

Local Government Association Briefing

Impact of the COVID-19 pandemic on the sustainability of the pre-school sector

House of Lords

8 June 2020



Key messages

- Effective, high quality early years provision makes a difference to young children, helping to break the cycle of disadvantage, improving social mobility and offering them a good start in life. Early years providers have stepped in to provide care for vulnerable children and the children of critical workers, to help deal with the COVID-19 crisis.
- More than 69,000 early years providers have temporarily closed during the coronavirus pandemic, with many settings citing financial difficulties as a key reason. Among those that have remained open, many are operating at a loss.
- Current funding arrangements for many private, voluntary and independent early years settings only cover around half of their normal income, and even with additional support such as the business rates holiday, in many cases it is more financially sustainable for settings to close so they can access funding to furlough their staff. This is significantly affecting the sufficiency of early years spaces, with almost two thirds of providers closing¹ leading to reports of critical workers and vulnerable families struggling to find suitable childcare.
- The Government must act urgently to ensure that early years providers are fully compensated for remaining open and that no early years provider is operating at a loss in order to deliver the government's childcare commitments. The Government must also ensure that there is enough money to support providers who are closed to make sure there are sufficient childcare spaces when the current crisis ends.
- Councils want to work to get children back to early years settings as soon as possible. We are however, conscious that social distancing will not be possible in early years settings due to the age of children and the play-based approach to learning. The Department for Education (DfE) guidance must clearly outline health and safety measures and the science supporting wider opening of settings in an accessible manner to reassure staff and parents.

Briefing

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Further information

Funding for early years services

- The Government has said that settings should continue to receive their early years entitlements funding, even if they closed. However, this funding only covers around half of a private nursery's costs with the remaining derived largely from parent fees, which have clearly been significantly cut as most children stay at home. Around two thirds of private nurseries have closed as a result, while those that remain open are struggling financially, with some operating at a loss.
- This financial concern has been compounded by the Government's decision that early years settings are unable to access the Coronavirus Job Retention Scheme (CJRS) in full. They can only access the scheme for the proportion of their paybill that can be said to be privately funded. For example, if a setting receives 50 per cent of its funding from parent fees, it can claim the CJRS for 50 per cent of its paybill. This is despite previous DfE guidance stating that the Government will contribute 80 per cent of each worker's wages of up to £2,500, backdated to 1 March 2020 and that settings can access the scheme while continuing to be paid the early entitlements funding via local authorities. Many settings made business decisions to close based on the understanding that they could access both sets of funding.
- The DfE has now issued guidance confirming that councils can use flexibility in their distribution of the early entitlements (DSG), so that if needed, they can direct funding away from closed providers to those that remained open, to protect sufficiency. The DfE has made it clear this should be a last resort, and only where moving the DSG does not risk the long-term viability of the provider having DSG removed.
- We are concerned that there is not enough money in the system to both help those that are still open and protect those who have closed to ensure we still have providers after the current pandemic. The Government should ensure that no provider is operating at a loss in order to deliver the government's childcare commitments, and that we have enough money to support providers who are closed to make sure we have enough childcare spaces when we need them.
- The Government will also need to consider the impact on early years settings of a phased return to normal – if settings reopen but have significantly reduced demand for a period of time, they will struggle financially to operate.

Re-opening early years settings

- Plans to re-open early years settings must focus on reassuring parents that it will be safe for children to return. We know parents are anxious about sending their children into settings, as evidenced by the low numbers of vulnerable children and children of key workers that have been attending since the start of the lock-down. The Department must therefore focus on persuading parents and staff that re-opening is safe and that these proposals are underpinned by scientific evidence and available in a way that is accessible.
- Councils want to work to get children back to early years settings as soon as possible. We are however conscious of the difficulties facing providers imposing strict social distancing measures, particularly with younger and more vulnerable children, which pose a potential threat to staff and other children's families as they take the virus home with them.

- We are particularly concerned that social distancing will not be possible in early years settings due to both the age of children and a play-based approach to learning. DfE guidance must be clear on health and safety in these settings to reassure staff and parents. We are concerned that, with very little time to go until wider opening was expected, practical guidance for early years providers had still not been published.

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