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## **Sam Gyimah MP**

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Dear Sam

The Mayor of London and London Councils welcome the opportunity to respond to the Government's Call for Evidence on the cost of providing childcare.

This is an important issue for London as high quality and affordable childcare offers the opportunity to narrow the gap between the most disadvantaged children and their peers. It can also help support parents get back into, or maintain, employment. We welcome the Government's commitment to give working parents of three and four year-olds 30 hours of free childcare a week and to increase the average rate paid to providers.

It is vital that London, where full time childcare costs are 28 percent higher than the national average, receives sufficient resources to fulfil the Government's ambitions. A rate that does not meet market rates will hinder both early years settings and local authorities, the bodies that statutory responsibilities for early years rest with. Under the Childcare Act 2006 and the Children and Families Act 2014 London boroughs are responsible for securing early years places, improving outcomes and reducing inequalities for children, as well as supporting providers to improve quality.

A total of 218,330 three and four year-olds currently benefit from the existing 15 hour entitlement in London. To fulfil the Government's ambition to increase the absolute number of children as well as hours of provision the following issues need addressing in London.

### **Cost - Provide minimum funding to offer an hourly rate reflective of London's market costs**

Ensuring financial sustainability of the London offer is vital, particularly if there is to be an increase in free childcare hours. Currently, the existing funding rate for the three and four year-old offer is not sufficient to meet the cost of part time or full time provision in London. Many early years providers are only able to participate by relying on parents purchasing extra childcare hours to cross-subsidise the free provision.

The expansion of the childcare offer will create challenges for local authorities to engage providers as the cross-subsidy element will be diminished. In order to make the three and four year-old entitlement a viable proposition at 30 hours a week, the average hourly rate of £4.71 will need to be increased. The Government's decision to

place early years funding within the Dedicated Schools Grant (DSG) has meant local authorities no longer have primary responsibility over its use. However, it should be noted that whilst the DSG does include an Area Cost Adjustment, it does not provide a sufficient uplift to meet the average costs of childcare in London.

An hourly rate that does not reflect market rates for childcare in London represents a significant risk as providers may opt out of providing the free funded hours. Taking the two year-old entitlement as an example, London Councils' research found Government funding, ranging between £5.28ph and £6.08 per hour, was below the market rate needed in the capital of £8 per hour. However, there will be variation between organisations. According to The Family and Childcare Trust, 41 per cent of nurseries and pre-schools in London, approximately 1,300 providers in total, have opted not to offer places for eligible two year-olds as the funding rate offered by Government is not considered financially sustainable.

Without a sufficient increase in the minimum levels of funding boroughs receive for the three and four year-old entitlement, there is a risk they will not be able to secure childcare places for 30 hours per week. London Councils and the Mayor of London are therefore calling for the average hourly rate to reflect market rates to ensure sustainability. Additionally, the Mayor is calling for a fair average wage for London's childcare workers, reflecting the London Living Wage. This requires appropriate Government funding of the childcare offer.

### **Quality- Commitment to a programme of quality improvement**

The Government recommends that only good and outstanding settings are used to provide both the universal and targeted early years offers. With the diverse and fragmented childcare market that operates in London, the level of investment in quality improvement work varies considerably. London Councils and the Mayor believe that the quality of early years provision in London needs to improve, particularly to unlock capacity within the existing system to deliver the expanded childcare offer.

London boroughs, through their schools forum which includes early years representatives, allocate a proportion of DSG to provide support for the early years sector in their area. The type and level of support is based on the needs of providers and communities and it typically will assist settings to improve between Ofsted inspections or respond to new challenges. For example, 0.8 per cent of children benefiting from early education in London have an EHCP, the highest in the country.

This flexible approach by the boroughs has contributed to improvements in the overall quality of early years settings. According to the latest statistics from Ofsted's data view system, the proportion of registered early years settings judged 'good' and 'outstanding' by Ofsted has increased from 67 per cent in 2010 to 83 per cent in 2015. Yet London local government is not complacent, and further progress is needed to exceed the national average of 85 per cent of childcare settings judged 'good' and 'outstanding' by Ofsted. Until such a point is reached, London will have a smaller pool of eligible settings available to offer free places than elsewhere in the country.

The Mayor will be supplementing existing activity raising the quality of early years provision through the development of a pan-London improvement programme focusing on health and early education. This will complement the Mayor's existing healthy schools programme. Additionally, the Mayor is scoping a pilot programme to explore combining centre based services with home based provision (i.e. nursery and childminder provision). This will be developed during 2015.

London boroughs, with the cooperation of the schools forums, will continue to support the early years sector to improve its quality.

### **Capital infrastructure - Capital funding to expand the childcare estate in London.**

Based on Ofsted data, as of March 2015, there were 9,595 registered providers (childcare on domestic premises, childcare on non-domestic, childminder and home child carer) offering early years provision in London compared to 5,056 in 2010. This growth has been achieved through the stimulation of the childcare market by encouraging new providers to set up in London and existing providers to expand. It has led to more three and four year-olds benefiting from 15 hours free childcare since the entitlement commenced. It has also enabled the creation of more than 13,000 new places for two year-olds within the last two years.

London's diverse and expanded childcare market results in greater choice for parents to decide where to take up the three and four year-old offer. According to the Department for Education statistics, a total of 73,800 three and four year-olds take up the entitlement in private, voluntary and independent provision and 141,320 three and four year-olds take up the entitlement in maintained nursery and state-funded primary schools. However, London Councils' research has shown that 4 in 10 of London's childcare providers are now operating at maximum capacity. Expanding the entitlement further will therefore be a significant capacity challenge for London. Furthermore, London is already stretched with increased demand for primary school places and there will be limits on school based early years expansion.

We are concerned that the call for evidence is focused on revenue spending and does not look at the capital investment needed to expand provision. Without capital investment, there is unlikely to be sufficient capacity within the childcare market to deliver the necessary three and four year-old places in London. Recognising the Government's fiscal plans, a single targeted London capital funding pot should be considered.

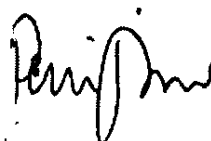
We would welcome a discussion to explore further the issues we raise above. Any expansion of the free entitlement offer must be underpinned by good quality provision to provide parents with confidence and improve child outcomes.

We look forward to hearing from you.

Yours sincerely



**Munira Mirza**  
Deputy Mayor for Education and Culture



**Cllr Peter John**  
London Councils' Executive member for  
children, skills and employment