



# **Childcare Sufficiency Assessment 2021**

## **Snapshot 1 academic year 2021-2022**

### **Autumn Term 2020**

**January 2021**



## Contents

Introduction .....	3
Comparison of Autumn Term 2019 with Autumn Term 2020 .....	3
Early Learning for two year olds .....	3
Proposed Actions .....	4
Universal Entitlement for three and four year olds.....	4
Proposed Actions .....	5
Extended Entitlements for Working Parents (30 hours childcare) .....	5
Proposed Actions .....	6
Conclusions .....	6
<b>Close monitoring of the childcare market is needed.</b> .....	6
Risks .....	6
Mitigations .....	7
Appendices.....	8
Statutory duty for sufficiency .....	8
FEEE - Free Early Education Entitlement.....	8
How the IEYS processes FEEE.....	9
Early Learning for two year olds .....	9
Universal Entitlement for three and four year olds.....	10
Extended Entitlements for Working Parents (30 hours childcare) .....	10

# Introduction

The Covid-19 pandemic has seriously affected the provision of early childhood education and care (ECEC) provision in Tower Hamlets and all other councils nationally.

After careful reflection the Council has decided to use its Childcare Sufficiency Assessment (CSA) duty to support post-Covid recovery for under five education and childcare services. The CSA format will be as a termly snapshot comparing the current term with the equivalent term in the preceding year. There will be three snapshots annually. These will comprise the relevant CSA.

This document is the first snapshot for academic year 2021-2022. It is a comparison of the Autumn term 2019 with the Autumn term 2020. It covers most settings delivering the free early education entitlements (FEEE). Figures for the universal provision for three and four year olds in school nursery provision in primary schools and maintained nursery schools are not available for 2020-2021 and so are not included.

## Comparison of Autumn Term 2019 with Autumn Term 2020

As predicted by the IEYS at the start of the pandemic, Covid-19 has had a considerable negative impact on the take up of all FEEE places locally. The most significant impact has been on early learning for two year olds (EL2). Full details can be found in Appendix 1: Occupied Places.

### Early Learning for two year olds

There has been a decrease in the take up of EL2 places Autumn 2020 compared to Autumn 2019. The overall EL2 eligibility figure is 1,792 (January 2021). 801 children are in an early education placement (January 2021). Current take up is 44.7%. In the Autumn term 2019 take up was 64%.

There are 1,134 “active cases” on the IEYS database. This database uses the DWP information (usually termly) to log children who are eligible for an EL2 placement and whose parents want to access a place. Of these children, 801 are in placement and 333 are in the placement process. This means details have been sent to providers and the IEYS are awaiting confirmation of an offer.

The remainder of those parents whose child is eligible for an EL2 place report that they prefer not to use their entitlement to access group care as their child is “too young” or that they are concerned over the risks of Covid-19. These parents are currently encouraged to attend EL2 stay and play sessions at children’s centres. This means that since the 2017 IEYS restructure and the transfer of the EL2 placement process to children’s centres, all families eligible for a place are now in touch with council services. Most attend children’s centre EL2 virtual stay and play sessions. Face to face sessions are provided for families entering vulnerability continue (suitably socially distanced) during the pandemic. These children and their families are likely to be newly vulnerable as they are part of the most disadvantaged groups locally. The annual birth cohort is around 4,000 babies. During the pandemic these babies and their families have been deprived of the usual informal support networks and socialisation necessary for the successful development of the young child. This and associated issues are under serious consideration by the council.

All the potential eligible families on the December 2020 DWP list have been contacted by children’s centre staff via telephone and letter and given information about their eligibility status and advice

about childcare and other services. Families are offered appointments to discuss early learning options: education and care settings, childminders and access to targeted EL2 play sessions. Settings have been contacted by the children's centre staff to establish available placements; vulnerable families have been prioritised.

During this process staff report that some parents are reluctant to access group care and many are reluctant to take up the EL2 places due to Covid-19. Children's centre staff continue to maintain contact with these families and offer one to one support on the importance of early education as well as access to sessions.

Only two wards, Poplar and Island Gardens, show an increase in EL2 take up: 6% and 25% respectively. However, this increase describes only three additional children.

The main factors that have caused the dip in take-up are:

- The Covid-19 effect – lockdowns, shielding, BAME, parental concerns about the safety of their children and the safety of elders in the family, family and childcare providers' bubbles (reduced numbers to ensure social distancing);
- Delayed recruitment of IEYS outreach workers due to council recruitment freeze – reduced promotion of EL2 in the community;
- Full information is available on the council website. Many families have limited IT in LBTH and parents will have reduced access to IT if they are also working from home, home schooling or providing unregistered childcare.

#### Proposed Actions

- Continue to energetically market EL2 early education through children's centres;
- Continue to encourage attendance at EL2 face to face small group sessions in children's centres for those families unwilling to access group childcare. This is a priority targeted area for all children's centres;
- Work with Hemsall's (DFE appointed consultant group) to identify process and practices that have increased take up and where it has reduced or slowed down the take up;
- Utilise data to improve direct marketing and encourage providers in high eligibility but low take up areas to review or reconsider their policy on EL2;
- Resume recruitment as soon as possible of new outreach workers to improve take up of EL2. Whilst outreach to eligible families is incorporated into the overall children's centre outreach strategy, these workers provided a valuable extra resource when in post.

## Universal Entitlement for three and four year olds

There has been marked drop in the number of children accessing the universal three and four year old offer Autumn term 2020. In Autumn 2019 there were 7,373 children accessing this offer. This figures includes all FEEE provision: childcare, child minders, primary school nurseries and maintained nursery schools.

In Autumn 2020 the attendance for all ECEC settings was 3,765: a massive decrease of 49%. This decrease was driven by parental concern over Covid. As mentioned earlier, this section does not include the detail of school nursery provision by school nursery. These site level figures are not held by the IEYS.

The financial impact of this drop in take up was masked by the DFE decision to "block buy" childcare nationally March to December 2020. From January 2021, the system returns to funding "following

the child". Children attending childcare and child minders will be recorded on the Early Years Census (IEYS). Children attending primary school nurseries and maintained nursery schools will be recorded on the School Census (Data and Intelligence). The universal entitlement is the one that is significant for DSG and for the majority of all ECEC settings' funding. It is likely that income for PVI settings will decrease significantly. This will reduce staffing and therefore reduce places. The issues have been raised through lobbying of the DFE and the Treasury by senior officers, the Lead Member and the Executive Mayor.

The main factors that have caused the dip in take-up are:

- The Covid-19 effect – this is the most common reason for the drop in the take up of FEEE funded places. In LBTH most parents accessing the universal offer are not both working. They have followed government advice and chosen not to take up the offer of a childcare place due to the present pandemic situation.
- Previously some families who were offered nursery places in schools would take up the offer because they were concerned that failure to do so would affect their child having a place when they turned five. The closure or limitation of school nursery provision has discouraged parents from taking up school nursery places.
- Some providers have reduced their places offered in order to meet the social distancing requirements. This may have resulted in them maximising their offer to those who are fee paying parents. For example, parents needing extra childcare hours on top of their 15 hours entitlement or who wish access a childcare place for a younger non-funded child. Settings will prioritise these parents as they generally pay a higher rate for their childcare.
- We suspect that there has been a reduction in the number of vulnerable children attending early childhood education and care (ECEC) provision since the first lockdown. Children's centres have ensured that all these groups are contacted as they may be entering vulnerability.

Whilst the numbers have increased in the Autumn term 2020, we do not believe that take up has returned to pre-pandemic levels. Other London LAs report a similar picture. It is not clear exactly where DFE assertions about overall take up "returning to normal" come from.

#### Proposed Actions

- The key area of work for this aspect of funding will be to ensure that, wherever possible, families of vulnerable children are encouraged to take up the entitlement offers. This will be done through the children's centres and the providers.
- Contacts need to be co-ordinated through partner agencies: children's centres, health professionals and providers. Partners should reassure families that childcare is safe and also describe the educational benefits to the child. To enable this to happen there needs to be further information provided concerning transmission routes, twice weekly testing of ECEC staff and preferably the vaccination of these staff as soon as possible. Discussions in this area are underway.

## Extended Entitlements for Working Parents (30 hours childcare)

As with all the FEEE there has been a drop in the take up when 2020 is compared to 2021. In Autumn 2019 there were 869 children accessing this offer. In Autumn 2020 this reduced to 742 a decrease of 15%. This is the smallest decrease in FEEE take up and can be attributed to several wards that increased their take up:

Ward	Number increase	% increase
Weavers	12	35%
Bromley South	7	54%
Lansbury	7	18%
Canary Wharf	2	4%
Blackwell and Cubitt town	1	2%
Island Gardens	2	8%

The main factors that have caused the dip in take-up are:

- The increase has mainly been in the south east around the Canary Wharf area. There have been new providers opening up in these areas and existing providers have increased their capacity;
- The Covid effect for this entitlement relates to parents moving from a closed provider to a new one. For example, out of borough providers are often less well supported than those in LBTH and are closing. Parents are seeking cross-border childcare from open providers within LBTH.
- The increased eligibility threshold from below £100,000 to £150,000 has enabled more families to access this entitlement. This is a reflection of income in Canary Wharf;
- Another factor is families of critical workers returning to the work force and entering eligibility for this entitlement.

#### Proposed Actions

- Track the changing pattern of this entitlement should be implemented as there has been a change in working practices for major firms in Canary Wharf. This could result in access to this entitlement decreasing if the eligibility criteria changes back and fewer families can access this entitlement;
- Also with more employers looking to encourage their workforce to continue working from home the areas that in the past have had a high level of commuting parents take up the places may see a drop in take up. Providers will have to develop their offer to remain sustainable as parents may choose childcare nearer to home;
- If there is an increase in job losses fewer families will be eligible for this entitlement. This could also contribute to lower take up.

## Conclusions

**Close monitoring of the childcare market is needed.**

#### Risks

##### 1. Closure of early education and childcare settings

At present and as predicted we have had a reduction of take up of FEEE across the board in the Autumn term 2020. Until January 2021, the sustainability of ECEC has been enabled by the DFE block funding of FEEE March to December 2020. This has offset losses of income from fee paying parents during lockdown and enabled restricted opening. If this approach does not continue and payment is made as before the pandemic based on number of children in the setting, then due to the present situation many of the businesses and school nurseries may no longer be sustainable. The DFE appears to be reflecting on their policies in this area.

##### 2. Challenging financial constraints for early education and childcare settings

Childcare providers have, in the past, charged parents whenever their child is absent, holiday periods, retaining fees, notice periods. This practice occurred even when the setting was not offering

a service e.g. bank holidays and lockdown. The Competition and Marketing Authority (CMA) following an investigation in March 2020 identified that some of these practices were deemed unfair or unjust. If challenged this would result in providers being fined and having to refund service users (parents). Some practices could continue but at lower rates, for example, notice periods and retaining fees. For providers who have not been able to furlough staff due to complexities of the schemes in relation to FEEE and fee-paying parents, this has added another level of financial constraints, adding to questions around financial sustainability.

#### Mitigations

1. A Snapshot Childcare Sufficiency Assessment (SCSA,) to be produced termly, will enable the council to identify trends and changes in the market and advise providers on how to address them. It will give a fuller picture across the year as opposed the annual census that only shows the situation on one specific day.
2. Schools to log their universal three and four year old data on the IEYS IT system. Two additional staff would be needed to monitor the accuracy of the data and enable funding agreements for schools.
3. Continued weekly data from all ECEC settings (including school nursery provision). The current DFE requirement for this is enabling IEYS to gather a more detailed overview of the full early education and childcare situation, not just in relation to the FEEE. This monthly data update will operate alongside the Snapshot Childcare Sufficiency Assessments to help identify market trends and monitor vacancies and capacity as close to real time as possible.

## Appendices

### Statutory duty for sufficiency

All local authorities are required to monitor the level of early education and childcare places and ensure that there is sufficient high quality childcare available for working parents and all eligible families. This is challenging as providers are either private businesses, sole traders or organisations independent of the council (e.g. school nursery provision).

Eligible families are those who are entitled to a Free Early Education Entitlement place. It is not a requirement for the LA to supply or provide the early education and childcare as such, but to take action where needed to promote and encourage new providers and to meet government FEEE targets.

Several enablers form part of the sufficiency duty:

- All providers must attain the defined level of quality of provision to receive FEEE eligible children and this is based on Ofsted Inspection judgements;
- Early education should be graded “Good” or “Outstanding”. This requires support from the council;
- The LA is required to support existing providers in improving their practice where the level of quality has been identified as insufficient for funding to be continued;
- The council also has statutory duties for safeguarding all children and investigating any allegations against staff.

At the present time in Tower Hamlets there are 98% of private, voluntary and independent childcare settings that have a “Good” or “Outstanding” Ofsted judgement.

### Summary of the Free Early Education Entitlements (FEEE)

This is the term used to describe all free early education and childcare entitlements that parents can receive either universally or by meeting the defined eligibility criteria. There are at present 3 early education and childcare entitlements available to families of children aged 2- 4 years.

#### *Early Learning for 2 year olds (EL2)*

To access this entitlement families must be eligible and meet the low income and disadvantage criteria set by the Government. Most parents receiving this benefit are not working and rely on universal credit. Eligibility refers to the household income (not parental income alone.) The DFE and DWP do not provide ethnicity information. Parents are asked to record their ethnic group during the council process. Most parents choose not to do so.

Where a child is eligible, a place can be accessed from the term after the child turns two years of age. The entitlement equates to 570 hours a year of free early education and can be taken either as 15 hours a week during term time or spread over a longer period up to the full year (stretched offer) depending on the family’s needs and the early education and childcare provider’s service offer.

Locally the council ensures that providers receive one of the highest possible rates nationally. Even so, this is insufficient to cover the salaries of the staff needed. A setting must maintain a ratio of one adult to four children. Older age groups have a ratio of one adult to eight children. If a setting fails to keep in ratio Ofsted is likely to remove its registration (i.e. close it.)

#### *Universal Entitlement for three and four year olds*

All children are eligible for this entitlement from the term after their third birthday. It is again 570 hours a year or 15 hours when taken on a term-time only basis.

### *Extended Entitlement for Working Parents (30 hours childcare or the additional hours)*

This entitlement, often referred to as the 30 hours childcare, is for working parents who meet the eligibility criteria and again applies from the term after the child has turned three years of age. It is an additional 570 hours added to the universal entitlement for three and four year olds. If both are taken on a term-time only basis this equates to 30 hours per week, which is where the vernacular title originated. Both parents must be working and earning less than £100,000 a year each. During the pandemic this figure has been increased to £150,000 a year for critical workers up to 31<sup>st</sup> March 2021 in recognition of increased hours many critical workers have to undertake. Where working parents access this benefit as well as the universal offer they receive 1,140 hours of early education and care: this covers 48% of the costs of the childcare needed, assuming both are in full time employment.

### *Note on functions*

The council is responsible for ensuring that all the entitlements are legally valid for each child and that the child is attending at the setting claiming the entitlement. The IEYS fulfils this duty for all the entitlements claimed by childcare provision. Other parts of the LA are responsible for these requirements in relation to school nursery provision. The IEYS supplies correct data on school access to EL2 and the additional hours to other parts of the council.

### *How the IEYS processes FEEE*

Prior to COVID-19 the IEYS paid all PVIs an estimated 50% payment at the beginning of term based on their previous term's payments. The second payment was then adjusted accordingly, following their entries on the headcount and also any additional EL2 places that started with the provider post headcount. The numbers are influenced by Early Years Census taken each January by the DFE and processed by the IEYS. For most of the year, payments are based on actual attendance which is checked by the IEYS in line with the funding agreement signed by all childcare settings.

If an eligible 3/4 year old moves ECEC settings/providers mid-term, the funding remains with the provider who entered them on the headcount and does not transfer to the new provider.

The IEYS checks and pays all FEEE payments for PVI providers and child minders. IEYS checks entitlements for school nursery provision for the additional hours and for EL2 and passes this school information to Schools Finance. Schools Finance pays schools for all the FEEE entitlements.

The local system is complex. Schools Finance and IEYS are discussing ways that systems can be streamlined and improved.

### *Take up of the free entitlements*

#### *Early Learning for two year olds (EL2)*

The take up of EL2 places has historically been low within Tower Hamlets, even though it has a high percentage of eligible children. There are several reasons for this, the most common being children's cultural and linguistic barriers, the low hourly rate and insufficient early education places. Capital funding is required to create these places, land or properties must be available. The IEYS has fully accessed all DFE support in this area and visited more successful LAs in order to use their practices where appropriate. The IEYS works closely with the Education & Partnerships Capital Projects Board and with Assets Management in relation to properties and building work. There are various council level funding streams that can be accessed. However, the issues for potential private providers are the cost of salaries and rent locally. There is also a shortage of suitably qualified staff.

Work has been undertaken in previous years to highlight to parents the benefits for their child in attending good quality early education, through the use of outreach workers, support through children's centres, promotional and media campaigns, reaching out to community groups and working with other partner agencies e.g. health and private providers. The most successful method locally has been word of mouth: through the children's centres' support and through the outreach workers. The IEYS will resume recruitment of outreach workers as soon as possible.

The temporary outreach workers quickly resulted in an increase of take up to 64% of eligible children over the three months of their employment. Their success removed LBTH from the bottom of the EL2 take-up table temporarily.

There has also been an increase in the number of available EL2 places through the council's provision of capital funding projects that support new and existing PVI's to increase their capacity and encouraging schools with spaces to address their falling rolls by creating 2 year old places.

The main reason why many childcare providers choose not to offer EL2 places can be explained by the significant difference in the funding rates. EL2 places are funded at a rate of £6.50 per hour as opposed to the higher rate for three and four year olds which is £7.16 per hour. Also, the ratio of staff to children is 1:4 for two year olds and 1:8 for three and four year olds or 1:13 where there is a teacher. The higher staffing costs and lower hourly rate makes this an unattractive business option for some PVI providers especially those whose core business is more focused on childcare for working parents. However, for schools with falling roll numbers it can be a useful source of some income and it is likely that families will then stay on through the school. A school offer is often taken up by families whose older children are already attending that school. Local hourly rates (even for EL2) are higher than in most other local authorities. This is a deliberate policy on the part of the IEYS supported by decisions at Schools Forum.

As a result of the low take up of places LBTH has been invited (2021) to be part of a DfE funded support project led by Hemsall's (previously Childcare Works).

#### *Universal Entitlement for three and four year olds*

All three and four year olds are entitled to the 15 free early education and care hours a week from the term after their third birthday. There is no eligibility criteria other than age. It is very much up to parents whether they choose to access this entitlement or not. This has not been an area of low take up so no specific targeting has been utilised in the past few years. Successful EL2 placement leads naturally to increased three and four year old take up.

It is an offer that applies to all ECEC providers, although it may come in different forms depending on the provider and the parents' needs. For example, a full day-care provider may stretch the offer over 48 weeks a year instead of the 15 hours termly as this better meets the needs of working parents. Schools and term-time only playgroups offer the entitlement as 15 hours a week for 38 weeks a year.

#### *Extended Entitlements for Working Parents (30 hours childcare)*

LBTH was part of the pilot of the extended entitlements or 30 hours as it was called at that time. Work was undertaken with providers to encourage them to take up the option of offering parents this additional entitlement as, unlike the universal three and four year old offer, providers can opt out of this entitlement. One main nursery chain in the pilot were clear that this was **not** an offer they would consider as they did not believe many of their parents would either meet the eligibility

criteria or wish to access it. However, when it was rolled out nationally, they changed their mind. There are issues for providers as the funding level is low.

The 30 hours tag has been problematic as it left many providers setting up systems that do not meet the budgeting needs of families: for example only offering the 30 hours during the term and then requiring the parent to pay full fees outside of the 38 weeks e.g. holiday periods. Others breaking down the six hours a day to split offers, three hours in the morning 9.00 to 12.00 and three in the afternoon 1.00 to 3.00. They charge for any extra hours and for meals at a higher rate. Initially it was impossible for LAs to challenge this. However, with the updated information from the DfE on what requirements providers must meet this has led to clearer more detailed funding agreements setting out what the LA can and must do. The local funding agreement with childcare providers fully reflects this updated DfE guidance. There is no funding agreement between Schools Finance and schools.

This entitlement was designed to meet the needs of working parents and to encourage parents to join the workforce by addressing the cost of childcare on a family's budget. It is at odds with EL2 which supports the most disadvantaged.

The recent work of the IEYS has been to encourage providers to offer a stretched offer to parents that better meets their working needs over the year and to promote this entitlement to parents.