

The **funding crisis** in the early years

Action Week - 10 June 2019. Join us!
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The funding crisis in the early years

There is at least a £662 million black hole in early years funding.

Costs for childcare providers especially in the form of increases to the national minimum wage, business rates and new pension contributions - have risen sharply in recent years but funding has simply not kept pace.

In fact, current funding levels were set following a cost analysis in 2015 using data that was already two years old. These funding levels have been frozen by the government until 2020 – if nothing changes before then providers will receive funding based on data that is almost eight years old.

Many providers are already struggling to break even and some have been forced to close all together. Most parents will have seen their fees for non-funded hours and ‘voluntary’ charges increase.

This summer, as the government conducts its Comprehensive Spending Review, we want the Fair Future Funding Action Week to change that.

We are campaigning for:

The government to urgently review funding levels to ensure they match the true cost of delivering quality childcare.

A commitment from government to review rates annually to ensure funding keeps pace with rising delivery costs.

Getting early years funding right is not just about helping providers. Underfunding has meant children from disadvantaged backgrounds, children with additional needs and children with SEND are missing out on childcare. The early

years should be a crucial tool in narrowing the attainment gap and improving social mobility - but current policy and underfunding is failing to harness that potential.

What will happen if early years funding doesn't rise?

Higher fees for parents

Childcare costs will continue to rise for families as providers are forced to charge higher prices for private childcare hours to subsidise the shortfall in funding.

Two thirds of childcare providers have already increased parent fees for non-government hours in the past 12 months with nine in 10 planning to do so from April this year.¹

Parents returning to work following parental leave are particularly vulnerable to high childcare costs – and more than half of those providers responding to a recent survey warned childcare prices would also go up for very young children.²

Even the government's own research has found that underfunding has made 30 hours not completely flexible or free for all parents with ‘substantial proportions’ reporting restrictions on when they could use the hours (48%) or having to pay charges for additional items or activities (56%).³

Childcare settings will continue to close leaving parents with less choice, or no childcare at all. Almost one in five childcare providers (17%) in the most deprived areas of England anticipate closure in the next twelve months – over twice as many as those in the most affluent.⁴

Parents of children with SEND already struggle to find suitable childcare because providers cannot afford to offer the extra care required for these children. Research carried out for the government found settings planned to cut costs by “limit[ing] the intake of SEND or disadvantaged children as a way to cut hourly delivery costs.”⁵

The same research found providers planned to reduce the wage bill by replacing senior high-paid staff with more junior staff, which could have a profound impact on quality across the sector.

More provider closures

Childcare providers cannot afford to deliver the ‘free’ childcare entitlements on the money given to them by the government.

According to government data the number of early years providers fell by almost 10,000 between 2016 and 2018 from 90,300 to 81,500.⁶

A recent Alliance survey found over two thirds of providers (70%) say their funding rate is lower than the cost of delivering the ‘free entitlement’ to three and four-year olds – with nine in 10 saying if this continues into next year the financial impact will be negative.⁷

Many will be forced to close their doors for good if funding does not meet the cost of delivering the government’s flagship childcare schemes. Four in 10 (42%) childcare providers said they may have to close their setting in the next academic year due to the 30 hours and/or underfunding.⁸

Support us

Visit: www.eyalliance.org.uk/fairfuturefunding

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References

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