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## Childcare Bill

### Queen's Speech debate briefing

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#### Summary

The Childcare Bill will extend free early education for three and four year olds from 15 to 30 hours each week for working parents. This is a welcome extension of support for working parents with three and four year olds, whose childcare costs will be significantly reduced. However, there are challenges the Government should address, including the level of funding for the offer, accessibility for disabled children and the gap in childcare support for children aged one to three. In addition to reviewing funding for the early education offer, the Government should take steps simplify and join up the increasingly complex and fragmented childcare funding system.

For more information about this briefing, please contact Adam Butler at the Family and Childcare Trust at [adam@familyandchildcaretrust.org](mailto:adam@familyandchildcaretrust.org) or on 020 7940 7487.

#### The Government's proposals

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Currently, all three and four year olds in England receive 15 hours of free early education each week for 38 weeks of the year, or 570 hours each year. This is available from the term after a child's third birthday. The Government proposes to increase this offer to 30 hours each week by 2017. The Bill applies only to England, although Barnett Formula transfers may enable the devolved administrations to increase the hours of free early education available in Northern Ireland, Scotland and Wales.

The Childcare Bill will also include provisions to require local authorities to publish information about the provision of childcare in their local area.

#### Areas of concern

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**Funding for free early education needs to reflect the costs of delivery.** The Conservative manifesto committed to 'an increase in the hourly funding rates paid to providers in different parts of the country, and will consult on the appropriate level and design of the uplift.' This is welcome, as the Family and Childcare Trust has consistently raised concerns about the existing funding system.

For three and four year olds, the funding level per hour from the Department for Education is largely determined by historical precedent, although from April 2015 providers have also received an extra £300 per year through the Early Years' Pupil Premium. There are big disparities in the level of funding, which range between £9.17 per hour (Camden) to £3.24 per hour (Solihull). The average rate for local authorities is £4.51 per hour. There are further differences in the way that local authorities channel money to providers. For three and four year olds the average hourly rate to providers is £3.96 per hour, but funding levels vary between £5.23 in Bradford and £2.93 per hour in Tower Hamlets (a £1,311 difference over the course of a year).

Where funding levels are insufficient to enable providers to break even, they are usually forced to increase their fees to parents who pay for additional hours on top of their free provision. The extension of free early education to 30 hours will limit the ability of providers to cross-subsidise free provision with

extra purchased hours. In future, unless funding levels for free early education cover costs, providers will be forced out of business, or parents will face very steep price increases for extra purchased hours.

Some additional early education places will be needed. There have been no announcements about increased capital funding to enable new provision to be set up and existing providers to expand. The Government needs to ensure that its funding review also encompasses capital funding.

The Family and Childcare Trust believes that funding should be increased to reflect the actual cost of delivering high quality, flexible care, and reforms are needed to ensure funding is distributed fairly.

**The additional hours will only be available to children where all parents in a family are in work.**

Job-seekers and parents who are undertaking work-related training will be excluded. The government has not yet set out eligibility criteria for the additional 15 hours but the Conservative Party manifesto stated that all parents in a family must be in work to benefit from the offer. The tax-free childcare scheme will require parents to work more than eight hours per week, while help with childcare costs through Universal Credit is available irrespective of the hours a parent is in work. The Family and Childcare Trust wants simple and harmonised systems for checking eligibility.

**Disabled children and those with additional needs are often not able to access the full early education offer.** A survey of parents to support the recent independent Parliamentary inquiry into childcare for disabled children found that 41 per cent of parents with disabled children did not access the full 15 hours of free early education. Parents most often said that this was due to a lack of providers with the staff or facilities needed to deliver appropriate care.

**Free early education is not always sufficiently flexible for working parents.** 72 per cent of three year olds receive their free early education in a nursery class attached to a primary school, in state nursery school or at a pre-school, all of which usually operate in term-time only. Nationally there are large shortages of holiday childcare for the under-fives. Sessional pre-schools often work from multi-use premises and may open for 15 to 20 hours per week, and the future of these pre-schools is uncertain as not all of them may be able to offer the full 30 hours. The Family and Childcare Trust wants the Government to work with schools and nursery providers to ensure that parents have greater access to flexible early education, after 3pm and in the school holidays, if needed.

**Government help with childcare costs remains fragmented, inefficient and complex compared with many other OECD countries.** The Government subsidises childcare costs through supply-side funding for free early education, and to parents through the childcare element of Working Tax Credit, Universal Credit and through childcare vouchers. It will introduce the new tax-free childcare scheme in late 2015. Funding to parents through these multiple scheme creates cliff edges that can disincentivise working extra hours. These cliff edges will affect families in the £30,000-£40,000 income bracket most of all, as they will get 85 per cent of childcare costs met under Universal Credit, but just 20 per cent if they cross an income threshold and receive the new tax-free childcare scheme.

The government could make better use of childcare funding by integrating funding into a single scheme with clear policy aims. The Family and Childcare Trust has called on the Government to establish an independent review of childcare funding to make recommendations on reform and long-term investment.

## Questions for the debate

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1. How will the Government review and increase early education funding to ensure that parental fees do not increase to subsidise free early education?
2. How will the Government ensure that disabled children do not miss out on the full early education offer?
3. How will Ministers ensure that free early education is delivered flexibly enough to meet the needs of working parents?
4. How will the Government support sessional pre-schools to offer 30 hours of childcare?
5. What will the Government do to ensure childcare work across government is joined-up and funding is used as effectively as possible?
6. How will the Government ensure that local authorities are in a position to fulfil their duty to provide information on childcare provision and that Family Information Services can deliver an effective service?