



# Library Note

## Work of the Ad Hoc Committees in 2014–15: House of Lords Affordable Childcare Committee

On 12 June 2014, the House of Lords Affordable Childcare Committee was appointed to consider issues relating to affordable childcare, and to make recommendations. The Committee looked in depth at a range of issues, including government funding for childcare. At the time of the Committee's report, the Coalition Government was investing £5.2 billion annually in early education and childcare. That figure was set to rise to £6.4 billion in the 2015–20 Parliament and, to date, the current Government has maintained this commitment. The stated aims of this investment in childcare were, and broadly remain: to promote child development for all children; to narrow the gap in attainment between the most disadvantaged children and their “better off” peers; and to enable parents to work. The Committee's report investigated whether value for money was being delivered by childcare policy when assessed against these aims and focused on 0- to 5-year olds. It also considered the impact of childcare costs on parental employment rates and work choices.

The Committee published its report on 24 February 2015, prior to the 2015 general election. In a summary, the Committee suggested that there were three main actions the new Government must take in order to get the best value for its investment, namely to:

- Reprioritise spending in early education and childcare to focus on disadvantaged children—better value for money will be achieved by targeting those most likely to benefit.
- Ensure that disadvantaged 2-year olds access their free early education in settings rated good or outstanding by Ofsted no later than 2020.
- Address the under-funding of free early education places in the Public, Voluntary and Independent (PVI) sector.

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**Table of Contents**

- 1. Background ..... 1
- 2. Committee Report..... 4
  - 2.1 Government Policy Aims..... 4
  - 2.2 Disadvantaged Children: Prioritising Spending and Resources ..... 4
  - 2.3 Free Early Education Entitlement: Quality and Funding ..... 6
- 3. Government Response..... 10
  - 3.1 Childcare Implementation Taskforce Established ..... 10
  - 3.2 Additional 15 Hours Free Childcare Entitlement: Childcare Bill ..... 11
  - 3.3 Provision of Early Education for Disadvantaged Children ..... 12
  - 3.4 Quality of Provision ..... 12
  - 3.5 Early Years Funding..... 13
- 4. Further Developments ..... 15
  - 4.1 Early Years Funding..... 15
  - 4.2 Quality of Provision ..... 18
  - 4.3 Provision of Early Education for Disadvantaged Children ..... 18
  - 4.4 Childcare Bill ..... 20
  - 4.5 Childcare Implementation Taskforce..... 22

## I. Background

On 12 June 2014, the House of Lords Affordable Childcare Committee was appointed “to consider issues relating to affordable childcare, and to make recommendations”.<sup>1</sup> The Committee was given a reporting deadline of 5 March 2015, prior to the 2015 general election.<sup>2</sup> The Committee held nine public evidence hearings, during which it questioned 31 witnesses. In total it received 66 pieces of written evidence.<sup>3</sup> The Committee published its report on 24 February 2015.<sup>4</sup>

The Committee’s report outlined that it “started from the premise” that ‘childcare’ referred to “formal, registered care offered by providers who are paid for their services”.<sup>5</sup> According to the Committee, ‘affordability’ should be regarded as a relative term and, in the context of childcare, could be applied to parents and to the state. The Committee therefore approached its inquiry from both perspectives.<sup>6</sup> The Committee restricted its inquiry to childcare for children of pre-school age, 0- to 5-year olds.<sup>7</sup>

This briefing provides a summary of the Committee’s conclusions and recommendations; provides a summary of the Government’s response to the Committee’s report, which was published in December 2015; and gives an update on developments since the government response to the Committee’s report.

### Government’s Childcare Policy

Childcare policy is a devolved matter in Scotland, Wales and Northern Ireland, and the report’s findings therefore concerned England only. Childcare policy in England comprises two elements: early education and childcare. When the Committee took evidence, the stated aims of the Coalition Government’s childcare policy was to support childcare through three main ways:

- The free early education entitlement (FEE).
- The childcare element of working tax credits.
- Employer supported childcare vouchers.<sup>8</sup>

At the time of the Committee’s report, a number of replacements or additions to these three policies were expected to be implemented, at various specified times.<sup>9</sup> These developments and the three policy areas are summarised below, alongside the current status of each area:

- The **Free Early Education Entitlement (FEE)** consists of 15 hours of free early education for all 3- and 4-year olds (as introduced in September 2010) and was extended to include the “40 percent most disadvantaged” 2-year olds in

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<sup>1</sup> [HL Hansard, 12 June 2014, col 526.](#)

<sup>2</sup> UK Parliament website, ‘[Affordable Childcare Committee: Role](#)’, accessed 27 January 2017.

<sup>3</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 17.

<sup>4</sup> *ibid.*

<sup>5</sup> *ibid.*

<sup>6</sup> *ibid.*

<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*, p 20.

<sup>9</sup> *ibid.*

2013. Among other criteria, this includes those with Special Educational Needs (SEN). The entitlement is spread across 38 weeks of the year. The policy remains in effect to date. Many parents whose children receive the free early education entitlement also choose to pay for hours in addition to the ones funded by the state.

- **Early Years Pupil Premium (EYPP)** is additional funding that is given to settings that deliver the FEE. The EYPP began to be rolled out from April 2015 in addition to the FEE. It is targeted at 3- and 4-year olds in any early years setting. Its eligibility criteria mirrors the school age pupil premium: those who meet criteria for free school meals; have been looked after by the local authority for at least one day; have been adopted from care; or are the subject of a special guardianship and/or child arrangements order. The policy was in place at the time of the Committee report and remains in effect to date.
- The **Childcare Element of Working Tax Credits** provides up to 70 percent of childcare costs, up to certain limits, for those who work 16 hours or more a week and do not earn over a set amount. This policy was in place at the time of the Committee report. However, the policy is being replaced with the introduction of **Universal Credit (UC)**. The policy began to be phased out by UC in 2016. The childcare costs element of UC can provide up to 85 percent of childcare costs for those who work a minimum of 1 hour a week.
- **Employer Supported Childcare** provides tax and national insurance relief on childcare vouchers which are provided by employers. The vouchers are for employees to spend on registered childcare for dependent children of any age. Employment Supported Childcare was in place at the time of the Committee report but is being replaced by a **Tax-Free Childcare Scheme (TFC)**. TFC will provide 20 percent of childcare costs of up to £10,000 for children up to the age of twelve for families where both parents: work; pay tax; are not claiming Working Tax Credits; and do not earn over a set amount. The scheme was expected to replace employer supported vouchers in 2015, but was postponed to 2017 due to a legal challenge. TFC is being gradually rolled out from early 2017.<sup>10</sup>

## Childcare Providers

Childcare and early education are provided in a range of settings. These include domestic premises in the case of childminders, to non-domestic premises in the case of playgroups, children's centres and private nurseries, or schools. State provision for childcare and early education for all 3- and 4-year olds, and the most disadvantaged 2-year olds, is provided directly through nursery classes in maintained primary schools, nursery schools and through some

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<sup>10</sup> House of Lords Affordable Childcare Committee, *Affordable Childcare*, 24 February 2015, HL Paper 117 of session 2014–15, pp 17, 20 and 44; House of Commons Public Accounts Committee, *Entitlement to Free Early Years Education and Childcare*, 15 June 2016, HC 224 of session 2015–16, p 4 (for full details of criteria regarding definition of “disadvantaged” 2-year olds under the Free Early Year Entitlement, see page 90); and Department for Education, *Study of Early Education and Development: Experiences of the Early Years Pupil Premium Research*, 27 January 2017, p 13.

children’s centres. The Government also funds early education provided through the Private, Voluntary and Independent (PVI) sector, and subsidises childcare for working parents.<sup>11</sup>

### Government’s Financial Investment in Childcare

In the period when the Committee was taking evidence, the Coalition Government was investing £5.2 billion annually in early education and childcare, with just over half (56 percent) spent on the early education entitlement.<sup>12</sup> That figure was set to rise to £6.4 billion in the 2015–20 Parliament, with an additional £0.6 billion for the introduction of Universal Credit and £0.6 billion for tax-free childcare.<sup>13</sup> To date, the Conservative Government has maintained this commitment to investing £6 billion per year in childcare by 2020.<sup>14</sup> At the time of the Committee’s report, the stated aims of this investment were, according to the then Government, three-fold:

- To promote child development for all children.
- To narrow the gap in attainment between the most disadvantaged children and their “better off” peers.
- To enable parents to work.<sup>15</sup>

The above policy aims have remained, in essence, the same to date.<sup>16</sup> However, in 2015—following the Committee’s report—the Conservative Government added a fourth aim of “reducing poverty”.<sup>17</sup>

The Committee’s report sought to answer the question of “whether value for money is being delivered by childcare policy when assessed against these outcomes”.<sup>18</sup> The report also considered the impact which childcare costs have on parental employment rates, and the impact which government support for childcare costs has had on parental work choices.<sup>19</sup>

Due to the breadth and complexity of childcare issues touched upon in the Committee’s report, this briefing addresses only a selection of them. It looks in particular at: the Government’s childcare policy strands; the early years pupil premium (implemented in April 2015 for disadvantaged 3- and 4-year olds); the free early education entitlement (for all 3- and 4-year olds and for some disadvantaged 2-year olds) and the additional 15 hour free entitlement of childcare, announced in 2016. The briefing focuses mainly on issues raised surrounding the funding and quality of provision. It does not provide detailed information on the provisions of Universal Credit (which the childcare element of working tax credits is transitioning to), or on

<sup>11</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 19.

<sup>12</sup> *ibid.*, p 25.

<sup>13</sup> *ibid.*

<sup>14</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2.

<sup>15</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 17.

<sup>16</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 6.

<sup>17</sup> *ibid.*

<sup>18</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 18.

<sup>19</sup> *ibid.*

the new tax-free childcare scheme to be rolled out in 2017, or on provisions specifically targeted towards those with disabilities.

## 2. Committee Report

On 24 February 2015, the Committee published its report on affordable childcare. Its key finding was that the “[t]he next Government should urgently review the way the budget for early education and childcare—forecast at £6.4 billion—is allocated, to ensure best value for money”, and that “that the budget should be re-prioritised to help disadvantaged children”.<sup>20</sup> To this end, the Committee proposed “three main actions the new Government must take in order to get the best value for its investment”.<sup>21</sup> These were to:

- Reprioritise spending in early education and childcare to focus on disadvantaged children—better value for money will be achieved by targeting those most likely to benefit.
- Ensure that disadvantaged 2-year olds access their free early education in settings rated good or outstanding by Ofsted no later than 2020.
- Address the under-funding of free early education places in the Public, Voluntary and Independent (PVI) sector.<sup>22</sup>

The report included 49 conclusions and recommendations in total. A summary of a selection of these with particular application to the three main aims is provided below.

### 2.1 Government Policy Aims

The Committee argued that there was a “lack of coherence” in the Government’s stated objectives for childcare policy—seeking “on the one hand” to promote child development, and “on the other hand” to facilitate parental employment.<sup>23</sup> The report argued, for example, that “cheap, low-quality childcare might help parents to work”, but would not meet the Government’s aims for child development.<sup>24</sup> According to the Committee, “many” witnesses said there would be necessary “trade-offs” to achieve the separate strands of policy.<sup>25</sup> The Committee recommended that the Government should clarify how competing aims between the policy strands were prioritised, as well as what mechanisms were in place between government departments to address these trade-offs.<sup>26</sup>

### 2.2 Disadvantaged Children: Prioritising Spending and Resources

The Committee argued that early education was of particular value for those children who were disadvantaged. In particular, the Committee referred to evidence from the Effective Pre-school, Primary and Secondary Education (EPPSE) study, published by the Department for

<sup>20</sup> House of Lords, [‘Next Government Must Prioritise Disadvantaged Children When Allocating £6.4 Billion Childcare Budget, Says Lords’ Committee](#), 24 February 2015.

<sup>21</sup> *ibid.*

<sup>22</sup> *ibid.*

<sup>23</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15.

<sup>24</sup> *ibid.*, p 23.

<sup>25</sup> *ibid.*

<sup>26</sup> *ibid.*, p 9.

Education. The study started in 1997 and followed the development of some 3,000 children in England from the age of 3 to 16. The Family and Childcare Trust summarised the study's findings when giving evidence to the Committee, which included that: for all children the quality of the home learning environment was "more important for intellectual and social development" than parental occupation, education or income; and that pre-school experience, compared to none, "enhanced all round development in children and was particularly beneficial to more disadvantaged children".<sup>27</sup> The Committee therefore contended that there was a "sound evidence base" that indicated high quality early education for all 3- and 4-year olds had the potential to improve outcomes for all children.<sup>28</sup> It added that this was "especially" true for children who were most disadvantaged and thus whose home learning environment may not equip them to reach a good level of development.<sup>29</sup>

Consequently, the Committee asserted that greater value for money in terms of child outcomes was obtained by investing in early education for disadvantaged children, rather than for all children.<sup>30</sup> The Committee explained:

Given the Government's objective of narrowing the attainment gap, we ask the Government to prioritise its spending to ensure best value for its investment. We know that children from disadvantaged backgrounds stand to benefit more from early education, and are less likely to be accessing it in the absence of the policy.<sup>31</sup>

The Committee recommended that the Government should review its distribution of resources within the overall budget for early education and childcare support, and consider whether it should target more resources at those children most likely to benefit.<sup>32</sup> Commenting on the Committee's report, chair of the Committee, Lord Sutherland of Houndwood, explained that the Committee was "not talking about increasing budgets".<sup>33</sup> Rather, that it was "talking about a re-prioritisation of current spending to ensure that it targets those children who are likely to benefit the most".<sup>34</sup> The Committee suggested that a tool for doing so already existed in the Early Years Pupil Premium (EYPP), which "represents better value than extending universal provision".<sup>35</sup>

## Evaluating the Free Early Education Entitlement

The Committee highlighted a number of characteristics of early education as of particular importance for the most disadvantaged children. These included: the presence of a graduate teacher leading and participating in care; qualified and motivated staff able to deliver "warm and responsive" care; and staff to child ratios being maintained at more than the legal minimum requirement.<sup>36</sup> However, the Committee found indications that those characteristics found to

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<sup>27</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 30.

<sup>28</sup> *ibid*, p 31.

<sup>29</sup> *ibid*.

<sup>30</sup> *ibid*, p 34.

<sup>31</sup> *ibid*, p 40.

<sup>32</sup> *ibid*, p 34.

<sup>33</sup> House of Lords, '[Next Government Must Prioritise Disadvantaged Children When Allocating £6.4 Billion Childcare Budget, Says Lords' Committee](#)', 24 February 2015.

<sup>34</sup> *ibid*.

<sup>35</sup> *ibid*.

<sup>36</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 35.

have an impact on child outcomes were not present across the board in the delivery of free early education.<sup>37</sup>

The Committee also concluded there was a “lack of robust data” to evaluate the effectiveness and value for money of the Government’s free early education entitlement policy. It reported further concerns—for example, evidence that “a significant proportion” of 3- and 4-year olds would be accessing some form of early education in the absence of the Government’s free early education entitlement policy. The Committee therefore recommended that the Government should seek robust evidence on its free early education entitlement policy as an “urgent need”.<sup>38</sup>

However, the Committee did commend the Government’s commissioning of the Study for Early Education and Development (SEED).<sup>39</sup> SEED is a longitudinal study following 8,000 2-year olds from across England to the end of key stage one (age 7 to 8).<sup>40</sup> The study is expected to report in full in 2020.<sup>41</sup> Its work includes assessing the effectiveness of the free early education entitlement offer, and the impact of funded places for 2-year olds from lower income families. It will also evaluate quality across settings; value for money; case studies of good practice; and qualitative assessments of childminders and children with special educational needs.<sup>42</sup> However, the Committee noted that it was “disappointed that there has been no rigorous evaluation of the free early education entitlement policy to date”, and added that such a study was “long overdue”.<sup>43</sup>

### 2.3 Free Early Education Entitlement: Quality and Funding

The Committee reported that, of the 40 percent of disadvantaged 2-year olds that have had free early education extended to them, over a quarter were accessing that entitlement at settings that had not been rated good or outstanding by Ofsted.<sup>44</sup> The Committee concluded that this “represents a missed opportunity and poor value for the Government’s investment”.<sup>45</sup>

The Committee recommended that the Government should restrict the delivery of free early education for 2-year olds to settings rated good or outstanding.<sup>46</sup> It argued that it “should be a firm target over the course of the next Parliament, to be achieved no later than 2020”.<sup>47</sup> Commenting on the Committee’s report, chair of the Committee, Lord Sutherland of Houndwood, further explained:

It is poor investment to provide resources for free early education for disadvantaged 2-year olds but not to ensure that the early education they receive is of a quality that is likely to make a difference to help them to develop and to catch up with their peers.<sup>48</sup>

<sup>37</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 41.

<sup>38</sup> *ibid*, p 10.

<sup>39</sup> *ibid*.

<sup>40</sup> *ibid*, p 39.

<sup>41</sup> *ibid*.

<sup>42</sup> *ibid*.

<sup>43</sup> *ibid*, p 10.

<sup>44</sup> *ibid*, p 52.

<sup>45</sup> *ibid*, p 7.

<sup>46</sup> *ibid*, p 11.

<sup>47</sup> *ibid*, p 52.

<sup>48</sup> House of Lords, [‘Next Government Must Prioritise Disadvantaged Children When Allocating £6.4 Billion Childcare Budget, Says Lords’ Committee’](#), 24 February 2015.



## Private, Voluntary and Independent (PVI) Sector

The Private, Voluntary and Independent (PVI) sector is a key stakeholder in the delivery of the Government's free early education entitlement policy. At the time of the report, 60 percent of 3-year olds and 96 percent of disadvantaged 2-year olds accessing their entitlement to such education were doing so in a PVI setting.<sup>49</sup>

After taking evidence on that provision, the Committee reported that “many witnesses” had contended that “the standard of quality was generally higher in the maintained sector than in the PVI sector”.<sup>50</sup> Lower levels of qualified staff in the PVI sector was cited by witnesses as the reason for that poorer quality.<sup>51</sup> The Family and Childcare Trust, for example, said that “staff motivation and skill levels are often low because in many settings a significant proportion of staff are unqualified”.<sup>52</sup> The proportion of staff with level 3 qualifications (equivalent to A-level) was roughly equal across all types of group-based provider at just over 80 percent. However, the proportion of staff with level 6 qualifications was “far lower” in the PVI sector at just over 10 percent, compared to 40 percent in the schools sector.<sup>53</sup> The proportion of paid staff with qualified teacher status was 5 percent in all full day care settings, compared to 36 percent in nursery classes in schools.<sup>54</sup> The proportion of settings with at least one member of staff qualified to level 6 or above was 59 percent in the full day care sector, and 98 percent in nursery classes in schools.<sup>55</sup>

Of “particular concern” to the Committee was the evidence that PVI settings in the most disadvantaged areas tended to be of lower quality.<sup>56</sup> For example, evidence from Ofsted suggested that inspection judgments were generally higher in more affluent areas compared to more deprived areas.<sup>57</sup> According to Ofsted, that was linked very closely to the language and communication skills of the providers themselves:

If we have providers in deprived areas, say a childminder in a deprived area, who herself has very low-level language and communication skills, the quality of education she gives to the child is lower than where that is different. Sadly, we tend to find that in areas where we struggle to get childcare the people who put themselves forward tend to generally have a lower level of skill.<sup>58</sup>

According to the Committee, the key reason cited in the evidence for the generally lower level of qualifications in the PVI sector was “lack of funding to pay for higher qualified staff”.<sup>59</sup> This assertion was “usually linked to the lack of adequate funding to deliver the free early education entitlement offer”.<sup>60</sup> Several witnesses reported that the rates paid by local authorities to providers were not sufficient to cover the costs of delivery.<sup>61</sup>

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<sup>49</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 35.

<sup>50</sup> *ibid*, p 43.

<sup>51</sup> *ibid*.

<sup>52</sup> *ibid*.

<sup>53</sup> *ibid*.

<sup>54</sup> *ibid*.

<sup>55</sup> *ibid*.

<sup>56</sup> *ibid*, p 44.

<sup>57</sup> *ibid*.

<sup>58</sup> *ibid*.

<sup>59</sup> *ibid*, p 45.

<sup>60</sup> *ibid*.

<sup>61</sup> *ibid*.

### Funding Free Early Education in the PVI Sector

Funding for the free early education entitlement places is taken from the Dedicated Schools Grant which local authorities receive from the Department for Education. Local authorities are required by the *Early Education and Childcare Statutory Guidance* to set a transparent funding formula for all types of providers. They are entitled to set different rates for different types of provision due to “unavoidable cost differences”. Regulation also requires local authorities to maximise the funding that is passed to providers rather than centrally retained.

(House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 46)

With regard to the PVI sector, the Committee made a number of recommendations, which included increasing the proportion of highly qualified staff working in the PVI sector and ensuring that the sector was “properly funded” to deliver the free early education entitlement.

The Committee argued that data published by the Department for Education demonstrated that rates paid by local authorities in 2013/14 “varied widely between different types of settings”.<sup>62</sup> Provision in nursery schools received the highest hourly rates with an average of £7.31, and provision in the PVI sector the lowest, with an average of £3.92.<sup>63</sup>

There was also evidence reported by the Committee that “the funding shortfall” in the rates offered to PVI providers for delivery of the free early education entitlement was met in some settings by cross-subsidisation from some fee-paying parents.<sup>64</sup> The Committee explained:

This means that parents are subsidising themselves, or other parents, in order to benefit from the Government’s flagship early education policy. The intention of the free early education policy is that 15 hours of early education per week are accessed at no cost to the parents. We recommend that the Government reviews the current distribution of resources within the overall budget for early education and childcare support to ensure that the free early education entitlement is delivered without additional cost to parents.<sup>65</sup>

The Committee recommended that the Government consider how resources were prioritised to ensure that all settings—whether in the PVI or maintained sector—are able to employ well-qualified and trained staff.<sup>66</sup> The Committee also stated that the Government should assess “how local authorities discharge their duties in respect of funding free early education places in the PVI sector”.<sup>67</sup> This was with a view to ensuring that the free early education entitlement is delivered without additional cost to parents.<sup>68</sup>

Many witnesses supported collaboration between schools and PVI providers, particularly to enhance flexibility for working parents. The Committee welcomed government initiatives to collaborate between schools and PVI settings with a view to offering high quality free early

<sup>62</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 47.

<sup>63</sup> *ibid.*

<sup>64</sup> *ibid.*, p 49.

<sup>65</sup> *ibid.*

<sup>66</sup> *ibid.*, p 10.

<sup>67</sup> *ibid.*, p 11.

<sup>68</sup> *ibid.*

education and full day care.<sup>69</sup> However, the Committee contended that there was limited capacity for expansion in the schools sector, and that “the evidence indicated that the PVI sector will continue to be the majority provider of free early education places in England”.<sup>70</sup> It recommended, however, that the available capacity be “fully explored”, particularly as it would have benefits of flexibility for working parents.<sup>71</sup>

The Committee also noted that there had been calls, such as from the Confederation of British Industry, for additional free hours of early education to help working parents, by extending them to 25 hours per week.<sup>72</sup> The Committee concluded that it would not be possible for providers to “recoup the losses” made on the delivery of free early education places if these were extended to 25 hours per week.<sup>73</sup> Commenting on the idea of increasing hours, the then Parliamentary Under Secretary of State at the Department for Education, Sam Gyimah, argued:

I am not sure that providers necessarily want to deliver 25 hours of state-subsidised childcare, because it limits their ability to offer other childcare that may come to them at a higher rate, to be brutally honest. The increased cost of that is quite enormous. Going from something like 15 hours to 25 hours would cost an extra £1.5 billion at least.<sup>74</sup>

The Committee explained that:

In light of the evidence of under-funding of free early education places in the PVI sector, we believe that an extension of the free early education entitlement would be unsustainable for the PVI sector at current funding levels.<sup>75</sup>

It added that:

Even if the funding of free early education places in the PVI sector was successfully addressed, as we recommend, we do not consider an extension to universal provision a good use of resources.<sup>76</sup>

## Employment Rates in all Sectors

With regard to employment rates, the Committee summarised that:

There is insufficient data to judge whether demand-side subsidies for childcare have had an impact on parental, and especially maternal, employment rates. There are indications that childcare costs, while important, are not the only factor influencing work decisions: quality, availability and flexibility of childcare are important; as is the availability of part-time and flexible work opportunities for parents to take up.<sup>77</sup>

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<sup>69</sup> House of Lords Affordable Childcare Committee, [Affordable Childcare](#), 24 February 2015, HL Paper 117 of session 2014–15, p 14.

<sup>70</sup> *ibid*, p 12.

<sup>71</sup> *ibid*, p 14.

<sup>72</sup> *ibid*, p 61

<sup>73</sup> *ibid*.

<sup>74</sup> *ibid*.

<sup>75</sup> *ibid*.

<sup>76</sup> *ibid*.

<sup>77</sup> *ibid*, p 7.

The Committee concluded that there was “a need for the Government to establish a better UK specific evidence base on parental employment choices and the cost of childcare”.<sup>78</sup>

The report was debated in the House of Lords on 18 March 2015.<sup>79</sup> At the time of the debate, the Government had not published its response to the Committee’s report.

### 3. Government Response

Following the 2015 general election, the Conservative Government responded to the Committee’s report on 17 December 2015.<sup>80</sup> A summary of the key issues in the Government’s response is provided below.

#### 3.1 Childcare Implementation Taskforce Established

In response to the Committee’s concerns about “trade-offs” between its different policy aims, the Government explained that a cross-Government Childcare Implementation Taskforce had been established, the terms of reference of which were announced on 3 June 2015.<sup>81</sup> The stated intention of the Taskforce was to “drive delivery of a coherent and effective government-wide childcare offer to support parents to work”.<sup>82</sup> This included delivery of an additional 15 hours of free childcare (discussed below); tax-free childcare; and the childcare costs element of Universal Credit.<sup>83</sup> The Taskforce would bring together officials and ministers from “a number of key Whitehall departments”.<sup>84</sup>

In reply to concerns from the Committee that there were “competing aims” between the Government’s policy strands, the Government asserted that all of its domestic policy “was in scope of the Government’s Family Test”.<sup>85</sup> The objective of the family test in relation to childcare policy, as well as other policy areas, is to “ensure that policy makers recognise and make explicit the potential impacts on family relationships in the process of developing and agreeing new policy”.<sup>86</sup> The family test, which was announced on 18 August 2014, asks departments to consider five broad questions about its domestic policy relating to childcare, including “[h]ow will the policy impact on family members’ ability to play a full role in family life, eg with respect to work-life balance, time together, care roles?”; and “how will the policy impact on those families most at risk?”.<sup>87</sup>

<sup>78</sup> House of Lords Affordable Childcare Committee, *Affordable Childcare*, 24 February 2015, HL Paper 117 of session 2014–15, p 7.

<sup>79</sup> [HL Hansard, 18 March 2015, cols 1071–103.](#)

<sup>80</sup> Department for Education, *Government Response to the Lords Select Committee Report on Affordable Childcare (2014–15)*, 17 December 2015.

<sup>81</sup> Cabinet Office, ‘[Cabinet Committees and Implementation Taskforces Membership List](#)’, 3 June 2015.

<sup>82</sup> Cabinet Office, *Cabinet Committees List*, 18 October 2016.

<sup>83</sup> Department for Education, *Government Response to the Lords Select Committee Report on Affordable Childcare (2014–15)*, 17 December 2015, p 7.

<sup>84</sup> *ibid.* According to the Government’s response, these included: Department for Work and Pensions, Department for Education, Cabinet Office, Department for Business Innovation and Skills, HM Treasury, HM Revenue and Customs, Department for Communities and Local Government, and Department of Health.

<sup>85</sup> *ibid.*

<sup>86</sup> Department for Work and Pensions, ‘[Family Test: Assessing the Impact of Policies on Families](#)’, 31 October 2014.

<sup>87</sup> Department for Education, *Government Response to the Lords Select Committee Report on Affordable Childcare (2014–15)*, 17 December 2015, p 7.

### 3.2 Additional 15 Hours Free Childcare Entitlement: Childcare Bill

In reply to a number of the Committee’s recommendations—including that the Government should review its distribution of resources and consider targeting resources at those children most likely to benefit—the Government said that it intended to provide an additional 15 hours of free childcare entitlement through a Childcare Bill (which would be introduced in the 2015–16 session). The Government intended the additional entitlement to be over 38 weeks, and applicable to eligible working parents of 3- and 4-year olds (who are not in a school reception class).<sup>88</sup> It explained:

This Government recognises that childcare is the issue facing many working parents, including those from a disadvantaged background. That is why we are committed to helping [...] with the costs of childcare by doubling the hours of free childcare available to them to 30 hours, worth around £5,000 per child per year.<sup>89</sup>

The Childcare Bill was being scrutinised by Parliament at the time of the publication of the Government’s response to the Committee report. In April 2015, the Conservative Party’s general election manifesto stated that “in the next Parliament we will give families where all parents are working an entitlement to 30 hours of free childcare for their 3- and 4-year olds”.<sup>90</sup> After the 2015 general election, the Conservative Government announced in the Queen’s Speech on 27 May 2015 that “measures would be brought forward to help working people by greatly increasing the provision of free childcare”.<sup>91</sup> The Childcare Bill [HL] (HL Bill 9 of session 2015–16) received its first reading in the House of Lords on 1 June 2015 to bring these measures into effect.<sup>92</sup>

According to the Government, the aim of the additional free childcare was to “help families by reducing the cost of childcare”, and to “support parents into work or to work more hours, should they wish to do so”.<sup>93</sup> The Government contended that for some families, the costs of childcare meant that they “do not feel it is worth going to work”.<sup>94</sup> The Government explained that the additional 15 hours would “only be available” to families where both parents are working, or the sole parent is working in a sole parent family.<sup>95</sup> Each parent would have to earn a weekly minimum equivalent to 16 hours at national minimum wage or living wage, with a maximum income limit of £100,000 per annum each.<sup>96</sup> The Government said that it had stipulated these criteria because the provision “must be affordable and provide value for money for Government at a sustainable rate for the sector”.<sup>97</sup>

<sup>88</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 7; and Department for Education, [Childcare Bill: Policy Statement](#), December 2015.

<sup>89</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 8.

<sup>90</sup> Conservative Party, [The Conservative Party Manifesto 2015](#), April 2015, p 27.

<sup>91</sup> [HL Hansard, 27 May 2015, col 5](#).

<sup>92</sup> UK Parliament website, ‘[Bill Stages: Childcare Act 2016](#)’, accessed 27 January 2017.

<sup>93</sup> Department for Education, [Childcare Bill: Policy Statement](#), December 2015.

<sup>94</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 6.

<sup>95</sup> *ibid.*

<sup>96</sup> *ibid.*, p 4.

<sup>97</sup> *ibid.*

### 3.3 Provision of Early Education for Disadvantaged Children

On 16 July 2015, the Department for Education published a baseline survey report, by NatCen Social Research, of families taking part in the longitudinal study, SEED.<sup>98</sup> The report provided findings from the first wave of the survey of parents.<sup>99</sup> Over 5,600 families took part in the baseline survey over the period from October 2013 to November 2014. Most children in the study were 2-years old at the time of the baseline interview.<sup>100</sup>

The Government referred to the report findings in response to the Committee's recommendation that it should review its distribution of resources, and evaluate the free early education entitlement. The Government said that the report had shown that free government-funded childcare provision for 2-year olds "has closed the gap" in take-up of early years education between the most disadvantaged 2-year olds and children from wealthier backgrounds.<sup>101</sup> The Government also commented that the study had highlighted differences in language skills and behavioural development according to disadvantage:

The most disadvantaged children had less developed language skills and were reported to show lower levels of social and behavioural development than children who were not disadvantaged. Parents from the most disadvantaged families were less likely to engage in home learning activities with their child.<sup>102</sup>

The Department for Education said that it would publish further findings from the SEED project in due course.<sup>103</sup>

### 3.4 Quality of Provision

The Government responded to recommendations surrounding quality of early education by contending that, as of January 2015, 85 percent of funded 2-year olds were in settings rated by Ofsted as 'good' or 'outstanding'.<sup>104</sup> However, the Government said that it did want to see "further improvements" in this.<sup>105</sup> Therefore, it explained that, in September 2015, Ofsted had introduced a new common inspection framework (CIF) which included applying to registered early years settings. The Government explained:

In judging the quality and standards of early years provision, Ofsted inspectors must assess the extent to which the learning and care provided by the setting meets the needs of the range of children who attend. When considering evidence of the quality of teaching, learning and assessment, inspectors' observations will include the tracking of selected children, including funded 2-year olds and other children whose circumstances may suggest they need particular intervention or support.<sup>106</sup>

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<sup>98</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 9.

<sup>99</sup> *ibid.*

<sup>100</sup> *ibid.*

<sup>101</sup> *ibid.*

<sup>102</sup> *ibid.*

<sup>103</sup> *ibid.*

<sup>104</sup> *ibid.*, p 16. The Government noted that this figure was based on "where there was a match to the Ofsted inspection judgement".

<sup>105</sup> *ibid.*

<sup>106</sup> *ibid.*, pp 16–17

The Government also stated its view that “the workforce is the main driver of quality” in a childcare setting.<sup>107</sup> It explained that, from 2016, it would “review progression routes” to determine what more can be done to “enable good quality staff to maximise their potential and forge a successful career within early years”.<sup>108</sup> The Government stated that this would build upon the Voluntary and Community Sector grants programme and the Teaching Schools grant which have “brought high performing schools and PVI providers together to share good practice and improve transition into school”.<sup>109</sup> The Government said that it intended to introduce a requirement that newly qualified level 2 and level 3 staff must hold a paediatric first aid certificate in order to count in the Early Years Foundation Stage (EYFS) ratios.<sup>110</sup> It also intended to launch a new voluntary quality assurance mark in 2016 to recognise those nurseries who have trained all their staff in first aid.<sup>111</sup>

The Government argued that it expected qualification levels to “continue to increase”—as it claimed had been the case over recent years—through the Government’s previous introduction of Early Years Educator qualification criteria and Early Years Initial Teacher Training.<sup>112</sup> The qualifications meeting this criteria began in September 2014 and a person must have at least a C in GCSE English and Maths (level 2) to be employed in a level 3 role. The first entry to the new Early Years Initial Teacher Training was September 2013.<sup>113</sup> Early Years Teachers are graduate specialists in early childhood development, trained to work with babies and young children from birth to age five. Early Years Teacher trainees have to meet the same entry requirements—including the skills tests—as primary teacher trainees.<sup>114</sup> These initiatives were, according to the Government, based on recommendations from the Nutbrown Review.<sup>115</sup>

### 3.5 Early Years Funding

In response to the Committee’s concerns about funding, the Government informed the Committee that, on 25 November 2015, it had announced it would invest “more than £1 billion of additional funding per year by 2019/20”.<sup>116</sup> This would be to deliver the 30 hours of free childcare.<sup>117</sup> Almost £300 million per year of this would be to fund increases to the national average funding rate, which will increase from £5.09 to £5.39 (30 pence per hour) for the 2-year old entitlement; and from £4.56 to £4.88 (32 pence per hour) for the 3- and 4-year old

<sup>107</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 13.

<sup>108</sup> *ibid.* See also: Department for Education, ‘[Sam Gyimah: Vision for Early Years Workforce and Millie’s Mark](#)’, 4 July 2016.

<sup>109</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 13.

<sup>110</sup> *ibid.*, p 14. See also: Department for Education, [Paediatric First Aid Requirements in the Statutory Framework for the Early Years Foundation Stage: Government Response](#), June 2016.

<sup>111</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 14.

<sup>112</sup> *ibid.*, p 13.

<sup>113</sup> *ibid.*

<sup>114</sup> *ibid.*

<sup>115</sup> *ibid.* The Nutbrown Review which began in 2011 was an independent review of early education and childcare qualifications, led by Professor Cathy Nutbrown. The final report on the review’s findings was published in June 2012. See: Department for Education, [Foundations for Quality: The Independent Review of Early Education and Childcare Qualifications—Final Report](#), 19 June 2012.

<sup>116</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 15.

<sup>117</sup> *ibid.*



entitlement (the equivalent rate per carer for 3- and 4-year olds is £39).<sup>118</sup> All funding rates for 3- and 4-year olds include the Early Years Pupil Premium, in order to reflect the total government investment in the free entitlement.<sup>119</sup>

The Government argued it was essential that the free entitlement was “funded at a level which is sustainable for providers; delivers a good service for children and parents; and which is fair to the taxpayer”.<sup>120</sup> The Government had run a six month long analytical *Review of the Costs of Childcare*, which had informed its decisions about the funding rate.<sup>121</sup>

Alongside the increase to the rate paid to providers, the Government also announced as part of the 2015 Spending Review that “at least £50 million of capital funding” would be allocated to help providers who wish to expand and increase the number of places they are able to offer.<sup>122</sup> Capital funding would also be made available to create nursery provision as part of new Free Schools. The Government estimated that at least 4,000 places would be created that way.<sup>123</sup>

The Government contended that its cost estimates “aim to be representative” of the national picture for each provider type, but that it also considered that its *Review of the Cost of Childcare* had showed that wages for childcare workers, and the mix of providers, varied across the country.<sup>124</sup> The Government acknowledged that at the time of its response to the Committee’s report, the funding system for the 3- and 4-year old entitlement created “unfair and unjustifiable differences between areas, and between types of providers”.<sup>125</sup> It consequently expressed its commitment to introducing a “fairer and more transparent way of distributing funding for the entitlements” through a new national funding formula for early years.<sup>126</sup> According to the Government, a new formula would help maximise funding passed on to providers at the front line and would consider funding for the most disadvantaged.<sup>127</sup> The Government consulted on proposals for a new funding formula in 2016—the findings of which are summarised in the last section of this briefing.

In relation to the entitlements, the Government contended that it had been “very clear” to local authorities and providers that a child’s entitlement to a funded place “must be genuinely free”.<sup>128</sup> To this end, the Government had published updated statutory guidance in September 2014 which reinforced that local authorities should work to secure sufficient childcare in their areas. In addition to the statutory guidance, the Government added that it believed there to be “appropriate legislation for local authorities to improve the supply of childcare within their areas as part of its Childcare Bill”, which required local authorities to secure childcare provision free of charge to qualifying children.<sup>129</sup>

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<sup>118</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 15.

<sup>119</sup> *ibid.*

<sup>120</sup> *ibid.*

<sup>121</sup> *ibid.* See: Department for Education, [Review of Childcare Costs: the Analytical Report](#), 15 November 2015.

<sup>122</sup> Department for Education, [Government Response to the Lords Select Committee Report on Affordable Childcare \(2014–15\)](#), 17 December 2015, p 15.

<sup>123</sup> *ibid.*, p18.

<sup>124</sup> *ibid.*

<sup>125</sup> *ibid.*, p 15.

<sup>126</sup> *ibid.*

<sup>127</sup> *ibid.*, p 9.

<sup>128</sup> *ibid.*

<sup>129</sup> *ibid.*



## 4. Further Developments

Following Theresa May taking office as Prime Minister on 13 July 2016, and subsequent Cabinet changes, Lord McFall, chair of the House of Lords Liaison Committee, wrote to the Secretary of State for Education, Justine Greening, on 23 November 2016 to follow-up the recommendations of the Affordable Childcare Committee's report.<sup>130</sup> The letter was written in consultation with Lord Sutherland, the former chair of the Committee.<sup>131</sup> Lord McFall requested a written update on the status of the recommendations and, in particular, on:

- Funding of free early education places in the private, voluntary and independent sector.
- The qualification of staff involved in providing early education in care.
- The provision of early education for disadvantaged children.
- The cross-government childcare implementation task force.<sup>132</sup>

Justine Greening replied on 14 December 2016, and the key elements of that response are detailed below. In addition, on 27 January 2017 the Government published four reports through SEED on the costing and funding of early education; experiences of the early years pupil premium; good practice in early education; and meeting the needs of children with SEN and disabilities in the early years.<sup>133</sup> A summary of the findings from a selection of those reports, as well as a selection of commentary on the issues discussed, is provided below.

### 4.1 Early Years Funding

In December 2016, Justine Greening confirmed the Government's commitment to invest £6 billion per year in childcare by 2020 and argued that, with "increases to the national average funding rate" and a new Early Years National Funding Formula (EYNFF), "the rates paid to the vast majority of child care providers are set to increase".<sup>134</sup> She contended that the new funding formula, introduced following a consultation in mid-2016 on how investment was provided to free and early years education, would "provide the fair, transparent and sustainable funding system childcare providers need to underpin the current 15 hours entitlements and the additional 15 hours for working parents". In her letter, she highlighted that the new formula included:

[A] minimum funding rate of £4.30 per hour to local authorities, which will give local authorities the scope to pay providers an average funding rate of at least 4 pounds per hour. This will ensure that no local authority can face a reduction in its hourly funding

<sup>130</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 1.

<sup>131</sup> *ibid.*

<sup>132</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Lord McFall of Alcuith to Rt Hon Justine Greening MP](#), 3 November 2016, p 1.

<sup>133</sup> Department for Education, '[Study of Early Education and Development \(SEED\)](#)', updated 27 January 2016.

<sup>134</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2.

rate of greater than 10 percent against its 2016/17 baseline, and their annual reductions in hourly rates will be limited to 5 percent in 2017/18 and 2018/19.<sup>135</sup>

Justine Greening also provided a number of other updates with regard to funding. These included: requiring authorities to pass 95 percent of their funding to providers; introducing a Disability Access Fund; requiring authorities to create a Special Educational Needs inclusion fund; and extending a £55 million per year supplementary funding for maintained nursery schools until the end of this Parliament.<sup>136</sup>

### SEED Findings Published: Costing and Funding of Early Education (January 2017)

On 27 January 2017, the Department for Education (DfE) published the findings of a study exploring the costing and funding of early education, undertaken as part of the SEED. Its findings included estimated hourly delivery costs of providing early education, as follows:

The mean hourly delivery cost per child is £4.58 for children under the age of two; £4.30 for 2-year olds; £3.72 for 3- or 4-year olds; and £3.91 for school children (when cared for in settings with preschool children).<sup>137</sup>

The findings showed that the mean hourly costs for 3- or 4-year olds was higher for maintained nursery schools, local authorities or children’s centres and childminders than for nursery classes, private and voluntary settings.<sup>138</sup> The authors of the study described these differences as “statistically significant” and “not explained by related differences in region, quality or age profile across provider types”.<sup>139</sup> The hourly cost was also higher for nursery classes over private settings, and there is a similar pattern in hourly cost across provider types for 2-year olds:

**Table 1: Average Hourly Cost by Provider Type**

Type of Provider	Two Years Old			Three / Four Years Old		
	Hourly Cost		Number of Obs.	Hourly Cost		Number of Obs.
	Mean	Median		Mean	Median	
Private	£3.80	£3.67	67	£3.12	£3.04	68
Voluntary	£4.01	£3.79	25	£3.45	£3.12	25
Nursery Class	£5.09	£4.67	4	£3.96	£3.64	18
Maintained Nursery School	£6.45	£6.35	7	£6.65	£6.51	10
LA / Children’s Centre	£5.96	£4.93	15	£5.33	£4.86	15
Childminder	£5.35	£5.03	22	£4.77	£4.61	22

(Department for Education, *The Cost and Funding of Early Education*, 27 January 2017, p 11)

<sup>135</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2. See also: Department for Education, [Early Years Funding Changes to Funding for Three- and Four-Year Olds](#), December 2016.

<sup>136</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2.

<sup>137</sup> Department for Education, [The Cost and Funding of Early Education](#), 27 January 2017, p 9.

<sup>138</sup> *ibid*, p 11.

<sup>139</sup> *ibid*.

The findings also showed variation in hourly cost across different regions. The mean hourly cost for 3- and 4-year olds was “substantially higher” in London (£4.86) and somewhat higher in the Midlands (£3.98), South West (£3.79) and East of England (£3.65) than in the North East, North West, Yorkshire, and South East (which ranged from £3.06 to £3.49). A similar pattern existed for the costs for 2-year old children.<sup>140</sup> These regional differences were described by the DfE as “not explained by related variations in provider types or quality levels”, and appeared to reflect differences in the cost of resources across the country.<sup>141</sup> The DfE suggested these differences occur primarily in the staff and venue costs rather than other types of costs.

In March 2016, the National Audit Office (NAO) also found disparities in hourly rates. The NAO reported that the “average hourly rates in a selection of local authorities showed large variations between them and their statistical neighbours”, and that “across the country, the average funding rate per hour for 3- and 4-year olds in 2015/16 ranged from £2.28 in Harrow to £7.15 in Westminster”.<sup>142</sup>

Other findings from the SEED report included that:

- Most revenue comes from parental fees for private providers and childminders and most comes from the Free Early Education Entitlement (FEEE) for voluntary and maintained providers.
- The average total weekly cost for a setting is £4,747. Unsurprisingly, average weekly costs are lowest for childminders (£797) due to their small scale, but maintained nursery schools and LA/children’s centres have higher average total weekly costs (£11,144 and £9,178 respectively) than private, voluntary or nursery class settings (£6,307, £4,116 and £3,243 respectively).<sup>143</sup>
- On average, 75 percent of costs were for staff, 12 percent for venue-related costs and 12 percent for other costs.<sup>144</sup>
- Higher proportions of maintained settings than PVI settings receive revenue from the Early Years Pupil Premium and in local authority annual grants.<sup>145</sup>

On the basis of these findings, the authors of the SEED study reached a number of the conclusions surrounding early education and childcare policy. These included that:

- Designing efficient levels of FEEE funding which are financially sustainable for settings is challenging for several reasons. First, there is substantial variation in the hourly cost of delivery. Second, settings tend to operate under complex financial models involving cross-subsidisation between different ages of children and across different time periods. Third, there is a need to better understand the drivers of the surpluses in revenue over costs.

<sup>140</sup> Department for Education, [The Cost and Funding of Early Education](#), 27 January 2017, p 12.

<sup>141</sup> *ibid.*

<sup>142</sup> National Audit Office, [Entitlement to Free Early Education and Childcare](#), 2 March 2016, HC 853 of session 2015–16, p 26.

<sup>143</sup> Department for Education, [The Cost and Funding of Early Education](#), 27 January 2017, p 8.

<sup>144</sup> *ibid.*, p 9.

<sup>145</sup> *ibid.*, p 71.

- Exploring the reasons why delivery costs vary across provider types might offer new insights on how early education and childcare could be delivered more efficiently at lower cost. Greater efficiency in the use of staff time is a key potential option to reduce costs, but may be limited by the complexity of settings' staffing models.<sup>146</sup>

## 4.2 Quality of Provision

With regard to quality of early years provision, in her letter to the Liaison Committee, Justine Greening asserted that the percentage of early years providers rated by Ofsted as 'good' or 'outstanding' had increased from 86 percent in 2015 to 91 percent in 2016. She added that "the Government had set aside £5 million a year to fully utilise the expertise that exists in the system, and to give additional support to disadvantaged areas", and that further details "will come in due course".<sup>147</sup> The Government had also "committed to publishing an early years workforce strategy" which would set out what the Government will do in order to help employers recruit, retain and develop good quality staff.<sup>148</sup> The Government was also committed to a "discretionary quality supplement", which would recognise and reward high workforce qualifications and system leadership.<sup>149</sup>

With regard to providers who were not delivering quality provision, Justine Greening informed the Liaison Committee that "guidance on delivery of free entitlement already states that local authorities should not fund providers rated as inadequate unless they know that there is a strong plan in place to improve the quality of provision".<sup>150</sup>

Since Justine Greening's letter to the Committee, evidence published by SEED in January 2017 regarding quality of provision indicated that higher quality (such as settings being graduate-led) "does not involve substantially higher cost".<sup>151</sup> The findings also showed that higher funding or subsidy levels provided the opportunity for providers to deliver—and parents to choose—higher quality, but that did not guarantee that they will do so. The DfE concluded that "[a]n effective financial incentive would require higher funding or subsidy levels to be attached to higher quality provision or use".<sup>152</sup> Further reports on the quality of settings, a value for money interim report and an impact analysis interim report were intended to be published by the Government later in 2017.<sup>153</sup>

## 4.3 Provision of Early Education for Disadvantaged Children

In response to improving outcomes for disadvantaged children, Justine Greening contended in her letter to the Liaison Committee that the 15 hours of early education offered to all 3- and 4-year olds, and the "targeted places" to disadvantaged 2-year olds addressed this.<sup>154</sup> She argued that 68 percent of eligible 2-year olds "currently benefit from some funded early

<sup>146</sup> Department for Education, [The Cost and Funding of Early Education](#), 27 January 2017, p 18.

<sup>147</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2.

<sup>148</sup> *ibid.*

<sup>149</sup> *ibid.*

<sup>150</sup> *ibid.*

<sup>151</sup> Department for Education, [The Cost and Funding of Early Education](#), 27 January 2017.

<sup>152</sup> *ibid.*, p 18.

<sup>153</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 2.

<sup>154</sup> *ibid.*

education” and that the Early Years Pupil Premium improved outcomes for disadvantaged children.<sup>155</sup>

The Government’s Early Years Foundation Stage Profile (EYFSP) measured children’s attainment at age five. Justine Greening contended that this showed that the gap was narrowing “from 19 percent in 2013 to 17.3 percent in 2016”, based on the measure of those children who are eligible for free school meals—and that this further demonstrated the Government’s work to address the challenges faced by disadvantaged children.<sup>156</sup>

### Experiences of the Early Years Pupil Premium

A written question in the House of Commons on 15 December 2016 asked the Government whether it would ensure that Ofsted inspection findings would be made publicly available with regard to whether providers “spend funds allocated for their EYPP effectively”.<sup>157</sup> The Parliamentary Under Secretary for the Department for Education, Caroline Dinéage, replied on 20 December 2016 that:

[T]he specific findings on how the EYPP is spent, may be part of the published report but Ofsted has the discretion not to publish such findings in the public inspection report in every case, for example to preserve confidentiality where only small numbers of children attract the funding.<sup>158</sup>

On 27 January 2017, the DfE published findings of its study exploring providers’ experiences of the EYPP, undertaken as part of the SEED. The Government explained that the study aimed to “build in-depth understanding of how EYPP funding is used and its perceived impact on disadvantaged children”.<sup>159</sup> The report concluded that it was “clear that providers welcomed the opportunities that EYPP offered, to focus support on the needs of disadvantaged children and make a range of improvements to the learning resources and environments of all children”.<sup>160</sup> However, in exploring providers’ experiences of the process of securing and spending EYPP funds, “a number of challenges were identified”.<sup>161</sup> This included: “confusion” around which children would be eligible—thereby making it difficult for some providers to work with and target families to complete application forms; smaller providers “struggling” to achieve the same kinds of impacts as larger settings, because they had fewer eligible pupils and therefore less funding overall—for example to purchase resources such as speech and language therapists; and a desire for more guidance and sharing good practice on how to most beneficially spend EYPP money, including where it would have most impact, as well as “low levels of awareness” of existing guidance.<sup>162</sup>

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<sup>155</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, pp 1–2.

<sup>156</sup> *ibid.*

<sup>157</sup> House of Commons, [‘Written Question: Pupil Premium’](#), 15 December 2016, 57828

<sup>158</sup> *ibid.*

<sup>159</sup> Department for Education, [Study of Early Education and Development: Experiences of the Early Years Pupil Premium Research](#), 27 January 2017, p 6.

<sup>160</sup> *ibid.*, pp 44–5.

<sup>161</sup> *ibid.*

<sup>162</sup> *ibid.*

## 4.4 Childcare Bill

The Childcare Bill passed its parliamentary stages and was given royal assent on 16 March 2016 as the Childcare Act 2016.<sup>163</sup> This provided for the increased 15 hours entitlement to be implemented for working parents from September 2017.

Following an open competition for councils and childcare providers, the Government announced on 2 February 2016 that a number of local authorities would pilot the additional early education entitlement—these were Wigan, Staffordshire, Swindon, Portsmouth, Northumberland, York, Newham and Hertfordshire.<sup>164</sup> Nursery World reported that “it will be up to each local authority to decide how they will offer the places during the trial”.<sup>165</sup> A further 25 other local authorities will look at innovative ways of making sure childcare is accessible to as many parents as possible. The DfE explained that “early innovators in each local cluster will work together to focus on special educational needs and disability, flexibility, availability of places, and making work pay”.<sup>166</sup> The Government has announced that £13 million has been allocated to the early roll out pilots, with £4 million allocated to the ‘early innovator’ areas.<sup>167</sup>

After the announcement of the pilots, and shortly before the Childcare Bill passed its parliamentary stages, a report by the NAO was published on 2 March 2016, which reviewed the existing 15 hours of free provision, and also looked ahead to the introduction of the additional 15 hours of extended entitlement. The report contended that offering “the right rate” of funding would be “essential” to ensure that providers feel confident to deliver the new entitlement. It further explained:

The new average funding rate will require providers to operate more efficiently in future, as well as meaning that some will continue to rely on cross-subsidisation and volunteering. Potential economies of scale may create an incentive for some providers to expand, but others—in particular those that cannot expand—may fear reductions in the opportunity to charge parents for additional hours.<sup>168</sup>

The NAO also commented that there was “a risk that the new entitlement will have a negative impact on the further success of the entitlement for disadvantaged 2-year olds” contending that by expanding the number of hours which many 3- and 4-year olds are entitled to providers may be encouraged to do more work with them and less with 2-year olds”.<sup>169</sup>

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<sup>163</sup> The Explanatory Notes to the Bill explained that the existing legislation relating to the provision of childcare is set out in the Childcare Act 2006, and secondary legislation made under that primary legislation, including the Childcare Act 2006 (Provision of Information to Parents) (England) Regulations 2007 (SI 2007/3490) and the Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2014 (SI 2014/2147). The Explanatory Notes confirmed that the Childcare Act 2006 would “continue to be the main Act governing the provision of childcare” (Department for Education, [Childcare Bill \[HL\]: Explanatory Notes](#), 1 June 2015, p 2; and Cabinet Office and Prime Minister’s Office, [The Queen’s Speech 2015: Background Briefing Notes](#), 27 May 2015, p 26).

<sup>164</sup> These areas were: Wigan, Staffordshire, Swindon, Portsmouth, Northumberland, York, Newham and Hertfordshire (Department for Education, ‘[Thousands of Parents Benefit from 30 Hours Free Childcare Early](#)’, 2 February 2016).

<sup>165</sup> Department for Education, [30 Hour Free Childcare Entitlement: Delivery Model](#), November 2016, p 11.

<sup>166</sup> Department for Education, ‘[Thousands of Parents Benefit from 30 Hours Free Childcare Early](#)’, 2 February 2016.

<sup>167</sup> [HL Hansard, 2 February 2016, col 1751](#).

<sup>168</sup> National Audit Office, [Entitlement to Free Early Education and Childcare](#), 2 March 2016, HC 853 of session 2015–16, p 10.

<sup>169</sup> *ibid.*



In addition, the NAO report argued that the Government would need to pay “particular attention” to the impact of new funding rates on take-up in deprived areas.<sup>170</sup> The NAO analysis showed that deprived areas had more maintained settings, which “typically have less opportunity to cross-subsidise and higher costs”.<sup>171</sup>

Following the NAO’s March 2016 report, the DfE launched a consultation on 3 April 2016 on the extended entitlement of 30 hours of free childcare. The consultation ended on 8 June 2016—the deadline having been extended for two days. The consultation sought views on increasing flexibility of the free entitlement to better meet the needs of working parents; improving access to the free entitlement for disabled children and those with additional needs; making the local delivery model more efficient; and improving parents’ access to information about childcare.<sup>172</sup>

The consultation included draft, indicative regulations which would set out the legal framework for the delivery of the extended entitlement. The Government reported that the regulations were subject to affirmative resolution, and would be discussed in both Houses “in due course”.<sup>173</sup> The consultation also sought views on draft statutory guidance for the free entitlement, which is expected to be published in early 2017.<sup>174</sup> The Government reported that changes to the statutory guidance would come into force in September 2017 and that changes to the regulations and the statutory guidance would apply to both the universal and extended entitlement.<sup>175</sup>

Shortly after the Government’s consultation closed—but prior to the Government reporting—the House of Commons Public Accounts Committee took evidence on the additional entitlement. In its report, the Committee concluded that “there may not be enough providers willing to provide the additional 15 hours of free childcare being introduced in 2017”.<sup>176</sup> It also reported that “limited opportunities” for cross-subsidisation under the 30 hours policy would limit the ability to offer the new entitlement to children and would disproportionately affect disadvantaged children as these settings are more likely to operate in disadvantaged areas”. In addition, the Committee also concluded that, while the Government had the opportunity to “test providers’ capacity” in its pilots, which began in September 2016, the Government would have “very little time to evaluate the results before it rolls out the new entitlement in September 2017”.<sup>177</sup>

The Government published its response to the consultation on 5 November 2016.<sup>178</sup> According to the consultation findings, “[m]any respondents raised issues about the level of funding for the extended entitlement” and had “concerns about the impact on provider sustainability”.<sup>179</sup> In response to concerns raised, the Government referred to its previously stated funding

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<sup>170</sup> National Audit Office, [Entitlement to Free Early Education and Childcare](#), 2 March 2016, HC 853 of session 2015–16, p 10.

<sup>171</sup> *ibid.*

<sup>172</sup> Department for Education, [30 Hour Free Childcare Entitlement: Delivery Model](#), November 2016, p 11.

<sup>173</sup> *ibid.*, p 10.

<sup>174</sup> *ibid.*

<sup>175</sup> *ibid.*

<sup>176</sup> House of Commons Public Accounts Committee, [Entitlement to Free Early Years Education and Childcare](#), 15 June 2016, HC 224 of session 2015–16, p 5.

<sup>177</sup> *ibid.*

<sup>178</sup> *ibid.*

<sup>179</sup> *ibid.*, p 6.

commitments, and also highlighted that it would soon report on proposed changes to the early years funding.<sup>180</sup> These changes were announced in December 2016, as detailed above.

In addition, on 10 January 2017, Justine Greening announced a further £50 million grant scheme, which she contended would “help to deliver the Government’s landmark 30 hours free childcare offer” by creating almost 9,000 free places for eligible 3- and 4-year olds, saving parents around £5,000 per year.<sup>181</sup> According to the Government, almost 200 nurseries and pre-schools are expected to receive a share of this funding—which is on top of the Government’s £6 billion per year investment for childcare by 2020—to invest in new buildings, convert old ones and upgrade facilities.<sup>182</sup>

## 4.5 Childcare Implementation Taskforce

In response to the request by the Liaison Committee for information about the progress made by the childcare implementation taskforce in “joining up the various policy strands” and addressing the “competing aims” of the Government’s childcare policy, Justine Greening replied that it was not the Government’s intention to do so because such information would “affect the candour of internal discussion”.<sup>183</sup> Instead, she contended that taskforce ministers were “committed to promoting a coherent and effective government-wide childcare offer, to support parents to work”.<sup>184</sup> She argued that the involvement of different government departments in the taskforce ensured “a united approach” and that collectively it was meeting the aims of “improving child outcomes, narrowing the attainment gap, and facilitating parental employment”.<sup>185</sup>

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<sup>180</sup> House of Commons Public Accounts Committee, [Entitlement to Free Early Years Education and Childcare](#), 15 June 2016, HC 224 of session 2015–16, p 6. See also: Department for Education, [Early Years Funding Changes to Funding for Three- and Four-Year Olds](#), December 2016.

<sup>181</sup> Department for Education, [Families to Benefit from £50 Million Boost to Childcare Schemes](#), 10 January 2017.

<sup>182</sup> *ibid.*

<sup>183</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 1. A request for similar information has been asked of the Government in a number of parliamentary questions in 2016. No further details have been provided by the Government in its responses. See, for example: House of Commons, [Written Question: Childcare Implementation Taskforce](#), 28 November 2016, 54555; and House of Commons, [Written Question: Childcare Implementation Taskforce](#), 26 October 2016, 49176.

<sup>184</sup> House of Lords Liaison Committee, [Affordable Childcare: Letter from Rt Hon Justine Greening MP](#), 3 November 2016, p 1.

<sup>185</sup> *ibid.*



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