers. Outcomes of disadvantaged 5-year-olds have thus risen overall, keeping pace with improved outcomes across the wider population. Disadvantaged children, however, remain 18 percentage points less likely to achieve a ‘good level of development’ at age 5 than their peers. On this measure the gap has hardly narrowed and on all measures it remains broad. Disadvantaged children also remain disproportionately represented in poorer quality settings and more likely not to take up any provision.

There has been no systematic evaluation of the free entitlement, so it is not possible to track with real certainty the impact of particular policies on children’s outcomes over time¹³. However, there is a wide range of circumstantial evidence which is worthy of review. Below we speculate on the success of the existing policy approach in helping disadvantaged children through a brief assessment of how policies have ‘landed’ and the coinciding trends in outcomes.

High presence in intrinsically strong school-based provision

The continued prominence of disadvantaged children in school nursery classes has enabled large numbers to access a teacher-led environments. Virtually all nursery classes in schools and maintained nursery schools employ at least one member of staff with a level 6 qualification or above (graduate level), in contrast to six in ten full daycare settings and less than half in sessional settings, according to the Department for Education’s most recent data¹⁴.

The benefit of having a graduate specialist, or ‘teacher effect’, can be replicated in theory with greater funding, and studies have demonstrated the benefits of specialist graduate leadership in non-school contexts¹⁵. Deeper pedagogical expertise and specialist knowledge in areas such as phonics have been well cultivated amongst many following the Early Years Teacher track. However, disadvantaged children in school-based settings have also gained from a variety of intrinsic school strengths, which are not so easily replicated in other settings. Ark’s experience suggests these can be characterised in three broad categories:

- i. Access to a broad community of high-skilled learning professionals. The presence of a community of teachers, as opposed to a single graduate-leader, creates a systematised and solid base where good staff development and quality adult-child interactions are more likely to take place. As Ofsted have put it: “The schools we visited, and those pre-schools and children’s centres that were governed or overseen by schools, held a much more fluid view of teaching that did not depend on a member of staff’s specific title or qualification.”¹⁶
- ii. The developmental perspective of school. Fully understanding the expectations for the end of Reception, Year 1, Year 2 etc. makes it easier for staff to plan for progression and adopt high

13 Note that the National Audit Office recently reported that in the absence of evidence of any such systematic study, the government do not understand enough about the variance in outcomes delivered by different types of provider. National Audit Office (2016) Entitlement to free early education and childcare, Report by the Comptroller and Auditor General, 2nd March 2016

14 Department for Education (2014) Childcare and Early Years Provider Survey

15 Sandra Mathers et al., ‘Evaluation of the Graduate Leader Fund: Final report’, Department for Education, July 2011.

16 Ofsted (2015) The report of Her Majesty’s Chief Inspector of Education, Children’s Services and Skills 2015 Early years

expectations of children from a younger age, as well as identify SEN and other needs. The opportunities for 3-4 year olds mixing with Reception age groups also allows children with less-developed language and social and emotional behaviours to benefit from exposure to peers with more advanced traits.

- iii. In instances where children stay on at the same school through to reception, there is much greater scope to manage a smooth transition and ensure children access continuous support. The move into school is a time when more vulnerable children often encounter difficulties. Continuous access to the same adults, for example professionals providing speech and language support, can provide important stability. School and nursery staff also have greater opportunity to continue the conversation more fully and make connections when they identify potential risks associated with the family through siblings.

Perceived success for 'schoolification' in levelling up standards

The most significant analysis of the free entitlement has looked at the early period after its introduction. Academics found that for children attending provision in 2001-2007 there was a small beneficial impact, which was slightly more pronounced for disadvantaged children, but fading out for all by age 11. One of the main conclusions was that: "[this] might be a consequence of insufficient attention to the quality of the newly-funded private places... This sector is subject to less regulation in the UK compared to publicly provided childcare; it has fewer qualified teachers and is less good in terms of pedagogical quality"¹⁷.

The performance of the private and voluntary sector appears, on the face of it, to have changed considerably since then. The proportion of 2-, 3- and 4-year-olds accessing their free entitlement in a setting judged by Ofsted as 'good or outstanding' in 2015 was 85 per cent - as opposed to 80 per cent in 2013. This picture was consistent across all main types of providers - nursery classes, private and voluntary settings and childminders (with only maintained nursery schools pulling ahead).

'Schoolification' policies appear to have played a significant part in this transformation. The play-based Early Years Foundation Stage (EYFS) has in particular been almost universally praised for raising standards. In 2011, Dame Clare Tickell said:

"The EYFS has been implemented on a large scale, with a growing enthusiasm across the diverse early years sector. Over seven in ten people responding to my call for evidence thought that the EYFS was successful. This level of support is striking. Many people have told me that the EYFS is popular because it reinforces the very best approaches of skilled practitioners working with young children from birth to five years"¹⁸.

Latterly the more concise and focused framework introduced in 2014 has also been applauded for giving practitioners more focus and freedom.

Alongside this, the combination of capacity building and new requirements has driven a substantial rise in the proportion of graduates, level-3-qualified staff and those with a relevant qualification. The most recent data suggests that 90 per cent of paid staff are qualified to level 3 in both private, voluntary and maintained settings¹⁹. The proportion of childminders with at least a level 3 (A level or equivalent) qualification rose from 59 per cent to 66 per cent between 2011 and 2013. The percentage of private and voluntary settings with at least one teacher with qualified teacher status has meanwhile increased

17 Blanden J, Del Bono E, Hansen K, McNally S, Rabe B (2014) Evaluating a demand-side approach to expanding free preschool education. See also Blanden J, Del Bono E, McNally S, Rabe B. (2016) 'Universal pre-school education: the case of public funding with private provision'. Wiley *Economic Journal*, 126, pp. 682-723

18 Tickell (2011) *The Early Years: Foundations for life, health and learning*, An Independent Report on the Early Years Foundation Stage for Her Majesty's Government

19 Department for Education (2014)

steadily, from 38 per cent of those delivering the 3- to 4-year-old free entitlement in 2011 to 49 per cent in 2015²⁰. Children from more deprived areas, consequently, are now also just as likely as more affluent children to have contact with staff with relevant qualifications²¹. There is a perception that increasing skill levels in the workforce are driving real improvements.

Not every 'schoolification' policy has been considered a resounding success. 2-year-old progress checks have been criticised for insufficient integration with health checks which also happen at that age causing duplication and confusion for parents. Attempts to recruit to a new early years initial teacher training programme have trailed off to the extent that some courses face closure²², most likely because of growing understanding of the unequal pay and progression opportunities for Early Years "qualified teachers". Early years teachers are neither able to access the pay and conditions of school teachers nor progress into roles in maintained schools. Additionally, sector leaders continue to warn that a workforce crisis is close on the horizon due to Maths and English GCSE requirement. Early concerns about the narrowing effects of schoolification in the early years, however, appear to have been unwarranted.

Rising tide in all children's outcomes - but the gap remains

These changes have coincided with a rising tide in child outcomes at age 5. EYFS teacher assessments, which take place in Reception, have suggested steadily improving outcomes since they were first published in 2007. The percentage of children reaching the government's standard of a 'good level of development' in the period since 2013 has grown particularly steeply - from 52 per cent to 66 per cent nationally²³, with Free School Meals eligible pupils having to keep pace with rates of improvements. These figures should be treated with some caution, given the introduction of a new framework, but they are notable nonetheless.

Despite the overall rise in performance, the relative outcomes of disadvantaged children suggest early years policies are still not making significant headway in terms of narrowing the gap. Millennium Cohort Study analysis found that low-income children were behind by nearly one year at school entry in 2006 in vocabulary, and by smaller but still substantial amounts in other types of cognitive development²⁴. The gap, as measured by the proportion of Free School Meals eligible children achieving a 'good level of development' in EYFS assessments at age 5 relative to their peers, has narrowed only a little since then. Ofsted report a narrowing of only around 2 percentage points from 2007 to 2014 on this measure²⁵. Free School Meal eligible children typically remain 18.9 percentage points behind their peers on this measure.

The Education Policy Institute (formerly CentreForum) has developed a measure for the gap based on total points achieved in the EYFSP and then makes a calculation by considering the position of disadvantaged pupils within the national distribution each year. They find a steady narrowing of the gap equivalent to 5.5 months in 2007 and 4.3 months in 2015. This is slightly more promising than the picture painted by data comparing the proportion meeting the threshold measure alone suggests, but nevertheless indicates that there is scope for narrowing the gap further²⁶.

Gap in outcomes mirrored by gap in provision accessed

Despite the overall improvements to private and voluntary sector provision, and the relative prevalence of disadvantaged children in strong school-based settings (which make up 32 per cent of settings in total), disadvantaged children continue to be more likely to access weaker provision. In 2015, Ofsted found that 18 per cent of children in the most disadvantaged areas were in settings rated less than

20 National Audit Office (2016) Entitlement to free early education and childcare, 2 March 2016

21 National Audit Office (2016) Op. Cit.

22 See Scott S "Early Years Teacher shortage as courses face closure" in Schools Week, 29th January 2016

23 DfE (2015) SFR 36/2015: Early Years Foundation Stage Profile results in England, 2015, 13 October 2015

24 Waldfogel J and Washbrook E (2010) Low income and early cognitive development in the U.K.: A report for the Sutton Trust

25 Ofsted (2015) The Annual Report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2014/15

26 Perera N, Treadway M and Johns R (2016) Education in England: Progress and Goals, CentreForum, January 2016

'good' compared with only 8 per cent in the least disadvantaged areas²⁷.

Furthermore, the differences by socio-economic group in terms of usage are glaring. Research by Ipsos Mori for DfE suggests that 49 per cent of children from the 20 per cent most deprived areas access formal childcare provision, compared to 65 per cent of children in the 20 per cent least deprived areas, and the trend is stagnant²⁸. Take-up differentials are not restricted to provision for which parents are charged. Just 78 per cent of free-entitlement-eligible children, between ages 2 and 4 living in workless households, report receiving free early education, compared with 95 per cent of children in families where both parents work. Take-up of the free 2-year-old offer, targeted at the 40 per cent most disadvantaged, has also been strikingly low. Around 113,000 two-year-olds were eligible for 15 hours of free early education but did not take up their place. This represents 42 per cent of all eligible children²⁹.

27 NAO (2016) Op. Cit.

28 DfE (2016) Childcare and Early Years Survey of Parents 2014-2015,

29 DfE (2015)) Statistical first release: provision for children under five years of age in England

4 The experiences of disadvantaged families

Summary: The options for disadvantaged families remain broadly polarised between good quality school-based settings and weaker private and voluntary providers. Good school-based provision is not accessible for many living in areas where free entitlement places are limited, and is unlikely to be feasible for low-income working families who require flexible hours or those with children age 2 or younger. Expensive and/or weak single-site providers dominate private and voluntary market alternatives in disadvantaged areas. Structural and financial factors limit the possibilities for such settings to embed quality deeply, in the way that schools or nursery chains can. Low take-up amongst disadvantaged families is partially a reflection of their limited options.

The facts presented suggest that the nature of the provision accessed, or not accessed, remains a significant contributory factor behind the stubborn disparities in outcomes that persist at age 5. How can it be that standards across different types of providers have in general 'levelled-up', yet disadvantaged children continue to lose out because of their experience? A closer look at the options available to disadvantaged children and their families is required.

Who are schools leaving out?

Despite the prevalence of disadvantage children in school-based providers, school-based provision is not an option for a great many disadvantaged families. Nursery class and maintained nursery school places provide less than one third of all free entitlement provision, and for some there simply will not be enough places locally to meet the free entitlement offer. The latest Family and Childcare Trust data suggests that 59 out of 148 local authorities did not have enough free early education places for 3- and 4-year-olds overall³⁰.

Where there is an option of accessing a school nursery class or maintained nursery school place at 3-4, the chances are that it will not be available for younger children. Most primary schools offering places for 2-year-olds are not doing so through the government-subsidised offer, meaning children from better-off families disproportionately occupy their places³¹. Only 2 per cent of free entitlement places in schools are for 2 year olds.³²

Schools-based provision is also not a feasible option for many low-income working families due to a lack of flexibility in hours offered. 59 per cent of primary schools do not offer families the possibility of compressing their free entitlement into three days³³. Most instead require that the entitlement be taken in 3 hour sessions spread over 5 mornings or afternoons, with a minority providing the opportunity to pay to top-up hours. Virtually no schools offer nursery provision outside term time.

So what are the alternatives for disadvantaged families who cannot find a place at a local nursery school, those who are working and those who have younger children?

30 Rutter J (2016) 2016 Childcare Survey, Family and Childcare Trust

31 Ofsted (2015) The report of Her Majesty's Chief Inspector of Education, Children's Services and Skills 2015 Early years

32 DfE (2015) Provision for children under 5 years of age, Statistical first release

33 DfE (2014) Childcare and Early Years Provider Survey

Expensive, undependable private settings

Private options for families living in disadvantaged areas are likely to be limited and/or expensive. Parent fees in England are notoriously high³⁴, with little variation between the fees charged by full daycare settings (mostly private) in more- and in less-deprived areas³⁵.

Yet despite high prices, the financial margins for private settings operating in disadvantaged areas remain relatively tight – full-day settings are 25 per cent less likely to report generating a surplus than those in better-off areas³⁶. Fewer parent-funded hours and greater additional costs associated with high-needs children are likely factors. As the Joseph Rowntree report explains: “Children [in deprived areas] are more likely to have additional learning needs, require more staff time, and staff are more likely to spend time supporting parents. Providers are more likely to need, or want, to reduce fees and to subsidise meals and refreshments or activities and trips. These settings are also likely to aim to offer fee discounts and offer refreshments for free, each of which has an additional cost for the nursery”³⁷.

The reduced profitability in deprived areas has consequences in terms of what kind of providers are willing to operate, with only the very dedicated venturing in. Larger commercial chains thus have very little presence in deprived areas and the options for parents tends to be restricted to single-site providers³⁸. With less leadership and infrastructure support, no ready-made community of graduate professionals and limited scope for consolidating costs it is hard for them to replicate the strengths of either school providers or nurseries within larger chains. The odds are clearly stacked against single-site providers in deprived areas overcoming the relative weaknesses identified in the Nuffield study³⁹, irrespective of their levels of dedication.

Low cost, often-weak voluntary provision

Voluntary sector providers are a popular choice for families with younger children in disadvantaged communities. Unlike private providers, they tend to charge significantly less when located in poorer areas. There are a small but growing group of voluntary chains operating fully flexible provision and successfully making in-roads within disadvantaged communities⁴⁰. But the largest and fastest growing segment of voluntary providers in deprived communities offer sessional provision only, meaning they are of limited use for working families⁴¹. Staff with a level 3 qualification are increasingly caring for those children that attend a voluntary sector setting, but those children remain least likely to be accessing graduate-led provision; 60 per cent of these settings still did not have a graduate leader at the government’s last count⁴².

Children’s Centre-based provision was designed partially to help unlock potential in this part of the market, giving local authorities the chance to bring some of the stronger voluntary sector providers ‘in-house’ and support them to offer full daycare. Through licensing them to provide on their premises, subsidising their outreach and providing increased local authority leadership and oversight, the model has proved successful in some cases. Graduate levels in Children’s Centre based provision have indeed proved significantly higher than amongst private and voluntary providers. However, the model is in

34 Rutter J (2015) *Childcare Costs Survey 2015*, Family and Childcare Trust finds that a part-time nursery place (25 hours) for a child under two rose by 1.1 per cent last year, and is now on average £116.77 a week in Britain. However, in London, the most expensive region, prices for the same place rose by 2.2 per cent in one year. Analysis by the Joseph Rowntree Foundation finds that the Universal Credit will be relatively good at holding costs below 15 per cent of disposable income, except where families exceed the maximum childcare element caps as is the case London where housing costs are high. See Butler A and Rutter J (2016) *Creating an anti-poverty childcare system*, Joseph Rowntree Foundation

35 Gambaro L et al (2013) *Op. cit.*

36 The most recent DfE *Childcare and Early Years Provider Survey (2014)* reports that 29 per cent of full day settings in the 30 per cent most deprived areas report making a profit, compared to 40 per cent in other areas.

37 Butler A and Rutter J (2016) *Creating and anti-poverty childcare system*, Joseph Rowntree Foundation, January 2016, page 65

38 Butler and Rutter (2016) *Op. Cit.*

39 See above page 8. Mathers (2014) *op. cit.*

40 For example the London Early Years Foundation (LEYF) and Co-op Childcare.

41 The number of sessional settings overall is in long-term decline but this is driven by a decrease in the number of sessional settings in the 70 per cent least deprived areas. Between 2011 and 2013, the number of full day care places in the 30 per cent most deprived areas rose by 19,600 (an increase of 10 per cent), while the number of sessional places in those areas rose by 20,500 (an increase of 42 per cent). See DfE (2014) *Op. Cit.*

42 DfE (2014) *Op. Cit.*

decline with fewer than half the number of Children’s Centres offering full daycare in 2013 as did in 2009⁴³. The quality of leadership and governance reported by Ofsted is deteriorating. Failure to track the progress that children and families are making once they go on to school has also been identified as a key weakness⁴⁴.

Poorly qualified childminders

Similarly, there is a widely acknowledged polarisation in quality and fees of childminders between deprived and less-deprived areas. Signs are that the overall improvement in qualifications that the sector has seen in recent years is not as evident amongst those operating in deprived areas and may instead be leading a number to opt-out or go ‘off-register’. An improvement in the 70 per cent least deprived areas has driven the increase in the proportion reported to have a level 3 qualification⁴⁵.

Poor options, low take-up

With such an imperfect set of options, it is perhaps to be expected that many lower income families do not feel sufficiently confident to put their children in early learning and childcare at all. For some it may genuinely be a matter of ‘choice.’ Local authorities with low take-up of disadvantaged 2-year-old places often report having vacancies that families simply do not want. Yet to dismiss low-take up as a culturally driven trend that cannot be influenced would seem to miss the point. 53 per cent of unemployed mothers have said they would work if only they could find childcare that was of high quality, convenient, reliable and affordable (DfE, 2016). Anecdotally we know that take-up increases when strong efforts have been put in to outreach and to ensuring sufficient-quality places are available in a variety of affordable formats.

The information presented here suggests that in its current state the ‘mixed market’ is, if anything, reinforcing differences in outcomes along socio-economic lines. The experiences of children from disadvantaged families seem to be polarised between good-quality school-based care (mostly 3- and 4-year-olds with a predominance of workless families), weaker provision in other sectors or no formal provision at all. The economic challenges that face private and voluntary-sector providers in disadvantaged areas are such that policy approaches based on incremental capacity building or regulation are likely to only ever partially grip the problem of unequal access and quality of provision.

43 DfE (2014) Op. Cit.

44 Ofsted (2015) Op. Cit.

45 DfE (2014) Op. Cit.

5 The outlook for disadvantaged children

Summary: The current direction of early learning and childcare policy suggests a future decline in the prospects of disadvantaged children. The overall proportion of places offered in schools and maintained nursery schools has already dropped slightly. The new 30-hour entitlement for working families poses a substantial risk that children from the poorest families will be squeezed out of the settings where they thrive most as schools convert part-time nursery class places to a much smaller number of full-time places for which they will not qualify. The reduced opportunity to cross-subsidise local authority rates with parent fees will also disproportionately affect the viability of private settings serving deprived communities. In parallel, the decline of Children's Centres is likely to continue as budget cuts undermine leadership and outreach. Maintained nursery schools could face a similar fortune.

What is the outlook for disadvantaged children in the mixed market, and what does this imply for the prospects of the current policy paradigm in closing the gap in outcomes at age 5 in the future?

A schools sector already in slight decline

While the early years population and total number of childcare and early learning places has continued to rise, the number of children benefiting from early education in primary schools is in slight decline. The proportion of 3- and 4-year-old places delivered by maintained schools reduced by 3 per cent between 2009 and 2015 (from 57 per cent to 54 per cent)⁴⁶ in spite of a growing population. If school-based provision is the surest way of providing disadvantaged children with high quality, and children from low-income families are currently disproportionately likely to be accessing it, this is a worrying trend.

There is no clear evidence about what has driven this decline, but it is reasonable to assume that some headteachers see nursery classes as an unwelcome distraction in the context of wider pressures. Nursery class budgets are absorbed within wider school accounts, but if considered separately a high proportion are likely to be loss leaders, i.e. vehicles for encouraging school applications but not wholly covering their own costs⁴⁷. With nursery class and Reception admissions processes treated separately, headteachers are inclined to perceive that there is no guarantee that gains made in children's development through their time in a schools' nursery class will be fed through to the school, as many children go to different primary schools. Primary heads are increasingly waking up to the possibility, introduced in the 2014 Admissions Code, of prioritising their nursery free school meal children within their school admissions criteria. Some will, however, be wary of the knock-on impact on school choice and risks to their schools' long-term ability to serve their local community.

Alongside the drop in nursery class places, there has been a long and steady decline in the number of maintained nursery schools⁴⁸. While actual place numbers have been maintained in recent years thanks to the expansion of remaining nursery schools⁴⁹, this may not be the case in the future. Local authorities are increasingly ending the tradition of funding maintained nursery schools at a much higher rate than they fund other providers, which presents serious difficulties given their legal obligations to employ teachers. Coupled with the drive to full academisation, which risks leaving many without the support of an active local authority education department, the sector is at risk.

⁴⁶ National Audit Office (2016) Entitlement to free early education and childcare

⁴⁷ No national data is available here but a financial assessment of 15 Ark nursery classes suggests one third are loss making based on direct costs and two thirds loss-making once their full share of Headteacher time and school administration costs are factored in. The average occupancy break-even point is 72% and under-occupancy is the prime reason for nursery classes to be loss making.

⁴⁸ Early Education (2015) Maintained nursery schools: the state of play report, Early Education

⁴⁹ Early Education (2015) Ibid.

30 hours - a significant new risk to schools' reach

From September 2017, families of 3- to 4-year-olds where both parents work will see their free entitlement double from 15 to 30 hours per week. DfE estimates that at least 42 per cent of families with a child in the age group will qualify⁵⁰, but this figure does not take into account behavioural effects (i.e. the number of families who may up their hours slightly to qualify) so may be a conservative estimate. This will have significant implications across all parts of the sector, not least amongst school-based providers.

Many heads will be pleased to be finally in a position to deliver a free offer that is amenable to working families. Most will also see the easiest and most financially secure option as switching to providing all or mostly full-time provision based on the applications they get. In popular schools, where attracting Reception applications is not an issue, the trade-off in terms of total nursery reach will be seen as minimal. In schools with particularly low nursery occupancy, where losses are great, funded 30-hour places could be viewed as a financial lifeline. Even where nursery classes are currently full, refusing to take part in the 30-hour offer (which academies could opt to do) is unlikely to be viewed as viable long-term as it would likely result in a slow exodus to other providers.

This change could have a catastrophic impact on the number of opportunities for disadvantaged children to access school-based early learning and childcare. Only a very small proportion of low-income working families will qualify for the new entitlement. The rules of eligibility require parents to work at the equivalent of 16 hours a week at a National Minimum Wage for their children to be entitled to the extra 15 hours. As reported by the Education Policy Institute, this means that any child who is eligible for the Early Years Pupil premium will not qualify. In order to fulfil the minimum income criteria for the 30-hours offer, a two-parent family in which both parents are aged 25 or over will have to be earning at least £230.40 per week (£115.20 each); a lone parent would need to be earning at least £115.20 per week. Parents who are carers, those with disabled children and students will be less likely to qualify⁵¹. The rules will also exclude families that have a cultural preference for one parent to stay at home while children are young, including many from disadvantaged ethnic minority groups.

This may not be a concern in and of itself to government. It has been clear that the 30 hours is a measure to support parents into work, and some research suggests that the positive impact on child development can be achieved just as easily within a 15 hour slot (although the evidence is mixed⁵²). However, the knock-on effects on schools' capacity to deliver the basic universal entitlement could be significant. Most schools do not have the physical space available to expand on-site. Heads will come under pressure from families who do qualify for a full-time place to convert as many part time places as possible to full time places. For many this will be attractive anyway in that it will provide greater financial stability and fewer transitions to manage in the day. In these circumstances, a large proportion of schools could be expected simply to reallocate their current spaces. A single classroom that previously was able to take in a nursery cohort of 60 (typically two-form entry schools have one nursery class and take up to 30 children in the morning and 30 in the afternoon) could go down to serving 30 children only. There would be little incentive to hold part-time, universal entitlement only places back for

50 DfE (2015) Review of childcare costs: the analytical report, An economic assessment of the early education and childcare market and providers' costs,

51 Johnes R and Hutchinson J (2016) Widening the gap, CentreForum

52 This has been indicated by the EPPE research although, as noted by CentreForum Op Cit, the research is not conclusive and a number of American studies do suggest benefits from full-time attendance, particularly for disadvantaged children.

those not qualifying for the full 30 hours. Those not entitled to the additional 15-hour top-up could well find it harder to access their basic entitlement in a nursery class.

30 hours – broader market challenge in deprived areas

The National Audit Office have recently highlighted a similar likely impact from the 30-hours in relation to disadvantaged 2-year-old places in all parts of the sector. They say, *“in future, [many providers] may choose to offer more hours to their existing 3- and 4-year-old children rather than take disadvantaged 2-year-olds, who require more staff per child. This would jeopardise the Department’s objectives to improve outcomes for disadvantaged children and narrow the development gap at age five”*⁵³.

In addition, the 30-hour offer is projected to encroach on hours previously charged to parents at a higher rate, with serious financial consequences for up to 89 per cent of private providers⁵⁴. The impact will hit simultaneously to that of the new National Minimum Wage. We might expect these effects to be worse felt in disadvantaged areas due to tighter margins and the tendency toward single-site providers. Single providers, in contrast to chains, will have less scope for adapting their business models and fewer opportunities to absorb pressures centrally. The government’s promised 30p per child per hour average funding increase, efforts to ensure more money reaches the frontline and the new Early Years Funding Formula all have potential to alleviate the situation somewhat, although it is too early to judge by how much.

We might expect voluntary sector sessional providers in disadvantaged areas to be hit less hard. Government rates are more likely to match the significantly lower fees that they tend to charge and the, generally non-working or single earner, families they serve are less likely to qualify in the first place. However, the relatively small size and low surplus generated will make some vulnerable. In a survey conducted by the Pre-School Learning Alliance, the majority of whose respondent were sessional care providers, half of all respondents said they feared closure because of the policy change⁵⁵.

Broader public funding climate

All of these changes, of course, take place in a wider context of real-terms cuts to education and local authority budgets. The implications for the early years sector are various. Anecdotally we hear growing examples of local authorities withdrawing additional funding hitherto provided to subsidise full-time places for particular advantaged groups. Others are withdrawing additional funding and generous conditions designed to incentivise 2-year-old provision and take-up.

Perhaps most notably the outlook for Children’s Centres is not promising. According to the Children’s Centre Census, 67 per cent are facing further budget cuts⁵⁶. Most say they are preserving their childcare offer, but Ofsted have already noted a decline in quality, and it seems likely this will continue. Savings are likely to be made through compromises to the quality of staff. Reductions in the family support and outreach services on offer will also likely hit the overall take-up of early learning and childcare amongst hard-to-reach groups.

In sum, the outlook for the early learning childcare market does not look promising for disadvantaged children. Their families are likely to be faced with fewer options, deteriorating quality (in some cases) and less opportunity to access the provision from which they have most to gain. If changes to early years regulation and standards have failed to unlock the potential of disadvantaged children so far, it seems even less likely they will do so now unless a different approach is taken.

53 National Audit Office (2016) Entitlement to free early education and childcare

54 This is the proportion currently claiming to cross subsidise funded hours through charges to parents in the National Day Nursery Association’s annual survey, NDNA (2016) Annual Nursery Survey, England – 2016

55 Pre-School Learning Alliance (2016) Childcare providers fear closure of 30 hour offer survey reveals, <https://www.pre-school.org.uk/childcare-providers-fear-closure-over-30-hour-offer-survey-reveals>

56 4Children (2015) Children’s Centre Census 2015,

6 Where do we go from here?

Summary: Decisive action is needed. Policy makers must respond fully to the economic challenges faced by settings serving disadvantaged communities, and should build on the intrinsic benefits that schools already bring to many disadvantaged children. The aim should be to create stronger and more school-led and linked system in deprived communities. We propose four areas for action:

- 1. Provide more targeted investment in providers serving disadvantaged children*
 - 2. Encourage schools in disadvantaged areas to form quality-focused partnerships with outside providers*
 - 3. Encourage and empower schools to maintain and extend the reach of their nursery classes*
 - 4. Support strong schools and academy sponsors to deliver provision beyond the school gate*
-

It is clear that inequalities in the standards of provision accessed in the early years remain a major issue. While attempts to inject rigour via regulation and some capacity building have helped set a positive trajectory in outcomes overall, they have not been sufficient to compensate for many of the inbuilt market disparities. The gap for disadvantaged children at age 5 stubbornly remains. In light of this, and the very real risk that more disadvantaged children could be squeezed out of school settings where they have greatest potential to thrive in the future, decisive action is needed.

The recommendations here focus on how the early learning and childcare market can become more responsive to the needs of disadvantaged children⁵⁷. We argue for an approach that responds fully to the economic challenges faced by private and voluntary early years settings serving deprived communities, and which builds on the intrinsic benefits that schools already bring to many disadvantaged children. We set out a path toward greater access to school-led and school-linked provision.

There are four main areas for change.

The first area is **more targeted investment in all providers serving disadvantaged populations**.

We have argued that the economics for private and voluntary sector providers in deprived communities do not work well. This situation will be exacerbated, particularly in private settings, as government hours increase, limiting the potential for cross subsidy. As a result, commercial chains - many of whom offer a quality service - are not present in these communities, and those settings that do operate are less likely to be graduate-led. The Early Years Pupil Premium was pitched at addressing this, but with a low rate and a ceiling of £302 the likelihood of it having an impact will be relatively low. It has certainly not been sufficient to attract new strong providers into deprived areas. Meanwhile, delivery costs are continuing to rise for private and voluntary sector providers. The gap in costs and rates paid is particularly acute in respect to 2-year-olds. Ceeda forecasts indicate average breakeven delivery costs for 2-year-old provision in the financial year ending March 2017 of £6.19 across the PVI sector, rising to £6.43 in graduate-led settings, leaving funding gaps of 15 per cent and 19 per cent respectively⁵⁸.

We propose that:

- : The government should make it a priority to double the Early Years Pupil Premium maximum hourly rate to around £1 per hour per child to bring it at least in line with the Pupil Premium

57 Alongside a refreshed approach to the provider market, there are important arguments to be made about how demand-side funding could be strengthened and simplified, and for how settings of all types can become more effective at positively influencing parenting styles and home-learning environments. For example, please see Butler and Rutter (2016) Op Cit and Johns B and Hutchinson J (2016) Op. Cit.

58 Verrill J (2015) 'Does the new 30-hour Funding Stack up?' in Nursery World, 14th December 2015

rate in primary schools⁵⁹. They should also extend it to all hours (rather than just for the free entitlement hours) and remove the £302 cap. Given that most disadvantaged children will continue to take up fewer than 15 hours (not qualifying for the 30 hours), the total funding required to meet this objective would still be far less than the primary school Pupil Premium pot.

- : The government should consider creating additional financial incentives for attracting private and voluntary sector chains with a majority of outstanding providers, to open up in new areas that are deprived and in need of additional capacity.
- : The proposed new 2-year-old funding rate should be re-visited. It is insufficient to provide graduate-led care at the ratios required, and unless it increases, strong PVI providers are likely to withdraw from offering it. (Raising the rate will also open the door for more school providers to enter the market.)
- : Caution should be taken to ensure that the new Early Years Funding Formula does not lead to drastic reductions in funds in disadvantaged local authorities (or those with significant pockets of disadvantage). This will be especially important if the Early Years Pupil Premium is not significantly increased. While the Formula has potential to address instances where local Schools Fora are not giving significant weight to deprivation, abrupt reductions will significant damage the market.

The second area is **encouragement for schools in disadvantaged areas to form deep partnerships with outside providers to help drive quality.**

Through sharing knowledge and offering professional support to private and voluntary sector providers, children's centres and childminders, schools have the potential to help drive quality across their communities. They can also learn from good practice amongst these providers. The development of the new 30-hour offer creates a window of opportunity for action in this area as schools who do not want their overall reach to decline are starting to look to join forces with other providers to deliver a cohesive, quality offer.

There are some examples of collaborative working already. Results from the NDNA's annual survey of its members suggest that 38 per cent of private nurseries already have a relationship with a school⁶⁰, and 96 per cent of Children's Centres report engaging with schools in some way⁶¹.

Yet relationships mostly appear to be limited to the coordination of access to provision, rather than raising quality. The most common activities where private providers cooperate with schools are on offering out-of-school provision for over-fives, wraparound care for under-fives and early learning for 2-year-olds. Only 48 per cent of Children's Centres report receiving data from primary schools to enable them to track children's progress forward, preventing them from monitoring how effectively they are preparing children for school and which of their interventions work. Beyond isolated cases, little is reported of schools leading collaborative training or engaging in joint moderation or planning. Indeed, the latter is likely to have trailed off as many councils have reorganised and reduced their early years teams – and with the end of statutory Early Years Foundation Stage Profile, the imperative for a common moderation process will diminish further. It is not uncommon to hear tales of private and voluntary providers who are co-located with schools where there is no working relationship at all. There are also signs that some of the collaborations that do exist may be on the decline⁶².

Government has made some well-intentioned efforts to address this through supporting the sharing of best practice⁶³ and expanding support for the setting-up of 'childcare hubs' which aim to bring

59 The primary school pupil premium rate is £1320 per hour. Based on children attending 195 days a year (the minimum requirement in maintained schools) on a typical 9-3.30 day this equates to £1.04 per child per hour. The current early years pupil premium is paid at a rate of 53p per child per hour, with a £302.10 maximum.

60 NDNA (2016) Op. Cit.

61 4Children (2015) Op. Cit.

62 NDNA reported a drop of 5 per cent in the proportion engaging since last year, NDNA (2016) Op. Cit.

63 See 'Department for Education call for early years partnerships demonstrations project' at

together nurseries, childminders and school care into one co-ordinated source. Whilst valuable, these steps alone are unlikely to unlock deeper partnerships with schools, except amongst those heads most committed to the early years agenda. To create a situation where schools are more open to invest time and effort in the success of their partners (including potential 'rival' nurseries), will require greater support and alignment of incentives.

Consideration should be given to:

- : Allowing primary schools to prioritise FSM eligible children attending 'feeder' private and voluntary sector providers in their admissions criteria, in the same way that they now can for those in their own nursery classes. This enables them to reap the rewards of efforts they invest in supporting partners as those children become more likely to be admitted to their schools.
- : Ensuring individual child outcomes from health and development progress checks at age 2 are tracked to school. Not only should individual progress be fed back to encourage nurseries and children's centres to understand the impact that they are having, but outcomes should be taken account of in school inspections by Ofsted. This would ensure that the early gains children make no longer reduce the recognition that schools get.
- : Incentivising and recompensing schools for their time where they make contributions that add value to the quality delivered by local providers in deprived areas. Contributions that might be rewarded include hosting childminder networks or agencies, lead phonics training or lending leadership support to local private and voluntary sector providers.

The third area is **action to enable schools to maintain and extend the reach of their nursery classes.**

More disadvantaged children should be able to benefit from the graduate-led environments, professional communities, long-term developmental perspective and continuity of provision that school-based nurseries offer. To make this a reality, and fight the threat from the 30-hours policy of a reduced reach of schools to disadvantaged 0-4s, schools should be encouraged and empowered to extend the scale of their nursery classes where they can.

The new demand created by the expansion of the free entitlement is a major opportunity for providers to scale-up. The Department for Education have estimated an additional 45,000 new 15-hour places are likely to be needed to accommodate those qualifying for the 30 hours (42 per cent of families with 3- to 4-year-olds)⁶⁴. This figure is based partly on survey data about current and anticipated take-up, and vacancy levels across providers. We believe this to be conservative estimate, as it excludes knock-on effects from the 30 hours. These effects include increased eligibility, as more parents up their work hours to qualify and nursery closures, as some settings lose the ability to cross-subsidise from parent fees and become unsustainable. Taken together with the 113,000 qualifying for but not yet accessing their subsidised part-time 2-year-old place, the need for new places nationally will be more in the region of 79,000.

For schools to step in to the fore, the right ones will need to be targeted, the case made compellingly to headteachers and sufficient financial support provided.

The schools that need to be targeted are those with room to grow on-site or through expansion into directly neighbouring publicly owned property. The reality for most schools, especially in inner cities, is that space is restricted. Offsite expansion, now feasible thanks to Ofsted registration changes, is an extremely challenging proposition for even the strongest primaries to take on. Many heads would rightly shy away from such a project for fear of finding themselves physically over-stretched. Any blanket inducement to schools is likely to be ineffective, but one that reaches out to those who do have space or capacity could have wider appeal.

64 National Audit Office, 'Entitlement to free early education and childcare', March 2016

The ability to make a compelling case to headteachers will depend on raising their awareness about demand ahead of time so that they are confident that any expansion will attract suitable numbers. Local authorities and headteachers currently have very little sense of likely local demand when it comes to the new 30-hour entitlement. They have never had to monitor data about the working status of both parents at once or maximum family incomes, have no knowledge or processes for doing so and a natural aversion to sending questionnaires home enquiring about personal circumstances. This will be a barrier to heads' development of ambitious plans for expansion involving time consuming new capital projects or ensuring maximum reach to disadvantaged children with the places they currently have through holding back a proportion of part-time places.

In terms of capital funding, the £50m pot allocated to support the 30-hour roll out will not be sufficient. Based on preliminary Ark estimates of the costs of creating new provision through extending existing school buildings, this would create fewer than 5,000 new full-time places⁶⁵, thus only scratching the surface of what will be needed. And the system for distributing these funds is also dependent on local authority bidding, relying on academy heads (now representing 20 per cent of primaries and fast growing) recognising need and making representations to local authorities in turn. Academy trusts are unable to bid directly. This is in and of itself an issue.

Consideration should be given to:

- : Engaging local authorities and multi-academy trusts in a brief national audit to establish those that have room to grow their nursery classes on-site, or through expansion into directly neighbouring public-owned property.
- : Providing a tool to enable schools to assess local eligibility for 30-hour places as soon as possible, so that headteachers and local authorities are able to gauge future demand and assess how provision for disadvantaged children might be affected.
- : A significantly increased capital funding grants pot – a figure of at least £500m⁶⁶ over three years is likely to be required if a substantial proportion of places are to be delivered through school expansion. Funds should be advertised strongly to those with space to grow. Multi-academy trusts should also be able to bid directly on such a fund, on behalf of their schools.

The fourth area is **support for strong schools and sponsors of strong academy chains to branch out and deliver provision beyond the school gate.**

Schools can do more to deliver greater flexibility, but it is unlikely that they will be able to adapt their offer to meet the range of needs of disadvantaged families, or the very youngest children. There is good reason to suppose that school-led provision delivered 'beyond the school gate' can reap many of the same benefits as nursery class provision based within a school. Being located near the school, or within the same town or community in the case of an academy chain with good training and infrastructure, can be just as powerful. Ark Schools has experienced this directly through Ark Alpha, a flexible 0-4 nursery located in Portsmouth that joined the network in 2013.

65 Ark has commissioned architects to explore expansion of early years on existing school sites and on this basis estimates that to create a new early years place on this basis (i.e. a new space within an existing school building) would cost in the region of £10,000-£13,000.

66 Assuming the 79,000 FTE new place need and a minimum cost per new place created through school expansion of £10,000 as set out above, the total funding requirement would be £790m. We recommend 'at least' £500m to take account of the fact that the government has already invested £50m and it should be possible able to create some new places from refurbishments within schools or growth in other parts of the sector.

Ark Alpha

In 2013, a new primary school in Portsmouth joined the Ark network – Ark Ayrton. A fully -flexible nursery for 0 to 4-year-olds run separately by the council and providing 89 full-time places throughout the year was located next door to Ayrton. Ark was invited to take it on at the same time. *Ark Alpha* became part of Ayrton with the Ayrton Headteacher becoming Executive Head of the nursery. The nursery has since gone from Requires Improvement and under-occupied to Outstanding and oversubscribed. Reception results from 2015 show that 100 per cent of Alpha children going on to Ark Ayrton’s primary attained a good level of development. Most are from low-income working families. Nearly half are eligible for Free School Meals.

Alpha’s turn of fortunes can be traced back to the Ark Schools’ team’s initial turn around work and the benefits of being school-led and linked. In the early days the Head, Alpha’s leadership and specialists from Ark’s central education team worked intensively with the 30 or so Alpha staff to improve processes and the quality of interactions with children. The head prioritised her time to provide hands-on support to the nursery manager. This also enabled her to build a deep understanding of the challenges involved in managing fully flexible provision, a more diverse mix of staff than she was used to and delivering a quality offer to 0-2s.

The benefits to Alpha children are ongoing. Alpha has a strong new manager who the Head recruited and continues to meet weekly. Staff training, moderation and data monitoring is conducted jointly with Ark Ayrton nursery class and other Ark nursery classes. On a weekly basis, Alpha staff participate in small group phonics and numbers work in Ayrton, picking up techniques that they are able to bring back to Alpha. The Alpha SENco is well connected to school’s team and can call on their experience to pick up early learning difficulties. Regular visits to the school library and assembly and consistent customs and practices across the settings meanwhile ease reception transition for those children going on from Alpha to Ayrton Reception class. Financially the school and nursery are managed separately in line with requirements to protect the integrity of academy budgets. The nursery pays an annual management fee to the school that covers managing the billing process, recruitment and facilities, thus achieving some efficiencies.

From Ayrton’s perspective, the value of Alpha being fully integrated is receiving a cohort of Reception children already on a strong trajectory. Where children have problems, Ayrton know who they are when they arrive, support will be triggered and can be continued. The availability of fully flexible and quality provision next to the school has also helped staff retention. Currently, five members of staff from Ayrton and neighbouring Ark schools use Alpha regularly as a nursery and other staff children access after school care there.

The Head describes the experience of taking on Alpha as “one of the most rewarding experiences of her professional career” but also one of the most challenging and “the thing that keeps me up at night”. She has dedicated a huge amount of time and had to step out of her comfort zone to learn how to manage independent charitable business and meet needs of younger children. The support of a dedicated central team at Ayrton and finance expertise in Ark’s head office have helped make it possible.

The entrepreneurial spirit and desire to deliver an all-through vision is drawing some heads and academy chain leaders to explore expansion through creating a new social enterprise or taking over private or voluntary sector early years settings. However, this is a major undertaking for any academy chain or school, one that involves significant time as well as financial and reputational risk. Initially it requires the development of a robust business model, the setting-up of a new company or charity and the raising of funds to pay for takeover or acquisition. Unlike a nursery class, a separately run entity

will not be buffered by the wider school budget, so ensuring that the set-up costs, scale, staff levels, parent fees and location are right to support good occupancy and a commercially viable proposition is imperative. In common with any setting attempting to deliver quality and in a disadvantaged area, the margins are tight. A commercial bank loan is likely to be out of the question for most as they will not be able to provide security. Loans from the social finance sector are hard to come by and typically come with a high rate of interest, making them not viable in most cases either. Only a school or academy chain in exceptional circumstances is likely to make it past the first hurdle⁶⁷.

Schools and academy chains also have potential to provide system leadership by taking over already existing provision. A growing number of local authorities are already attempting to harness the capacity of schools to provide leadership to nearby Children's Centres through service level agreements⁶⁸. Given financial pressures and the anticipated winding-down of some local authority education services, maintained nursery schools could follow suite. This is a route some schools may wish to take and is a fantastic opportunity to ensure settings serving some of the most disadvantaged children secure the leadership and governance support they require. However, once again the risks for schools will be seen as relatively great compared to the rewards. Mostly local authorities offer very short-term service level agreements and leases for the taking on of Children's Centres. The services required can be subject to change and staff remain employees of the council, which is an obstacle to integration and progression across the wider organisation in the case of an academy or multi-academy trust. Inspections also remain on a separate track, creating significant extra burden for any head. More schools are likely to be tempted down this route if they are offered the opportunity to bring provision fully within the remit of the school.

Steps that would support this agenda include:

- : A government backed social finance deal for strong sponsors and schools wanting to set up new school-linked private or voluntary settings. This would have to match commercial interest rates and payback periods and offer government-secured loans.
- : Help supporting good academy chains to find suitable sites in deprived areas so that they can be assured of identifying viable locations and avoid situations where they are competing with existing good, maintained, voluntary or private sector providers.
- : Financial support to those schools and academy chains who take on leadership responsibilities vis-à-vis nearby Children's Centres and maintained nursery schools so that they can run them properly, and to the same standard as their school-based provision. This should be part of a clear national strategy for Children's Centres and maintained nursery schools that sets school leadership, and potentially integration, as a central plank of future development.

67 So far, the only Academy Trust known to have done this at scale is St Bede in Bolton, which now runs seven private day nurseries through a separate charitable wing.

68 Birmingham, Tower Hamlets and Enfield are examples already developing hub and spoke models for their Children's Centres, which place schools centrally.

Conclusion

Efforts to address the gap for disadvantaged children through early learning and childcare policy have so far under-delivered. A combination of underlying structural issues for providers in disadvantaged areas and insufficient investment in quality has meant that the experiences of disadvantaged children remain unequal and they have not caught up. Because of the new 30-hours offer to working families and pressure on Children's Centres and maintained nursery schools, there is a significant risk that things will get a lot worse.

If policy-makers want to narrow the gap or prevent it getting bigger, a new policy direction is required to tackle the underlying problems affecting the quality and take-up of early years provision for disadvantaged children. Financial investment will be required. But more broadly, there is also an opportunity now to drive progress through setting the framework for far more school-led and school-linked provision in deprived communities.