



Social Research Number: 61/2018

Publication date: 22/11/2018

Evaluation of the Early Implementation of the Childcare Offer for Wales

Executive summary

1. Introduction

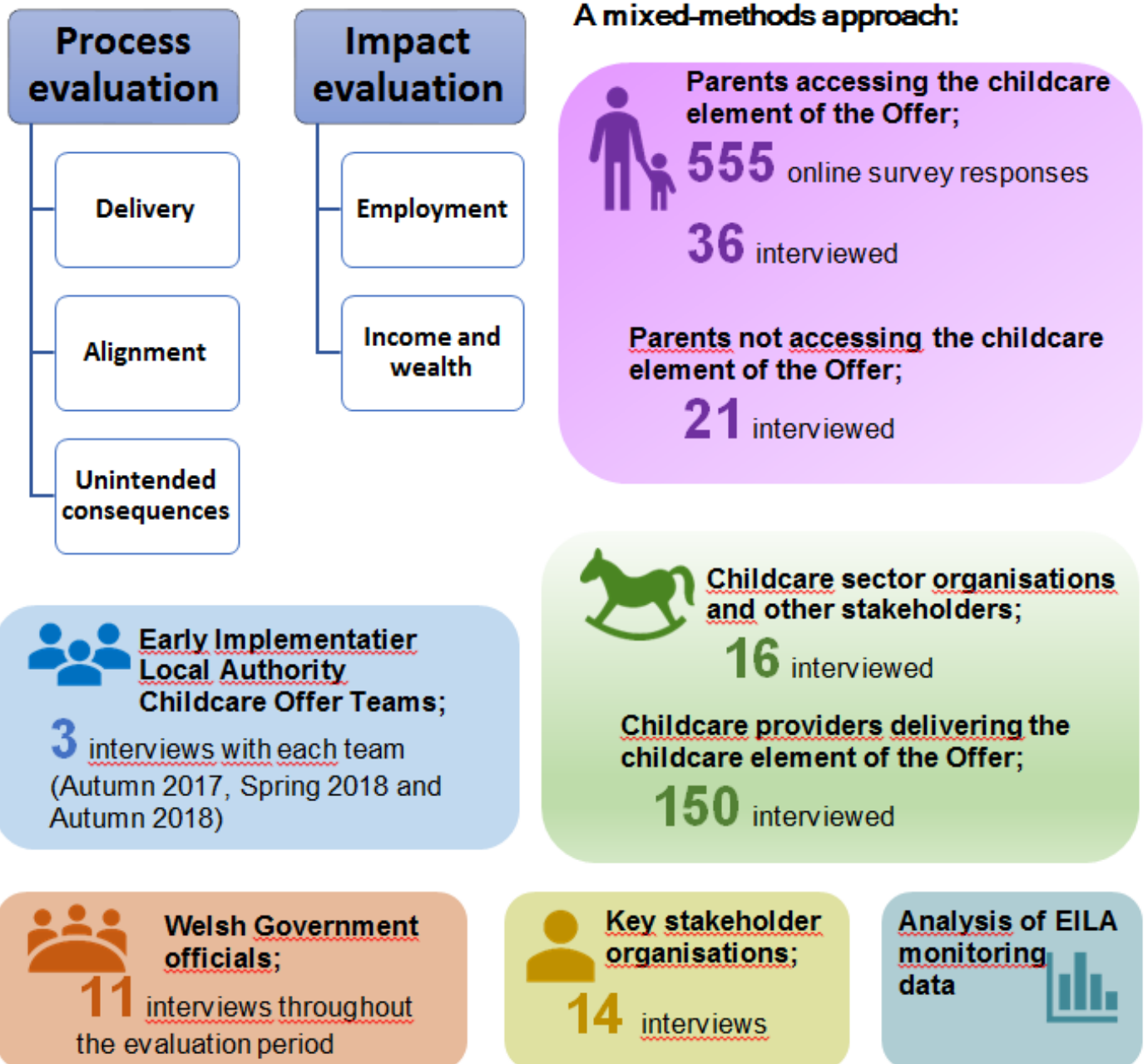
- 1.1 In September 2017, the Welsh Government began the early implementation of the Childcare Offer to test the provision of 30 hours a week of government-funded Foundation Phase Nursery Provision (FPN) and childcare for working parents of three and four-year-olds.
- 1.2 Arad Research, in conjunction with NatCen Social Research, was commissioned to undertake the evaluation of the first year of early implementation of the Childcare Offer. This summary presents an overview of the approach to, and findings of, the evaluation of the first year.

The Childcare Offer

- 1.3 The Welsh Government has committed to provide a total of 30 hours a week of government-funded early education and childcare for 48 weeks of the year, which includes nine weeks during school holiday periods. The Childcare Offer targets three and four-year-old children whose parents earn on average a weekly equivalent to, or more than, 16 hours at the national minimum wage or national living wage.
- 1.4 Since September 2017 the Childcare Offer has been available in the seven early implementer local authorities (EILAs), which included all, or part of, the following local authorities: Anglesey and Gwynedd (joint working), Blaenau Gwent, Caerphilly, Flintshire, Rhondda Cynon Taf and Swansea.
- 1.5 The intended key short-term outcomes of the Offer include:
 - Parents have more employment choices.
 - Parents have increased disposable income.
 - Parents can make an informed choice about using formal childcare.
 - The childcare sector grows in response to increased demand and take-up of formal childcare.

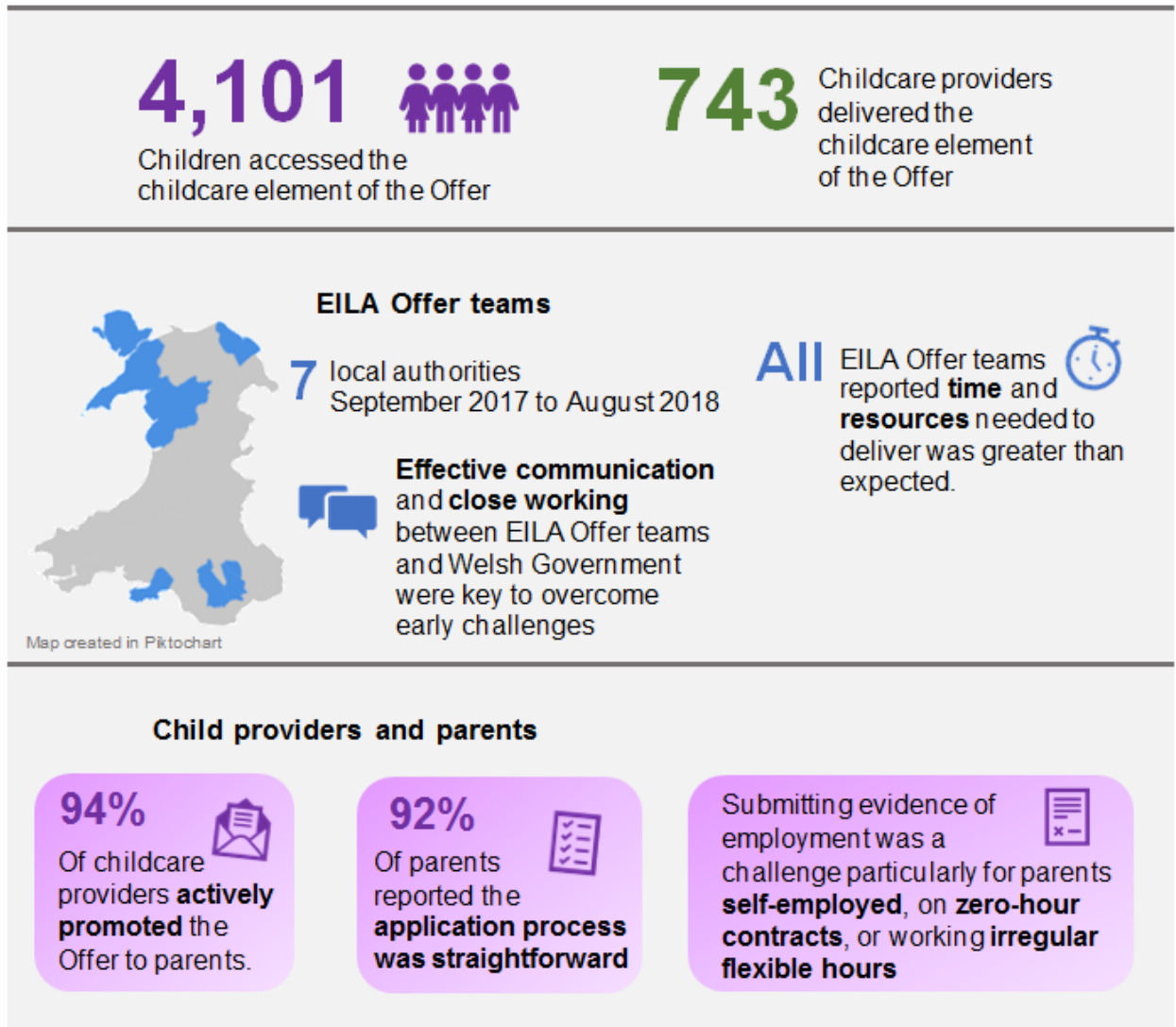
2. Methodology

2.1 The evaluation consisted of two parts – a process and an impact evaluation. A mixed methods approach was adopted for the evaluation, which involved several research strands, as summarised below.



3. Implementing the Childcare Offer

Key findings



3.1 EILA Offer teams: key findings relating to the structure and delivery of the Offer by EILA Offer teams include:

- EILA Offer teams encountered some challenges when engaging childcare providers during the early stages, due to **information gaps** (e.g. hourly rate);
- Previous childcare/education-related roles of EILA Offer team members **positively influenced engagement** with childcare providers.
- EILA Offer teams typically included one full-time, and one or two part-time staff.
- Some EILA Offer teams **‘borrowed’ staff from other departments** within the LA during peak demand on EILA Offer team time, particularly during high application processing periods.

3.2 EILA Offer teams’ **direct engagement** with childcare settings was welcomed by childcare providers and this was effective in raising awareness of the Offer. The majority of childcare

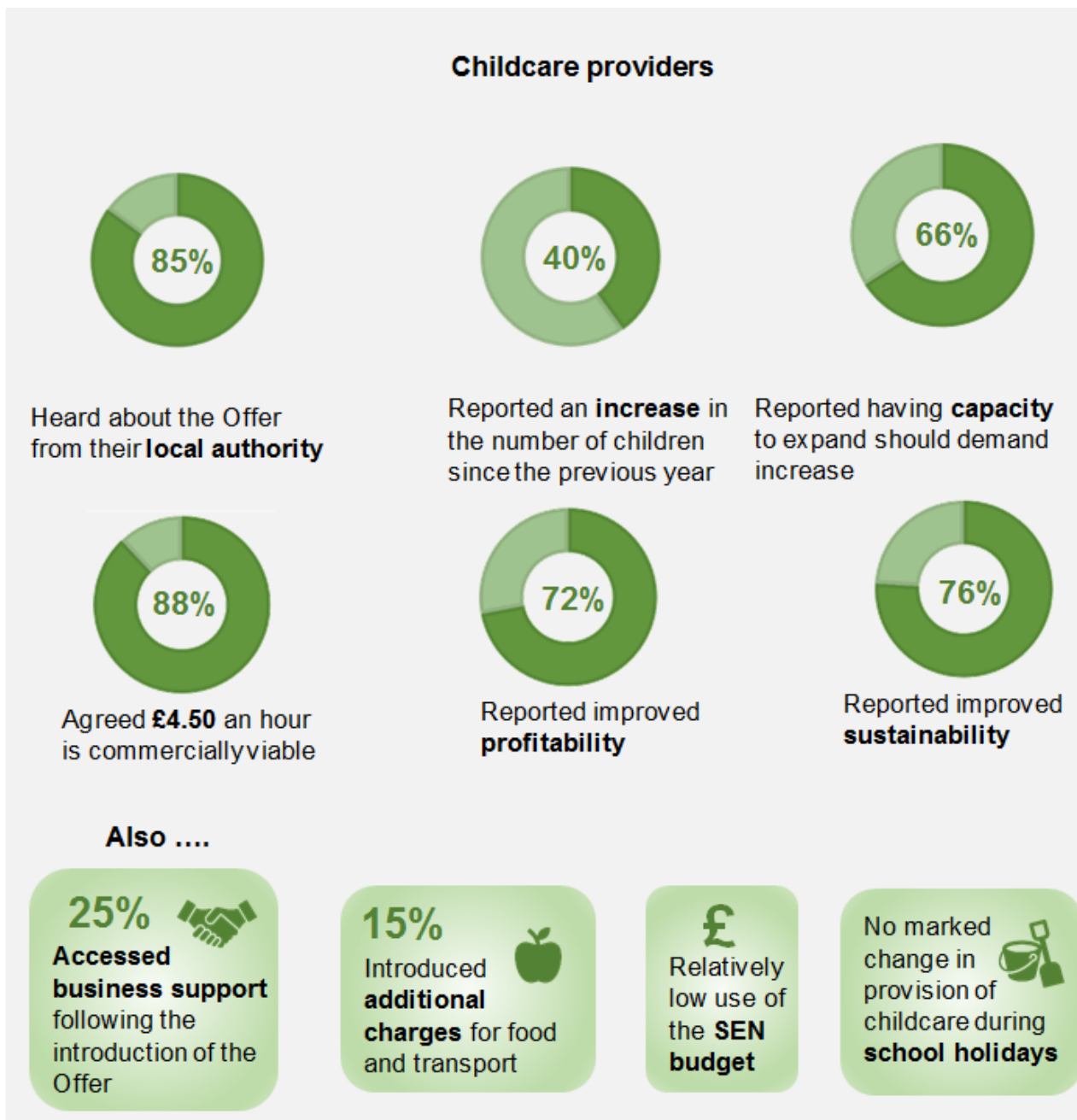
providers reported that signing up for the Offer was straightforward, as was submitting information for payment. The different number of hours of FPN provision offered within, and across EILAs, affected the number of hours of the childcare strand of the Offer that eligible children could access.

3.3 EILAs' engagement with parents involved **raising awareness** of the Offer as well as receiving and processing applications for the Offer;

- EILAs' awareness-raising activities were focused on the selected pilot areas;
- Ensuring accuracy of information was critical as 'word of mouth' was key for childcare providers when communicating the Offer to parents.
- Maintained school settings delivering FPN were not involved in the early implementation processes and, as a result, were less involved in raising awareness of the Offer among parents.
- EILAs estimated 40-60 per cent of initial applications had missing or out-of-date eligibility evidence.
- Some EILA Offer teams invested considerable time in supporting parents to provide eligibility evidence.

4. The Offer's influence on providers

Key findings



4.1 The majority of childcare providers reported that submitting monthly invoices and returns on the number of children booking and taking up places funded by the Offer to be 'simple and quick', once initial technical issues had been resolved. Initial reservations that some childcare providers had about the rate, timings of payments and onerous administration proved to be unfounded.

4.2 **Change in demand** for places reported by childcare providers interviewed included:

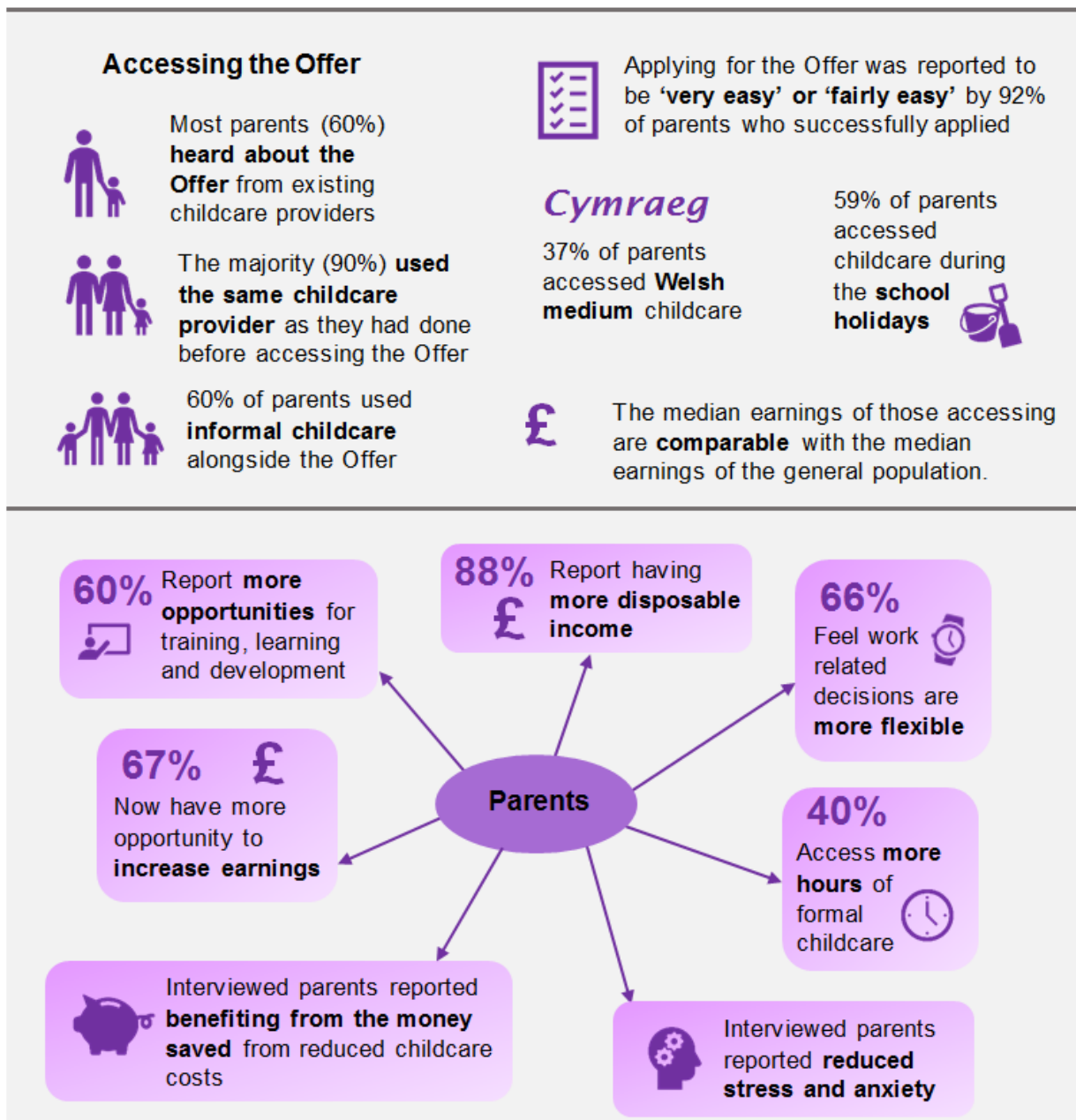
- **No evidence** of a big surge in enquiries for childcare which some providers had anticipated.
- Forty per cent of providers (60 of the 150 interviewed) had **seen an increase** in the number of children at their setting during the past year, and for most, this was totally or partly influenced by the Offer.

- Some **sessional day care providers** interviewed (10 out of 36) had **extended their opening hours**; a few noted that they also planned to open during the **school holidays** for the first time.
 - Fewer (3 out of 47) **full day nurseries** reported extending their opening hours.
 - **No evidence** of childcare providers decreasing their delivery of **FPN provision** in order to provide more childcare funded by the Offer. However, a small number (six) noted that they **may consider changes** of this kind **in the future**.
- 4.3 Some stakeholders' comments on the commercial viability of the Offer reflected the importance of ensuring that the hourly rate is regularly reviewed, rises in line with inflation and takes account of sector-specific cost increases.
- 4.4 Childcare providers reported improved sustainability (76 per cent) and profitability (72 per cent) as a result of the Offer, and noted that this was mainly due to:
- **Higher hourly rates** received through the Offer compared to the provider's usual fee rates.
 - **Increase in the hours** of childcare taken **by existing customers** who now accessed the Offer.
- 4.5 Many childcare providers also reported that maintaining a mix of children of different ages at their setting was important to their future sustainability, and as such they were keen to continue accepting children younger than aged three. Other points relating to the commercial viability of the Offer reported by providers and stakeholders include:
- The minimum **staff ratios** for childcare influences commercial viability and can influence the ability and willingness of providers to take on additional children.
 - **Timing of payments from EILAs**. The majority of providers interviewed (94 per cent) noted that their payments were received in a **timely and accurate manner**.
 - Most childcare providers (**75 per cent**) **had not accessed any business support** during the first year of implementation. Many of those who reported that they had accessed support noted that they had gained this from childcare sector representative organisations and that the focus of this was mainly on training and policy updates as opposed to business planning.
- 4.6 The **delivery cost** per child had not changed as a result of the Offer for most (90 per cent) of childcare providers interviewed. Childcare providers who reported increased costs attributed this to the additional administrative tasks associated with the Offer.
- 4.7 Some providers interviewed (**15 per cent**) **had introduced additional charges** for food and transport as a result of the Offer. Some of these increased charges may have occurred in any case. Some charges were introduced to make up for the shortfall in fee revenue they incurred as a result of the Offer.
- 4.8 Any additional hours of childcare accessed beyond those supported by the Offer are charged directly to the parents. Some **variation in the charging structure** used by providers to invoice parents for these **additional hours** were noted.
- 4.9 **Special Educational Needs** (SEN) provision: Each EILA was allocated a budget ringfenced for the provision of SEN support. However, there has been relatively low use of this budget, mainly because of uncertainty among EILAs as to how to use the budget.
- 4.10 There is no evidence to date of a movement away from **Welsh-medium childcare** as a result of the Offer. The 15 cylchoedd (Welsh-medium playgroups) interviewed were more

likely than other providers to report positively on profitability and sustainability, and all 15 reported that £4.50 an hour was viable.

5. The Offer's influence on parents

Key findings



- 5.1 **Awareness of the Offer:** In addition to hearing about the Offer directly from providers, parents also heard about the Offer through word of mouth and local authority letter or leaflet (for 26 and 24 per cent of parents respectively). Providers and EILA Offer teams reported that some parents were initially wary of the Offer, often lacking trust in something that seemed 'too good to be true' or assuming that as working parents it was not for them. Parents not accessing formal childcare were less likely to hear about the Offer.
- 5.2 Some parents were initially confused about the **eligibility criteria**, particularly the emphasis placed on working 16 hours. Most parents (92 per cent) thought that the application process was straightforward; where there were difficulties reported it was around providing the required documentation and the application being time-consuming to complete.

5.3 Who is accessing the Offer?

- The **median salary band** of individual parents accessing the Offer during early implementation was £20,800 - £25,999.
- The median earnings of those accessing the Offer appear to be **comparable with the median earnings** of the general population in Wales.
- 60 per cent of parents accessing the Offer were **earning the equivalent of, or below**, the Wales median salary.
- 30 per cent of individual parents accessing the Offer were **earning £15,599 or less**.
- The **median salary for the lowest earner** in each household accessing the Offer was £15,600 - £20,799.

- 5.4 Most parents accessing the Offer (94 per cent of survey respondents) were ones who **already used formal childcare**. Of the 60 per cent of parents who reported they were using informal childcare alongside the Offer, 16 per cent noted they were now using less informal childcare.
- 5.5 **Holiday provision:** Fewer parents accessed childcare during the school holidays than initially anticipated. Some of parents interviewed (seven out of 32) noted they were unable to access the childcare provision they required during school holidays.
- 5.6 **Welsh-medium provision:** On average over the first year 37 per cent of children supported by the Offer accessed Welsh-medium childcare provision, with the proportion varying across EILAs. The survey findings indicate that the proportion of parents able to access Welsh-medium and bilingual provision, before and after the Offer was introduced, has remained broadly the same.
- 5.7 **Impact on parents' employability:** The majority (86 per cent) of parents surveyed reported that they currently work the same number of hours as before the Offer. However, 67 per cent reported having more flexibility in the types of jobs they do and the hours they work and 60 per cent reported having more opportunities for training.
- 5.8 The main reason parents reported for **not accessing the Offer** was that their existing childcare provider had not registered to deliver it. Some parents noted that it was difficult for them to understand how the Offer and tax credits fitted together; these parents were of the view that they would be financially better off not accessing the Offer so that the tax credits remained unchanged.

6. Conclusions

- 6.1 The evaluation of the first year of the early implementation of the Childcare Offer in Wales has highlighted a number of benefits and challenges associated with developing, delivering and accessing the Offer.

Early implementation

- 6.2 All early implementation local authorities had established agreements and processes with local childcare providers to deliver the Offer and were able to receive applications from parents by the middle of the summer of 2017. Almost all eligible parents who had successfully applied for the Offer were able to access the childcare they needed by September 2017. Much of this success can be attributed to the good communication and working relationships between the Welsh Government and their local authority colleagues. The enthusiasm of the Offer teams in the seven local authorities also played a key role. The challenge moving forward will be to encourage the same level of enthusiasm and good working relationships with the new implementer areas.
- 6.3 Some early teething problems were encountered with the payment systems to providers in some areas but were quickly resolved in most cases. A more sustained challenge reported by the EILAs has been the larger-than-expected administration burden associated with processing applications from parents. This was particularly challenging for applications from parents who were self-employed and those working zero-hour contracts or working irregular hours.

Communication and awareness raising

- 6.4 EILA Offer teams invested considerable time during the first half of 2017 engaging directly with local childcare providers. This was largely successful despite the fact that there were some important gaps in the information available at the start, particularly in relation to the hourly rate. The majority of childcare providers welcomed the direct and ongoing contact they had with their EILA Offer teams.
- 6.5 As the Offer was only available in selected areas, the communication and promotional activities had to be targeted, and this placed limitations on the potential reach of the promotional activities. Information to parents was mostly delivered by childcare providers, and most parents heard of the Offer from their existing childcare providers. While this process worked well it meant that those parents not using formal childcare were less likely to be aware of the Offer.

Impact on the childcare sector

- 6.6 The introduction of the Childcare Offer for Wales has not, to date, prompted any major changes in the providers' delivery patterns. The majority of providers interviewed (90 per cent) reported that they had not yet changed any of their delivery approaches nor extended their opening hours in response to the Offer. Providers who had extended their operating hours were mainly sessional playgroups. Over half of the providers noted no change in the number of children registered at their setting. Of those who did record an increase in the number of children (40 per cent), two-thirds reported that this was due to the Offer. Two-thirds of providers noted that they had seen an increase in the number of hours of childcare used by existing customers, and much of this influenced by the Offer.
- 6.7 Few providers noted any concerns about their capacity to accommodate the current demand for childcare places generated by the Offer, although many childminders did note

that they were already operating at, or near, full capacity. Other providers noted that although they had the capacity to accommodate more children, they had no wish to take on any more as they feared expanding provision could adversely affect the character of their setting.

- 6.8 **Commercial viability:** The majority of providers consider the payment rate of £4.50 an hour to be commercially viable. Almost three-quarters are of the view that delivering Offer-funded childcare has improved the profitability and sustainability of their business. However, stakeholders and some providers commented on the importance of ensuring that the Offer hourly rate is regularly reviewed, rises in line with inflation and takes account of any future sector-specific cost increases.
- 6.9 For the majority of providers (90 per cent) the delivery cost per child has not changed as a result of the Offer. Some providers (15 per cent) had introduced additional charges for food and transport. A minority (4 per cent of the 150 asked) had increased their fee rate for all parents as a result of the Offer. The methods and amounts of additional charges vary, although in some cases they have been introduced to ensure that delivering the Offer remains commercially viable. This may suggest the need for further guidance for providers on the introduction of additional charges.

Who is accessing the Offer

- 6.10 The median salary band of individual parents accessing the Offer during early implementation was £20,800 - £25,999 and 60 per cent of parents accessing the Offer were earning the equivalent of, or below, the Wales median salary.
- 6.11 The majority (90 per cent) of parents accessing the Offer used the same childcare provider as they had done before accessing the Offer. The Offer had encouraged 40 per cent of parents to access more hours of formal childcare. Most parents (60 per cent) reported they used a combination of informal and formal childcare.

Foundation Phase Nursery provision

- 6.12 The minimum of 10 hours of FPN provision and up to 20 hours of funded childcare provision available through the Offer are often delivered in separate settings. There are a few examples of parents making a choice between accessing FPN or childcare. However, these decisions are not necessarily influenced by the Offer. The introduction of the Offer has, however, highlighted some of the challenges that already exist for some parents in relation to accessing FPN and childcare provision.
- 6.13 Some non-maintained settings deliver FPN as well as formal childcare to rising threes (the term following a child's third birthday). The rate at which some of these providers are paid to deliver FPN is often lower than the rate paid to deliver childcare funded by the Offer. This has led some providers to consider substituting FPN provision for Offer-funded childcare provision. However, no evidence has emerged of providers changing their provision in this way yet.

Welsh -medium provision

- 6.14 The proportion of parents able to access Welsh-medium and bilingual provision, before and after the Offer was introduced, has remained broadly the same. There is no evidence to date of a movement away from Welsh-medium childcare as a result of the Offer.

Holiday provision

- 6.15 Parents who are eligible for the Offer can access 30 hours of funded childcare during nine of the thirteen weeks of school holidays. Some concerns were raised at the outset that this could lead to a situation where demand for childcare during school holidays would exceed available provision. However, fewer parents accessed childcare during the school holiday periods than anticipated. However, seven of the 32 interviewed parents noted they were unable to access the childcare provision they required during school holidays.

Special Educational Needs (SEN) provision

- 6.16 There has been a relatively low use of the SEN budget allocated to each EILA. Those who have used the budget have used it to support activities such as one-to-one support, specialist advice, training and 'backfilling' to facilitate staff training sessions for providers.

Impact on employment prospects

- 6.17 The Childcare Offer in Wales has led to some positive, but not significant, impact on the employment prospects of parents supported by it. The majority (86 per cent) of parents reported that they currently work the same number of hours as before the Offer. However, 10 per cent noted that they work more hours; 67 per cent reported having more flexibility in the types of jobs they do and the hours they work and 60 per cent reported having more opportunities for training. Those who did report improved employability as a result of accessing the Offer were mostly women and parents from lower earnings groups.
- 6.18 The majority (88 per cent) of parents also reported having more disposable income as a result of accessing the Offer. This was mainly due to their reduced childcare costs. Two-thirds of surveyed parents reported that the Offer gave them more opportunities to increase their future earnings.

7. Recommendations

7.1 The following recommendations are informed by findings that have emerged from the evaluation of the first year of the early implementation of the Childcare Offer for Wales.

- Further consideration should be given to ensuring that application processes are as straightforward as possible for all parents. This would include ensuring that self-employed individuals, contract workers and those on zero-hour contracts can demonstrate proof of employment, and therefore access the Offer, as easily as parents in other forms of employment.
- As we move closer to national rollout a more centralised approach to promoting and awareness raising should be considered. This could be linked to further information relating to the eligibility criteria for parents and their access to funded childcare during school holidays.
- More and clearer information may be needed to help parents work out childcare costs taking into account other benefits available to them including child tax credit.
- Consider further alignment between the provision of childcare and the delivery of FPN in relation to access for parents and funding arrangements. This could include co-location but could also include transport to and from settings as well as the joint provision of other wraparound childcare arrangements. Linked to the recommendation above, closer working relationships may be required between schools delivering FPN and childcare providers.
- Further guidance to providers may be required to ensure a consistent approach to charging for additional hours across all childcare settings delivering the Offer.
- Take-up of business support among childcare providers appears to have been low during the first year of early implementation. Further promotion of the support already available to providers should, therefore, be considered.
- Further guidance to EILAs may be required regarding the use of the SEN budget available through the Offer.
- Further research is needed over a longer period of time, in order to provide conclusive evidence on impact. The feasibility of linking to government administrative data records (e.g. HMRC employment records) to support this evidence gathering should be explored further.
- Individual EILAs have produced a large quantity of good quality monitoring data. In order to fully utilise this data during further monitoring and evaluation of the Offer, further considerations may be required to ensure that this data is presented and recorded in a consistent manner across all EILAs.



Full Research Report: Glover, A., Harries, S., Lane, J., Lewis, S., *Evaluation of the Early Implementation of the Childcare Offer for Wales*. Cardiff: Welsh Government, GSR report number 61/2018.

Available at: <https://gov.wales/statistics-and-research/evaluation-childcare-offer-wales/?lang=en>

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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