

## Scoping Paper - Extending Childcare Provision in London. An ambition too far?

### Introduction

In its 2015 manifesto, the Conservative Party committed to providing 30 hours of free childcare to working parents of three and four year olds. This was an extension of the previous offer of 15 hours for disadvantaged two year olds and all three and four year olds. London has had mixed success in delivering the previous commitment, and the cultural, infrastructure and funding barriers it currently faces to successful delivery are likely to be exacerbated by the new commitment. The provision of childcare is essential to London's economy, allowing parents the opportunity to enter the workforce and develop the skills necessary to progress their career.

As a result, the London Assembly Economy Committee has agreed to examine the provision of childcare in London at its meeting on 21 January 2016. The terms of reference previously agreed by the Committee are:

- To explore experiences of delivering the current free childcare entitlements.
- To explore the implications of the extension of the entitlement for three and four year olds for working parents, and any additional barriers to its delivery.
- To consider what action could be taken by the Mayor to support delivery and uptake of the current and future entitlements.

### Background

#### *Changes to statutory entitlements*

Local authorities currently have a statutory duty to secure free part-time early education for 15 hours per week for 38 weeks of the year (or 570 hours per year) for:

- the 40 per cent most disadvantaged two year olds; and
- all three and four year olds.

There are significant numbers of families taking up the entitlements. However, the uptake rate is lower in London (46 per cent) than the average rate for England (58 per cent). In particular, the uptake rate in inner London is lower (40 per cent) than outer London (50 per cent), particularly for two year olds.<sup>1</sup>

The Government is now extending the entitlement of three and four year olds to 30 hours per week (or 1,140 hours per year), but for working parents only.<sup>2</sup> So it should be considered as distinct from the current entitlements, particularly in terms of its implications for boroughs and providers. This new entitlement should be fully in place by 2017, with pilot schemes in 2016.

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<sup>1</sup> <https://www.gov.uk/government/statistics/provision-for-children-under-5-years-of-age-january-2015>

<sup>2</sup> 'Working' households will be where both parents, or single parents, are earning the equivalent of 8 hours per week on national minimum wage and this can include self-employment. However, there are a number of other qualifying circumstances in recognition why some parents may not be in work - see page 10 here: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/465446/Childcare\\_Bill\\_Policy\\_statement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465446/Childcare_Bill_Policy_statement.pdf)

*Challenges to delivery*

There are a number of obstacles to delivering the current entitlements, including:

- Levels of funding from central government;
- The number of providers who are willing to deliver the entitlement; and
- Barriers to uptake by parents.

London also has a range of specific issues which make successful delivery of the childcare commitment more challenging than in other regions:

- Childcare costs, across all types, are higher in London than the rest of the country. However, the levels of government funding do not adequately recognise this difference;
- Parents require more hours of childcare in London, due to the length of commutes, the lack of a family network compared with other parts of the country and the increasing numbers of jobs which require evening or weekend work; and
- The high cost of property in London makes it harder for providers to expand.

While, the extension is expected to exacerbate some of these issues, there are also new challenges thrown up by the extension of the new entitlement for three and four year olds of working parents. There are likely to be a number of consequences from providers' requirement to offer 30 rather than 15 hours. Table 1 highlights the main issues for councils and providers;

<b>Councils</b>	<b>Providers</b>
A lack of available data. Councils do not know the employment status of recipients of the current entitlement so cannot easily estimate the demand for the new entitlement.	The loss of 'cross-subsidy', ie, providers often use additional hours purchased by parents at a higher rate to subsidise the lower rate paid by councils for the current free commitment.
A tension between whether the focus of the policy is to deliver childcare for working parents, or provide additional early years education.	The loss of the ability to deliver 'two shifts' of childcare within the same setting.
Whether voluntary sector providers will have access to venues they currently operate out of when hours are extended.	Limited space and capacity to expand, and the need for capital investment.
The viability of schools' expanding their provision.	The impact of the National Living Wage increase on providers' salary costs.
	How viable is the delivery of a mixed model of childcare provision (combining both setting-based and childminder provision).

### *Update from the Autumn Statement*

Further details of how the Government will fund the extension were announced in the Treasury's Autumn Statement. These included:

- **Eligibility (1):** The government has said that parents who each work at least the equivalent of 16 hours per week at the national living wage, and who earn less than £100,000 will be entitled to the new extension.
- **Eligibility (2):** Eligibility is based on income earned, not hours worked, so if a parent works for less than 16 hours, but in that time, earns more than the equivalent of 16 hours per week at national living wage (or minimum wage for under-25s), they will still be eligible.
- **Funding:** The Treasury has previously announced funding of £640 million to deliver the new childcare commitment. It has also pledged an additional £300 million to raise the funding rates for providers from £4.71 to £4.88 per hour of childcare from 2017/18 to the end of the current Parliament. These rates are a national average; specific regional rates will be set after a period of consultation in 2016.
- **Timescales:** Pilot schemes will start in early 2016. These are intended to explore how the extra childcare commitment can be delivered in different regions. £15m will be invested in 2016/2017 for the pilot scheme, rising to £365m in 2017/2018 (the predicted cost of the full roll-out of the scheme from September 2017 to the end of the financial year in March 2018). In 2018/2019, the government will invest £640m, rising to £670m by 2020/21.
- **Capital Funding:** £50 million is being made available to increase the physical infrastructure in the childcare sector. How this money will be distributed has yet to be announced.

### *The role of the Mayor*

Current key activities include:

- The GLA is commissioning a parental employment project as part of its ESF-funded programmes, which would cover childcare costs for a limited period for eligible parents;
- The London Plan states that “access to adequate, affordable and high quality childcare (pre-school and school age) provision plays a key role in children’s development and enables parents to go back to work.”<sup>3</sup> It recommends that proposals housing and commercial facilities should provide suitable childcare for those in need of it.; and
- The Mayor and London Councils have been lobbying the Government to take account of the specific challenges that London faces and to adjust funding and conditions accordingly.

### *Devolution*

Members may also wish to explore if there is a case for devolving control of childcare funding to London Government. The Mayor will gain control of the adult skills budget from 2019, and a case is being made for devolving additional Employment Support Programmes to better target funding and improve outcomes.

### **Previous work by the Committee**

In December 2013, the Economy Committee published *Parental Employment in London*. This analysed the childcare sector as a barrier to parental employment. The Committee was told that the

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<sup>3</sup> [The London Plan](#)

LEP was working on a strategy for parental employment which would include several childcare provisions. In developing this strategy, the Committee recommended that the LEP provide:

- A more detailed explanation of how future EU and national skills funding will be used to support parents into the workplace.
- How the LEP might work with schools and local authorities to provide innovative solutions to providing 'wrap around' childcare.
- How the LEP might work with employers to increase the number of quality part-time positions, and flexible work practices.
- What further support the LEP could offer through its SME programme to promote childcare business and employment opportunities.
- How the GLA could encourage Business Improvement Districts and Enterprise Zones to provide more crèche and nursery spaces within developments.

Since 2013, no strategy has appeared. Both the LEP's Jobs and Growth Plan and the 2014-20 European Structural & Investment Funds (ESIF) Strategy for London acknowledge the need for a greater range of lower cost childcare options for disadvantaged groups to work, but they contain little detail about how the GLA or LEP might assist in this area.

### **Meeting structure**

The meeting will take part in two sessions. The first will address the first two points in the terms of reference, i.e., how the current childcare provision has been delivered, and the likely consequences for London of the extension to 30 hours.

Guests are:

- London Councils (to contribute a pan-London perspective)
- The Family and Childcare Trust (to provide data on London's childcare sector)
- Pre-School Learning Alliance (to provide perspective from providers)
- The National Day Nurseries Association

The second session will explore what the GLA has achieved in expanding childcare provision since the Committee's last meeting in 2013, and will include representatives of the GLA's social policy and diversity team and early years education team.