



childcare: good business for families and communities

## about this report

The paper is the product of numerous discussions with small and larger childcare providers, with civil servants, with local authority officers, with policy experts and with those working in the social enterprise field. We would like to thank all those nurseries who have provided case studies and local authorities that have been consulted. It has been researched and written by Capacity on behalf of NDNA, whose assistance is gratefully acknowledged.

Recommendations are summarised at the end of the paper.

This paper is both an analysis of Government policy as it has impacted on private sector providers and an exploration of the means by which the sector could be strengthened and helped to diversify.

## NDNA

NDNA is a national charity dedicated to supporting day nurseries to provide high quality childcare and education. It has members throughout the UK and its membership reflects the pattern of day nursery provision.

We work to support day nursery providers to deliver quality early years education and care and to represent the sector by:

- encouraging all day nurseries to work towards a consistently high standard of provision throughout our accreditation scheme, Quality Counts;
- giving day nursery providers resources and support to help them deliver quality early years education and care;
- working with local and national government to develop an environment in which quality early years education and care can flourish;
- helping parents find out about and choose quality early years education and care.

## Capacity

Capacity is a public interest body, offering strategic support to statutory and other agencies involved in the creation and delivery of children's services, together with fresh perspectives for improving the quality of children's lives.

A not-for-profit company, Capacity is pledged to promote the needs of young children, their families and communities and to provide strategies to increase social inclusion and to combat poverty.

Capacity's work is focused on five key themes:

- evidence-based models of child development and their implications for public policy, in relation to education, health, social services, taxation and welfare; and economic regeneration;

- childcare as a means of overcoming disadvantage, enabling parents to work and as a hub for economic welfare, building community capacity and reducing exclusion;
- models for effective and confident delivery, putting children's needs at the heart of services;
- the family, as the main context for child development and its contribution to a dynamic and just civic society; and
- mutuality – opening up public services to ensure that those who gain from those services can be engaged in decision-making and delivery.

## contents

	page
introduction and summary	1
day nursery market	2
the pace of change	3
the impact of Government programmes	3
childcare in disadvantaged areas	4
children's centres and extended schools	5
sustainability	5
partnership: public good and private good	6
supporting families	8
supporting integration	9
quality	10
creating enterprise	12
developing models of social enterprise	13
developing a new compact	15
conclusions and recommendations	15

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childcare: good business for families and communities

## **childcare: good business for families and communities**

### **introduction and summary**

Since 1998, childcare has moved into the foreground of public policy as a means, simultaneously, of helping parents to work, reducing inequalities in child development and lifting families out of poverty. In the same period, public expenditure has trebled <sup>1</sup> as a result of the National Childcare Strategy, Sure Start services and - for the first time in the UK - an entitlement to 12.5 hours of free provision each week, for all children aged three and four, rising to 15 hours by 2010.

In December, last year, the Government published *Choice for Parents: the best start for children*. This is a ten year strategy and package of investment for moving nearer to the type of childcare infrastructure of many other European countries and so realising the economic and social benefits of parents being able to work and allowing children's development to reach its full potential.

The strategy promises that the private and voluntary sectors will "continue to play a key role in the delivery of services" and will ensure that private and voluntary day care settings receive the funding they need to provide the increased entitlement to nursery education.

*Choice for parents* is widely regarded as a landmark in the development of progressive policies for children and families and has been welcomed by children's organisations and by the national childcare organisations, among them the National Day Nurseries Association (NDNA).

Government spending, together with increased demand, has stimulated an unparalleled growth in childcare which in turn has attracted substantial private investment. Public subsidies on both the supply and demand side have made childcare more affordable and at the same time increased demand. A further £1.5 billion of expenditure should, logically, create further opportunities for public/private partnerships to deliver further growth.

There are many inspiring examples of private sector nurseries contributing to the roll-out of new childcare places, new nurseries in the most disadvantaged areas and to the emerging network of children's centres. Yet, there are signs of disquiet within the private sector. A recent report by the nursery market analysts, Laing & Buisson <sup>2</sup> reveals a downward slide in occupancy rates within the children's nursery market while an earlier report, published by the same company in February 2005, reports that more than two thirds of all UK nurseries see early years initiatives as a threat and only a quarter of nurseries view current policies as a source of business opportunities. <sup>3</sup>

This paper is both an analysis of Government policy as it has impacted on private sector providers and an exploration of the means by which the sector could be strengthened and helped to diversify.

It considers, firstly, the contribution made by private sector nurseries to the Government's aims of providing affordable quality childcare, to particular targeted initiatives and to the skills and regeneration agenda. It explores whether the reservations felt by some providers about longer-term sustainability amount to a failure of policy to support a healthy childcare market, or to more isolated factors

childcare: good business for families and communities

relating to the different models of partnership which are a feature of local authority decision-making. It considers also the diversity of business models which can be found within the private childcare sector, relating these to the emerging development of social enterprise and suggests ways in which the social enterprise model might add value to day nursery businesses.

The paper is the product of numerous discussions with small and larger childcare providers, with civil servants, with local authority officers, with policy experts and with those working in the social enterprise field. It has been researched and written by Capacity on behalf of NDNA, whose assistance is gratefully acknowledged.

Recommendations are summarised at the end of the paper.

### **day nursery market**

The UK children's day nursery market is estimated to have been worth £3.2 billion in 2004. The sector has experienced a period of strong growth stimulated by increased demand from parents and public investment. The number of places provided by private day nurseries is an estimated 630,000. <sup>2</sup>

The main financial contributors to the sector are parents themselves. The average estimated spend by them was £2.7 billion in 2004. Against this the value of direct subsidies from Government in the same period was £240 million with a further £290 million provided as indirect subsidies through tax credits. <sup>2</sup>

Part-time care in the form of free nursery education for three and four year olds has grown both in schools and in the independent sector. Schools are also poised, in future, to offer childcare, wrapped around the school day.

The majority of private childcare providers are small businesses run by a single owner, on average offering up to 40 places. Larger providers, defined as those operating three or more settings, or those companies quoted on the Stock Exchange account for 10% of the UK nursery market. <sup>2</sup>

The representative body for day nurseries is NDNA. Itself a charity, NDNA has acted as a public voice for owners, and it has encouraged the development of quality systems, conducted research on behalf of the sector and recommended policy to Government and other opinion-formers.

In 2002, female employment in the UK stood at a record high level of 12.9 million. Changing demographic trends have meant that more than half of women with children under five are in paid work while 70% of those with children of primary age are economically active. <sup>4</sup>

Such has been the rate of growth that day nurseries now cater for more under-fives than any other type of childcare and more than 200,000 staff are employed. Why then should day nurseries feel threatened by Government policies? And why, in a period of unprecedented investment and increased demand should the market be nervous and nursery occupancy rates in decline?

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### **the pace of change**

As NDNA has stated, the simple division between voluntary and private providers, between profit and not-for-profit does not express fully the range of motivations and relationships which characterise the private sector. <sup>5</sup> As noted above, the majority of nurseries are relatively small and are owner-managed. For many of them, the motivation is less related to profit than to securing a living while providing a service to other local families. Others, lacking a defined charitable or not-for-profit structure, are, technically, private nurseries but function in a way which is similar to voluntary sector groups.

From the 1950s to 1997, nursery education and childcare were largely neglected within public policy and starved of investment. Some maintained part-time nursery education places were available to children at age four, or in some cases three, but these were generally limited and availability depended on where families lived in relation to local schools.

Childcare was in scarce supply and the vacuum was filled by a mix of non-statutory provision including childminders, playgroups and private nurseries. The dominant strand, playgroups, emphasised play and mutual self-help but offered limited hours. To fill the same gap, small private nurseries, or nursery schools, were often started by women, initially to meet their own childcare needs and those of friends and neighbours. Some of these operated in a very similar way to playgroups, offering socialisation and play opportunities on a part-time or full-time basis. Whether private or voluntary, many operated as small social enterprises, working in partnership with schools and with the community as a whole.

The provision of childcare was regulated by health legislation which addressed standards associated with the care of young children. From a regulatory perspective it was distinct from the nursery education provided by schools. In this way schools and childcare establishments operated within relatively separate spheres, with little or no competition for children.

### ***the impact of Government programmes***

The National Childcare Strategy has both responded to and stimulated rising demand for childcare which is of good quality, allows parents better to balance work and family life, and assists families living on income support to move into paid employment. It has thus placed childcare at the heart of policies to promote inclusion, tackle educational under-achievement and combat poverty. In so doing, it has introduced a requirement for growth and change across all types of provision and broken down the distinction between education and care.

As noted, the result has been a dramatic expansion of the childcare sector, although this has not yet ensured completely consistent levels of provision across the country. Nottinghamshire, for example, has more than 22,000 childcare places, which, in relation to the numbers of children under 14, represents one place for every six children. Knowsley in the North West has a ratio of 1:8 places, while in Tower Hamlets the ratio is nearer 1:10 and in Hampshire it is 1:5.

Within local authority areas, however, availability is not evenly distributed, with fewer childcare places in the most disadvantaged neighbourhoods. In Hillingdon, for example, in West London, the percentage of children with access to childcare

childcare: good business for families and communities

varies from 37% in the more affluent parts of the borough to just 4% in the most disadvantaged wards.

The introduction of free nursery education for three and four year olds has provided a universal childcare entitlement, but has also led to a focus on nursery provision as a foundation for schooling. Childcare providers who want to draw down nursery education grant must now also satisfy clear and extensive standards in relation to education as well as care. While this is undoubtedly a progressive development for children, it has posed challenges and has introduced a larger element of competition into the relationship between childcare providers and schools.

Nursery education grant also represents a stable source of supply side funding, although some providers, particularly in areas where the funding is top-sliced, find the level insufficient to cover the full cost of places. Nursery education grant can help also to stimulate the expansion of wraparound care or additional services. New nursery education places have been created in both the maintained, private and voluntary sectors, but in January 2004, two thirds of three and four year olds were in schools. <sup>7</sup>

The distribution of nursery education places varies from one area to another. In the North East of England, nearly 90% of funded three and four year olds are in schools, while in the South East of England this figure is as low as 48%. Among individual local authorities, the variation is even greater with, for example, in Bracknell Forest only 38% of children receiving early education in schools and at the other end Knowsley and Salford, with nearly 100% in schools.

The effect of this has been to create differentials in the market conditions for growth from one local area to another. Where three and four year olds are wholly or substantially in schools, other childcare providers are likely to offer care for babies and younger children only which, being more expensive, has an impact on their cost structure.

### ***childcare in disadvantaged areas***

Within the nursery sector, private provision is not regarded as a marginal choice, but is used routinely by families on middle or lower incomes as well as by better-off parents. This, in part, reflects the impact of tax credits which subsidise costs at the demand side, making all provision more affordable, but illustrates also the mainstream role private nurseries have played within nursery provision.

Day nurseries are found in all communities. A quarter of private day nurseries and out-of school clubs are in the 20% most deprived wards in England. <sup>6</sup> Providers such as Places for Children and Buffer Bears have, as a policy, developed nurseries in disadvantaged areas and 60% of the places created by the Neighbourhood Nursery Initiative (NNI) in 2003 were in the private and voluntary sector. <sup>7</sup>

In those areas, day nurseries are likely, as are other providers, to be adding value through a range of complementary activities such as family support, help with tax credit or college applications, as well as signposting parents to other services.

A study commissioned by DfES to evaluate local childcare markets found that while targeted initiatives have created new provision, it was not clear whether the new provision would remain financially viable when short-term funding came to an end and those providers had to operate more as businesses without subsidies. <sup>8</sup>

childcare: good business for families and communities

### ***children's centres and extended schools***

Through extended schools, offering dawn to dusk childcare and through a network of 3,500 children's centres, the Government now plans to ensure that all parents can access the childcare they need as well as additional services to help them to move into work or study or to have support as parents.

This is probably the key factor in creating nervousness among private sector providers. Although many day nurseries are already working or preparing to work with schools to establish children's centres, others, particularly those which have lost three and four year olds as a result of changing school admission policies, are concerned about competition from schools as they become providers of childcare.

The threat may be less real than imagined and where there are existing strong partnerships between local authorities and the private sector, there is a clear role for the latter to influence the development of children's centre plans. However, in areas where the sector operates at the margin of maintained provision, these developments, together with the anticipated impact of enhanced maternity leave, reducing the requirement for childcare for babies, leave some owners wondering about the future of their businesses.

### ***sustainability***

In all areas the sustainability of provision is, in any case, a contextual issue. The National Audit Office reported that, between 1999 and 2003, 301,000 places (net) had been lost. This was most marked among childminders, where there was a loss of 193,000 places, but all types of provision were affected by business failure. Perceived threats to existing provision included high staff turnover, competition from other providers and, for some types of provider, the burden of administration. Many existing providers failed to cover their costs, and many lacked sufficient business capacity to judge their future viability. <sup>9</sup>

These factors are affected by local conditions and are particularly marked in the capital where childcare businesses face higher operating costs. A study conducted by the Daycare Trust and Greater London Enterprise found that for every four new nurseries opening, one is closing. Operational difficulties included staff turnover, cost of premises, perceived shortcomings of the tax credit system and a drop-off in demand for places for three and four year olds because of earlier entry to school. As noted above the refocusing of nurseries on younger children increased operating costs, because of the higher ratios of staff required. <sup>10</sup>

The government has acknowledged the issue of sustainability and has set aside a Transformation Fund of £125 million a year from 2006 to support investment by local authorities in good quality affordable and sustainable provision. Simultaneously, the legal duty which is to be placed on local authorities will require them to address sustainability and to support voluntary and private partners.

The extended legal duty will also require local authorities to ensure that provision is responsive to families' needs, to provide active help to providers to deal with sustainability issues and to drive up quality. Additional help in the form of the level of subsidy from tax credits should, as a separate measure, help to address sustainability.

childcare: good business for families and communities

These measures are to be welcomed, but sustainability is dependent on a complex patchwork of factors, many of them local. In deprived areas, sustainability may require higher levels of public funding. In all areas, costs to parents vary around the country and according to the age of the child. <sup>9</sup>

Many providers would welcome a change in the balance of demand/supply subsidies to provide greater security of income and within the ten year strategy the Government has acknowledged that it is aware of the case for this. The projected increase in the free entitlement of three and four year olds which is to grow to 15 hours for 38 weeks a year for all by 2010 will benefit nurseries providing care and education for this age group but, as noted above, this will have little significance where most children are in schools.

The government has created a strong foundation of services for children which, together with increased investment, provides opportunities for further growth. However it is clear that the anticipation of this by providers is mixed with reservations about current issues relating to sustainability and anxiety about the larger part to be played by schools, as childcare providers. Local authorities will therefore play a key role in modelling the ways in which childcare businesses can contribute to delivery plans.

### ***partnership: public good and private good***

The UK has been at the forefront of change in public services, through privatisation, and increased private sector investment in public services. Partnerships between the public and private sectors are a cornerstone of the Government's modernisation programme. They are seen to be a means of delivering better quality public services by bringing in new investment and improved management, also helping public services to achieve their full potential.

In 2001, the IPPR, in *Building Better Partnerships: The final report from the commission on public/private partnerships* identified five different models for the delivery of public services. <sup>11</sup> These included:

- *Public Sector Default.* The public sector provides all services.
- *Private Sector Rescue.* The public sector provides all services, except if public providers are seen as underperforming in which case the private sector acts as provider of last resort.
- *Level Playing Field.* There is equal treatment between different organisations seeking to deliver public services – the decision as to who provides the service is taken solely on a judgment of which provider will provide the best service.
- *Public Sector Rescue.* The private sector provides all services, except if private providers are seen as failing when the public sector would act as provider of last resort.
- *Private Sector Default.* The private sector provides all services on contract to public purchasers/commissioners.

childcare: good business for families and communities

Within the childcare sector, the *Level Playing Field* is perceived to have the greatest relevance. In reality, there are substantial local differences in ways in which partnerships have developed, some depending on historical factors relating to relative strengths of different types of provision and to provider motivations, others connected more to the local political landscape. As a result the particular model of partnership in a particular area will often be a blend of the *Level Playing Field* with elements of other models.

Enfield, in London, an authority with comparatively few school nurseries, all over-subscribed, has looked to private nurseries to fulfill its education and childcare targets. <sup>15</sup> This may be an example of the *Private Sector Default*.

Barnsley, in Yorkshire, which historically had very low levels of childcare providers, has a robust partnership with the private and voluntary sector, which provides the majority of its Neighbourhood Nurseries. This is an example of the *Level Playing Field*. The private sector Neighbourhood Nursery Initiatives have been found to be more market-driven, opening earlier and achieving higher occupancy levels. However, none of these will be part of children's centre development which will take place within schools - *Public Sector Default*.

In Stockton, 90% of three and four year olds are in schools - *Public Sector Default* - but, as a unitary authority Stockton inherited its nursery provision from the former Cleveland County. Within the EYDCP, there is a strong culture of partnership and private nurseries have waiting lists. Area-based children's centres will include private sector developments and there are three privately run Neighbourhood Nurseries - *Level Playing Field*.

In Southampton, similarly, there is a strong commitment to partnership. Of five Neighbourhood Nurseries, three are in the private sector, one in the voluntary sector and one NHS-led. The local authority has a policy not to directly manage future projects - *Private Sector Default*. The development of children's centres will follow the same bidding process.

From the local authorities consulted, it appears that where targeted initiatives are concerned there is a stronger likelihood of private and voluntary sector involvement.

In contrast, the provision of nursery education is not likely to be the subject of tendering processes and where the *Public Sector Default* model is most likely to be evident. Factors influencing the balance of where provision is made may be partly historical but may also include perceptions about the quality of the respective types of provision, their ability to engage with families living in more disadvantaged areas and the preference of parents in respect of nursery education.

However, if the aims of the ten year strategy are to be realised, local authority managers will need to be aware of the impact of different partnership models for the sustainability of all provision, in particular the impact of changing school admission policies on other providers. In the exercise of their new statutory duty to address sustainability and to support voluntary and private partners, local authorities monitor the impact of planned children's centre development on existing providers.

childcare: good business for families and communities

NDNA, working with the support of Government, can support local authorities to develop a range of confident models for partnership, which draw on existing good practice and develop the business strengths of the private sector. It can also encourage and broker partnerships with providers to work with extended schools to meet the challenging requirements of providing cross-cutting and multi-layered services, which meet defined quality standards, are inclusive of all families and which offer best value.

### **supporting families**

Childcare is linked to a range of other overlapping policy initiatives, including supporting parents, Skills for Life and regeneration.

In the UK, as elsewhere, extended family structures have largely broken down; an increasing percentage of children are born outside legal marriage. Rising divorce rates mean that many children and adults will combine and re-combine in different family units over the period of their lives, while a large minority of families will be headed, for longer or shorter periods of time, by one adult.

Family learning and family programmes to support parenting or to improve family relationships are part of a continuum of support which includes health visitors, social workers, family support workers, advice workers and other post-natal health and care programmes.

Children's centres will provide early education integrated with full day care; early identification of and provision for children with special educational needs; parental outreach and family support; access to health and other services; a base for childminders; support to other providers and links with Jobcentre Plus, extended schools and other initiatives.

Elements of this offer can be found in the day-to-day work of all nurseries, schools, childminder and pre-schools, embedded in the contacts between key workers and parents, health and other professionals.

Private nurseries can and do play a part in this. Many of them have their roots in local community networks, where staff act as sources of support and advice, informally, as children are dropped off and picked up on a day-by-day basis, or help in a crisis, by providing emergency care.

The DfES estimates that 5.2 million adults fall below the Skills for Life baseline and this has adverse implications, not just for their own lives but for those of their children. [12](#)

*Step into Learning* is a joint Sure Start/ Skills for Life initiative to train early years staff to support parents who need help with literacy, language and numeracy. NDNA, in its involvement with *Step into Learning*, has provided leadership for basic skills support for staff, parents and children. This is an important strand of activity, capable of further development, which NDNA is well positioned to support by extending its partnerships with family learning agencies and by developing resources and materials for family learning.

**case study: *Glory Early Years Centre: skills for the community***

Glory Early Years Centre is a Neighbourhood Nursery based in Wigan Community Hall in Springfield, Hackney. The nursery developed from an after-school club in the same hall, is a limited company directed by Grace Durojaye, a qualified teacher with a masters degree in Early Years Professional Development.

Glory is open between 8am and 6pm, 52 weeks a year, offering 46 places, 25 of which are for children under two. There is also a 26 place after-school club.

The area has high unemployment; many lone parent families; poor housing and more than 1 in 3 people over 16 have no qualifications. There is a large ethnic population and many parent users will bring an interpreter with them to the nursery.

Grace believes that the greatest challenges facing the community are poverty and lack of education. Of the parents using the nursery, 60% are in paid work, but others are on training schemes. Glory has a service level with six sixth form colleges and Grace is keen to increase training opportunities available at the centre as well as signposting parents to colleges, qualifications and help with basic skills.

Grace is an NVQ assessor, would like Glory to become an NVQ centre and is currently considering offering a Saturday session for parents who are interested in training courses.

There's a good relationship with parents, who can ask for advice on benefits, help with tax credit forms or finding other sources of help with fees. Parents are represented on the board of directors and the centre takes consultation with them seriously.

Glory is not currently selected for children's centre development but would welcome this.

**supporting integration**

Integrated services and the involvement of families are the heart of the *Every Child Matters; Change for Children* programme and the arrangements for Children's Trusts. As the programme of reform is rolled out, these principles will become embedded in the work of all schools, nurseries and pre-schools.

Day nurseries might want to consider how they may contribute to this and the creation of stronger links with extended schools and other statutory and non-statutory agencies. NDNA is already committed to supporting and enhancing the learning experience provided by day nurseries to help children develop socially responsible behaviour and to support parents and families. Using this as a base, NDNA is well-placed to provide leadership, training and resources to support and extend programmes of family support and family learning in day nurseries.

For their part, local authorities and health agencies should look to day nurseries as partners in family support and as a gateway to new groups of parents.

**case study: West Hillday Nursery, Birmingham**

Chris Linthwaite is the owner and manager of West Hillday Nursery in Kingsnorton, in Birmingham, where many, if not most, of the families are headed by a lone-parent.

The nursery opened in January 2002, in a former elderly care home, initially as an ordinary nursery and then as an NNI. It serves three disadvantaged wards, where two in five people over the age of 16 have no qualifications.

There is a parent committee and there are advice sessions and workshops for parents. This is underpinned by good links with social services, health visitors, welfare rights agencies, schools and colleges. Parents use the nursery to work or to study.

The greatest challenges facing parents are managing money and keeping a roof over their heads. Chris offers fee subsidies for second children and help with obtaining tax credits.

Chris, who was a health visitor and psychiatric nurse, believes that what parents need most is someone to talk in confidence to, outside their immediate families.

## quality

Day nurseries want to be at the leading edge of providing quality services for children. Ofsted reports reveal that - in inspections - 64% achieve the top rating of *Good* with 99% being rated as at least satisfactory. **13**

Quality is important. There is a substantial body of empirical research showing a significant relationship between quality in early childhood services and positive outcomes for children. **17** An international evidence project undertaken by the Thomas Coram Institute identified the following factors associated with good outcomes for children:

- Adequate investment.
- Co-ordinated policy and regulatory framework.
- Efficient and co-ordinated management systems.
- Adequate levels of staff training and working conditions.
- Pedagogical frameworks and other guidelines.
- Regular system of monitoring.
- Equity and diversity expressed in eligibility and staffing policies. **14**

In this country, the Effective Provision of Pre-School Education (EPPE) study has added to a body of evidence suggesting that qualifications and training may be identified as key factors in determining quality. **15**

childcare: good business for families and communities

The EPPE study has also provided the Government with an evidence base for a long-term workforce reform strategy, which will provide financial incentives to increase quality, provide accessible progression routes, a robust regulation and inspection regime and will ensure that all full daycare settings are led by graduate qualified early years professionals.

The workforce development strategy is welcome, but needs to be backed with investment from Government both in respect of the costs of training and the higher levels of pay which would be the consequence.

The natural development would be to raise the quality of lower-performing nurseries to the level of the best. Some larger nursery providers have backed their commitment to the sector with investment in management and quality assurance systems and are thus able to offer resources of a significantly higher quality than would be found in many schools. Many smaller providers utilise NDNA's quality assurance systems and LEA support to achieve a high quality of provision.

NDNA should continue to promote its own quality assurance system, *Quality Counts*, at the same time identifying case studies of good practice which can be shared among its membership. NDNA might consider seeking funding to develop a tailored staff development scheme for its members, to enable nursery staff to achieve graduate status.

A single regulatory system for all nursery provision, whether private, voluntary, or in the maintained sector, would help to establish the parameters for ensuring that all children have access to the best quality experiences. Other determinants of quality including quality assurance schemes and management schemes would appear to have a part to play. Provision should also be measured against a range of educational, social and economic outcomes, including support for families and helping parents into employment.

**case study: *Building Sound Foundations***

*Sound Foundations* is a programme which embraces the entire spectrum of the *Birth to Three Matters* framework and the Foundation Stage, but which aims, above all, to build self-esteem and the capacity to communicate with confidence, through consulting with children and following the child's focus of attention. It is owned by Childbase which has created an entirely distinct, age-by-age development programme, to be informed by research and a best practice review.

The planned approach and the use of resources at Childbase nurseries would not look out of place in any Early Excellence Centre and would probably be beyond the knowledge base of most school nurseries. For younger children there is a sustained emphasis on exploration and sensory experience, with treasure baskets, mobiles, fabrics, fairy lights and fibre optics all contributing to a rich and satisfying environment. For older children there is a range of linked activities but they are free to move from one area to another, to initiate, to explore and, if they feel like it, to do something unrelated to the theme.

It is this flexibility and the freedom for children to make meaningful choices which is the key to building self-esteem and personal identity. The open-ended and sensory rich curriculum of Childbase is not unique. Its strength is that it reflects an eclectic mix of evidence from High Scope, the EPPE project, Reggio Emilia and other sources. In reality, Childbase is demonstrating that what's good for children is good also for business.

*Sound Foundations* is now the subject of an independent research study by the Institute of Education. If the child-led approach reflected in Highbury Lodge is shown to accelerate personal and social development and to enhance communication and language skills, it could well influence the shape of private nurseries for years to come.

childcare: good business for families and communities

### ***creating enterprise***

The Government is committed to making work attractive, remunerative and practically feasible for families on low incomes or state benefits. However, many of those families are less able to access meaningful or desirable employment because of poor basic skills, or family stress or illness, or because of low self-esteem.

Childcare, enabling parents to work, is recognised to be part of regeneration. However, childcare settings create jobs and an expanding childcare market needs new recruits. The transition from caring for children as a parent to employment as a child carer is relatively simple. Many childminders make this transition, often because the role can be combined with family responsibilities. In economically disadvantaged areas, childcare settings can provide stable jobs for local parents and training and transitional employment opportunities for others which might not otherwise be available.

The potential of childcare settings to contribute to economic regeneration and social enterprise has, in policy terms, received less attention. Yet across Europe, the emergence of social enterprise has in many countries been associated with the development of co-operatives and other social forms of organisation to deliver childcare.

Business and entrepreneurial models have a wide range of characteristics and contexts. Social enterprises harness business and entrepreneurial skills to social purposes.

Day nurseries, backed by business knowledge, are well placed to help build social and economic capital, wherever they are based, but most importantly in more disadvantaged areas. Whether as privately owned businesses, publicly floated companies, or small social enterprises, many are doing just that. Smaller nurseries have long provided a route into employment for parents.

Some larger providers have demonstrated that social responsibility can be combined successfully with good business. Childbase has modelled a share scheme for its employees and, as noted above, some group providers have adopted a policy of creating childcare in the most disadvantaged communities.

NDNA is providing a lead through its policy work on social responsibility, guiding childcare providers to invest in people, through offering training and development and investing in local communities.

With appropriate government funding, NDNA, working with Regional Development Agencies, Business Links and other partners could extend this work at local level, developing models of childcare-linked social enterprise with local authorities and encouraging its members to enlarge their efforts in disadvantaged communities.

Government should develop a supportive framework of advice, guidance and other resources to develop the capacity of childcare settings to engage parents in their own development as adults, in further education and training and to seek and find work.

**case study: Rose Hill Day Nursery – learning living and working**

Rose Hill Day Nursery in Manchester Road, Bolton, is the expression of Jane Wright's commitment to a better future for children. The 90 place nursery unit is providing much needed childcare for families living in Burnden, on the east side of Bolton and in the top 10% of deprived wards in England. One in four people in Burnden are from ethnic minorities. A significantly high proportion of local people have no or few qualifications and health problems are an issue.

More than half of the places are for children under two. Fees are £130 per week and the nursery is open from 7am till 7pm, although there is a maximum stay for each child of nine hours. The hours offered are completely flexible, tailored to the differing needs of families. Many are lone parent-families and the nursery has a strong bias to providing childcare for parents who are studying. Many of the children have special needs.

There's a training room upstairs, used by the local college for childcare training and for teenagers participating in **Care to Learn**, a DFES scheme for teenage mothers who want to continue with their education. Many of them come in on other days to use the facilities. The links between the nursery and the Teenage Pregnancy service are very close, as they are with other care agencies.

All of the 24 jobs in the nursery are filled by local people. Quality is a priority. Staff are provided with release for training and after just a year's operation Rose Hill has obtained an Investors in People Award and is working through *Quality Counts*, the NDNA quality assurance scheme.

Parents are helped to apply for tax credits, with obtaining fee subsidies and help with finding more specialist services. The nursery runs a childcare taster course, with links to Jobcentre Plus, Connexions and other agencies. After the first course 90% of the parents attending went on to do further training.

Rose Hill is more than a nursery. Its part of the regeneration of the whole area, proving that good business is good for families and communities.

### **developing models of social enterprise**

Social enterprise meets key government objectives by:

- helping to drive up productivity and competitiveness;
- contributing to socially inclusive wealth creation;
- enabling individuals and communities to work towards regenerating their local neighbourhoods;
- showing new ways to deliver and reform public services; and
- helping to develop an inclusive society and active citizenship. **16**

Support for social enterprises is available through the Regional Development Agencies, the Small Business Service and other government and non-governmental agencies. Financial help is also available through Community Development Finance Institutions (CDFIs), 'soft loans' and Community Investment Tax Relief (CITR).

childcare: good business for families and communities

A social enterprise is “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners”. <sup>16</sup>

The associated legal format, the Community Interest Company, is available this year and could well be of significance to a number of day nurseries, where the primary motivation more community than profit driven.

NDNA is well placed to provide advice, guidance and possibly also a model format to its membership on the development of Community Interest Companies.

The Community Interest Company might well take its place in a range of measures to develop social responsibility and social enterprise within day nurseries. Larger providers, networks of smaller providers and others whose organisation does not strictly permit their qualification as social enterprises could nonetheless adopt social enterprise policies, to support training, jobs and wealth creation within their communities.

Building on its current policies, NDNA is well-placed to develop a charter for social responsibility for private nurseries to develop their support for government initiatives to reduce social exclusion.

This might include:

- Support for the health and welfare of the community’s children and families
- Investing in the training and development of local people
- Creating jobs and building business capacity
- Local wealth creation through community/employee share schemes
- Supporting local business development
- Supporting parents and promoting parenting skills
- Caring for the environment
- Promoting equal opportunities and social inclusion.

These and other related commitments, framed as a charter, would serve to position childcare enterprises as part of social enterprise development and possibly contribute to new and more innovative partnerships.

Government should encourage local authorities to consider the Community Interest Company or other mutual forms of organisations as a model for Children’s Centre governance, placing an emphasis on linking children’s centre development to wider regeneration initiatives.

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### ***developing a new compact***

Children are, for many people, almost the whole purpose of the welfare state. The experience of childhood is inextricably linked to structural disadvantage and this is the defining context of the Government's commitment to halve child poverty by 2010. This commitment, which is ultimately to social justice, is supported by a range of overlapping policies and area initiatives to address the multiple dimensions of social exclusion.

For all families, the strategic value of childcare lies in the importance of the early years as a critical period both for child development and as a means of enabling parents to balance work and family life.

Childcare is integral to all of this. The children's centre network is the keystone of medium and long-term strategy, but day nurseries and other providers will continue to be vitally necessary.

All childcare providers incorporate the model of a children's centre to some smaller or greater degree. In contribution and capacity, day nurseries are too important or to be modelled as a provision of second or third resort.

Not all providers will want to develop along social enterprise lines. But those which do should receive support and be allowed to benefit from subsidies enjoyed by voluntary and charitable providers eg on business rates.

The drop in occupancy rates may or may not be indicative of a longer-term trend and Government should take further steps to study the contributory factors, model business solutions and encourage new forms of partnership.

Although compacts have limited power, they have an important awareness raising function and it may be that a compact with the private sector would be a useful tool.

The development of partnership models, flexible enough to be responsive to local needs, but building on the strengths of private sector childcare delivery, must be a key priority.

For their part, private providers must decide what part of the continuum of extended service they wish to engage with, in the knowledge that this will shape their future. Childcare, particularly in more disadvantaged areas, is part of a broader canvas of creating opportunity and one in which the skills of business can play an important part.

### **conclusions and recommendations**

**The Government has created a strong foundation of services for children which, together with increased investment, provides opportunities for further growth. However, it is clear that the anticipation of this by providers is mixed with reservations about current issues relating to sustainability and anxiety about the larger part to be played by schools, as childcare providers. Local authorities will therefore play a key role in modelling the ways in which childcare businesses can contribute to delivery plans.**

**If the aims of the ten year strategy are to be realised, local authority managers will need to be aware of the impact of different partnership models**

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**for the sustainability of all provision, in particular the impact of changing school admission policies on other providers.**

**NDNA, working with the support of Government, can support local authorities to develop a range of confident models for partnership, which draw on existing good practice and develop the business strengths of the private sector. It can also encourage and broker partnerships with providers to work with extended schools to meet the challenging requirements of providing cross-cutting and multi-layered services, which meet defined quality standards, are inclusive of all families and which offer best value.**

**Local authority managers will need to be aware of the impact of different partnership models for the sustainability of all provision, in particular the impact of changing school admission policies on other providers. In the exercise of their new statutory duty to address sustainability and to support voluntary and private partners, local authorities will need to monitor the impact of planned children's centre development on existing providers.**

**NDNA is already committed to supporting and enhancing the learning experience provided by day nurseries to help children develop socially responsible behaviour and to support parents and families. Using this as a base, NDNA is well-placed to provide leadership, training and resources to support and extend programmes of family support and family learning in day nurseries.**

**Local authorities and health agencies should look to day nurseries as partners in family support and as a gateway to new groups of parents.**

**The workforce development strategy is welcome, but needs to be backed with investment from government both in respect of the costs of training and the higher levels of pay which would be the consequence.**

**Larger nursery providers have backed their commitment to the sector with investment in management and quality assurance systems and are thus able to offer resources of a significantly higher quality than would be found in many schools. NDNA should continue working with those providers to extend the use of such systems to its wider membership. In the same way, NDNA should consider seeking funding to develop a tailored scheme for its members to enable nursery staff to achieve graduate status, perhaps using a mixture of supported distance and other learning.**

**A single regulatory system for all nursery provision, whether private, voluntary, or in the maintained sector, would help to establish the parameters for ensuring that all children have access to the best quality experiences. Provision should also be measured against a range of educational, social and economic outcomes, including support for families and helping parents into employment.**

**Government should develop a supportive framework of advice, guidance and other resources to develop the capacity of childcare settings to engage parents in their own development as adults, in further education and training and to seek and find work.**

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**NDNA is providing a lead through its policy work on social responsibility, guiding childcare providers to invest in people, through offering training and development and investing in local communities. With appropriate government funding, NDNA, working with Regional Development Agencies, Business Links and other partners could extend this work at local level, developing models of childcare-linked social enterprise with local authorities and encouraging its members to enlarge their efforts in disadvantaged communities.**

**Building on its current policies, NDNA is well-placed to develop a charter for social responsibility for private nurseries to develop their support for government initiatives to reduce social exclusion.**

**NDNA should consider providing advice, guidance and possibly also a model format to its membership on the development of Community Interest Companies.**

**Government should encourage local authorities to consider the Community Interest Company or other mutual forms of organisations as a model for children's centre governance, placing an emphasis on linking children's centre development to wider regeneration initiatives.**

**Not all providers will want to develop along social enterprise lines. But those which do should receive support and be allowed to benefit from subsidies enjoyed by voluntary and charitable providers eg on business rates.**

Day nurseries are essential to the provision of affordable good quality childcare and are a key strand of socially responsible business activity – *Good Business for Families and Communities*. If the potential for day nurseries to contribute to the Ten Year Strategy is to be maximised effective models of partnership need to be developed between providers and local authorities; and day nurseries should embrace fully policies to promote inclusion, tackle educational achievement and combat poverty.

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