

# Local Government Association (LGA) Childcare Bill House of Commons, Second Reading Wednesday 25 November 2015



## Key messages

- The LGA supports the Government's intention to make childcare more affordable. However, we are concerned that the Childcare Bill will increase the cost pressures on local government as it creates a duty on councils to deliver 30 hours free childcare. Whilst we support the principle of extending free childcare, we are concerned about the risks associated with placing additional costs on an already underfunded system.
- We therefore support clause 1, introduced as a cross-party amendment in the House of Lords, as it requires an independent review of the funding available for childcare to be held before sections 2 to 6 can come into force. A review of funding will be crucial to ensuring that the Government and local authorities are able to meet the commitments being given in this legislation.
- The Bill gives additional powers to the Secretary of State which are excessive and prescriptive, while placing duties on local authorities that they have little control over. If the Secretary of State is able to be very prescriptive about local provision, councils need new powers to address gaps in the local market.

## Background

### *Funding*

The Spending Review on the 25 November 2015 is expected to make a number of announcements on the funding of childcare and the LGA will be updating its analysis accordingly.

Currently the 15 hours childcare for 3 and 4 year olds is considered to be underfunded. The hourly rate has been frozen in cash terms for the last three years. As the funding received is based on historical spend, not all councils receive the same amount. The Department for Education (DfE) provides between £3.37 and £4.50 per hour (adjusted by an area cost adjustment for those areas with higher input costs). The differential can, in part, be explained by different levels of disadvantage. Councils with smaller pockets of deprivation which receive a lower level of funding are reporting that providers consider the current funding is insufficient and that this may have an effect on quality. There is also evidence that a shortfall in the funding to private voluntary and independent providers is being met in some cases by increasing the rates for fee-paying parents.

The Government should ensure that the funding rate covers the cost of delivering 30 hours of free childcare to a standard likely to improve children's outcomes. Capital funding may also be required to expand provision where necessary to meet the commitment to 30 hours childcare.

### **Funding review (clause 1)**

The LGA supports the inclusion of clause 1 on an independent funding review of

# Briefing

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the free childcare entitlement. Given that the current 15 hours childcare for 3 and 4-year-olds is considered to be underfunded, a review will help identify whether the changes being introduced in the Childcare Bill will cover the cost of delivering 30 hours of free childcare to a standard likely to improve children's outcomes.

The Government has committed to an uplift in the average rate that providers receive for the entitlement. The current proposal is for this to be delivered by councils through the Dedicated Schools Grant. The DfE has confirmed that decisions about the size of this rate uplift – and the consequent additional funding – will be made at the forthcoming Spending Review.

The Government announced on 15 June 2015 that was conducting a review of the cost of providing childcare. This follows warnings from providers across the spectrum that the current system is underfunded.

It is vital the Government ensures that the funding rate covers the cost of delivering 30 hours of free childcare to a standard likely to improve children's outcomes and deliver broader policy objectives on employment, progression and social mobility.

### ***Eligibility***

The Bill and its Explanatory Notes lack detail as to which parents would be entitled to the 30 hours a week free childcare. The Government has said separately that to be eligible for the additional hours both parents should be in work or be a lone parent in work.

If councils are required to assess eligibility on the basis of different eligibility requirements, they will incur additional costs which would need to be fully funded. The LGA would be concerned if the costs of determining eligibility for the 30 free hours would impact on an already underfunded system.

### **Discharging the section 2(1) duty (clause 3)**

Clause 3 gives the Secretary of State the power to make regulations on the type of childcare and the times at which childcare should be available. The LGA is concerned that clause 3 will create further cost pressures on councils.

It is vital that local authorities have the funding and the levers to shape provision in their local area to better deliver these over-arching objectives, particularly where there are gaps in the current provision. This may entail:

- Greater freedom to expand maintained provision.
- Further capital investment across sectors to secure additional capacity in the most cost-effective way.
- Greater scope for councils to incentivise providers to shape provision to meet local needs.