AGENDA

Meeting	**Economy Committee**
Date	**Tuesday 16 January 2018**
Time	**10.00 am**
Place	**Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA**

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www.london.gov.uk/mayor-assembly/london-assembly/economy

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Members of the Committee

Caroline Russell AM (Chair)
Susan Hall (Deputy Chairman)
Jennette Arnold OBE AM
Shaun Bailey AM
Andrew Dismore AM
Fiona Twycross AM

A meeting of the Committee has been called by the Chair of the Committee to deal with the business listed below.

Ed Williams, Executive Director of Secretariat
Monday 8 January 2018

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Clare Bryant, Committee Officer; telephone: 020 7983 4616;
Email: clare.bryant@london.gov.uk; minicom: 020 7983 4458

For media enquiries please contact: Lisa Lam; Telephone: 020 7983 4067;
Email: lisa.lam@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

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Agenda
Economy Committee
Tuesday 16 January 2018

1 Apologies for Absence and Chair's Announcements

To receive any apologies for absence and any announcements from the Chair.

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat
Contact: Clare Bryant, Clare.bryant@london.gov.uk, 020 7983 4616

The Committee is recommended to:

(a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;

(b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and

(c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).

3 Minutes (Pages 5 - 40)

The Committee is recommended to confirm the minutes of the meeting of the Committee held on 12 December 2017 to be signed by the Chair as a correct record.

The appendix to the minutes set out on pages 9 to 40 is attached for Members and officers only but is available from the following area of the Greater London Authority's website:
www.london.gov.uk/mayor-assembly/london-assembly/economy

4 Summary List of Actions (Pages 41 - 44)

Report of the Executive Director of Secretariat
Contact: Clare Bryant, Clare.bryant@london.gov.uk, 020 7983 4616

The Committee is recommended to note the outstanding actions arising from its previous meetings.

5 The Mayor's Draft Economic Development Strategy for London (Pages 45 - 46)

Report of the Executive Director of Secretariat
Contact: Pauline Niesseron, pauline.niesseron@london.gov.uk, 020 7983 4843

The Committee is recommended to:

(a) Note the report as background to the discussion on the Mayor's draft Economic Development Strategy for London with invited expert guests.

(b) Delegate authority to the Chair, in consultation with party Group Lead Members, to agree any output arising from the discussion.

6 Mayoral Response to Local News Report (Pages 47 - 54)

Report of the Executive Director of Secretariat
Contact: Matt Bailey; matt.bailey@london.gov.uk ; 020 7983 4014.

The Committee is recommended to note the response from the Mayor to the Committee's report, The fate of local news – read all about it.

7 The Mayor's Role in Promoting and Supporting Financial Inclusion (Pages 55 - 106)

Report of the Executive Director of Secretariat
Contact: Matt Bailey; matt.bailey@london.gov.uk ; 020 7983 4014.

The Committee is recommended to note its report on Short changed: the financial health of Londoners

8 Economy Committee Work Programme (Pages 107 - 108)

Report of the Executive Director of Secretariat
Contact: Carmen Musonda, scrutiny@london.gov.uk; 020 7983 4351

The Committee is recommended to note the work programme and priorities for the remainder of the Assembly year 2017/18, as set out at paragraphs 4.2 to 4.7 of the report.

9 Date of Next Meeting

The next meeting of the Committee is scheduled for 20 February 2018 at 10.00am in Committee Room 5, City Hall.

10 Any Other Business the Chair Considers Urgent

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Declarations of Interests	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests[1];**

2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**

2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

[1] The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Member, LFEPA; Member, LB Bexley
Shaun Bailey AM	
Sian Berry AM	Member, LB Camden
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Leonie Cooper AM	Member, LFEPA; Member, LB Wandsworth
Tom Copley AM	
Unmesh Desai AM	Member, LFEPA; Member, LB Newham
Tony Devenish AM	Member, City of Westminster
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Florence Eshalomi AM	Member, LB Lambeth
Nicky Gavron AM	
Susan Hall AM	Member, LFEPA; Member, LB Harrow
David Kurten AM	Member, LFEPA
Joanne McCartney AM	Deputy Mayor
Steve O'Connell AM	Member, LB Croydon
Caroline Pidgeon MBE AM	
Keith Prince AM	Member, LB Redbridge
Caroline Russell AM	Member, LFEPA; Member, LB Islington
Dr Onkar Sahota AM	
Navin Shah AM	
Fiona Twycross AM	Chair, LFEPA; Chair of the London Local Resilience Forum
Peter Whittle AM	

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority.
The appointments to LFEPA reflected above take effect as from 3 April 2017]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at

    (i) a meeting of the Assembly and any of its committees or sub-committees; or

    (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions

- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.

3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.

3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.

3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.

3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here: http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality.

3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.

3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985	
List of Background Papers: None	
Contact Officer:	Clare Bryant, Committee Officer
Telephone:	020 7983 4616
E-mail:	clare.bryant@london.gov.uk

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MINUTES

Meeting: Economy Committee
Date: Tuesday 12 December 2017
Time: 10.00 am
Place: Chamber, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:
www.london.gov.uk/mayor-assembly/london-assembly/economy

Present:

Caroline Russell AM (Chair)
Susan Hall AM (Deputy Chairman)
Jennette Arnold OBE AM
Shaun Bailey AM
Andrew Dismore AM
Fiona Twycross AM

1 Apologies for Absence and Chair's Announcements (Item 1)

1.1 There were no apologies for absence.

2 Declarations of Interests (Item 2)

2.1 The Committee received the report of the Executive Director of Secretariat.

2.2 **Resolved:**

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 **Resolved:**

That the minutes of the meeting held on 7 November 2017 be signed by the Chair as a correct record.

4 Summary List of Actions (Item 4)

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 **Resolved:**

That the completed and outstanding actions arising from previous meetings of the Committee be noted.

5 Action Taken under Delegated Authority (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat.

5.2 **Resolved:**

That the action taken by the previous Chair, under delegated authority, in consultation with party Group Lead Members, to agree any output from discussions on access to business space and support for London's small and medium sized enterprises, be noted.

6 The Provision of Childcare (Item 6)

6.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on the provision on childcare in London to the following invited guests:

- Penny Fisher, Senior Her Majesty's Inspector London, Office for Standards in Education, Children's Services and Skills (Ofsted);
- Shannon Hawthorne, Press and Public Affairs Director, Pre-school Learning Alliance;
- Penny Kenway, Head of Early Years, Islington Council;
- Sue MacMillian, Chief Operations Officers, Mumsnet;
- Joanne McCartney, Deputy Mayor for Education and Childcare; and
- Sarah Wilkins, Senior Programme Manager, Greater London Authority.

6.2 A transcript of the discussion is attached at **Appendix 1**.

6.3 During the course of the discussion, Members requested the following additional information on the number of registered active and inactive childminders for London and the rest of the country from the Senior Her Majesty's Inspector London, OFSTED.

6.4 At the end of the discussion, the Chair thanked the guests on behalf of the Committee for their contributions to the discussion.

6.5 **Resolved:**

That the report and discussion be noted.

7 Economy Committee Work Programme (Item 7)

7.1 The Committee received the report of the Executive Director of Secretariat.

7.2 **Resolved:**

That the work programme and priorities for the remainder of the Assembly year 2017/18, as set out in paragraphs 4.2 to 4.7 of the report be noted.

8 Date of Next Meeting (Item 8)

8.1 The date of the next meeting of the Committee was confirmed as Tuesday, 16 January 2018 at 10.00am in Committee Room 5, City Hall.

9 Any Other Business the Chair Considers Urgent (Item 9)

9.1 There were no items of business that the Chair considered to be urgent.

10 Close of Meeting

10.1 The meeting ended at 12.07pm.

____________________________ ____________________________

Chair Date

Contact Officer: Clare Bryant, Committee Officer; telephone: 020 7983 4616;
Email: clare.bryant@london.gov.uk; minicom: 020 7983 4458

Economy Committee - Tuesday 12 December 2017

Transcript of Agenda Item 6 – The Provision of Childcare in London

Caroline Russell AM (Chair): That brings us to today's main discussion item on the Provision of Childcare in London.

Can I now welcome our guests? We have Penny Fisher, who is a Senior Inspector for the Office for Standards in Education, Children's Services and Skills (Ofsted); Shannon Hawthorne, Press and Public Affairs Director from the Pre-school Learning Alliance; Penny Kenway, who is Head of Early Years at Islington Council; and Sue Macmillan, who is the Chief Operations Officer at Mumsnet. Welcome to all of you.

We will be joined at 11.15am by Joanne McCartney AM, who is Deputy Mayor for Education and Childcare, and also Sarah Wilkins, who is a Senior Programme Manager from the Greater London Authority (GLA).

I would like to start off by asking Penny Fisher and Penny Kenway if you can set out the extent of childcare provision in London and say something about the quality of the childcare provision in London? Who would like to go first?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): The South East and London have the highest number of childcare providers across the country and these are also the regions with the highest proportion of providers relative to the child population. We have 17.1 providers per 1,000 children in London.

Within that, we have a very mixed economy. We have a combination of private, voluntary and independent (PVI) providers. We have provision within schools; actually, more provision within schools than elsewhere in the country. We have a high proportion of home child-carers. Within the PVI, we have about 35% nursery and preschool and 65% childminding.

In terms of quality, we do follow the pattern across the rest of the country, but in London it is slightly lower quality across the piece. We have very good quality in terms of maintained nursery and primary school provision. However, when we come to the PVI we are slightly lower in terms of the quality of our nurseries and preschools, but only by one percentage point. It is still very high proportionately, I think at 94% 'good' or 'better' in terms of outcomes from inspection.

In terms of the childminding, there is a bit of a gap there with the rest of the country. The gap, if you like, between our preschool and nursery provision and our childminding provision is higher than found elsewhere. Only 89% of our childminders are 'good' or 'better'.

Caroline Russell AM (Chair): Do you have a view on why there is that gap in terms of the childminding?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): It is difficult to say. Childminders work in their own homes; they are a very mixed group. Perhaps, in terms of advice, guidance and support, they are a more difficult group to reach. When we look at inspection grades, when we talk about settings or childminders that require improvement, we are looking at the learning and development aspects of their care perhaps not matching those grade descriptors for 'good'. When we look at 'inadequate' across the piece, we are also then looking at safeguarding and welfare requirements not being met.

Caroline Russell AM (Chair): Thank you.

Penny Kenway (Head of Early Years and Childcare, Islington Council): I can talk about Islington, obviously. I know the statistic that London childcare is not meant to be as good quality. It depends what you are looking at. We certainly have much more childcare provision in primary schools, which often are not included within the Ofsted statistics around early-years inspections. When I look at our statistics, three of our nursery schools are all 'good' or 'outstanding'; 96% of our primary schools are 'good' or 'outstanding'; our PVIs are about 93% but that is 40 out of 43 of them and so it is still quite high; and our children's centres are over 94% 'good' or 'outstanding'. Therefore, I would agree with you that it is the childminders that bring that down.

There are a number of things there. There is something about the way the statistic is put together because we have a number of childminders who do not count as 'good' but are not looking after children, and so that always --

Caroline Russell AM (Chair): Sorry. Childminders who are not looking after children?

Penny Kenway (Head of Early Years and Childcare, Islington Council): They are not working looking after children, but they may keep registered and, therefore, they still have an inspection. They can get nothing other than 'met' or 'not met'. 'Met' counts as 'requires improvement'; it does not count as 'good'. You always have a handful of those people.

Also, you have people where there are issues. We are very lucky. We have a strong childminder development team which works with those active childminders, but it is a very mixed group and it is a harder group to get to than the PVIs or the schools.

Caroline Russell AM (Chair): Yes. Also, there was the other part of the question not about quality but just about setting out the extent of childcare provision. Could you just outline, from the perspective of Islington, the landscape of what is out there?

Penny Kenway (Head of Early Years and Childcare, Islington Council): We have a mix of provision. We have 45 primary schools. About 40 of those have nursery classes and so they will cater for three- and four-year-olds. We also have 11 or 12 primary schools which offer two-year-old funded provision. We have 16 children's centres which have nurseries that cater from children from nought to five and that is a mix of early-years maintained settings, school maintained settings and voluntary sector. We have a strong PVI sector with 43 settings, over half of which are private. We also have quite a number of voluntary and community settings in Islington, some of them very small playgroups but some of them larger community nurseries.

Then we have - and this figure varies but it does not vary greatly - between about 189 and 195 childminders coming in and out of the service. That has been a fairly consistent figure over the years. It has come down. I would think 10 years ago we had over 200. Going all the way back to the introduction of the Early Years Foundation Stage, we lost some of those childminders then, but we are fairly consistent at just under 200.

Caroline Russell AM (Chair): Thank you. Assembly Member Twycross, did you want to come in there?

Fiona Twycross AM: Yes, it was on the point about your reasoning behind the issue of how childminding is measured. I just wanted to dig down a bit more into that. Would that not also be the case for outside London where the gap is not so great?

Penny Kenway (Head of Early Years and Childcare, Islington Council): Possibly, yes.

Fiona Twycross AM: Would there be a difference in the number of childminders who would be active outside London? I do not know whether anybody would know that because it would not necessarily follow that there would be. Do we have stats on the level of activity of childminders? Does anybody have those?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): The number that do not have children on the roll?

Fiona Twycross AM: The numbers that are active or inactive, yes, because I can see the rationale behind thinking that that might affect the figures generally, but that would only affect the figures if it was different for the rest of the country. I just wondered whether those figures exist.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): I do not have that data with me, but I could ask our data and insight team to find that out for you if that would be useful.

Fiona Twycross AM: It would be an interesting point because it would have a potential impact on the number crunching of that rationale. That would be helpful. Thank you.

Caroline Russell AM (Chair): What is your initial assessment of how the sector has adapted to the rollout of the 30 hours of free childcare offer for working parents?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): It is something that we are currently carrying out some research into amongst our members. At the moment, a lot of providers are in a wait-and-see trial mode and so those that are rolling it out are doing so but are not committed, "Yes, this is us for the next however many years", but rather, "We are going to try and roll out the 30 hours and see how we do, see what impact it has, see what take-up we have, and see if the offer is viable".

The message we are getting back at the moment from members is that a lot of it is dependent on the ability to charge for extras in some way. It is one of the concerns that we have raised in the way that it is impacting on parents' ability to access the offer. The offer has been promoted as 30 hours free childcare and many parents are on the understanding that they can get 30 hours completely free, but - and I know we are going to come on to funding later - in areas where the Government funding does not meet the cost of delivering care, childcare providers have to find some way to fill that gap. It may be that they previously provided lunch for free and they are now charging for lunch, or trips; or it might be that they structure their sessions in a way that makes slightly difficult for a parent to only take up free sessions and so they are almost forced to take up paid-for sessions at some point. It is one of the things we have raised concerns about, especially from a social mobility perspective.

We did note that the original guidance put out by the Department for Education (DfE) in April this year [2017] made it clear that the 30 hours are supposed to be delivered free, and providers can charge for meals and snacks, but it cannot be a condition of taking up the offer. You can say to a parent, "You can bring in a packed lunch or you can pay for your meal here", but they have to be given the choice. Then, in July [2017], the same piece of guidance was updated to say - and this is a quote - "Parents can expect to pay for any meals offered by the provider". There has been this shift to prompt from promoting it as a free offer to saying, "Actually, you are probably going to have to pay something". There has been a slightly confused message going out.

I had an email from a parent - this is an email that came directly to me - saying:

> *"I have two young children and have just come back off maternity leave, so I know only too well the cost of childcare. So imagine my excitement to hear about the introduction of 30 hours free childcare for my oldest child come September, only to find out this won't actually mean much of a saving for us. The nursery where both of my children attend are applying a surplus charge of £16 per day for an 8.00am to 5.00pm day for my three-year-old despite him getting the free 30 hours, saving us very little despite the hours doubling from 15 to 30."*

There is this real confusion in how the offer has been promoted versus how parents are receiving it.

I put that actual instance to the DfE directly to ask. Essentially, what that setting was doing was giving a two-tier contract. They were saying, "You can have completely free sessions, but you are basically at the back of the queue for the sessions and so we will come to you last in terms of confirming what sessions you want; or you can pay us and you can get your pick of the sessions". This parent was saying that that is not really a choice at all. I put that offer to the DfE and I said, "I cannot really find anything explicit in the guidance. Is that OK?" They said, "It is up to the local authority". There is a real issue around charging and the confusion on the offer.

Also, we have had issues where parents are confused around the 30 hours. The 30 hours is term-time only and it is 38 weeks of the year, but it has not been clearly advertised that way. A couple of weeks ago, there was an *Observer* article in which the Advertising Standards Agency had advised the DfE to change the official website to make it clearer that the 30 hours did not run throughout the year.

What we have is a lot of providers doing what they called a 'stretched' offer. The offer is 1,140 hours a year and, if you split that down into 38 weeks, it is 30 hours a week, but a lot of providers are doing a 'stretched' offer. They will offer it all through the year, but they will offer 22.5 hours a week. If you are a parent who wants to take up 30 hours a week all year around, you get 22.5 free and then you pay for the additional ones. That is another way that a lot of providers are trying to make it work.

Caroline Russell AM (Chair): If someone needs that childcare only during term time and so they only need it during the 38 weeks, are they able to claim it that way from providers or are they offered only the 22 hours?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): They would be offered the 22 hours, yes, and it is an issue that is coming up in parental complaints and things like that. In the DfE guidance, the providers are able to offer it as they see fit. If they are offering it only in that 'stretched' way, they do not need to then top it up to meet that parents' 30-hour need.

Caroline Russell AM (Chair): Sue, can you give us a perspective from parents encountering this provision?

Sue Macmillan (Chief Operations Officer, Mumsnet): Yes, absolutely. The first thing I would say is that for some people it is working and it is fine. There are some nurseries that find a way to make it work and some parents are seeing a reduced cost of their childcare as a result of it. Those same parents would say, "Please do not call it 'free'. It is not free. It is a subsidy", but it is working.

There are a lot more parents who are having a whole lot of problems with it. Nurseries charging add-ons is something that is talked about on Mumsnet a lot. Our users know that they are not allowed to make it a condition of getting the free hours, but they say some nurseries are doing that anyway and they just have to accept that and pay for it.

We have some nurseries just not offering it at all. I was reading a comment from a user the other day who was talking about the fact that in her area she was considering using two different settings and offering each 15 hours, 15 hours in one setting and 15 hours in the other, and having to go in her lunch hour and transfer her kids from one setting to another.

There are other users talking about how prices have gone up for nought-to-two-year-olds as a result to cross-subsidise the fact that the nurseries cannot make the 30 hours work, and people who are not entitled to the 30 hours saying that their prices have also gone up as a result of it as well.

There are also users talking about how some nurseries are just not advertising the fact that they are doing it. If people ask, the nurseries will see if they can roll out to them, but they are not making it obvious to all parents that it is there, and certainly a lot of our users are not clear whether they are or are not entitled to the 30 hours.

There are lots of problems with the operational aspect of it, the fact that you have to go on the website and get a code and people being locked out and not been able to get back in and having to reconfirm. There is lots of problems around that. Just to read out an actual comment from a user:

> *"We have just had a letter from DS's [that is 'dear son' on Mumsnet; sorry for the jargon] nursery about the 30 hours free childcare we'll get from September [2017]. We currently pay £626 per month for a fulltime nursery place, which includes a discount for the 15 free hours. Due to a revised pricing structure, the monthly price for a fulltime nursery place that includes the 30 free hours will be £636, so, in effect, we are having to pay an additional £10 per month to receive an extra 15 hours."*

There is then an emoticon with a raised eyebrow at the end.

Caroline Russell AM (Chair): That sounds like an unhappy parent. What we are hearing is that it seems to be working out in practice to be more expensive and not actually experienced as free for parents.

I wonder, Penny Kenway, if you can talk about it from the Islington perspective, in particular in terms of those parents who really need the free hours, parents who are struggling in very marginal employment, where having that free childcare is going to enable them to take up and get into work?

Penny Kenway (Head of Early Years and Childcare, Islington Council): In Islington the situation is slightly different because we always offered a lot of free nursery education to children in our primary school nursery classes and the impact of this policy and the early-years national funding formula mean that we cannot do that in the same way. Our funding has been cut by, over two years, over 10%.

However, the 30 hours does allow those parents who meet the criteria to still access that free early education and our schools are offering it. We have about half the number of children that we expected taking up the free funded offer and two-thirds of those children are in the maintained sector, either in our primary school nursery classes, where it is completely free. They have it as a core day and so there it will be from 9.00am to 3.00pm or 9.30am to 3.30pm and it is 38 weeks a year, but it is completely free if they are eligible.

Interestingly, there are fewer children than we expected in the PVI sector who are taking it up and that is partly to do with the huge problems around the eligibility checking system, which is an absolute nightmare for people. Even people who are relatively computer literate and able to work their way through systems have had such problems with it. That is something of course, with the eligibility checking system, that is a national thing. Other eligibility checking systems, for example, for the funded two-year-old places, rest with local authorities and is much more successful. This national scheme they have set up seems to be a complete disaster. That is one of the reasons that people find it difficult.

The other problem with this offer is that it misses out a whole lot of people who really need the offer. One of those groups of people are people who are studying or on their way towards employment. They are not eligible for 30 hours, yet they need that free childcare in order to be able to work, and so that is just nonsense.

There are various other groups. Fostered children are not eligible and so somebody who is a foster carer will get the 30 hours for their own child, but they will not get it for a foster child. A single parent with caring responsibilities is not eligible, but in a two-parent family where one is in work and the other has caring responsibilities, that child is eligible.

There are all sorts of things about this policy that was rushed through very quickly and was ill-thought-out, and parents and providers to some extent are paying the penalty now for it, in actual fact.

For me, one of my biggest concerns is that the most disadvantaged children are not eligible for this. I look at childcare and early education as being one and the same and it is very good for children, provided it is high-quality and it makes a difference to their outcomes. In most parts of the country, the most disadvantaged children are not being able to benefit from this extended offer, which we know is good for them.

Luckily, in Islington, we have done what is called a disapplication to the DfE and we can offer up to 200 children a fulltime, 30-hour place at age three or four if they have severe and complex emotional or educational needs. We do this through a referral and a panel system. However, I am very concerned that the gaps between our most disadvantaged children and all other children are going to grow. We need to be finding ways of making this offer universal for all three- and four-year-olds in order that all parents can benefit. It is an economic benefit to those parents who need that economic benefit, but it also helps us then to get other parents on the road to training and employment, which in itself is going to benefit their children, too.

Caroline Russell AM (Chair): Penny Fisher, have you seen any evidence that providers are not participating in the free childcare entitlement programme as a result of the extension of hours and thus switching to a wholly private model?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): Ofsted's role is inspection and regulation and within that, I suppose, it is not part of that role to evaluate whether this policy is working or not working. However, we do report on number of places - joiners and leavers, if you like - and so we will be looking in the future as to whether we think this is having an impact on the number of places available. We have not seen that so far. In fact, the most recent data shows that it is quite stable in terms of the amount of provision and the number of places in London. In the future, if we do see an impact, then we will report on that, but it is very early days.

In terms of the quality and what we would look at within an inspection, we may not be asking direct questions - in fact, we probably would not - around fees or funding, although we would be looking at the quality of the provision and outcomes for the most vulnerable children. In that respect, we may be tracking individual children who are entitled, but it is too early for us to see any impact on the quality or indeed the amount of provision really well.

Caroline Russell AM (Chair): Penny, have you seen any of this impact in Islington?

Penny Kenway (Head of Early Years and Childcare, Islington Council): No. We have a very high level of providers that are participating in the scheme, over 91%, which is really very high, but we have done a lot of work to try to engage them and get them on board. However, at the bottom of all of this is affordability, really, and the cost of providing childcare, particularly in inner London. If you want high quality and you want staff with good qualifications, which again we know makes a difference, costs are high. Childcare is a very second-rate, really, social policy in this country, and it is not funded to the same extent as it is in many other European countries.

In Islington, we offer additional subsidy to families for childcare. At our own settings, people can get their 30 hours but they can also buy extra hours and their fees are dependent upon parent income and so we assess income. The Council has made that decision to subsidise childcare because we know, first of all, how unaffordable it is for many parents and so they need some additional subsidy. Secondly, we want parents to be working and this is a way of us helping working parents.

It is too early to say whether people are going to leave the scheme altogether. People are giving it a go, but I know it is very difficult in terms of what your free hours are and then what is charged for other things.

Shaun Bailey AM: You made a comment that the most disadvantaged children are not eligible. Could you give me an example or illustrate that for me?

Penny Kenway (Head of Early Years and Childcare, Islington Council): Yes, of course. If parents do not earn between a certain amount of money - at the bottom end it is about £6,000 and at the top end it is £999,000 - either one or both parents have to be earning between that amount of money in order to qualify for the 30 hours. It is quite complex. I have not done the application myself, but I understand from my colleagues who help parents in the Family Information Service that it is a very complex thing.

Most of our disadvantaged children - our children on free school meals, many of whom will be children with additional problems and issues as well - are not going to be eligible. We are working very hard with those families to support them towards eligibility. We do a lot of work with families if they are eligible for a funded two-year-old place, which of course is the opposite criteria. Those are for low-income families and families who are not working. We like to work with those families in order to support them so that their children become eligible for 30 hours when the child is three or four years old. That is the process and it takes time.

This is a very new thing and as we have said, it is really a bit early to say how successful we can be with that.

Shaun Bailey AM: Thank you.

Fiona Twycross AM: This is a natural move into this area of the discussion. We are quite interested in whether there is any evidence that providers might have stopped offering the 15-hour free childcare, not just simply the fact that people are not entitled to the extension. Is there any evidence that providers have stopped offering 15-hour free childcare to low-income families and instead have started only offering places to those who qualify for 30 hours?

Penny Kenway (Head of Early Years and Childcare, Islington Council): I do not have any evidence of that yet, but, again, it is very early days and our 30-hour offer is lower than we thought. People will take whatever they can in terms of a child who wants 15 hours or who wants 30 hours. We do not see that at the moment.

I suppose, potentially, it could happen. We have very little engagement from the private sector in the funded two-year-old offer and it could be that that diminishes even more because that is a group of children for whom parents are not going to be buying additional hours. It could be that that diminishes even more.

However, I suppose in Islington we have such a lot of our funded two-year-old provision in our maintained sector children's centres and primary nursery classes. Luckily, we are insuring ourselves against that. I do not know whether --

Fiona Twycross AM: Yes. How can we boost take-up among two-year-olds from low-income families? This is one of the crucial things. How can we boost that? Is it simplifying the process? Is it making families more aware? In what ways can take-up be increased?

Penny Kenway (Head of Early Years and Childcare, Islington Council): It is a number of things. In Islington, we are quite high for inner London. We had over 70%, although we have dropped back down again to the mid-60s, which is quite high for inner London. It does not compare to the rest of the country where they have higher amounts.

There are a number of issues. One of them is cultural. It is quite difficult for some families to think that the two-year-old 15 hours is necessarily a good thing for their children. They are very used to looking after their own children. They come from families and traditions where that is what you do. Therefore, we need to be - and we are, in fact - working much more with those families. We have a Parent Involvement [Development] Officer and we are really trying to target those families.

From what we know about it, as well, people want the nursery they want and if they cannot get in - and of course you cannot have endless provision in one place - then they tend to say, "I will just wait until he is three, then".

My view on counteracting that is to do much more work about the benefits of the 15 hours for these disadvantaged two-year-olds in Islington. We now have two sets of data where funded two-year-olds have now gone all the way through the early years and have their foundation stage profile results. What we see is that children who had a funded two-year-old place do much better than children who did not have a funded two-year-old place who might have been eligible - the free school meals children - by the age of five. It is really quite significant. In Islington this year, 67% of the children who took up a funded two-year-old place got the good level of development; in the borough overall, 69%; and free school meals children 60%. That is showing me what a huge advantage that funded offer is to those children.

We could have more of a national campaign about how this is only 15 hours, "You are not leaving your child all week. It is not 8.00am to 6.00pm, five days a week. It is only 15 hours". If they are in good quality provision, the evidence shows that this makes a huge difference to their outcomes at age five and will continue to make a difference throughout their educational lives and beyond. We need to be using that as an argument much more.

However, I hear nothing. I hear nothing either at a regional or at a national level of that data being examined, which is a huge missed opportunity. We examine the data at a local level and I am sure other local authorities do, but the Government has that data and knows which children went through provision. We should be looking at that and analysing how well they are doing.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): The findings of Ofsted surveys would absolutely support what you have just said, yes. It is this fear of not understanding what we mean by early education for two-year-olds as well that potentially puts put some families off, this idea of formal learning. Also, local authorities are telling me, again, that it is around the complexities of the form-filling. Then, if you do receive a funded two-year-old place, it does not necessarily then commute into Early-Years Pupil Premium (EYPP) funding and so you are continuously having to look at different funding streams and filling out forms, which is difficult. It is difficult for anybody and it is probably more difficult for those particular families that we are hoping to target.

Fiona Twycross AM: I appreciate that from Ofsted's point of view you would have frameworks in which you undertake inspections, but would the provision of the 15 hours and whether it is still out there be something that you would pick up in your inspections?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): No, I would have no evidence on that.

Fiona Twycross AM: From Mumsnet's point of view, have you come across anecdotal evidence about people struggling to get the 15 hours free childcare for low-income families? Is that something that has come through your users on Mumsnet?

Sue Macmillan (Chief Operations Officer, Mumsnet): Yes. It is a mixture. Most of it has already been covered. As with the three-and-four, some people simply do not know they are entitled to it still, which is a huge issue, and some just do not want it. Some feel that that is too young. The other thing is that the 15 hours is 38 weeks per year. I have read of someone who said, "Show me a job which involves working 15 hours for 38 weeks per year". If you then pay for childcare on top of it, for low earners it just does not make sense to go back to a job like that. One user was saying, "I can get £20 a week more than my childcare costs would be". Also, there is only a limited number of places offering it and so, if that is not convenient to you and if you put all of those things together, it does make it quite tricky.

Fiona Twycross AM: Thank you. Shannon, is there anything you want to add to that?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Yes. I was just going to say that I agree with the point that it is quite early to tell, but we have had a bit of anecdotal evidence via our surveys with respect to the 30-hour offer impacting on the 15 hours. We had someone say to us:

> *"This is a problem area that ethically we do not feel comfortable with. We believe that this group of children will be adversely affected by the 30 hours. We have already had to turn down a two-year-old funded child due to lack of capacity."*

I would echo Penny's [Kenway] points with regard to data gathering and I would say that this is something that the DfE should be gathering data on. I know of people working in the sector who are looking at whether or not it is having an impact on funded children. I know in the early rollout pilot there was reference made to Tower Hamlets and an existing scheme that they had to offer 10 additional free hours to more disadvantaged three- and four-year-olds. That had to be phased out due to the 30 hours. The year before the 30 hours came in, 2016, the National Audit Office said that the Government should use the pilots to check if it was going to have an impact on any schemes or anything for existing children for more disadvantaged areas, but that does not seem to have happened in response to that pilot finding. At the moment, it is a bit early to tell, but the DfE should be regularly gathering data on it.

In terms of the low take-up of provision, the role of children's centres is key in terms of directing parents to the scheme and making them aware of the scheme. There has been a massive fall in the number of active children's centres and that would have a definite impact on parents' awareness of the scheme, support to apply to the scheme and things like that. Looking at it from a demand point of view, you would have to take into account the fact that I am not quite sure what is happening with the children centres. There has been a pause on inspections and there was supposed to be a children centre strategy and it has not happened, and so this kind of scheme would be impacted. Then, of course, the point is from a supply point of view with provision for two-year-olds, the ratios are tighter. Two-year-olds from more disadvantaged families may have additional needs and so it is a very expensive type of childcare to offer. If you are a provider struggling financially, you may find it difficult to continue offering two-year-old funded childcare. It may be that in the months and years to come we do see more of a stronger impact.

Fiona Twycross AM: Yes. Finally, before I hand on to my colleague, you said the DfE should be collecting it. Does that mean it is not currently collecting that data?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): I know that the DfE is going to publish in September next year [2018] an evaluation of the 30 hours. Whether or not that covers impact on other schemes, I do not know. It may well be, but we would definitely say it should be, yes.

Fiona Twycross AM: Thank you. Thank you very much.

Caroline Russell AM (Chair): Thank you. I will now bring in Assembly Member Bailey to look at the challenges to the delivery of the Government's 15-hour free childcare extension.

Shaun Bailey AM: Thank you, Chair. If I could just start with Shannon and Penny Kenway, what has been the impact of the new funding formula on providers in London?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): I would say very varied. As a bit of context - and apologies if I am saying something that you already know - the aim of the new funding formula which came in in April 2017 was to ensure that the funding rates that local councils received reflected how expensive it was to deliver childcare in that area and so it would be based on staff costs and premises costs in the area and also how many children had additional needs.

With any funding formula, there were some people who won as a result of the formula and some people who lost. Penny [Kenway] referenced Islington having a fall in funding. I had a look across the London boroughs and, on the whole, the trend seems to be that the formula impacted inner London boroughs by decreasing their funding and quite a few of the outer London boroughs had an increase in funding. Depending on where you are based, it will have a different impact.

Then, within that, there were changes to the way that local authorities passed funding on to providers on the front line. There is now a requirement that local authorities pass 93% of the funding they receive from the Government to providers which was not previously there and that will go up to 95% next year. As Penny referenced, local authorities can put an argument to disapply from that to say, "We need a bit more money held centrally for a particular scheme", or something like that.

In terms of London, it is incredibly varied. I took, for example, Camden and had a look at its 2016/17 rate. As reported by the DfE, it was £9.46 per hour. That is the money that they were receiving from the DfE, not necessarily the money they were passing on. Last year that fell to £8.98 and then next year that will fall again to £8.53. However, the money that they are passing on to providers on the front line then varies again depending on whether that provider is PVI, which gets the least, or a nursery school or a maintained primary school nursery class. Essentially, it is incredibly varied.

I would say that for those local authorities and providers that are seeing either a fall or a freeze in funding, it is incredibly difficult because what you have to bear in mind is that this is coming on the back of many previous years of very little increase in funding. There are a lot of providers that were already struggling and have now been asked to roll out a scheme on frozen funding or less funding.

What we are seeing at the moment is - and this is nationwide and not just London - a real increase in providers closing. Again, this is anecdotal evidence and it is something that will take a while to show up in, for example, Ofsted statistics, but providers that have been running for 30 or 40 years have said, "We just cannot make it work. We were struggling anyway and this is just the straw that broke the camel's back".

On the other hand, as to the point that Sue [Macmillan] made, if you are in a local authority - for example, Richmond-upon-Thames, which in 2016/17 had a funding rate from the Government of £3.99 and by next year that will go up to £5.61, which is essentially the maximum it can do - you might be thinking, "This is great. I am very happy with this new funding formula. It has worked out really well for me".

It really is very much varied in terms of the area that you are in and the type of provider you are in that area. That will very much define your experience under the new formula. For those that are seeing a decline, it would be, I would imagine, an incredible struggle if you think that business rates are going up and next year the National Living Wage is going up again and the National Minimum Wage is going up again. All of these costs are rising and yet the overall amount of money coming to the early-years sector is frozen until 2020. There is there is no instance of the Government saying, "We will track inflation and we will increase the money every year". It is just flat.

In the House of Lords last year there was a question asking the Government if it would do an annual formal review of the funding and they said they will keep an eye but there is no formal review planned. That is something that we are pushing against to say, if you are going to have a scheme running over several years, you have to make sure the funding is keeping up with rising costs. At the moment, that is not happening.

Penny Kenway (Head of Early Years and Childcare, Islington Council): Islington is one of the boroughs that has seen a decline in our overall rate coming into the borough. That is quite significant. At the same time, the introduction of the national funding formula required you to introduce what is called a single funding formula. Therefore, we have a base rate which is the same for all providers and that makes up 90% of the funding rates, and then we have one additional factor which is around disadvantage. That is the only additional factor that we have. We can give a little bit more to those children who are disadvantaged and that is around free school meals and pupil premium.

What this has seen in Islington is a transfer of over a £1 million from the maintained early-years sector, which caters largely for disadvantaged children, to our private sector nurseries. Islington being the place it is - and I completely acknowledge it is not the same in other parts of the country - our private sector nurseries cater for a very different group of parents. Islington is a borough of two halves: we have some very poor children and we have some very rich children and families. I suppose, for me, some of the irony on this is that there is a lot more funding that has now gone to the private sector and it has come out of that maintained sector - particularly the maintained early-years sector, our nursery schools and our children's centres - and over 30% of their intake are the disadvantaged children. Although we can add a little bit extra, it does not really make up to what we were able to fund them before because they have a cohort of children with greater needs and we made sure we had very well-qualified staff who work with these children.

The disapplication process has been very useful and we have done that so that, as I said before, we can save some of that funding and make sure that some children from disadvantaged backgrounds can have a fulltime place at age three or four. However, the Government only promised us two years of disapplication and we are coming up to the second year, and we do not yet know what will happen after that. They have said there is unlikely to be any more opportunities to disapply and so, again, it will be the most disadvantaged children who miss out on that. The funding formula has been very difficult for boroughs like ours.

I suppose I also wanted to just clarify that the funding that local authorities got was based on how, historically, they had funded early education. Local authorities, which had funded early education to a larger extent and had valued nursery education, in particular nursery classes in schools, tended to get a higher funding rate because it was a historical funding rate. They are the ones who have lost out. In boroughs that perhaps had a lower funding rate to begin with, those councils did not necessarily fund nursery education in the same way historically.

The group of providers of course that we are all really worried about are our nursery schools, which have lost out under the national funding formula. Although there is protection funding at the moment for nursery schools, again, we have no guarantee that this will continue. Our nursery schools do not benefit from the economies of scale of bigger institutions, but they offer very high quality early education and childcare. They have well-qualified staff and they work with the most disadvantaged children. We are concerned about their future and I know that that is something that is felt across the country about nursery schools.

Shaun Bailey AM: Shannon [Hawthorne] made the point that some local authorities may have had a gain because the funding formula redistributed. Is it the same situation for them? Was the gain tiny and insignificant or was it impactful? Were they able to use it to do new things?

I live in a borough which is on the edge of London, but we have had a massive uplift in the number of young people. We have had the biggest growth in primary-aged schoolchildren and below across London, and so we probably would have been a borough that benefited. How do boroughs which have had this - hopefully - injection of cash use that or is it just a drop in the ocean for them as well?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Given the scale of some of the increases, it should, in those boroughs that have had a significant increase, and have a real positive effect. In terms of how the money is being used, because local authorities, unless they disapply, have to pass the vast majority on to providers, the money should go just to providers; that should be it. If you are in a borough that has had an extra £1.50 an hour, the vast majority of that money should just become an extra £1.45 for your local providers. It should just support providers in being more sustainable and in making sure that the funding they receive covers the cost of delivery. It may well be that those providers can offer some more 30-hours places; it may be that they do not have to start charging for lunches; it may be that they continue to offer two-year-old places and things like that. It just gives them a bit more breathing room, because there is that restriction on how much local authorities can keep back, whether or not the local authority as a council can do more with the money would be limited because so much of it has to go to the front line.

I would say - and I very much appreciate Penny's [Kenway] point in terms of the particular work that they do in Islington - that it is really necessary to have that money centrally. However, when the formula came out, we were in support of this requirement to pass on because, across the country and across London, there were a number of providers complaining to us, "We do not feel like we are seeing much for the money that is being held centrally and we are not getting it. We need more of the money passed on to us". It is very much on a council-by-council basis as to how much money they need centrally to administer the scheme and how much can and should be passed on. However, I would hope that in those boroughs that are seeing an increase, the childcare providers are being able to remain sustainable, plan for the future and offer high-quality childcare to children through things like hiring a graduate, these things that cost extra money, keeping up with minimum wage changes, special educational needs and disability (SEND) provision.

That is one of the points I forgot when we were talking about two-year-olds and disadvantage. SEND provision is incredibly expensive as well and so an adequate funding rate would allow providers to feel confident that they could offer quality - perhaps one to one, care for children with SEND. It allows them to offer that high-quality provision that we would all want to see.

Shaun Bailey AM: Thank you. In your experience does the new hourly rate better cover the costs that providers are incurring around delivering this new model? Is it up to it? Is it nowhere near it? What it was experience coming back from providers on the ground?

Penny Kenway (Head of Early Years and Childcare, Islington Council): In Islington, many providers have seen an increase in the early rates and I am sure that it helps towards covering the costs. We still have some of our private providers that charge substantially more for the extra hours that are round about the funded provision. In our own nurseries, we do make that work but it is very tight. The costs of being in inner London are very high with the costs of buildings, rents and all of those sorts of things. Getting the staff that you need to run those nurseries is also very difficult because early years is generally a fairly low-paid profession. People cannot afford to live in inner London if they are low paid, but neither can they afford to commute in and out of London. It is a problem. While the increased rates are going to help, in my own opinion, it is not funded sufficiently yet so that we can really be reassured that we have good-quality nursery provision that can be inclusive and cater for all regardless of how much parents can pay.

Sue Macmillan (Chief Operations Officer, Mumsnet): Can I just say something about probably one of the forgotten bits of the sector that has not been mentioned much yet, which is childminders? We have a number of childminders on Mumsnet saying that this is a disaster policy for them. Childminders are often people who have their own young children and look after other children at the same time. They are not allowed to claim the 30 hours funded for their own children even if they are eligible. They would be if they sent them to a nursery, but they are not allowed to claim it for themselves. We had a number of childminders on Mumsnet saying that this is the end for them and they have to stop, and that has been the case across the country over the last few years with a huge decline in the number of childminders.

Why that is important especially is that we talk about flexibility and, when you talk to parents, that is a huge thing still. Nurseries, at best, are open - the longest I have seen - from 7.30am in the morning till 6.30pm at night. If you live in London and you have a commute of even half an hour to an hour, that is hard. I see it in our own workplace: the terror of parents at the end of the day, worrying if anything goes wrong in their commute and getting to the nursery even a minute or two minutes after it has closed. In many ways, childminders would be a better option for some parents and it is a part of the sector that is really struggling, even more so since the introduction of the 30 hours. I just wanted to mention that.

Shaun Bailey AM: I have heard the comment that a child's parents are having to pay for additional hours. Are your users saying that that cost is really large and that it is almost impossible for them to avoid that cost? I am picking up here that this 30-hour extension exists and it is what it is. However, as a real-life parent, you are still having to pay bits on top?

Sue Macmillan (Chief Operations Officer, Mumsnet): Yes, that is what they are saying. As I said at the beginning, for some people it has worked well and it does represent a discount on what they were paying prior to it being introduced, but for others they are saying there has been very little - and, for some, no - difference. As with the example, they have ended up paying more because of the top-ups.

Shaun Bailey AM: Just to move on, the sector has raised concerns that the 30-hour extension will end providers' capacity to cross-subsidise some of their lossmaking ventures within their provision. Is that happening? Is it too early days yet and you cannot see that or is it quite obvious that there is some shortfall here?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): It is early days, but logic dictates that that will happen. For example, if you have a parent that was taking up 22 hours per week of funded provision under the 15 hours and if those 15 hours were underfunded by the Government, you had those seven hours to say, "I am going to whack the cost of those seven hours up and that will cover the gap". Now, for that same parent, if they continue to take up 22 hours, all of those hours are Government funded. If that Government funding rate does not match (a) the fee that you used to charge the parent and (b) the cost of delivery, you have nowhere with that parent to make up the cost. What you might see is - as was raised before - younger children, babies and paid-for two-year-olds having a fee increase because, essentially, providers have to pay their staff and they have to pay their bills. The money has to come from somewhere. If the money used to come from cross-subsidising and it no longer does, they need to find somewhere else to make it work.

On your previous point about whether or not the increase is being felt, our stats showed that previously 70% of providers - this is nationwide - would say that their funding rate did not cover the cost of delivery or parent fees; it just undercut it. More recently - and we are still in the process of gathering it - it has dropped to around 60%. There was an improvement, but that is still more than half of early-years providers saying that, even with this increase in funding, it is still not matching the Government.

That was one of the issues that we found when the Government rolled out the scheme. They said, "That will not be a problem because a lot of parents are already taking up 30 hours a week and so all we are doing is switching it from fee-paying to funded and so the capacity issue will not be a problem". We said at the time, "Yes, but unless your funding rate matches what those parents were previously paying, providers are suddenly going to see a drop in their income". It just did not seem to have been taken into account. That lack of ability to cross-subsidise has been a real challenge for providers. As the scheme rolls on, we will get more hard data on that, but, anecdotally, it is certainly something we are seeing being reported back to us, yes.

Fiona Twycross AM: I did have question on SEND, but it was also on the point of cross-subsidy. We had previously been told that cross-subsidisation happened but that technically it was not supposed to. Therefore, clearly, there was an issue around the Government failing to acknowledge what was happening, which then fed through into what it was prepared to look at in terms of the funding for the additional hours.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): In terms of cross-subsidisation not being meant to happen, I do not know if you mean that it is not allowed or should not --

Fiona Twycross AM: Technically, the Government discouraged or there were rules in place to stop people having a policy of cross-subsidisation.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Sure. It is probably the top-ups. There are two routes. You might have, for example, a childcare provider who gets £4 an hour from the Government but it costs £5 an hour to deliver the care. They cannot say to that parent, "You need to pay me that extra £1". That is what is not allowed.

Fiona Twycross AM: They basically charged it through the additional hours and the cost of those hours.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Yes, but if you say, "I get £4 an hour. For every additional paid-for non-Government-funded hour, I am going to charge you £5.50", that is completely fine. The provider has the right and it is the Government guidance that they can charge non-Government-funded hours as they want. It is a private matter between the parent and them. Again, it is these grey areas in the Government guidance and it is providers, in order to remain afloat, having to find ways to make it work that are within the rules. No, providers are not allowed to pay top-ups; they are not allowed to say to parents, "Can you cover the gap?" However, they are allowed to charge for additional hours, lunches, etc, as long as it is not a condition of doing so.

The issue with the 30 hours is that the Government never really acknowledged how underfunded the 15 hours were. When we released something in partnership with an independent research company called Ceedar at the end of 2014, a report called *Counting the Cost*, it showed that there was approximately an 18% shortfall in the 15 hours, and the Government responded to say it was nonsense. You can just imagine how we felt about that. Rolling out the 30 hours without acknowledging that we are in this deficit already is what has led to the problem now. Because there was a denial of the extent to which providers were relying on cross-subsidisation, it was not taken into account when putting together the 30 hours at all.

Fiona Twycross AM: It feels a bit like the business model had adjusted to people using this. Their business model had adjusted. The 30 hours effectively undermined a slightly creaky business model but one that was, effectively, working. It goes back to Sue's [Macmillan] point about people ending up having to pay more in a slightly Kafkaesque kind of approach to having additional free childcare.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Penny's [Kenway] point was that it was quite a rushed policy, unfortunately, and so there was not the time taken to analyse how it worked and how business builders worked and then build a policy on that basis. It was, "Parents will love this. Let us roll it out". We are now looking at the problems retrospectively, which is not the best approach.

Fiona Twycross AM: Shannon, you mentioned the cost of SEND to providers. All three Committees that I am on at the moment have very recently done work on or are undertaking work on early years. One of the issues that came up at the Education Panel - I think it was the Education Panel; it might have been the Health [Committee] - was about children with SEND and whether they were denied places in childcare because people could not cope with their needs. Are you suggesting that it is also a financial thing? It is not that they do not want to have the responsibility; it is that financially they cannot accommodate the needs?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Very much so, yes. Our feedback is, as the point has been made, early-years childcare has very low pay and a low profile. People do not get into it for the money; they get into it because they care about children and because they want to help children get the best start in life. You would be very hard-pressed to find an early-years provider that felt comfortable or happy saying to a child with SEND, "We cannot have you".

It is that the cost of delivering quality care to a child with additional needs - and that includes very tight ratios, liaison with other agencies and things like that - is incredibly expensive. If a provider does not feel comfortable that they can meet those needs, they are then put into a position that they have to say, "I am so sorry. We cannot".

I know that we have we have been part of panels and groups where, from a parent perspective, that is absolutely right: it is not right that a child with a disability or SEN is denied the care that a peer would have. However, from a representative provider perspective, it is an incredibly difficult position when you do not feel you can offer the care and provision and education that a child needs and then you say yes anyway if you think that you cannot do so. It very much is a financial problem, yes.

Fiona Twycross AM: Thank you.

Penny Kenway (Head of Early Years and Childcare, Islington Council): Can I just add to that? Under the national funding formula, we can now create inclusion funds for children with SEND. We had one in Islington before that. It is, again, a block of funding and providers can then apply to us for additional funding in order that they can meet the needs of those children with SEND. However, the money is very tight. The amount of money that we have to give to that has risen from - and I remember it well - about £30,000 about 10 or 15 years ago; it is now over £500,000 a year because the incidence of SEND has also grown dramatically. It is a problem for providers and it is a problem for us ensuring that we have sufficient funding and that all of those providers can support those children well.

Of course, it is also a training and development issue and we work on that too, but it is difficult. We know that children with SEND and their families find it harder to access childcare.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Can I just add to Penny's point about the inclusion fund? It was something that providers came to us about. It is money that local authority can pull from their early-years funding block and their high needs funding block, but the guidance is quite loose as to whether it is taken from both or one or the other. What we did have was providers saying to us, "My local authority is now taking all of the SEN inclusion funding from the early-years funding and so, essentially, we are getting this extra SEN money but our early-years funding rate has gone down and so we are getting the same amount of money". That varies completely from council to council, but we did raise it to the DfE and they said, "Just monitor it and let us know if it is a problem and if there is a trend in that". Again, that is something that on paper and in some local authorities would work really well as an additional pot of funding, but we have had a number of complaints that it comes to a neutral position in the end because it has been taken out of the early-years pot anyway.

Andrew Dismore AM: I would just quickly like to come back to something Penny was saying earlier on - and we have had some illustrations of the results from all of that - and that is the problem of recruitment. You mentioned that it is a problem, but you have not said why. Is it because of pay, for example? Are people paid the London Living Wage? Presumably not. Is there a lack of skills or what?

Penny Kenway (Head of Early Years and Childcare, Islington Council): It is a combination, as always with many of those things. We had a really good programme for about 15 years funded by central Government, which really supported qualifications in the early-years sector. That funding went after 2010. Although certain local authorities, ourselves included, kept some things going, we are not able to fund in the same way that we used to. We used to be able to support people to get degrees and all of those sorts of things. Now people need their maths and their English in order to get the early-years educator qualification. That is a problem for people and that needs to be funded because these are people who are generally on quite low wages. Our own nursery workers are paid the London Living Wage as the minimum. We are a London Living Wage council and so we will make sure all of those people earn at least the London Living Wage.

I know that in some of the other sectors, yes, hopefully, they are on the minimum wage - otherwise, that is illegal - but they probably are on the minimum wage. It is a combination of wages. There is not a huge career path there and so why would you go into it? Why not become a teacher and go into a school where you have many more opportunities and much better opportunities? Recruitment is difficult because people cannot afford to live in certain places and have those sorts of wages. It is a low-status profession still because of its wages and we need to be doing more to boost the status of early years as a profession and how important it is and what a difference you can make to children.

Andrew Dismore AM: How reliant are you on European Union (EU) nationals for filling vacancies or staffing levels generally?

Penny Kenway (Head of Early Years and Childcare, Islington Council): I have not done that analysis and so I find it really hard to say. In our own nurseries, if I think about going around and visiting and meeting people, I am sure we have EU nationals. I do not know, though. I do not know what the proportion is. I find that quite difficult to answer.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): I was going to come back to your first point, Andrew, in terms of the living wage and minimum wage. We always note that every year the [National Minimum Wage:] Low Pay Commission report comes out and childcare is pointed out to be an incredibly low-pay sector and the proportion of people in the sector who are right at the minimum wage is incredibly high, one of the highest. That is one of the reason is that every time the minimum wage or National Living Wage goes up, it is so difficult for the sector because so many people are right on the bottom and so it means everybody has to come up. Staff on higher wages have to go up as well to maintain those differentials.

Related to Penny's [Kenway] point about working in the primary sector, one of the issues we had was in 2014 when in one of the Government's reviews, *More Great Childcare*, one of the ways to improve the profile of the sector was to introduce the roles of Early Educator at Level 3 and Early Years at Level 6. Early years teachers do not have qualified teacher status (QTS) but the word 'teacher' is in the name and so you do have this odd place where, if you are going to get that qualification, you might as well get a QTS and then you might as well go to work in the primary sector because you will get much better pay and conditions. Therefore, in terms of recruiting people into the sector and also retaining people in the sector, it is increasingly difficult when you could go and work in the primary sector --

Andrew Dismore AM: That is the next question I am going to come back to with Penny. The other side of recruitment is retention. What is the turnover like in, for example, the places that come directly under the Council and what is the vacancy level? You talked about difficulty recruiting. What is the percentage vacancy level or percentage turnover?

Penny Kenway (Head of Early Years and Childcare, Islington Council): I would say that turnover is relatively good in our council nurseries, although we do go through periods when it is difficult. We have a little bit of a blip moment and we are struggling to find good quality heads and executive heads of our nurseries. I would say, because we pay better than the private or the voluntary sector, our turnover is probably lower than their turnover, but recruitment is an issue. It is always a challenge and it is a challenge to find good people. That is a huge challenge.

Andrew Dismore AM: I do not know if Penny Fisher could add to that? Islington is obviously a case where they have a good employer paying the London Living Wage but what about the rest of London?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): Anecdotally, through inspection, providers do tell us that there are issues around retention and recruitment and recruiting staff with the right level of skills and knowledge that they need, yes. That would come through our discussions with leaders and managers.

Andrew Dismore AM: You do not have any statistical basis for that?

Shaun Bailey AM: We have maybe half covered this earlier on anyway, but the new formula means that different boroughs get different levels of income to their nursery provision. To what extent has this levelled out any inequalities in the previous funding formula? Has it made London a more equal place in the provision and the funding?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): I do not think so. We did a bit of analysis on that nationwide, not London-based, and there was a lot of change, but the actual width or range did not narrow particularly much. There was a bit of crossover. Whether or not it would have equalled out any inequalities I do not know.

We did have a lot of issues with the funding formula when it rolled out and some of the data that was used to, for example, define how high staff costs were in an area or how high premises costs were in an area. We did not really agree with the method of using that.

I have the sheet in front of me looking at the range. If we look at 2016, it ranged from about £3.84 up to £9.46 for Camden. Now it will go up to £4.91 to £8.53, and so the bottom has come up slightly but there is still a £3 to £4 difference, and so I do not think so. There has been a lot of changed fortunes, essentially, and a lot of local authorities who may be found it very difficult are now finding it a lot easier. However, equally, a lot of local authorities who may have had a higher rate previously but also may have needed that higher rate because of the cost of delivery in their area have now seen a drop and are now going to struggle to continue to deliver it. It may be just local authorities facing different problems than they faced before.

Susan Hall AM (Deputy Chair): Firstly, I apologise for my lateness. Sue, on your comments about parents' concern about long commutes and it being difficult to pick children up, I am sure every one of us can understand. I am going to ask a question but, really, if there is anything else to add because you have been so good in your answers and we have covered so much.

How much will the extra capital funding offered by the Government be used by providers in London? Have you anything more than you have already said to add to that?

Penny Kenway (Head of Early Years and Childcare, Islington Council): In terms of the capital funding, are you referring to the capital funding that has just been announced, which is quite a small amounts of capital funding?

Susan Hall AM (Deputy Chair): Yes.

Penny Kenway (Head of Early Years and Childcare, Islington Council): It is up to £10,000 per provider and so that is only going to be modifications that we can do with that: putting in an extra toilet or those sorts of things. To be honest, it is not going to have a huge impact.

There is an issue with capital funding in inner London: we do not have any space to build anything anyway. We struggle. That is one of the problems with making sure that we have a sufficiency of childcare. We have to use our existing buildings and find ways of trying to get more children into them while maintaining decent spaces for them, particularly outside spaces. I dare say it is not the same elsewhere in the country necessarily, but in inner London it is a problem.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): I would agree with that. There are the two bits of capital funding. Penny, I think you are referring to the delivery support fund, the recent one?

Penny Kenway (Head of Early Years and Childcare, Islington Council): Yes.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): We had the £100 million in capital funding announced a while back, which was supposed to create 18,000 places, and then more recently a small pot of funding. We said at the time of the original funding - the £100 million - that 18,000 places nationwide is positive, but when you look at the fact that for 30 hours there are going to be 390,000 children eligible - Cedar, the independent research agency, put it more at 500,000 - it is still a relatively small number.

In terms of the more recent capital funding that the Government announced, again, as Penny [Kenway] said, it is very small. The interesting thing about the recent capital funding, which is the delivery support fund, is that the guidance document the Government produced explicitly says that it is to support the summer term. One of the points that has not been made yet today is that we are in the autumn term at the moment, when the pressure on places is the least it is going to be during the year, and it is going to grow throughout the year. In creating this additional bit of capital funding, the Government has explicitly on paper said it is going to get tougher as the year goes on and so we need to support councils. When we are looking at what has happened so far and the trend so far, we have to bear in mind that not only is it early in terms of the rollout of the 30 hours, but also it is the quietest bit of the year and the pressure on places as more children become eligible is really going to be felt in the summer term.

We have always been of the opinion that capital funding is positive - and Penny [Kenway] makes a good point that that is if you have the space to be able to expand - but the funding rate is the pivotal thing. If you are going to support the offer, it may sound good to say, "We have put in £50 million, £100 million or £8 million pounds more recently into capital funding", but if you want places to be created and to remain available for those children that need it, giving providers a fair funding rate that covers the cost of delivery is the best way of doing that. That would be our current position on that.

Susan Hall AM (Deputy Chair): Thank you. Sue, if I can ask you, in your experience, are the upfront costs demanded by providers a problem for parents looking to access childcare and how do parents feel about the childcare deposit loan?

Sue Macmillan (Chief Operations Officer, Mumsnet): I do not have much to say about that. It is not something that has come up to a great degree on Mumsnet. For some people, yes, of course, finding that money upfront is an issue.

There is also an issue which we have not touched upon today that some of our users raise, which is about this lag. If you do go back to work, for example, on 1 September, you are not entitled to the additional 15 hours until 1 January. What on earth you are supposed to do with your children for those three months I do not know. I imagine for those people in particular, yes, the deposit would also be a major issue.

As far as the deposit, I am not sure if it is well known, if I am honest, the scheme. That is probably all I can add on that. Sorry to not be of more help.

Susan Hall AM (Deputy Chair): Thank you for that. What else do you think that the Government, the Mayor or the local authorities can do to keep childcare provision affordable for families? I know you could talk for hours on this. I am sure you all could, but time is limited. In a nutshell, what do you think?

Sue Macmillan (Chief Operations Officer, Mumsnet): Can I make one quick point that, if I did not make, our users would not be happy? There is a lot of consternation on Mumsnet about why childcare help starts for the majority of people at three years old. If you have one child, the idea that you would take a three-year break, for some people who want that, fine, but a lot of people want to go back to work after a year. If you are having one or two children, not having help with childcare costs until that child is three could mean a three, five, six or seven-year break from the workplace. What we see on Mumsnet is a lot of women - and, sadly, still the vast majority of people are women - with huge confidence issues when they go back to work after maternity leave, even after a short period of time. If you can imagine how that feels after three years, five years or seven years, it gets huge. The pace of technological change at the moment especially affecting the workplace means it is very difficult. What our users are saying is, "Why is all of this new additional help concentrated around three- and four-year-olds?" It feels like it was a headline-grabbing policy gimmick to say 30 hours when you could spread the money you are going to put into that across one, two, three and all the way across from the early years, and then you might not have the same issues that we have found that providers have. That is a point that is made very strongly by our users, "Why does the help start at three when we need help from one?"

Susan Hall AM (Deputy Chair): That is heard loud and clear. Thank you.

Penny Kenway (Head of Early Years and Childcare, Islington Council): I would say that we need a strategy that has a strategic look at childcare and what parents need. We need to be much more realistic. The costs of childcare are great and they are expensive because, if we want good quality childcare everywhere that is as flexible as it can be, all of that adds to costs. We need more contribution from the Government. We need more contribution perhaps from employers. We have very little contribution towards childcare from employers in this country. Then parental contribution can be a mix of funded hours and some targeting as well, which would help.

There are lots of things within that that we could do. Encouraging the London Living Wage would help in London, if we could encourage providers to do that, but I agree with Shannon. We need to have a decent national funding formula that means that people can provide good-quality childcare that is flexible for parents and they can have it free at that point if that is what they need.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Yes, we would say that it comes down to the funding rate. Local councils are not in control of the amount that they get from the Government and they have to do the best with what they receive. We are aware that - and Sue [Macmillan] makes a good point - the policy is being driven maybe politically because the different parties are all offering their own version of free childcare. We are very conscious that free childcare as a concept is probably not likely to go anywhere, but, if it is going to be advertised as free, then the funding rate really does need to cover the cost of delivery.

From a social mobility perspective, we at the Alliance, as well as being a membership organisation, also are the third-largest provider of childcare ourselves and we work almost exclusively in more deprived areas. We are very conscious that if you are going to put a policy out and say, "We have only so much money", think about where that money is best directed. A couple with a joint income of £199,000, whether or not the money is best directed at supporting them to get 30 hours, or a family on the lower income scale. It is better funding and looking at where the money is most needed, and talking to the sector and understanding business models and putting out a policy that reflects how providers in different parts of the country deliver.

Susan Hall AM (Deputy Chair): Just off the top of your head, if you are saying £199,000 is too much - I hear that - where would you place it?

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): Again, this would be a good argument for not making policy on the hoof. You would need to do analysis as to how much money you have and how much money you can afford. The Government is saying at the moment, "We are putting in £300 million in additional rates. That is how much we can afford", but work backwards from that point and say, "What can we do?" Could you have it that families on the lowest income get 100% free and it tapers off to a subsidy as you go higher up? There are all sorts of options. I cannot sit here and say that only parents up to, say, £60,000 should get it because I do not have the analysis to back that up and that has been the problem with these numbers. "Labour said 25. Let us do 30." These numbers sound nice and they are very easy, but the work has not been done to say, "We got to this number because we put this analysis in and we calculate that this is the best approach". It is too flippant and that is the issue. There needs to be work with the sector, Ofsted, local authorities, provider organisations and parent groups to work out how to make the strategy work. Pulling numbers out of the air is not helpful and it is to an extent how we have got to this position of difficulty.

Susan Hall AM (Deputy Chair): We all have to accept finding a number that would be acceptable would be very difficult in any event because there are always going to be people on either side and perhaps the higher earners are going out - encouraged to go for whatever reason - and paying more tax. I do not know. We could all sit for hours looking at different ways of looking at it. I would suggest that we would all find it very difficult to come up with one.

Shannon Hawthorne (Press and Public Affairs Director, Pre-School Learning Alliance): It is very difficult but the point that Penny [Kenway] made earlier was in terms of the number of families that are missing out - foster parents, single parents with caring responsibilities or disabilities - there are a number of groups that from a social mobility perspective you would say should be given access the issue is that early-years policy in this country has always had a tension between childcare and early education. The Government has been quite specific that this 30-hours is about childcare and is about getting parents back to work, whereas most in the sector would say you cannot extract the two and childcare and early education should be one and the same. The difficulty is that the policy said, "Fifteen hours is for early education. The funded two-year-olds get early education. Everyone gets early education. Thirty hours is about childcare. It is about getting parents back to work". That is not how provision works on the ground. When you exclude these lower-income families from it, that is very problematic. I agree that there is no easy answer, but if you are rolling out policy but saying, "Look, we have limited money", it is a question that needs to be asked as to where that money is going, especially if you are pushing a social mobility agenda.

Susan Hall AM (Deputy Chair): Yes, I accept that. Penny, do you have anything different to add?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): I suppose I will go back to where I started, which is that Ofsted role is to be the arbiters of quality, if you like.

Susan Hall AM (Deputy Chair): Absolutely.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): I suppose we are out there inspecting and reporting without fear or favour while all of this is going on in the background. Our job is to continue to try to drive improvement through inspection, and making sure that parents have the information they need to make informed choices.

If there is one area that I would definitely think we need to be doing more as a whole is in that information for parents and whether that is about the funding for two-year-olds or about the deposit scheme or whatever. There is a raft of information there from an awful lot of different places for parents to try to get hold of and understand.

Susan Hall AM (Deputy Chair): Thank you very much.

Caroline Russell AM (Chair): Thank you. We are now able to welcome Deputy Mayor for Education and Childcare, Joanne McCartney AM, and also Sarah Wilkins, who is a Senior Programme Manager here at the GLA. Welcome to both of you.

We have just been hearing information from parents and also talking to and listening to the sector are things that our panel have been saying are things that could be helpful. As a first question for you, what has the GLA been doing to help boroughs and providers to deliver the free childcare entitlement in London?

Joanne McCartney AM (Deputy Mayor for Education and Childcare): On the free entitlement, I will start by saying that in previous years has been very little happening on early years in this building. The previous Mayor said to me that there was no intervention he could find in early years and so we are really starting to draw up a programme of intervention in early years.

On the free early-years uptake, we have chosen to focus on two-year-olds' early education funding because all indicators - and Penny [Kenway] has confirmed this - indicate that if you get the most disadvantaged children at age two into that quality early-years settings, it has the most impact on social mobility. I was interested when Penny said earlier that they were able to track their two-year-olds who had that early years and they had better levels of children with a good level of development at age five. Of course, if we focus on that, then that should follow through into the free three- and four-year-old offer as well.

I know you have questions on our early-years hubs model and so I will leave that to one side for the moment, but that is one of our major interventions.

One of the things that this building is good at is research and data. We are putting a lot of effort into improving the research and datasets that we have around this area. We know that on three- and four-year-olds' funding, although we have a list of the DfE codes that they have given out to parents, we do not know what the uptake is derived from those codes. We will have to wait a little further to see what the DfE tells us about uptake.

We have been making the case alongside boroughs to central Government. We did a very robust response to the early-years funding formula and consultation. I am going to ask Sarah in a second just to talk about some discussions we have been having with the DfE about a new piece of research to do a deep dive into the three- and four-year-old uptake and two-year-old uptake because we think they have further information that would help us develop better information for reaching parents who are not taking up that two-year-old offer at the moment.

Over the summer, certainly in your social media, I know most boroughs were tweeting and putting out messages urging parents to take up their offer and there were those usual methods of communication, but we are still not reaching those really hard-to-reach parents whom we need to reach. We want to do a bit of research and develop some targeted materials around that. Sarah might be able to give a bit more information.

Sarah Wilkins (Senior Programme Manager, Greater London Authority): Yes, we have been closely with DfE officers, who have been saying that they are going to be conducting a deep dive into an analysis of the free entitlement uptake in London. What we want to do is really try to see if the DfE can, through that deep dive, publish information which at the moment is not publicly available, particularly in respect of the demography of who is taking up the two- and three- and four-year-old offers, information about ethnicities, nationalities, age range and household types. We are hoping that within their data they have information on that which they can share through the deep dive.

We are particularly interested in, through that as well, parents' understanding and attitudes towards the extended entitlement and thinking about what can make the difference between going back to work or not, understanding that pivotal point, particularly for those families that may have one parent working, to think of the extra hours, whether they are going to make a difference and how we can translate that information through to the parents involved.

You also asked about support to boroughs. It is fair to say we want to offer support but challenge boroughs as well because the statutory duty lies with the boroughs, although we do take the point that we need to have a great early-years system. It is just more funding into the system in total. Just over a week ago, the new London Plan was published for consultation. For the first time in there, as well as a duty for local boroughs to plan for school places, there will now be a duty on local boroughs to plan for childcare places. There is quite a bit of talk about childcare in the new London Plan in terms of planning.

We have also worked with London boroughs to develop a common template for the childcare sufficiency assessments. Boroughs have a duty to provide a sufficiency assessment, therefore, they can understand their local borough, where the gaps are, where the provision gaps are and to allow them to effectively intervene. At the moment, we know there are two boroughs that do not have, as far as we are aware, a current sufficiency audit and their variation in length and quality. For example, they range across London from an eight-page sufficiency assessment to a 161-page sufficiency assessment in another borough. There is a very wide range of quality.

We are about to release our template and it has been very welcomed by boroughs. We hope we can get some standardised reporting across London. As part of that, we are going to be developing an earlier section of the London Data Store which will hold and publish information that boroughs could just take out and put into their own assessments. It would also enable them to compare their data with other boroughs' data and hopefully that will indicate where they need to improve and where they could go to improve. As part of the draft London Plan, GLA Economics will also be publishing childcare demand projections. We are estimating - and this is quite a conservative estimate - that over the life of the next London Plan, we will need at least an additional 71,000 childcare places in London.

Caroline Russell AM (Chair): That is an awful lot. Can I just ask? You said there is this range between boroughs in terms of their engagement with all of this from an eight-page assessment to 161 pages? Are you able to name those boroughs or can you share that with the Committee or are there boroughs that did not engage?

Joanne McCartney (Deputy Mayor for Education and Childcare): We hope they are all going to engage with our new sufficiency assessment. Certainly, we have been working across London with local authorities to try to standardise, therefore, we have a good benchmark across the city. At the moment, if you do not know the problem, you cannot intervene effectively.

Caroline Russell AM (Chair): Indeed, no. Having good data is definitely a good thing.

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes, absolutely.

Sarah Wilkins (Senior Programme Manager, Greater London Authority): With respect to the range, small is not necessarily bad. There was an average of about 30 pages which covered a huge number of indicators. There is not necessarily a need for 161 pages. That is why it is so useful to have a standardised template which we put together very closely with local authorities with a high degree of consultation with local authorities about what should be in or should not be in the template. Within it, we have, "These are the core questions. These are the small ones"; therefore, there is flexibility for local authorities in how they then complete the sufficiency audit, but it will be great for comparison across London.

Fiona Twycross AM: Hopefully a very quick question to Sarah [Wilkins], if I might, just in terms of clarification. You mentioned the piece of work the DfE is doing with the GLA on the take-up of 30 hours. One of the issues we covered earlier was the impact, or potential impact, of 30 hours on the 15-hour provision and I just wondered whether you were aware of whether the piece of work with the DfE is going to cover the impact on other areas within the sector.

Sarah Wilkins (Senior Programme Manager, Greater London Authority): We have not explicitly said that at the moment. The problem is the time and the data which is available at the moment, which is what we have been saying. It is unlikely that they will have a huge focus on that, but we can certainly feedback if they are finding things, free discussion with parents and also with the local authorities and settings. That is one of the questions which is asked.

Fiona Twycross AM: Thank you.

Joanne McCartney (Deputy Mayor for Education and Childcare): On that as well, London is very different in that, nationally, two-year-olds are funded at a higher rate than three-year-olds. In London, three-year-olds and four-year-olds are funded at a higher rate than two-year-olds, which is why we have the concern that the providers will shift their free places to three-year-olds as opposed to two-year-olds.

Fiona Twycross AM: Thank you.

Jennette Arnold OBE AM: We heard what you said at the beginning about how previously there was no mayoral interventions into this area. Can you just tell us briefly, in terms of the Mayor setting up the early years hub, why he chose to set up the early years hub? There would be other areas he could have gone into. The specific objectives that we will be able to see at the end of his first term, what has he achieved by them?

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes, thank you. As you are aware, as the panel is aware, the Mayor has no statutory duties with regards to early years, but it is a very important issue because it reaches across probably every area of work that we do in this building, whether it is economic success, stable communities, education outcomes. It is really important.

Before we set the work in our programme, we took time to consult with the sector. We talked to Ofsted, we talked to London boroughs and some people and organisations around this table, about where it was that we could best intervene. The hubs encapsulate, and hopefully will work towards, sorting out some of the issues that we have heard or that you have heard of this morning.

We are currently assessing bids to establish three early years hubs. The aim of those is to bring together schools, childminders and PVI nurseries to improve access to early years education in a geographical area. We stated that that geographical area should be an area where there is a lower, than the London average, uptake of the two-year-old offer.

The reason around that is that we know, for example, that costs and sustainability is a real issue. You have heard about the importance of quality early years education. We think the hub model, with providers working together, will be a forum for collaborating in a self-improving system locally where providers can share best practice, they can share training costs. One of the issues is that local authorities often used to provide some good quality training to providers in their area but with the financial constraints upon them, a lot of that has been cut. If a group of providers in an area can share the cost of that training, we can hopefully increase quality and confidence. They can also share and spot out vacancies to parents in an area and can work together to provide tailored information to parents in an area.

The objective that we have set for them is to increase the number of families accessing the two-year-old early education offer and then that will feed into increasing, hopefully, the uptake of the three and four-year-old offer, to improve parental and community knowledge of early years education and childcare support entitlements, to promote early years as a career choice, to improve joint working between those settings and to help them be more self-sustaining. We are hoping that we can follow that through so that we can see there will then be a better level of development at the early years foundation stage for those five-year-olds.

Jennette Arnold OBE AM: Lovely. You referred to areas of the 32 boroughs. How many areas do you think will you be landing your early years hub in? How many boroughs?

Joanne McCartney (Deputy Mayor for Education and Childcare): We have all the bids in now. We will be announcing probably early in the New Year where the three successful bids are, but we had 21 bids in covering about 20 boroughs. We had quite a wide range and we are now assessing those bids.

Jennette Arnold OBE AM: Did you start off with a number that you were working to or could it be that you accept all 21 bids? I am trying to find out.

Joanne McCartney (Deputy Mayor for Education and Childcare): We said there would be three. We are setting them against set criteria.

Jennette Arnold OBE AM: Three? That is fine. I just needed to get that.

Joanne McCartney (Deputy Mayor for Education and Childcare): This will then be a pilot programme until December 2020, and so we start from next month.

Jennette Arnold OBE AM: It is three pilot areas?

Joanne McCartney (Deputy Mayor for Education and Childcare): Three pilot areas.

Jennette Arnold OBE AM: Yes. It is useful to say that at all times because of expectations. Last week, during the [London Assembly] Health Committee meeting, the Assistant Director of Health, Education and Youth from the GLA said that the hubs will improve access to childcare for the most disadvantaged families in London who are not accessing the free two-year-old offer. We have heard a lot about that.

I just want to go back and find out about this categorisation that you are using; disadvantaged families. You have criteria and would that criteria include family who are looking after, caring for or have children with SEND?

Joanne McCartney (Deputy Mayor for Education and Childcare): In actual fact, one of the eligibility criteria for the two-year-old free entitlement is a child that has SEN. A lot of our bidders have put an increased knowledge and confidence with working with children with SEND in their bids as well. We are very confident our hubs will be doing some work around those children.

Jennette Arnold OBE AM: That is good to hear. Again, going back to the disadvantaged family, is that the sort of criteria that we would find in, say, a school starting with free school meals? I mean, not the two-year-olds for free school meals but the family would already be, if you like, in the system because maybe an older sibling is getting a free school meal. It is just understanding what you mean by disadvantaged families.

Joanne McCartney (Deputy Mayor for Education and Childcare): In this context, it is the families who are eligible for their two-year-old free entitlements.

Jennette Arnold OBE AM: Right. They have SEND and so you have used that national criteria.

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes, I have.

Jennette Arnold OBE AM: Yes, that is fine. You said that in your three pilots, from what I am hearing, all three would have to come through and be ticking all these boxes in terms of meeting the needs and priorities of the disadvantaged families in their locality.

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes, but every area is different and so there may be different issues in each one that they want to work towards improving. We are allowing that flexibility, but we will be setting some desired outcomes with them that we want to see as well.

Jennette Arnold OBE AM: Yes. You want it to be specific to the area, and they meet your needs, but you would not be prioritising one bid because it was focusing solely on particular criteria that you would throw in on the day.

Sarah Wilkins (Senior Programme Manager, Greater London Authority): We have identified the scope of the project; there is a minimum that they all have to develop and deliver activity to increase the number of children accessing the two-year-old free entitlement and they all have to promote early years as a career. They have to do that.

We have also said they can also collaborate to improve access to the extended hours, providing childcare outside of normal hours, supporting children with SEND, which is what we just referred to, and also thinking about the ways that you can improve social integration as well. But underlying all of that is the need to be delivering quality childcare and early year places.

Jennette Arnold OBE AM: Going back to your location, for the last two weeks, the DfE have come out, now that they are committed to this deep dive - that is an interesting phrase, is it not, deep dive - and it is clear that they have the information about the locations where there has not been the uptake. You would be working coterminous with the DfE's areas of needs or would you be --

Joanne McCartney (Deputy Mayor for Education and Childcare): We have that data already on which areas have low uptake.

Jennette Arnold OBE AM: And the greatest need.

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes. The issue about the DfE is they will have information about the types of families, therefore, when we are developing resources to try to ensure that we reach those parents that are not currently accessing it, we can tailor our information to those particular needs.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): Taking on board the point of Penny [Kenway] earlier, that there might be cultural reasons or there might be different groups that you want to contact.

Jennette Arnold OBE AM: Sorry I didn't hear you?

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): Earlier, Penny [Kenway] was saying that one of the reasons for low take-up, many reasons, might be cultural differences. That would give you the information that you needed to look at particular groups perhaps and see why they were not taking it up.

Jennette Arnold OBE AM: Cultural differences; that would be interesting to see what those are. You have got a two-year-old in need of childcare, that is pretty standard, it seems.

Last question, then. We are hearing a lot about how early years hub, the expectation is that there will be an improved collaboration across the early years setting and that will somehow contribute to affordable childcare. Can you just tease that out? I am not clear how collaboration would contribute to affordable childcare?

Joanne McCartney (Deputy Mayor for Education and Childcare): We know this issue about sustainability which often comes down to affordability. The research that we have done showed that about three-quarters of costs of providers is staffing. You have heard that there is this push to try to get more graduates into early years to improve quality. That is higher costs. One of the ways we think this can improve that sustainability and affordability is if providers are working particularly with a school; we have specified a school has to be part of the hubs. There will be qualified teachers; there will be a Special Educational Needs Co-ordinator (SENCO); there will be teacher practitioners there and, if they collaborate on training and ongoing professional development, all settings will benefit from that help.

Part of the other costs that nurseries and providers face is training costs and although all early-years settings and all staff have to be trained in first aid, safeguarding and food safety, there are other professional developments that they want to establish. If we can share the cost of training, that will help to reduce the costs as well.

Jennette Arnold OBE AM: I was just thinking that in terms of bringing some sort of standardisation, you would have to be working at some sort of cap or some sort of average cost. I do not know how you would do that.

Joanne McCartney (Deputy Mayor for Education and Childcare): The affordability, in essence, goes back to having a properly funded system and there is no way around that. The work we are doing and the collaboration can certainly assist with those professional development costs and share in that best practice.

Caroline Russell AM (Chair): Thank you. I have now a final, little group of questions for everybody. We have been hearing about this mixed model with nurseries and schools, children's centres, the PVI sector and childminders and, therefore, this very mixed model of providers. What do you think are the strengths and weaknesses of having this very mixed model of provision to providing free childcare to parents? Who would like to go first?

Shannon Hawthorne (Press and Public Affairs Director, Pre-school Learning Alliance): We have seen, especially for 30 hours in pilot areas, that those areas where the local authority has worked hard to develop partnerships across the provider types has been taken up really well and providers have been very positive about it. Some of the concerns around sharing provision are in terms of continuity for the child and quality for the child. Some of the pilot areas found that, while they may have been working quite hard on developing throughout the partnerships, most parents wanted their child to go to one setting and it was the setting that they wanted. It is making sure that is meeting a parent need.

Under the new rules of the DfE, a child can be on two sites a day. There was a lot of concern over the mixed model where a child is kind of being bounced around to too many different providers because it is about continuity of care. We have found, from reports from our members, that where there is that local authority buy-in and support, providers can respond to a partnership quite positively. It is just making sure it is meeting the needs of the parent and also the child and ensuring that the child is the focus, if anything.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): It is presentation of choice as well. Some parents would prefer home-based care; some would be looking for larger settings, group care. Something that we touched on earlier but have not gone into a great deal of detail around is that flexibility. If we are looking at parents who work in the evenings or weekends, how do we support that? The mixed model probably, although it is not doing that completely at the moment, it is better than just having provision that is likely to be open weekdays 8.00am till 6.00pm.

Caroline Russell AM (Chair): People who have irregular shift patterns or working sometimes at night; is there any way to deliver childcare that can match --

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): Yes. There is home-based care and childminding.

Penny Kenway (Head of Early Years and Childcare, Islington Council): That would be the main way or informal care. That is how shift workers often manage. They will have a friend or a family member who will look after their child for them at those times because, of course, it is very difficult economically to make it work, which is why childminders, with their low overhead costs, are the only group of child-carers that can make it work. You might only have one child who needs that late into the evening provision and you cannot open a nursery for one child. Childminders are an incredibly important part of the jigsaw for providing childcare that is flexible in this country.

Shannon Hawthorne (Press and Public Affairs Director, Pre-school Learning Alliance):
Penny [Fisher] will attest to this. It is important to flag at that point that the number of childminders in the country is plummeting and it is a real concern. It is about 25%- 26% in the last five years. One of the points that we raise as an area of concern is that, at a time when flexible childcare is most needed, the number of childminders who are so integral to producing that is declining quite sharply.

Caroline Russell AM (Chair): Is there something that either the Mayor or the Government could be doing to underpin childminding?

Shannon Hawthorne (Press and Public Affairs Director, Pre-school Learning Alliance): For us, again, it always come back to a good funding rate. Sue [Macmillan] might have mentioned before some of the rules around related children, the fact that childminders are not allowed to claim funding for their own children, and things like that. There are specific policies that could be looked at. Unfortunately, at the moment, there is still a lot of focus on childminder agencies as a policy to support childminders which has not taken off at all. I do not think there is, again, a lot of engagement with the childminder sector to ask the question, "Why are childminders leaving? What could we do to make you stay? What would do that?" The Government has acknowledged that childminders are key to the provision of flexible childcare, but the next step has not been taken to ask what could be done to buck the trend. It is just continuous. Every time Ofsted releases its quarterly stats, we tend to see a further decline in the numbers.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): The very latest stats do show only a 1% decline and we have not seen the change in places because we have seen a slight increase in nursery provision. Absolutely, since 2012 definitely, we have seen declining numbers across the country.

Penny Kenway (Head of Early Years and Childcare, Islington Council): Just to add to that, the funding single funding formula has not helped childminders. It has not because childminders, while they have low overheads, of course their costs do not decrease in the same way that they do in nurseries. In a nursery, you need one adult to every four children and then when the child becomes three, you have one adult to every eight children. Those numbers do not work like that for childminders. Having one rate for all three and four-year-old children, for us, it meant that we ended up paying childminders slightly less than we were paying them before because we knew they did not benefit from the different ratios in the way that nurseries do. Some of the funding that has come in is a bit of a blunt instrument. Of course, there were times when certain parts of the sector were not funded perhaps adequately but we also have not taken into account the costs that different types of providers have properly or the children that they look after and their needs.

Sue Macmillan (Chief Operations Officer, Mumsnet): I would just answer your original question about the strengths and weaknesses of the mixed model. The obvious strength is parental choice. Every child is different and every parent has a different wish about the setting they want to see their child in. Some want home-based, some like the idea of being maintained for the educational -- and that is great, but the overwhelming issue with it is the way that the Government approaches childcare is it sees it as just one thing. We need a different strategy for each part of it.

We have spoken a lot today about childminders. I cannot stress enough that childminders are the forgotten part of the whole sector and I am delighted to hear they will be part of the early years hub. That is really crucial, but there is a lot more that needs to be done on them.

To go back to your question about the night-time economy, what happens to shift workers? There is a huge night-time economy in London. There is very little; unless you have a parent or a sister or something that happens to live locally, you are in a lot of trouble as a parent if you have a different shift pattern to one that nurseries are open for.

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): London has a lot of dispersed families. You do not necessarily have your parents living up the road to help you with childcare.

Fiona Twycross AM: Yes. My question was around the fact that we have not covered the need to look at flexible in terms of people working on night shifts, potentially people on zero hours contracts as well. It is something that would be useful to look at in a bit more depth because I know from previous investigations we have done that there are lower levels of childcare from family and friends in London than other parts of the country as well. It is probably going back to the point that people are more dispersed. They are sort of caring for immediate family. We have Penny [Kenway] here from Islington. It would be useful to know what experience councils have because there were some interesting pilots. It might have been Hackney did a pilot on childcare aimed at people who had irregular hours or shifts.

Penny Kenway (Head of Early Years and Childcare, Islington Council): Brent did as well.

Fiona Twycross AM: Brent did, and it would be useful to pick up in what we followed through from this in terms of looking at what councils have been doing and how successful it has been. It was mentioned in one of the previous investigations, but I cannot remember seeing anything subsequently about it then being introduced. I suspect there may have been issues with rolling something like that out because, by definition, it is quite difficult to find childcare models that work for everybody. Clearly, for lower-paid workers, having a nanny or childminder in your home is quite an expensive option and probably is not available to people.

Penny Kenway (Head of Early Years and Childcare, Islington Council): Childminding usually means you get your child to the childminder's home.

Fiona Twycross AM: Yes, but other people who have long hours or flexible hours would have somebody coming to the home. Nannies are available, and you used to find people who employed them in London, or an *au pair*, but those, by default, would not be available to people on the lowest incomes. What is out there for people on low incomes?

Penny Kenway (Head of Early Years and Childcare, Islington Council): It is childminders. We have a very busy family information service and I would not say we had an awful lot of calls around flexible working and people needing to have childcare for the night shift or whatever. People do make their own arrangements very often, but when we do, then the option is childminders and we have a number of childminders who we know are willing to have children stay overnight and all those sorts of things, and we will work with those parents to broker an agreement where we can.

Fiona Twycross AM: It is the affordability issue, though, because I would presume that a childminder having a child to stay overnight might charge a slightly different rate than during the day. It is looking at how we make sure that there is a model out there that works for people.

Penny Kenway (Head of Early Years and Childcare, Islington Council): I am not aware that they charge any more. It is an hourly rate and a child overnight is asleep. Joy, they are asleep.

Fiona Twycross AM: That is interesting. It is just useful because we had not covered it and I was pleased that it did get picked up in this section. That was the point I was going to make.

Jennette Arnold OBE AM: Just following on, just from my experience of many years of night working, say in hotels, you do not enter into night working without sorting out your childcare before. You do not leave it to the state. It is very much something that you organise through family and friends and childcare is part of that. When people talk about the night, it is something that people have to plan.

I was just wondering if, in the data collection, we could pick up or you will be picking up issues to do with accommodation. Clearly, if you are renting accommodation, and no matter how willing you are to help care for a child or bring in somebody to stay with the child, if you have only got a one-bedroom flat, all of that is limitation. I do not know if you are flagging up the accommodation of families that have not picked up services because that is part and parcel of living in London.

Joanne McCartney (Deputy Mayor for Education and Childcare): What I would say about the flexibility, it is childminders, and we have done a piece of work that we got the Family Childcare Trust to do, a bit of research. They talked to about 10 childminders trying to look at patterns and the only common thing that came across was that the level of administration that is now involved was putting them off. Apart from that, there was no common factor as to why they were choosing to leave their profession.

I would say parents do want their children in a bed overnight. They do not want to be picking them up at unsocial hours. Many years ago, when we had a neighbourhood nursery programme and I was chairing Enfield's rollout of it, you did give money to the North Middlesex Hospital to try to do some of that flexible childcare and, actually, there were no takers for it. It soon stopped.

Jennette Arnold OBE AM: When you look at accommodation as a factor, what do you see?

Joanne McCartney (Deputy Mayor for Education and Childcare): You are talking about accommodation in childminder settings?

Jennette Arnold OBE AM: Yes.

Joanne McCartney (Deputy Mayor for Education and Childcare): Yes, and obviously, having that spare bedroom for overnight. I am not sure that is a great --

Penny Fisher (Senior Her Majesty's Inspector London, Ofsted): That would be part of our registration and inspection track. If they were providing overnight care, then we would be looking to ensure that the accommodation was suitable and safe and appropriate.

Caroline Russell AM (Chair): I have just one more final question, which picks up more on this flexibility issue. Is there anything else that could be being done to promote innovative models of childcare provision and perhaps with collaboration between different providers? Also, just innovative models to cope with the flexibility that parents need with the kind of very uneven working patterns that many people have to put up with.

Sarah Wilkins (Senior Programme Manager, Greater London Authority): It is interesting to see how the pilot hubs will look at this because they are going to look in their areas with a broad range of providers with the childminders, PVIs and maintained settings to identify what the needs for parents are and why they are not taking up childcare. When they are looking at their needs in all this, the flexibility and the need for flexible childcare will come up and hopefully, they will come to some solutions across that group. This is one of these where we need to watch this space.

Penny Kenway (Head of Early Years and Childcare, Islington Council): It will be very interesting to see how the hubs work but also to acknowledge that they will have had funding that supports that. What so often happens is that you have some great pilots but then the funding ceases and being able to roll that out further is problematical.

The other thing about child carers is, whether we like it or not, to some extent, they are all in competition with each other. Yes, of course, when you talk to them, they want to work together but we also know that they want these children in their settings. We have to acknowledge the reality of that. It is a business, childcare, and that brings its problems as well.

Caroline Russell AM (Chair): Thank you. I have learnt so much. I think everyone has learnt an awful lot this morning about the complexity of it. Probably when your children are young and you are going through it, you are so in it. It is very interesting to be able to step back and take an overview. It is really useful to hear about all the new data that is going to be the stuff going into the London Datastore on early years. That is really useful that we are going to have the figures to be able to understand exactly what is happening in this sector.

If I can thank all our guests for your contributions, they were hugely appreciated.

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Summary List of Actions

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 This report sets out details of completed and outstanding actions arising from previous meetings of the Economy Committee.

2. Recommendation

2.1 **That the Committee notes the outstanding actions arising from its previous meetings.**

Actions arising from the Committee meeting on 12 December 2017

Minute Item	Topic	Status	For Action
6.	**The Provision of Childcare** During the course of the discussion, Members requested the following additional information on the number of registered active and inactive childminders for London and the rest of the Country.	Ongoing – Request sent 19 December 2017	Senior Her Majesty's Inspector London, OFSTED.

Actions arising from the Committee meeting on 7 November 2017

Minute Item	Topic	Status	For Action
5.	**London and Partners** During the course of the discussion, Members requested the Chief Operations Officer at London & Partners to provide clarity on the average number of days tourist visitors spend in London.	Ongoing – Request sent 29 December 2017	Chief Operations Officer, London & Partners

City Hall, The Queen's Walk, London SE1 2AA
Enquiries: 020 7983 4100 minicom: 020 7983 4458 www.london.gov.uk

Actions arising from the Committee meeting on 25 July 2017

Minute Item	Topic	Status	For Action
6.	**London's Culture and Night Time Economy** During the course of the discussion, Members requested the following additional information: • Mirik Milan, Night Mayor of Amsterdam, to provide information on the model used for Amsterdam's night time economy.	Ongoing – Action chased November 2017	Night Mayor of Amsterdam

Actions arising from the Committee meeting on 8 November 2016

Minute Item	Topic	Status	For Action
6	**Impact of the EU Exit on the London labour market** The Labour Market Advisor, CIPD, undertook to provide the Committee with the findings from the CIPD's survey of employment legislation, once it had been completed.	Ongoing – This action was last chased on 19 December 2017.	CIPD

Actions arising from the Committee meeting on 11 October 2016

Minute Item	Topic	Status	For Action
6	**Impact of the EU exit on Financial Services and SMEs** The Chief Executive of the London Chamber of Commerce and Industry (LCCI) undertook to provide the Committee with data on the value of exports to the EU from their SME members.	Ongoing – This action was last chased on 19 December 2017.	LCCI

3. Legal Implications

3.1 The Committee has the power to do what is recommended in this report.

4. Financial Implications

4.1 There are no financial implications to the Greater London Authority arising from this report.

List of appendices to this report:
None.

Local Government (Access to Information) Act 1985
List of Background Papers: None.

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# Subject: The Mayor's Draft Economic Development Strategy for London	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 This report provides background information to the discussion on the Mayor's draft Economic Development Strategy for London with invited expert guests.

2. Recommendation

2.1 **That the Committee note the report as background to the discussion on the Mayor's draft Economic Development Strategy for London with invited expert guests.**

2.2 **That the Committee delegate authority to the Chair, in consultation with party Group Lead Members, to agree any output arising from the discussion.**

3. Background

3.1 In December 2017, the Mayor published the draft Economic Development Strategy (EDS) for public consultation. The public consultation period runs from the 13 December 2017 to 13 March 2018.

3.2 The publication of the Mayor's EDS provides the overarching framework for the Greater London Authority's policies and work on economic development in London for the period 2018-41. This Strategy is a call to action to everyone with a stake in the future of London's economy to get behind the Mayor's vision for the economy, to help sustain London's position as the world's greatest city for business, and to ensure that the proceeds of economic prosperity are more fairly distributed.

4. Issues for Consideration

4.1 The focus of this meeting will be to discuss the approach adopted in the EDS and its high-level aims and conditions for growth. In addition, guests will assess whether it will deliver its ambitions, how success will be defined and measured, and the EDS's role in supporting both the London and UK economy.

4.2 The following guests have been invited to attend this meeting:

- Rajesh Agrawal, Deputy Mayor for Business, Deputy Chair of the London Economic Action Partnership and Chairman of London and Partners;
- Mariana Mazzucato, Professor in the Economics of Innovation and Public Value and Director of the Institute for Innovation and Public Purpose at University College London;
- Andrew Carter, Chief Executive of Centre for Cities; and
- Catherine Glossop, Principal Policy Officer Strategy & Innovation, Economic and Business Policy Unit, Greater Lodon Authority.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in the report.

6. Financial Implications

6.1 There are no direct financial implications to the Greater London Authority arising from this report.

List of appendices to this report: None

Local Government (Access to Information) Act 1985 List of Background Papers: None.	
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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Mayoral Response to Local News Report	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 This report sets out for noting the response from the Mayor to the Committee's report, *The fate of local news – read all about it*, which was published on 21 August 2017.

2. Recommendation

2.1 **That the Committee notes the response from the Mayor to the Committee's report, *The fate of local news – read all about it***

3. Background

3.1 The Economy Committee used its meeting on 21 March 2017 to review how local news provision in London has changed over the past decade and the primary drivers for change, and how the changes are impacting on the quality of news reporting, including the ability to reliably inform and engage the public in local issues and the democratic process.

3.2 The findings from the meeting formed the basis of a final report: *The fate of local news – read all about it*, which was published on 21 August 2017. The report can be accessed at the following link: https://www.london.gov.uk/sites/default/files/local_news_provision_final_report.pdf

3.3 The report contained the following recommendations:

Recommendation 1
The Mayor should secure a commitment from all news publishers operating in London to work towards paying all their staff at least the London Living Wage.

Recommendation 2
The Mayor should explore opportunities to work with corporate partners to fund bursaries for journalists to tackle the lack of diversity in the local news industry.

Recommendation 3
To protect those groups digitally and news-excluded, TfL should consider trialling a pilot carrying copies of local newspapers on specific bus routes.

Recommendation 4
In partnership with the National Union of Journalists, the Mayor should investigate the potential to establish a digital journalism apprenticeship.

3.4 The Mayor responded to the report on 9 October 2017.

4. Issues for Consideration

4.1 The response from Mayor is attached at **Appendix 1** for the Committee to note. A map of the progress against the recommendation made in the report is attached at **Appendix 2**.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:
Appendix 1: Response from the Mayor to the Committee's report *The fate of local news – read all about it*
Appendix 2: The Mayor's response to the recommendations in the Economy Committee report, The fate of local news – read all about it – Action Tracker

Local Government (Access to Information) Act 1985
List of Background Papers:
MDA form – 818 [Local News Provision]

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MAYOR OF LONDON

Fiona Twycross AM
City Hall
The Queen's Walk
More London
London SE1 2AA

Our ref: MGLA250817-5506

Date: 09 OCT 2017

Dear Fiona,

Thank you for your letter of 24 August.

Transport for London (TfL) recognises the importance of the bus network to London's economic vitality, and the potential for mutually-beneficial commercial partnerships.

TfL appreciates the value of bringing newspapers to a wide audience and assisting customers without access to digital media. The Committee will be aware that the Metro newspaper is distributed on certain bus services. TfL would be happy to discuss this opportunity further with any interested parties as well as the practicalities involved, such as avoiding impacts on limited space for stowing shopping and luggage, and keeping vehicles free from litter. Any arrangements proposed by newspapers or distributing companies would also need to be cost neutral to the bus network. Due to the priority of delivering safety and environmental commitments in the TfL Business Plan, TfL cannot conduct a trial at this time, but it can engage with distributors and bus operators to help progress this concept.

My investment into the Digital Talent programme will fund new non-accredited training in digital, technology and creative occupations and must remain focussed on occupational areas demonstrating a significant skills gap. The programme aims to support access to apprenticeship pathways for young people but the funding cannot be used to support the creation of new apprenticeship standards. Further information on the Digital Talent programme can be found on the City Hall website at: www.london.gov.uk/digitaltalent.

Thank you again for writing.

Yours sincerely,

Sadiq Khan
Mayor of London

LONDONASSEMBLY

Fiona Twycross AM, Economy Committee

London Assembly
City Hall
The Queen's Walk
London, SE1 2AA

August 2017

Dear Sadiq

Local news provision in London

Please find attached the Economy Committee's report, *The fate of local news – read all about it*, which is the result of our recent investigation into the state of local news provision in London.

Our report sets out how the local news industry has struggled to adapt to the loss of advertising revenue – so long the lifeblood of the industry – to newer digital platforms such as Google and Facebook. And how the knock-on effect has been negative for the news industry as publishers have cut costs to maintain titles, which has led to job losses and downward pressure on wages.

We report on how the result of these cutbacks has been the emergence of a democratic deficit as local newspapers have scaled back their public campaigns, coverage of courts, and scrutiny of council activity. At the same time, local newspapers have not been helped by local authorities regularly publishing their own newsletters. While these newsletters have their place, they should not be a substitute for local, independent and truly investigative news. Our report argues that local authorities should not shy away from critical challenge but should instead choose to support local newspapers by advertising and making announcements through them.

Digital innovation has the potential to reimagine local news provision while also supporting new journalistic talent. However, this cannot be achieved without investment. We would urge you to explore how your digital talent programme could support the creation of a new digital journalism apprenticeship.

We also recognise that focusing on digital innovation exclusively risks leaving some groups behind. To protect those digitally and news-excluded, we recommend TfL consider trialling a pilot carrying copies of local newspapers on specific bus routes.

We hope you will find the issues identified in our report of interest, and we look forward to receiving your response shortly.

Yours sincerely

Fiona Twycross AM
Economy Committee

The Mayor's response to the recommendations in the Economy Committee report, *The fate of local news – read all about it*

The table below maps progress against the recommendations made in the Economy Committee's report *The fate of local news – read all about it*, which was published on 21 August 2017. The summary examines the response from the Mayor, received on 9 October 2017.

The impact of each of the recommendations and the extent to which they have been accepted is shown using RAG (red, amber or green) status. RAG status provides a performance judgment: in this instance, red means the recommendation has not been accepted; amber means there has been some progress against the recommendation; and green means the recommendation has been implemented or substantively accepted.

Recommendation	Response	Progress
Recommendation 1 The Mayor should secure a commitment from all news publishers operating in London to work towards paying all their staff at least the London Living Wage.	The Mayor's response did not refer to this recommendation.	
Recommendation 2 The Mayor should explore opportunities to work with corporate partners to fund bursaries for journalists to tackle the lack of diversity in the local news industry.	The Mayor's response did not commit to investigating the potential for funding bursaries for existing journalists.	
Recommendation 3 To protect those groups digitally and news-excluded, TfL should consider trialling a pilot carrying copies of local newspapers on specific bus routes.	The Mayor's response is broadly supportive of this recommendation. His response states: *"TfL recognises the importance of the bus network to London's economic vitality, and the potential for mutually-beneficial commercial partnerships.*	According to the Mayor, while TfL cannot conduct a trial at this time, it would be happy to discuss this opportunity with interested parties.

	TfL appreciates the value of bringing newspapers to a wide audience and assisting customers without access to digital media. TfL would be happy to discuss this opportunity further with any interested parties as well as the practicalities involved [luggage space and litter free vehicles]. Any arrangements proposed by newspapers or distributing companies would also need to be cost neutral to the bus network. TFL cannot conduct a trial at this time, but it can engage with distributors and bus operators to help progress this concept."	
Recommendation 4 In partnership with the National Union of Journalists, the Mayor should investigate the potential to establish a digital journalism apprenticeship.	The Mayor's response highlights his investment in the Digital Talent programme which will "fund new non-accredited training in digital, technology and creative occupations." However, while the programme aims to support access to apprenticeship pathways for young people, "it cannot be used to support the creation of new apprenticeships standards."	The Mayor would not be able to support the creation of a new apprenticeship standard, but if a digital journalism apprenticeship was established there may be opportunities for the Mayor to invest in it through the Mayor's Digital Talent programme.

GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: The Mayor's Role in Promoting and Supporting Financial Inclusion

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 This paper provides background information to the Economy Committee to note its report, *Short changed: the financial health of Londoners.*

2. Recommendation

2.1 **That the Committee note its report on *Short changed: the financial health of Londoners***

3. Background

3.1 At its meeting on 25 July 2017, the Committee agreed to investigate the Mayor's role in promoting and supporting financial inclusion with the following terms of reference:

- To assess how the Mayor and the financial services sector are supporting households and SMEs in London to access affordable and appropriate financial services; and
- To identify new and innovative ways for how the Mayor and the financial services sector can promote and support financial inclusion. For example, through the creation of a community bank for London.

3.2 The Committee held two meetings on 13 September 2017 and 10 October 2017, as well as a roundtable session with financial education providers and London colleges. The Committee also held a focus group with students from City and Islington College.

4. Issues for Consideration

4.1 On 8 January 2018, the Committee published its report *Short changed: the financial health of Londoners,* which investigated the steps the Mayor should take to promote and support financial inclusion in London. The report, which is attached at **Appendix 1** to this report, made the following recommendations:

Recommendation 1

The Mayor should commission a wide-ranging and representative annual survey of London households on their activities and interactions with financial providers to give policymakers and the industry a better understanding of how London's 'underbanked' transact, borrow and save.

Recommendation 2

Local authorities in London should work together to share good practice and identify gaps in local welfare advice and money and debt advice services—as well as continue to review debt collection practices—with the aim that each borough develops a financial inclusion strategy.

Recommendation 3

The Mayor should work with London schools, the financial services industry and charitable sector organisations delivering financial education to build on, and harness, new and creative ways to deliver high quality, sustainable, financial education to London's young people.

Recommendation 4

The Mayor should work with the financial services industry, schools and colleges to create a young person's banking charter with the aim of ensuring every young person between the age of 16 and 18 in London has access to a bank account.

The charter should include a commitment from banks to provide young people with a bank account by default. In return, the Mayor should encourage banks, credit unions and financial education providers to support schools and colleges to teach young people about the benefits of banking, as well helping to raise awareness of scams through campaigns such as 'Take Five' – a fraud awareness campaign run by UK Finance.

Recommendation 5

The Mayor should lobby Government for an extended business advice line or webchat facility to be established to be more responsive to the time pressures many self-employed and microenterprises (SEMs) face, as well as recruiting mentors with 'real world' experience of running SEMs.

Recommendation 6

The Mayor should commission a 'money advice week' to promote affordable credit options, as well as debt advice, and use Transport for London advertising sites to help promote the credit union sector more widely in London.

Recommendation 7

The Mayor should ensure the GLA's microloan fund is promoted effectively to SEMs in London's poorest communities struggling to access affordable credit.

Recommendation 8

The Mayor should explore how community banks and credit unions could be supported to work together to provide products and services that improve the financial health of Londoners**.**

Recommendation 9

The Mayor should refresh the Digital Inclusion Strategy with a focus on helping to improve the financial health of Londoners through digital technologies, recognising the link between digital and financial inclusion.

Recommendation 10

The Mayor should convene a summit with industry leads, fintech providers, not-for-profit organisations, local government, and the charitable sector to explore new ideas and innovations that can support the financial health of Londoners.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in the report.

6. Financial Implications

6.1 There are no direct financial implications to the Greater London Authority arising from this report.

List of appendices to this report:
Appendix 1 – Economy Committee report, *Short changed: the financial health of Londoners*

Local Government (Access to Information) Act 1985
List of Background Papers:
MDA form 820 [Financial Inclusion]

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Appendix 1

LONDONASSEMBLY

Short changed: the financial health of Londoners

Economy Committee

January 2018

Holding the Mayor to account and investigating issues that matter to Londoners

LONDONASSEMBLY

Economy Committee Members

Caroline Russell AM
Green (Chair)

Shaun Bailey AM
Conservative

Susan Hall AM
Conservative
(Deputy Chair)

Andrew Dismore AM
Labour

Jennette Arnold OBE AM
Labour

Fiona Twycross AM
Labour

The Economy Committee scrutinises the work of the Mayor and investigates issues of interest to the public relating to economic and social development, wealth creation, the arts, sports and tourism in London.

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Contents

Caroline Russell AM

Chair of the Economy Committee

Many of us take it for granted that when faced with a financial shock, such as a sudden loss of income or the washing machine breaking down, we can draw on savings or borrow money on fair and affordable terms. But for a growing number of Londoners, the reality is that this kind of upheaval would bring them to crisis point.

As real incomes continue to fall and work, for many, becomes less predictable, the idea of 'putting something aside' has become increasingly difficult. And where in the past the banks might have stepped in to provide short-term financial support, the fallout from the financial crash has seen them increasingly pull back from lending to people and small businesses seen as less profitable and more high-risk.

In the place of banks, a market for payday lending and other forms of high-cost credit has emerged. There is a general perception that these are fringe lenders but use of their services is increasing. Worryingly, there is evidence people are using high-cost credit to pay for essential bills and not just for one-off financial shocks, leaving them exposed to a vicious cycle of debt.

> "In designing new financial products and services, we need to rethink our assumptions about how people on tight margins manage their money."

Nevertheless, while a lot of attention has been paid to the high-cost credit providers, excessive overdraft charges and minimum payments on credit cards are often the biggest reasons why many Londoners are struggling with debt – more than a million, according to the latest research by the Money Advice Service.

Young people are perhaps the group most deeply affected by these issues. Their lives are often defined by economic uncertainty and financial insecurity. This generation has suffered the biggest drop in real wages of any group since the financial crash and need advice and support to manage their resources effectively. We should also recognise that young people are technologically adept and want very different things from financial services providers than generations before.

Our investigation shows that financial exclusion is a complex issue. Helping more people access a bank account is an important aim, but we must also recognise that the mainstream banking system is not working for a growing number of Londoners. In designing new financial products and services, we need to rethink our assumptions about how people on tight margins manage their money, and provide advice and new financial services that work better for them.

This report is just the starting point to what we hope will be a bigger conversation led by the Mayor about financial inclusion, whether through challenging existing providers or enabling new and innovative partnerships, for example between community banks and credit unions. The Mayor can play an important role in making London a city that gives people access to good quality, inclusive financial services, and the knowledge to support financial resilience in an increasingly unpredictable economy.

Summary

London is a leading global financial centre, but many of its citizens are struggling to access quality and affordable financial services.

Declining real wages, increased income volatility, the squeeze on benefit payments, along with the increasing cost of living, have made it harder for many people to make ends meet.

And as banks have pulled back from providing credit to less profitable individuals and businesses following the financial crisis, more and more Londoners are turning to high-cost credit providers, such as payday lenders, to meet their needs.

But relying on high-cost forms of credit—not just for one-off payments but for essential bills—has resulted in unmanageable debt levels rising and more people feeling financially insecure.

A lack of data hampers our understanding of the scale of the problem in London. Better data would enable policymakers to understand the motivations and behaviours behind how people on the margins borrow and save. And, in turn, would support the design of products and services that better meet their needs.

> As the crunch on living standards continues, bold, and, potentially, transformative ideas are needed to support the financial resilience of Londoners.

Young people are more exposed to economic uncertainty and financial insecurity than generations before them. They need support to access the right services and resources to be financially healthy. Financial education is a step in the right direction.

Targeted intervention towards school leavers is equally important as this age group are at a critical point in their lives in terms of the financial choices they will have to make. A specific focus on preventing fraud and identity theft can ensure fewer young people are financially excluded in the future.

Many of London's smaller businesses are also facing some of the challenges individuals do in accessing quality and affordable financial services.

They too are turning to sub-prime lenders for credit. And as many of these businesses are often self-employed individuals establishing themselves as companies, they are overlapping their personal and business finances; with sub-prime lenders lending to the individual rather than the business. An absence of practical 'hands-on' advice is also leaving them increasingly vulnerable.

As the crunch on living standards continues, bold, and, potentially, transformative ideas are needed to support the financial resilience of Londoners. Locally-rooted, mission-led banks, lenders and credit unions can support those most in need. But they need help to extend their reach.

Innovation is poised to radically transform the financial services market. While innovation can lead to both positive and negative outcomes, there are a growing number of innovators harnessing new technologies for profit and for public good.

The Mayor has committed to tackle financial exclusion. The proposals in his draft Economic Development Strategy and Good Work Standard are welcome. But we would like to see him go further and bring together industry leads, fintech providers, not-for-profit organisations, local government, and the charitable sector to explore new ideas and innovations that can support the financial health and wellbeing of Londoners.

Recommendations

Understanding the scale of the problem

Recommendation 1

The Mayor should commission a wide-ranging and representative annual survey of London households on their activities and interactions with financial providers to give policymakers and the industry a better understanding of how London's 'underbanked' transact, borrow and save.

Advice services

Recommendation 2

Local authorities in London should work together to share good practice and identify gaps in local welfare advice and money and debt advice services—as well as continue to review debt collection practices—with the aim that each borough develops a financial inclusion strategy.

Young people

Recommendation 3

The Mayor should work with London schools, the financial services industry and charitable sector organisations delivering financial education to build on, and harness, new and creative ways to deliver high quality, sustainable, financial education to London's young people.

Recommendation 4

The Mayor should work with the financial services industry, schools and colleges to create a young person's banking charter with the aim of ensuring every young person between the age of 16 and 18 in London has access to a bank account.

The charter should include a commitment from banks to provide young people with a bank account by default. In return, the Mayor should encourage banks, credit unions and financial education providers to support schools and colleges to teach young people about the benefits of banking, as well helping to raise awareness of scams through campaigns such as 'Take Five' – a fraud awareness campaign run by UK Finance.

Business advice and mentoring

Recommendation 5

The Mayor should lobby Government for an extended business advice line or webchat facility to be established to be more responsive to the time pressures many self-employed and microenterprises (SEMs) face, as well as recruiting mentors with 'real world' experience of running SEMs.

Promoting affordable credit

Recommendation 6

The Mayor should commission a 'money advice week' to promote affordable credit options, as well as debt advice, and use Transport for London advertising sites to help promote the credit union sector more widely in London.

Recommendation 7

The Mayor should ensure the GLA's microloan fund is promoted effectively to SEMs in London's poorest communities struggling to access affordable credit.

Recommendation 8

The Mayor should explore how community banks and credit unions could be supported to work together to provide products and services that improve the financial health of Londoners.

Digital inclusion

Recommendation 9

The Mayor should refresh the Digital Inclusion Strategy with a focus on helping to improve the financial health of Londoners through digital technologies, recognising the link between digital and financial inclusion.

Influence and partnership working

Recommendation 10

The Mayor should convene a summit with industry leads, fintech providers, not-for-profit organisations, local government, and the charitable sector to explore new ideas and innovations that can support the financial health of Londoners.

1. Introduction

- London is a leading global financial centre, but many of its citizens are struggling to access quality and affordable financial services.
- There is evidence some mainstream banks are no longer serving the needs of those most in need of financial advice and support.
- High-cost credit providers, such as payday lenders, have stepped into the gap left by the banks.
- The result is more people feeling financially insecure: unable to access quality and affordable financial services, or the advice and support to make healthy financial decisions.

1.1 London is a leading global financial centre, but many of its citizens are struggling to access quality and affordable financial services. Declining real wages, increased income volatility, the squeeze on benefit payments, along with the increasing cost of living, have made it harder for many people to make ends meet. According to Trust for London, more than half (58 per cent) of Londoners in poverty (1.3 million) are in working families, and this share has more doubled in the last decade.[1]

1.2 The upshot is levels of over-indebtedness[2]—where the burden of debt becomes unmanageable or routine payments are missed—are rising in London. A report by the Money Advice Service in 2016 estimated around 17 per cent (1.1 million) of London's population are over-indebted.[3]

1.3 There is evidence some mainstream banks are no longer serving the needs of those most in need of financial advice and support. Banks have become more targeted in their lending following the financial crisis in 2008. While pulling back from providing credit to 'less profitable' individuals and businesses is a rational response to previous, high-risk practices, it does have consequences. There are lower levels of bank lending in the areas of highest deprivation in London.[4]

1.4 High-cost credit providers, such as payday lenders, have stepped into the gap left by the banks. Despite the widespread perception these types of businesses are part of the 'poverty industry', they are now the mainstream for many people.

1.5 The result is more people feel financially insecure. This has social, emotional and economic costs. Reports by Government, the regulators, the financial services industry, religious bodies and think-tanks have assessed the scale of financial exclusion in the UK, and made practical recommendations to support those most in need.

1.6 But the relationship between financial exclusion and financial inclusion is not a binary one. People—and not just the poorest—move in and out of the banking system throughout their lives, and have complex relationships with a wide range of financial providers.

What do we mean by financial inclusion?

According to research by Elaine Kempson and Sharon Collard in their report, 'Developing a Vision for Financial Inclusion',[5] financial inclusion can be separated into four main strands:

- The ability to manage day-to-day financial transactions through appropriate bank accounts.
- The ability to meet one-off expenses (both predictable and unpredictable) through savings and appropriate credit and insurance products.
- The ability to manage any loss of earned income.
- The ability to avoid/reduce problem debt through access to appropriate advice and education.

1.7 Our report sets out what is known about the scale of the problem in London. We deliberately focus not just on those 'unbanked' (i.e. those without bank accounts) but also those the industry describes as 'underbanked'– who may hold or have some form of bank account but are not able to access quality and affordable financial services, or the advice and support to make sustainable financial decisions.

1.8 Despite the lack of data available at a regional level, our work draws on a large bank of research, as well oral and written evidence taken from expert witnesses at public meetings, interviews, and through a series of roundtable sessions.

1.9 While recognising that financial insecurity affects many groups of Londoners, we focus on the experiences of young people and the self-employed and small business owners. These are groups the Mayor can most effectively support through his growing links with the Further Education (FE) sector and his Local Economic Action partnership (LEAP).

1.10 But it may also be time for the Mayor to lead a bigger conversation about financial inclusion; to support bolder initiatives to challenge providers more directly; and to help harness new, potentially transformative mission-led innovations. Our report sets out some of the possible ways forward and begins to map out a more far-reaching agenda for improving access to quality and affordable financial services to support the financial wellbeing of all Londoners.

2. Mapping the scale of the problem

Key findings

- There is a lack of data around the extent to which people are 'underbanked' in London.
- Better data would enable policymakers to map the scale of the problem, and understand the motivations and behaviours behind how people on the margins borrow and save.
- This, in turn, can support the design of products and services that better meet their needs of those struggling to access quality and affordable financial services.

Mapping the scale of the problem

Access to bank accounts

2.1 In recent years, policymakers have tended to focus on ways to get those without bank accounts (the 'unbanked') banked. There are valid reasons for this. At its most basic, a bank account allows a person to make and receive payments and store money securely. But it can also help someone get a job, secure accommodation, pay essential bills, and prove their identity.

2.2 Policy intervention has been successful. Driven by the introduction of 'basic bank accounts'[6] and the roll out of Universal Credit, which will be paid directly into bank accounts, more people than ever have access to a bank account. The number of people in the UK without a current or basic bank account in their name has fallen from 4.4 million in 2002-3 to around 1.5 million people in 2015-16.[7]

2.3 Identification requirements still bar some. Migrants, gypsies and travellers, homeless people, people leaving abusive partners, young people leaving local authority care, and people with learning difficulties and poor mental health, can all struggle to get access to a bank account if they are unable to provide standard forms of identification to meet money laundering regulations. And despite policy changes to relax the restrictions, some people, such as those living in temporary accommodation, may still be denied access despite having the required documentation.

2.4 While the number of people with access to a bank account has increased, there is evidence many are choosing not to use them. Estimates suggest around eight million people in the UK have access to a bank account but do not actively use it.[8] In London, this could be as many as a million people.

2.5 The reasons why people choose not to use a bank account vary, but it is often motivated by a single determining factor. A preference for cash, a lack of trust in banks, or services that do not extend beyond simply the transactional can all prevent someone from using a bank account. More data is needed to understand the extent of this issue in London, and the motivations and behaviours behind it.

Access to savings and affordable credit

2.6 As well as having the ability to manage day-to-day finances effectively, another important aspect of being financially secure is the capacity to absorb financial shocks, either through drawing down on existing savings or being able to access affordable credit.

2.7 Saving rates in the UK are currently at historically low levels. This is partly because of low interest rates, but declining real wages and the squeeze on benefit payments are making it harder for many people to 'put something aside'. And for those that can, many mainstream savings products are not working for them. As Sian Williams of Toynbee Hall[9], a frontline charity based in the East End, told us: "Many more people are saving in some informal way than the figures would suggest […] we need to start designing products and services that meet the way people really behave."[10]

2.8 Affordable credit is also scarce for many people living on low incomes. As credit markets have contracted, more people have turned to payday lenders and other high-cost credit providers to absorb financial shocks. According to Provident Financial, there were between ten and 12 million users of the 'non-standard' credit market in the UK in 2016.[11]

2.9 A lack of affordable credit is contributing to the 'poverty premium' many low-income households face. According to research by Bristol University, the poverty premium—the extra charges poorer people face for essential goods and services—is costing low-income households on average £490 a year; high-cost credit, such as payday loans, is a major contributor to this (see table).[12]

Type of premium	Examples of premiums (per year)	Number of low-income households* incurring this type of premium
Prepayment meters (PPM)	PPM for electric (£35) or gas (£35)	2.6m (33%)
Non-standard billing methods	Paying energy bill on receipt (£38); Paying contents insurance monthly (£9); Paying car insurance monthly (£81).	3.9m (50%)
Not switched	Not switched energy provider (£317)	5.8m (73%)
Paper billing	Paper bill for electric or gas (£5); Paper bill for landline/broadband/mobile (£23)	3.9m (49%)
Area-based premiums	Car insurance in a deprived area (£74); Difficulty accessing good value shops (£266)	5.8m (73%)
Insurance for specific items	Insurance for individual appliances (£132); Mobile phone insurance (£60)	1.8m (23%)
Access to money	Fee charging ATMs (£25); Cheque cashing services (£30)	2.3m (29%)
Higher-cost credit	Payday loan (£120); Doorstep/home collected credit (£540); Rent-to-own (£315)	1.3m (16%)

*Income is less than 70% of median income
Source: Bristol University; Joseph Rowntree Foundation

Expensive credit or no credit at all?

2.10 A lot of attention has been paid to payday lenders and other high-cost credit providers. Regulation in the market for payday loans and high-cost credit has seen more than 1,400 consumer credit firms either refused authorisation or withdraw their applications since 2014.[13] But, while driving out sub-standard practices is clearly a positive development, banning these lenders is unlikely to stop the demand for this type of credit.

2.11 There needs to be a better understanding of how and why people use payday loans and other high-cost credit providers. Payday loans are intended to be used on a short-term, intermittent basis for unexpected or emergency expenses, but there is evidence they are increasingly being used for necessary expenses such as utilities, rent or food. Research by StepChange, the debt advice charity, found more than a million people in the UK were using high-cost credit to cover everyday household expenses.[14]

2.12 People who use high-cost credit are not always acting irrationally. Payday lenders and high-cost credit providers are often lenders-of-last-resort for borrowers with no other options. In some circumstances, expensive credit is better than no credit at all.

2.13 And worryingly, the stigma of payday loans can result in their users being barred from accessing affordable credit in the future. As Sian Williams observed: “We are definitely seeing credit scoring agencies and users of credit scoring agencies making a black mark for using short-term, high-cost credit.”[15]

2.14 It is also worth remembering that unarranged overdraft fees and minimum payments on credit cards are often more expensive than payday loans. According to research by Which?, in some cases, banks are charging consumers more than 12 times the cost of a payday loan for an unarranged overdraft. Research by StepChange found its clients were charged an average of £225 a year in unarranged overdraft fees.[16] And for those that can afford to make the minimum repayments on their credit card, they can often get locked into expensive and long-term debt. According to the Financial Conduct Authority, 1.6 million credit card holders are making “systematic minimum repayments.”[17]

Understanding the nature and scale of the problem

2.15 A wide-ranging and representative annual survey of London households’ activities and interactions with financial providers would give policymakers and the industry a better understanding of how and why people on low and modest incomes borrow and save. This would enable them to develop and design products and services that work more effectively for them.

2.16 The survey could be based on the Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, which is used in the US.[18] The FDIC, in partnership with the US Census Bureau, has conducted its survey biennially since 2009. The survey provides estimates of US households without a bank account, as well as the proportion of those with an account but who have accessed alternative financial services in the past 12 months. The survey also provides "insights to inform efforts to better meet the needs of these consumers within the banking system."[19]

Recommendation 1

The Mayor should commission a wide-ranging and representative annual survey of London households on their activities and interactions with financial providers to give policymakers and the industry a better understanding of how London's 'underbanked' transact, borrow and save.

Accessing advice and support

2.17 It is impossible to make financially healthy decisions without the right information. But take-up of credit and debt advice is still comparatively low. A report by Citizens Advice found only ten per cent of people in problem debt had spoken to a debt advisor in the past year, and instead relied on informal support from friends and family.[20]

2.18 Yet targeted and expert financial advice and support can be more effective in helping people deal with financial pressures. Previous research by Citizens Advice identified that people would be more willing to take financial advice if they were offered it at key moments in their lives; for example, having a baby, moving house or during severe illness.[21]

2.19 The roll out of Universal Credit is likely to increase demand for financial advice and support from local authorities. But our call for evidence found a number of local authorities in London were concerned about their capacity to respond to this demand. Local authorities in London should work together to share good practice and identify gaps in local welfare advice and money and debt advice services, with the aim that each borough develops a financial inclusion strategy. The Financially Inclusive Tower Hamlets programme, which was initiated by Toynbee Hall in conjunction with the London Borough of Tower Hamlets and local voluntary sector organisations, demonstrates the potential to galvanise limited resources and bring together multiple organisations at a borough level to tackle the effects of financial exclusion.[22]

2.20 While there are pockets of good practice, local authorities in London should also continue to review their debt collection practices, and identify ways they can support debtors by offering more flexible ways to repay debt. For example, through realistic payment plans, write-offs, and a 'breathing space' period for those in serious debt. Research by Citizens Advice found over two thirds (69 per cent) of debtors in council tax arrears found it harder to clear their debts because of the council's collection processes.[23] The Money Advice Trust 'Stop the Knock' campaign identified ways councils could improve their debt collection processes.[24] The Local Government Association has also been working with Citizens Advice to encourage local authorities in England to adopt a new protocol to improve council tax collection.[25] We would like to see all London boroughs adopt this standard.

Recommendation 2

Local authorities in London should work together to share good practice and identify gaps in local welfare advice and money and debt advice services – as well as continue to review debt collection practices – with the aim that each borough develops a financial inclusion strategy.

3. Young Londoners

Key findings

- Young people are more exposed to economic uncertainty and financial insecurity than generations before.
- They need support to access the right services and resources to be financially healthy. Financial education is a step in the right direction.
- Targeted intervention towards school leavers is equally important as this age group are at a critical point in their lives in terms of the financial choices they will have to make.
- A specific focus on preventing fraud and identity theft can ensure fewer young people are financially excluded in the future.

Young Londoners

Generation debt

3.1 There is growing evidence more young people are finding themselves in financial difficulty. The Financial Conduct Authority (FCA)'s Financial Lives Survey 2017 report found approximately 44 per cent (1.8 million) of people in the UK in 'financial difficulty'[26] were between the ages of 18 and 34. And around 40 per cent (3.2 million) of those over-indebted in the UK are from the same age group – commonly known as millennials.[27]

3.2 The reasons why more young people are in financial difficulty are multi-faceted. But increasing housing costs, declining real wages, and insecure employment are contributing to rising financial instability for London's young people. According to a survey by the Young Women's Trust, more than half (56 per cent) of 18 to 30 year olds in London worry about how much their job pays, while around a quarter (27 per cent) say they are in debt all the time.[28]

3.3 Faced with rising debt and increasing living costs, young people are struggling to put something aside. According to LV='s (Liverpool Victoria) report, Income Roulette, four in ten late-millennial (25-34 years old) renters were not able to save any money each month. And despite perceptions that young people are prioritising live-for-now spending over saving, only 13 per cent from the same study said this was an obstacle to saving. Instead, debt was the biggest barrier, with student loans (40 per cent) and credit card bills (32 per cent) the main causes.[29]

> Around a quarter (27 per cent) of 18 to 30 year olds in London say they are in debt all the time.
>
> *Survey by the Young Women's Trust*

3.4 Young people are more likely to use high-cost credit to cover living costs. The FCA's survey found around a third of all users of high-cost loans (1.1 million) are 18-34 year olds. And young people account for more than half (300,000) of all payday loan users. Andrew Bailey, the Chief Executive of the FCA said: "We should not think this is reckless borrowing. This is directed at essential living costs."[30]

3.5 It is perhaps not surprising then that young people are less satisfied with their financial situation than older age groups. According to the FCA survey, 56 per cent of 18-34 year olds report low satisfaction with their financial circumstances compared to 37 per cent of the rest of the UK adult population.

3.6 And there is increasing evidence money worries are negatively affecting young people's mental health. A survey by the Varkey Foundation of more than 20,000 15-21 year olds from 20 countries across the world, ranked the UK nineteenth on a mental wellbeing score. And over half (54 per cent) of the UK millennials questioned said money was one of their top three causes of anxiety.[31]

> "Getting out of debt and getting back on my feet is not a straightforward thing. I cried yesterday when I found out my landlord is increasing my rent. Last year I had to move out because my rent became too high. I thought I would have to move into a hostel."
>
> *K. 25, Fundraiser*

Financial education in London schools

3.7 More than ever, children and young people need to be equipped with the right tools and resources to be financially healthy. The FCA survey found 40 per cent of 18-24 year olds were less confident about managing their money, compared to 22 per cent of the rest of the UK adult population.

3.8 Financial education and advice in schools is a step in the right direction to support young people in the future. On the back of new legislation to make financial literacy education part of the statutory secondary school curriculum, the financial services industry and charitable sector has offered practical support to schools to deliver financial education programmes.

3.9 Yet financial education is still not actively taught in many schools. According to the Money Advice Service, only four in ten students in local-authority-maintained schools said they had received financial education. In contrast, approximately 58 per cent of students in academies, free schools and independent schools said they were taught financial education, despite these schools being exempt from any statutory duty to deliver it.

3.10 Financial education is often given low priority in schools. It is mainly taught as part of citizenship classes where it is crowded out by other topics. According to Russell Winnard of Young Money: "It went into probably the worst subject on the National Curriculum that it could have gone into […] If you go and look at the programme of study, it is clunky, it just sits there as a tagged-on bullet point at the end."[32] Instead, he argues financial education should be taught as part of personal, social, health and economic (PSHE) education.

3.11 Funding financial education is also preventing more schools from teaching it. According to Guy Rigden of MyBnk, which predominately works with London schools to deliver financial education, there is a willingness from schools to teach it, but the cost was holding them back. He said MyBnk recently offered to pay around two thirds of the cost, but many schools told him: "we simply do not have any money for this."[33]

3.12 A reduction in private sector investment in financial education has not helped. According to Sarah Porretta of Lloyds Banking Group, putting financial education on the school curriculum had the unintended consequence of deterring private funding: "Many of the banks had huge schools' programmes and the bottom fell out of those funding streams, because as soon as it was on the curriculum, it appeared to be a *fait accompli* and a lot of those banks changed onto other things."[34] And while some major banks are still delivering financial education programmes, many have ended them.

3.13 Still, there are signs of a renewed focus on promoting financial education in schools. This is partly being driven by the FCA's interest in vulnerable customers and how banks serve them. As Sarah Porretta observed: "Financial education is part of that vulnerability agenda. That is perhaps where those green shoots are coming from. Banks are rewiring the way they engage vulnerable customers."[35]

"It would be helpful to go to a bank, because they know about it; it would be much better if they would help us, but I think if we go there and ask them [about managing our money] they will say 'oh, that's not what we do, that's up to you'."

A. 16, College student

3.14 The Mayor said he wants all young Londoners to "leave education with numeracy skills and an understanding of finance."[36] While the Mayor has limited powers to directly influence primary and secondary education, he can play an important enabling role. We would like to see the Mayor work with London schools, the financial services industry and charitable sector organisations delivering financial education to build on, and harness, new and creative ways to deliver high quality, sustainable, financial education to London's young people.

Recommendation 3

The Mayor should work with London schools, the financial services industry and charitable sector organisations delivering financial education to build on, and harness, new and creative ways to deliver high quality, sustainable, financial education to London's young people.

Supporting the financial health of London's school leavers

3.15 The Mayor can play a critical role in supporting the financial health of London's school leavers. Through his growing links with the FE sector, the Mayor can encourage initiatives to support the financial health of 16 to 19 year olds in London. This age group is at a critical point in their lives in terms of the financial choices they have to make. Many sign contracts for mobile phones and gym memberships without a clear understanding of the commitments they are making or the true costs involved. 'Just-in-time' financial support and advice at key moments in a person's life can have a positive impact on their financial resilience.

3.16 Fraud and identify theft are the main areas this support should focus on. Young people are more likely to be excluded by banks because of their vulnerability to fraud. The rise of so-culled 'mule accounts' where a young person is enticed by criminals into accepting a job on the condition they transfer some of the money they receive into another back account is a form of money laundering. And the prevalence of this scam has made banks understandably wary of offering services to those most vulnerable to it.

> "I got my phone from Argos, and I signed the contract for 12 months… but around February, someone stole my phone, but because it's a contract I have to pay, and pay, and pay… and that was the worst because I didn't even have the phone"
>
> *G.* 16, *College student*

3.17 Young people's vulnerability to fraud and identity theft is highlighted in any discussion with London colleges. And in surveys by Young Money, it regularly features as one of the most important issues for teachers and young people. Sophie Knight, a Senior Student Advisor at United Colleges Group, often sees young people struggling to access financial services because of mistakes they had made with banks or other financial providers in the past:

> "They don't understand what it means to go wrong with your bank at the age of 16 and then not to be able to get a bank account. Just like what you do online has an impact in years to come, what you do with your money, and what you then do with the card or what you allow to happen to your card, and all those kind of things, is a little bit missing in their understanding."[37]

3.18 But schools and colleges need better resources and training to teach young people about the risks. As Russell Winnard observed: "In order to teach young people about identity theft and fraud you have got to understand it. There is a lack of high-quality resources in those areas because they are challenging."[38]

3.19 Banks also have a responsibility to educate young people about the dangers. While banks are understandably cautious about giving young people bank accounts, they should not be automatically excluded. Without a financial 'footprint', the life chances of these young people are severely constrained.

3.20 We would like to see the Mayor work with the industry, schools and colleges to create a young person's banking charter with the aim of ensuring every young person between the age of 16 and 18 in London has access to a bank account. The charter should include a commitment from banks to provide young people with a bank account by default. In return, the Mayor should partner with banks, credit unions and financial education providers to support schools and colleges to teach young people about the benefits of banking, as well helping to raise awareness of scams through campaigns such as 'Take Five' – a fraud awareness campaign run by UK Finance.

Recommendation 4

The Mayor should work with the financial services industry, schools and colleges to create a young person's banking charter with the aim of ensuring every young person between the age of 16 and 18 in London has access to a bank account.

The charter should include a commitment from banks to provide young people with a bank account by default. In return, the Mayor should encourage banks, credit unions and financial education providers to support schools and colleges to teach young people about the benefits of banking, as well helping to raise awareness of scams through campaigns such as 'Take Five' – a fraud awareness campaign run by UK Finance.

3.21 It is important to recognise that many young people are careful with their finances and should not be unfairly stigmatised as fiscally irresponsible. The fact remains young people have suffered the biggest drop in real wages of any generation since the financial crisis,[39] making it often harder for them to manage their finances and stay out of debt.

3.22 Young people are developing different relationships with their banks than previous generations. They see their associations with banks as transactional rather than something more personal, and are increasingly turning to online alternative providers that meet their needs and match their lifestyle. The increasing popularity of mobile banks, such as Monzo, 'digital wallets', and budgeting apps underlines this. The world of financial services is changing, and young people are driving this change.

3.23 But for those young people facing barriers to access or lacking the skills to manage their finances online, they need help and support. That is why it is vital banks, credit unions, schools, colleges, and charities continue to work together to ensure they are not left behind, and have the tools and resources to make financial decisions which will improve their life chances.

4. London’s self-employed and small business owners

Key findings

- Many of London’s smaller businesses are facing some of the challenges individuals do in accessing quality and affordable financial services.
- As banks have constrained lending, smaller businesses are turning to sub-prime lenders for credit.
- But many of these businesses—which are often self-employed individuals—are overlapping their personal and business finances: with sub-prime lenders lending to the individual rather than the business.
- An absence of practical ‘hands-on’ advice is leaving them increasingly vulnerable.

London’s self-employed and small business owners

4.1 There is a lot of research focused on the challenges SMEs (small and medium-sized enterprises) face to thrive and grow, particularly around access to finance. This is because of the important role SMEs play in London’s economy: SMEs represent around half of all employment in the capital.

4.2 Conditions for accessing finance for SMEs have improved since the financial crisis. The rise of peer-to-peer lenders and other alternative finance providers has helped close the SME lending gap. Since 2010, Funding Circle, which is backed by the British Business Bank, as well as other mainstream banks, has lent more than £2bn to small UK businesses.[40]

4.3 Policymakers have tended to focus on SMEs with growth potential in highly profitable sectors, and for good reason. The Mayor’s office, through the London Economic Action Partnership (LEAP), has led some innovative work in this space with some tangible results. The London Co-Investment Fund—an £85 million public-private venture capital fund—has invested in 90 companies in high-growth sectors such as science, digital and technology, and has created more than 600 jobs.[41]

4.4 But many smaller businesses supporting London’s real (non-financial) economy are facing some of the challenges individuals do in accessing quality and affordable financial services, as well as the advice and support to be financially healthy.

4.5 There is evidence that commercial banks are lending to fewer smaller businesses because of the costs involved in assessing the risks.[42] This is a particular issue for businesses with either inadequate credit or trading history. Bank branch closures may also be constraining lending. A report by Move your Money found “bank branch closures dampen SME lending growth by 63 per cent on average in postcodes that lose a bank branch.”[43]

4.6 The problem has been exacerbated by the rapid rise in the number of sole trader businesses in the capital. Since 2010, the total number of SMEs in London has increased by 40 per cent (around 300,000 new businesses), and sole trader businesses, which employ no other person, make up the majority of (around 85 per cent) of these new businesses.[44]

4.7 The rise of the gig economy means many of these sole trader businesses are self-employed workers establishing themselves as companies. To separate out these businesses from the wider SME market, it is helpful to use the RSA’s (the Royal Society for the encouragement of Arts, Manufactures and Commerce) definition of self-employed and microbusinesses (SEMs) for the remainder of this report.

The rising cost of credit for SEMs

4.8 As for many of London's financially marginalised, it is not access to credit but the cost of credit which is leaving SEMs vulnerable. The market for business lending has changed rapidly in recent years as a variety of forms of finance, including invoice finance, merchant advances and payday lending, has emerged. Many SEMs are overlapping their personal and business finances: relying on a wider range of sub-prime lenders willing to lend larger and larger amounts based on the individual rather than the business. As Faisel Rahman of Fair Finance, a responsible finance provider, told us:

> "The average customer coming to Fair Finance five years ago, was a small business lending customer, would probably have one or two facilities that might have included an overdraft. Today the average small business loan customer coming to us has around six different forms of credit. Some of those credit providers are charging anything, once you have annualised the interest charge, from 70 per cent up to 160 per cent."[45]

4.9 The lack of regulation in business lending has been a major factor in more sub-prime lenders entering the market. Unlike consumer lenders, business lenders are not obliged to disclose their annual interest rate, total cost of credit, or any other comparable rate of funding, in a standard format. This is leading to some SEMs paying more for credit than they had anticipated, and a general lack of transparency in the market.

Access to advice and support

4.10 For many SEMs, the pathway to financial sustainability is not just through access to finance but quality advice and support. While there are many advice services available to businesses, there is a lack of clarity about when the information is free and when it becomes formal advice with legal liabilities and regulatory constraints.

4.11 Business advice and support is poorly viewed by many SEMs. There is an absence of practical 'hands-on' advice for SEMs to help manage their creditors or reorganise their finances. Current models of business advice and support are also seen as largely inaccessible. As Faisel Rahman noted, SEMs struggle with time: "They do not have the time to go to a pointless workshop or sit in a room talking to someone. What they really want is a bit of support to identify the problem and then to go and find out how they can fix it."[46]

4.12 But the transition from face-to-face advice to online processes has not resulted in innovative models that are more responsive to the time pressures SEMs face. There is a clear role for technology to play in ensuring good quality advice is delivered in an appropriate way to SEMs.

4.13 Mentoring can play a role in supporting new businesses. But finding the right people can be difficult. There is little point in working with a mentor who does not have direct experience of managing SEMs, for example. Mike Conroy of UK Finance agreed that more could be done to "bring people in who have been there and done it with real businesses."[47] It was also generally agreed that mentoring is more helpful for growth businesses than start-ups.

4.14 The LEAP offers business advice and support to SMEs through its Growth Hub. The Hub, which is run as part of the National Business Support Helpline, provides a business helpline, as well as a live webchat facility, but both facilities only operate Monday to Friday between 9am-6pm. The LEAP also runs a service called Start, Scale, Grow, which offers one-to-one "mentoring with business experts and masterclasses in financial planning and digital marketing."[48]

4.15 While these services are useful, we would like to see the Mayor commit to improving the offer for London's SEMs. This could include lobbying for an extended hours business advice line or webchat facility to be established to be more responsive to the time pressures many SEMs face, as well as recruiting mentors with 'real world' experience of running SEMs.

Recommendation 5

The Mayor should lobby Government for an extended business advice line or webchat facility to be established to be more responsive to the time pressures many self-employed and microenterprises (SEMs) face, as well as recruiting mentors with 'real world' experience of running SEMs.

5. Mission-led banking and innovation

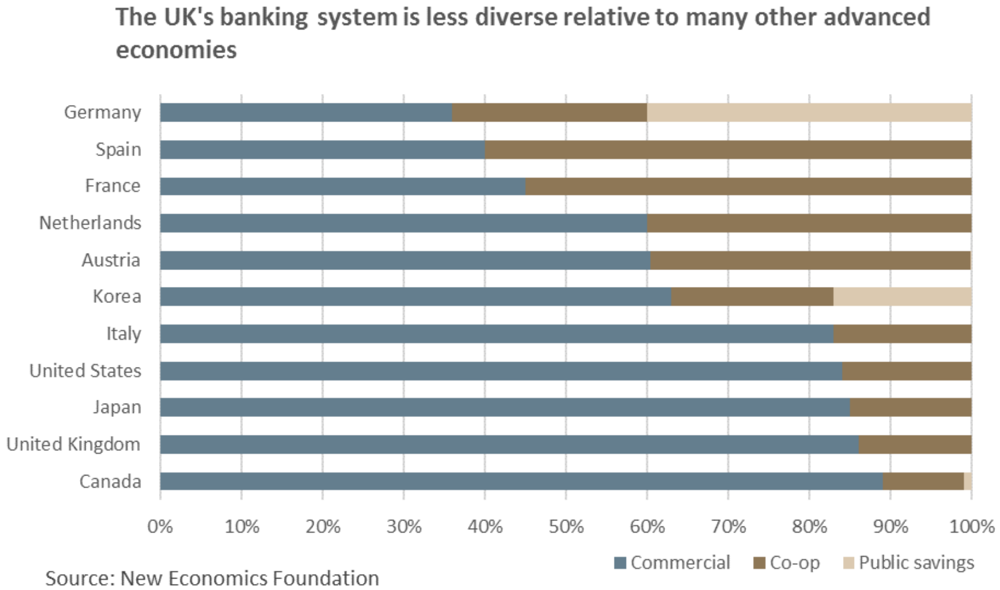
Key findings

- Unlike many of its European counterparts, the UK banking system is heavily reliant on shareholder-owned banking institutions.
- A more diverse banking system would support more diverse lending to reach many of London's underbanked.
- Innovation is poised to radically transform the financial services market.
- While innovation can lead to both positive and negative outcomes, there are a growing number of innovators harnessing new technologies for profit and for public good.

Mission-led banking and innovation

Mission-led banking

5.1 The UK's banking system is heavily reliant on a handful of shareholder-owned banking institutions. In contrast, most other advanced economies have far more diverse banking systems, with loans and deposits distributed across different types of banks, including co-operative banks, public banks and large commercial banks. Research by the New Economics Foundation shows the level of disparity between the UK and other countries (see chart).



Source: New Economics Foundation

5.2 A more diverse banking system can support more diverse lending. There is evidence stakeholder banks can outperform commercial shareholder banks when it comes to lending to the real economy. According to research by the New Economics Foundation, stakeholder banks lent 66 per cent of assets to the real economy, compared to 37 per cent by commercial banks. That is why we would like to see the Mayor help credit-unions, responsible finance providers and mission-led banks extend their reach to support Londoners.

Credit unions

5.3 Credit unions are savings co-operatives that can offer more sustainable and affordable sources of credit to low-income households. For example, London Mutual and London Community Credit Union offer a range of services and have large memberships as they have grown across Borough boundaries. Many credit unions are supporting innovative work to help people make sound financial decisions. Sian Williams highlighted the work Toynbee Hall is doing with credit unions to help young people access housing by developing a rent deposit product, while also providing financial education programmes.

5.4 The London Assembly has previously called for greater awareness of the credit union sector. Our report in 2014, 'Final demand: personal problem debt in London', recommended the Mayor establish a 'money advice week' to promote affordable credit options, as well as debt advice services.[49] We continue to make this call, as well as recommending, as we did in 2014, that the Mayor use Transport for London advertising sites to promote the credit union sector more widely in London.

Recommendation 6

The Mayor should commission a 'money advice week' to promote affordable credit options, as well as debt advice, and use Transport for London advertising sites to help promote the credit union sector more widely in London.

5.5 While credit unions can play an important role in supporting the financial health of Londoners, they will always be limited in their ability to reach those facing financial insecurity or on low incomes. Because of legal restrictions,[50] credit unions cannot scale-up to spread the risk of taking on more vulnerable clients or lend to businesses. And while there is a lack of data on credit unions' membership profile, there is evidence members tend to be in employment and have a relatively stable financial profile. This partly explains why lending growth has not kept pace with deposits in the sector.[51]

5.6 Instead, credit unions should be seen as one of a number of important players in the sphere of mission-oriented banking. Responsible Finance Providers (RFPs) are another.

Responsible Finance Providers

5.7 RFPs are not restricted in the same way credit unions are. Unlike credit unions, RFPs, such as Fair Finance in East London, do not have members and do not take deposits. There is also no cap on the level of interest that RFPs can charge on loans. And while the loans they offer tend to have higher interest rates than what credit unions offer, they are focused on a riskier customer segment and are still below those of payday lenders and other high-cost credit providers. RFPs cater for businesses as well as individuals, and are often funded through a combination of commercial finance from banks as well public funding.

5.8 RFPs lend to some of the UK's poorest communities. According to Responsible Finance, the trade body representing RFPs in the UK, more than a third of the individuals RFPs lend to are in the "UK's 45 per cent most disadvantaged areas." £22 million was lent to individuals in the form of small loans in 2017.[52]

5.9 Similarly, RFPs' business lending is targeted at smaller and younger businesses struggling to access finance because of either inadequate credit or trading history. According to figures produced by Responsible Finance, more than £67 million was lent to SMEs in 2017; the bulk of which was to microbusinesses less than two years old.[53]

5.10 RFPs can also help businesses become investment ready. Many RFPs offer business support services which can enable a business to demonstrate to future lenders a track record in borrowing and repayment. These assurances can then allow the businesses RFPs support to access mainstream finance in the future.

5.11 But many RFPs are struggling to cover the cost of defaults. Because RFPs, in general, lend to 'hard to reach' communities, marginal businesses or individuals that require more support than just a loan, they have a higher default rate than many commercial lenders. In 2017, nine per cent of loans made by RFPs were in arrears for 90 days or more, and nine per cent were written off.[54]

5.12 RFPs are, in many ways, at a crossroads. Until now, the majority of RFPs have relied on significant levels of public funding to operate. But government funding is being withdrawn. Some RFPs are adapting their model in response. For example, Newable, formerly GLE OneLondon, has achieved financial and operational sustainability by lending to more secure and larger businesses.

5.13 In contrast, Fair Finance, which does not rely on government funding, lends to consumers and businesses at higher rates than many other RFPs but has grown significantly in recent years. It has been able to raise funding through socially-minded investment and partnered with a number of banks. Its lending profile is diverse and covers some of the most deprived communities in London.

Fair Finance

Fair Finance is a social business, launched in East London in 2005 by Faisel Rahman OBE. The business has evolved from a small branch in London to a national presence. Fair Finance offers both personal and business loans as well as money advice. It has four branches across London, as well as an online presence, and has developed partnerships with local community organisations, housing associations, banks and mobile fintech providers.

Fair Finance's typical personal loan and term is £500 over six months. These loans are typically for washing machines or other household items. It's Annual Percentage Rate is around 136 per cent. For the same amount and duration, Fair Finance's loans (£642.50) work out significantly cheaper than comparable high-cost credit loans, which can total anywhere between £780-1,000.

Fair Finance also offer business loans of up to £50k to small businesses and entrepreneurs. While initially focused in London, this is now a national service.

Fair Finance has pioneered data sharing on its lending activity. It publishes on its website all the personal and business loans, by volume and value, it has made since its launch in 2005, as well as providing key demographic data. The data shows the majority of its loans are to postcodes in the UK's highest areas of deprivation. And almost two-thirds of its loans are to women.

Since its launch, Fair Finance has helped over 30,000 financially excluded Londoners and financed over 300 businesses employing nearly 1,000 people. It has lent over £25m with almost all the money coming from Banks and Social Investors.

5.14 While there is an ongoing debate around the extent to which RFPs should be publicly funded, RFPs have enormous potential to tackle market failure, leverage private finance, and create wider economic value. There is an opportunity for the Mayor to support the responsible credit sector in the future by using existing SME funding provision to enable RFPs to support SEMs in London struggling to access affordable credit.

5.15 The GLA is taking under its control an SME 'fund of funds' worth £100 million.[55] Part of this will include a £5 million microloan fund focused on supporting microenterprises. We would like to see the Mayor ensure the fund is promoted effectively to SEMs in London's poorest communities struggling to access affordable credit because of a lack of credit history or assets, with a view to involving RFPs in its delivery in the future.

Recommendation 7

The Mayor should ensure the GLA's microloan fund is promoted effectively to SEMs in London's poorest communities struggling to access affordable credit.

Community banking

5.16 Community banks also offer the potential to provide financial services with a social aim. As with credit unions, community banks take deposits from individuals and businesses, invest it safely, and lend it out. But where community banks can differ from credit unions is in their ability to scale-up by sharing risk-pooling infrastructure. This model of banking represents around a third of all banking assets in Germany.

5.17 Evidence from Germany suggests community banks are better at maintaining lending in downturns. Because of their 'local' focus, community banks, as with RFPs, can make lending decisions using non-standard and soft information (information based on the subjective interpretation of the person collecting it), which is too costly for mainstream banks to source.

5.18 Community banks can also be better placed to lend to the real economy. Being accountable to stakeholders rather than shareholders means there is less pressure to generate short-term profits. As Tony Greenham, Deputy Chair of the Greater London Mutual, told us, "they are profit-making, not profit-maximising", which allows them to provide patient capital—where an investor is willing to forgo an immediate return on their investment in anticipation of more substantial returns in the future—to local businesses.

5.19 There are already examples of local authorities investing in community banks. Portsmouth Council has approved a £5 million investment in Hampshire Community Bank, and the Cambridge Local Government Pension Fund were co-founders and joint-investors of the Cambridge & Counties Bank, along with Trinity College, University of Cambridge. Warrington Borough Council has also recently invested £30 million to acquire a 33 per cent stake in Redwood Bank, a challenger bank.

5.20 Plans are in place for a community bank in London. The Greater London Mutual Bank (GLM) is currently seeking catalyst investment in its co-operative community banking model. The bank hopes to serve both individuals and businesses by offering individuals a "full-service current account regardless of the customer's credit history or potential profitability to the bank", and business accounts for a flat fee, with access to cash deposit and withdrawal services.

5.21 The GLM model has several potential advantages. First, it is scalable so it will be able to serve all of London, rather than a specific geographic location. Second, by marketing itself to more profitable customers, it will be able to use an element of cross-subsidy to bear the higher transaction costs of providing affordable credit to individuals and businesses in London currently struggling to access it. And third, as the model is profit-making, rather than profit-maximising, it can focus on providing credit to individuals and businesses using soft and non-standard information that requires skilled staff with the time and resources to acquire it.

5.22 But to succeed, the GLM requires public investment. Because of its focus on providing patient capital, the model is less attractive to shareholders looking to produce a speedy, high return on their investment. Instead, community banking models, as in Germany and Switzerland, rely on state investment to enable them to scale-up and to perform the dual mission of supporting the local economy and providing a fair return for investors.

5.23 Any public investment brings risk, but with the right safeguards we believe the GLM model could, in the future, play a complementary role to credit unions and RFPs, in supporting individuals and business in London struggling to access quality and affordable financial services. These safeguards would include robust governance arrangements, and a commitment to lend only using deposits and to not borrow from, or invest, in wholesale financial markets.

5.24 There are already conversations taking place between the GLM and credit unions about working together to provide products and services that complement and reinforce one another. We would encourage the Mayor to explore how community banks, like the GLM, and credit unions could be supported to work together to fill gaps in existing provision, and provide products and services that improve the financial health of Londoners.

Recommendation 8

The Mayor should explore how community banks and credit unions could be supported to work together to provide products and services that improve the financial health of Londoners.

5.25 Mission-led banks, lenders and credit unions have the potential to dramatically improve the financial health of Londoners. But for the most vulnerable in society, more radical solutions may be required, such as funding to promote access to affordable credit.

The rise of the innovators

5.26 Innovation is poised to radically transform the financial services market. Advances in technology, changes in consumer behaviour, and regulatory intervention have combined to create an opportunity for innovators to design products and services to improve the efficiency, effectiveness and equitable provision of consumer financial services.

5.27 The rise of mobile banking, digital wallets and budgeting apps is already transforming people’s experience of financial services. As Sarah Porretta told us, technological advances in the financial services market is giving people more "transparency and control" over their finances.[56] Access to the latest technologies is also bringing clear financial benefits for many consumers and businesses. Research by the Lloyds Banking Group and Toynbee Hall found being digitally capable was worth an average of £744 a year.[57]

5.28 Regulatory intervention is increasing the pace of change. The introduction of 'open banking', as recommended by the Competition and Markets Authority to improve competition, will require banks to open-up customer data to third parties.[58] Start-up companies will be able to use this data, as well as advanced digital technology, to create better consumer experiences by responding to the complexities of people's lives.

5.29 But for all the potential benefits of these developments, there is a risk they will discriminate against, rather than support, the underbanked. Not all consumers are 'digital-first', and even for those that are, low levels of financial capability still can persist. The 'gamification'—using gaming elements, like challenges and competition, to reward positive behaviour in a non-gaming setting—of savings products and services has the potential to change consumer habits, but access remains an issue.

5.30 The transition to cashless transactions also risks harming those on low and often volatile incomes. Many of London's underbanked operate in the informal economy where cash is still the main medium of exchange. But as London's infrastructure increasingly requires people to go cashless, there is a risk this group will be further marginalised without the right safeguards and support.

5.31 The introduction of open banking raises important questions about how personal data is used. Firms could, for example, use it to exclude people on lower incomes by 'cherry picking' the most profitable consumers or misuse it through so-called 'dark nudges' – techniques which rely on insights from behavioural science to exploit rather than help a consumer. There needs to be a regulatory framework and agreed standards around how this data is used and for what purpose.

5.32 There are no easy solutions to these challenges. But by focusing on improving the digital capability of Londoners, the Mayor can support them to be resilient to these changes. The GLA has signed up to the government's Digital Inclusion Charter, which aims to reduce the number of people who are offline by 20 per cent (nationally) every two years.[59] Following the appointment of the Chief Digital Officer, we would also like to see the Mayor refresh the digital inclusion strategy, published by the previous Mayor in 2015, with a focus on helping to improve the financial health of Londoners through digital technologies, recognising the link between digital and financial inclusion.

Recommendation 9

The Mayor should refresh the Digital Inclusion Strategy with a focus on helping to improve the financial health of Londoners through digital technologies, recognising the link between digital and financial inclusion.

5.33 While recognising innovation can lead to both positive and negative outcomes, there are a growing number of innovators harnessing new technologies and information for profit and for public good. Tech City UK's 'Fintech for All' competition was a Government-backed initiative to spotlight fintech companies responding to the challenge of financial exclusion.[60] The Financial Health Fellowship[61] incubator programme, run in partnership by the Finance Innovation Lab and Toynbee Hall, has shown how the third sector and Londoners can successfully participate in creating financial innovations that support financial health too.

5.34 Both programmes highlighted a range of innovations: from those at the earliest stage of development to those fully operational and already making a difference in improving the financial health of their users. They each offer solutions to a range of different challenges, but share the common goal to make financial systems fairer and more inclusive. For example, Pockit[62] is a prepaid Mastercard for customers struggling to get access to a mainstream bank account. Credscope[63] is an ethical credit reference service that uses alternative data to assess a person's credit worthiness who might otherwise be denied access to credit, due to a lack of information. StorkCard[64] helps parents manage the cost of having a baby by offering them a low-interest, short-term credit card that, after two years, automatically converts into a long-term loan. And Mespo[65] is an app that can help reduce the poverty premium many low-income households face by analysing a user's bank account and finding ways to help them save money by switching to a cheaper energy supplier, for example.

5.35 The Mayor, through the Chief Digital Officer, should harness the creative energy of these innovators and others by convening a summit with industry leads, fintech providers, not-for-profit organisations, local government, and the charitable sector to explore new ideas and innovations that can support the financial health of Londoners.

Recommendation 10

The Mayor should convene a summit with industry leads, fintech providers, not-for-profit organisations, local government, and the charitable sector to explore new ideas and innovations that can support the financial health of Londoners.

Our approach

The Economy Committee agreed the following terms of reference for this investigation:

- To assess how the Mayor and the financial services sector are supporting households and SMEs in London to access affordable and appropriate financial services.
- To identify new and innovative ways for how the Mayor and the financial services sector can promote and support financial inclusion. For example, through the creation of a community bank for London.

At its public evidence sessions, the committee took oral evidence from the following guests:

- Professor Sharon Collard, Director of the Personal Finance Research Centre at Bristol University, and Member of the Financial Inclusion Commission
- Mike Conroy, Executive Director for Corporate and Commercial Banking, UK Finance
- Joan Driscoll, Senior Manager, London Mutual Credit Union
- Tony Greenham, Director of Economy, Enterprise and Manufacturing, RSA, and Deputy Chair of the Greater London Mutual
- Angela Jackson, Director of Centre for Lifelong Learning, City and Islington College
- Natasha Jones, UK Head of Corporate Communications, Funding Circle
- Sophie Knight, Senior Student Advisor, United Colleges Group
- Sarah Porretta, Head of Financial Education and Inclusion, Lloyds Banking Group
- Faisel Rahman, Managing Director, Fair Finance
- Guy Rigden, CEO, MyBnk
- Laura Rodrigues, Senior Public Policy Advocate, StepChange
- Jennifer Tankard, Chief Executive, Responsible Finance
- Professor Richard Werner, Director, Centre for Banking, Finance and Sustainable Development (University of Southampton Business School)

- Sian Williams, Director of the Financial Health Exchange, Toynbee Hall and Member of the Financial Inclusion Commission
- Russell Winnard, Head of Educator Facing Programme and Services, Young Enterprise
- Rowena Young, Executive Director, Just Finance Foundation

During the investigation, the committee also received written submissions from the following:

- Association of British Credit Unions Limited
- The Big Issue Group
- City of London Corporation
- Credscope
- Creditspring
- Credit Union Solutions
- The Fairbanking Foundation
- Financial Inclusion Commission
- Greater London Mutual
- Inclusion London
- London Borough of Ealing
- London Borough of Hounslow
- London Borough of Sutton
- Mastercard
- MyBnk
- Responsible Finance
- Rev. Dr Catherine Shelley
- Royal Greenwich Welfare Rights Service
- UK Finance
- Professor Richard Werner
- Young Enterprise

In addition, the committee carried out interviews with students from City and Islington College.

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[2] The Money Advice Service describe over-indebtedness as having one or both of the following characteristics: keeping up with domestic bills and credit commitments is a heavy burden; payments for any credit commitments and/or any domestic bills have been missed in any three or more of the last six months.

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[4] Postcode lending, UK Finance

[5] Developing a vision for financial inclusion, Kempson and Collard (2012)

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[32] Transcript of roundtable meeting - 12 October 2017

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[51] Can credit unions ever live up to governments' hopes?, House of Commons Library (2015)

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[65] https://www.mespo.co.uk/

Other formats and languages

If you, or someone you know, needs a copy of this report in large print or braille, or a copy of the summary and main findings in another language, then please call us on: 020 7983 4100 or email: assembly.translations@london.gov.uk.

Chinese

如您需要这份文件的简介的翻译本，
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Email 与我们联系。

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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Subject: Economy Committee Work Programme	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 16 January 2018**
This report will be considered in public	

1. Summary

1.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

2. Recommendations

2.1 **That the Committee notes the work programme and priorities for the remainder of the Assembly year 2017/18, as set out at paragraphs 4.2 to 4.7 of the report.**

3. Background

3.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

4. Issues for Consideration

4.1 The Committee's calendar of meetings for 2017/18 was agreed at the London Assembly's Annual Meeting, on 3 May 2017. The Committee is scheduled to meet on the following dates:

20 February 2018	13 March 2018

4.2 Initial priority areas identified informally by Members include:

- London's night time economy;
- The role of the Mayor in promoting financial inclusion; and
- The economic value of healthy high streets.

4.3 The scope, approaches and timings for the work in these areas will be determined as the work programme evolves, and the Committee will consider detailed scoping proposals for any new inquiries undertaken. Evidence to support the inquiries may be gathered through formal Committee meetings, informal briefings, and site visits, or a combination of approaches.

12 December 2017 meeting

4.4 The Committee discussed the provision of free childcare, with a range of expert guests including the Deputy Mayor for Education and Childcare, and representatives from OFSTED, the Pre-School Learning Alliance, Mumsnet and London Borough of Islington.

Proposed topics for future meetings

4.5 The Committee had previously agreed to use its meeting slot in February 2018 to review the Mayor's draft Culture Strategy. Officers have been informed that the publication timeline for the draft Strategy has shifted and it will now be published during March 2018. It is therefore suggested that Members use the February 2018 meeting to also focus on the Mayor's draft Economic Development Strategy (EDS).

4.6 Further consideration will need to be given to whether there is scope for the Committee to formally consider the Mayor's draft Culture Strategy at its meeting in March 2018.

Informal meetings

4.7 As part of evidence gathering to develop it is further suggested that Members use this opportunity to review and decide on the main focus for the March meeting

4.8 The table below sets out the proposed topics and schedule for future meetings

20 February 2018	Review of the Mayor's draft EDS
13 March 2018	To be confirmed

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:
None.

Local Government (Access to Information) Act 1985
List of Background Papers: None

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