THE FORGOTTEN SECTOR

The financial impact of coronavirus on early years providers in England

Early Years Alliance | June 2020

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EXECUTIVE SUMMARY

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No transitional funding support

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This analysis is modelled using data collected in Ceeda's April 2019 About Early Years study wave adjusted for CPI inflation and statutory wage rises. The full briefing paper, including technical notes, is available at

FINANCIAL IMPAC   OF CO   ID-19

It is clear that the early years sector in England was facing severe financial challenges long before the Covid-19 outbreak. These challenges have been significantly exacerbated by the onset on the pandemic, and the subsequent or

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Additional costs

On 7 April, the DfE published guidance advising that schools could apply for additional financial support to help with the "exceptional costs associated with coronavirus for the period of March to July", including increased premises related costs and additional cleaning costs. This support ranges from £25,000 for schools with 250 or fewer pupils, to £75,000 for those with more than 1000 pupils.

However, despite asking the early years sector, like schools, to remain partially open to critical worker and vulnerable children during the lockdown period, and in addition, to open to all children from June, the government has failed to provide any financial support to childcare providers to help cover the additional costs of operating during the coronavirus outbreak, such as PPE and additional cleaning costs.

One Alliance survey respondent commented that the £25,000 financial support being made available to small schools would be a *"life-changing"* sum of money if this support was extended to the early years sector. Another said: *"At the very least, the government should have provided funding for hand wash stations. This is costing a fortune."*

Another wrote: *"We feel as a sector that we have been sadly* [illegible]

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Impact of the time of year

It is also unclear how parental concerns about whether or not it is safe to place their children back into childcare may change over the coming months.

While this is likely to be largely driven by whether or not the spread of coronavirus slows, and the rate of infection decreases, over this period, it is worth noting that nearly four in 10 parents who responded to the Alliance’s May survey and were not planning to take up their children place on 1 June stated that they would not be returning their child to childcare until a coronavirus vaccine has been developed, which many experts predict may not happen for a significant period of time.

40%

OF PARENTS NOT TAKING UP THEIR PLA

tutoring scheme, and £650m would be "shared across state primary and secondary schools over the 2020/21".

While children attending early years provision may not need to 'catch up' in an academic sense, the Alliance has argued that childcare providers should be included in this funding package to help them provide the support needed to help young children adjust back into their settings.

Commenting on the announcement at the time, Neil Leitch, chief executive of the Alliance, said: "Given that quality early years provision plays a pivotal role in children's long-term learning and development, it beggars belief that the early years sector has been excluded from this 'catch-up' package."

LACK OF GOVERNMENT SUPPORT

It is clear that the combination of the aforementioned factors will have a significant impact on the ability of the early years sector to remain viable throughout the pandemic, and sustainable in the long term.

The government has argued that it has already provided a wide range of support schemes – some sector understanding that they would be able to access full support from both schemes, and 71% had already furloughed staff.

One provider said: *"I will have to reconsider what I now do as all the goalposts have changed. We made decisions on the original guidance that you could furlough all staff unconditionally at 80%. This now represents a very different situation."*

Another highlighted the fact that many local authorities, as well as providers, had understood that settings could access both schemes unconditionally, commenting: *"We initially thought we were not entitled to both sets of government funding; however, when I asked our local authority, we were informed otherwise and therefore took the decision to furlough staff."*

is restricted to settings' wage bills and capped at 80%, settings in this position will still find themselves losing out financially.

Business grants

Early years settings who are in receipt of small business rate relief (i.e. those whose properties have a rateable value of less than £15,000) or rural rate relief are currently able to benefit from Small Business Grant funding of £10,000.

However, the fact that this eligibility criteria is based on rate relief means that many childcare providers who would otherwise be considered 'small businesses' are not eligible for this financial support – for example, providers who rent their premises or are based in premises that have no rateable value.

One provider commented: "*We work from a church hall and hence have no business rate to pay as such (within the rent that we pay) but we need still financial assistance to remain open.*"

Another said: "*We are really disappointed that we cannot access the Small Business Grant because we rent our premises. No other help is available for us at this point. We might have to close.*"

However, this was amended in May to state offers some welcome support to self-employed childminders during this time, many childminder respondents to the Alliance's provider surveys argued that the decision to calculate this support based on profits rather than income means that for childminders, many of whom have made little profit over recent years, the financial support offered by the scheme will be minimal.

One respondent commented: *"The Self-employed Income Support Scheme should reflect our actual loss of income and not be based on profits from previous years, which don't acutely represent the current income loses."*

Another said: *"[It's] 80% of income, not profits. We have premises to pay for which have many outgoings and some childminders are single parents with no other income."*

In addition, all self-employed individuals are required to have filed a tax return for self-employed earnings in 2018/19 to be able to apply for the scheme. However, this means that newly self-employed childminders, who fall outside of the eligibility criteria, will receive no support at all from the scheme.

Many such childminders also highlighted that the support they are able to receive via Universal Credit is extremely limited, due to their partner's income or current savings. This means that many are facing the prospect of little to no support from government at all during this period.

One such childminder said: *"I have had no support at all as my business is only about a year old. No Universal Credit either as my husband works. Offering a loan when already in debt to se*