



Implementing the 10-year Childcare Strategy

Social Market Foundation seminar series
with Bright Horizons Family Solutions



The Social Market Foundation

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Foreword

Bright Horizons welcomes the opportunity to support the work of Social Market Foundation in exploring what the new market management role for local authorities really means for child care in the UK. As we move into the implementation phase of Government's 10 Year Strategy, the proceedings of the two seminars discussed here take their place as an important part of this huge work in progress.

It is unlikely that we will see this constellation around child care again in our lifetimes, and we know that thinking about life-changing issues such as early education, care, health, work life balance, human capital management and defeating poverty, in combination, is harder.

We must not miss the opportunity to retain the best in what we have, irrespective of who is providing it; we must not let the quest for a particular model drive out good practice; we must resist institutionalising a service which, at its best, is built around the personalised needs of families; we must embrace the idea that the final outcome will probably be a consolidation of a broad based market, rather than a threat to any particular provider sector; and we must recognise that processes, as well as structures are critical to success.

Susan Hay
Bright Horizons Family Solutions

Introduction

Early education and care is a unique part of the modern welfare state. In contrast to other public services such as health and school-based education where the government is seeking to introduce diversity of provision, there is already a thriving mixed economy in childcare. For 4 year olds, 80 percent of provision is in the maintained sector and 20 percent in the private and voluntary sector. For 3 year olds, 40 percent is in the maintained sector and 60 percent in the private and voluntary sector.

There is a strong rationale for protecting this diversity of provision. First and foremost, diversity gives parents choice. The needs of each child are different and vary at each stage of life. Parents need to be able to choose the provider that best caters to the needs of their child. Diversity is also a strong guarantee that the sector will continue to innovate in response to the needs of parents.

In its 10-year Childcare Strategy published in December 2004, the Government set out a firm commitment to maintain a mixed economy in childcare. As part of this, the strategy outlined a new role for local authorities as market managers rather than providers of childcare. This has since been underpinned by the Childcare Bill which is currently before Parliament. The Bill puts a duty on local authorities to ensure sufficient childcare in the local area to meet the needs of working parents, in particular those on low incomes and parents with disabled children. While not making local authorities providers of last resort, the Bill is clear that opportunities for private and voluntary sector providers to meet the needs of parents should be given equal consideration.

Moving from being a provider of services to a market manager requires a different response from local authorities.

Effective market management requires local authorities to have a sophisticated understanding of their population and the childcare needs of different groups within that population and a detailed understanding of existing provision. Addressing gaps in provision requires new tools, such as the ability to match demand and supply and the strategic support of business development in certain parts of the sector to respond to unmet demand.

The market management role for local authorities is made more complicated by the Government's commitment to a national network of children's centres and extended schools providing childcare for 0 to 14 year olds. Local authorities are expected to meet targets for children's centres and extended schools by building on existing provision which requires effective coordination with private and voluntary sector providers and, more importantly, schools.

Some local authorities already have experience of market management. Early research suggests, however, that there have been teething problems in other areas, with some local authorities preferring to stick to their traditional provider role and failing to build on existing provision.

To explore the new market management role of local authorities further, the Social Market Foundation, with the support of Bright Horizons Family Solutions, hosted two seminars in 2005. The first looked at the capacity of local authorities to play a market management role. The second explored the extent to which government could make better use of the innovative capacity of the private sector to meet its childcare objectives.

Seminar 1: How can we build capacity and local leadership for market management in local government?

Speakers:

Naomi Eisenstadt, Director, Sure Start, DfES

Denise Freedland, Senior Childcare Manager, London Development Agency

David Walker, Editor, Guardian Public Magazine, the Guardian

Seminar summary

The seminar discussed how the expansion of the welfare state to encompass families with children under 5 would impact on the childcare market and the traditional role of local authorities. It explored the extent to which local authorities will choose to prioritise childcare and the tools available to them to create, manage and supervise the market and the effect that greater independence for schools would have on the ability of local authorities to develop extended schools.

The following key issues emerged from the seminar:

Partnership arrangements

There is a need for local authorities to develop partnership arrangements with schools and with providers including with larger private providers, with whom they are less likely to have

had contact in the past. Developing trust and clarity around objectives between partners will facilitate market management.

Local authority commissioning

Local authorities have significant experience of commissioning services in other areas, for example adult social care. It is important that they use this experience to support the development of a market management role in childcare, as well as pooling experience between authorities. Alongside this, central government could support local authorities by developing standard commissioning arrangements to prevent individual authorities developing different arrangements, making it particularly difficult for providers who contract with more than one.

Local authority performance management

The discussion noted that local authorities can be rated excellent and yet can fail to deliver any substantial childcare. Addressing this requires greater high level commitment to childcare in local authorities but also closer alignment between national childcare priorities and the performance management regime for local authorities.

Market failure

In certain areas, there will continue to be a need for local authorities to provide further subsidies for childcare. The Childcare Affordability Programme run by the London Development Agency is a good example of this. It aims to address the affordability problem that parents in London continue to face due to the additional costs of care in the capital. The programme provides up to £30 subsidy for parents in receipt of the childcare element of the Working Tax Credit. By making childcare more affordable, the subsidy can also contribute to sustainability by helping providers fill spare places.

Quality of staff

A mixed economy must be able to ensure that children receive the same quality of care irrespective of the type of provider their parents choose. This means a significant improvement in staff qualifications in the private and voluntary sectors. While

Ofsted reports good provision across all sectors, there are fewer staff with higher level qualifications in the private and voluntary sectors and more with no qualifications than in local authority provided settings. This will be in part addressed by the Transformation Fund, but further investment will be required to produce a real step change in the workforce.

Extended schools

There is concern that the Government's strategy for schools is moving in two different directions: greater independence on the one hand, while the extended schools programme depends on cooperation between different agencies. Concerns were raised about the sustainability of the programme and the extent to which head teachers will have to charge for activities once start-up funding ceases, with serious consequences for inclusion.

Seminar 2: Could government make better use of the innovative capacity of the private sector?

Speakers:

Ray Shostak, Director, Public Service Directorate, HM Treasury

Norma Jarboe, Director, Opportunity Now, BiTC

Susan Hay, European Chair, Bright Horizons Family Solutions

Seminar summary

The seminar discussed whether the Government was ambitious enough in its proposals for involving the private and voluntary sector in early education and childcare provision or whether it could encourage further private sector involvement by tapping into corporate social responsibility, family friendly working practices and local authority planning. For example, some companies already work with private providers to offer employees onsite childcare facilities, recognising that this is an important part of their recruitment and retention strategy. Encouraging more companies to see childcare as a human resources issue could increase the stock of places. If companies were encouraged to offer some places in company nurseries to the community as well as to employees, this could provide greater access to affordable childcare for all families in the area. Such approaches involve private providers in a range of different ways, drawing on the innovative capacity of each provider, rather than the more standard commissioning arrangements envisaged by the strategy.

The discussion raised the following key issues:

Changing times for the private sector

Most nurseries have lost their 3 and 4 year olds to schools and the extension of paid maternity leave means that many will no longer have as many children under 18 months as more women choose to stay at home. For many private sector companies, this means significant restructuring of their business. Future development, notably the extension of free early education to a flexible offer of 15 hours a week by 2010, also pose real threats to current business models.

Engaging employers

Involving employers can bring about a new supply of childcare and can absorb a layer of fixed costs, protecting affordability for parents. The benefits of involving employers can extend beyond company employees. Many employers also offer places to the community, recognising that the health of the company is dependent on the community's health. Progress could be made through investment in productivity research to support the business case for employer involvement in childcare.

Quality assurance

Employers will be reluctant to get involved in employer supported childcare unless they are assured that the childcare is of high quality. The Government's decision to no longer support Investors in Children could deter employer investment in childcare.

Tension between flexibility and affordability

While recognising the importance of both flexibility and affordability, the discussion highlighted a tension between the two objectives. It will be difficult for providers to cater for different schedules without an impact on price because greater flexibility means providers are not able to use places with maximum efficiency.

Planning

Local authorities could provide planning and tax incentives to encourage the creation of childcare in areas of need. A 2000 Planning Development Amendment in Ireland requiring nurs-

eries to be included in residential development of 70 or more dwellings has worked to increase the availability of places.

The profit motive

Discussion of whether private providers enter the childcare market purely for profit making purposes concluded that, while few did, the ability to make a profit was a critical feature of creating sustainable provision. It also made it possible for government to leverage in co-funding from the private sector.

PFI arrangements

Alongside standard commissioning, more thought should be given to whether PFI type arrangements could create greater incentives for the private sector to get involved in the childcare market and promote more stable, permanent provision.